

City of
Johnson City
Tennessee



**Comprehensive Annual
Financial Report**

**For the Year Ended
June 30, 2014**

City of Johnson City, Tennessee

Comprehensive Annual Financial Report

For the Fiscal Year Ended
June 30, 2014



Prepared by:

Finance Department

Janet Jennings, CPA, Director of Finance

CITY OF JOHNSON CITY, TENNESSEE

BASIC FINANCIAL STATEMENTS

AND SUPPLEMENTARY INFORMATION

For the Fiscal Year Ended June 30, 2014

**CITY OF JOHNSON CITY, TENNESSEE
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 For the Fiscal Year Ended June 30, 2014**

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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 19, 2014

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, 2014 is hereby submitted, in accordance with the provisions of Section 2.89 of the Johnson City Code. This report consists of the City's representations concerning the finances of the City of Johnson City. Consequently, the City assumes full responsibility for the completeness and reliability of all of the information presented in this report. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial structures have been included.

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

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

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

Financial Information

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

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

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

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

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

Profile of the Government

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

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

Factors Affecting Financial Condition

Local Economy. Johnson City, along with Kingsport and Bristol, Tennessee and Virginia, make up the "Tri-Cities" area of Northeastern Tennessee. The area has an MSA population of 509,249 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 the Veteran's Administration Medical Center. The City of Johnson City provides funding and other support to the Washington County Economic Development Council. The City's involvement in this partnership for economic progress demonstrates a continued commitment to working for a stronger local economy, improved quality of life, community pride, responsible city government and a more attractive community.

The City continues to experience lower unemployment than the State average. A decrease from 8.5% to 7.2% (not seasonally adjusted) was experienced during the current fiscal period. The year-end State average unemployment rate was 7.4% (not seasonally adjusted). A balance of property and sales taxes support the City's finances. Property taxes continued a pattern of steady growth. Sales tax collections were relatively flat from year-to-year. As the result of twelve (12) years with no tax increase, the City's property tax rate continues to be the lowest of all the surrounding areas.

Long-term financial planning. During fiscal year 2013, the City was near the end of a multi-year school construction and renovation program totaling over \$73 million. An addition to the City's intermediate school and school re-roofing projects reached completion during the current fiscal year. A major downtown drainage project culminated in the addition of a City park and road and landscaping improvements made in the downtown area will support economic development. Major progress was made on construction of the intelligent transportation system. Investment in the downtown area and water and sewer system improvements continue to be a focus, as the City continues to look forward with the local governing body's adoption of the 5-year Capital Improvement Program.

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

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, 2013. This was the City's thirteenth consecutive year for receiving the award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

Respectfully submitted,


Janet Jennings, CPA
Director of Finance



Government Finance Officers Association

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

Presented to

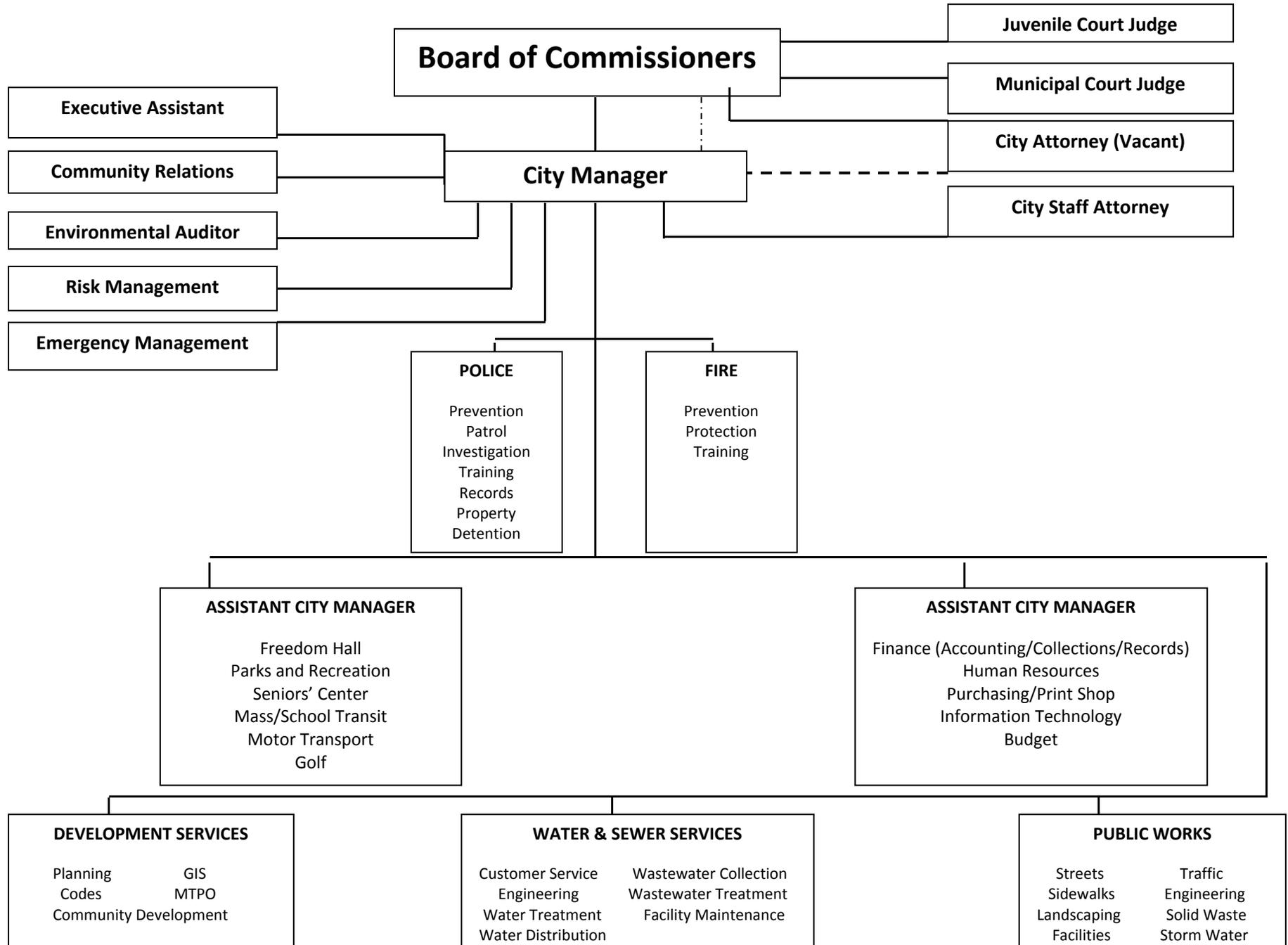
**City of Johnson City
Tennessee**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

CITIZENS OF JOHNSON CITY



**CITY OF JOHNSON CITY, TENNESSEE
CITY OFFICIALS
June 30, 2014**

Board of Commissioners:

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

City Judges:

Sharon Greene, Juvenile Judge
Stan Widener, City Judge

City Administration:

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

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

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Johnson City, Tennessee (the City) as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Johnson City Schools Site Based Fund, a nonmajor special revenue fund, which represents 1%, 1%, and 1%, respectively, of the assets, fund balance and revenues of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Johnson City Schools Site Based Fund, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

City of Johnson City, Tennessee
Independent Auditors' Report

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and the General Purpose School Fund for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 14 and the analyses of funding progress for defined benefit pension plans and post-employment healthcare plans on pages 125 through 126, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, supplemental information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

City of Johnson City, Tennessee
Independent Auditors' Report

The combining and individual fund financial statements and schedules, supplemental information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining and individual fund financial statements and schedules, supplemental information, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.


BLACKBURN, CHILDERS & STEAGALL, PLC
Johnson City, Tennessee

December 19, 2014

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, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i through iii of this report. All amounts included in this management's discussion and analysis, unless otherwise indicated, are expressed in the thousands of dollars.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$477,628 (*net position*). Of this amount, \$394,889 is invested in capital assets (*net of related debt*) and \$184 is restricted for specific purposes.
- The City's overall net position increased by \$18,277 for the current period.
- As of the close of the current fiscal year, the City's governmental funds reported combined fund balances of \$33,099, a decrease of \$4,633 in comparison with the prior year. Of this amount, \$235 is nonspendable, \$21,176 is restricted, \$2,626 is committed for specific purposes, and \$6,575 is assigned. In addition, beginning fund balance decreased \$11 mainly for adjustments to a school fund receivable and to inventory accounted for under the purchase method.
- At the end of the current fiscal year, fund balance for the general fund was \$18,657, or 23% of total general fund expenditures including transfers out. This balance includes \$11,878 of restricted funds, \$1,944 committed for specific purposes and \$2,349 assigned.
- The City's total outstanding long-term debt decreased \$16,135 (5.6%) during the current fiscal year.

Overview of the Financial Statements.

This narrative overview is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*), from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, public welfare, city services and education. The business-type activities of the City include water and sewer, city solid waste, regional solid waste, stormwater, power board, public building authority, mass transit and golf courses.

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

The government-wide financial statements can be found on pages 15 through 18 of this report.

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

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

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains seventeen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, general purpose school fund, debt service fund and educational facilities debt service fund, which are considered to be major funds. Data from the other thirteen governmental funds are combined into a single aggregated presentation and summarized under the heading "Other Governmental Funds" in the governmental fund presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements and individual fund statements elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 19 through 31 of this report.

Proprietary funds. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for the water/sewer, city solid waste, regional solid waste, mass transit, stormwater, golf courses, power board and public building authority. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its fleet maintenance service (motor transport) and insurance activities. Because these services predominantly benefit governmental rather than business-type functions, they have been primarily included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer and city solid waste operations, and for the power board and public building authority, all of which are considered to be major funds of the City. Data from the other enterprise funds are combined into a single, aggregated presentation and summarized under the heading "Nonmajor Proprietary Funds". Individual fund data for each of these nonmajor enterprise funds is provided in the form of combining statements elsewhere in this report. Data from the City's internal service funds (motor transport and insurance) are included in the proprietary fund financial statements under the heading "Governmental Activities – Internal Service Funds". Individual fund data for the internal service funds are provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 32 through 39 of this report.

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

The City maintains two fiduciary funds. The NETCO fund is used to report resources held for the Northeast Tennessee Cooperative to use to make combined purchases for its member cities and counties. The Up and At 'Em fund is used to report resources held for the Up and At 'Em Health and Fitness Initiative Board to use to plan, organize, promote and sponsor an annual Thanksgiving Day Turkey Trot Road Race and Fun Walk.

The fiduciary fund financial statements can be found on page 40 of this report.

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 43 through 124 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report presents *required supplementary information* concerning the City's progress in funding its obligation to provide pension and OPEB benefits to its employees. Required supplementary information can be found on pages 125 and 126 of this report.

The individual statements for the debt service funds and combining statements referred to earlier in connection with nonmajor governmental funds and nonmajor proprietary funds, are presented immediately following the required supplementary information on pensions and OPEB. These statements can be found on pages 127 through 154 of this report.

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City of Johnson City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$477,628, at the close of the most recent fiscal year.

City of Johnson City's Net Position

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 100,515	\$ 103,251	\$ 96,459	\$ 96,423	\$ 196,974	\$ 199,674
Capital assets	267,217	269,477	378,586	370,246	645,803	639,723
Total assets	367,732	372,728	475,045	466,669	842,777	839,397
Total deferred outflows of resources	136	148	728	873	864	1,021
Long-term liabilities outstanding	130,576	137,700	157,943	165,755	288,519	303,455
Other liabilities	12,019	12,740	22,217	21,537	34,236	34,277
Total liabilities	142,595	150,440	180,160	187,292	322,755	337,732
Total deferred inflows of resources	42,948	43,009	310	326	43,258	43,335
Net position:						
Net investment in capital assets	145,234	135,680	249,655	237,655	394,889	373,335
Restricted	184	190	-	-	184	190
Unrestricted	36,907	43,557	45,648	42,269	82,555	85,826
Total net position	\$ 182,325	\$ 179,427	\$ 295,303	\$ 279,924	\$ 477,628	\$ 459,351

By far, the largest portion of the City's net position (83%) reflects its investment in capital assets (e.g. land, buildings, equipment, vehicles and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (.04%) represents resources that are subject to external restrictions on how they may be used. The remaining 17% is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

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

The City's overall net position increased by \$18,277 from the prior fiscal year. The reasons for this overall increase are discussed in the sections for governmental activities and business-type activities, following the summary of changes in net position.

City of Johnson City's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 9,641	\$ 10,784	\$ 240,933	\$ 236,557	\$ 250,574	\$ 247,341
Operating grants & contributions	40,117	39,259	6,630	1,986	46,747	41,245
Capital grants & contributions	4,505	538	416	207	4,921	745
General revenues:						
Property taxes	41,912	40,737	-	-	41,912	40,737
Sales taxes	36,861	36,766	-	-	36,861	36,766
Other taxes	8,578	8,933	-	-	8,578	8,933
Unrestricted investment earnings	703	708	510	538	1,213	1,246
Other	6	7	40	7	46	14
Total revenues	<u>142,323</u>	<u>137,732</u>	<u>248,529</u>	<u>239,295</u>	<u>390,852</u>	<u>377,027</u>
Expenses:						
General government	9,267	12,420	-	-	9,267	12,420
Public safety	30,692	31,396	-	-	30,692	31,396
Public works	12,652	12,643	-	-	12,652	12,643
Public welfare	10,618	11,672	-	-	10,618	11,672
City services	2,301	3,554	-	-	2,301	3,554
Education	67,898	66,648	-	-	67,898	66,648
Interest on long-term debt	4,848	5,209	-	-	4,848	5,209
Water and sewer	-	-	27,144	26,702	27,144	26,702
City solid waste	-	-	8,812	8,564	8,812	8,564
Regional solid waste	-	-	2,359	2,484	2,359	2,484
Power board	-	-	187,412	182,309	187,412	182,309
Public building authority	-	-	1,861	1,880	1,861	1,880
Mass transit	-	-	4,060	3,671	4,060	3,671
Stormwater management	-	-	1,365	1,452	1,365	1,452
Golf courses	-	-	1,182	1,191	1,182	1,191
Total expenses	<u>138,276</u>	<u>143,542</u>	<u>234,195</u>	<u>228,253</u>	<u>372,471</u>	<u>371,795</u>
Increase (decrease) in net position before transfers	4,047	(5,810)	14,334	11,042	18,381	5,232
Transfers	<u>(1,121)</u>	<u>1,019</u>	<u>1,045</u>	<u>(1,019)</u>	<u>(76)</u>	<u>-</u>
Increase (decrease) in net position	2,926	(4,791)	15,379	10,023	18,305	5,232
Net position, beginning	179,427	184,218	279,924	269,901	459,351	454,119
Prior period adjustment	<u>(28)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(28)</u>	<u>-</u>
Net position, ending	<u>\$ 182,325</u>	<u>\$ 179,427</u>	<u>\$ 295,303</u>	<u>\$ 279,924</u>	<u>\$ 477,628</u>	<u>\$ 459,351</u>

Governmental activities. During the current fiscal year, net position for governmental activities increased \$2,898 from the prior fiscal year due to cost reductions in general government, city services, and public welfare. Governmental activities reported an ending net position balance of \$182,325.

Business-type activities . For the City's business-type activities, the results for the current fiscal year were positive in that overall net position increased \$15,379. Business-type activities reported an ending net position of \$295,303. Key elements of this increase are:

- Johnson City Power Board contributed 47% of the total growth in net position for business-type activities.
- Water and Sewer Activities reported positive performance and contributed 27% of the total net position growth to provide funds for debt repayments and capital expansion as indicated in the statement of cash flows located on pages 37 through 39 of this report.
- Stormwater management activities reported positive performance and provided 6% of the total net position growth. These funds were invested in downtown drainage improvements.

Financial Analysis of the City's Funds

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

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, it is useful to review the various classifications of fund balance in measuring the City's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$33,099, a current year decrease of \$4,633. Additionally, beginning fund balance decreased \$11 for adjustments to receivables and inventory accounted for under the purchase method in the school funds. Included in ending fund balance are assets of \$235 which are nonspendable, indicating that they are either not in a spendable form or must be maintained intact. Restricted fund balance of \$21,176 includes amounts legally constrained for education (\$762), school debt service (\$1,688), specific capital projects (\$3,978), school food service (\$1,314), public safety (\$1,271), senior services (\$452), fund balance policy (\$11,645), and other services (\$66). Funds committed for a particular purpose total \$2,626 and include economic development (\$1,944) and education (\$682). Funds assigned for a particular purpose total \$6,575. The remaining unassigned balance of \$2,486 comprises 7.5% of total fund balance and represents funds available for spending at the government's discretion.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, total fund balance was \$18,657, including \$11,878 of restricted funds, \$1,944 committed for specific purposes and \$2,349 assigned for a particular purpose. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures and transfers out. Unassigned fund balance represents 3.1% of total general fund expenditures and transfers out, while total fund balance represents 23.3% of that same amount. In conjunction with the 3.1% unassigned fund balance, it is important to consider that the restricted balance in fund balance includes 16% set aside to meet two (2) months of general fund expenditures, in accordance with the City's fund balance policy. The fund balance of the City's general fund decreased by \$2,249 as a result of investments made in capital equipment, and operating transfers to the golf fund and public building authority. This decrease is slightly more than the fund balance appropriations approved by the City's Board of Commissioners totaling \$2,217.

The general-purpose school fund has a total fund balance of \$4,429, including \$28 of nonspendable assets, \$682 committed for specific purposes and \$3,719 assigned for general education. The current year decrease in fund balance was \$748. This decrease resulted from spending of reserved funds set aside from prior years' surpluses. Additionally, beginning fund balance decreased \$28 for adjustments to receivables.

At the end of the current fiscal year, the fund balance of the City's debt service fund totaled \$2, all of which is restricted. The net change in fund balance was \$2.

The educational facilities trust fund has a total fund balance of \$1,686, all of which is restricted. The net increase was \$57. This increase is attributable to dedicated local sales tax collections, which exceeded principal and interest payments.

Nonmajor (other) governmental funds have a fund balance of \$8,325, including \$207 of nonspendable assets, \$7,609 of restricted funds and \$508 assigned for a particular purpose. The net decrease in fund balance during the current year was \$1,695. This net decrease is primarily attributed to the expending of bond proceeds received in prior years. Additionally, the beginning fund balances for nonmajor governmental funds were increased \$17 for adjustments to inventory accounted for under the purchase method.

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

Unrestricted net position of the Water and Sewer Fund, City Solid Waste Fund and Johnson City Power Board, at the end of the year, amounted to \$9,098, \$2,160, and \$28,300, respectively. The Public Building Authority (PBA) is a blended component unit of the City and reported unrestricted net position of \$634. Nonmajor (other) proprietary funds reported unrestricted net position of \$5,457. Total unrestricted net position of proprietary funds amounted to \$45,649.

As noted earlier in the discussion of business-type activities, the total growth in net position for the proprietary funds was \$15,379. The Johnson City Power Board and Water and Sewer operation contributed reported growth in net position of \$7,160 (47%) and \$4,125 (27%), respectively. Other factors concerning the financial position of these funds have already been addressed in the discussion of the City's business-type activities.

General Fund and General Purpose School Fund Budgetary Highlights

Original and Final Budgeted Amounts. Differences, between the original budget and the final amended budget for the general fund, represent a \$323 increase in expenditures. The increase consists of the following:

\$ 256	Police special assignments, overtime, drug and law enforcement equipment purchases, vehicle damage and inmate medical/dental
27	Juvenile Court relocation
67	Public Works vehicle and property damage, special sidewalk construction project and demolition project
<hr style="width: 50px; margin-left: 0;"/>	
350	Total Increase in Expenditures
(27)	Reduction in Operating Transfer to Debt Service Fund (other uses)
<hr style="width: 50px; margin-left: 0;"/>	
\$ 323	Net Increase

The increased budget for police was funded by additional donations and reimbursements, as well as the receipt of additional federal special equipment and criminal asset forfeiture funds. The additional public works costs were offset by insurance reimbursements resulting from damage claims, scrap sales and reserved developer funds. Debt service savings offset the increased costs of relocating juvenile court.

Differences, between the original budget and the final amended budget for the general purpose school fund, represent a \$1,237 increase in expenditures appropriations and a \$37 increase in transfers appropriated, for a total increase in appropriations of \$1,274. The net increase consists of the following:

\$ 901	Additional personnel costs and operating materials for instruction
205	Additional personnel costs and operating materials for support services
28	Capital outlay
115	Increased community services costs
25	Other
<u>\$ 1,274</u>	Total Increase

This increase in spending for instruction, support services and capital outlay was partially offset (\$747) by additional local property tax collections and other state and local revenues. The additional early childhood and community service costs were partially funded by additional charges for services (\$40). The remaining costs were appropriated from reserves set aside from prior years' surpluses.

Final Amended Budget and Actual Amounts. Differences, between the final amended budget and actual results for the general fund, represent a \$1,585 decrease in expenditures and a \$1,407 increase in net transfers, for a total decrease of \$178. This decrease consists of the following:

\$ (755)	Police and Fire departmental spending lower than expected, due to headcount and spending controls
(81)	Community Relations spending lower than expected, due to cost reductions in other professional services and printing
(90)	Risk Management spending lower than expected, due to cost savings in other insurance and consultant services
(479)	Parks and Recreation spending lower than expected, due to cost savings in all operational centers and in park maintenance
(180)	Other
<u>(1,585)</u>	Total Decrease in Expenditures
667	Increase in Operating Transfer to Public Building Authority
2,225	Increase in Operating Transfer to Golf Fund
72	Operating Transfer to Community Development for grant receivable
(1,562)	Reduction in Operating Transfer to Insurance Fund
5	Other Increases in Operating Transfers
<u>1,407</u>	Total Increase in Operating Transfers Out
<u>\$ (178)</u>	Net Decrease

Since the budget to actual variance represents a reduction in required appropriations, no additional funding was necessary. Revenue shortfalls totaling \$291, when offset with the favorable expenditure performance and unexpected real estate and equipment sales (\$81), resulted in slightly worse performance by \$32. The final budget anticipated a deficit of \$2,217, while the actual deficit reported was \$2,249.

Revenue experienced lower than anticipated performance, with the most significant decrease being realized in local sales tax, business tax and franchise fees (\$661). This shortfall was partially offset by better property tax collections (\$495). Receipts from the State for the contract to house inmates were \$372 lower than budget due to a lower inmate population, however, related savings in jail expenditures provide a partial offset. Better than budget hall income tax collections also provided partial relief of \$149.

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, 2014, totaled \$645,803 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, plant in service, equipment and vehicles, paving, transmission and power distribution system, garbage containers, infrastructure and construction in progress.

Major capital asset events during the fiscal year included the following:

- Acquisition of new fire truck, police vehicles, public works and solid waste equipment, water and sewer vehicles and equipment, school buses and mass transit buses, information technology equipment, development services vehicle and print shop and parks and recreation equipment
- School construction projects on the Science Hill High School campus: electrical, re-roofing, canopies, steps, 10-12 campus renovations
- Construction completed on new wing at Indian Trail Intermediate School
- Re-roofing projects completed at Southside Elementary and Woodland Elementary
- Schools wireless upgrades completed
- Cardinal Park improvements completed
- Construction completed on grounds improvements and landscape features at Memorial Park Community Center
- Building improvements in progress at Freedom Hall Civic Center
- Renovation completed for relocation of Juvenile Court
- Project completed on Buffalo Street streetscapes (downtown)
- Completion of major stormwater drainage improvement project downtown, culminating in the addition of a new City park
- Improvements in progress at Indian Ridge/State of Franklin intersection
- Improvements in progress at Broadway/Main Street intersection (downtown)
- Improvements in progress at Buffalo Street and State of Franklin (downtown)
- Safe Routes to School grant project completed for Lone Oak Road sidewalk
- Work commenced on VA access road
- Project well underway on ITS (intelligent transportation system) project
- Construction commenced on the Tweetsie Trail (rails-to-trails) project
- Completion of Liberty Bell transmission line (water) project
- Commenced South Barton Street water line project
- Brush Creek sewer interceptor project in progress
- Brush Creek and Knob Creek wastewater treatment plant improvements in progress
- Commenced Lower Brush Creek sewer line project
- Brush Creek wastewater treatment plant aeration project in progress – Clean TN Energy Grant
- Completed SR 75 water and sewer line relocation projects
- SR 36 water and sewer line relocation projects in progress (Boone Avenue to SR 75)
- Regional wastewater treatment plant improvements completed

City of Johnson City's Capital Assets

	Governmental		Business-type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
Land	\$ 21,836	\$ 21,045	\$ 18,150	\$ 17,723	\$ 39,986	\$ 38,768
Buildings and Improvements	228,815	214,191	54,244	53,618	283,059	267,809
Plant and Lines	-	-	432,322	418,194	432,322	418,194
Vehicles and Equipment	43,698	43,412	47,284	43,291	90,982	86,703
Infrastructure	166,383	165,791	-	-	166,383	165,791
Construction in Progress	10,567	17,658	15,010	11,869	25,577	29,527
Accumulated Depreciation	(204,082)	(192,620)	(188,424)	(174,449)	(392,506)	(367,069)
Total	\$ 267,217	\$ 269,477	\$ 378,586	\$ 370,246	\$ 645,803	\$ 639,723

Additional information on the City's capital assets can be found in Note 3.D. on pages 69 through 70 of this report.

Long-term Debt. At the end of the current fiscal year, the City had total debt outstanding of \$274,057. All of this debt is backed by the full faith and credit of the government.

City of Johnson City's Outstanding Debt

	Governmental		Business-type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
Notes payable	\$ -	\$ 175	\$ 1,233	\$ 1,255	\$ 1,233	\$ 1,430
General obligation bonds	124,299	131,422	98,490	102,705	222,789	234,127
Revenue bonds	-	-	50,035	54,455	50,035	54,455
Capital Leases	-	180	-	-	-	180
Total Long-Term Debt	\$ 124,299	\$131,777	\$149,758	\$158,415	\$ 274,057	\$290,192

The City's total debt decreased \$16,135 (5.6%) during the current fiscal year. The governmental activities decrease of \$7,478 was the result of principal payments, including the pay-off of the note payable and capital lease. The \$8,657 business-type activities decrease was the result of principal payments, as well.

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 4.8%. Additional information on the City's long-term debt can be found in Note 3.I. on pages 87 through 112 of this report.

Economic Factors and Next Year's Budget and Rates

- The unemployment rate (not seasonally adjusted) for the Johnson City statistical area is currently 7.2%, which is an improvement from last year's rate of 8.5%. This compares to the state's unemployment rate (not seasonally adjusted) of 7.4% as of June 30, 2014.
- Inflationary trends in the region are comparable to national indices.
- New construction permitted and inspected came in at \$63.8 million.
- Local sales collection growth is budgeted to approximate .74% in fiscal year 2015.

Short-term interest rates on the City's pooled cash account remained steady. The Federal Open Market Committee made no changes to the target federal funds rate, which currently stands at 0 to .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 2015.

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,486. All appropriations lapse at year-end.

During the fiscal year, water rates were raised between 3.8% and 4.1%. Sewer rates increased 8.8%. Residential and commercial garbage collection rates remained the same.

Discretely Presented Component Units

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

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

Requests for Information

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

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF NET POSITION
June 30, 2014

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and Cash Equivalents	\$ 23,181,703	28,680,743	51,862,446	664,935
Investments	14,125,795	5,944,565	20,070,360	-
Accounts Receivable (Net)	3,555,620	10,506,194	14,061,814	5,230
Notes Receivable	-	255,640	255,640	-
Internal Balances	(386,965)	386,965	-	-
Taxes Receivable	31,032,323	-	31,032,323	-
Less: Estimated Uncollectible	(85,855)	-	(85,855)	-
Intergovernmental Receivables	22,040,858	607,922	22,648,780	-
Deposits	5,050	-	5,050	-
Inventories	775,699	6,701,874	7,477,573	-
Prepaid Expenses	184,580	217,831	402,411	-
Restricted Assets:				
Cash and Cash Equivalents	882,437	21,613,715	22,496,152	-
Investments	2,660,483	21,543,685	24,204,168	-
Other Assets:				
Negative OPEB Obligation (Net)	152,770	-	152,770	-
Fair Value of Interest Rate Swap	2,390,319	-	2,390,319	-
Capital Assets:				
Land	21,836,031	18,149,460	39,985,491	300,000
Book Collection	-	-	-	1,138,049
Buildings and Improvements	228,814,553	54,243,641	283,058,194	1,919,322
Plant in Service	-	432,322,414	432,322,414	-
Equipment and Vehicles	43,698,601	47,284,376	90,982,977	830,389
Infrastructure	166,382,817	-	166,382,817	-
Less: Accumulated Depreciation	(204,081,550)	(188,423,969)	(392,505,519)	(686,039)
Construction in Progress	10,566,848	15,009,716	25,576,564	-
Total Assets	367,732,117	475,044,772	842,776,889	4,171,886
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Bond Refunding Costs	135,604	728,604	864,208	-
Total Deferred Outflows of Resources	135,604	728,604	864,208	0

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF NET POSITION
June 30, 2014

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
LIABILITIES				
Accounts Payable	3,042,648	15,127,089	18,169,737	21,578
Accrued Payroll Expenses	4,463,560	1,243,011	5,706,571	44,991
Accrued Expenses	3,505,985	446,137	3,952,122	-
Accrued Interest Payable	458,235	909,252	1,367,487	-
Due to State of Tennessee	8,760	-	8,760	-
Matured Bonds and Interest Payable	4,682	33,253	37,935	-
Retainages Payable	180,722	359,830	540,552	-
Unearned Revenue	107,995	55,123	163,118	-
Contractor Deposits	246,048	247,280	493,328	-
Customer Deposits	-	3,784,637	3,784,637	-
Special Commission Bonds	-	11,756	11,756	-
Noncurrent Liabilities:				
Due within one year	11,320,475	16,314,687	27,635,162	252,099
Due in more than one year	119,255,778	141,628,449	260,884,227	777,156
Total Liabilities	142,594,888	180,160,504	322,755,392	1,095,824
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflow-Current Property Taxes	40,558,131	-	40,558,131	-
Deferred Inflow on Swap	2,390,319	-	2,390,319	-
Deferred Gain on Bond Refunding	-	309,507	309,507	-
Total Deferred Inflows of Resources	42,948,450	309,507	43,257,957	0
NET POSITION				
Net Investment in Capital Assets	145,233,944	249,654,751	394,888,695	2,496,444
Restricted for/by:				
Imagination Library	-	-	-	20,576
Enabling Legislation	-	-	-	221,531
External Contributions	-	-	-	5,684
School Trust	184,226	-	184,226	-
Unrestricted	36,906,213	45,648,614	82,554,827	331,827
Total Net Position	\$ 182,324,383	295,303,365	477,627,748	3,076,062

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, 2014

Functions/Programs	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION							
	PROGRAM REVENUES				Primary Government			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Primary Government								
Governmental Activities								
General Government	\$ 9,266,874	1,957,788	38,411	-	(7,270,675)	-	(7,270,675)	-
Public Safety	30,692,083	2,052,050	2,213,815	-	(26,426,218)	-	(26,426,218)	-
Public Works	12,651,427	53,782	184,751	3,685,477	(8,727,417)	-	(8,727,417)	-
Public Welfare	10,618,362	381,713	660,271	-	(9,576,378)	-	(9,576,378)	-
City Services	2,300,965	2,382,862	2,063,504	-	2,145,401	-	2,145,401	-
Education	67,898,323	2,813,129	34,956,563	819,247	(29,309,384)	-	(29,309,384)	-
Interest on Long-Term Debt	4,848,097	-	-	-	(4,848,097)	-	(4,848,097)	-
Total Governmental Activities	138,276,131	9,641,324	40,117,315	4,504,724	(84,012,768)	0	(84,012,768)	0
Business-Type Activities								
Water and Sewer	27,144,157	31,826,356	-	-	-	4,682,199	4,682,199	-
City Solid Waste	8,812,294	9,233,914	-	-	-	421,620	421,620	-
Johnson City Power Board	187,412,031	193,430,658	4,557,306	-	-	10,575,933	10,575,933	-
JC Public Building Authority	1,860,680	222,651	-	-	-	(1,638,029)	(1,638,029)	-
Regional Solid Waste	2,359,107	2,620,607	-	-	-	261,500	261,500	-
Mass Transit	4,060,059	628,502	2,072,027	416,299	-	(943,231)	(943,231)	-
Stormwater Management	1,364,753	2,215,006	-	-	-	850,253	850,253	-
Golf Courses	1,181,532	755,351	-	-	-	(426,181)	(426,181)	-
Total Business-Type Activities	234,194,613	240,933,045	6,629,333	416,299	0	13,784,064	13,784,064	0
Total Primary Government	\$ 372,470,744	250,574,369	46,746,648	4,921,023	(84,012,768)	13,784,064	(70,228,704)	0

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2014

Functions/Programs	NET (EXPENSE) REVENUE AND CHANGES							
	PROGRAM REVENUES				IN NET POSITION			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Component Units								
Johnson City Public Library	\$ 1,868,912	62,177	1,768,233	-	-	-	-	(38,502)
Johnson City Development Authority	328,174	141,295	734,308	-	-	-	-	547,429
Total Component Units	\$ 2,197,086	203,472	2,502,541	0	0	0	0	508,927
General Revenues								
Property Taxes					41,912,196	-	41,912,196	-
Sales Taxes					36,860,487	-	36,860,487	-
Beer and Liquor Taxes					2,869,147	-	2,869,147	-
Business Taxes					1,982,393	-	1,982,393	-
Room Occupancy Taxes					1,285,430	-	1,285,430	-
Telephone and Cable Taxes					761,565	-	761,565	-
State of Tennessee Mixed Drink Taxes					551,109	-	551,109	-
Franchise Taxes					399,873	-	399,873	-
State Income Taxes					636,808	-	636,808	-
State of Tennessee Excise Taxes					91,268	-	91,268	-
Unrestricted Investment Earnings					702,811	510,265	1,213,076	244
Gain on Disposal of Capital Assets					-	40,271	40,271	-
Other General Revenue					6,006	-	6,006	10,652
E-Rate Reimbursement					-	-	-	11,925
Transfers					(1,120,923)	1,045,545	(75,378)	-
Total General Revenues and Transfers					86,938,170	1,596,081	88,534,251	22,821
Change in Net Position					2,925,402	15,380,145	18,305,547	531,748
Net Position, July 1, 2013					179,427,067	279,923,913	459,350,980	2,544,314
Prior Period Adjustments					(28,086)	(693)	(28,779)	-
Net Position, July 1, 2013 (Restated)					179,398,981	279,923,220	459,322,201	2,544,314
Net Position, June 30, 2014					\$ 182,324,383	295,303,365	477,627,748	3,076,062

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

CITY OF JOHNSON CITY, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	General Fund	General Purpose School Fund	Debt Service Fund	Educational Facilities Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and Cash Equivalents	\$ 3,323	4,697,335	-	1,010,128	3,247,562	8,958,348
Investments	13,900,337	-	-	-	225,458	14,125,795
Accounts Receivable (Net)	1,623,963	32,173	408	638,357	1,096,689	3,391,590
Due from Other Funds	-	-	-	-	11,946	11,946
Taxes Receivable	31,032,323	-	-	-	-	31,032,323
Less: Estimated Uncollectible	(85,855)	-	-	-	-	(85,855)
Due from Washington County	-	14,122,156	-	-	-	14,122,156
Due from State of Tennessee	2,533,543	-	-	-	1,855,837	4,389,380
Due from Federal Government	-	-	-	-	332,066	332,066
Due from Local Governments	3,191,550	-	-	-	5,706	3,197,256
Deposits	5,050	-	-	-	-	5,050
Inventories	-	27,679	-	-	207,828	235,507
Restricted Cash and Cash Equivalents	-	-	1,969	37,438	843,030	882,437
Restricted Investments	-	-	-	-	2,660,483	2,660,483
Total Assets	\$ 52,204,234	18,879,343	2,377	1,685,923	10,486,605	83,258,482

CITY OF JOHNSON CITY, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	General Fund	General Purpose School Fund	Debt Service Fund	Educational Facilities Debt Service Fund	Other Governmental Funds	Total Governmental Funds
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities						
Accounts Payable	\$ 768,817	161,904	-	-	1,600,310	2,531,031
Accrued Payroll Expenditures	1,196,322	2,917,581	-	-	246,586	4,360,489
Accrued Expenditures	-	-	-	-	1,551	1,551
Due to State of Tennessee	8,760	-	-	-	-	8,760
Due to Other Funds	232,881	170,804	-	-	-	403,685
Matured Bonds and Interest Payable	4,682	-	-	-	-	4,682
Retainages Payable	-	-	-	-	180,722	180,722
Unearned Revenue	-	-	-	-	107,995	107,995
Contractor Deposits	246,048	-	-	-	-	246,048
Total Liabilities	2,457,510	3,250,289	0	0	2,137,164	7,844,963
Deferred Inflows of Resources						
Unearned Revenue - Current Property Taxes	29,357,565	11,200,566	-	-	-	40,558,131
Unavailable Revenue - Property Taxes	1,362,261	-	-	-	-	1,362,261
Unavailable Revenue - Other	369,927	-	-	-	24,220	394,147
Total Deferred Inflows of Resources	31,089,753	11,200,566	0	0	24,220	42,314,539
Fund Balances						
Nonspendable	-	27,679	-	-	207,828	235,507
Restricted	11,878,510	-	2,377	1,685,923	7,609,473	21,176,283
Committed	1,943,629	681,946	-	-	-	2,625,575
Assigned	2,348,660	3,718,863	-	-	507,920	6,575,443
Unassigned	2,486,172	-	-	-	-	2,486,172
Total Fund Balances	18,656,971	4,428,488	2,377	1,685,923	8,325,221	33,098,980
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 52,204,234	18,879,343	2,377	1,685,923	10,486,605	83,258,482

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

CITY OF JOHNSON CITY, TENNESSEE
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2014

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

Total Fund Balances of Governmental Funds	\$ 33,098,980
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	263,738,790
Prepays are expensed when disbursed and are not recognized based upon economic benefit or recorded as assets in the governmental funds.	184,580
Negative net OPEB obligation represents assets of the City that are not recorded at the fund level.	152,770
Property tax assessments are reported as revenue in the government-wide statements in the period in which an enforceable legal claim arises against property owners. In governmental funds, these assessments are not available to finance current period expenditures and are reported as unavailable revenue at the fund level.	1,362,261
Other revenues which are earned but not available to finance current period expenditures and are reported as unavailable revenue at the fund level.	394,147
OPEB and termination benefits represent liabilities of the City that are not recorded at the fund level.	(2,281,214)
Compensated absences are not considered due and payable in governmental funds until an employee has terminated service. Therefore, these amounts are presented as assigned fund balance.	(2,570,861)
Accrued interest on the notes and bonds payable represents a liability of the City that is generally not recorded at the fund level.	(448,893)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(123,284,276)
Internal service funds are used by management to charge the costs of fleet maintenance and employee insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	<u>11,978,099</u>
Net Position of Governmental Activities	<u><u>\$ 182,324,383</u></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, 2014

	General Fund	General Purpose School Fund	Debt Service Fund	Educational Facilities Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$ 56,816,775	22,922,537	-	2,043,364	-	81,782,676
Licenses and Permits	755,842	1,573	-	-	-	757,415
Intergovernmental Revenue	9,688,137	26,897,712	-	-	13,077,988	49,663,837
Charges for Services	943,257	1,368,437	-	-	738,659	3,050,353
Fines and Forfeitures	1,484,151	-	-	-	449,280	1,933,431
Revenue from Use of Property	1,211,900	-	-	-	1,007,092	2,218,992
Investment Earnings	203,723	4,300	460,248	1,677	18,671	688,619
Miscellaneous	780,504	328,013	-	-	605,839	1,714,356
Total Revenues	<u>71,884,289</u>	<u>51,522,572</u>	<u>460,248</u>	<u>2,045,041</u>	<u>15,897,529</u>	<u>141,809,679</u>
Expenditures						
Current						
General Government	11,258,034	-	-	-	-	11,258,034
Public Safety	24,093,699	-	-	-	1,033,587	25,127,286
Public Works	11,721,899	-	-	-	-	11,721,899
Public Welfare	5,200,562	-	-	-	552,886	5,753,448
City Services	-	-	-	-	1,780,873	1,780,873
Education	-	58,340,832	-	-	9,352,248	67,693,080
Miscellaneous	-	-	-	-	6,020	6,020
Capital Outlay	-	74,773	-	-	11,084,067	11,158,840
Debt Service						
Principal Retirement	-	-	6,812,136	1,465,000	-	8,277,136
Interest and Fiscal Charges	-	-	3,337,133	1,680,026	-	5,017,159
Total Expenditures	<u>52,274,194</u>	<u>58,415,605</u>	<u>10,149,269</u>	<u>3,145,026</u>	<u>23,809,681</u>	<u>147,793,775</u>

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2014

	General Fund	General Purpose School Fund	Debt Service Fund	Educational Facilities Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Excess (Deficiency) of Revenues Over (Under) Expenditures	19,610,095	(6,893,033)	(9,689,021)	(1,099,985)	(7,912,152)	(5,984,096)
Other Financing Sources (Uses)						
Transfers from Other Funds	5,620,035	8,943,675	9,691,398	1,157,295	4,354,099	29,766,502
Transfers to Other Funds	(27,683,972)	(2,805,235)	-	-	(146,211)	(30,635,418)
Sale of Real Estate and Other Equipment	204,418	6,237	-	-	-	210,655
Contributions	-	-	-	-	819,247	819,247
Bond Issuance	-	-	-	-	1,189,948	1,189,948
Total Other Financing Sources (Uses)	(21,859,519)	6,144,677	9,691,398	1,157,295	6,217,083	1,350,934
Net Change in Fund Balances	(2,249,424)	(748,356)	2,377	57,310	(1,695,069)	(4,633,162)
Fund Balances, July 1, 2013	20,906,395	5,204,930	-	1,628,613	10,002,918	37,742,856
Prior Period Adjustment	-	(28,086)	-	-	-	(28,086)
Purchase Method Inventory Adjustment	-	-	-	-	17,372	17,372
Fund Balances, July 1, 2013 (Restated)	20,906,395	5,176,844	0	1,628,613	10,020,290	37,732,142
Fund Balances, June 30, 2014	\$ 18,656,971	4,428,488	2,377	1,685,923	8,325,221	33,098,980

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, 2014

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

Net Change in Fund Balances of Governmental Funds	\$ (4,633,162)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of general capital assets in the current period is exceeded by depreciation.	(1,836,454)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is to decrease net position.	(16,571)
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	7,233,864
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.	17,372
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(320,662)
Liability for OPEB and termination benefits are not reported in the governmental funds.	(497,978)
Premiums paid for insurance from the governmental funds are expensed as paid. A portion of the payments are prepaid insurance.	(49,261)
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.	42,573
Expenses for compensated absences do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds.	9,533
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>2,976,148</u>
Change in Net Position of Governmental Activities	<u>\$ 2,925,402</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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Property Tax (Net of Discounts)	\$ 28,649,660	28,649,660	29,007,260	357,600
Property Tax - Penalty and Interest	355,000	355,000	492,520	137,520
Other Fees - Taxes	-	-	984	984
Received in Lieu of Taxes	1,661,410	1,661,410	1,748,498	87,088
Local Sales Tax	18,972,000	18,972,000	18,602,504	(369,496)
Business Tax	1,895,000	1,895,000	1,678,876	(216,124)
Local Beer Tax	2,212,000	2,212,000	2,167,801	(44,199)
Local Liquor Tax	615,000	615,000	671,464	56,464
Hotel/Motel Tax	1,285,000	1,285,000	1,285,430	430
Franchise Tax	475,000	475,000	399,873	(75,127)
Telephone Commissions/Cable	668,000	668,000	761,565	93,565
Total Taxes	56,788,070	56,788,070	56,816,775	28,705
Licenses and Permits				
Building Permits	425,000	425,000	400,124	(24,876)
Electrical Permits and Electrician Certificates	51,000	51,000	91,796	40,796
Plumbing Permits and Plumbers Certificates	38,000	38,000	42,339	4,339
Natural Gas Permits	6,500	6,500	9,563	3,063
Zoning Permits and Fees	10,000	10,000	12,845	2,845
Mechanical Permits	37,000	37,000	37,077	77
Sign Permits	15,000	15,000	16,088	1,088
Plan Review Permits	53,000	53,000	47,482	(5,518)
Beverage and Private Club Permits	90,000	90,000	96,887	6,887
Other Fees and Licenses	6,000	6,000	1,641	(4,359)
Total Licenses and Permits	731,500	731,500	755,842	24,342
Intergovernmental Revenues				
State of Tennessee				
Boarding of Prisoners	1,620,000	1,708,165	1,336,386	(371,779)
Sales Tax	4,435,000	4,435,000	4,517,334	82,334
Income Tax	550,000	550,000	698,669	148,669
Beer Tax	31,000	31,000	29,882	(1,118)
Mixed Drink Tax	570,000	570,000	551,109	(18,891)
State Street Aid	1,640,000	1,640,000	1,643,185	3,185
Highway Maintenance	290,580	290,580	291,058	478
Street and Transit	123,000	123,000	129,261	6,261
Excise Taxes	68,000	68,000	65,097	(2,903)
Civil Defense	58,350	58,350	58,350	-
Fire Supplement	69,000	69,000	65,400	(3,600)
Police Supplement	86,000	86,000	84,000	(2,000)
First TN-VA Development				
District Senior Citizens Grant	60,000	60,000	61,704	1,704
Telecommunications	3,500	3,500	6,694	3,194
Total State of Tennessee	9,604,430	9,692,595	9,538,129	(154,466)

(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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues (Continued)				
Intergovernmental Revenues (Continued)				
Washington County				
Public Safety	109,100	109,100	109,058	(42)
Senior Citizens	40,500	40,500	36,450	(4,050)
Juvenile Court	4,500	4,500	4,500	-
Total Washington County	<u>154,100</u>	<u>154,100</u>	<u>150,008</u>	<u>(4,092)</u>
Total Intergovernmental Revenues	<u>9,758,530</u>	<u>9,846,695</u>	<u>9,688,137</u>	<u>(158,558)</u>
Charges for Services				
School Bus Charters	110,000	110,000	101,842	(8,158)
Accident Reports	6,000	6,000	3,257	(2,743)
Sidewalk Assessments/Curb Cuts	1,000	1,000	1,315	315
Special Work Charges	12,000	12,000	8,380	(3,620)
Administrative Fees from Other Funds	806,673	806,673	806,673	-
Miscellaneous Services	14,600	17,925	21,790	3,865
Total Charges for Services	<u>950,273</u>	<u>953,598</u>	<u>943,257</u>	<u>(10,341)</u>
Fines and Forfeitures				
Municipal Courts - Fines and Court Costs	1,520,000	1,520,000	1,484,151	(35,849)
Total Fines and Forfeitures	<u>1,520,000</u>	<u>1,520,000</u>	<u>1,484,151</u>	<u>(35,849)</u>
Revenue From Use of Property				
Rents from Buildings and Equipment	284,000	284,000	304,617	20,617
Parks and Recreation	526,172	526,172	561,152	34,980
Print Shop Charges	48,000	48,000	46,082	(1,918)
Computer Services (MIS)	300,050	300,050	300,049	(1)
Total Revenue From Use of Property	<u>1,158,222</u>	<u>1,158,222</u>	<u>1,211,900</u>	<u>53,678</u>
Investment Earnings				
Investment Income	230,000	230,000	203,723	(26,277)
Total Investment Earnings	<u>230,000</u>	<u>230,000</u>	<u>203,723</u>	<u>(26,277)</u>
Miscellaneous				
Refunds and Reimbursements	174,400	259,948	147,821	(112,127)
Senior Citizens	68,300	68,300	93,013	24,713
Donations	42,534	50,854	27,217	(23,637)
Damages	-	12,668	16,798	4,130
Sale of Methane Gas	200,000	200,000	280,886	80,886
Miscellaneous	304,294	355,824	214,769	(141,055)
Total Miscellaneous	<u>789,528</u>	<u>947,594</u>	<u>780,504</u>	<u>(167,090)</u>
Total Revenues	<u>71,926,123</u>	<u>72,175,679</u>	<u>71,884,289</u>	<u>(291,390)</u>

(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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenditures				
General Government				
City Commission	37,225	37,225	43,823	(6,598)
City Court	390,458	390,458	368,520	21,938
Staff Attorney	316,014	316,014	278,293	37,721
Juvenile Court	701,915	728,715	731,253	(2,538)
City Manager	316,065	316,065	302,666	13,399
Management Services	431,291	431,291	438,410	(7,119)
Community Relations Office	271,629	271,629	191,040	80,589
Purchasing	207,473	207,473	206,091	1,382
Human Resources	407,943	407,943	401,749	6,194
Planning	586,342	586,342	604,045	(17,703)
Miscellaneous Appropriations	683,000	683,000	563,246	119,754
Risk Management	357,985	357,985	268,094	89,891
Management Information Systems	1,000,012	1,000,012	980,655	19,357
Central Print Shop	107,301	107,301	101,606	5,695
Special Appropriations	4,316,804	4,316,804	4,284,438	32,366
Finance Administration	196,874	196,874	197,013	(139)
Accounting	797,895	797,895	794,751	3,144
Collections	418,207	418,207	443,827	(25,620)
Records Management	58,749	58,749	58,514	235
Total General Government	11,603,182	11,629,982	11,258,034	371,948
Public Safety				
Student Transportation	2,082,574	2,082,574	2,167,618	(85,044)
Police Department	12,951,489	13,207,779	12,635,564	572,215
Fire Department	9,256,602	9,256,602	9,073,447	183,155
Civil Defense	236,892	236,892	217,070	19,822
Total Public Safety	24,527,557	24,783,847	24,093,699	690,148
Public Works				
Administration	301,209	301,209	283,986	17,223
Streets	5,845,938	5,895,844	5,894,303	1,541
Engineering	817,072	817,072	816,991	81
Inspection	806,392	806,392	773,503	32,889
Traffic Control	2,629,323	2,629,323	2,660,095	(30,772)
Sidewalks	54,100	54,100	56,414	(2,314)
Mowing	322,596	322,596	328,401	(5,805)
General Facilities	517,254	533,925	509,086	24,839
Municipal Building	249,395	249,395	262,504	(13,109)
Keystone	126,047	126,047	122,342	3,705
Facilities Center	17,050	17,050	14,274	2,776
Total Public Works	11,686,376	11,752,953	11,721,899	31,054

(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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenditures (Continued)				
Public Welfare				
Parks and Recreation	5,071,400	5,071,400	4,592,510	478,890
Senior Citizens	621,295	621,295	608,052	13,243
Total Public Welfare	<u>5,692,695</u>	<u>5,692,695</u>	<u>5,200,562</u>	<u>492,133</u>
 Total Expenditures	 <u>53,509,810</u>	 <u>53,859,477</u>	 <u>52,274,194</u>	 <u>1,585,283</u>
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 <u>18,416,313</u>	 <u>18,316,202</u>	 <u>19,610,095</u>	 <u>1,293,893</u>
 Other Financing Sources (Uses)				
Transfer to General Purpose School Fund	(8,913,675)	(8,913,675)	(8,913,675)	-
Transfer to Insurance Fund	(390,000)	(390,000)	(362,943)	27,057
Transfer to Mass Transit	(723,500)	(723,500)	(723,500)	-
Transfer to Freedom Hall	(250,000)	(250,000)	(359,870)	(109,870)
Transfer to Transportation Planning	(70,000)	(70,000)	(52,130)	17,870
Transfer to Community Development	(1,567)	(1,567)	(73,970)	(72,403)
Transfer to Capital Projects	(2,323,100)	(2,323,100)	(2,345,740)	(22,640)
Transfer to Special School Projects	(10,044)	(10,044)	(10,044)	-
Transfer to Police Grants	-	-	(2,318)	(2,318)
Transfer to Up and At "Em Fund	-	-	(75,378)	(75,378)
Transfer to Debt Service	(9,585,758)	(9,558,958)	(9,363,451)	195,507
Transfer to Golf Course Fund	(565,000)	(565,000)	(2,789,636)	(2,224,636)
Transfers to Public Building Authority	(1,944,779)	(1,944,779)	(2,611,317)	(666,538)
Transfer from Freedom Hall	-	-	13,440	13,440
Transfer from Insurance Fund	-	-	1,535,384	1,535,384
Transfer from Proprietary Funds	4,093,950	4,093,950	4,071,211	(22,739)
Sale of Real Estate and Other Equipment	50,250	123,561	204,418	80,857
Total Other Financing Sources (Uses)	<u>(20,633,223)</u>	<u>(20,533,112)</u>	<u>(21,859,519)</u>	<u>(1,326,407)</u>
 Net Change in Fund Balance	 <u>(2,216,910)</u>	 <u>(2,216,910)</u>	 <u>(2,249,424)</u>	 <u>(32,514)</u>
 Fund Balance, July 1, 2013	 <u>20,906,395</u>	 <u>20,906,395</u>	 <u>20,906,395</u>	 <u>-</u>
 Fund Balance, June 30, 2014	 <u>\$ 18,689,485</u>	 <u>18,689,485</u>	 <u>18,656,971</u>	 <u>(32,514)</u>

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

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL PURPOSE SCHOOL FUND
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Local Sales Tax	\$ 11,851,358	11,851,358	11,697,285	(154,073)
County Property Tax	10,150,900	10,624,900	10,584,361	(40,539)
Interest and Penalty	105,000	135,000	151,321	16,321
Business Tax	295,000	298,000	303,517	5,517
In Lieu - Local Utilities	148,000	178,000	186,053	8,053
Total Taxes	<u>22,550,258</u>	<u>23,087,258</u>	<u>22,922,537</u>	<u>(164,721)</u>
Licenses and Permits				
Marriage Licenses	1,300	1,300	1,573	273
Total Licenses and Permits	<u>1,300</u>	<u>1,300</u>	<u>1,573</u>	<u>273</u>
Intergovernmental Revenues				
State of Tennessee				
Basic Education Program	25,625,000	25,662,000	26,175,000	513,000
Career Ladder Program	326,525	326,525	299,491	(27,034)
Bank Excise Tax	17,000	17,000	17,729	729
Mixed Drink Tax	2,000	2,000	2,694	694
Telecommunication Tax	3,500	3,500	5,748	2,248
Other State of Tennessee Funds	291,877	293,348	349,528	56,180
Total State of Tennessee	<u>26,265,902</u>	<u>26,304,373</u>	<u>26,850,190</u>	<u>545,817</u>
Federal				
ROTC Reimbursement	46,000	46,000	47,522	1,522
Total Federal	<u>46,000</u>	<u>46,000</u>	<u>47,522</u>	<u>1,522</u>
Total Intergovernmental Revenues	<u>26,311,902</u>	<u>26,350,373</u>	<u>26,897,712</u>	<u>547,339</u>
Charges for Services				
School Tuition	225,000	225,000	246,778	21,778
Educare Revenue	1,147,620	1,187,829	1,116,659	(71,170)
Other Charges	-	-	5,000	5,000
Total Charges for Services	<u>1,372,620</u>	<u>1,412,829</u>	<u>1,368,437</u>	<u>(44,392)</u>
Investment Earnings				
Investment Income	3,600	3,600	4,300	700
Total Investment Earnings	<u>3,600</u>	<u>3,600</u>	<u>4,300</u>	<u>700</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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues (Continued)				
Miscellaneous Revenues				
Refunds and Reimbursements	176,675	176,675	155,820	(20,855)
Other Local Revenue	-	171,790	153,568	(18,222)
Miscellaneous	-	-	18,625	18,625
Total Miscellaneous Revenues	176,675	348,465	328,013	(20,452)
Total Revenues	50,416,355	51,203,825	51,522,572	318,747
Expenditures				
Instruction				
Regular Education	32,209,290	33,198,226	32,311,047	887,179
Special Education	4,486,602	4,456,602	4,232,955	223,647
Vocational Education	1,587,090	1,587,090	1,561,801	25,289
Adult Education	-	21,370	12,509	8,861
Preschool	247,620	256,996	179,553	77,443
Total Instruction	38,530,602	39,520,284	38,297,865	1,222,419
Support Services				
Health Services	222,537	226,137	223,773	2,364
Student Support	1,564,718	1,579,568	1,560,739	18,829
Regular Education	3,113,486	3,077,386	3,069,303	8,083
Alternative Education	705,383	626,971	652,449	(25,478)
Special Education	231,714	233,059	230,786	2,273
Vocational Education	114,134	134,134	130,983	3,151
Board of Education	744,450	789,450	779,094	10,356
Office of Director of Schools	614,381	614,986	523,753	91,233
Office of Principal	4,149,706	4,124,261	4,078,903	45,358
Fiscal Services	450,219	450,219	437,643	12,576
Operation of Plant	5,092,123	5,126,226	4,833,840	292,386
Maintenance of Plant	1,652,620	1,781,439	1,701,574	79,865
Transportation	2,187,174	2,193,411	82,458	2,110,953
Other Support	871,078	871,078	841,862	29,216
Community Services	950,000	1,058,376	895,807	162,569
Other Capital Outlay	163,025	187,334	74,773	112,561
Total Support Services	22,826,748	23,074,035	20,117,740	2,956,295
Total Expenditures	61,357,350	62,594,319	58,415,605	4,178,714
Excess (Deficiency) of Revenues Over (Under) Expenditures	(10,940,995)	(11,390,494)	(6,893,033)	4,497,461

(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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Other Financing Sources (Uses)				
Transfer from General Fund	10,996,249	10,996,249	8,913,675	(2,082,574)
Transfer from School Federal Projects	-	-	30,000	30,000
Transfer to Educational Facilities Debt Service	(16,500)	(16,500)	(1,157,295)	(1,140,795)
Transfer to Debt Service	(1,523,136)	(1,523,136)	(327,947)	1,195,189
Transfer to Special School Project	(12,538)	(25,348)	(56,386)	(31,038)
Transfer to School Federal Projects	-	-	(558,076)	(558,076)
Transfer to Police Grant and Technology Fund	-	(23,763)	(23,763)	-
Transfer to School Site Based Fund	-	-	(681,768)	(681,768)
Sale of Real Estate and Other Equipment	-	6,237	6,237	-
Total Other Financing Sources (Uses)	<u>9,444,075</u>	<u>9,413,739</u>	<u>6,144,677</u>	<u>(3,269,062)</u>
Net Change in Fund Balance	(1,496,920)	(1,976,755)	(748,356)	1,228,399
Fund Balance, July 1, 2013	5,204,930	5,204,930	5,204,930	-
Prior Period Adjustment	-	-	(28,086)	(28,086)
Fund Balance, July 1, 2013 (Restated)	<u>5,204,930</u>	<u>5,204,930</u>	<u>5,176,844</u>	<u>(28,086)</u>
Fund Balance, June 30, 2014	<u>\$ 3,708,010</u>	<u>3,228,175</u>	<u>4,428,488</u>	<u>1,200,313</u>

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

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2014

	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 and Cash Equivalents	\$ 3,331,480	3,083,317	16,347,152	462,171	5,456,623	28,680,743	14,223,355
Investments	5,556,917	-	-	387,648	-	5,944,565	-
Accounts Receivable (Net)	1,628,002	441,673	8,195,746	3,284	237,489	10,506,194	164,030
Notes Receivable	-	-	23,775	-	-	23,775	-
Due from Other Funds	-	-	589,371	28,704	-	618,075	8,143
Due from Federal Government	-	-	-	-	398,774	398,774	-
Due from State of Tennessee	-	-	-	-	209,148	209,148	-
Inventories	1,512,541	9,933	5,106,603	-	72,797	6,701,874	540,192
Prepaid Expenses	-	-	215,581	-	2,250	217,831	-
Total Current Assets	12,028,940	3,534,923	30,478,228	881,807	6,377,081	53,300,979	14,935,720
Noncurrent Assets							
Capital Assets							
Land	3,111,791	2,100,747	5,255,030	2,281,070	5,400,822	18,149,460	-
Buildings and Improvements	549,903	1,178,748	28,475,609	18,790,894	5,248,487	54,243,641	11,000
Plant in Service	220,159,469	-	212,162,945	-	-	432,322,414	-
Equipment and Vehicles	11,447,509	8,876,823	15,733,444	1,996,365	9,230,235	47,284,376	5,677,452
Less: Accumulated Depreciation	(89,017,813)	(6,447,753)	(75,003,002)	(8,790,611)	(9,164,790)	(188,423,969)	(2,209,942)
Construction In Progress	7,674,161	-	2,039,316	-	5,296,239	15,009,716	-
Net Capital Assets	153,925,020	5,708,565	188,663,342	14,277,718	16,010,993	378,585,638	3,478,510
Restricted Assets							
Cash and Cash Equivalents	6	1	21,613,708	-	-	21,613,715	-
Investments	21,349,105	-	-	-	194,580	21,543,685	-
Total Restricted Assets	21,349,111	1	21,613,708	0	194,580	43,157,400	0
Other Assets							
Note Receivable	-	-	231,865	-	-	231,865	-
Total Other Assets	-	0	231,865	0	0	231,865	0
Total Noncurrent Assets	175,274,131	5,708,566	210,508,915	14,277,718	16,205,573	421,974,903	3,478,510
Total Assets	187,303,071	9,243,489	240,987,143	15,159,525	22,582,654	475,275,882	18,414,230

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2014

	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		
DEFERRED OUTFLOWS OF RESOURCES							
Deferred Bond Refunding Costs	375,820	14,943	-	324,136	13,705	728,604	-
Total Deferred Outflows of Resources	375,820	14,943	0	324,136	13,705	728,604	0
LIABILITIES							
Current Liabilities							
Accounts Payable	927,899	788,357	13,027,072	74,001	309,760	15,127,089	511,617
Accrued Payroll Expenses	430,361	93,251	519,028	-	200,371	1,243,011	103,071
Accrued Expenses	105,953	5,376	330,065	-	4,743	446,137	3,504,434
Accrued Interest Payable	352,416	10,055	356,273	173,690	16,818	909,252	9,342
Due to Other Funds	226,042	2,296	-	-	2,772	231,110	3,369
Unearned Revenue	7,333	21,450	-	-	26,340	55,123	-
Matured Bonds and Interest Payable	33,253	-	-	-	-	33,253	-
Retainages Payable	182,963	-	-	-	176,867	359,830	-
Contractor Deposits	247,280	-	-	-	-	247,280	-
Customer Deposits	-	600	3,784,037	-	-	3,784,637	-
Special Commission Bonds	-	-	-	-	11,756	11,756	-
Notes and Bonds Payable - Current Portion	10,487,458	561,379	2,845,000	935,000	440,000	15,268,837	406,000
Compensated Absences - Current Portion	371,533	71,150	414,150	-	151,637	1,008,470	62,298
Deferred Landfill Postclosure Cost - Current Portion	-	37,380	-	-	-	37,380	-
Total Current Liabilities	13,372,491	1,591,294	21,275,625	1,182,691	1,341,064	38,763,165	4,600,131
Noncurrent Liabilities							
Compensated Absences Payable	45,920	8,794	2,631,235	-	18,742	2,704,691	-
OPEB Liability	-	-	3,318,770	-	-	3,318,770	-
Notes and Bonds Payable	74,841,485	603,096	43,570,000	9,830,000	5,645,000	134,489,581	1,836,000
Plus: Bond Premiums and Discounts (Net)	718,904	21,127	(251,864)	16,822	273,998	778,987	-
Deferred Landfill Postclosure Cost	-	336,420	-	-	-	336,420	-
Total Noncurrent Liabilities	75,606,309	969,437	49,268,141	9,846,822	5,937,740	141,628,449	1,836,000
Total Liabilities	88,978,800	2,560,731	70,543,766	11,029,513	7,278,804	180,391,614	6,436,131

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2014

	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		
DEFERRED INFLOWS OF RESOURCES							
Deferred Gain on Bond Refunding	-	-	309,507	-	-	309,507	-
Total Deferred Inflows of Resources	0	0	309,507	0	0	309,507	0
NET POSITION							
Net Investment in Capital Assets	89,602,104	4,537,907	141,834,428	3,820,032	9,860,280	249,654,751	1,227,168
Unrestricted	9,097,987	2,159,794	28,299,442	634,116	5,457,275	45,648,614	10,750,931
Total Net Position	<u>\$ 98,700,091</u>	<u>6,697,701</u>	<u>170,133,870</u>	<u>4,454,148</u>	<u>15,317,555</u>	<u>295,303,365</u>	<u>11,978,099</u>

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

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2014

	Business-Type Activities - Enterprise Funds						Governmental Activities- Internal Service Funds
	Water and Sewer	City Solid Waste	Johnson City Power Board	Johnson City Public Building Authority	Nonmajor Proprietary Funds	Total	
Operating Revenues							
Charges for Services (Net)	\$ 31,407,708	9,095,676	193,430,658	-	6,167,421	240,101,463	27,733,528
Other Revenue	418,648	138,238	-	222,651	52,045	831,582	608,170
Total Operating Revenues	31,826,356	9,233,914	193,430,658	222,651	6,219,466	240,933,045	28,341,698
Operating Expenses							
Administration	398,796	261,679	-	-	344,636	1,005,111	-
Personnel Services	8,633,382	2,309,426	-	-	4,406,571	15,349,379	2,222,452
Contractual Services	1,385,580	2,835,740	-	4,444	696,687	4,922,451	16,979,508
Materials and Supplies	1,218,540	174,972	-	100	570,205	1,963,817	41,229
Repairs and Maintenance	2,268,629	1,933,730	8,613,564	4,453	1,564,676	14,385,052	5,199,958
Items for Resale	-	-	-	-	30,025	30,025	-
Other Operating Expenses	4,226,701	302,224	167,135,462	741,213	264,217	172,669,817	140,261
Depreciation and Amortization	5,560,178	926,300	8,322,245	537,063	973,379	16,319,165	524,140
Tax Equivalents	-	-	1,100,752	-	-	1,100,752	-
Total Operating Expenses	23,691,806	8,744,071	185,172,023	1,287,273	8,850,396	227,745,569	25,107,548
Operating Income (Loss)	8,134,550	489,843	8,258,635	(1,064,622)	(2,630,930)	13,187,476	3,234,150
Nonoperating Revenue (Expenses)							
Investment Income	390,499	4,171	110,966	689	3,940	510,265	14,192
Operating Grants	-	-	-	-	2,072,027	2,072,027	-
Other Revenue	-	-	4,557,306	-	-	4,557,306	-
Interest Expenses and Commissions	(3,368,842)	(60,555)	(2,243,339)	(529,505)	(108,763)	(6,311,004)	(20,187)
Amortization of Loss on Refunding	(83,509)	(7,668)	(13,551)	(43,902)	(7,150)	(155,780)	-
Amortization of Gain on Refunding	-	-	16,882	-	-	16,882	-
Sale of Real Estate and Other Equipment	-	-	-	-	858	858	-
Gain (Loss) on Sale of Capital Assets	-	46,325	-	(3,260)	(2,794)	40,271	-
Total Nonoperating Revenues (Expenses)	(3,061,852)	(17,727)	2,428,264	(575,978)	1,958,118	730,825	(5,995)

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2014

	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	5,072,698	472,116	10,686,899	(1,640,600)	(672,812)	13,918,301	3,228,155
Transfers and Capital Contributions:							
Transfers In	398,733	338,559	-	2,611,317	3,793,396	7,142,005	2,380,320
Transfers Out	(1,346,339)	(523,300)	(3,527,261)	-	(699,560)	(6,096,460)	(2,632,327)
Federal Capital Grant Revenue	-	-	-	-	375,965	375,965	-
State Capital Grant Revenue	-	-	-	-	40,334	40,334	-
Total Transfers and Capital Contributions	(947,606)	(184,741)	(3,527,261)	2,611,317	3,510,135	1,461,844	(252,007)
Change in Net Position	4,125,092	287,375	7,159,638	970,717	2,837,323	15,380,145	2,976,148
Net Position, July 1, 2013	94,574,999	6,410,326	162,974,232	3,484,124	12,480,232	279,923,913	9,001,951
Prior Period Adjustments	-	-	-	(693)	-	(693)	-
Net Position, July 1, 2013 (Restated)	94,574,999	6,410,326	162,974,232	3,483,431	12,480,232	279,923,220	9,001,951
Net Position, June 30, 2014	\$ 98,700,091	6,697,701	170,133,870	4,454,148	15,317,555	295,303,365	11,978,099

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, 2014

	Business-Type Activities - Enterprise Funds						Governmental Activities- Internal Service Funds
	Water and Sewer	City Solid Waste	Johnson City Power Board	Johnson City Public Building Authority	Nonmajor Proprietary Funds	Total	
Cash Flows from Operating Activities							
Receipts from Customers and Users	\$ 31,371,083	9,044,771	183,431,071	219,601	6,168,083	230,234,609	288,337
Receipts from Interfund Services Provided	292,921	220,724	5,992,184	-	-	6,505,829	28,050,462
Receipts from Rentals and Other Sales	-	-	3,645,417	-	-	3,645,417	-
Payments to Employees	(8,621,972)	(2,304,262)	(8,843,955)	-	(4,381,249)	(24,151,438)	(2,217,374)
Payments for Contractor Deposits	(3,052)	-	-	-	-	(3,052)	-
Payments to Suppliers	(4,451,214)	(3,361,968)	(165,651,086)	(1,485,405)	(2,748,759)	(177,698,432)	(23,928,051)
Payments for Interfund Services Used	(5,237,707)	(2,114,161)	-	-	(1,059,996)	(8,411,864)	(42,892)
Payments for Tax Equivalents	-	-	(1,100,752)	-	-	(1,100,752)	-
Receipts from Customer Deposits	-	-	202,543	-	-	202,543	-
Net Cash Provided by (Used for) Operating Activities	13,350,059	1,485,104	17,675,422	(1,265,804)	(2,021,921)	29,222,860	2,150,482
Cash Flows from Noncapital Financing Activities							
Transfers to Other Funds	(1,346,339)	(523,300)	(3,527,261)	-	(699,560)	(6,096,460)	(2,632,327)
Transfers from Other Funds	398,733	338,559	-	2,611,317	3,793,396	7,142,005	-
Operating Grants Received	-	-	-	-	1,917,514	1,917,514	-
Receipts from (Payments on) Advances from Other Funds	4,210,159	-	-	(693)	(4,657)	4,204,809	2,380,320
Net Cash Provided by (Used for) Noncapital Financing Activities	3,262,553	(184,741)	(3,527,261)	2,610,624	5,006,693	7,167,868	(252,007)
Cash Flows from Capital and Related Financing Activities							
Purchase of Capital Assets	(5,931,407)	(562,163)	(10,167,094)	(25,702)	(3,930,632)	(20,616,998)	(216,274)
Receipts (Payments) of Construction Retainages	(19,429)	-	-	-	124,227	104,798	-
Capital Grants Received	-	-	-	-	426,497	426,497	-
Principal Paid on Capital Debt	(4,114,828)	(506,318)	(2,735,000)	(875,000)	(425,000)	(8,656,146)	-
Interest Paid on Capital Debt	(3,460,486)	(75,456)	(2,261,572)	(553,978)	(112,301)	(6,463,793)	-
Proceeds from Sale of Capital Assets	-	46,325	-	(3,260)	858	43,923	-
Bonds Payable Related to Communication Equipment	-	-	-	-	-	-	(387,000)
Purchae of Communication Equipment	-	-	-	-	-	-	(6,392)
Net Proceeds from Other Income	-	-	58,762	-	-	58,762	-
Proceeds from Notes Receivable	-	-	85,767	-	-	85,767	-
Net Cash Provided By (Used for) Capital and Related Financing Activities	(13,526,150)	(1,097,612)	(15,019,137)	(1,457,940)	(3,916,351)	(35,017,190)	(609,666)

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2014

	Business-Type Activities - Enterprise Funds					Total	Governmental Activities- Internal Service Funds
	Water and Sewer	City Solid Waste	Johnson City Power Board	Johnson City Public Building Authority	Nonmajor Proprietary Funds		
Cash Flows from Investing Activities							
Interest and Related Income (Expenses) on Investments	823,042	4,171	110,965	689	(3,249)	935,618	(1,215)
Amortization of Bond Premium	(432,543)	-	-	-	-	(432,543)	-
Purchase of Investments	(3,038,050)	-	-	(387,648)	2,448,816	(976,882)	-
Sale of Investments	-	-	1,967,535	-	-	1,967,535	-
Net Cash Provided by (Used for) Investing Activities	(2,647,551)	4,171	2,078,500	(386,959)	2,445,567	1,493,728	(1,215)
Net Increase (Decrease) in Cash and Cash Equivalents	438,911	206,922	1,207,524	(500,079)	1,513,988	2,867,266	1,287,594
Cash and Cash Equivalents, July 1, 2013	2,892,575	2,876,396	36,753,336	962,250	3,942,635	47,427,192	12,935,761
Cash and Cash Equivalents, June 30, 2014	\$ 3,331,486	3,083,318	37,960,860	462,171	5,456,623	50,294,458	14,223,355
Classified as:							
Current Assets	\$ 3,331,480	3,083,317	16,347,152	462,171	5,456,623	28,680,743	14,223,355
Restricted Assets	6	1	21,613,708	-	-	21,613,715	-
Totals	\$ 3,331,486	3,083,318	37,960,860	462,171	5,456,623	50,294,458	14,223,355
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:							
Operating Income (Loss)	\$ 8,134,550	489,843	8,258,635	(1,064,622)	(2,630,930)	13,187,476	3,234,150
Adjustments:							
Depreciation	5,548,806	926,300	8,787,899	537,063	973,379	16,773,447	524,140
Amortization of Customer Base	11,372	-	-	-	-	11,372	-
Landfill Postclosure Cost	-	(37,380)	-	-	-	(37,380)	-
Changes in the Allowance for Uncollectible Receivables	70,486	-	221,707	-	-	292,193	-
Changes in Assets and Liabilities:							
(Increase) Decrease in Accounts Receivable	(235,451)	31,310	(361,986)	(3,048)	(47,900)	(617,075)	258,108
(Increase) Decrease in Inventories	(34,766)	-	(1,120,668)	-	(11,773)	(1,167,207)	24,972
(Increase) Decrease in Prepaid Expenses	-	-	(115,448)	-	-	(115,448)	28,921
Increase (Decrease) in Accounts Payable and Accrued Expenses	(160,063)	70,019	882,048	(735,197)	(326,536)	(269,729)	(1,924,887)

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2014

	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		
Reconciliation of Operating Income (Loss) to Net (Continued)							
Increase (Decrease) in Accrued Payroll Expenses	14,971	4,359	72,141	-	18,721	110,192	524
Increase (Decrease) in Compensated Absences	(3,560)	805	381,486	-	6,601	385,332	4,554
Increase (Decrease) in Customer Deposits	(3,052)	-	202,543	-	-	199,491	-
Increase (Decrease) in Other Payables	4,155	(797)	467,065	-	-	470,423	-
Increase (Decrease) in Unearned Revenue	2,611	645	-	-	(3,483)	(227)	-
Net Cash Provided by (Used for) Operating Activities	\$ 13,350,059	1,485,104	17,675,422	(1,265,804)	(2,021,921)	29,222,860	2,150,482

Non-Cash Capital and Related Financing Activities

Water and Sewer:

- Amortization of Deferred Bond Refunding totaling \$83,509 as shown on the Statement of Revenues, Expenses, and Changes in Net Position.
- Interest paid on capital debt includes \$402,044 that was capitalized.
- Changes in the fair value of investments not reported as cash equivalents have been excluded from this statement.

City Solid Waste:

- Amortization of Deferred Bond Refunding totaling \$7,668 as shown on the Statement of Revenues, Expenses, and Changes in Net Position.

Johnson City Public Building Authority:

- Amortization of Deferred Bond Refunding of \$43,902 as shown on the Statement of Revenues, Expenses, and Changes in Net Position.

Johnson City Power Board:

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

Other Nonmajor Funds:

- Amortization of Deferred Bond Refunding totaling \$7,150 as shown on the Combining Statement of Revenues, Expenses, and Changes in Net Position.

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2014

	NETCO	Up & At 'Em	Total
ASSETS			
Cash and Cash Equivalents	\$ 42,891	72,855	115,746
Receivables	214	-	214
Capital Assets, net of accumulated depreciation	60,356	-	60,356
Total Assets	\$ 103,461	72,855	176,316
LIABILITIES			
Unearned Revenue	\$ 2,000	-	2,000
Capital Lease Payable	50,839	-	50,839
Due to Cooperative	50,622	-	50,622
Due to Up & At 'Em	-	72,855	72,855
Total Liabilities	\$ 103,461	72,855	176,316

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

CITY OF JOHNSON CITY, TENNESSEE
COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS
June 30, 2014

	Johnson City Public Library	Johnson City Development Authority	Total Component Units
ASSETS			
Cash and Cash Equivalents	\$ 236,236	428,699	664,935
Accounts Receivable (Net)	5,230	-	5,230
Capital Assets:			
Land	-	300,000	300,000
Book Collection	1,138,049	-	1,138,049
Buildings and Improvements	198,344	1,720,978	1,919,322
Equipment and Furniture	819,103	11,286	830,389
Less: Accumulated Depreciation	(677,303)	(8,736)	(686,039)
Total Assets	1,719,659	2,452,227	4,171,886
LIABILITIES			
Accounts Payable	601	20,977	21,578
Accrued Payroll Expenses	44,991	-	44,991
Noncurrent Liabilities:			
Due within one year	26,115	225,984	252,099
Due in more than one year	3,140	774,016	777,156
Total Liabilities	74,847	1,020,977	1,095,824
NET POSITION			
Net Investment in Capital Assets	1,472,916	1,023,528	2,496,444
Restricted for Imagination Library	20,576	-	20,576
Restricted by External Contributions	-	5,684	5,684
Restricted by Enabling Legislation	-	221,531	221,531
Unrestricted	151,320	180,507	331,827
Total Net Position	\$ 1,644,812	1,431,250	3,076,062

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

**CITY OF JOHNSON CITY, TENNESSEE
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
For the Fiscal Year Ended June 30, 2014**

Functions/Programs	Expenses	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Johnson City Public Library	Johnson City Development Authority	Total
Johnson City Public Library:							
General Government	\$ 1,811,256	62,177	1,709,380	-	(39,699)	-	(39,699)
Imagination Library	57,656	-	58,853	-	1,197	-	1,197
Total Johnson City Public Library	1,868,912	62,177	1,768,233	0	(38,502)	0	(38,502)
Johnson City Development Authority:							
General Government	112,796	140,140	171,844	-	-	199,188	199,188
Tax Increment Financing	215,378	1,155	562,464	-	-	348,241	348,241
Total Johnson City Development Authority	328,174	141,295	734,308	0	0	547,429	547,429
Total Component Units	\$ 2,197,086	203,472	2,502,541	0	(38,502)	547,429	508,927
General Revenues:							
Unrestricted Investment Earnings					244	-	244
Other General Revenue					10,652	-	10,652
E-Rate Reimbursement					11,925	-	11,925
Total General Revenues					22,821	0	22,821
Change in Net Position					(15,681)	547,429	531,748
Net Position, July 1, 2013					1,660,493	883,821	2,544,314
Net Position, June 30, 2014					\$ 1,644,812	1,431,250	3,076,062

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, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Johnson City, Tennessee (the City) was incorporated in 1869 and operates under a Board of Commission – City Manager form of government. The City is part of a 12 county area in northeast Tennessee and southwest Virginia known as the Tri-Cities Tennessee/Virginia region.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The Governmental Accounting and Financial Reporting Standards, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below.

A. Description of Government-Wide Financial Statements

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

B. Reporting Entity

The accompanying financial statements present the City (primary government) and its component units, entities for which the City is considered to be financially accountable. The City is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on the organization or (2) there is potential for the organization to provide specific financial benefit to or impose specific financial burden on the City. Additionally, the primary government is required to consider other entities for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The financial statements are formatted to allow the user to clearly distinguish between the primary government and its component units. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Reporting Entity (Continued)

Blended Component Unit

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

Discretely Presented Component Units

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

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

Joint Ventures and Jointly Governed Organizations

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

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation – Government-Wide Financial Statements

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and sewer, solid waste, power distribution, and building functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provided information about the government's funds, including its fiduciary fund and blended component units. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. An agency fund is generally used to account for assets that the City holds on behalf of others as their agent. All agency funds use the accrual basis of accounting.

The City reports the following major governmental funds:

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

The *General Purpose School Fund* accounts for transactions of the City School System. The major sources of revenue for this fund are state-shared revenues and local property and sales taxes.

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

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

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The City reports the following nonmajor governmental funds:

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

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

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

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

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

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

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

The *Police Grant and Technology Fund* accounts for all police grants from the federal, state and local governments and fees provided by moving violations to fund safety equipment and technology for the police department.

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

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

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

The *Capital Project Fund* accounts for the acquisition and construction of major capital facilities, equipment, and infrastructure other than those financed by proprietary funds.

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

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The City reports the following major proprietary funds:

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

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

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

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

The City reports the following nonmajor proprietary funds:

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

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

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

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

The City reports the following fiduciary funds:

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

The *Up and At 'Em Fund* accounts for the activities associated with the annual Turkey Trot.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Presentation – Fund Financial Statements (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 on a cost reimbursement basis.

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

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

E. Measurement Focus and Basis of Accounting

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

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Measurement Focus and Basis of Accounting (Continued)

For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period for local revenues, 120 days for state-shared revenues, and 360 days for expenditure-driven grant revenues. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The fiduciary fund has no measurement focus, but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

F. Budgetary Information

Budgetary Basis of Accounting

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

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

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Budgetary Information (Continued)

Budgetary Basis of Accounting (Continued)

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

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

1. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes impose various restrictions on the City's and its component units' deposits and investments, including repurchase agreements. These restrictions are summarized as follows:

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

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

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

1. Cash and Cash Equivalents (Continued)

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.

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. The plan is presently with First Tennessee Bank. Bids are obtained from all banks to obtain the best possible rates.

2. Investments

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

This investment pool is established for the use of idle funds of local governments located within the State of Tennessee. These funds are placed by the participating entity into accounts that are held and invested by the State Treasurer. The LGIP invests in time deposits, such as Certificates of Deposit, commercial paper, United States of America agency securities, repurchase agreements, and United States of America treasuries. By law, the LGIP is required to maintain a 90-day or less weighted-average-maturity. The fair value of shares held in the LGIP is the same as the value of the LGIP shares. The LGIP has been classified as Cash on Deposit with State of Tennessee since they are comprised of short-term investments. The Tennessee LGIP has not been rated by a nationally recognized statistical rating organization.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

3. Inventories and Prepaid Items

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

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and proprietary fund financial statements. The cost of prepaid items is recorded as expenditures / expenses when consumed rather than when purchased.

4. Restricted Assets

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

5. Capital Assets

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

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

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

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. Capital Assets (Continued)

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 and the Stormwater Fund during the current fiscal year were \$3,770,886 and \$173,018, respectively. During the fiscal year ended June 30, 2014, \$507,015 of interest and related fees were capitalized in connection with capital improvements and additions.

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

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

Assets of the Johnson City Power Board are depreciated over the useful lives per guidelines of the Federal Energy Regulatory Commission. When property is retired or otherwise disposed of, its average cost, together with its cost of removal less salvage, is charged to accumulated depreciation; no gain or loss is recognized as per federal energy regulations. The useful lives range from 3 years to 50 years. The Power Board's total depreciation expense for the fiscal year ended June 30, 2014 was \$8,787,899. In a separately issued report dated December 9, 2014, the Johnson City Power Board reported \$465,654 in Other Operating Expenses as required by the TVA.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

6. Deferred Outflows / Inflows of Resources

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

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has items that qualify for reporting in this category. The deferred gain on bond refunding is reported as a deferred inflow and being amortized over the life of the bonds. The fair value of the interest rate swap is recorded as a deferred inflow. Accordingly, these items are reported only in the government-wide Statement of Net Position. The item, *unavailable revenue*, is reported only in the governmental funds balance sheet. These revenues are from delinquent property taxes and other deferred/unavailable revenue. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. At the government-wide level, exchange transactions that are unavailable but earned are recognized in current year revenue. The current year property taxes, which have been levied, but not yet billed as of June 30, are reflected as both unearned and unavailable and are reported in the government-wide Statement of Net Position and the governmental funds Balance Sheet as a deferred inflow of resources.

7. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position.

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, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

8. Net Position Flow Assumption

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

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

9. Fund Balance Flow Assumptions

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

10. Fund Balance Policies

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

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

Restricted Fund Balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed Fund Balance – amounts constrained to specific purposes by which the City Commission, the City's highest level of decision-making authority, approves an ordinance. To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.

Assigned Fund Balance – amounts the City intends to use for a specific purpose. In the fund balance policy adopted by the City Commission, the Board of Commissioners delegates to the City Manager or Finance Director the authority to assign amounts to be used for specified purposes.

Unassigned Fund Balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

11. Reclassifications

Certain reclassifications have been made to the June 30, 2013 financial statements in order for them to conform to the June 30, 2014 financial statement presentation.

12. Accounting Changes

In the fiscal year ended June 30, 2014, the City implemented the provisions of several new Governmental Accounting Standards Board (GASB) Statements. These are summarized as follows:

GASB Statement No. 66, *Technical Corrections – 2012; an amendment of GASB Statements No. 10 and No. 62*, resolved conflicting guidance that resulted from the issuance of previous pronouncements, limited fund-based reporting of an entity's risk financing activities to the general funds and the internal service fund types, and modified guidance on accounting for operating leases, purchased loans, and servicing fees relating to mortgage loans. Statement No. 66 did not have a significant impact on the City.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, was early implemented by the City. This statement established accounting and financial reporting standards for mergers, acquisitions, and transfers of operations. Statement No. 69 did not have a significant impact on the City.

Provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans* and Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* became effective for the fiscal year ended June 30, 2014. The application of these two standards did not have a significant impact on the City.

Additionally, GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27*, effective for fiscal year ended June 30, 2015. The complete impact of this standard cannot be reasonably determined until its application in the next reporting period.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

13. Use of Estimates

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

14. Concentration

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

H. Revenues and Expenditures / Expenses

1. Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as *general revenues* rather than as program revenues.

2. Property Taxes

Property taxes are levied on September 1st on property values assessed as of January 1st. After December 31st, the tax bill becomes delinquent and penalty and interest are assessed. Property taxes are declared to be a lien on the property after January 10th of the fiscal year of assessment.

3. Compensated Absences

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

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Revenues and Expenditures / Expenses (Continued)

3. Compensated Absences (Continued)

Vacation accrues as follows:

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

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

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

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

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Revenues and Expenditures / Expenses (Continued)

3. Compensated Absences (Continued)

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

4. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all of the City's enterprise funds and of the City's internal service funds are charges to customers for sales and services. The water and sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the systems. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental funds balance sheet includes a reconciliation between *fund balances - total governmental funds* and *net position - governmental activities* as reported in the government-wide Statement of Net Position. One element of that reconciliation explains that "capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds." This difference does not include capital assets from the internal service funds. The details of this \$263,738,690 difference are as follows:

Governmental Funds Capital Assets	\$ 471,298,850
Less: Accumulated Depreciation	(204,081,550)
Less: Internal Service Funds Net Capital Assets	<u>(3,478,510)</u>
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$ 263,738,790</u></u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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

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

Another element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.” The details of this \$123,284,276 difference are as follows:

Bonds Payable (net of Deferred Refunding)	\$ 125,661,880
Less: Internal Service Funds Notes and Bonds Payable	(2,242,000)
Less: Deferred Charge on Refunding	<u>(135,604)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u><u>\$ 123,284,276</u></u>

B. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide Statement of Activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of general capital assets in the current period is exceeded by depreciation.” This difference does not include depreciation expense of \$524,140 relating to internal service funds. The details of this \$(1,836,454) difference are as follows:

Capital Outlay	\$ 11,158,840
Depreciation Expense	<u>(12,995,294)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u><u>\$ (1,836,454)</u></u>

Another element of that reconciliation states that “the net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is to decrease net position.” In the Statement of Activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. The details of this \$(16,571) difference are as follows:

Cost of Capital Assets	\$ (227,226)
Less: Sales Proceeds	<u>210,655</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u><u>\$ (16,571)</u></u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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

B. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities (Continued)

Another element of that reconciliation states that “revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.” The details of this \$(320,662) difference are as follows:

Deferred Property Taxes as of June 30, 2014	\$ 1,362,261
Deferred Property Taxes as of June 30, 2013	(1,621,062)
Deferred Other Taxes as of June 30, 2014	394,147
Deferred Other Taxes as of June 30, 2013	(428,269)
Deferred Other Revenue as of June 30, 2014	-
Deferred Other Revenue as of June 30, 2013	<u>(27,739)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u><u>\$ (320,662)</u></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 position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.” The details of this \$7,233,864 difference are as follows:

Principal Repayments	\$ 8,277,136
Proceeds from Bonds and Leases	(1,189,948)
Premiums, Amortization, and Deferred Refunding	<u>146,676</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u><u>\$ 7,233,864</u></u>

Included in the Internal Service Fund is an additional \$387,000 of debt reduction which is not reflected above since it is included in the Internal Service Fund adjustment.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

3. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash Deposits with Financial Institutions

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's policy for custodial credit rate risk on deposits is to follow state guidelines.

At fiscal year end, the City's had \$29,318 of cash on hand, which has been included in cash and cash equivalents. The City's carrying amount of deposits, including restricted cash, was \$74,329,280 and the bank balance was \$71,622,609. Of the City's bank balance, \$71,583,194 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). The remaining \$39,415 of that balance was collateralized with securities held by the pledging or financial institution's trust department or agent.

B. Investments

The City's investment policy is to ensure the preservation of capital in the overall investment portfolio. The City will emphasize the safety of capital first, maintain sufficient liquidity to meet obligations second, and gain the highest possible yield third. All investments made by the City will be in accordance with applicable state guidelines, which limit the types of investments to the following:

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

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

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

The local government investment pool (cash on deposit with the state)

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, 2014

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

B. Investments (Continued)

At June 30, 2014, the City's investments were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Municipal Bonds	\$ 16,424,767	0.37
State Treasurer's Investment Pool	1,320,485	N/A
Certificates of Deposit - Investments	7,749,604	0.04
Cash with Investment Firm	179,823	N/A
Fixed Rate Agency Securities	15,999,875	N/A
Treasury Securities	<u>2,599,974</u>	0.03
Total Fair Value	<u>\$ 44,274,528</u>	
Portfolio Weighted Average Maturity		0.24

Classified as:

Investments	\$ 20,070,360
Restricted Investments	<u>24,204,168</u>
Total Investments	<u><u>\$ 44,274,528</u></u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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

B. Investments (Continued)

As of June 30, 2014, the City's investments in fixed rate agency securities and treasury securities were rated as AAA by Moody's Investors Service. The breakout of municipal bond ratings is as follows:

Rating	Rating Agency	Fair Value	Percentage
A	Standard & Poor's	\$ 487,373	3%
Aaa	Moody's	3,389,694	21%
Aa1	Moody's	2,868,135	17%
Aa2	Moody's	5,034,676	31%
Aa3	Moody's	435,370	3%
A2	Moody's	610,524	4%
AAA	Standard & Poor's	245,164	1%
AA+	Standard & Poor's	1,103,772	7%
AA	Standard & Poor's	1,330,869	8%
AA-	Standard & Poor's	919,190	6%
		\$ 16,424,767	

Interest Rate Risk

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

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

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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

B. Investments (Continued)

Interest Rate Risk (continued)

Terms. Under the swap, the Authority pays the counterparty a fixed payment of 3.746% and receives a variable equal to the Securities Industry and Financial Markets Association Index (SIFMA). The bonds hedged by the interest rate swap agreement had an original outstanding principal amount of \$29.085 million. At no time will the notional amount of the interest rate swap agreement exceed the outstanding principal amount on the associated hedged bonds. The related swap agreement matures on June 1, 2021. As of June 30, 2014, rates were as follows:

	Terms	Rates
Interest Rate Swap		
Fixed Payment to Counterparty	Fixed	3.746%
Variable Payment from Counterparty		-0.060%
Net Interest Rate Swap Payments		3.686%
Variable-Rate Bond Coupon Payments		1.457%
Synthetic Interest Rate on Bonds		5.143%

Fair Value. As of June 30, 2014, the swap had a negative fair value of (\$2,390,319). 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, 2014, the City was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the City would be exposed to credit risk in the amount of the swap agreement’s fair value. The swap counterparty, Morgan Keegan Financial Products (MKFP), was rated A+ by Standard and Poor’s as of June 30, 2014, with its Credit Support Provider, Deutsche Bank, rated A2/A+/A+ by Moody’s, Standard & Poor’s and Fitch, respectively.

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

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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

B. Investments (Continued)

Interest Rate Risk (Continued)

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

Swap Payments and Associated Debt. As of June 30, 2014, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Variable Rate Bonds		Net Interest Rate	Total
	Principal	Interest	Swap Payment	
2015	\$ 3,000,000	351,137	888,326	4,239,463
2016	3,350,000	307,427	777,746	4,435,173
2017	3,750,000	258,618	654,265	4,662,883
2018	4,000,000	203,980	516,040	4,720,020
2019	4,450,000	145,700	368,600	4,964,300
2020-2021	5,550,000	94,705	239,590	5,884,295
	<u>\$ 24,100,000</u>	<u>1,361,567</u>	<u>3,444,567</u>	<u>28,906,134</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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

C. Receivables

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

	General	General Purpose School	Educational Facilities Debt Service	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Receivables						
Taxes	\$ 31,032,323	-	-	-	-	31,032,323
Accounts	1,623,963	32,173	638,357	408	1,096,689	3,391,590
Intergovernmental	5,725,093	14,122,156	-	-	2,193,609	22,040,858
Gross Receivables	<u>38,381,379</u>	<u>14,154,329</u>	<u>638,357</u>	<u>408</u>	<u>3,290,298</u>	<u>56,464,771</u>
Less: Allowances for Uncollectibles	(85,855)	-	-	-	-	(85,855)
Net Total Receivables	<u><u>\$ 38,295,524</u></u>	<u><u>14,154,329</u></u>	<u><u>638,357</u></u>	<u><u>408</u></u>	<u><u>3,290,298</u></u>	<u><u>56,378,916</u></u>
	Water and Sewer	City Solid Waste	Johnson City Power Board	Johnson City Public Building Authority	Nonmajor Proprietary Funds	Total Proprietary Funds
Receivables						
Accounts	\$ 3,117,641	804,461	9,071,031	3,284	404,630	13,401,047
Notes	-	-	255,640	-	-	255,640
Intergovernmental	-	-	-	-	607,922	607,922
Gross Receivables	<u>3,117,641</u>	<u>804,461</u>	<u>9,326,671</u>	<u>3,284</u>	<u>1,012,552</u>	<u>14,264,609</u>
Less: Allowance for Uncollectibles	(1,489,639)	(362,788)	(875,285)	-	(167,141)	(2,894,853)
Net Total Receivables	<u><u>\$ 1,628,002</u></u>	<u><u>441,673</u></u>	<u><u>8,451,386</u></u>	<u><u>3,284</u></u>	<u><u>845,411</u></u>	<u><u>11,369,756</u></u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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

C. Receivables (Continued)

	Total Governmental Funds	Total Proprietary Funds	Internal Service Funds	Total Primary Government
Receivables				
Taxes	\$ 31,032,323	-	-	31,032,323
Accounts	3,391,590	13,401,047	164,030	16,956,667
Notes	-	255,640	-	255,640
Intergovernmental	22,040,858	607,922	-	22,648,780
Gross Receivables	<u>56,464,771</u>	<u>14,264,609</u>	<u>164,030</u>	<u>70,893,410</u>
Less: Allowances for				
Uncollectibles	(85,855)	(2,894,853)	-	(2,980,708)
Net Total Receivables	<u>\$ 56,378,916</u>	<u>11,369,756</u>	<u>164,030</u>	<u>67,912,702</u>

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, and Johnson City Public Building Authority are reported under operating expenses. Total uncollectible amounts related to revenues of the current period are as follows:

Uncollectibles related to:	Water and Sewer Services	\$ 202,467
	City Solid Waste Services	34,994
	Regional Solid Waste Services	16,389
	Stormwater	4,972
		<u>\$ 258,822</u>

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Property taxes which are delinquent at year end are earned but not available. The tax year 2014 property taxes are unearned and unavailable, but are recorded as receivable on the levy date, as described in Note 1.H.2 and Note 1.G.6.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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

D. Capital Assets

Capital asset activity For the Fiscal Year Ended June 30, 2014 was as follows:

	Primary Government			
	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 21,045,315	790,716	-	21,836,031
Construction in Progress	17,657,410	9,462,669	(16,553,231)	10,566,848
Total Capital Assets, Not Being Depreciated	38,702,725	10,253,385	(16,553,231)	32,402,879
Capital Assets, Being Depreciated:				
Buildings and Improvements	214,190,417	14,935,414	(311,278)	228,814,553
Equipment and Vehicles	43,412,328	2,913,970	(2,627,697)	43,698,601
Infrastructure	165,791,127	591,690	-	166,382,817
Total Capital Assets, Being Depreciated	423,393,872	18,441,074	(2,938,975)	438,895,971
Accumulated Depreciation:				
Buildings and Improvements	(86,883,594)	(6,970,312)	179,487	(93,674,419)
Equipment and Vehicles	(27,415,227)	(2,798,772)	1,878,280	(28,335,719)
Infrastructure	(78,321,062)	(3,750,350)	-	(82,071,412)
Total Accumulated Depreciation	(192,619,883)	(13,519,434)	2,057,767	(204,081,550)
Total Capital Assets, Being Depreciated, Net	230,773,989	4,921,640	(881,208)	234,814,421
Governmental Activities Capital Assets, Net	\$ 269,476,714	15,175,025	(17,434,439)	267,217,300

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

Governmental Activities:

General Government	\$ 807,956
Education	5,593,525
Public Welfare	934,327
Public Works	4,890,029
Public Safety	522,777
City Services	246,680
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of those assets	524,140
Total Depreciation Expense - Governmental Activities	\$ 13,519,434

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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

D. Capital Assets (Continued)

	Primary Government			Ending Balance
	Beginning Balance	Additions	Deletions	
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 17,723,428	426,032	-	18,149,460
Construction in Progress	11,869,009	6,267,884	(3,127,177)	15,009,716
Total Capital Assets, Not Being Depreciated	29,592,437	6,693,916	(3,127,177)	33,159,176
Capital Assets, Being Depreciated:				
Buildings and Improvements	53,618,031	637,610	(12,000)	54,243,641
Plant in Service	418,194,233	15,259,304	(1,131,123)	432,322,414
Equipment and Vehicles	43,290,618	5,289,710	(1,295,952)	47,284,376
Total Capital Assets, Being Depreciated	515,102,882	21,186,624	(2,439,075)	533,850,431
Accumulated Depreciation:				
Buildings and Improvements	(16,728,995)	(1,276,674)	12,000	(17,993,669)
Plant in Service	(131,704,792)	(12,018,301)	1,600,933	(142,122,160)
Equipment and Vehicles	(26,015,198)	(3,478,472)	1,185,530	(28,308,140)
Total Accumulated Depreciation	(174,448,985)	(16,773,447)	2,798,463	(188,423,969)
Total Capital Assets, Being Depreciated, Net	340,653,897	4,413,177	359,388	345,426,462
Business-Type Activities Capital Assets, Net	\$370,246,334	11,107,093	(2,767,789)	378,585,638

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

Business-Type Activities:

Water and Sewer	\$ 5,548,806
City Solid Waste	926,300
Johnson City Power Board	8,787,899
Johnson City Public Building Authority	537,063
Golf Course	56,824
Regional Solid Waste	255,298
Mass Transit	525,682
Stormwater Management	135,575
Total Depreciation Expense - Business-Type Activities	\$ 16,773,447

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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

E. Pension Plan

City of Johnson City

Plan Description

Employees of the City are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as The City participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The City withdrew from TCRS effective July 1, 2010. Employees hired after the date of withdrawal are not eligible to participate in TCRS. Employees active as of the withdrawal date will continue to accrue salary and service credit in TCRS. The employer remains responsible for the pension liability for employees that were active as of the withdrawal date and for retirees of the employer.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 15th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs/PS/>.

Funding Policy

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

The City is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2014 was 19.11% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the City is established and may be amended by the TCRS Board of Trustees.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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

E. Pension Plan (Continued)

City of Johnson City (Continued)

Annual Pension Cost

For the fiscal year ending June 30, 2014, the City's annual pension cost of \$6,600,728 to TCRS was equal to the City's required and actual contributions. The required contribution was determined as part of the July 1, 2011 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected 3.0 percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. The City's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011 was 9 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2014	\$ 6,600,728	100%	\$ -
June 30, 2013	6,980,952	100%	-
June 30, 2012	7,193,297	100%	-

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the plan was 80.35 percent funded. The actuarial accrued liability for benefits was \$213.19 million, and the actuarial value of assets was \$171.29 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$41.90 million. The covered payroll (annual payroll of active employees covered by the plan) \$35.56 million, and the ratio of the UAAL to the covered payroll was 117.84 percent.

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

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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

E. Pension Plan (Continued)

City of Johnson City (Continued)

(Dollar Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
July 1, 2013	\$ 171,290	\$ 213,188	\$ 41,898	80.35%	\$ 35,555	117.84%

Johnson City Schools

Plan Description

The Johnson City Schools contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEPP), a cost-sharing multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979 are vested after five years of service. Members joining prior to July 1, 1979 are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Cost of living adjustments (COLA) are provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 15th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.tn.gov/treasury/tcrs/Schools.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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

E. Pension Plan (Continued)

Johnson City Schools (Continued)

Funding Policy

Most teachers are required by state statute to contribute 5.0% of salary to the plan. The employer contribution rate for Johnson City Schools is established at an actuarially determined rate. The employer rate for the fiscal year ending June 30, 2014 was 8.88% of annual covered payroll. The employer contribution requirement for Johnson City Schools is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ending June 30, 2014, 2013, and 2012 were \$2,919,640, \$2,860,958, and \$2,824,933, and respectively, equal to the required contributions for each year.

Johnson City Power Board

Plan Description

Employees of Johnson City Power Board are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the Power Board participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

**CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014**

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

E. Pension Plan (Continued)

Johnson City Power Board (Continued)

Funding Policy

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

The Power Board is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2014 was 13.87% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the Power Board is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the fiscal year ending June 30, 2014, the Power Board's annual pension cost of \$1,574,379 to TCRS was equal to Power Board's required and actual contributions. The required contribution was determined as part of the July 1, 2011 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected 3.0 percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. Power Board's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011 was 11 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Fiscal Year Ending	Trend Information		
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2014	\$ 1,574,379	100%	\$ -
June 30, 2013	1,536,294	100%	-
June 30, 2012	1,466,085	100%	-

Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the plan was 82.21 percent funded. The actuarial accrued liability for benefits was \$46.71 million, and the actuarial value of assets was \$38.40 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$8.31 million. The covered payroll (annual payroll of active employees covered by the plan) \$10.86 million, and the ratio of the UAAL to the covered payroll was 76.50 percent.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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

E. Pension Plan (Continued)

Johnson City Power Board (Continued)

Funded Status and Funding Progress (Continued)

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

(Dollar Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
July 1, 2013	\$ 38,404	\$ 46,715	\$ 8,311	82.21%	\$ 10,864	76.50%

F. Post-Employment Healthcare Benefits

City of Johnson City

Plan Description

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

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

Active employees with 30 to 34 years of full-time continuous service solely to the City as of July 1, 2008, who retire with 40 years of service prior to reaching Medicare eligibility, may remain in the group health plan at employee rates until reaching Medicare eligibility. There are currently 89 retirees covered for this health benefit. The monthly contribution for eligible retirees is \$142 for single coverage and \$366 for family coverage. The co-insurance rate of reimbursement depends on the plan the employee is covered by. The Preferred Network has a \$550 deductible with an 80% co-insurance rate. The Select Network has a \$475 deductible and a 90% co-insurance rate. During the fiscal year ended June 30, 2014, contributions received from active employees were \$1,898,629 and contributions received from retirees were \$255,102.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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

F. Post-Employment Healthcare Benefits (Continued)

City of Johnson City (Continued)

Plan Description (Continued)

Upon reaching Medicare eligibility, these employees shall be eligible to be reimbursed up to \$3,000 per fiscal year for the costs of a Medicare supplemental plan, if they choose to procure such a plan. Active full-time employees with less than 30 years of full-time continuous service solely to the City as of July 1, 2008, shall not be eligible for any of the retiree health benefits as set forth in the above paragraphs.

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

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

	Fiscal Year Ended June 30, 2014
Annual OPEB Cost and Net OPEB Obligation	
1. Annual Required Contribution (ARC)	\$ 1,436,041
2. Interest on net OPEB Obligation	78,495
3. Adjustment to ARC	(59,744)
4. Annual OPEB Cost (Expense) (1+2+3)	1,454,792
5. Contribution made (assumed end of year)*	(928,787)
6. Increase in net OPEB Obligation (4 - 5)	526,005
7. Net OPEB Obligation - Beginning of Year	1,652,518
8. Net OPEB Obligation - End of Year (6 + 7)	\$ 2,178,523

*Contribution made was assumed to equal Expected Benefit Payments

**CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014**

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

F. Post-Employment Healthcare Benefits (Continued)

City of Johnson City (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2014, 2013 and 2012 are as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2014	\$ 1,454,792	64.00%	\$ 2,178,523
June 30, 2013	1,395,345	66.00%	1,652,518
June 30, 2012	1,446,059	73.00%	1,179,686

Funded Status and Funding Progress

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

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

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

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

Actuarial Methods and Assumptions

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

**CITY OF JOHNSON CITY, TENNESSEE
 NOTES TO THE FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2014**

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

F. Post-Employment Healthcare Benefits (Continued)

City of Johnson City (Continued)

Actuarial Methods and Assumptions (Continued)

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Pay, Closed
Remaining Amortization Period	24-30
Inflation Rate	3.00%
Asset Valuation Method	N/A - Pay As You Go
Investment Return	4.75%
Projected Salary Increases	5.00%
Cost of Living Adjustments	Not Provided by Actuary
Healthcare Cost Trend Rate	8.00%

Johnson City Schools

Plan Description

The Johnson City Schools have two arrangements for post-employment health care benefits. If the school employee retires with full benefits (30 years or age 60), 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, \$370 for employee plus one coverage and \$744 for family. If the school employee does not retire with full benefits but has 20 years of service with the Johnson City Schools and has carried insurance for the past 5 consecutive years, then the quarterly charge is \$427 for individual and \$1,097 for family. There are approximately 115 School employees participating in the post-employment health care benefit arrangements.

The co-insurance rate of reimbursement depends on the plan the employee is covered by. The Preferred Network has a \$425 deductible with an 80% co-insurance rate. The Select Network has a \$350 deductible and a 90 % co-insurance rate.

During the fiscal year ended June 30, 2014, premiums of \$2,090,049 were collected from active employees and \$86,628 was collected from retirees.

**CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014**

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

F. Post-Employment Healthcare Benefits (Continued)

Johnson City Schools (Continued)

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation (Benefit)

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

	Fiscal Year Ended June 30, 2014
Annual OPEB Cost and Net OPEB Obligation (Benefit)	
1. Annual Required Contribution (ARC)	\$ 1,328,923
2. Interest on net OPEB Obligation (Benefit)	(5,878)
3. Adjustment to ARC	4,791
4. Annual OPEB Cost (Expense) (1+2+3)	1,327,836
5. Contribution made (assumed end of year)*	(1,356,861)
6. Increase in net OPEB Obligation (Benefit) (4 - 5)	(29,025)
7. Net OPEB Obligation (Benefit)- Beginning of Year	(123,745)
8. Net OPEB Obligation (Benefit) - End of Year (6 + 7)	\$ (152,770)

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

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (benefit) for fiscal years 2014, 2013 and 2012 are as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Benefit
June 30, 2014	\$ 1,327,836	102.00%	\$ (152,770)
June 30, 2013	1,293,784	101.00%	(123,745)
June 30, 2012	1,381,107	105.00%	(112,284)

**CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014**

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

F. Post-Employment Healthcare Benefits (Continued)

Johnson City Schools (Continued)

Funded Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$17,158,777. The covered payroll (annual payroll of active employees covered by the plan) was \$28,300,000, and the ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll was 60.63%.

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

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

Actuarial Methods and Assumptions

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

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Pay, Closed
Remaining Amortization Period	25-30
Inflation Rate	Not Provided by Actuary
Asset Valuation Method	N/A - Pay As You Go
Investment Return	4.75%
Projected Salary Increases	5.00%
Cost of Living Adjustments	Not Provided by Actuary
Healthcare Cost Trend Rate	8.00%

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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

F. Post-Employment Healthcare Benefits (Continued)

Johnson City Schools (Continued)

Actuarial Methods and Assumptions (Continued)

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

Johnson City Power Board

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

- a. *Plan Types:* Presently, employees and retirees have one primary plan available to full-time employees. At age 65, each retiree covered will move to Medicare coverage Part A and B.
- b. *Eligibility:* 30 years of service or age 60 with 5 years of service.
- c. *Benefit/Cost Sharing:* 80% of the pre-65 plan paid by the Board.
- d. *Spouse Benefit:* Spouse pays 100% of the medical premium.
- e. *Surviving Spouse Benefit:* No
- f. *Annual Medical Premium:*

Pre-65 Retiree	\$5,266
Pre-65 Spouse	\$7,240
Medicare Eligible	\$972
- g. *Medicare Part B:* The Board reimburses the retiree for payment of the Medicare Part B premium. Effective January 1, 2013, reimbursement is \$1,259.
- h. *Life:* Upon retirement, each retiree receives a paid-up \$25,000 life insurance policy.

Funding Policy

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

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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

F. Post-Employment Healthcare Benefits (Continued)

Johnson City Power Board (Continued)

Annual OPEB Cost and Net OPEB Obligation

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

	Fiscal Year Ended June 30, 2014
Annual OPEB Cost and Net OPEB Obligation	
1. Annual Required Contribution (ARC)	\$ 906,350
2. Interest on net OPEB Obligation	109,629
3. Adjustment to ARC	(135,269)
4. Annual OPEB Cost (Expense) (1+2+3)	880,710
5. Contribution made (assumed end of year)*	(302,652)
6. Increase in net OPEB Obligation (4 - 5)	578,058
7. Net OPEB Obligation - Beginning of Year	2,740,712
8. Net OPEB Obligation - End of Year (6 + 7)	\$ 3,318,770

**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 2014, 2013 and 2012 are as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2014	\$ 880,710	34.40%	\$ 3,318,770
June 30, 2013	876,699	35.60%	2,740,712
June 30, 2012	838,545	35.30%	2,176,020

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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

F. Post-Employment Healthcare Benefits (Continued)

Johnson City Power Board (Continued)

Funded Status and Funding Progress

As of July 1, 2013, the plan was not funded. The actuarial accrued liability for benefits was \$9,802,544. The covered payroll (annual payroll of active employees covered by the plan) was \$10,564,075.

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, 2013 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.00 percent 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 percent. There is a 23.94 year closed amortization of the UAAL increasing at 2.50 percent a year (the payroll growth rate).

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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

G. Risk Management

The City carries insurance coverage through TML Risk Management Pool for general liability, automobile coverage, and errors and omission coverage. The City also carries auto physical damage coverage with TML Risk Management Pool. There was no reduction in insurance coverage from the prior fiscal year and the City has not had any settlements in the last three years which were not covered by insurance. The City participates in a self-insured retention plan through TML for the liability program. With the TML coverage, the City has an aggregate limit of \$650,000 for liability retention. As of June 30, 2014, the general liability program had \$364,133 in claims incurred during the fiscal year for the City, but not yet settled. The amounts are not recorded in the financial statements until settlement is made. For the July 1, 2013 to June 30, 2014 policy period, the City received a dividend of \$23,384 from TML.

The City carried workers' compensation coverage through TML Risk Management Pool prior to October 15, 2002. After October 15, 2002, the City provided workers' compensation coverage through a self-insured plan. The City carries stop-loss insurance with an individual specific amount of \$550,000 and an aggregate limit of 85% of expected claims. The total paid out for workers' compensation during fiscal year 2014 was \$1,008,108 for the City and \$164,038 for the Schools. A reconciliation of claims for the fiscal years ended June 30, 2014 and 2013 are as follows:

	June 30, 2014			June 30, 2013	Variance
	City	Schools	Total		
Claims Incurred	\$ 480,034	131,901	611,935	559,385	52,550
Claims Paid	(222,069)	(66,836)	(288,905)	(279,669)	(9,236)
Claims Ending	<u>\$ 257,965</u>	<u>65,065</u>	<u>323,030</u>	<u>279,716</u>	<u>43,314</u>

The above represent current year liabilities and are reflected in the Internal Service Funds.

In addition to the above insurance, the City provides medical insurance to employees as well as post-employment health care benefits through a partially self-funded health insurance plan. Participants in the plan pay premiums as determined by the City to offset a portion of the cost of the plan. The City carries stop-loss insurance with an individual specific limit of \$150,000 and an aggregate limit of 120% of expected claims. A reconciliation of claims for the fiscal years ended June 30, 2014 and 2013 are as follows:

	June 30, 2014			June 30, 2013	Variance
	City	Schools	Total		
Claims Accrued, Beginning	\$ 578,736	348,905	927,641	1,211,808	(284,167)
Claims Incurred	7,745,066	6,999,408	14,744,474	16,716,038	(1,971,564)
Claims Paid	<u>(7,946,300)</u>	<u>(7,025,786)</u>	<u>(14,972,086)</u>	<u>(17,000,205)</u>	<u>2,028,119</u>
Claims Accrued, Ending	<u>\$ 377,502</u>	<u>322,527</u>	<u>700,029</u>	<u>927,641</u>	<u>(227,612)</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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

G. Risk Management (Continued)

The above liabilities are reflected in the Internal Service Funds.

There are additional estimated losses at June 30, 2014 for both automobile and general incidents that have been reflected as liabilities in the Internal Service Funds in the amount of \$1,087,137.

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

Since July 1, 1986, the Power Board has been self-insured for the general liability, comprehensive general automobile liability, fire and casualty, and errors and omissions coverage. There have been two claims in the amount of \$179,750 paid from the fund, which was originally established at \$1,000,000, and has accumulated to \$1,962,022 at June 30, 2014.

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

H. Capital Lease Obligations – Governmental Activities

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

During the fiscal year ended June 30, 2011, the City entered into a lease for a Voice over Internet Protocol (VoIP) system. The present value of the minimum lease payments was \$693,655 to be repaid over 48 months. Interest on this lease will be calculated at an annual rate of 3.02%. This lease was also paid out during the current year.

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

Computer Equipment	\$ 811,408
Vehicle	23,000
Less: Accumulated Depreciation*	<u>(307,859)</u>
Total	<u><u>\$ 526,549</u></u>

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

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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

I. Long-Term Debt

Governmental Activities

Bonds Payable

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

<u>Educational Facilities Debt Service Fund:</u>	<u>Date Issued</u>	<u>Amount Issued</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2014</u>
Sales Tax Revenue and Unlimited Tax Refunding Bonds, Series 1998	7/15/1998	\$ 3,280,000	4.10% - 4.75%	\$ 650,000
Local Government Public Improvement Bonds, Series VII-I-1, 2010	12/29/2010	27,945,000	5.00%	27,065,000
Local Government Public Improvement Bonds, Series VII-J-1, 2011	2/24/2011	4,765,000	4.50% - 5.00%	4,550,000
General Obligation Refunding Bonds, Series 2012	4/30/2012	3,635,000	2.00% - 5.00%	3,600,000
General Obligation Bonds, Series 2013	5/30/2013	2,800,000	2.00%-4.00%	<u>2,130,000</u>
				<u>37,995,000</u>
 <u>Internal Service Fund - Motor Transport:</u>				
The Tennessee Municipal Bond Fund, Series TCSLP 2008	1/9/2009	4,000,000	5.00%	<u>2,242,000</u>
				<u>2,242,000</u>
 <u>General Obligation:</u>				
General Obligation Public Improvement Refunding Bonds, Series 1998	7/15/1998	20,060,000	4.10% - 4.75%	1,775,000
General Obligation Refunding Bonds, Series 2006	3/30/2006	6,230,000	3.50% - 4.13%	3,405,000
Local Government Public Improvement Bonds, Series V-K-1	3/12/2009	26,645,000	2.50% - 5.00%	16,140,000
General Obligation Refunding Bonds, Series 2009	6/30/2009	11,390,000	3.00% - 5.00%	7,280,000

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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

I. Long-Term Debt (Continued)

Governmental Activities (Continued)

Bonds Payable (Continued)

<u>General Obligation (Continued):</u>	<u>Date Issued</u>	<u>Amount Issued</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2014</u>
Qualified School Construction Bonds, Series 2009	12/1/2009	8,160,000	1.52%	6,208,178
The Tennessee Municipal Bond Fund, Series TCSLP 2008	1/9/2009	14,898,315	5.00%	12,034,849
The Tennessee Municipal Bond Fund, Series TCSLP 2008	1/9/2009	5,200,000	5.00%	3,868,000
General Obligation Bonds, BABs, 2010A	6/24/2010	22,500,000	3.64%	22,100,000
Local Government Public Improvement Bonds, Series VII-J-1 2011	2/24/2011	2,780,000	4.50% - 5.00%	1,750,000
General Obligation Refunding Bonds, Series 2012	4/30/2012	10,797,974	2.00% - 5.00%	9,500,504
				<u>84,061,531</u>
Total Governmental Activities General Obligation Bonds Outstanding				<u>\$ 124,298,531</u>

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

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 320,000	30,875	350,875
2016	330,000	15,675	345,675
	<u>\$ 650,000</u>	<u>46,550</u>	<u>696,550</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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

I. Long-Term Debt (Continued)

Governmental Activities (Continued)

Bonds Payable (Continued)

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 255,000	947,275	1,202,275
2016	270,000	938,350	1,208,350
2017	285,000	928,900	1,213,900
2018	315,000	918,925	1,233,925
2019	350,000	907,900	1,257,900
2020-2024	3,875,000	4,322,325	8,197,325
2025-2029	9,940,000	3,127,950	13,067,950
2030-2034	11,775,000	1,262,975	13,037,975
	<u>\$ 27,065,000</u>	<u>13,354,600</u>	<u>40,419,600</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 220,000	159,250	379,250
2016	235,000	151,550	386,550
2017	590,000	143,325	733,325
2018	605,000	122,675	727,675
2019	615,000	101,500	716,500
2020-2023	2,285,000	182,700	2,467,700
	<u>\$ 4,550,000</u>	<u>861,000</u>	<u>5,411,000</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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

I. Long-Term Debt (Continued)

Governmental Activities (Continued)

Bonds Payable (Continued)

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 360,000	108,588	468,588
2016	375,000	94,187	469,187
2017	390,000	75,438	465,438
2018	405,000	67,637	472,637
2019	415,000	59,538	474,538
2020-2023	1,655,000	120,275	1,775,275
	<u>\$ 3,600,000</u>	<u>525,663</u>	<u>4,125,663</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 680,000	85,200	765,200
2016	710,000	58,000	768,000
2017	740,000	29,600	769,600
	<u>\$ 2,130,000</u>	<u>172,800</u>	<u>2,302,800</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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

I. Long-Term Debt (Continued)

Governmental Activities (Continued)

Bonds Payable (Continued)

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 406,000	78,470	484,470
2016	426,000	64,260	490,260
2017	447,000	49,350	496,350
2018	470,000	33,705	503,705
2019	493,000	17,255	510,255
	<u>\$ 2,242,000</u>	<u>243,040</u>	<u>2,485,040</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 870,000	84,312	954,312
2016	905,000	42,987	947,987
	<u>\$ 1,775,000</u>	<u>127,299</u>	<u>1,902,299</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 510,000	136,988	646,988
2016	530,000	116,587	646,587
2017	555,000	95,388	650,388
2018	575,000	73,187	648,187
2019	605,000	50,188	655,188
2020	630,000	25,987	655,987
	<u>\$ 3,405,000</u>	<u>498,325</u>	<u>3,903,325</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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

I. Long-Term Debt (Continued)

Governmental Activities (Continued)

Bonds Payable (Continued)

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 1,720,000	661,556	2,381,556
2016	1,795,000	592,757	2,387,757
2017	1,880,000	520,956	2,400,956
2018	1,965,000	445,756	2,410,756
2019	2,060,000	367,156	2,427,156
2020-2024	6,140,000	753,980	6,893,980
2025	580,000	27,552	607,552
	<u>\$ 16,140,000</u>	<u>3,369,713</u>	<u>19,509,713</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 910,000	304,113	1,214,113
2016	915,000	276,813	1,191,813
2017	955,000	244,788	1,199,788
2018	995,000	206,588	1,201,588
2019	350,000	156,838	506,838
2020-2024	2,085,000	527,315	2,612,315
2025-2026	1,070,000	77,896	1,147,896
	<u>\$ 7,280,000</u>	<u>1,794,351</u>	<u>9,074,351</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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

I. Long-Term Debt (Continued)

Governmental Activities (Continued)

Bonds Payable (Continued)

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 509,171	123,624	632,795
2016	509,172	123,624	632,796
2017	509,171	123,624	632,795
2018	509,171	123,624	632,795
2019	509,171	123,624	632,795
2020-2024	2,545,855	618,120	3,163,975
2025-2026	1,116,467	257,550	1,374,017
	<u>\$ 6,208,178</u>	<u>1,493,790</u>	<u>7,701,968</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 630,172	425,915	1,056,087
2016	662,451	403,859	1,066,310
2017	695,592	380,673	1,076,265
2018	729,734	356,327	1,086,061
2019	766,669	330,786	1,097,455
2020-2024	4,446,618	1,223,660	5,670,278
2025-2029	4,237,750	459,369	4,697,119
	<u>12,168,986</u>	<u>3,580,589</u>	<u>15,749,575</u>
Less: Amount Not Drawn	<u>(134,137)</u>	<u>-</u>	<u>(134,137)</u>
	<u>\$ 12,034,849</u>	<u>3,580,589</u>	<u>15,615,438</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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

I. Long-Term Debt (Continued)

Governmental Activities (Continued)

Bonds Payable (Continued)

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 308,000	135,380	443,380
2016	323,000	124,600	447,600
2017	339,000	113,295	452,295
2018	356,000	101,430	457,430
2019	374,000	88,970	462,970
2020-2024	2,168,000	235,060	2,403,060
	<u>\$ 3,868,000</u>	<u>798,735</u>	<u>4,666,735</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 100,000	1,206,920	1,306,920
2016	100,000	1,203,970	1,303,970
2017	320,000	1,200,720	1,520,720
2018	325,000	1,188,720	1,513,720
2019	590,000	1,175,720	1,765,720
2020-2024	3,375,000	5,436,755	8,811,755
2025-2029	4,205,000	4,479,465	8,684,465
2030-2034	5,210,000	3,202,235	8,412,235
2035-2039	6,420,000	1,569,470	7,989,470
2040	1,455,000	84,390	1,539,390
	<u>\$ 22,100,000</u>	<u>20,748,365</u>	<u>42,848,365</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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

I. Long-Term Debt (Continued)

Governmental Activities (Continued)

Bonds Payable (Continued)

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 300,000	61,250	361,250
2016	300,000	50,750	350,750
2017	325,000	40,250	365,250
2018	350,000	28,875	378,875
2019	350,000	16,625	366,625
2020	125,000	4,375	129,375
	<u>\$ 1,750,000</u>	<u>202,125</u>	<u>1,952,125</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 878,620	286,658	1,165,278
2016	918,561	251,511	1,170,072
2017	968,475	205,580	1,174,055
2018	993,433	186,211	1,179,644
2019	1,008,400	166,345	1,174,745
2020-2024	4,278,015	415,173	4,693,188
2025-2026	455,000	13,650	468,650
	<u>\$ 9,500,504</u>	<u>1,525,128</u>	<u>11,025,632</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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

I. Long-Term Debt (Continued)

Governmental Activities (Continued)

Bonds Payable (Continued)

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 8,976,963	4,836,374	13,813,337
2016	9,304,184	4,509,480	13,813,664
2017	8,999,238	4,151,887	13,151,125
2018	8,593,338	3,853,660	12,446,998
2019	8,486,240	3,562,445	12,048,685
2020-2024	33,608,488	13,865,725	47,474,213
2025-2029	21,604,217	8,443,432	30,047,649
2030-2034	16,985,000	4,465,210	21,450,210
2035-2039	6,420,000	1,569,470	7,989,470
2040	1,455,000	84,390	1,539,390
	<u>124,432,668</u>	<u>49,342,073</u>	<u>173,774,741</u>
Less: Amount Not Drawn	(134,137)	-	(134,137)
	<u>\$ 124,298,531</u>	<u>49,342,073</u>	<u>173,640,604</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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

I. Long-Term Debt (Continued)

Business-Type Activities

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

Notes Payable

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

<u>Water and Sewer:</u>	<u>Date Issued</u>	<u>Amount Issued</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2014</u>
Note Payable - Limestone Cove	3/13/2003	\$ 450,000	4.65%	\$ 385,904
Note Payable - Limestone Cove	4/20/2005	125,000	4.25%	110,103
Note Payable - Watauga Flats	4/20/2004	380,000	4.38%	329,751
Note Payable - ARRA Greggtown	1/24/2010	435,000	3.25%	<u>407,172</u>
				<u><u>\$ 1,232,930</u></u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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

I. Long-Term Debt (Continued)

Business-Type Activities (Continued)

Notes Payable (Continued)

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 7,486	17,037	24,523
2016	7,841	16,691	24,532
2017	8,210	16,328	24,538
2018	8,600	15,949	24,549
2019	9,008	15,551	24,559
2020-2024	51,852	72,331	124,183
2025-2029	65,355	57,478	122,833
2030-2034	82,383	41,544	123,927
2035-2039	103,832	17,696	121,528
2040-2041	41,337	2,723	44,060
	<u>\$ 385,904</u>	<u>273,328</u>	<u>659,232</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 2,007	4,629	6,636
2016	2,082	4,554	6,636
2017	2,184	4,452	6,636
2018	2,279	4,357	6,636
2019	2,378	4,270	6,648
2020-2024	13,503	19,737	33,240
2025-2029	16,710	16,529	33,239
2030-2034	20,659	12,581	33,240
2035-2039	25,543	7,697	33,240
2040-2043	22,758	2,434	25,192
	<u>\$ 110,103</u>	<u>81,240</u>	<u>191,343</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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

I. Long-Term Debt (Continued)

Business-Type Activities (Continued)

Notes Payable (Continued)

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 6,265	14,427	20,692
2016	6,506	14,153	20,659
2017	6,835	13,868	20,703
2018	7,141	13,569	20,710
2019	7,459	13,256	20,715
2020-2024	42,525	61,093	103,618
2025-2029	52,948	50,917	103,865
2030-2034	65,874	38,253	104,127
2035-2039	81,957	22,498	104,455
2040-2042	52,241	4,371	56,612
	<u>\$ 329,751</u>	<u>246,405</u>	<u>576,156</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 6,872	13,132	20,004
2016	7,063	12,941	20,004
2017	7,332	12,672	20,004
2018	7,574	12,430	20,004
2019	7,824	12,180	20,004
2020-2024	43,097	56,923	100,020
2025-2029	50,730	49,290	100,020
2030-2034	59,672	40,348	100,020
2035-2039	70,188	29,832	100,020
2040-2044	82,554	17,466	100,020
2045-2048	64,266	3,702	67,968
	<u>\$ 407,172</u>	<u>260,916</u>	<u>668,088</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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

I. Long-Term Debt (Continued)

Business-Type Activities (Continued)

Notes Payable (Continued)

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 22,630	49,225	71,855
2016	23,492	48,339	71,831
2017	24,561	47,320	71,881
2018	25,594	46,305	71,899
2019	26,669	45,257	71,926
2020-2024	150,977	210,084	361,061
2025-2029	185,743	174,214	359,957
2030-2034	228,588	132,726	361,314
2035-2039	281,520	77,723	359,243
2040-2044	198,890	26,994	225,884
2045-2048	64,266	3,702	67,968
	<u>\$ 1,232,930</u>	<u>861,889</u>	<u>2,094,819</u>

Bonds Payable

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

Water and Sewer:	Date Issued	Amount Issued	Interest Rate	Outstanding June 30, 2014
Local Government Public Improvement Bonds, Series V-K-1	3/12/2009	\$ 9,520,000	2.50% - 5.00%	\$ 6,440,000
The Tennessee Municipal Bond Fund, Series TCSLP 2008	1/9/2009	901,685	5.00%	751,013
General Obligation Refunding Bonds, Series 2009	6/30/2009	35,385,000	3.00% - 5.00%	27,715,000
General Obligation Bonds, Series 2010A (BABs)	6/24/2010	22,000,000	3.62%	21,600,000

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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

I. Long-Term Debt (Continued)

Business-Type Activities (Continued)

Bonds Payable (Continued)

<u>Water and Sewer (Continued):</u>	<u>Date Issued</u>	<u>Amount Issued</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2014</u>
General Obligation Bonds, Series 2013	5/30/2013	23,970,000	2.00%-4.00%	<u>23,970,000</u>
				<u>80,476,013</u>
<u>City Solid Waste:</u>				
Solid Waste Refunding Bonds	7/15/1998	1,640,000	Variable	330,000
Local Government Public Improvement Bonds, Series V-K-1	3/12/2009	2,350,000	2.50% - 5.00%	820,000
General Obligation Refunding Bonds, Series 2012	4/30/2012	17,026	2.00% - 5.00%	<u>14,475</u>
				<u>1,164,475</u>
<u>Stormwater Fund:</u>				
General Obligation Bonds, Series 2013	5/30/2013	5,785,000	2.00%-4.00%	<u>5,590,000</u>
<u>Buffalo Valley Golf Course:</u>				
Golf Course Revenue and Tax Refunding Bonds	7/15/1998	2,465,000	4.10% - 4.75%	<u>495,000</u>
<u>Johnson City Public Building Authority:</u>				
Public Facility Refunding Bonds, Series 2006A	6/29/2006	16,655,000	4.04% - 5.22%	<u>10,765,000</u>
Total Business-Type Activities General Obligation Bonds Outstanding				<u>\$ 98,490,488</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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

I. Long-Term Debt (Continued)

Business-Type Activities (Continued)

Bonds Payable (Continued)

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 6,440,000	257,600	6,697,600
	<u>\$ 6,440,000</u>	<u>257,600</u>	<u>6,697,600</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 34,828	37,551	72,379
2016	36,549	35,809	72,358
2017	38,408	33,982	72,390
2018	40,266	32,061	72,327
2019	42,331	30,048	72,379
2020-2024	245,382	116,314	361,696
2025-2029	313,249	48,508	361,757
	<u>\$ 751,013</u>	<u>334,273</u>	<u>1,085,286</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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

I. Long-Term Debt (Continued)

Business-Type Activities (Continued)

Bonds Payable (Continued)

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 1,625,000	1,241,488	2,866,488
2016	1,755,000	1,192,738	2,947,738
2017	1,810,000	1,131,313	2,941,313
2018	1,880,000	1,058,913	2,938,913
2019	1,120,000	964,913	2,084,913
2020-2024	6,635,000	4,014,477	10,649,477
2025-2029	8,735,000	2,345,776	11,080,776
2030-2031	4,155,000	315,245	4,470,245
	<u>\$ 27,715,000</u>	<u>12,264,863</u>	<u>39,979,863</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 100,000	1,165,923	1,265,923
2016	300,000	1,162,972	1,462,972
2017	515,000	1,153,223	1,668,223
2018	535,000	1,133,910	1,668,910
2019	560,000	1,112,510	1,672,510
2020-2024	3,450,000	5,113,660	8,563,660
2025-2029	3,945,000	4,175,960	8,120,960
2030-2034	4,800,000	2,992,614	7,792,614
2035-2039	6,015,000	1,475,550	7,490,550
2040	1,380,000	80,041	1,460,041
	<u>\$ 21,600,000</u>	<u>19,566,363</u>	<u>41,166,363</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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

I. Long-Term Debt (Continued)

Business-Type Activities (Continued)

Bonds Payable (Continued)

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 505,000	783,263	1,288,263
2016	525,000	763,062	1,288,062
2017	545,000	742,063	1,287,063
2018	570,000	720,262	1,290,262
2019	580,000	708,863	1,288,863
2020-2024	3,225,000	3,215,212	6,440,212
2025-2029	3,705,000	2,735,713	6,440,713
2030-2034	4,310,000	2,136,069	6,446,069
2035-2039	5,155,000	1,362,500	6,517,500
2040-2043	4,850,000	429,937	5,279,937
	<u>\$ 23,970,000</u>	<u>13,596,944</u>	<u>37,566,944</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 160,000	15,675	175,675
2016	170,000	8,075	178,075
	<u>\$ 330,000</u>	<u>23,750</u>	<u>353,750</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 400,000	32,800	432,800
2016	420,000	16,800	436,800
	<u>\$ 820,000</u>	<u>49,600</u>	<u>869,600</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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

I. Long-Term Debt (Continued)

Business-Type Activities (Continued)

Bonds Payable (Continued)

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 1,379	436	1,815
2016	1,439	382	1,821
2017	1,525	314	1,839
2018	1,567	282	1,849
2019	1,600	249	1,849
2020-2023	6,965	515	7,480
	<u>\$ 14,475</u>	<u>2,178</u>	<u>16,653</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 200,000	178,313	378,313
2016	210,000	170,312	380,312
2017	220,000	161,913	381,913
2018	225,000	153,112	378,112
2019	230,000	148,613	378,613
2020-2024	1,295,000	611,262	1,906,262
2025-2029	1,485,000	418,975	1,903,975
2030-2034	1,725,000	178,706	1,903,706
	<u>\$ 5,590,000</u>	<u>2,021,206</u>	<u>7,611,206</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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

I. Long-Term Debt (Continued)

Business-Type Activities (Continued)

Bonds Payable (Continued)

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 240,000	23,512	263,512
2016	255,000	12,113	267,113
	<u>\$ 495,000</u>	<u>35,625</u>	<u>530,625</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 935,000	499,932	1,434,932
2016	1,010,000	452,526	1,462,526
2017	1,070,000	398,336	1,468,336
2018	1,160,000	343,475	1,503,475
2019	1,245,000	286,699	1,531,699
2020-2023	5,345,000	493,622	5,838,622
	<u>\$ 10,765,000</u>	<u>2,474,590</u>	<u>13,239,590</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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

I. Long-Term Debt (Continued)

Business-Type Activities (Continued)

Bonds Payable (Continued)

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 10,641,207	4,236,493	14,877,700
2016	4,682,988	3,814,789	8,497,777
2017	4,199,933	3,621,144	7,821,077
2018	4,411,833	3,442,015	7,853,848
2019	3,778,931	3,251,895	7,030,826
2020-2024	20,202,347	13,565,062	33,767,409
2025-2029	18,183,249	9,724,932	27,908,181
2030-2034	14,990,000	5,622,634	20,612,634
2035-2039	11,170,000	2,838,050	14,008,050
2040-2043	6,230,000	509,978	6,739,978
	<u>\$ 98,490,488</u>	<u>50,626,992</u>	<u>149,117,480</u>

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

	Date Issued	Amount Issued	Interest Rate	Outstanding June 30, 2014
Water and Sewer:				
Water and Sewer Revenue and Tax Refunding Bonds	7/15/1998	\$ 19,325,000	4.10% - 4.75%	\$ 2,640,000
Water and Sewer Revenue and Tax Series 2006 Refunding Bonds	3/30/2006	1,795,000	3.50% - 4.12%	980,000
				<u>3,620,000</u>
Johnson City Power Board:				
Revenue Bonds Series A and B, 2007 Refunding	5/1/2007	33,515,000	4.00% - 5.10%	22,160,000
Electric System Revenue Bonds, Series 2008	6/30/2008	28,000,000	4.00% - 5.00%	24,255,000
				<u>46,415,000</u>
Total Business-Type Activities Revenue Bonds Outstanding				<u>\$ 50,035,000</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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

I. Long-Term Debt (Continued)

Business-Type Activities (Continued)

Bonds Payable (Continued)

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 1,615,000	125,400	1,740,400
2016	1,025,000	48,687	1,073,687
	<u>\$ 2,640,000</u>	<u>174,087</u>	<u>2,814,087</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 145,000	39,425	184,425
2016	155,000	33,625	188,625
2017	160,000	27,425	187,425
2018	165,000	21,025	186,025
2019	175,000	14,425	189,425
2020	180,000	7,425	187,425
	<u>\$ 980,000</u>	<u>143,350</u>	<u>1,123,350</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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

I. Long-Term Debt (Continued)

Business-Type Activities (Continued)

Bonds Payable (Continued)

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 2,005,000	1,010,000	3,015,000
2016	2,080,000	929,800	3,009,800
2017	2,185,000	825,800	3,010,800
2018	1,455,000	716,550	2,171,550
2019	1,510,000	658,350	2,168,350
2020-2024	7,380,000	2,134,100	9,514,100
2025-2029	3,235,000	944,850	4,179,850
2030-2032	2,310,000	198,900	2,508,900
	<u>\$ 22,160,000</u>	<u>7,418,350</u>	<u>29,578,350</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 840,000	1,127,637	1,967,637
2016	875,000	1,094,038	1,969,038
2017	910,000	1,059,038	1,969,038
2018	945,000	1,022,637	1,967,637
2019	985,000	984,838	1,969,838
2020-2024	5,600,000	4,243,175	9,843,175
2025-2029	7,075,000	2,764,187	9,839,187
2030-2033	7,025,000	853,576	7,878,576
	<u>\$ 24,255,000</u>	<u>13,149,126</u>	<u>37,404,126</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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

I. Long-Term Debt (Continued)

Business-Type Activities (Continued)

Bonds Payable (Continued)

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

Fiscal Year Ending June 30	Principal	Interest	Total
2015	\$ 4,605,000	2,302,462	6,907,462
2016	4,135,000	2,106,150	6,241,150
2017	3,255,000	1,912,263	5,167,263
2018	2,565,000	1,760,212	4,325,212
2019	2,670,000	1,657,613	4,327,613
2020-2024	13,160,000	6,384,700	19,544,700
2025-2029	10,310,000	3,709,037	14,019,037
2030-2033	9,335,000	1,052,476	10,387,476
	<u>\$ 50,035,000</u>	<u>20,884,913</u>	<u>70,919,913</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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

I. Long-Term Debt (Continued)

Long-term liability activity for the fiscal year ended June 30, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 131,421,328	1,189,948	(8,312,745)	124,298,531	8,976,963
Plus: Premiums	1,677,213	-	(177,545)	1,499,668	-
Less: Discounts	(159,039)	-	22,720	(136,319)	-
Total Bonds Payable	<u>132,939,502</u>	<u>1,189,948</u>	<u>(8,467,570)</u>	<u>125,661,880</u>	<u>8,976,963</u>
Note Payable - Land	175,000	-	(175,000)	-	-
Capital Leases	179,741	-	(179,741)	-	-
OPEB Liability	1,652,518	526,005	-	2,178,523	-
Negative Net OPEB Obligation	(123,745)	(29,025)	-	(152,770)	-
Termination Benefits	101,693	998	-	102,691	-
Compensated Absences	<u>2,649,965</u>	<u>1,769,075</u>	<u>(1,785,881)</u>	<u>2,633,159</u>	<u>2,343,512</u>
Governmental Activities Long-Term Liabilities	<u>\$ 137,574,674</u>	<u>3,457,001</u>	<u>(10,608,192)</u>	<u>130,423,483</u>	<u>11,320,475</u>
Business-Type Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 102,704,913	-	(4,214,425)	98,490,488	10,641,207
Revenue Bonds	54,455,000	-	(4,420,000)	50,035,000	4,605,000
Plus: Premiums	1,126,227	-	(95,376)	1,030,851	-
Less: Discounts	(265,415)	-	13,551	(251,864)	-
Total Bonds Payable	<u>158,020,725</u>	<u>-</u>	<u>(8,716,250)</u>	<u>149,304,475</u>	<u>15,246,207</u>
Notes Payable	1,254,650	-	(21,720)	1,232,930	22,630
OPEB Liability	2,740,712	578,058	-	3,318,770	-
Compensated Absences	3,327,829	1,242,371	(857,039)	3,713,161	1,008,470
Landfill Postclosure Cost	<u>411,180</u>	<u>-</u>	<u>(37,380)</u>	<u>373,800</u>	<u>37,380</u>
Business-Type Activities Long-Term Liabilities	<u>\$ 165,755,096</u>	<u>1,820,429</u>	<u>(9,632,389)</u>	<u>157,943,136</u>	<u>16,314,687</u>

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

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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

I. Long-Term Debt (Continued)

Changes in the deferred bond refunding costs and the deferred gain on bond refunding for the fiscal year ended June 30, 2014 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental Activities:				
Deferred Bond Refunding Costs	\$ (148,103)	-	12,499	(135,604)
Business-Type Activities:				
Deferred Bond Refunding Costs	\$ (873,236)	-	144,632	(728,604)
Deferred Gain on Bond Refunding	326,389	-	(16,882)	309,507
	<u>\$ (546,847)</u>	<u>0</u>	<u>127,750</u>	<u>(419,097)</u>

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, 2014, the remaining defeased bonds consisted of \$5,905,000 of General Obligation Public Improvement Bonds and Water and Sewer Revenue and Tax Bonds, Series 1998, and \$8,765,000 of General Obligation Refunding Bonds, Series 2004A and B, for a total of \$14,670,000.

Debt Issues Subsequent to Year End

In December 2014, the City issued capital outlay notes of \$870,000 for road resurfacing, \$500,000 for freedom Hall lighting improvements, and \$1,300,000 through the Clarksville Public Building Authority for the Science Hill High School field house. These were all completed through the Tennessee Municipal Bond Fund.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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

J. Fund Balance Classifications

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

	General Fund	General Purpose School Fund	Debt Service Fund	Educational Facilities Debt Service Fund	Other Governmental Funds	Total
Fund Balances						
Nonspendable:						
Inventories	\$ -	27,679	-	-	207,828	235,507
Total Nonspendable	<u>0</u>	<u>27,679</u>	<u>0</u>	<u>0</u>	<u>207,828</u>	<u>235,507</u>
Restricted for:						
Capital Projects	-	-	-	-	3,978,011	3,978,011
Debt Service	-	-	2,377	1,685,923	-	1,688,300
Education	-	-	-	-	762,621	762,621
Food Service	-	-	-	-	1,313,764	1,313,764
Law Enforcement	117,861	-	-	-	1,153,376	1,271,237
Senior Citizens	195,251	-	-	-	256,484	451,735
Special Purposes	11,565,398	-	-	-	79,382	11,644,780
Transportation Planning	-	-	-	-	65,835	65,835
Total Restricted	<u>11,878,510</u>	<u>0</u>	<u>2,377</u>	<u>1,685,923</u>	<u>7,609,473</u>	<u>21,176,283</u>
Committed to:						
Economic Development	1,943,629	-	-	-	-	1,943,629
Education	-	681,946	-	-	-	681,946
Total Committed	<u>1,943,629</u>	<u>681,946</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,625,575</u>
Assigned to:						
Compensated Absences	2,348,660	158,203	-	-	56,298	2,563,161
Education	-	3,560,660	-	-	451,622	4,012,282
Total Assigned	<u>2,348,660</u>	<u>3,718,863</u>	<u>0</u>	<u>0</u>	<u>507,920</u>	<u>6,575,443</u>
Unassigned	<u>2,486,172</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,486,172</u>
Total	<u>\$ 18,656,971</u>	<u>4,428,488</u>	<u>2,377</u>	<u>1,685,923</u>	<u>8,325,221</u>	<u>33,098,980</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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

K. Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2014, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Police Grant and Technology Fund	General Purpose School Fund	\$ 11,946
Public Building Authority	General Fund	28,704
Motor Transport Fund	General Purpose School Fund	8,143
Johnson City Power Board	General Fund	204,177
Johnson City Power Board	General Purpose School Fund	150,715
Johnson City Power Board	City Solid Waste Fund	2,296
Johnson City Power Board	Mass Transit Fund	2,772
Johnson City Power Board	Water and Sewer Fund	226,042
Johnson City Power Board	Motor Transport Fund	3,369
Total		<u>\$ 638,164</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.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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

L. Interfund Transfers

	<u>Transfers In:</u>											
	<u>Governmental Activities</u>						<u>Business-Type Activities</u>					<u>Total</u>
<u>General Fund</u>	<u>General Purpose School Fund</u>	<u>Debt Service Fund</u>	<u>Educational Facilities Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Fiduciary Funds</u>	<u>Internal Service Funds</u>	<u>City Solid Waste Fund</u>	<u>Water and Sewer Fund</u>	<u>Nonmajor Proprietary Funds</u>	<u>Johnson City Public Building Authority</u>		
<u>Transfers Out:</u>												
Governmental Activities												
General Fund	8,913,675	9,363,451		2,844,072	75,378	362,943			3,513,136	2,611,317	27,683,972	
General Purpose School Fund		327,947	1,157,295	1,319,993							2,805,235	
Nonmajor Governmental Funds	13,440	30,000		105,500		7,271					156,211	
Internal Service Funds	1,535,384			29,822		171,568	216,560	398,733	280,260		2,632,327	
Business-Type Activities												
Johnson City Power Board	3,527,261										3,527,261	
Water and Sewer Fund	543,950					802,389					1,346,339	
City Solid Waste Fund						523,300					523,300	
Nonmajor Proprietary Funds				64,712		512,849	121,999				699,560	
Totals	<u>\$ 5,620,035</u>	<u>8,943,675</u>	<u>9,691,398</u>	<u>1,157,295</u>	<u>4,364,099</u>	<u>75,378</u>	<u>2,380,320</u>	<u>338,559</u>	<u>398,733</u>	<u>3,793,396</u>	<u>2,611,317</u>	<u>39,374,205</u>

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

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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

M. Lease Revenue

The City acts as a lessor for various City properties. The City collects rents on these properties and maintains signed lease agreements with the various tenants. The revenue is reflected in the fund that owns the property. During the fiscal year ended June 30, 2014, the City earned revenue from the leases in the amount of \$426,591.

N. Closure and Post-Closure Costs

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions for thirty years after closure. The Bowser Ridge Landfill closed during the fiscal year ended June 30, 1994 and the Iris Glen Landfill began receiving solid waste during the fiscal year ended June 30, 1995. The deferred postclosure costs recorded are for the Bowser Ridge Landfill. Since the Landfill closed during the fiscal year that *Governmental Accounting Standards Board* Statement No. 18, which requires the recording of these costs, went into effect, no investments have been set aside to cover these costs. All costs will be funded by the City government. The City has filed financial assurance with the State of Tennessee Department of Environment and Conservation for the Bowser Ridge Landfill in the form of a contract in lieu of performance bond in the amount of \$736,783 for closure and postclosure costs. An estimate of the required amounts was made by an environmental auditor for the future years, with consideration given to inflation and other potential changes. A separate operation and maintenance contract with Waste Management Systems, Inc. is in effect for the Iris Glen Landfill. The contract states that Waste Management is responsible for the closure and postclosure costs for the Iris Glen Landfill. During the fiscal year ended June 30, 2014, the City paid Waste Management \$3,058,444 for Landfill Services.

O. Deferred Compensation Plan

The City offers its employees, including employees of Johnson City Schools, a deferred compensation plan. The City of Johnson City 457(b) Deferred Compensation Plan (the Plan) is available to all employees who have reached age eighteen and have achieved six months of service. It permits these eligible employees to contribute pre-tax or post-tax dollars into the Plan, via a percentage of eligible compensation, which is defined as W-2 wages plus elective deferrals and Section 125 deductions, less fringe benefits, up to certain limits prescribed by the Internal Revenue Service. The City will match the employee contribution to this plan 100%, not to exceed 3.00% of the covered compensation. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The plan assets are in custodial accounts and are not subject to the claims of the City's general creditors and are not reflected in funds of the City. Employee contributions totaled \$97,141 for the fiscal year ended June 30, 2014.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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

P. Defined Contribution Plan

Johnson City Schools offer a 403(b) plan to its employees, administered by the Trust Company of Knoxville. The Johnson City Schools 403(b) Plan (the Plan) allows employees that opportunity to defer pre-tax or post-tax compensation. Employees become eligible to participate immediately upon their hire. Employee contributions totaled \$419,018 for the fiscal year ended June 30, 2014. Additionally, the Plan allows for the employer to make, but is not required to make non-elective contributions. Non-elective employer contributions totaled \$13,700 for the fiscal year ended June 30, 2014.

Q. Termination Plan Benefits

The City has an involuntary termination plan in accordance with the City Manager's contract. The estimated liability under the contract is \$102,691 at June 30, 2014, and is recorded in the government-wide financial statements. The estimated liability is made up of salary, payroll taxes, and insurance benefits.

R. Contingencies

The City is a defendant in various lawsuits. The outcome of these lawsuits is not presently determinable and the probability of an unfavorable outcome to the City cannot yet be determined. The most significant of these cases relates to a complaint filed against the City for possible improper distribution of liquor-by-the-drink tax revenue between the City and Washington County. This is a potentially significant financial litigation capable of impacting the financial stability of the City.

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

The City entered a lease agreement with the Johnson City Public Building Authority (PBA), an enterprise fund of the City, on December 15, 1997 to lease a facility known as the Continuing Education Center. The lease expires in 2023 in connection with the final payments on the PBA's bond issues. The annual rent due is the amount necessary to pay the maturing principal and interest due on the bond issues and any other expense or debt of the PBA that remains unpaid during the fiscal year. During the fiscal year ended June 30, 2014, the City transferred \$1,414,779 to the PBA to lease the Continuing Education Center.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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

S. Segment Information

A segment is an identifiable activity (or grouping of activities) reported as or within an enterprise fund or another stand-alone entity that has one or more bonds or other debt instruments outstanding, with a revenue stream pledged in support of that debt. Summary financial information as of June 30, 2014, for segments of the Golf Course Fund and Regional Solid Waste Fund (see Note 1.D. for description of services provided) is presented below.

CONDENSED STATEMENT OF NET POSITION

	Golf Course Fund	Regional Solid Waste Fund	Total
ASSETS			
Current Assets	\$ 75,047	3,305,690	3,380,737
Capital Assets (Net)	2,498,821	922,065	3,420,886
Total Assets	<u>2,573,868</u>	<u>4,227,755</u>	<u>6,801,623</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Bond Refunding Costs	13,705	-	13,705
Total Deferred Outflows of Resources	<u>13,705</u>	<u>0</u>	<u>13,705</u>
LIABILITIES			
Current Liabilities	364,674	119,077	483,751
Non-Current Liabilities	259,560	3,246	262,806
Total Liabilities	<u>624,234</u>	<u>122,323</u>	<u>746,557</u>
NET POSITION			
Net Investment in Capital Assets	2,017,526	922,065	2,939,591
Unrestricted	(54,187)	3,183,367	3,129,180
Total Net Position	<u>\$ 1,963,339</u>	<u>4,105,432</u>	<u>6,068,771</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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

S. Segment Information (Continued)

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

	Golf Course Fund	Regional Solid Waste Fund	Total
Operating Revenues (Expenses)			
Charges for Services (Net)	\$ 751,465	2,618,670	3,370,135
Other Revenue	3,886	1,937	5,823
Depreciation and Amortization	(56,824)	(255,298)	(312,122)
Other Operating Expenses	(1,080,948)	(2,103,809)	(3,184,757)
Operating Income (Loss)	(382,421)	261,500	(120,921)
Nonoperating Revenues (Expenses)			
Investment Income	-	3,940	3,940
Interest Expense and Commissions	(36,610)	-	(36,610)
Amortization of Loss on Bond Refunding	(7,150)	-	(7,150)
Gain (Loss) on Sale of Capital Assets	-	-	-
Operating Transfers	2,817,821	(75,134)	2,742,687
Change in Net Position	2,391,640	190,306	2,581,946
Beginning Net Position	(428,301)	3,915,126	3,486,825
Ending Net Position	\$ 1,963,339	4,105,432	6,068,771

CONDENSED STATEMENT OF CASH FLOWS

	Golf Course Fund	Regional Solid Waste Fund	Total
Net Cash Provided by (Used for):			
Operating Activities	\$ (334,689)	447,063	112,374
Noncapital Financing Activities	601,210	2,141,477	2,742,687
Capital and Related Financing Activities	(264,438)	(312,177)	(576,615)
Investing Activities	(3,083)	3,940	857
Net Increase (Decrease)	(1,000)	2,280,303	2,279,303
Beginning Cash and Cash Equivalents	1,000	982,387	983,387
Ending Cash and Cash Equivalents	\$ 0	3,262,690	3,262,690

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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

T. Notes to the Discretely Presented Component Units

Johnson City Public Library

Capital assets activity for the fiscal year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Book Collection	\$ 1,138,049	-	-	1,138,049
Capital Assets, Being Depreciated:				
Building Improvements	179,594	18,750	-	198,344
Equipment	294,008	25,654	(15,883)	303,779
Furniture	515,324	-	-	515,324
Total Capital Assets, Being Depreciated	<u>988,926</u>	<u>44,404</u>	<u>(15,883)</u>	<u>1,017,447</u>
Less Accumulated Depreciation for:				
Building Improvements	(11,494)	(9,350)	-	(20,844)
Equipment	(146,033)	(48,081)	8,623	(185,491)
Furniture	(460,121)	(10,847)	-	(470,968)
Total Accumulated Depreciation	<u>(617,648)</u>	<u>(68,278)</u>	<u>8,623</u>	<u>(677,303)</u>
Total Capital Assets, Being Depreciated, Net	<u>371,278</u>	<u>(23,874)</u>	<u>(7,260)</u>	<u>340,144</u>
Governmental Activities, Capital Assets, Net	<u>\$ 1,509,327</u>	<u>(23,874)</u>	<u>(7,260)</u>	<u>1,478,193</u>

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

Depreciation expense of \$68,278 was charged to the general government function in the Statement of Activities.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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

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

Johnson City Public Library (Continued)

The Library records a capital lease and compensated absences as long-term liabilities in the government-wide statement of net position. Long-term liability activity for the fiscal year ended June 30, 2014 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital Leases	\$ 7,243	-	(1,966)	5,277	2,137
Compensated Absences	22,180	1,798	-	23,978	23,978
Total Long-term Liabilities	\$ 29,423	1,798	(1,966)	29,255	26,115

Johnson City Development Authority

Capital assets activity for the fiscal year ended June 30, 2014 was as follows:

	Beginning Balance	Additions	Deletions	Adjustments	Ending Balance
Governmental Activities:					
Capital Assets, Not Being Depreciated:					
Land	\$ -	-	-	300,000	300,000
Total Capital Assets, Not Being Depreciated	0	0	0	300,000	300,000
Capital Assets, Being Depreciated:					
Buildings and Improvements	1,000,000	1,020,978	-	(300,000)	1,720,978
Furniture and Equipment	11,286	-	-	-	11,286
Total Capital Assets, Being Depreciated	1,011,286	1,020,978	0	(300,000)	1,732,264
Less Accumulated Depreciation for:					
Furniture and Equipment	(7,893)	(843)	-	-	(8,736)
Total Accumulated Depreciation	(7,893)	(843)	0	0	(8,736)
Governmental Activities, Capital Assets, Net	\$ 1,003,393	1,020,135	0	0	2,023,528

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

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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

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

Johnson City Development Authority (Continued)

The note activity for the fiscal year ended June 30, 2014 was as follows:

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

U. Joint Ventures

The Washington County – Johnson City Animal Control Center (ACC) is an animal shelter jointly owned by Johnson City and Washington County, Tennessee. The City has control over budget and financing of the joint venture only to the extent of representation by the board members appointed and is responsible for funding 50% of any deficits from operations. Johnson City contributed \$185,000 to the operations during the fiscal year ended June 30, 2014.

The Washington County – Johnson City Emergency Medical Services, 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 fiscal year ended June 30, 2014.

The City is responsible for funding the operations of the Washington County Economic Development Council (WCEDC) which serves to enhance the tax base of Washington County, recruit new industries and commerce to the area, and to manage economic development in the City. During fiscal year 2014, the City funded \$217,113 to the WCEDC.

The Johnson City Athletic Club (JCAC) receives revenue from the City of Johnson City, the Johnson City Housing Authority (JCHA), interest income and private donations. The City has advisory authority with regard to operations including recommendations of annual and capital budgets of the joint venture only to the extent of representation by the board members appointed. The Club is responsible for its debt and is entitled to surpluses. The City of Johnson City contributed \$27,324 for operations during the fiscal year ended June 30, 2014.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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

U. Joint Ventures (Continued)

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

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

Animal Control Center 525 Sells Avenue Johnson City, TN 37601	Johnson City Athletic Club P.O. Box 59 Johnson City, TN 37605
Emergency Medical Services 296 Wesley Street Johnson City, TN 37601	Washington County Economic Development Council 300 East Main Street, Suite 406 Johnson City, TN 37601

Audited information as of June 30, 2014 is presented for the above mentioned organizations except for the JCAC and EMS. The JCAC year end presented is September 30, 2013. The EMS year end presented is June 30, 2013. The information does not include the Tri-County Industrial Park. All are presented on the accrual basis.

	ACC	EMS	WCEDC	JCAC
Operating Revenues	\$ 87,665	6,900,235	1,137,211	123,937
Operating Expenses	(549,151)	(9,430,410)	(619,677)	(116,370)
Other Income (Expense)	977,694	2,820,921	-	54
Net Income (Loss) Transferred to Net Position	516,208	290,746	517,534	7,621
Net Position, Beginning	756,288	2,893,536	305,202	95,408
Net Position, Ending	\$ 1,272,496	3,184,282	822,736	103,029
Total Assets	\$ 1,317,486	6,229,589	927,788	105,123
Total Liabilities	44,990	3,045,307	105,052	2,094
Total Net Position	\$ 1,272,496	3,184,282	822,736	103,029

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2014

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

V. Jointly Governed Organization

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

W. Other Matters

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

On January 9, 2009, the City entered into a Loan Agreement with the Public Building Authority of the County of Montgomery, Tennessee in the amount of \$25,000,000. These funds have been drawn down to make capital improvements within the General Government. The proceeds were deposited in the Infrastructure, Public Facilities, and Capital Project Funds. The remaining funds available to be drawn by the City were \$134,137 as of June 30, 2014. The remaining balance will be drawn down during the fiscal year ending June 30, 2015.

X. Prior Period Adjustments

Governmental Activities

A prior period adjustment was posted to the General Purpose School Fund to eliminate \$28,086 of receivables due from the state of Tennessee that were received in the prior year. As a result of this prior period adjustment, beginning net position of \$179,427,067, as originally reported, was reduced to \$179,398,981.

Business-Type Activities

A prior period adjustment was posted to the Johnson City Public Building Authority to correct \$693 which was incorrectly reported as due from the General Fund in the prior year for. As a result of this prior period adjustment, beginning net position of \$279,923,913, as originally reported, was reduced to \$279,923,220.

CITY OF JOHNSON CITY, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF FUNDING PROGRESS FOR DEFINED BENEFIT PENSION PLANS
For the Fiscal Year Ended June 30, 2014

Schedule of Funding Progress for the City of Johnson City

(Dollar Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
July 1, 2013	\$ 171,290	\$ 213,188	\$ 41,898	80.35%	\$ 35,555	117.84%
July 1, 2011	155,179	202,504	47,325	76.63%	37,778	125.27%
July 1, 2009	127,885	135,339	7,454	94.49%	38,691	19.26%

Schedule of Funding Progress for the Johnson City Power Board

(Dollar Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
July 1, 2013	\$ 38,404	\$ 46,715	\$ 8,311	82.21%	\$ 10,864	76.50%
July 1, 2011	34,891	43,769	8,878	79.72%	10,505	84.51%
July 1, 2009	28,936	38,581	9,645	75.00%	9,303	103.68%

CITY OF JOHNSON CITY, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF FUNDING PROGRESS FOR POST-EMPLOYMENT HEALTHCARE PLANS
For the Fiscal Year Ended June 30, 2014

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

(Dollar Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
July 1, 2012	\$ -	\$ 19,257	\$ 19,257	0.00%	\$ 29,500	65.3%
July 1, 2010	-	20,722	20,722	0.00%	28,300	73.2%
July 1, 2008	-	17,664	17,664	0.00%	29,044	60.8%

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

(Dollar Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
July 1, 2012	\$ -	\$ 17,159	\$ 17,159	0.00%	\$ 28,300	60.6%
July 1, 2010	-	18,184	18,184	0.00%	30,900	58.8%

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

(Dollar Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
July 1, 2013	\$ -	\$ 9,803	\$ 9,803	0.00%	\$ 10,564	92.8%
July 1, 2011	-	9,062	9,062	0.00%	9,544	94.9%
July 1, 2009	-	8,615	8,615	0.00%	N/A	N/A

Actuarial valuations for the City and the Johnson City Schools are conducted biennially after the 2008 valuation. The actuarial valuation information presented for the City of Johnson City for 2008 includes the Johnson City Schools due to the City and School valuations being combined prior to 2010. Actuarial valuations for the Power Board are conducted biennially.

MAJOR GOVERNMENTAL FUNDS

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

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

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
DEBT SERVICE FUND
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Investment Earnings	\$ 423,297	423,297	460,248	36,951
Total Revenues	423,297	423,297	460,248	36,951
Expenditures				
Debt Service				
Principal Retirement	6,635,744	6,635,744	6,812,136	(176,392)
Interest and Fiscal Charges	3,874,361	3,874,361	3,176,302	698,059
Other Fees	-	-	160,831	(160,831)
Total Expenditures	10,510,105	10,510,105	10,149,269	360,836
Excess (Deficiency) of Revenues Over (Under) Expenditures	(10,086,808)	(10,086,808)	(9,689,021)	397,787
Other Financing Sources (Uses)				
Transfer In	10,086,808	10,086,808	9,691,398	(395,410)
Total Other Financing Sources (Uses)	10,086,808	10,086,808	9,691,398	(395,410)
Net Change in Fund Balance	-	-	2,377	2,377
Fund Balance, July 1, 2013	-	-	-	-
Fund Balance, June 30, 2014	\$ 0	0	2,377	2,377

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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 2,058,000	2,058,000	2,043,364	(14,636)
Investment Earnings	-	-	1,677	1,677
Total Revenues	2,058,000	2,058,000	2,045,041	(12,959)
Expenditures				
Debt Service				
Principal Retirement	1,530,000	1,530,000	1,465,000	65,000
Interest and Fiscal Charges	2,650,914	2,650,914	1,680,026	970,888
Total Expenditures	4,180,914	4,180,914	3,145,026	1,035,888
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,122,914)	(2,122,914)	(1,099,985)	1,022,929
Other Financing Sources (Uses)				
Transfer In	1,128,000	1,128,000	1,157,295	29,295
Total Other Financing Sources (Uses)	1,128,000	1,128,000	1,157,295	29,295
Net Change in Fund Balance	(994,914)	(994,914)	57,310	1,052,224
Fund Balance, July 1, 2013	1,628,613	1,628,613	1,628,613	-
Fund Balance, June 30, 2014	\$ 633,699	633,699	1,685,923	1,052,224

See Independent Auditors' Report.

NONMAJOR GOVERNMENTAL FUNDS

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

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

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

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

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

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

Transportation Planning Fund is used to account for special state and federal transportation planning projects through state and federal revenues.

Drug Fund accounts for drug fines awarded by court action.

Police Grant and Technology Fund accounts for all the police grants from the federal, state and local governments and for fees provided by moving violations to fund safety equipment and technology for the police department.

Community Development Fund accounts for Housing and Urban Development Funds.

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

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

The **Capital Project Fund** is used to account for the acquisition and construction of major capital facilities, equipment, and infrastructure other than those financed by proprietary funds.

Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

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

**CITY OF JOHNSON CITY, TENNESSEE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2014**

	Special Revenue Funds	Capital Project Fund	Permanent Fund - School Trust Fund	Total Nonmajor Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 2,992,222	71,114	184,226	3,247,562
Investments	-	225,458	-	225,458
Accounts Receivable (Net)	27,090	1,069,599	-	1,096,689
Due from Other Funds	11,946	-	-	11,946
Due from Federal Government	332,066	-	-	332,066
Due from State of Tennessee	1,106,138	749,699	-	1,855,837
Due from Local Government	5,706	-	-	5,706
Inventories	207,828	-	-	207,828
Restricted Cash	-	843,030	-	843,030
Restricted Investments	-	2,660,483	-	2,660,483
Total Assets	\$ 4,682,996	5,619,383	184,226	10,486,605
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ 139,660	1,460,650	-	1,600,310
Accrued Payroll Expenditures	246,586	-	-	246,586
Accrued Expenditures	1,551	-	-	1,551
Retainages Payable	-	180,722	-	180,722
Unearned Revenue	107,995	-	-	107,995
Total Liabilities	495,792	1,641,372	0	2,137,164
Deferred Inflows of Resources				
Unavailable Revenue - Other	24,220	-	-	24,220
Total Deferred Inflows of Resources	24,220	0	0	24,220
Fund Balances				
Nonspendable	207,828	-	-	207,828
Restricted	3,447,236	3,978,011	184,226	7,609,473
Assigned	507,920	-	-	507,920
Total Fund Balances	4,162,984	3,978,011	184,226	8,325,221
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 4,682,996	5,619,383	184,226	10,486,605

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, 2014

	Special Revenue Funds	Capital Project Fund	Permanent Fund - School Trust Fund	Total Nonmajor Governmental Funds
Revenues				
Federal Government	\$ 8,551,114	2,889,830	-	11,440,944
State of Tennessee	841,397	795,647	-	1,637,044
Charges for Services	738,659	-	-	738,659
Fines and Forfeitures	449,280	-	-	449,280
Revenue from Use of Property	1,007,092	-	-	1,007,092
Donations	-	170,078	-	170,078
Investment Earnings	1,040	17,446	185	18,671
Miscellaneous	306,889	128,872	-	435,761
Total Revenues	11,895,471	4,001,873	185	15,897,529
Expenditures				
Current:				
Public Safety	1,033,587	-	-	1,033,587
Public Welfare	552,886	-	-	552,886
Senior Citizens	83,890	-	-	83,890
Scholarships Awarded	-	-	6,000	6,000
Entertainment and Operation	1,458,136	-	-	1,458,136
Highway and Transportation Planning	232,847	-	-	232,847
Education	6,231,477	-	-	6,231,477
School Food Service	3,120,771	-	-	3,120,771
Miscellaneous	6,020	-	-	6,020
Capital Outlay	244,291	10,839,776	-	11,084,067
Total Expenditures	12,963,905	10,839,776	6,000	23,809,681
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,068,434)	(6,837,903)	(5,815)	(7,912,152)
Other Financing Sources (Uses)				
Transfers In	1,938,359	2,415,740	-	4,354,099
Transfers Out	(76,211)	(70,000)	-	(146,211)
Contributions	-	819,247	-	819,247
Bond Issuance	-	1,189,948	-	1,189,948
Total Other Financing Sources (Uses)	1,862,148	4,354,935	0	6,217,083
Net Change in Fund Balances	793,714	(2,482,968)	(5,815)	(1,695,069)
Fund Balances, July 1, 2013	3,351,898	6,460,979	190,041	10,002,918
Purchase Method Inventory Adjustment	17,372	-	-	17,372
Fund Balances, July 1, 2013 (Restated)	3,369,270	6,460,979	190,041	10,020,290
Fund Balances, June 30, 2014	\$ 4,162,984	3,978,011	184,226	8,325,221

See Independent Auditors' Report.

**CITY OF JOHNSON CITY, TENNESSEE
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
June 30, 2014**

	Freedom Hall Civic Center Fund	School Funds	Transportation Planning Fund	Drug Fund	Police Grant and Technology Fund	Community Development Fund	Senior Citizens Fund	Employee Scholarship Fund	Total Special Revenue Funds
ASSETS									
Cash and Cash Equivalents	\$ 97,956	1,509,646	-	467,283	659,895	750	256,505	187	2,992,222
Accounts Receivable (Net)	-	-	-	2,870	-	24,220	-	-	27,090
Due from Other Funds	-	-	-	-	11,946	-	-	-	11,946
Due from Federal Government	-	-	-	-	176,301	155,765	-	-	332,066
Due from State of Tennessee	-	1,031,809	74,329	-	-	-	-	-	1,106,138
Due from Local Government	-	-	-	-	5,706	-	-	-	5,706
Inventories	-	207,828	-	-	-	-	-	-	207,828
Total Assets	\$ 97,956	2,749,283	74,329	470,153	853,848	180,735	256,505	187	4,682,996
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES									
Liabilities									
Accounts Payable	\$ 11,916	1,244	997	38,996	30,104	56,195	208	-	139,660
Accrued Payroll Expenditures	14,585	191,450	4,665	-	14,948	20,938	-	-	246,586
Accrued Expenditures	1,551	-	-	-	-	-	-	-	1,551
Unearned Revenue	21,418	-	-	84,093	2,484	-	-	-	107,995
Total Liabilities	49,470	192,694	5,662	123,089	47,536	77,133	208	0	495,792
Deferred Inflows of Resources									
Unavailable Revenue - Other	-	-	-	-	-	24,220	-	-	24,220
Total Deferred Inflows of Resources	0	0	0	0	0	24,220	0	0	24,220
Fund Balances									
Nonspendable	-	207,828	-	-	-	-	-	-	207,828
Restricted	-	1,892,159	65,835	347,064	806,312	79,382	256,297	187	3,447,236
Assigned	48,486	456,602	2,832	-	-	-	-	-	507,920
Total Fund Balances	48,486	2,556,589	68,667	347,064	806,312	79,382	256,297	187	4,162,984
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 97,956	2,749,283	74,329	470,153	853,848	180,735	256,505	187	4,682,996

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, 2014

	Freedom Hall Civic Center Fund	School Funds	Transportation Planning Fund	Drug Fund	Police Grant and Technology Fund	Community Development Fund	Senior Citizens Fund	Employee Scholarship Fund	Total Special Revenue Funds
Revenues									
Federal Government	\$ -	7,346,129	184,751	-	560,621	459,613	-	-	8,551,114
State of Tennessee	-	738,893	-	-	-	102,504	-	-	841,397
Charges for Services	-	738,018	-	-	-	641	-	-	738,659
Fines and Forfeitures	-	-	-	46,231	403,049	-	-	-	449,280
Revenue from Use of Property	1,007,092	-	-	-	-	-	-	-	1,007,092
Investment Earnings	-	785	-	-	-	-	252	3	1,040
Miscellaneous	89,099	-	-	109,522	5,199	128	96,935	6,006	306,889
Total Revenues	1,096,191	8,823,825	184,751	155,753	968,869	562,886	97,187	6,009	11,895,471
Expenditures									
Current:									
Public Safety	-	-	-	141,109	892,478	-	-	-	1,033,587
Public Welfare	-	-	-	-	-	552,886	-	-	552,886
Senior Citizens	-	-	-	-	-	-	83,890	-	83,890
Entertainment and Operation	1,458,136	-	-	-	-	-	-	-	1,458,136
Highway and Transportation Planning	-	-	232,847	-	-	-	-	-	232,847
Education	-	6,231,477	-	-	-	-	-	-	6,231,477
School Food Service	-	3,120,771	-	-	-	-	-	-	3,120,771
Miscellaneous	-	-	-	-	-	-	-	6,020	6,020
Capital Outlay	-	244,291	-	-	-	-	-	-	244,291
Total Expenditures	1,458,136	9,596,539	232,847	141,109	892,478	552,886	83,890	6,020	12,963,905
Excess (Deficiency) of Revenues Over (Under) Expenditures	(361,945)	(772,714)	(48,096)	14,644	76,391	10,000	13,297	(11)	(1,068,434)
Other Financing Sources (Uses)									
Transfers In	375,321	1,341,774	117,967	-	33,915	79,382	-	-	1,948,359
Transfers Out	(15,451)	(55,500)	(5,260)	-	-	(10,000)	-	-	(86,211)
Total Other Financing Sources (Uses)	359,870	1,286,274	112,707	0	33,915	69,382	0	0	1,862,148
Net Change in Fund Balances	(2,075)	513,560	64,611	14,644	110,306	79,382	13,297	(11)	793,714
Fund Balances, July 1, 2013	50,561	2,025,657	4,056	332,420	696,006	-	243,000	198	3,351,898
Purchase Method Inventory Adjustment	-	17,372	-	-	-	-	-	-	17,372
Fund Balances, July 1, 2013 (Restated)	50,561	2,043,029	4,056	332,420	696,006	0	243,000	198	3,369,270
Fund Balances, June 30, 2014	\$ 48,486	2,556,589	68,667	347,064	806,312	79,382	256,297	187	4,162,984

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
COMBINING BALANCE SHEET
SCHOOL FUNDS
June 30, 2014

	School Federal Projects Fund	Special School Projects Fund	School Food Service Fund	School Site Based Fund	Total School Funds
ASSETS					
Cash and Cash Equivalents	\$ -	-	1,056,780	452,866	1,509,646
Due from State of Tennessee	718,538	51,307	261,964	-	1,031,809
Inventories	-	-	207,828	-	207,828
Total Assets	\$ 718,538	51,307	1,526,572	452,866	2,749,283
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ -	-	-	1,244	1,244
Accrued Payroll Expenditures	160,462	30,988	-	-	191,450
Total Liabilities	160,462	30,988	0	1,244	192,694
Fund Balances					
Nonspendable	-	-	207,828	-	207,828
Restricted	558,076	20,319	1,313,764	-	1,892,159
Assigned	-	-	4,980	451,622	456,602
Total Fund Balances	558,076	20,319	1,526,572	451,622	2,556,589
Total Liabilities and Fund Balances	\$ 718,538	51,307	1,526,572	452,866	2,749,283

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, 2014

	School Federal Projects Fund	Special School Projects Fund	School Food Service Fund	School Site Based Fund	Total School Funds
Revenues					
Federal Government	\$ 5,048,118	-	2,298,011	-	7,346,129
State of Tennessee	-	706,582	32,311	-	738,893
Charges for Services	-	-	738,018	-	738,018
Investment Earnings	-	-	785	-	785
Total Revenues	5,048,118	706,582	3,069,125	0	8,823,825
Expenditures					
Current:					
Education	4,758,393	752,693	-	720,391	6,231,477
School Food Service	-	-	3,120,771	-	3,120,771
Capital Outlay	244,291	-	-	-	244,291
Total Expenditures	5,002,684	752,693	3,120,771	720,391	9,596,539
Excess (Deficiency) of Revenues Over (Under) Expenditures	45,434	(46,111)	(51,646)	(720,391)	(772,714)
Other Financing Sources (Uses)					
Transfers In	568,076	66,430	-	707,268	1,341,774
Transfers Out	(55,500)	-	-	-	(55,500)
Total Other Financing Sources (Uses)	512,576	66,430	0	707,268	1,286,274
Net Change in Fund Balances	558,010	20,319	(51,646)	(13,123)	513,560
Fund Balances, July 1, 2013	66	-	1,560,846	464,745	2,025,657
Purchase Method Inventory Adjustment	-	-	17,372	-	17,372
Fund Balances, July 1, 2013 (Restated)	66	0	1,578,218	464,745	2,043,029
Fund Balances, June 30, 2014	\$ 558,076	20,319	1,526,572	451,622	2,556,589

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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Revenue from Use of Property	\$ 1,230,000	1,230,000	1,007,092	(222,908)
Miscellaneous	95,000	95,000	89,099	(5,901)
Total Revenues	1,325,000	1,325,000	1,096,191	(228,809)
Expenditures				
Entertainment and Operation	1,571,966	1,571,966	1,458,136	113,830
Total Expenditures	1,571,966	1,571,966	1,458,136	113,830
Excess (Deficiency) of Revenues Over (Under) Expenditures	(246,966)	(246,966)	(361,945)	(114,979)
Other Financing Sources (Uses)				
Transfer In	250,000	250,000	375,321	125,321
Transfer Out	-	-	(15,451)	(15,451)
Total Other Financing Sources (Uses)	250,000	250,000	359,870	109,870
Net Change in Fund Balance	3,034	3,034	(2,075)	(5,109)
Fund Balance, July 1, 2013	50,561	50,561	50,561	-
Fund Balance, June 30, 2014	\$ 53,595	53,595	48,486	(5,109)

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CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
SCHOOL FEDERAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Federal Government	\$ 5,886,403	5,851,971	5,048,118	(803,853)
Total Revenues	5,886,403	5,851,971	5,048,118	(803,853)
Expenditures				
Education	5,792,889	5,565,839	4,758,393	807,446
Capital Outlay	73,514	266,132	244,291	21,841
Total Expenditures	5,866,403	5,831,971	5,002,684	829,287
Excess (Deficiency) of Revenues Over (Under) Expenditures	20,000	20,000	45,434	25,434
Other Financing Sources (Uses)				
Transfer In	10,000	10,000	568,076	558,076
Transfer Out	(30,000)	(30,000)	(55,500)	(25,500)
Total Other Financing Sources (Uses)	(20,000)	(20,000)	512,576	532,576
Net Change in Fund Balance	-	-	558,010	558,010
Fund Balance, July 1, 2013	66	66	66	-
Fund Balance, June 30, 2014	\$ 66	66	558,076	558,010

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CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
SPECIAL SCHOOL PROJECTS FUND
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
State of Tennessee	\$ 692,805	706,778	706,582	(196)
Total Revenues	692,805	706,778	706,582	(196)
Expenditures				
Education	751,435	765,408	752,693	12,715
Total Expenditures	751,435	765,408	752,693	12,715
Excess (Deficiency) of Revenues Over (Under) Expenditures	(58,630)	(58,630)	(46,111)	12,519
Other Financing Sources (Uses)				
Transfer In	58,630	58,630	66,430	7,800
Total Other Financing Sources (Uses)	58,630	58,630	66,430	7,800
Net Change in Fund Balance	-	-	20,319	20,319
Fund Balance, July 1, 2013	-	-	-	-
Fund Balance, June 30, 2014	\$ 0	0	20,319	20,319

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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Federal Government	\$ 2,153,300	2,153,300	2,298,011	144,711
State of Tennessee	30,000	30,000	32,311	2,311
Charges for Services	814,700	814,700	738,018	(76,682)
Investment Earnings	1,000	1,000	785	(215)
	2,999,000	2,999,000	3,069,125	70,125
Total Revenues				
Expenditures				
School Food Service	2,999,000	2,999,000	3,120,771	(121,771)
Capital Outlay	-	-	-	-
	2,999,000	2,999,000	3,120,771	(121,771)
Total Expenditures				
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(51,646)	(51,646)
Fund Balance, July 1, 2013	1,560,846	1,560,846	1,560,846	-
Purchase Method Inventory Adjustment	-	-	17,372	17,372
	1,560,846	1,560,846	1,578,218	17,372
Fund Balance, July 1, 2013 (Restated)				
Fund Balance, June 30, 2014	\$ 1,560,846	1,560,846	1,526,572	(34,274)

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CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
TRANSPORTATION PLANNING FUND
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive
	Original	Final		(Negative)
Revenues				
Federal Government	\$ 267,000	267,000	184,751	(82,249)
Total Revenues	267,000	267,000	184,751	(82,249)
Expenditures				
Highway and Transportation Planning	351,907	351,907	232,847	119,060
Total Expenditures	351,907	351,907	232,847	119,060
Excess (Deficiency) of Revenues Over (Under) Expenditures	(84,907)	(84,907)	(48,096)	36,811
Other Financing Sources (Uses)				
Transfer In	70,000	70,000	117,967	47,967
Transfer Out	(3,682)	(3,682)	(5,260)	(1,578)
Total Other Financing Sources (Uses)	66,318	66,318	112,707	46,389
Net Change in Fund Balance	(18,589)	(18,589)	64,611	83,200
Fund Balance, July 1, 2013	4,056	4,056	4,056	-
Fund Balance, June 30, 2014	\$ (14,533)	(14,533)	68,667	83,200

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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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Fines and Forfeitures	\$ 45,000	45,000	46,231	1,231
Miscellaneous	45,000	45,000	109,522	64,522
Total Revenues	90,000	90,000	155,753	65,753
Expenditures				
Public Safety	157,500	157,500	141,109	16,391
Total Expenditures	157,500	157,500	141,109	16,391
Excess (Deficiency) of Revenues Over (Under) Expenditures	(67,500)	(67,500)	14,644	82,144
Fund Balance, July 1, 2013	332,420	332,420	332,420	-
Fund Balance, June 30, 2014	\$ 264,920	264,920	347,064	82,144

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
POLICE GRANT AND TECHNOLOGY FUND
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Federal Government	\$ 452,830	532,851	560,621	27,770
Fines and Forfeitures	420,000	420,000	403,049	(16,951)
Miscellaneous	-	-	5,199	5,199
Total Revenues	872,830	952,851	968,869	16,018
Expenditures				
Public Safety	918,130	1,024,151	892,478	131,673
Total Expenditures	918,130	1,024,151	892,478	131,673
Excess (Deficiency) of Revenues Over (Under) Expenditures	(45,300)	(71,300)	76,391	147,691
Other Financing Sources (Uses)				
Transfer In	1,567	27,567	33,915	6,348
Total Other Financing Sources (Uses)	1,567	27,567	33,915	6,348
Net Change in Fund Balance	(43,733)	(43,733)	110,306	154,039
Fund Balance, July 1, 2013	696,006	696,006	696,006	-
Fund Balance, June 30, 2014	<u>\$ 652,273</u>	<u>652,273</u>	<u>806,312</u>	<u>154,039</u>

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CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT FUND
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Federal Government	\$ 498,030	498,030	459,613	(38,417)
State of Tennessee	111,729	111,729	102,504	(9,225)
Charges for Services	-	-	641	641
Miscellaneous	3,600	3,600	128	(3,472)
Total Revenues	613,359	613,359	562,886	(50,473)
Expenditures				
Public Welfare	608,913	608,913	552,886	56,027
Total Expenditures	608,913	608,913	552,886	56,027
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,446	4,446	10,000	5,554
Other Financing Sources (Uses)				
Transfer In	-	-	79,382	79,382
Transfer Out	-	-	(10,000)	(10,000)
Total Other Financing Sources (Uses)	0	0	69,382	69,382
Net Change in Fund Balance	4,446	4,446	79,382	74,936
Fund Balance, July 1, 2013	-	-	-	-
Fund Balance, June 30, 2014	\$ 4,446	4,446	79,382	74,936

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
CAPITAL PROJECT FUND
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Federal Government	\$ 4,525,000	4,525,000	2,889,830	(1,635,170)
State of Tennessee	-	-	795,647	795,647
Donations	-	-	170,078	170,078
Investment Earnings	-	-	17,446	17,446
Miscellaneous	-	-	128,872	128,872
Total Revenues	4,525,000	4,525,000	4,001,873	(523,127)
Expenditures				
Capital Outlay	11,798,100	11,798,100	10,839,776	958,324
Total Expenditures	11,798,100	11,798,100	10,839,776	958,324
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,273,100)	(7,273,100)	(6,837,903)	435,197
Other Financing Sources (Uses)				
Transfer In	2,323,100	2,323,100	2,415,740	92,640
Transfer Out	-	-	(70,000)	(70,000)
Contributions	-	-	819,247	819,247
Bond Issuance	530,000	530,000	1,189,948	659,948
Total Other Financing Sources (Uses)	2,853,100	2,853,100	4,354,935	1,501,835
Net Change in Fund Balance	(4,420,000)	(4,420,000)	(2,482,968)	1,937,032
Fund Balance, July 1, 2013	6,460,979	6,460,979	6,460,979	-
Fund Balance, June 30, 2014	\$ 2,040,979	2,040,979	3,978,011	1,937,032

See Independent Auditors' Report.

NONMAJOR PROPRIETARY FUNDS

Proprietary Funds are used to account for operations that are financed and operated in a manner similar to private business, where the intent of the City is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the determination of net income is an important measurement of performance.

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

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

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

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

CITY OF JOHNSON CITY, TENNESSEE
COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
June 30, 2014

	Golf Course Fund	Regional Solid Waste Fund	Mass Transit Fund	Stormwater Management Fund	Total Nonmajor Proprietary Funds
ASSETS					
Current Assets					
Cash and Cash Equivalents	\$ -	3,262,690	148,783	2,045,150	5,456,623
Accounts Receivable (Net)	-	43,000	96,487	98,002	237,489
Due from Federal Government	-	-	398,774	-	398,774
Due from State Government	-	-	209,148	-	209,148
Inventories	72,797	-	-	-	72,797
Prepaid Expenses	2,250	-	-	-	2,250
Total Current Assets	75,047	3,305,690	853,192	2,143,152	6,377,081
Noncurrent Assets					
Capital Assets					
Land	1,927,942	-	205,990	3,266,890	5,400,822
Buildings and Improvements	1,705,347	179,207	2,316,962	1,046,971	5,248,487
Equipment and Vehicles	954,050	2,274,859	4,890,587	1,110,739	9,230,235
Less: Accumulated Depreciation	(2,088,518)	(1,532,001)	(4,898,167)	(646,104)	(9,164,790)
Construction in Progress	-	-	-	5,296,239	5,296,239
Net Capital Assets	2,498,821	922,065	2,515,372	10,074,735	16,010,993
Restricted Assets					
Investments	-	-	-	194,580	194,580
Total Restricted Assets	0	0	0	194,580	194,580
Total Assets	2,573,868	4,227,755	3,368,564	12,412,467	22,582,654
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Bond Refunding Costs	13,705	-	-	-	13,705
Total Deferred Outflows of Resources	13,705	0	0	0	13,705
LIABILITIES					
Current Liabilities					
Accounts Payable	18,484	49,695	81,664	159,917	309,760
Accrued Payroll Expenses	37,940	30,629	108,582	23,220	200,371
Accrued Expenses	4,005	738	-	-	4,743
Accrued Interest Payable	1,959	-	-	14,859	16,818
Due to Other Funds	-	-	2,772	-	2,772
Unearned Revenue	25,390	-	950	-	26,340
Retainages Payable	-	-	-	176,867	176,867
Special Commission Bonds	-	11,756	-	-	11,756
Compensated Absences - Current Portion	36,896	26,259	73,074	15,408	151,637
Bonds Payable - Current Portion	240,000	-	-	200,000	440,000
Total Current Liabilities	364,674	119,077	267,042	590,271	1,341,064

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
June 30, 2014

	Golf Course Fund	Regional Solid Waste Fund	Mass Transit Fund	Stormwater Management Fund	Total Nonmajor Proprietary Funds
LIABILITIES (CONTINUED)					
Noncurrent Liabilities					
Compensated Absences Payable	4,560	3,246	9,032	1,904	18,742
Bonds Payable	255,000	-	-	5,390,000	5,645,000
Premium on Bonds Payable	-	-	-	273,998	273,998
Total Noncurrent Liabilities	259,560	3,246	9,032	5,665,902	5,937,740
Total Liabilities	624,234	122,323	276,074	6,256,173	7,278,804
NET POSITION					
Net Investment in Capital Assets	2,017,526	922,065	2,515,372	4,405,317	9,860,280
Unrestricted	(54,187)	3,183,367	577,118	1,750,977	5,457,275
Total Net Position	\$ 1,963,339	4,105,432	3,092,490	6,156,294	15,317,555

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
NONMAJOR PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2014

	Golf Course Fund	Regional Solid Waste Fund	Mass Transit Fund	Stormwater Management Fund	Total Nonmajor Proprietary Funds
Operating Revenues					
Charges for Services (Net)	\$ 751,465	2,618,670	600,728	2,196,558	6,167,421
Other Revenue	3,886	1,937	27,774	18,448	52,045
Total Operating Revenues	<u>755,351</u>	<u>2,620,607</u>	<u>628,502</u>	<u>2,215,006</u>	<u>6,219,466</u>
Operating Expenses					
Administration	-	209,903	-	134,733	344,636
Personnel Services	717,490	754,310	2,482,678	452,093	4,406,571
Contractual Services	653	567,936	89,612	38,486	696,687
Materials and Supplies	87,636	60,032	248,903	173,634	570,205
Repairs and Maintenance	110,950	502,337	624,300	327,089	1,564,676
Items for Resale	30,025	-	-	-	30,025
Other Operating Expenses	134,194	9,291	89,742	30,990	264,217
Depreciation and Amortization	56,824	255,298	525,682	135,575	973,379
Total Operating Expenses	<u>1,137,772</u>	<u>2,359,107</u>	<u>4,060,917</u>	<u>1,292,600</u>	<u>8,850,396</u>
Operating Income (Loss)	<u>(382,421)</u>	<u>261,500</u>	<u>(3,432,415)</u>	<u>922,406</u>	<u>(2,630,930)</u>
Nonoperating Revenues (Expenses)					
Investment Income	-	3,940	-	-	3,940
Operating Grants	-	-	2,072,027	-	2,072,027
Interest Expenses and Commissions	(36,610)	-	-	(72,153)	(108,763)
Amortization of Loss on Bond Refunding	(7,150)	-	-	-	(7,150)
Sale of Real Estate and Other Equipment	-	-	858	-	858
Gain (Loss) on Sale of Capital Assets	-	-	(2,794)	-	(2,794)
Total Nonoperating Revenues (Expenses)	<u>(43,760)</u>	<u>3,940</u>	<u>2,070,091</u>	<u>(72,153)</u>	<u>1,958,118</u>
Income (Loss) Before Transfers and Capital Contributions	<u>(426,181)</u>	<u>265,440</u>	<u>(1,362,324)</u>	<u>850,253</u>	<u>(672,812)</u>
Transfers and Capital Contributions					
Transfers In	2,817,821	83,321	881,397	10,857	3,793,396
Transfers Out	-	(158,455)	(536,009)	(5,096)	(699,560)
Federal Capital Grant Revenue	-	-	375,965	-	375,965
State Capital Grant Revenue	-	-	40,334	-	40,334
Total Transfers and Capital Contributions	<u>2,817,821</u>	<u>(75,134)</u>	<u>761,687</u>	<u>5,761</u>	<u>3,510,135</u>
Change in Net Position	<u>2,391,640</u>	<u>190,306</u>	<u>(600,637)</u>	<u>856,014</u>	<u>2,837,323</u>
Net Position, July 1, 2013	<u>(428,301)</u>	<u>3,915,126</u>	<u>3,693,127</u>	<u>5,300,280</u>	<u>12,480,232</u>
Net Position, June 30, 2014	<u>\$ 1,963,339</u>	<u>4,105,432</u>	<u>3,092,490</u>	<u>6,156,294</u>	<u>15,317,555</u>

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2014

	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	\$ 751,117	2,618,461	564,855	2,233,650	6,168,083
Payments to Employees	(714,159)	(756,337)	(2,462,365)	(448,388)	(4,381,249)
Payments to Suppliers	(307,032)	(882,266)	(711,564)	(847,897)	(2,748,759)
Payments for Interfund Services Used	(64,615)	(532,795)	(275,145)	(187,441)	(1,059,996)
Net Cash Provided by (Used for) Operating Activities	(334,689)	447,063	(2,884,219)	749,924	(2,021,921)
Cash Flows from Noncapital Financing Activities					
Transfers to Other Funds	-	(158,455)	(536,009)	(5,096)	(699,560)
Transfers from Other Funds	2,817,821	83,321	881,397	10,857	3,793,396
Receipts from (Payments on) Advances from Other Funds	(2,216,611)	2,216,611	(4,657)	-	(4,657)
Operating Grants Received	-	-	1,917,514	-	1,917,514
Net Cash Provided by (Used for) Noncapital Financing Activities	601,210	2,141,477	2,258,245	5,761	5,006,693
Cash Flows from Capital and Related Financing Activities					
Purchase of Capital Assets	-	(312,177)	(159,824)	(3,458,631)	(3,930,632)
Construction Retainage	-	-	-	124,227	124,227
Capital Grants Received	-	-	426,497	-	426,497
Principal Paid on Capital Debt	(230,000)	-	-	(195,000)	(425,000)
Interest Paid on Capital Debt	(34,438)	-	-	(77,863)	(112,301)
Sale of Capital Assets	-	-	858	-	858
Net Cash Provided by (Used for) Capital and Related Financing Activities	(264,438)	(312,177)	267,531	(3,607,267)	(3,916,351)
Cash Flows from Investing Activities					
Interest and Related Income/Expenses on Investments	(3,083)	3,940	-	(4,106)	(3,249)
Sale of Investments	-	-	-	2,448,816	2,448,816
Net Cash Provided by (Used for) Investing Activities	(3,083)	3,940	0	2,444,710	2,445,567
Net Increase (Decrease) in Cash and Cash Equivalents	(1,000)	2,280,303	(358,443)	(406,872)	1,513,988
Cash and Cash Equivalents, July 1, 2013	1,000	982,387	507,226	2,452,022	3,942,635
Cash and Cash Equivalents, June 30, 2014	\$ 0	3,262,690	148,783	2,045,150	5,456,623
Classified as Current Assets	\$ 0	3,262,690	148,783	2,045,150	5,456,623

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2014

	Golf Course Fund	Regional Solid Waste Fund	Mass Transit Fund	Stormwater Management Fund	Total Nonmajor Proprietary Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities					
Operating Income (Loss)	\$ (382,421)	261,500	(3,432,415)	922,406	(2,630,930)
Adjustments:					
Depreciation	56,824	255,298	525,682	135,575	973,379
Changes in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable	200	(2,147)	(64,597)	18,644	(47,900)
(Increase) Decrease in Inventories	(11,773)	-	-	-	(11,773)
Increase (Decrease) in Accounts Payable and Accrued Expenses	3,584	(65,562)	65,847	(330,405)	(326,536)
Increase (Decrease) in Accrued Payroll Expenses	1,478	982	12,160	4,101	18,721
Increase (Decrease) in Compensated Absences	1,852	(3,008)	8,154	(397)	6,601
Increase (Decrease) in Deferred Revenue	(4,433)	-	950	-	(3,483)
Net Cash Provided by (Used for) Operating Activities	<u>\$ (334,689)</u>	<u>447,063</u>	<u>(2,884,219)</u>	<u>749,924</u>	<u>(2,021,921)</u>

Non-Cash Capital and Related Financing Activities

Buffalo Valley Golf Course:

- Amortization of Deferred Bond Refunding totaling \$7,150 as shown on the Combining Statement of Revenues, Expenses, and Changes in Net Position.

See Independent Auditors' Report.

INTERNAL SERVICE FUNDS

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

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

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

CITY OF JOHNSON CITY, TENNESSEE
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2014

	Insurance Fund	Motor Transport Fund	Total Internal Service Funds
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 14,223,355	-	14,223,355
Accounts Receivable (Net)	80,475	83,555	164,030
Due from Other Funds	-	8,143	8,143
Inventories	-	540,192	540,192
Total Current Assets	14,303,830	631,890	14,935,720
Noncurrent Assets			
Capital Assets			
Building and Improvements	-	11,000	11,000
Equipment and Vehicles	-	5,677,452	5,677,452
Less: Accumulated Depreciation	-	(2,209,942)	(2,209,942)
Net Capital Assets	0	3,478,510	3,478,510
Total Assets	14,303,830	4,110,400	18,414,230
LIABILITIES			
Current Liabilities			
Accounts Payable	256,115	255,502	511,617
Accrued Payroll Expenses	10,413	92,658	103,071
Accrued Expenses	3,504,434	-	3,504,434
Accrued Interest Payable	-	9,342	9,342
Due to Other Funds	-	3,369	3,369
Compensated Absences - Current Portion	-	62,298	62,298
Bonds Payable - Current Portion	-	406,000	406,000
Total Current Liabilities	3,770,962	829,169	4,600,131
Noncurrent Liabilities			
Bonds Payable	-	1,836,000	1,836,000
Total Noncurrent Liabilities	0	1,836,000	1,836,000
Total Liabilities	3,770,962	2,665,169	6,436,131
NET POSITION			
Net Investment in Capital Assets	-	1,227,168	1,227,168
Unrestricted	10,532,868	218,063	10,750,931
Total Net Position	\$ 10,532,868	1,445,231	11,978,099

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2014

	Insurance Fund	Motor Transport Fund	Total Internal Service Funds
Operating Revenues			
Charges for Services (Net)	\$ 19,815,330	7,918,198	27,733,528
Other Revenue	523,967	84,203	608,170
Total Operating Revenues	<u>20,339,297</u>	<u>8,002,401</u>	<u>28,341,698</u>
Operating Expenses			
Personnel Services	209,205	2,013,247	2,222,452
Contractual Services	16,890,055	89,453	16,979,508
Materials and Supplies	-	41,229	41,229
Repairs and Maintenance	-	5,199,958	5,199,958
Other Operating Expenses	-	140,261	140,261
Depreciation and Amortization	-	524,140	524,140
Total Operating Expenses	<u>17,099,260</u>	<u>8,008,288</u>	<u>25,107,548</u>
Operating Income (Loss)	<u>3,240,037</u>	<u>(5,887)</u>	<u>3,234,150</u>
Nonoperating Revenues (Expenses)			
Investment Income	14,192	-	14,192
Interest Expenses and Fiscal Charges	-	(20,187)	(20,187)
Total Nonoperating Revenues (Expenses)	<u>14,192</u>	<u>(20,187)</u>	<u>(5,995)</u>
Income (Loss) Before Transfers	<u>3,254,229</u>	<u>(26,074)</u>	<u>3,228,155</u>
Transfers			
Transfers In	898,867	1,481,453	2,380,320
Transfers Out	(2,580,324)	(52,003)	(2,632,327)
Total Transfers	<u>(1,681,457)</u>	<u>1,429,450</u>	<u>(252,007)</u>
Change in Net Position	<u>1,572,772</u>	<u>1,403,376</u>	<u>2,976,148</u>
Net Position, July 1, 2013	<u>8,960,096</u>	<u>41,855</u>	<u>9,001,951</u>
Net Position, June 30, 2014	<u>\$ 10,532,868</u>	<u>1,445,231</u>	<u>11,978,099</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, 2014

	Insurance Fund	Motor Transport Fund	Total Internal Service Funds
Cash Flows from Operating Activities			
Receipts from Customers and Users	\$ -	288,337	288,337
Receipts from Interfund Services Provided	20,339,297	7,711,165	28,050,462
Payments to Employees	(205,384)	(2,011,990)	(2,217,374)
Payments to Suppliers	(17,179,054)	(6,748,997)	(23,928,051)
Payments for Interfund Services Used	-	(42,892)	(42,892)
Net Cash Provided by (Used for) Operating Activities	2,954,859	(804,377)	2,150,482
Cash Flows from Noncapital Financing Activities			
Transfers from Other Funds	898,867	1,481,453	2,380,320
Transfers to Other Funds	(2,580,324)	(52,003)	(2,632,327)
Net Cash Provided by (Used for) Noncapital Financing Activities	(1,681,457)	1,429,450	(252,007)
Cash Flows from Capital and Related Financing Activities			
Purchase of Capital Assets	-	(216,274)	(216,274)
Payments on Long Term Debt	-	(387,000)	(387,000)
Interest Paid on Long Term Debt	-	(6,392)	(6,392)
Net Cash Provided by (Used for) Capital and Related Financing Activities	0	(609,666)	(609,666)
Cash Flows from Investing Activities			
Interest Received	14,192	-	14,192
Interest Paid	-	(15,407)	(15,407)
Net Cash Provided by (Used for) Investing Activities	14,192	(15,407)	(1,215)
Net Increase (Decrease) in Cash and Cash Equivalents	1,287,594	-	1,287,594
Cash and Cash Equivalents, July 1, 2013	12,935,761	-	12,935,761
Cash and Cash Equivalents, June 30, 2014	\$ 14,223,355	0	14,223,355

(Continued)

**CITY OF JOHNSON CITY, TENNESSEE
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 For the Fiscal Year Ended June 30, 2014**

	Insurance Fund	Motor Transport Fund	Total Internal Service Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Operating Income (Loss)	\$ 3,240,037	(5,887)	3,234,150
Adjustments:			
Depreciation and Amortization	-	524,140	524,140
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	261,007	(2,899)	258,108
(Increase) Decrease in Inventories	-	24,972	24,972
(Increase) Decrease in Prepaid Expenses	28,921	-	28,921
Increase (Decrease) in Accounts Payable	(389,720)	(1,346,235)	(1,735,955)
Increase (Decrease) in Accrued Payroll Expenses	3,821	(3,297)	524
Increase (Decrease) in Compensated Absences	-	4,554	4,554
Increase (Decrease) in Other Liabilities	(189,207)	275	(188,932)
Net Cash Provided by (Used for) Operating Activities	<u>\$ 2,954,859</u>	<u>(804,377)</u>	<u>2,150,482</u>
Reconciliation of Cash and Cash Equivalents from Statement of Cash Flows			
Cash in Bank	\$ 14,223,355	-	14,223,355
	<u>\$ 14,223,355</u>	<u>0</u>	<u>14,223,355</u>

See Independent Auditors' Report.

FIDUCIARY FUNDS

Agency Funds are used to account for short-term custodial collections on resources on behalf of another individual, entity, or government.

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

Up and At 'Em Fund accounts for the activities associated with the annual Turkey Trot.

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
NETCO AGENCY FUND
June 30, 2014

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
ASSETS				
Cash and Cash Equivalents	\$ 50,852	2,076,832	2,084,793	42,891
Receivables	-	214	-	214
Capital Assets, net	-	77,600	17,244	60,356
Total Assets	\$ 50,852	2,154,646	2,102,037	103,461
LIABILITIES				
Unearned Revenue	\$ -	2,000	-	2,000
Capital Lease Payable	-	77,600	26,761	50,839
Due to Cooperative	50,852	-	230	50,622
Total Liabilities	\$ 50,852	79,600	26,991	103,461

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
UP & AT 'EM AGENCY FUND
June 30, 2014

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2014</u>
ASSETS				
Cash and Cash Equivalents	\$ 0	161,593	88,738	72,855
Total Assets	<u>\$ 0</u>	<u>161,593</u>	<u>88,738</u>	<u>72,855</u>
LIABILITIES				
Due to Up & At 'Em	\$ 0	72,855	0	72,855
Total Liabilities	<u>\$ 0</u>	<u>72,855</u>	<u>0</u>	<u>72,855</u>

See Independent Auditors' Report.

CAPITAL ASSETS
USED IN THE OPERATION
OF GOVERNMENTAL FUNDS

The following schedules present only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the following amounts. Generally, the capital assets of internal service funds are included as governmental activities in the Statement of Net Position.

CITY OF JOHNSON CITY, TENNESSEE
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULE BY SOURCE
June 30, 2014

Governmental Funds Capital Assets	2014	2013
Land	\$ 21,836,031	21,045,315
Buildings and Improvements	228,803,553	214,190,417
Equipment and Vehicles	38,021,149	37,938,036
Infrastructure	166,382,817	165,791,127
Construction in Progress	10,566,848	17,648,426
Total Governmental Funds Capital Assets	\$ 465,610,398	456,613,321

Investments in Governmental Funds Capital Assets by Source

General Fund	\$ 257,384,543	240,949,470
General Purpose School Fund	188,805,759	4,128,004
Special Revenue Funds	7,080,281	192,114,454
Capital Project Fund	1,772,967	1,772,967
Construction in Progress	10,566,848	17,648,426
Total Governmental Funds Capital Assets	\$ 465,610,398	456,613,321

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
June 30, 2014

Function and Activity	Land	Buildings and Improvements	Equipment and Vehicles	Infrastructure	Construction in Progress	Total
General Government:						
General Administration	\$ 7,401,584	17,622,425	1,883,374	-	-	26,907,383
Information Technology	-	-	2,041,007	-	-	2,041,007
Total General Government	7,401,584	17,622,425	3,924,381	0	0	28,948,390
Education:						
General Operations	8,036,132	176,444,361	3,113,691	1,211,575	4,250,918	193,056,677
Food Service	-	-	2,734,836	-	-	2,734,836
Student Transit	-	-	4,619,754	-	-	4,619,754
Total Education	8,036,132	176,444,361	10,468,281	1,211,575	4,250,918	200,411,267
Public Welfare and Recreation	2,436,745	21,051,993	2,571,304	6,432,794	983,328	33,476,164
Public Works:						
Public Services	2,188,603	453,414	8,029,545	158,738,448	5,332,602	174,742,612
Recycling	-	462,980	-	-	-	462,980
Total Public Works	2,188,603	916,394	8,029,545	158,738,448	5,332,602	175,205,592
Public Safety:						
Police	-	115,406	6,362,352	-	-	6,477,758
Fire	-	5,544,988	6,436,950	-	-	11,981,938
Civil Defense	-	99,131	171,827	-	-	270,958
Total Public Safety	0	5,759,525	12,971,129	0	0	18,730,654
City Service:						
Library	1,772,967	7,008,855	-	-	-	8,781,822
Community Development	-	-	28,247	-	-	28,247
Metropolitan Transportation Planning	-	-	28,262	-	-	28,262
Total City Service	1,772,967	7,008,855	56,509	0	0	8,838,331
Total Governmental Funds						
Capital Assets	\$ 21,836,031	228,803,553	38,021,149	166,382,817	10,566,848	465,610,398

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
For the Fiscal Year Ended June 30, 2014

Function and Activity	Governmental Funds Capital Assets			Governmental Funds Capital Assets
	June 30, 2013	Additions	Deletions	June 30, 2014
General Government:				
General Administration	\$ 25,869,431	1,385,188	(347,236)	26,907,383
Information Technology	1,979,620	79,337	(17,950)	2,041,007
Total General Government	<u>27,849,051</u>	<u>1,464,525</u>	<u>(365,186)</u>	<u>28,948,390</u>
Education:				
General Operations	191,353,694	3,126,237	(1,423,254)	193,056,677
Food Service	2,781,073	24,183	(70,420)	2,734,836
Student Transit	4,003,671	616,083	-	4,619,754
Total Education	<u>198,138,438</u>	<u>3,766,503</u>	<u>(1,493,674)</u>	<u>200,411,267</u>
Public Welfare and Recreation:				
Total Public Welfare	<u>33,295,620</u>	<u>13,135,453</u>	<u>(12,954,909)</u>	<u>33,476,164</u>
Public Works:				
Public Services	169,618,495	5,270,841	(146,724)	174,742,612
Recycling	462,980	-	-	462,980
Total Public Works	<u>170,081,475</u>	<u>5,270,841</u>	<u>(146,724)</u>	<u>175,205,592</u>
Public Safety:				
Police	6,164,051	367,553	(53,846)	6,477,758
Fire	11,997,152	787,609	(802,823)	11,981,938
Civil Defense	272,218	53,131	(54,391)	270,958
Total Public Safety	<u>18,433,421</u>	<u>1,208,293</u>	<u>(911,060)</u>	<u>18,730,654</u>
City Service:				
Library	8,781,822	-	-	8,781,822
Community Development	10,494	17,753	-	28,247
Metropolitan Transportation Planning	23,000	5,262	-	28,262
Total City Service	<u>8,815,316</u>	<u>23,015</u>	<u>0</u>	<u>8,838,331</u>
Total Governmental Funds Capital Assets	<u>\$ 456,613,321</u>	<u>24,868,630</u>	<u>(15,871,553)</u>	<u>465,610,398</u>

See Independent Auditors' Report.

**SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS**

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2014

Grantor Agency / Pass-Through Agency	Program Name	CFDA Number	Contract Number	Expenditures
PRIMARY GOVERNMENT				
General Fund				
<i>Pass Through State of Tennessee:</i>				
Federal Emergency Management Agency Tennessee Emergency Management Agency	Civil Defense	97.042	#FEMA-1974-DR-TN	\$ 58,350
			<i>Sub-total Pass Through State of Tennessee</i>	<u>58,350</u>
<i>Pass Through Other Organizations:</i>				
U.S. Department of Health and Human Services First TN Development District (from State of TN)	Title III-B, III-D, & III-E	93.044	JOCITY-2014-HOOT-14	42,804
			<i>Sub-total Pass Through Other Organizations</i>	<u>42,804</u>
Total General Fund				<u>101,154</u>
Transportation Planning Fund				
<i>Pass Through State of Tennessee:</i>				
U.S. Department of Transportation TN Department of Transportation	Project TN-90-X012 - Planning/Research	20.514	Sec. 5303 - GG0612306	29,135
U.S. Department of Transportation TN Department of Transportation	Highway Planning and Construction	20.205	Z-05-024246	155,616
Total Transportation Planning Fund				<u>184,751</u>

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**CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2014**

Grantor Agency / Pass-Through Agency	Program Name	CFDA Number	Contract Number	Expenditures
Police Grant and Technology Fund				
Direct Programs:				
U.S. Department of Justice	Bullet Proof Vest Program	16.607	#200-BU-BX-01007843	5,706
U.S. Department of Justice	COPS Hiring Program	16.71	#2013-UM-WX-0100	71,290
U.S. Department of Justice	COPS Hiring Program	16.71	#2011-UM-WX-0175	181,081
			<i>Sub-total Direct Programs</i>	<u>258,077</u>
Pass Through State of Tennessee:				
TN Department of Transportation Governor's Highway Safety Office	Safer Johnson City Streets V	20.607	#Z13GHS162	6,999
TN Department of Transportation Governor's Highway Safety Office	Safer Johnson City Streets VI	20.607	#Z14GHS181	12,756
TN Office of Criminal Justice Programs	JAG: JC Targeted Community Crime Reduction	16.575	N/A	242,775
			<i>Sub-total Pass Through State of Tennessee</i>	<u>262,530</u>
Total Police Grant and Technology Fund				<u>520,607</u>

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(Continued)

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2014

Grantor Agency / Pass-Through Agency	Program Name	CFDA Number	Contract Number	Expenditures
Community Development Fund				
<i>Direct Programs:</i>				
U.S. Department of Housing & Urban Development	Community Development Block Grant	14.218	B-MC-47-0008	459,613
			<i>Sub-total Direct Programs</i>	459,613
<i>Pass Through State of Tennessee:</i>				
U.S. Department of Housing & Urban Development TN Housing Development Agency	Emergency Shelter Grant	14.231	Z-05-020660-01	102,504
			<i>Sub-total Pass Through State of Tennessee</i>	102,504
Total Community Development Fund				562,117
Mass Transit Fund				
<i>Direct Programs:</i>				
U.S. Department of Transportation	Project #TN-90-X366 - Operating	20.507	GG-14-40236-00	1,242,457
U.S. Department of Transportation	Project #TN-90-X354-01 - Capital	20.507	GG-13-34336	28,529
U.S. Department of Transportation	Project #TN-90-X319 - Capital	20.507	GG-11-33910-00	27,885
U.S. Department of Transportation	Project #TN-90-X336- Capital	20.507	GG-11-33910-00	65,002
			<i>Sub-total Direct Programs</i>	1,363,873
<i>Pass Through State of Tennessee:</i>				
U.S. Department of Transportation	Job Access - Operating	20.516	TN-37-X083/GG-11-34331-01	35,011
U.S. Department of Transportation	New Freedom - Operating	20.521	TN-57-X008-01/GG-1133980	28,053
			<i>Sub-total Pass Through State of Tennessee</i>	63,064
Total Mass Transit Fund				1,426,937

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(Continued)

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2014

Grantor Agency / Pass-Through Agency	Program Name	CFDA Number	Contract Number	Expenditures
Capital Project Fund				
Direct Programs:				
U.S. Department of Homeland Security/FEMA	Assistance to Firefighters Grant	97.067	#EMW-2011-FV-01490	363,707
U.S. Department of Homeland Security/FEMA	Assistance to Firefighters Grant	97.044	#EMW-2011-FO-02451	62,124
<i>Sub-total Direct Programs</i>				<u>425,831</u>
Pass Through State of Tennessee:				
U.S. Department of Transportation TN Department of Transportation	Safe Routes to Schools - Cherokee Elem	20.205	#110671.00	167,232
U.S. Department of Transportation TN Department of Transportation	Upgrade and Install Traffic Signals	20.205	#111350.00	38,009
U.S. Department of Transportation TN Department of Transportation	Intelligent Vehicle Highway Systems	20.205	Admin - ITS-9447 (402)	2,137,024
U.S. Department of Transportation TN Department of Transportation	Access Road for VA Medical Center	20.205	#102618.00	757,329
U.S. Department of Transportation TN Department of Transportation	Mountain View/Browns Mill Traffic Circle	20.205	#114592.00	38,758
U.S. Department of Transportation TN Department of Transportation	Indian Ridge/State of Franklin Intersection	20.205	#111351.00	121,217
U.S. Department of Transportation TN Department of Transportation	Knob Creek Road	20.205	#102620.00	78
<i>Sub-total Pass Through State of Tennessee</i>				<u>3,259,647</u>
Total Capital Project Fund				<u>3,685,478</u>

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2014

Grantor Agency / Pass-Through Agency	Program Name	CFDA Number	Contract Number	Expenditures
School Federal Projects Fund				
<i>Pass Through State of Tennessee:</i>				
Department of Labor and Workforce Development	Adult Basic Education	84.002	Z-07-033707-00	<u>267,659</u>
U.S. Department of Education	Carl Perkins	84.048	N/A	<u>113,775</u>
U.S. Department of Education	IDEA, Project	84.027	N/A	1,619,857
U.S. Department of Education	Preschool Incentive Project	84.173	N/A	<u>34,604</u>
	Total IDEA CLUSTER			<u>1,654,461</u>
U.S. Department of Education	Title I, Project	84.010	N/A	1,700,748
U.S. Department of Education	Title II, Part A	84.367A	N/A	292,707
U.S. Department of Education	Title III, ESL	84.365A	N/A	30,321
U.S. Department of Education	TITLE X, Part C, McKinney Homeless Grant	84.196	N/A	100,000
U.S. Department of Education	21st Century Community Learning Center	84.287C	Z-05-021725-00	165,300
U.S. Department of Education	First to the Top Grant	84.395	N/A	628,971
U.S. Department of Education	Ambassador Grant - South Side	84.395	N/A	<u>94,266</u>
Total School Federal Projects Fund			<i>Sub-total Pass Through State of Tennessee</i>	<u>5,048,208</u>

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2014

Grantor Agency / Pass-Through Agency	Program Name	CFDA Number	Contract Number	Expenditures
School Food Service Fund				
<i>Pass Through State of Tennessee:</i>				
U.S. Department of Agriculture	National School Breakfast Program	10.533	N/A	386,459
U.S. Department of Agriculture	National School Lunch Program	10.555	N/A	1,659,103
U.S. Department of Agriculture	National School Snack Program	10.500	N/A	51,094
U.S. Department of Agriculture	Fresh Fruits and Vegetables	10.582	N/A	39,116
	<i>Sub-total Pass Through State of Tennessee</i>			<u>2,135,772</u>
<i>Pass Through Northeast Tennessee Cooperative:</i>				
	USDA: Commodity Supplemental			
Tennessee Department of Agriculture	Feeding - Commodities Match	10.550	N/A	32,311
Tennessee Department of Agriculture	Feeding - Commodities Distributed	10.550	N/A	162,240
	<i>Sub-total Pass Through Northeast Tennessee Cooperative</i>			<u>194,551</u>
Total School Food Service Fund				<u>2,330,323</u>
TOTAL FEDERAL GRANTS				<u>\$ 13,859,575</u>

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2014

NOTE A: BASIS OF PRESENTATION

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

NOTE B: FOOD DISTRIBUTION

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

NOTE C: SUBRECIPIENTS

During the year ended June 30, 2014, the City made no payments to subrecipients.

See Independent Auditors' Report.

**SCHEDULE OF EXPENDITURES
OF STATE AWARDS**

**CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Fiscal Year Ended June 30, 2014**

Grantor Agency / Pass-Through Agency	Program Name	Contract Number	Expenditures
PRIMARY GOVERNMENT			
General Fund			
Direct Programs:			
Tennessee Department of Correction	State Boarding of Prisoners	N/A	\$ 1,336,386
		<i>Sub-total Direct Programs</i>	<u>1,336,386</u>
Pass Through Other Organizations:			
TN Commission on Children & Youth Washington County, TN	Juvenile Court State Supplement	Z-06-020439-00	4,500
TN Commission on Aging First TN Development District	Senior Center Operations	JOCITY-2014-HOOT-14	<u>18,900</u>
		<i>Sub-total Pass Through Other Organizations</i>	<u>23,400</u>
Total General Fund			<u>1,359,786</u>
Mass Transit			
Direct Programs:			
Tennessee Department of Transportation	Job Access - Operating	TN-37-X083-00/905316-S3-005	17,505
Tennessee Department of Transportation	Project - Operating	GG-14-40236-00	626,918
Tennessee Department of Transportation	Project - Operating - New Freedom	GG-11-33980-00	19,026
Tennessee Department of Transportation	Project - Capital	GG-12-39086-00	8,125
Tennessee Department of Transportation	Project - Capital	GG-13-34336-00	3,039
Tennessee Department of Transportation	Project - Capital	GG-11-33910-00	2,531
Total Mass Transit Fund			<i>Sub-total Direct Programs</i> <u>677,144</u>

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Fiscal Year Ended June 30, 2014

Grantor Agency / Pass-Through Agency	Program Name	Contract Number	Expenditures
Water and Sewer Fund			
<i>Pass Through Other Organizations:</i>			
Tennessee Department of Environment & Conservation	Clean Tennessee Energy Grant Program	N/A	130,542
			-
Total Water and Sewer Fund	<i>Sub-total Pass Through Other Organizations</i>		<u>130,542</u>
Special School Projects Fund			
<i>Pass Through State of Tennessee:</i>			
TN Department of Education	Lottery Pre-K	N/A	331,322
TN Department of Education	Family Resources	N/A	40,112
TN Department of Education	Lottery for Education: Afterschool Pgm	N/A	223,645
TN Department of Education	Safe Schools	N/A	27,900
TN Department of Education	Coordinated School Health	N/A	121,227
Total Special School Projects Fund	<i>Sub-total Pass Through State of Tennessee</i>		<u>744,206</u>
TOTAL STATE GRANTS-PRIMARY GOVERNMENT			<u><u>\$ 2,911,678</u></u>

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>
Financial Trends <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>	167
Revenue Capacity <i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	174
Debt Capacity <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>	178
Demographic and Economic Information <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>	184
Operating Information <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>	187
Other Statistical Schedules <i>These statistical schedules present information that is required to be presented by the State of Tennessee as supplementary information.</i>	191
Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.	

CITY OF JOHNSON CITY, TENNESSEE
NET POSITION BY COMPONENT
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental Activities										
Net investment in capital assets	69,035,062	67,480,139	67,467,865	93,255,452	112,115,146	129,428,685	152,945,239	141,450,516	135,679,728	145,233,944
Restricted	1,235,783	1,108,571	6,625,729	-	-	206,878	200,340	194,541	190,041	184,226
Unrestricted	38,368,429	51,502,610	57,777,385	75,895,859	68,979,090	56,010,915	34,617,050	42,572,808	43,557,298	36,906,213
Total Governmental Activities Net Position	108,639,274	120,091,320	131,870,979	169,151,311	181,094,236	185,646,478	187,762,629	184,217,865	179,427,067	182,324,383
Business-Type Activities										
Net investment in capital assets	164,362,698	170,338,354	181,475,490	187,286,301	208,312,172	207,558,747	219,263,153	229,640,982	237,654,677	249,654,751
Restricted	501,521	660,326	483,449	482,776	1,785,757	3,375,467	21,071,959	-	-	-
Unrestricted	8,347,415	14,036,942	14,101,598	20,336,221	15,865,673	34,958,404	20,585,763	40,260,473	42,269,236	45,648,614
Total Business-Type Activities Net Position	173,211,634	185,035,622	196,060,537	208,105,298	225,963,602	245,892,618	260,920,875	269,901,455	279,923,913	295,303,365
Primary Government										
Net investment in capital assets	233,397,760	237,818,493	248,943,355	280,541,753	320,427,318	336,987,432	372,208,392	371,091,498	373,334,405	394,888,695
Restricted	1,737,304	1,768,897	7,109,178	482,776	1,785,757	3,582,345	21,272,299	194,541	190,041	184,226
Unrestricted	46,715,844	65,539,552	71,878,983	96,232,080	84,844,763	90,969,319	55,202,813	82,833,281	85,826,534	82,554,827
Total Primary Government Net Position	281,850,908	305,126,942	327,931,516	377,256,609	407,057,838	431,539,096	448,683,504	454,119,320	459,350,980	477,627,748

Source: City of Johnson City Finance Department

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
CHANGES IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
<u>Governmental Activities:</u>										
General Government	\$ 7,518,525	\$ 7,102,418	\$ 10,246,706	\$ 12,982,708	\$ 13,517,750	\$ 16,250,413	\$ 10,696,245	\$ 9,782,991	\$ 12,419,584	\$ 9,266,874
Public Safety	18,254,020	19,537,869	20,196,334	23,050,291	23,320,230	20,093,411	23,894,249	30,769,395	31,395,845	30,692,083
Public Works	10,648,651	11,740,047	11,954,349	11,759,714	14,699,318	15,041,881	14,922,121	12,036,441	12,642,482	12,651,427
Public Welfare	6,211,203	6,309,383	6,551,969	5,455,063	7,305,539	3,459,067	7,371,142	11,407,275	11,672,092	10,618,362
City Services	1,818,017	1,789,975	2,105,771	2,262,984	3,078,092	2,923,687	2,222,801	2,299,905	3,554,162	2,300,965
Education	51,957,017	54,448,620	57,396,706	61,434,692	63,517,290	65,853,223	69,230,829	64,996,820	66,648,109	67,898,323
Interest on Long-Term Debt	4,760,654	3,040,993	7,140,164	4,144,293	5,767,393	6,685,700	7,238,948	6,562,354	5,209,256	4,848,097
Total Governmental Activities	101,168,087	103,969,305	115,591,999	121,089,745	131,205,612	130,307,382	135,576,335	137,855,181	143,541,530	138,276,131
<u>Business-Type Activities:</u>										
Water and Sewer	17,309,426	18,616,496	21,053,584	21,710,919	22,830,928	21,601,917	24,164,954	25,926,353	26,701,483	27,144,157
City Solid Waste	6,654,113	7,040,115	7,294,552	7,813,531	8,060,129	8,017,980	8,335,603	8,403,638	8,564,272	8,812,294
Regional Solid Waste	1,410,536	1,615,196	1,658,724	1,818,585	1,871,460	1,925,909	2,006,080	2,182,604	1,879,979	2,359,107
Johnson City Power Board	119,754,592	133,197,667	143,319,219	153,413,844	178,834,070	163,283,389	185,044,289	176,494,179	182,309,204	187,412,031
Public Building Authority	2,376,597	2,294,949	2,107,230	1,805,760	1,984,687	2,015,126	2,006,730	1,864,558	2,483,843	1,860,680
Mass Transit	1,901,831	2,193,038	2,489,530	2,842,568	3,021,432	3,449,299	3,431,139	4,020,869	3,670,997	4,060,059
Stormwater Management	-	-	144,542	495,011	773,631	1,004,367	999,687	1,066,427	1,452,407	1,364,753
Golf Courses	1,231,510	1,393,946	1,472,066	1,462,210	1,330,540	1,239,672	1,322,319	1,286,000	1,191,088	1,181,532
Total Business-Type Activities	150,638,605	166,351,407	179,539,447	191,362,428	218,706,877	202,537,659	227,310,801	221,244,628	228,253,273	234,194,613
Total Expenses	\$ 251,806,692	\$ 270,320,712	\$ 295,131,446	\$ 312,452,173	\$ 349,912,489	\$ 332,845,041	\$ 362,887,136	\$ 359,099,809	\$ 371,794,803	\$ 372,470,744
Program Revenues										
<u>Governmental Activities:</u>										
Charges for Services:										
Public Safety	\$ 1,470,777	\$ 1,577,697	\$ 1,507,099	\$ 1,586,621	\$ 2,011,006	\$ 1,960,333	\$ 2,697,091	\$ 2,380,508	\$ 2,029,068	\$ 2,052,050
City Services	2,105,424	2,113,662	2,445,477	2,441,483	3,578,736	2,700,531	2,753,846	2,235,809	3,907,698	2,382,862
Education	2,445,031	2,708,056	3,038,039	2,752,587	2,844,579	2,671,448	2,567,520	2,582,695	2,759,877	2,813,129
Other Activities	1,232,901	2,469,235	2,332,593	2,829,651	3,430,184	3,537,310	2,216,496	2,208,010	2,087,215	2,393,283
Operating Grants and Contributions	30,133,808	30,516,925	33,419,313	35,525,329	36,812,901	39,362,241	40,426,029	39,773,105	39,259,020	40,117,315
Capital Grants and Contributions	626,238	164,833	-	31,055	-	162,945	1,895,492	261,616	537,527	4,504,724
Total Governmental Activities	38,014,179	39,550,408	42,742,521	45,166,726	48,677,406	50,394,808	52,556,474	49,441,743	50,580,405	54,263,363
<u>Business-Type Activities:</u>										
Charges for Services:										
Water and Sewer	20,288,469	21,772,092	23,133,709	23,543,970	25,057,671	26,264,591	28,708,578	28,237,701	30,059,125	31,826,356
City Solid Waste	7,917,942	8,257,612	8,622,823	9,100,844	8,902,029	8,418,244	8,912,152	8,900,554	9,123,389	9,233,914
Johnson City Power Board	128,314,735	141,680,530	150,526,423	161,195,320	193,154,773	177,398,118	196,431,434	186,025,548	190,986,834	193,430,658
Other Activities	5,194,686	5,277,396	5,499,351	6,653,378	7,238,218	7,658,923	7,937,319	6,271,078	6,387,939	6,442,117
Operating Grants and Contributions	995,661	1,103,458	1,249,319	1,509,571	1,702,482	1,775,802	1,646,942	2,045,037	1,986,176	6,629,333
Capital Grants and Contributions	1,717,925	818,212	397,599	797,607	724,175	2,614,722	564,276	762,107	206,452	416,299
Total Business-Type Activities	164,429,418	178,909,300	189,429,224	202,800,690	236,779,348	224,130,400	244,200,701	232,242,025	238,749,915	247,978,677
Total Program Revenues	\$ 202,443,597	\$ 218,459,708	\$ 232,171,745	\$ 247,967,416	\$ 285,456,754	\$ 274,525,208	\$ 296,757,175	\$ 281,683,768	\$ 289,330,320	\$ 302,242,040

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
CHANGES IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Net (Expense)/Revenue										
Governmental Activities	\$ (63,153,908)	\$ (64,418,897)	\$ (72,849,478)	\$ (75,923,019)	\$ (82,528,206)	\$ (79,912,574)	\$ (83,019,861)	\$ (88,413,438)	\$ (92,961,125)	\$ (84,012,768)
Business-Type Activities	13,790,813	12,557,893	9,889,777	11,438,262	18,072,471	21,592,741	16,889,900	10,997,397	10,496,642	13,784,064
Total Net Expense	\$ (49,363,095)	\$ (51,861,004)	\$ (62,959,701)	\$ (64,484,757)	\$ (64,455,735)	\$ (58,319,833)	\$ (66,129,961)	\$ (77,416,041)	\$ (82,464,483)	\$ (70,228,704)
General Revenues										
Governmental Activities:										
Taxes:										
Property Taxes	\$ 32,741,230	\$ 33,591,476	\$ 34,543,483	\$ 36,458,981	\$ 36,519,412	\$ 38,250,017	\$ 38,777,516	\$ 39,620,005	\$ 40,822,891	\$ 41,912,196
Sales Taxes	30,095,052	32,012,124	33,525,842	34,904,671	33,539,491	32,718,394	34,184,073	36,282,655	36,766,067	36,860,487
Other Taxes	6,867,324	7,510,307	7,802,498	8,474,886	8,244,855	7,455,763	7,643,741	8,555,389	8,847,922	8,577,593
Unrestricted Investment Earnings	737,108	1,858,159	2,775,619	2,560,328	1,305,131	685,114	1,203,024	858,348	707,660	702,811
Miscellaneous	1,366,945	174,525	5,889,333	29,340,255	12,780,319	3,107,369	870,110	6,254	6,828	6,006
Transfers	2,278,248	2,098,500	1,565,076	2,203,230	2,081,923	2,242,433	2,463,274	999,170	1,018,959	(1,120,923)
Total Governmental Activities	74,085,907	77,245,091	86,101,851	113,942,351	94,471,131	84,459,090	85,141,738	86,321,821	88,170,327	86,938,170
Business-Type Activities:										
Unrestricted Investment Earnings	332,770	1,167,313	2,770,991	2,350,892	1,857,877	539,657	759,353	672,785	537,405	510,265
Miscellaneous	438,738	197,282	(5,428)	458,838	9,879	39,051	(157,722)	3,888	7,370	40,271
Transfers	(2,278,248)	(2,098,500)	(1,565,076)	(2,203,230)	(2,081,923)	(2,242,433)	(2,463,274)	(999,170)	(1,018,959)	1,045,545
Total Business-Type Activities	(1,506,740)	(733,905)	1,200,487	606,500	(214,167)	(1,663,725)	(1,861,643)	(322,497)	(474,184)	1,596,081
Total Primary Government	\$ 72,579,167	\$ 76,511,186	\$ 87,302,338	\$ 114,548,851	\$ 94,256,964	\$ 82,795,365	\$ 83,280,095	\$ 85,999,324	\$ 87,696,143	\$ 88,534,251
Change in Net Position										
Governmental Activities	\$ 10,931,999	\$ 12,826,194	\$ 13,252,373	\$ 38,019,332	\$ 11,942,925	\$ 4,546,516	\$ 2,121,877	\$ (2,091,617)	\$ (4,790,798)	\$ 2,925,402
Business-Type Activities	12,284,073	11,823,988	11,090,264	12,044,762	17,858,304	19,929,016	15,028,257	10,674,900	10,022,458	15,380,145
Total Change in Net Position	\$ 23,216,072	\$ 24,650,182	\$ 24,342,637	\$ 50,064,094	\$ 29,801,229	\$ 24,475,532	\$ 17,150,134	\$ 8,583,283	\$ 5,231,660	\$ 18,305,547

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.

Source: City of Johnson City Finance Department

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
Last Ten Fiscal Years
(accrual basis of accounting)

Fiscal Year	Property Tax	In-Lieu of Tax	Local Sales Tax	State Sales Tax	Business Tax	Local Beer Tax	Local Liquor Tax	Hotel / Motel Tax	Franchise Tax	Telephone / Cable Tax	Other Taxes	Total
2005	31,429,944	1,311,286	26,712,881	3,382,171	1,534,947	1,805,940	361,364	885,521	516,393	577,627	1,185,532	69,703,606
2006	32,167,845	1,423,631	28,294,239	3,717,885	1,647,154	1,816,061	446,371	958,196	701,976	588,419	1,352,130	73,113,907
2007	33,064,284	1,479,199	29,452,416	4,073,426	1,743,053	1,754,139	551,289	1,002,315	495,264	629,898	1,626,540	75,871,823
2008	34,913,535	1,545,446	30,809,215	4,095,456	1,836,729	1,953,748	517,842	1,035,770	485,807	787,281	1,857,709	79,838,538
2009	35,131,195	1,388,217	29,811,023	3,728,468	1,774,822	2,060,432	520,586	979,246	526,233	940,182	1,443,354	78,303,758
2010	36,735,032	1,514,985	29,117,826	3,600,568	1,484,814	2,083,741	567,854	1,015,619	426,259	728,350	1,149,126	78,424,174
2011	37,121,582	1,655,934	30,378,018	3,806,055	2,322,623	2,112,818	592,335	1,036,348	387,354	742,675	1,192,263	81,348,005
2012	37,818,824	1,801,181	32,001,411	4,281,244	2,106,008	2,190,925	611,147	1,224,494	345,167	742,575	1,335,073	84,458,049
2013	38,894,018	1,843,635	32,395,228	4,370,839	2,196,371	2,234,109	623,007	1,251,767	369,544	717,509	1,540,853	86,436,880
2014	39,977,645	1,934,551	32,343,153	4,517,334	1,982,393	2,197,683	671,464	1,285,430	399,873	761,565	1,279,185	87,350,276

Source: City of Johnson City Finance Department

CITY OF JOHNSON CITY, TENNESSEE
FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)

		Fiscal Year									
		2005	2006	2007	2008	2009	2010	2011*	2012	2013	2014
General Fund											
Non-Spendable	\$	-	-	-	-	-	-	-	-	-	-
Restricted		-	-	-	-	-	-	12,138,874	12,163,561	12,457,236	11,878,510
Committed		-	-	-	-	-	-	2,298,866	1,041,826	1,470,925	1,943,629
Assigned		-	-	-	-	-	-	-	2,285,394	2,355,773	2,348,660
Unassigned		-	-	-	-	-	-	5,415,721	5,793,740	4,622,461	2,486,172
Designated		2,739,904	3,139,975	1,465,885	2,703,817	2,691,246	906,223	-	-	-	-
Unreserved		11,085,672	14,209,712	19,171,689	20,491,781	17,490,060	18,428,636	-	-	-	-
Total General Fund	\$	13,825,576	17,349,687	20,637,574	23,195,598	20,181,306	19,334,859	19,853,461	21,284,521	20,906,395	18,656,971
All Other Governmental Funds											
Non-Spendable	\$	-	-	-	-	-	-	379,649	190,851	217,801	235,507
Restricted		-	-	-	-	-	-	27,643,974	15,136,934	10,917,248	9,297,773
Committed		-	-	-	-	-	-	315,206	897,179	610,429	681,946
Assigned		-	-	-	-	-	-	6,635,805	5,612,762	5,090,983	4,226,783
Unassigned		-	-	-	-	-	-	(6,028)	-	-	-
Designated		2,926,613	3,279,288	3,421,588	3,955,386	3,602,289	58,322,351	-	-	-	-
Unreserved, Reported in:											
Special Revenue Funds		7,359,144	7,100,574	6,914,743	6,324,458	5,769,456	8,252,204	-	-	-	-
Capital Projects Funds		8,858,602	17,156,764	15,718,186	35,826,059	44,068,263	1,481,146	-	-	-	-
Total All Other Governmental Funds	\$	19,144,359	27,536,626	26,054,517	46,105,903	53,440,008	68,055,701	34,968,606	21,837,726	16,836,461	14,442,009

Note: *Implementation of GASB Statement No. 54 in fiscal year 2011

Source: City of Johnson City Finance Department

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)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues:										
Taxes	\$ 65,078,164	\$ 68,016,783	\$ 69,998,114	\$ 73,777,660	\$ 73,551,309	\$ 73,459,729	\$ 76,459,832	\$ 78,740,652	\$ 80,445,192	\$ 81,782,676
Licenses and Permits	988,999	1,141,199	1,063,241	1,014,440	908,596	681,554	791,485	789,430	702,213	757,415
Intergovernmental	35,091,817	37,522,888	44,326,252	70,373,307	53,773,849	47,356,233	47,310,175	45,531,643	45,606,539	49,663,837
Charges for Services	3,299,506	3,474,166	3,493,097	3,528,793	3,643,785	3,137,998	3,052,138	2,933,047	2,991,501	3,050,353
Fines and Forfeitures	1,443,058	1,550,283	1,398,894	1,491,732	1,426,561	1,856,265	2,607,900	2,276,229	1,944,649	1,933,431
Use of Property	2,290,344	2,019,665	2,384,145	2,410,381	3,290,690	2,354,250	2,450,360	2,009,688	3,392,179	2,218,992
Investment Earnings	632,101	1,541,663	2,292,312	2,187,458	1,230,320	675,880	1,191,996	846,990	696,041	688,619
Miscellaneous	701,751	1,211,931	1,307,966	1,716,494	2,700,532	3,036,946	1,543,667	1,480,472	1,780,090	1,714,356
Total Revenues	109,525,740	116,478,578	126,264,021	156,500,265	140,525,642	132,558,855	135,407,553	134,608,151	137,558,404	141,809,679
Expenditures:										
General Government	9,593,656	9,848,863	10,411,369	11,085,668	11,160,930	10,843,876	11,368,365	11,467,692	11,150,547	11,258,034
Public Safety	17,924,968	19,207,764	19,942,643	22,670,820	22,861,216	23,190,812	23,488,754	23,942,912	24,726,131	25,127,286
Public Works	7,518,536	8,006,327	9,090,597	10,090,160	10,888,843	11,211,427	11,008,160	10,826,243	11,521,689	11,721,899
Public Welfare	5,894,087	6,048,271	6,257,074	6,390,206	6,764,906	6,397,595	6,699,429	5,575,475	5,946,828	5,753,448
City Services	1,618,348	1,574,399	1,946,010	2,040,465	2,968,013	1,904,186	2,019,303	1,685,566	2,933,658	1,780,873
Education	48,675,282	51,032,222	54,888,885	58,097,916	60,418,934	61,472,941	64,204,837	64,728,618	66,418,198	67,693,080
Miscellaneous	18,423	-	19,000	-	21,645	7,250	649	6,950	7,940	6,020
Capital Outlay	7,505,676	6,450,204	10,734,831	13,732,994	26,201,893	27,297,556	47,635,088	20,717,402	9,741,929	11,158,840
Debt Service:										
Principal	7,386,039	7,447,570	7,101,614	6,763,728	4,656,946	6,231,931	6,976,870	6,940,111	7,916,760	8,277,136
Interest and Fiscal Fees	4,598,310	5,611,096	9,245,927	5,158,406	5,570,605	6,022,162	7,729,342	6,706,594	6,341,239	5,017,159
Other Charges	266,066	304,043	-	-	-	-	-	-	-	-
Total Expenditures	110,999,391	115,530,759	129,637,950	136,030,363	151,513,931	154,579,736	181,130,797	152,597,563	146,704,919	147,793,775
Excess (deficiency) of revenues over (under) expenditures	(1,473,651)	947,819	(3,373,929)	20,469,902	(10,988,289)	(22,020,881)	(45,723,244)	(17,989,412)	(9,146,515)	(5,984,096)

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Other Financing Sources (Uses):										
Transfers (Net)	2,148,158	2,254,158	2,087,000	1,280,965	1,923,228	1,818,432	2,010,846	620,973	560,312	(868,916)
Contributions	-	-	-	-	-	-	-	-	-	819,247
Refunding Bonds Issued	-	11,460,900	6,230,000	29,085,001	6,750,000	66,520,000	44,003,279	11,722,974	-	-
Refunding Bond Payments	-	(11,380,809)	(5,890,000)	(25,574,441)	(6,675,000)	(68,925,000)	(33,570,712)	(11,012,803)	-	-
Bond Issued	-	8,249,610	7,000,000	-	-	12,242,223	-	3,239,146	3,030,475	1,189,948
Refunding Bonds Premium	-	58,861	15,425	-	-	1,873,661	-	1,034,541	-	-
Insurance Recovery	-	71,623	-	-	-	-	-	-	-	-
Sale of Property	66,467	317,641	1,490,276	432,995	143,145	1,186,158	61,816	129,557	130,386	210,655
Capital Leases	403,802	-	-	-	-	495,161	704,688	-	-	-
Total Other Financing Sources (Uses)	2,618,427	11,031,984	10,932,701	5,224,520	2,141,373	15,210,635	13,209,917	5,734,388	3,721,173	1,350,934
Net Change in Fund Balances	\$ 1,144,776	\$ 11,979,803	\$ 7,558,772	\$ 25,694,422	\$ (8,846,916)	\$ (6,810,246)	\$ (32,513,327)	\$ (12,255,024)	\$ (5,425,342)	\$ (4,633,162)
Debt Service as a Percentage of Noncapital Expenditures	11.8%	12.3%	13.7%	9.7%	8.2%	9.6%	11.0%	10.3%	10.4%	9.7%

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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.

Source: City of Johnson City Finance Department

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years

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				
2005	2004	586,366,747	512,287,398	115,283,797	48,675,887	1,262,613,829	1.93	4,011,552,024	31.47%
2006	2005	608,631,775	519,232,096	113,193,113	44,989,552	1,286,046,536	1.93	4,097,250,413	31.39%
2007	2006	638,630,400	527,884,240	101,364,219	42,025,565	1,309,904,424	1.93	4,243,334,375	30.87%
2008	2007	675,793,350	555,791,560	111,531,042	41,392,490	1,384,508,442	1.93	4,574,379,041	30.27%
2009	2008	693,472,459	569,623,983	101,474,853	38,786,092	1,403,357,387	1.93	4,605,069,088	30.47%
2010	2009	890,095,325	753,593,880	115,625,268	51,607,428	1,810,921,901	1.54	5,829,765,753	31.06%
2011	2010	898,386,225	742,133,240	114,998,839	50,959,902	1,806,478,206	1.54	5,832,178,206	30.97%
2012	2011	904,122,100	750,764,800	97,065,891	50,111,745	1,802,064,536	1.57	5,813,956,077	31.00%
2013	2012	909,372,575	754,500,160	99,025,795	50,171,410	1,813,069,940	1.57	5,844,618,770	31.02%
2014	2013	916,789,200	756,109,520	104,115,224	48,511,598	1,825,525,542	1.58	5,904,474,538	30.92%

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

Source: City of Johnson City Finance Department

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
PROPERTY TAX RATES (per \$100 assessed value)
DIRECT AND OVERLAPPING GOVERNMENTS
Last Ten Fiscal Years

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	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Johnson City Direct Rates*	1.93	1.93	1.93	1.93	1.93	1.54	1.54	1.57	1.57	1.58
Washington County Direct Rates										
General	0.63	0.63	0.63	0.82	0.83	0.64	0.65	0.71	0.65	0.65
Upkeep (Highway)	0.14	0.14	0.14	0.19	0.19	0.15	0.15	0.15	0.15	0.15
General Purpose School	0.82	0.82	0.82	0.82	0.88	0.70	0.69	0.70	0.74	0.77
Debt Service	0.23	0.23	0.36	0.47	0.50	0.39	0.39	0.32	0.33	0.31
Solid Waste/Sanitation	0.05	0.05	0.05	0.05	0.05	0.04	0.04	0.04	0.04	0.03
Total Direct Rate	<u>1.87</u>	<u>1.87</u>	<u>2.00</u>	<u>2.35</u>	<u>2.45</u>	<u>1.91</u>	<u>1.91</u>	<u>1.91</u>	<u>1.91</u>	<u>1.91</u>
Carter County Direct Rates										
General	0.85	0.85	0.73	0.73	0.75	0.80	0.80	0.95	0.87	1.02
Highway/Public Works	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.13	0.13	0.13
General Purpose Schools	1.25	1.25	0.96	0.96	0.96	0.96	0.96	0.99	1.04	1.04
General Debt Service	0.36	0.36	0.31	0.31	0.41	0.42	0.42	0.09	0.12	0.15
Total Direct Rate	<u>2.56</u>	<u>2.56</u>	<u>2.10</u>	<u>2.10</u>	<u>2.22</u>	<u>2.28</u>	<u>2.28</u>	<u>2.15</u>	<u>2.15</u>	<u>2.33</u>
Sullivan County Rates										
General	0.74	0.71	0.70	0.71	0.71	0.60	0.58	0.58	0.67	0.66
Solid Waste/Sanitation	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02
Highway	0.06	0.05	0.06	0.05	0.05	0.04	0.06	0.06	0.08	0.08
General Purpose Schools	1.65	1.59	1.59	1.59	1.59	1.34	1.31	1.30	1.39	1.37
School Capital Project	0.10	0.08	0.08	0.08	0.08	0.07	0.07	0.07	0.07	0.07
General Debt Service	0.10	0.08	0.08	0.08	0.08	0.07	0.10	0.11	0.11	0.11
Total Direct Rate	<u>2.67</u>	<u>2.53</u>	<u>2.53</u>	<u>2.53</u>	<u>2.53</u>	<u>2.13</u>	<u>2.13</u>	<u>2.13</u>	<u>2.33</u>	<u>2.31</u>

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

Source: City of Johnson City Finance Department

See Independent Auditors' Report.

**CITY OF JOHNSON CITY, TENNESSEE
PRINCIPAL PROPERTY TAXPAYERS
Current Year and Nine Years Ago**

Taxpayer	2014			2005		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Glimcher Mall Johnson City LLC	\$ 22,631,920	1	1.2%	\$ 18,387,520	2	1.5%
Wal-Mart/Sams Real Estate	18,398,500	2	1.0%	-	-	-
United Telephone SE Inc	17,298,705	3	1.0%	24,674,859	1	-
The Haven at Knob Creek	10,686,400	4	0.6%	-	-	-
Atmos Energy Corporation	10,388,079	5	0.6%	7,874,842	7	0.6%
American Water Heater Co	10,125,177	6	0.6%	7,956,730	6	-
Sofha Real Estate	10,014,000	7	0.6%	-	-	-
Johnson City Crossing LP	8,682,560	8	0.5%	6,967,155	8	0.6%
Johnson City Property LLC	7,563,920	9	0.4%	-	-	-
Mountain States Properties	7,390,777	10	0.4%	9,685,720	4	0.8%
Robert Bosch Corporation	-	-	-	10,825,045	3	0.9%
Siemens Industrial	-	-	-	8,168,972	5	0.6%
Superior Industries	-	-	-	5,344,569	9	0.4%
Pritchett, John A Jr.	-	-	-	5,275,325	10	0.4%
Totals	<u>\$ 123,180,038</u>		<u>6.8%</u>	<u>\$ 105,160,737</u>		<u>5.7%</u>

Total Taxable Assessed Value:

FYE 2014 (Tax Year 2013)	1,813,069,940
FYE 2005 (Tax Year 2004)	1,262,613,829

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**

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	
2005	24,282,470	(66,281)	24,216,189	23,694,840	97.85%	515,052	24,209,892	99.97%	6,298
2006	23,967,796	381,747	24,349,543	23,677,242	97.24%	665,901	24,343,143	99.97%	6,400
2007	25,245,152	199,779	25,444,931	24,718,999	97.15%	722,375	25,441,374	99.99%	3,557
2008	26,684,753	(49,731)	26,635,022	25,856,042	97.08%	763,433	26,619,475	99.94%	15,548
2009	26,298,062	756,006	27,054,068	25,979,435	96.03%	998,274	26,977,709	99.72%	76,359
2010	27,883,067	(157,545)	27,725,522	26,606,701	95.96%	1,045,984	27,652,685	99.74%	72,838
2011	27,891,695	(166,619)	27,725,076	26,778,757	96.59%	808,344	27,587,101	99.50%	137,975
2012	28,335,227	(106,482)	28,228,745	27,377,900	96.99%	645,941	28,023,841	99.27%	204,904
2013	28,506,943	(79,474)	28,427,469	27,520,081	96.81%	598,110	28,118,192	98.91%	309,277
2014	28,843,764	44,959	28,888,723	28,103,866	97.28%	-	28,103,866	97.28%	784,857

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Source: City of Johnson City Finance Department

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

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			
2005	114,752,367	1,517,241	201,735	39,624,138	47,220,000	939,804	204,255,285	15.70%	3,487
2006	114,641,644	1,229,264	102,875	68,641,159	43,560,000	929,286	229,104,228	18.13%	3,836
2007	109,503,087	927,757	-	68,828,203	49,195,000	1,076,167	229,530,214	16.59%	3,785
2008	102,112,462	613,189	-	66,994,395	73,900,000	1,028,253	244,648,299	15.98%	3,964
2009	107,812,843	284,000	368,450	64,400,485	70,390,000	978,095	244,233,873	17.93%	3,908
2010	135,306,495	893,000	246,570	84,028,416	66,665,000	1,357,242	288,496,723	18.23%	4,568
2011	139,345,150	623,000	638,300	80,468,601	62,765,000	1,295,420	285,135,471	18.51%	4,445
2012	137,547,801	350,000	355,092	76,812,346	58,695,000	1,275,499	275,035,738	16.37%	4,254
2013	132,940,502	175,000	179,741	103,831,140	54,189,586	1,254,650	292,570,619	17.70%	4,493
2014	125,661,880	-	-	99,521,339	49,783,136	1,232,930	276,199,285	16.71%	4,241

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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.

Source: City of Johnson City Finance Department

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years

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
2005	154,061,803	(1,036,938)	153,024,865	3.81%	2,612
2006	183,282,803	(905,407)	182,377,396	4.45%	3,054
2007	178,331,290	(1,109,636)	177,221,654	4.18%	2,923
2008	169,106,857	(795,124)	168,311,733	3.68%	2,727
2009	172,213,328	41,914	172,255,242	3.74%	2,756
2010	219,334,911	(697,695)	218,637,216	3.75%	3,462
2011	219,813,751	(1,415,228)	218,398,523	3.74%	3,405
2012	214,360,147	(2,579,759)	211,780,388	3.64%	3,276
2013	236,771,642	(1,628,613)	235,143,029	4.02%	3,611
2014	225,183,219	(1,688,300)	223,494,919	3.79%	3,432

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.

Source: City of Johnson City Finance Department

See Independent Auditors' Report.

**CITY OF JOHNSON CITY, TENNESSEE
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2014**

<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:			
Overlapping Debt:			
Carter County	\$ 32,065,556	2.00%	641,311
Sullivan County	72,567,608	0.04%	29,027
Washington County	<u>149,500,000</u>	62.00%	<u>92,690,000</u>
<i>Subtotal, Overlapping Debt</i>	<u>254,133,164</u>		<u>93,360,338</u>
Net Direct Debt:			
City of Johnson City	<u>125,661,880</u>	100.00%	<u>125,661,880</u>
Total Direct and Overlapping Debt	<u><u>\$ 379,795,044</u></u>		<u><u>219,022,218</u></u>

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.

Sources: City of Johnson City Finance Department and County Governments

See Independent Auditors' Report.

**CITY OF JOHNSON CITY, TENNESSEE
LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years**

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt Limit	\$ 126,261,383	\$ 128,604,654	\$ 130,990,442	\$ 138,450,844	\$ 140,335,739	\$ 180,712,573	\$ 180,647,821	\$ 180,206,454	\$ 181,306,994	\$ 182,552,554
Total Net Debt Applicable to Limit	<u>76,189,564</u>	<u>77,278,841</u>	<u>72,297,357</u>	<u>66,363,920</u>	<u>74,181,737</u>	<u>100,935,075</u>	<u>103,794,289</u>	<u>98,539,694</u>	<u>93,480,502</u>	<u>87,666,880</u>
Legal Debt Margin	<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>	<u>\$ 81,666,760</u>	<u>\$ 87,826,492</u>	<u>\$ 94,885,674</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	60.34%	60.09%	55.19%	47.93%	52.86%	55.85%	57.46%	54.68%	51.56%	48.02%

Legal Debt Margin Calculation for Fiscal Year 2014

Total Taxable Assessed Value	\$ 1,825,525,542
Debt Limit (10% of Taxable Assessed Value)	182,552,554
Debt Applicable to Limit:	
General Obligation Debt	125,661,880
Less: Sales Tax Revenue Bonds	<u>(37,995,000)</u>
Total Net Debt Applicable to Limit	<u>87,666,880</u>
Legal Debt Margin	<u>\$ 94,885,674</u>

Source: City of Johnson City Finance Department

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
PLEDGED-REVENUE COVERAGE
Last Ten Fiscal Years

Fiscal Year	Operating Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
Water and Sewer Revenue Bonds:							
2005	20,288,469	11,952,939	8,335,530	2,483,000	1,109,675	3,592,675	2.32
2006	21,772,092	16,415,529	5,356,563	2,545,000	1,052,982	3,597,982	1.49
2007	23,133,709	17,882,817	5,250,892	2,025,000	937,308	2,962,308	1.77
2008	23,543,970	18,616,888	4,927,082	1,960,000	703,327	2,663,327	1.85
2009	25,057,671	20,944,823	4,112,848	2,035,000	626,270	2,661,270	1.55
2010	26,264,591	20,095,508	6,169,083	1,390,000	537,420	1,927,420	3.20
2011	28,708,578	22,033,582	6,674,996	1,465,000	465,945	1,930,945	3.46
2012	28,237,701	23,057,300	5,180,401	1,540,000	390,595	1,930,595	2.68
2013	30,059,125	23,099,853	6,959,272	1,615,000	319,125	1,934,125	3.60
2014	31,826,356	23,691,806	8,134,550	1,685,000	243,813	1,928,813	4.22
City Solid Waste Revenue Bonds:							
2005	7,917,942	5,996,550	1,921,392	285,000	53,082	338,082	5.68
2006	8,257,612	6,791,872	1,465,740	160,000	40,020	200,020	7.33
2007	8,622,823	7,045,184	1,577,639	170,000	31,060	201,060	7.85
2008	9,100,844	7,586,586	1,514,258	180,000	21,068	201,068	7.53
2009	8,902,029	7,862,839	1,039,190	190,000	11,020	201,020	5.17
2010	8,418,244	7,862,538	555,706	N/A	N/A	N/A	N/A
2011	8,912,152	8,195,716	716,436	N/A	N/A	N/A	N/A
2012	8,900,554	8,294,769	605,785	N/A	N/A	N/A	N/A
2013	9,123,389	8,479,934	643,455	N/A	N/A	N/A	N/A
2014	9,233,914	8,744,071	489,843	N/A	N/A	N/A	N/A
Regional Solid Waste Revenue Bonds:							
2005	1,892,638	1,290,443	602,195	N/A	N/A	N/A	N/A
2006	2,001,125	1,608,350	392,775	N/A	N/A	N/A	N/A
2007	2,080,774	1,655,070	425,704	N/A	N/A	N/A	N/A
2008	2,191,065	1,818,585	372,480	N/A	N/A	N/A	N/A
2009	2,313,041	1,871,460	441,581	N/A	N/A	N/A	N/A
2010	2,330,873	1,925,909	404,964	N/A	N/A	N/A	N/A
2011	2,484,240	2,006,080	478,160	N/A	N/A	N/A	N/A
2012	2,545,125	2,182,604	362,521	N/A	N/A	N/A	N/A
2013	2,592,627	2,483,843	108,784	N/A	N/A	N/A	N/A
2014	2,620,607	2,359,107	261,500	N/A	N/A	N/A	N/A

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
PLEDGED-REVENUE COVERAGE
Last Ten Fiscal Years

Fiscal Year	Operating Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
<u>Golf Course Revenue Bonds:</u>							
2005	493,298	497,651	(4,353)	N/A	N/A	N/A	N/A
2006	991,748	1,188,143	(196,395)	N/A	N/A	N/A	N/A
2007	1,034,672	1,240,899	(206,227)	N/A	N/A	N/A	N/A
2008	1,093,309	1,288,126	(194,817)	N/A	N/A	N/A	N/A
2009	1,029,325	1,216,370	(187,045)	N/A	N/A	N/A	N/A
2010	920,754	1,147,901	(227,147)	N/A	N/A	N/A	N/A
2011	853,551	1,244,698	(391,147)	N/A	N/A	N/A	N/A
2012	883,703	1,220,467	(336,764)	N/A	N/A	N/A	N/A
2013	782,652	1,136,595	(353,943)	N/A	N/A	N/A	N/A
2014	755,351	1,137,772	(382,421)	N/A	N/A	N/A	N/A
<u>Johnson City Power Board Revenue Bonds:</u>							
2005	128,314,735	113,411,634	14,903,101	980,000	1,330,569	2,310,569	6.45
2006	141,680,530	131,546,144	10,134,386	1,035,000	1,276,389	2,311,389	4.38
2007	150,526,423	141,778,812	8,747,611	1,095,000	1,218,689	2,313,689	3.78
2008	161,195,320	151,860,753	9,334,567	1,155,000	1,613,906	2,768,906	3.37
2009	193,154,773	176,106,527	17,048,246	1,285,000	2,498,869	3,783,869	4.51
2010	177,398,118	160,626,894	16,771,224	2,335,000	2,645,403	4,980,403	3.37
2011	196,431,434	182,471,925	13,959,509	1,715,720	2,550,638	4,266,358	3.27
2012	186,025,548	174,054,113	11,971,435	2,530,000	2,453,237	4,983,237	2.40
2013	190,986,834	179,963,954	11,022,880	2,625,000	2,352,038	4,977,038	2.21
2014	193,430,658	185,172,023	8,258,635	2,735,000	2,247,038	4,982,038	1.66

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Operating Expenses do not include interest.

Source: City of Johnson City Finance Department

See Independent Auditors' Report.

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

Fiscal Year Ended June 30	Population	Personal Income	Per Capita Personal Income¹	Median Age	Education Level in Years of Formal Schooling³	School Enrollment	Unemployment Rate²
2005	58,583	\$ 1,300,776,932	\$ 22,204	36.9	-	6,766	5.7%
2006	59,719	1,263,952,635	21,165	39.7	-	6,998	5.3%
2007	60,636	1,383,895,428	22,823	39.2	-	7,052	4.5%
2008	61,720	1,530,717,720	24,801	39.2	-	7,180	6.6%
2009	62,497	1,362,059,618	21,794	39.2	-	7,275	10.2%
2010	63,152	1,582,968,032	25,066	39.2	-	7,239	9.0%
2011	64,148	1,540,514,220	24,015	39.2	-	7,599	9.3%
2012	64,647	1,680,628,059	25,997	39.8	-	7,397	8.3%
2013	65,123	1,653,342,724	25,388	37.6	-	7,559	8.5%
2014	65,123	1,653,342,724	25,388	37.6	-	7,651	7.2%

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Notes: ¹Data presented is for Washington County, TN

²Johnson City MSA (not seasonally adjusted)

³Information not available

Sources: U. S. Bureau of Labor Statistics

U. S. Census Bureau

Johnson City School System

Washington County Economic Development Council

See Independent Auditors' Report.

**CITY OF JOHNSON CITY, TENNESSEE
PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago**

Employer	2014			2005		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Mountain States Health Alliance	8,610	1	15.3%	3,541	1	6.3%
East Tennessee State University	2,370	2	4.2%	1,990	2	3.6%
James H. Quillen VA Medical Center	2,188	3	3.9%	1,259	4	2.2%
CITI Commerce Solution	1,700	4	3.0%	1,700	3	3.0%
Washington County School System	1,200	5	2.1%	N/A	-	-
Advanced Call Center Technologies	1,179	6	2.1%	N/A	-	-
A.O Smith(American Water Heater)	1,076	7	1.9%	1,194	5	2.1%
Frontier Health	1,016	8	1.8%	500	10	0.9%
City of Johnson City	909	9	1.6%	843	8	1.5%
Johnson City School Systems	832	10	1.5%	851	7	1.5%
Cingular Wireless	N/A	-	-	895	6	1.6%
Superior Industries International	N/A	-	-	540	9	1.0%
	<u>21,080</u>		<u>37.3%</u>	<u>13,313</u>		<u>23.8%</u>

Total Washington County Employment:	
FYE 2014	56,275
FYE 2005	56,000

Sources: Washington County Economic Development Council

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
Last Ten Fiscal Years

Function	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government	116	91	94	96	96	75	75	75	73	75
Public Safety	294	310	297	294	280	274	272	309	308	296
Public Works	89	90	94	90	92	99	99	100	97	97
Public Welfare	74	74	75	68	60	55	52	48	50	50
City Services	34	34	36	34	34	48	49	48	50	50
Education	829	832	832	846	900	897	901	900	930	959
Water and Sewer	146	150	153	147	145	154	153	154	162	157
Solid Waste	45	46	47	47	47	48	45	46	48	44
Storm Water Mgmt	-	-	-	7	7	7	8	8	8	8
Mass Transit	55	49	49	49	50	49	51	53	59	69
Golf Courses	12	10	8	8	8	8	10	9	7	8
	<u>1,694</u>	<u>1,686</u>	<u>1,685</u>	<u>1,686</u>	<u>1,719</u>	<u>1,714</u>	<u>1,715</u>	<u>1,750</u>	<u>1,792</u>	<u>1,813</u>

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

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years

Function	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public Safety:										
Student Transportation:										
Miles	388,700	399,255	403,328	443,526	459,448	448,090	457,426	482,582	522,207	512,606
Passengers	878,450	961,496	991,432	993,748	1,015,715	1,075,845	1,095,209	1,130,359	1,209,276	1,213,583
Police:										
Physical Arrests	7,126	7,457	6,764	7,365	6,641	6,144	3,717	5,924	5,843	5,071
Parking Citations	3,678	3,195	3,020	2,493	2,202	2,574	2,393	2,005	2,267	1,717
Traffic Citations	19,538	23,092	21,829	26,602	23,624	24,700	22,998	22,826	20,482	20,392
Camera Enforcement Citations	-	-	-	-	-	753	10,848	5,522	4,216	5,965
Fire:										
Calls Answered	3,006	2,912	3,543	3,378	3,123	7,599	6,657	8,716	9,704	8,892
Inspections	1,788	1,802	1,980	1,581	1,844	1,844	975	1,318	1,895	1,588
Public Works:										
Potholes Repaired	695	211	53	103	404	812	930	854	568	660
Streets Swept (linear miles)	2,264	2,484	2,500	2,500	5,963	5,963	5,963	5,963	4,948	5,222
Traffic Signals Repaired/Replaced	372	371	241	245	235	250	236	197	184	176
Snow & Ice Control Treatment (lane miles)	3,000	2,200	2,800	2,226	3,450	7,700	9,240	1,112	5,562	7,680
Public Welfare:										
Parks and Recreation:										
Pool Admissions	50,584	51,710	51,789	46,988	51,428	59,242	59,207	73,970	48,841	62,840
Youth Basketball Participants	1,234	1,128	912	1,057	724	682	714	677	650	650
Youth Kickball	N/A	N/A	N/A	N/A	N/A	86	118	160	105	87
Youth Soccer Participants	1,906	1,895	1,691	1,846	1,714	1,466	1,513	1,657	1,584	1,610
Youth Softball & Tee-ball Participants	516	487	383	436	370	298	290	242	164	147
Tennis Instruction Participants	200	216	210	284	266	266	174	179	161	69
Adult Basketball Teams	44	30	29	26	25	26	22	29	22	23
Adult Softball Teams	131	81	127	143	118	139	121	132	131	126
Senior Citizens Programs/Events Attendance	161,094	142,054	141,508	146,989	136,000	114,000	96,795	93,021	131,064	131,269
City Services:										
Freedom Hall Events	69	61	60	58	54	52	42	34	42	32
Water and Sewer:										
Average Daily Consumption (Water)	14.40 mgd	14.34 mgd	14.91 mgd	14.8 mgd	14.7 mgd	14.77 mgd	15.049 mgd	14.44 mgd	16.15 mgd	16.23 mgd ¹
Maximum Daily Capacity (Water)	28.00 mgd	28.00 mgd	28.00 mgd	28.00 mgd	28.00 mgd	28.00 mgd	28.00 mgd	28.00 mgd	28.00 mgd	28.00 mgd
Water Taps	783	792	802	606	458	408	300	297	325	330
Sewer Taps	618	628	596	349	276	192	168	197	221	1,043 ²

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years

Function	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Solid Waste:										
Refuse Collected (Tons)	95,002	95,372	95,849	98,766	93,364	88,253	89,251	84,987	86,177	85,725
Recyclables Sold (Tons)	4,395	4,456	4,519	4,932	4,779	5,408	5,791	5,816	5,954	5,678
Mulch Sold as Boiler Fuel (Tons)	13,365	10,004	13,414	11,068	12,054	15,576	13,105	17,477	14,501	17,512
Leaves Collected (Tons)	3,447	3,643	3,602	3,072	3,850	3,661	3,041	3,193	3,512	3,596
Golf Courses:										
18-Hole Rounds Played	55,000	47,775	47,349	51,668	49,652	44,834	47,114	46,311	36,635	34,074

Source: Various City Departments

Note: Operating Indicators are not available for the general government function.

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

²Increase due to counting of units versus connection points

CITY OF JOHNSON CITY, TENNESSEE
CAPITAL ASSET STATISTICS BY FUNCTION
Last Ten Fiscal Years

Function	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public Safety:										
Student Transportation:										
Buses	54	52	52	53	54	54	54	49	57	68
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	163	166	170	162	191	187	205	198	184	182
Motorcycle Units	3	3	3	3	3	3	3	3	3	3
Fire:										
Stations	8	8	8	9	9	9	9	9	9	9
Fire Trucks/Rescue Units	26	27	15	15	21	22	20	30	31	30
Public Works:										
Streets (Miles)	488.9	496.89	505.01	505.01	505.64	505.64	508.29	529.2	530.49	530.49
Traffic Signals	85	86	91	91	92	92	94	94	96	96
Public Welfare:										
Parks and Recreation:										
Park Sites	19	19	19	19	19	19	19	19	19	19
Park Acreage	1,081	1,081	1,081	1,081	1,081	1,081	1,081	1,081	1,081	1,081
Swimming Pools	2	2	2	2	2	2	2	2	3	3
Therapy Pools	0	0	0	0	0	0	0	0	2	2
Tennis Courts	17	17	17	17	17	17	17	17	22	22
Community/Recreation Centers	4	4	4	4	4	4	4	4	5	5
Senior Citizens Centers	1	1	1	1	1	1	1	1	0	0
School System:										
Elementary Schools	8	8	8	8	8	8	8	8	8	8
Secondary Schools	2	2	2	2	2	2	2	2	3	3
Water and Sewer:										
Water Mains (Miles)	854.5	871.3	960	900	901	910	918	922	930	940
Fire Hydrants	2,639	2,828	3,108	3,109	3,259	3,290	3,327	3,379	3,422	3,486
Sanitary Sewers (Miles)	474.8	505.3	525	536	551	539	561	568	575	578
Manholes	10,766	11,452	11,525	12,088	12,611	12,411	12,600	12,736	12,911	12,968
Solid Waste:										
Collection Trucks	48	51	51	52	55	47	50	53	51	53
Golf Courses										
Golf Courses	2	2	2	2	2	2	2	2	2	2
Mass Transit:										
Buses/Trolleys/Vans	35	43	43	39	40	37	37	37	37	37

Source: Various City Departments

Note: Does not include leased property

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
 SCHEDULE OF INTERFUND TRANSFERS
 For the Fiscal Year Ended June 30, 2014

Transfers In:	Special Revenue											Capital Project	Enterprise						Internal Service		Fiduciary	
	General Purpose School	Trans- portation Planning	Police Grant & Technology	Freedom Hall	Special School Projects	School Federal Projects	School Site Based	Community Development	Debt Service	Educ Facilities Debt Service	City Solid Waste		Water and Sewer	WCUD	Golf	Mass Transit	Storm- water	Public Building Authority	Insurance	Motor Transport		Up and At 'Em
General Fund	\$ -	\$ 8,913,675	\$ 52,130	\$ 2,318	\$ 359,870	\$ 10,044	\$ -	\$ -	\$ 73,970	\$ 9,363,451	\$ -	\$ 2,345,740	\$ -	\$ -	\$ -	\$ 2,789,636	\$ 723,500	\$ -	\$ 2,611,317	\$ 362,943	\$ -	\$ 75,378
Special Revenue Funds:																						
General Purpose School Fund	-	-	-	23,763	-	56,386	558,076	681,768	-	327,947	1,157,295	-	-	-	-	-	-	-	-	-	-	-
Freedom Hall	13,440	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,011	-	-
Transportation Planning	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,260	-
Community Development	-	-	-	-	-	-	10,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
School Federal Projects	-	30,000	-	-	-	-	-	25,500	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Project Fund	-	-	-	-	-	-	-	-	-	-	-	70,000	-	-	-	-	-	-	-	-	-	-
Internal Service Funds:																						
Insurance Fund	1,535,384	-	1,123	7,834	15,451	-	-	-	5,414	-	-	-	216,560	83,321	398,733	28,185	157,897	10,857	-	-	119,564	-
Motor Transport	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	52,004	-	-
Enterprise Funds:																						
Johnson City Power Board	3,527,261	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mass Transit	-	-	64,712	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	17,334	453,963	-
Water and Sewer	543,950	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	348,426	453,963	-
Stormwater	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,096	-
WCUD Fund	-	-	-	-	-	-	-	-	-	-	-	-	121,999	-	-	-	-	-	-	-	36,456	-
City Solid Waste	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	69,337	453,963	-
Totals	\$ 5,620,035	\$ 8,943,675	\$ 117,965	\$ 33,915	\$ 375,321	\$ 66,430	\$ 568,076	\$ 707,268	\$ 79,384	\$ 9,691,398	\$ 1,157,295	\$ 2,415,740	\$ 338,559	\$ 83,321	\$ 398,733	\$ 2,817,821	\$ 881,397	\$ 10,857	\$ 2,611,317	\$ 898,867	\$ 1,481,453	\$ 75,378

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS -
ALL FUNDS - PRIMARY GOVERNMENT
June 30, 2014

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2015	\$ 24,223,170	\$ 11,375,329	\$ 35,598,499
2016	18,122,172	10,430,419	28,552,591
2017	16,454,171	9,685,294	26,139,465
2018	15,570,171	9,055,887	24,626,058
2019	14,935,171	8,471,953	23,407,124
2020	14,710,167	7,881,008	22,591,175
2021	13,688,167	7,296,264	20,984,431
2022	14,193,167	6,746,068	20,939,235
2023	13,406,167	6,189,363	19,595,530
2024	10,973,167	5,702,784	16,675,951
2025	10,618,172	5,250,063	15,868,235
2026	10,119,292	4,856,350	14,975,642
2027	9,406,002	4,329,997	13,735,999
2028	9,783,000	3,945,897	13,728,897
2029	10,171,000	3,495,094	13,666,094
2030	9,555,000	3,050,750	12,605,750
2031	9,985,000	2,622,820	12,607,820
2032	8,155,000	2,172,595	10,327,595
2033	7,645,000	1,815,235	9,460,235
2034	5,970,000	1,478,920	7,448,920
2035	3,280,000	1,222,533	4,502,533
2036	3,385,000	1,059,431	4,444,431
2037	3,510,000	888,603	4,398,603
2038	3,635,000	711,160	4,346,160
2039	3,780,000	525,793	4,305,793
2040	3,985,000	332,743	4,317,743
2041	1,200,000	129,500	1,329,500
2042	1,225,000	87,500	1,312,500
2043	1,275,000	44,625	1,319,625
Less: Amount not drawn	<u>(134,137)</u>	<u>-</u>	<u>(134,137)</u>
Totals	<u>\$ 272,824,019</u>	<u>\$ 120,853,978</u>	<u>\$ 393,677,997</u>

Note: The total reflected on the statement of net position has been increased by debt premium costs of \$2,530,519 less discounts of \$388,183.

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF NOTE PRINCIPAL AND INTEREST REQUIREMENTS -
ALL FUNDS - PRIMARY GOVERNMENT
June 30, 2014

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2015	\$ 22,630	\$ 49,225	\$ 71,855
2016	23,492	48,339	71,831
2017	24,561	47,320	71,881
2018	25,594	46,305	71,899
2019	26,669	45,257	71,926
2020	27,708	44,245	71,953
2021	28,953	43,053	72,006
2022	30,174	41,852	72,026
2023	31,442	41,060	72,502
2024	32,700	39,874	72,574
2025	34,150	37,819	71,969
2026	35,592	36,377	71,969
2027	37,095	34,874	71,969
2028	38,605	33,479	72,084
2029	40,301	31,665	71,966
2030	42,007	30,256	72,263
2031	43,790	28,473	72,263
2032	45,599	26,664	72,263
2033	47,584	24,679	72,263
2034	49,608	22,654	72,262
2035	51,715	20,294	72,009
2036	53,880	18,128	72,008
2037	56,211	15,797	72,008
2038	58,606	12,604	71,210
2039	61,108	10,900	72,008
2040	63,698	9,238	72,936
2041	59,018	6,545	65,563
2042	36,913	4,582	41,495
2043	21,660	4,222	25,882
2044	17,601	2,407	20,008
2045	18,184	1,820	20,004
2046	18,784	1,220	20,004
2047	19,404	600	20,004
2048	7,894	62	7,956
Totals	<u>\$ 1,232,930</u>	<u>\$ 861,889</u>	<u>\$ 2,094,819</u>

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF UNCOLLECTED DELINQUENT TAXES
June 30, 2014

Tax Year	Uncollected Delinquent Taxes June 30, 2014
2013	\$ 784,857
2012	309,277
2011	204,904
2010	137,975
2009	72,838
2008	76,359
2007	15,548
2006	3,557
2005	6,400
2004	6,298
Total	\$1,618,013

Uncollected Delinquent Taxes Filed in Chancery Court:

As of April 1, 2014, the above delinquent taxes for 2004 through 2012 have been filed by the Delinquent Tax Attorney in Washington County Chancery Court.

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
UTILITY RATE STRUCTURE & NUMBER OF CUSTOMERS
June 30, 2014

<u>Water Rates:</u>	<u>Inside City</u>	<u>Outside City</u>
Base	\$4.29	\$8.58
0 - 20,000 Gallons Used	\$3.34 / 1,000 gal.	\$6.68 / 1,000 gal.
20,001 - 190,000 Gallons Used	\$2.67 / 1,000 gal.	\$5.34 / 1,000 gal.
190,000 - 490,000 Gallons Used	\$2.40 / 1,000 gal.	\$4.80 / 1,000 gal.
Over 490,000 Gallons Used	\$2.17 / 1,000 gal.	\$4.34 / 1,000 gal.
<u>Sewer Rates:</u>	<u>Inside City</u>	<u>Outside City</u>
Base	\$5.17	10.34
0 - 20,000 Gallons Used	\$5.19 / 1,000 gal.	\$10.38 / 1,000 gal.
20,001 - 190,000 Gallons Used	\$5.19 / 1,000 gal.	\$10.38 / 1,000 gal.
190,000 - 490,000 Gallons Used	\$5.19 / 1,000 gal.	\$10.38 / 1,000 gal.
Over 490,000 Gallons Used	\$5.19 / 1,000 gal.	\$10.38 / 1,000 gal.
<u>Residential Collection Rates:</u>	<u>Inside City</u>	<u>Outside City</u>
Collection at Roadside	\$9 / mon.	\$16 / mon.
Collection at Door	\$24 / mon.	\$27 / mon.
Additional Carts-Inside City ⁵	\$2.50/mon.	-
Two Carts-Outside City	-	\$24 / mon.
Three Carts-Outside City	-	\$48 / mon.
<u>Commercial Collection Rates:</u>	<u>Inside City¹</u>	<u>Outside City²</u>
4 yard ³	\$62.50 / mon.	\$110.00 / mon.
6 yard ³	\$77.50 / mon.	\$127.50 / mon.
8 yard ³	\$92.50 / mon.	\$145.00 / mon.
Each Commercial Cart-Inside City	\$14/mon.	-
Additional Carts-Inside City ⁴	\$2.50/mon.	-
One Cart-Outside City	-	\$16 / mon.
Two Carts-Outside City	-	\$24 / mon.
Three Carts-Outside City	-	\$48 / mon.
<u>Number of Customers:</u>	<u>Inside City</u>	<u>Outside City</u>
Water	27,251	16,457
Sewer	24,174	4,107
Solid Waste ⁵	21,482	11,202
<u>Unaccounted for Water⁶:</u>	<u>Gallons</u>	<u>% of Total Gallons</u>
Water supplied	5,927,611	100.00%
Billed metered water	3,262,492	55.04%
Non-revenue water	2,665,119	44.96%

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

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

²Includes dumpster which is furnished.

³Rates based on one collection per week.

⁴Decal purchased annually for \$30.

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

⁶Additional details available on Schedule of Unaccounted for Water

See Independent Auditors' Report.

City of Johnson City, Tennessee

Schedule of Unaccounted for Water – AWWA Method Reporting Worksheet

June 30, 2014 (Unaudited)

AWWA Free Water Audit Software:
Reporting Worksheet

WAS v5.0
American Water Works Association
Copyright © 2014, All Rights Reserved

Water Audit Report for: **City of Johnson City Water/Sewer Services Department (0000331)**

Reporting Year: **2014** | **7/2013 - 6/2014**

Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (N/A or 1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades.

All volumes to be entered as: MILLION GALLONS (US) PER YEAR

To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds all criteria for that grade and all grades below it.

WATER SUPPLIED

Volume from own sources:	+ ?	7	5,925.534	MG/Yr			
Water imported:	+ ?	8	6.137	MG/Yr	+ ?	8	
Water exported:	+ ?	8	4.060	MG/Yr	+ ?	8	
WATER SUPPLIED:			5,927.611	MG/Yr			

Master Meter and Supply Error Adjustments

	Pcnt:				Value:		
			0.00%	<input checked="" type="radio"/>			MG/Yr
			0.00%	<input checked="" type="radio"/>			MG/Yr
			0.00%	<input checked="" type="radio"/>			MG/Yr

Enter negative % or value for under-registration
Enter positive % or value for over-registration

AUTHORIZED CONSUMPTION

Billed metered:	+ ?	8	3,262.482	MG/Yr			
Billed unmetered:	+ ?	10	0.000	MG/Yr	+ ?	10	
Unbilled metered:	+ ?	10	0.328	MG/Yr	+ ?	10	
Unbilled unmetered:	+ ?		74.095	MG/Yr	+ ?		
AUTHORIZED CONSUMPTION:			3,336.915	MG/Yr			

Default option selected for Unbilled unmetered - a grading of 5 is applied but not displayed

Master Meter and Supply Error Adjustments

	Pcnt:				Value:		
			1.25%	<input checked="" type="radio"/>			MG/Yr

Click here for help using option buttons below

Use buttons to select percentage of water supplied OR value

WATER LOSSES (Water Supplied - Authorized Consumption)

Apparent Losses			2,590.696	MG/Yr			
Unauthorized consumption:	+ ?		14.819	MG/Yr	+ ?		
Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed							
Customer metering inaccuracies:	+ ?	8	49.684	MG/Yr	+ ?	8	
Systematic data handling errors:	+ ?		8.156	MG/Yr	+ ?		
Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed							
Apparent Losses:	?		72.659	MG/Yr			

Master Meter and Supply Error Adjustments

	Pcnt:				Value:		
			0.25%	<input checked="" type="radio"/>			MG/Yr
			1.50%	<input type="radio"/>	49.684		MG/Yr
			0.25%	<input checked="" type="radio"/>			MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses:			2,518.037	MG/Yr			
WATER LOSSES:			2,590.696	MG/Yr			

NON-REVENUE WATER

NON-REVENUE WATER:			2,665.119	MG/Yr			
---------------------------	--	--	-----------	-------	--	--	--

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains:	+ ?	8	920.7	miles			
Number of active AND inactive service connections:	+ ?	8	43,708		+ ?	8	
Service connection density:	?		47	conn./mile main			

Are customer meters typically located at the curbstop or property line? Yes (length of service line beyond the property boundary, that is the responsibility of the utility)

Average length of customer service line: ft.

Average length of customer service line has been set to zero and a data grading score of 10 has been applied

Average operating pressure: + ? 8 107.8 psi

COST DATA

Total annual cost of operating water system:	+ ?	10	\$16,475.655	\$/Year			
Customer retail unit cost (applied to Apparent Losses):	+ ?	10	\$9.30	\$/1000 gallons (US)			
Variable production cost (applied to Real Losses):	+ ?	8	\$324.35	\$/Million gallons	<input type="checkbox"/>	Use Customer Retail Unit Cost to value real losses	

WATER AUDIT DATA VALIDITY SCORE:

*** YOUR SCORE IS: 79 out of 100 ***

A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score

PRIORITY AREAS FOR ATTENTION:

Based on the information provided, audit accuracy can be improved by addressing the following components:

- 1: Volume from own sources
- 2: Unauthorized consumption
- 3: Systematic data handling errors

See Independent Auditors' Report.

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City of Johnson City, Tennessee
Schedule of Unaccounted for Water – AWWA Method Performance Indicators
June 30, 2014
(Unaudited)



AWWA Free Water Audit Software:
System Attributes and Performance Indicators

WAS v5.0
 American Water Works Association,
 Copyright © 2014, All Rights Reserved.

Water Audit Report for:

Reporting Year:

*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 79 out of 100 ***

System Attributes:

Apparent Losses:	<input type="text" value="72,659"/>	MG/Yr	
+ Real Losses:	<input type="text" value="2,518,037"/>	MG/Yr	
= Water Losses:	<input type="text" value="2,590,696"/>	MG/Yr	
? Unavoidable Annual Real Losses (UARL):	<input type="text" value="453.95"/>	MG/Yr	
Annual cost of Apparent Losses:	<input type="text" value="\$675,731"/>		
Annual cost of Real Losses:	<input type="text" value="\$816,725"/>		Valued at Variable Production Cost
			Return to Reporting Worksheet to change this assumption

Performance Indicators:

Financial:	{	Non-revenue water as percent by volume of Water Supplied:	<input type="text" value="45.0%"/>	
		Non-revenue water as percent by cost of operating system:	<input type="text" value="9.2%"/>	Real Losses valued at Variable Production Cost
Operational Efficiency:	{	Apparent Losses per service connection per day:	<input type="text" value="4.55"/>	gallons/connection/day
		Real Losses per service connection per day:	<input type="text" value="157.84"/>	gallons/connection/day
		Real Losses per length of main per day*:	<input type="text" value="N/A"/>	
		Real Losses per service connection per day per psi pressure:	<input type="text" value="1.46"/>	gallons/connection/day/psi
		From Above, Real Losses = Current Annual Real Losses (CARL):	<input type="text" value="2,518.04"/>	million gallons/year
		? Infrastructure Leakage Index (LI) [CARL/UARL]:	<input type="text" value="5.55"/>	

* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline

See Independent Auditors' Report.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Johnson City, Tennessee (the City) as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 19, 2014. Our report includes a reference to other auditors who audited the financial statements of the Johnson City Schools Site Based Fund, a nonmajor special revenue fund of the City, as described in our report on the City's financial statements. In addition, we have audited the discretely presented component units of the City. This report does not include the results of the testing of internal control over financial reporting or compliance and other matters that are reported in those separately issued audit reports.

Internal Control Over Financial Reporting

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

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2014-001.

City of Johnson City, Tennessee's Response to Findings

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

Purpose of this Report

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

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

December 19, 2014

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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Johnson City, Tennessee's (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the fiscal year ended June 30, 2014. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned cost as item 2014-001. Our opinion on each major federal program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2014-001, that we consider to be a significant deficiency.

City of Johnson City, Tennessee
Independent Auditors' Report on
Compliance for Each Major Program

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

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

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

December 19, 2014

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2014

SECTION I - SUMMARY OF AUDITORS' RESULTS

1. The auditors' report based on our audit and the report of other auditors expresses an unmodified opinion on the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Johnson City, Tennessee (the City).
2. There are no significant deficiencies relating to the audit of the financial statements.
3. There is one instance of noncompliance material to the financial statements of the City, which is required to be reported in accordance with *Government Auditing Standards*, and disclosed during the audit.
4. There is one significant deficiency reported relating to the audit of the major federal award programs.
5. The auditors' report on compliance for the major federal award programs for the City expresses an unmodified opinion on all major federal programs.
6. There is one audit finding relative to the major federal award programs that is required to be disclosed in accordance with section 510(a) of OMB Circular A-133.

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

<u>Program</u>	<u>CFDA Number</u>
IDEA, U.S. Department of Education	84.027
First to the Top, U.S. Department of Education	84.395
U.S. Department of Transportation (All under this CFDA Number)	20.205
U.S. Department of Transportation (All under this CFDA Number)	20.507
Community Development Block Grant	14.218
National School Breakfast Program	10.553
National School Lunch Program	10.555

8. The threshold for distinguishing Types A and B programs was \$419,286.
9. The City was determined to be a low-risk auditee.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2014

SECTION II - FINANCIAL STATEMENT FINDINGS

Current Year Findings

None Reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2014-001 Significant Deficiency: Grants Cash Management

Condition: The Johnson City Schools operate Site Based funds at the individual schools. During the current year, funds from the IDEA grant were disbursed to each of the schools for Special Education supplies. These payments were not monitored as grant expenditures after being sent to the Site Based accounts, nor were they identified as grant revenues in the Site Based records or audit of the Site Based funds.

Criteria: The Johnson City Schools are required to spend the grant funds received within three days and to have support for all of the expenditures to ensure they were spent as allowable grant expenditures.

Effect: While these were identified as Special Education funds, failure to monitor the expenditures as grant funds resulted in possibly having certain expenditures that were not disbursed within the three days. Also, without proper monitoring actual payments may not have represented allowable grant expenditures.

Recommendation: We recommend that the Johnson City Schools make all grant disbursements directly from the Federal Projects Fund rather than sending it to the Site Based funds. This would ensure that the funds are expended timely and appropriately under the processes they follow for all of the other grant expenditures.

Management's Response: School Board management has taken the appropriate steps to remedy this in fiscal year 2015 and will ensure that grant funds are not transferred to individual schools as site-based money in the future.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF DISPOSITION OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2014

Financial Statement Findings

Finding Number	Finding Title	Status
2011-001	Credit Card Purchasing Procedures	Corrected

Federal Award Findings and Questioned Costs

There were no prior year findings reported.