

City of Johnson City, Tennessee

Comprehensive Annual Financial Report

**For the Fiscal Year Ended
June 30, 2007**





CITY OF JOHNSON CITY, TENNESSEE

BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION WITH
INDEPENDENT AUDITORS' REPORT

For the Fiscal Year Ended June 30, 2007

CITY OF JOHNSON CITY, TENNESSEE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2007

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City of Johnson City Tennessee

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

Office of Finance Director/Recorder/Treasurer

December 14, 2007

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, 2007 is submitted hereby, in accordance with the provisions of Section 2.89 of the Johnson City Code. This report consists of the City's representations concerning the finances of the City of Johnson City. Consequently, the City assumes full responsibility for the completeness and reliability of all of the information presented in this report. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial structures have been included.

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

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

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

Financial Information

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

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

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

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

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

Profile of the Government

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

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

Economic Condition and Outlook

Johnson City, along with Kingsport and Bristol, Tennessee and Virginia, make up the "Tri-Cities" area of Northeastern Tennessee. Including Erwin and Elizabethton, the area has an MSA population of 504,942. Business and industry in Johnson City are diverse and include retail, utilities, financial, manufacturing, medical and other services. The City's economic base is still firmly rooted in institutional services. The three largest employers are: Mountain States Health Alliance, East Tennessee State University and Citi Commerce Solutions.

The City continues to experience healthy population growth. Unemployment rates for the MSA experienced a decrease during the fiscal year, ending the year at 4.2%. A balance of property and sales taxes support the City's finances. Continued growth in these areas, as well as the implementation of innovative ideas, such as the gas-to-energy project, have contributed to healthy fiscal performance, and thus allowed the City to continue to operate with no increase in the property tax rate. As a result, the City's property tax rate continues to be the lowest of all the surrounding areas.

Accomplishments

The City of Johnson City, in conjunction with neighboring municipalities and the business and education community, conducted the 4th Annual Economic Summit during fiscal year 2007. The City's involvement in this partnership for Economic Progress demonstrates a continued commitment to working for a stronger local economy, improved quality of life, community pride, responsible city government and a more attractive community. Noteworthy accomplishments of the city government for the Fiscal Year Ending June 30, 2007 are as follows:

- Refinanced some of existing debt to take advantage of favorable interest rates. Future debt service payments are expected to decrease by \$3.4 million for school debt and by \$.5 million for general fund debt.
- Completed improvements to Tipton and Spring Streets.
- Continued construction on Knob Creek Road.
- Continued construction project to upgrade the Regional Wastewater Treatment Plant.
- Commenced renovations to Science Hill High School 8-9 Campus.
- Began construction of Fire Station #9 on Highway 11E at Carroll Creek Road.
- Completed Phase I of Johnson City Dog Park at Willow Springs Park.
- Adopted ordinance providing for the implementation of a Stormwater Management Fund to address drainage and flooding issues across the City.
- Co-hosted USSSA National Baseball Tournament at Winged Deer Park.
- Received Pinnacle Award for Lakeside Cinemas at Winged Deer Park.
- Received Platinum recognition from the National Association of Clean Water Agencies for the Regional Wastewater Treatment Plant. Received Gold recognition for the Brush Creek and Knob Creek Plants.

- Received KY-TN AWWA Operational Excellence Award for the Outstanding Large Plant (Watauga Water Treatment Plant) and three (3) KY-TN WEF Operational Excellence Awards (Regional, Brush Creek and Knob Creek Wastewater Treatment Plants).
- Received TN Recreation and Parks Association Four Star Award for City Commission "Up and At 'Em" program.
- Received Northeast TN Environmental Ozzie Award for being the first municipality in Northeast TN to convert fleet vehicles to bio-diesel.
- Received Governor's Award for Excellence in Energy Leadership for methane gas project (gas-to-energy).

Capital Projects

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

Cash Management

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

Risk Management

The Risk Management Program includes all lines of loss exposure. These exposure areas include: Worker's Compensation, Property Damage, General Liability, Automobile Coverage, Errors and Omission, Crime, Boiler and Machinery and Accidental Death and Dismemberment. The City is self-insured for some insurance coverage. Specific and aggregate reinsurance is maintained to cover any losses in excess of self-insurance reserves. Health Insurance is self-insured and was administered by Blue Cross and Blue Shield during fiscal year 2007.

Awards

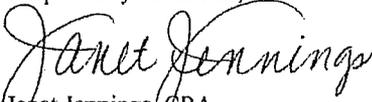
The Government Finance Officers' Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Johnson City for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2006. This was the City's sixth consecutive year for receiving the award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgements

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

Respectfully submitted,



Janet Jennings, CPA
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Johnson City
Tennessee

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

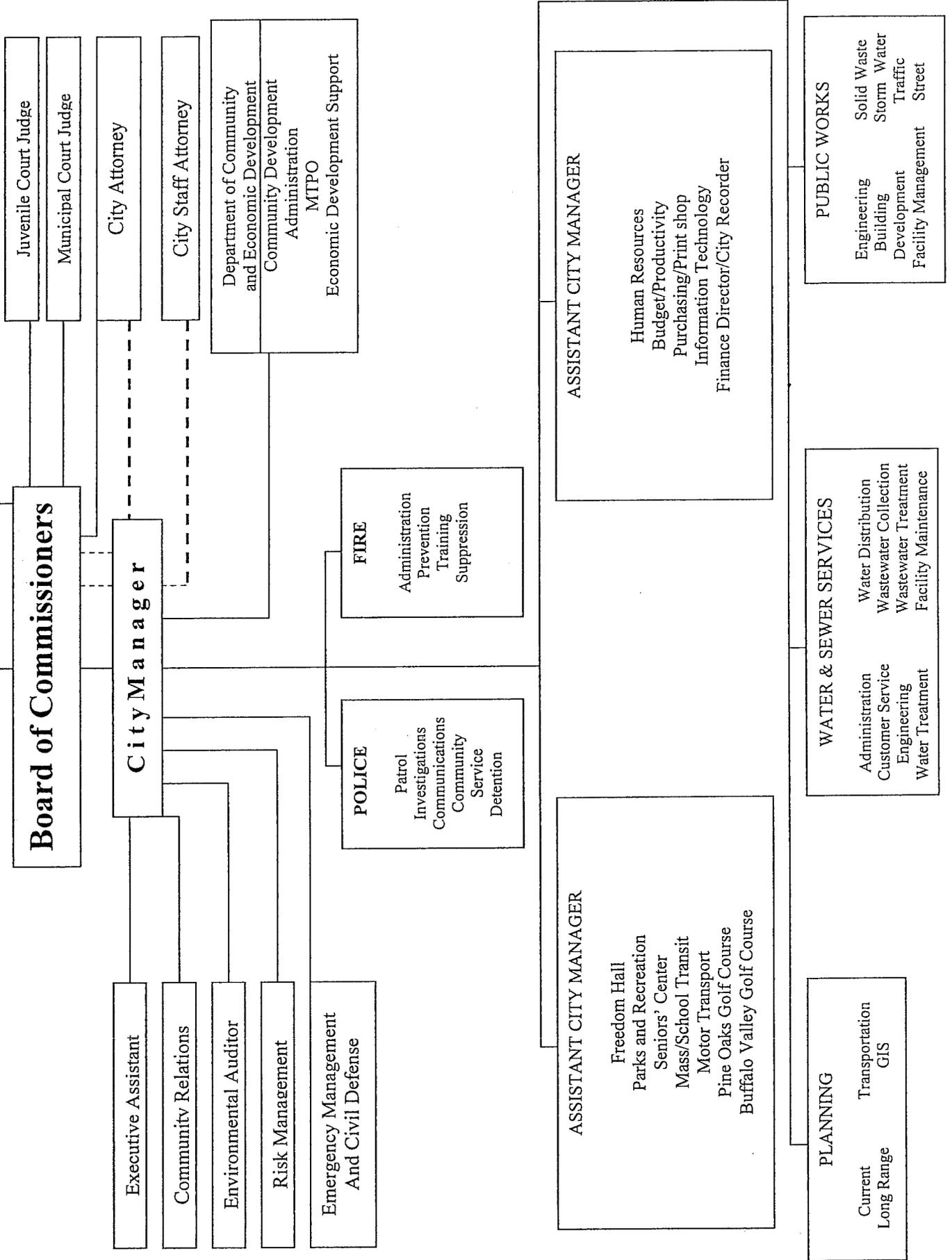
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

CITIZENS OF JOHNSON CITY



CITY OF JOHNSON CITY, TENNESSEE
CITY OFFICIALS
June 30, 2007

Board of Commissioners:

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

City Judges:

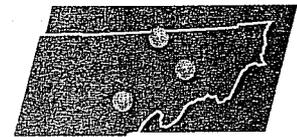
Sharon Greene, Juvenile Judge
William Mooney, City Judge
James Nidiffer, City Judge

City Attorney:

James H. Epps, IV

City Administration:

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



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Johnson City, Tennessee (the "City") as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Johnson City Schools Site-Based Fund, a nonmajor special revenue fund, as of and for the year ended June 30, 2007, which represent 2%, 2%, and 7% respectively, of the assets, net assets and revenues of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Johnson City Schools Site-Based Fund, is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Johnson City, Tennessee as of June 30, 2007, and the respective changes in financial position and, where applicable, cash flow thereof and the respective budgetary comparisons for the general fund, the general purpose school fund, and the debt service fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 14, 2007, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 13 is not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Blackburn, Childers and Steagall, P.C.
BLACKBURN, CHILDERS & STEAGALL, PLC

December 14, 2007

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, 2007. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i through iii of this report. All amounts included in this management's discussion and analysis, unless otherwise indicated, are expressed in the thousands of dollars.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$327,932 (*net assets*). Of this amount, \$248,944 is invested in capital assets (*net of related debt*) and \$7,109 is restricted for specific purposes.
- The City's total net assets increased by \$24,343 for the current period. In addition, beginning net assets experienced a \$1,538 decrease for prior period adjustments.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$46,692, an increase of \$1,806 in comparison with the prior year. Of this amount, \$4,887 is reserved for specific purposes.
- At the end of the current fiscal year, fund balance for the general fund was \$20,638, or 30% of total general fund expenditures including transfers out. This balance included \$1,466 committed for specific purposes.
- The City's total debt decreased by \$11,574 (5%) during the current fiscal year.

Overview of the Financial Statements.

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

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes, licenses and permits, and intergovernmental revenues

(governmental activities), from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, public welfare, city services and education. The business-type activities of the City include water and sewer, city solid waste, regional solid waste, stormwater, power board, public building authority, mass transit and golf courses. The government-wide financial statements can be found on pages 14 through 17 of this report.

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

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the focus is on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements. Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains twenty-two (22) individual governmental funds. Nineteen (19) of these governmental funds are classified as nonmajor and are summarized under the heading "Other Governmental Funds" in the governmental fund presentation. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the general-purpose school fund, the debt service fund, and nonmajor governmental funds, all of which are combined into a single, aggregated presentation. Individual fund data for nonmajor governmental funds is provided in the form of combining statements elsewhere in this report. The basic governmental fund financial statements can be found on pages 18 through 22 of this report.

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

Proprietary funds. The City maintains two (2) different types of proprietary funds including enterprise and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the water/sewer, city solid waste, regional solid waste, mass transit, stormwater, two golf courses, power board and public building authority. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its fleet maintenance service and insurance activities. Because these services predominantly benefit governmental rather than business-type functions, they have been primarily included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information of the water and sewer, city solid waste, power board and public building authority, which are considered to be major funds of the City. Data from the other enterprise funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor enterprise funds is provided in the form of combining statements elsewhere in this report. Data from the City's internal service funds (motor transport and insurance) are included in the proprietary fund financial statements under the heading "Governmental Activities – Internal Service Fund)". The basic proprietary fund financial statements can be found on pages 36 through 43 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 46 through 134 of this report.

Other Information. The combining statements referred to earlier in connection with nonmajor governmental funds and nonmajor proprietary funds, are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 135 through 162 of this report

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a City's financial position. In the case of the City of Johnson City, assets exceeded liabilities by \$327,932 at the close of the most recent fiscal year.

By far, the largest portion of the City's net assets (76%) reflects its investment in capital assets (e.g. land, buildings, equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Johnson City's Net Assets

	Governmental		Business-type		Total	
	Activities		Activities			
	2007	2006	2007	2006	2007	2006
Current and other assets	\$105,334	\$ 98,008	\$ 69,983	\$ 71,546	\$175,317	\$169,554
Capital assets	<u>186,843</u>	<u>182,675</u>	<u>266,291</u>	<u>256,429</u>	<u>453,134</u>	<u>439,104</u>
Total assets	<u>292,177</u>	<u>280,683</u>	<u>336,274</u>	<u>327,975</u>	<u>628,451</u>	<u>608,658</u>
Long-term liabilities	109,384	115,620	118,783	124,379	228,167	239,999
Other liabilities	<u>50,922</u>	<u>44,972</u>	<u>21,430</u>	<u>18,560</u>	<u>72,352</u>	<u>63,532</u>
Total liabilities	<u>160,306</u>	<u>160,592</u>	<u>140,213</u>	<u>142,939</u>	<u>300,519</u>	<u>303,531</u>
Net assets:						
Invested in capital assets, net of related debt	67,468	67,480	181,476	170,338	248,944	237,818
Restricted	6,626	1,108	483	661	7,109	1,769
Unrestricted	<u>57,777</u>	<u>51,503</u>	<u>14,102</u>	<u>14,037</u>	<u>71,879</u>	<u>65,540</u>
Total net assets	<u>\$131,871</u>	<u>\$120,091</u>	<u>\$196,061</u>	<u>\$185,036</u>	<u>\$327,932</u>	<u>\$305,127</u>

The City's net assets include a significant investment in capital assets (76%), net of the related debt. A portion of the City's net assets (2%) represents resources that are subject to external restrictions on how they may be used.

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

The government's net assets increased by \$24,343 during the current fiscal year. About 54% of this increase (\$13,252) was from the governmental activities while the remaining 46% of the increase (\$11,091) was from the business-type activities. In addition, prior year total net assets were adjusted by \$(1,472) in governmental activities and \$(66) in business-type activities.

The following is a summary of financial activities for the City during the 2007 fiscal year:

City of Johnson City's Change in Net Assets

	Governmental		Business-type		Total	
	Activities		Activities			
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for services	\$ 9,323	\$ 8,869	\$187,782	\$176,988	\$197,105	\$185,857
Operating grants & contributions	33,419	30,517	1,250	1,103	34,669	31,620
Capital grants & contributions	-	165	398	818	398	983
General revenues:						
Property taxes	34,543	33,591	-	-	34,543	33,591
Sales taxes	33,526	32,012	-	-	33,526	32,012
Other taxes & intergovernmental	7,802	7,510	-	-	7,802	7,510
Unrestricted investment earnings	2,776	1,858	2,771	1,168	5,547	3,026
Other	<u>5,890</u>	<u>175</u>	<u>(6)</u>	<u>197</u>	<u>5,884</u>	<u>372</u>
Total revenues	<u>127,279</u>	<u>114,697</u>	<u>192,195</u>	<u>180,274</u>	<u>319,474</u>	<u>294,971</u>

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Expenses:						
General government	10,247	7,102	-	-	10,247	7,102
Public safety	20,196	19,538	-	-	20,196	19,538
Public works	11,954	11,740	-	-	11,954	11,740
Public welfare	6,552	6,309	-	-	6,552	6,309
City services	2,106	1,790	-	-	2,106	1,790
Education	57,397	54,449	-	-	57,397	54,449
Interest on long-term debt	7,140	3,041	-	-	7,140	3,041
Water and sewer	-	-	21,054	18,617	21,054	18,617
City solid waste	-	-	7,294	7,040	7,294	7,040
Regional solid waste	-	-	1,659	1,615	1,659	1,615
Power board	-	-	143,319	133,198	143,319	133,198
Public building authority	-	-	2,107	2,295	2,107	2,295
Mass transit	-	-	2,490	2,193	2,490	2,193
Stormwater management	-	-	144	-	144	-
Golf courses	-	-	1,472	1,394	1,472	1,394
Total expenses	115,592	103,969	179,539	166,352	295,131	270,321
Increase in net assets before transfers	11,687	10,728	12,656	13,922	24,343	24,650
Transfers	1,565	2,098	(1,565)	(2,098)	0	0
Change in net assets	13,252	12,826	11,091	11,824	24,343	24,650
Net assets, beginning of period	120,091	108,639	185,036	173,212	305,127	281,851
Prior period adjustment	(1,472)	(1,374)	(66)	-	(1,538)	(1,374)
Net assets, end of period	<u>\$ 131,871</u>	<u>\$ 120,091</u>	<u>\$196,061</u>	<u>\$185,036</u>	<u>\$327,932</u>	<u>\$305,127</u>

Governmental activities. Governmental activities increased the City's net assets by \$13,252, thereby accounting for 54% of the total growth in the net assets of the City. This increase is partly due to bond proceeds received during the current fiscal year, but not expended prior to year-end. The City also experienced healthy growth in both property taxes and sales taxes. Additionally, information regarding this increase can be found in Note 2 on pages 59 through 60 of this report.

Business-type activities . Business-type activities increased the City's net assets by \$11,091 accounting for 46% of the total growth in the City's net assets. Key elements of this increase are as follows:

- Johnson City Power Board achieved a net income and contributed 49% of the total growth in net assets for business-type activities.
- Water and Sewer Activities achieved a net income and contributed 33% of the total net assets growth (business-type activities) to provide funds for debt repayments and capital expansion as indicated in the statement of cash flows located on pages 41 through 43 of this report.

Financial Analysis of the City's Funds

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

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a City's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$46,692, a current year increase of \$1,806 in comparison with the prior year. Of this amount, \$4,887 is reserved to indicate that it has already been committed to: (1) future debt service (\$1,109), (2) public safety projects funded by donations (\$1,633), and (3) for a variety of other restricted purposes (\$2,145).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, total fund balance reached \$20,638, including \$1,466 committed for specific purposes. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures and transfers out. Unreserved fund balance represents 28% of total general fund expenditures and transfers out, while total fund balance represents 30% of that same amount. The fund balance of the City's general fund increased by \$3,288 as a result of strong tax collections and investment earnings.

The general-purpose school fund has a total fund balance of \$6,965, of which most is unreserved. The net decrease in fund balance during the current year was \$360.

At the end of the current fiscal year, the fund balance of the City's debt service fund totaled \$1,109, all of which is reserved for future debt service. The net increase in fund balance was \$204.

Nonmajor (other) governmental funds have a fund balance of \$17,980. The net decrease in fund balance during the current year was \$1,326. This net increase is primarily attributed to prior years' bond proceeds which were expended during the year for road projects. The beginning fund balances for nonmajor governmental funds were restated as a result of prior period adjustments (net decrease \$45).

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

Unrestricted net assets of the Water and Sewer Fund, City Solid Waste Fund and Johnson City Power Board, at the end of the year, amounted to \$2,844, \$2,298 and \$8,007, respectively.

The Public Building Authority (PBA) is a blended component unit of the City and reported unrestricted net assets of \$564.

Nonmajor (other) proprietary funds reported unrestricted net assets of \$389. Total unrestricted net assets of proprietary funds amounted to \$14,102. Total growth in net assets for the proprietary funds amounted to \$11,091. In addition, prior year total net assets were adjusted by \$(66). Other factors concerning the financial position of these funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

Original and Final Budgeted Amounts. Differences between the original budget and the final amended budget for the general fund represent a \$3,786 increase in expenditures appropriations and \$3,260 decrease in net transfers appropriated for a total of \$526 and include the following:

\$ 110	Funding for capital projects, including pool vehicles, a new press box, and senior center; funding from 2006 reserves
38	Funding for parks and recreation equipment and emergency repairs; funding received in the form of additional revenues
248	Funding for police department equipment, special assignments and community awareness; funding received in the form of donations and reimbursements
80	Funding for fire department equipment and training; funding received in the form of donations and reimbursements
50	Funding for Freedom Hall Civic Center operations; funding from additional revenues
<u>\$ 526</u>	

Of this increase, approximately \$416 was funded out of miscellaneous growth related increases in various revenue sources, donations and refunds. The remaining \$110 was funded from reserves set aside from prior years' surplus.

Differences between the original budget and the final amended budget for the general purpose school fund represent a \$2,327 increase in expenditures appropriations and a \$46 increase in transfers appropriated for a total increase in appropriations of \$2,373 and include the following:

\$1,111	Funding for increased personnel costs
867	Funding for materials, supplies, technology, staff development, insurance, contracted services and communications
85	Funding for repairs and maintenance, including equipment
26	Funding for other equipment
188	Funding for increases to utilities
50	Funding for transportation equipment
46	Funding for transfers
<u>\$2,373</u>	

Of this increase, \$50 of the transfers was funded through increased sales taxes and transferred to debt service. There was a decrease in transfers to school federal projects of \$4. An additional \$1,629 was funded through related increases in various revenue sources, including taxes, charges for services, State and Federal revenues and investment earnings. The remaining \$698 was funded from reserves set aside from prior years' surplus.

Final Amended Budget and Actual Amounts. Differences between the final amended budget and actual results for the general fund represent a \$2,919 decrease in expenditures and a \$734 increase in net transfers, for a total of \$2,185, and include the following:

\$ (1,454)	Interest savings due to lower rates on variable rate debt and debt refinancing
(512)	Lower than budgeted insurance-related administrative fees and non-liability insurance premiums; Risk Management Department
(514)	Less than expected personnel-related expenditures and supplies and materials due to delays in filling open positions and overall spending reductions; General Government Departments
(439)	Lower personnel-related expenditures and supplies and materials due to delays in filling open positions and overall spending reductions; Public Safety, Public Works and Public Welfare
734	Increase in operating transfers for the movement of insurance-related cost savings to provide additional funding in the insurance fund; additional transfer to subsidize deficit in golf fund; increase in transfer to capital projects fund
<u>\$ (2,185)</u>	

Since the budget to actual variance represents a reduction in required appropriations, no additional funding was necessary. Additionally, increases in revenue totaling \$1,651, when combined with the favorable expenditure performance, resulted in a better than anticipated surplus of \$3,836. Revenue performed stronger than anticipated in most categories, with the most significant increases being realized in local sales tax (\$715) and interest earnings (\$705). The remaining increase of \$231 came from healthy business tax collections, an increase in building-related permits and state-shared revenues, partially reduced by lower methane gas sales and municipal court fines.

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, 2007, amounted to \$453,134 (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 police vehicles, public works equipment and school buses.
- Improvements to Tipton and Spring Streets.
- Construction in progress on Knob Creek Road project.
- Construction in progress on upgrade to Regional Wastewater Treatment Plant.
- Construction in progress on Fire Station #9.
- Construction in progress on Science Hill High School 8-9 Campus renovations.
- Architectural work performed for new Senior Center.
- Additional investment in Johnson City Power Board plant.

City of Johnson City's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 17,075	\$ 17,075	\$ 13,973	\$ 13,929	\$ 31,048	\$ 31,004
Buildings and Improvements	138,497	137,832	48,509	47,273	187,006	185,105
Plant and Lines	-	-	289,954	274,608	289,954	274,608
Vehicles and Equipment	31,325	29,669	27,583	26,029	58,908	55,698
Infrastructure	136,669	132,168	-	-	136,669	132,168
Construction in progress	6,937	1,488	10,536	10,987	17,473	12,475
Accumulated Depreciation	(143,660)	(135,557)	(124,264)	(116,397)	(267,924)	(251,954)
Total capital assets	<u>\$186,843</u>	<u>\$182,675</u>	<u>\$266,291</u>	<u>\$256,429</u>	<u>\$453,134</u>	<u>\$439,104</u>

Additional information on the City's capital assets can be found in Note 4.C. on pages 71 through 73 of this report.

Long-term debt. At the end of the current fiscal year, the City had total debt outstanding of \$229,530. All of this debt is backed by the full faith and credit of the government.

City of Johnson City's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Notes payable	\$ 928	\$ 1,229	\$ 918	\$ 12,929	\$ 1,846	\$ 14,158
General obligation bonds	109,503	114,642	68,828	68,641	178,331	183,283
Revenue bonds	-	-	49,195	43,560	49,195	43,560
Capital Leases	-	103	158	-	158	103
Total Long-Term Debt	<u>\$110,431</u>	<u>\$115,974</u>	<u>\$119,099</u>	<u>\$125,130</u>	<u>\$229,530</u>	<u>\$241,104</u>

The City's total debt decreased by \$11,574 (5%) during the current fiscal year, as a result of principal payments.

During the current fiscal year, the government refinanced some of its existing debt to take advantage of favorable interest rates. The City entered into a general obligation bond refinancing that is expected to decrease future debt service payments by \$3.9 million. The Johnson City Power Board also refinanced debt to take advantage of favorable interest rates. Future debt service payments are expected to decrease by \$2.2 million for the Power Board.

The City maintains an 'A1' rating from Moody's Investors Service and a 'AA-' rating from Standard & Poor's, for its debt.

The City of Johnson City is subject to debt limitations imposed by its Charter. The total bonded indebtedness (excluding sales tax revenue debt) shall not exceed 10% of the assessed taxable value of property within the City. The current debt limitation for the City is in excess of the outstanding general obligation debt, with the amount of debt applicable to the debt limit at only 5.5%. Additional information on the City's long-term debt can be found in Note 4.F. on pages 75 through 105 of this report.

Economic Factors and Next Year's Budget and Rates

- The unemployment rate for the metropolitan statistical area is currently 4.2%, which is a decrease of 1.1% from a year ago. This compares to the state's average unemployment rate of 4.4% as of June 30, 2007.
- Inflationary trends in the region are comparable to national indices.
- New construction permitted and inspected was down 6.2% from the previous year, at \$196 million.
- Growth in local sales tax collections is budgeted to approximate 3.4% in fiscal year 2008.

Short-term interest rates on the City's pooled cash account increased as a result of increases in the federal fund rate from 4.75% to 5.25%. All of these factors were considered in preparing the City of Johnson City's budget for fiscal year 2008.

During the current fiscal year, unreserved fund balance in the general fund increased to \$19,172. All appropriations lapse at year-end. The City of Johnson City has appropriated \$1 million of this amount for capital spending in the fiscal year 2008 budget.

As the result of a cost rate study completed during fiscal year 2004, water rates remain unchanged for fiscal year 2008; however, sewer rates were adjusted from 8.9% to 16.2%, depending on the usage group. These adjustments were implemented to facilitate the appropriate coverage of expenses for water and sewer services, individually, as well as to fund inflationary costs associated with operations and planned capital improvements. Residential garbage collection rates, as well as commercial and industrial collection rates, remained steady.

Discretely Presented Component Units

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

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

Requests for Information

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

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF NET ASSETS
June 30, 2007

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS:				
Cash on Hand	\$ 10,969	19,922	30,891	600
Cash on Deposit with Paying Agent	5,794	134,809	140,603	-
Cash in Bank	29,905,551	3,650,566	33,556,117	88,503
Cash on Deposit with State	41,699	439,395	481,094	-
Cash Due from Central Depository	19,520,904	8,947,614	28,468,518	-
Investments	-	-	-	211,706
Accounts Receivable	1,349,615	7,666,907	9,016,522	18,891
Notes Receivable	56,482	232,500	288,982	-
Internal Balances	776,641	(776,641)	-	-
Local Option Sales Tax Receivable	576,364	-	576,364	-
Taxes Receivable	27,843,078	-	27,843,078	-
Less: Estimated Uncollectible	(135,153)	-	(135,153)	-
Intergovernmental Receivables	17,487,781	462,941	17,950,722	-
Local Grants Receivable	465	-	465	-
Postage Deposits	5,050	-	5,050	-
Inventory	589,327	4,087,364	4,676,691	-
Prepaid Expenses	163,419	162,253	325,672	-
Capital Assets:				
Land	17,075,561	13,972,946	31,048,507	-
Book Collection	-	-	-	1,138,049
Buildings and Improvements	138,497,016	48,508,721	187,005,737	-
Plant in Service	-	289,953,741	289,953,741	-
Equipment and Vehicles	31,325,072	27,582,960	58,908,032	618,529
Infrastructure	136,668,300	-	136,668,300	-
Less: Accumulated Depreciation	(143,659,906)	(124,264,057)	(267,923,963)	(580,943)
Construction in Progress	6,937,149	10,536,360	17,473,509	-
Restricted Assets:				
Cash or Cash Equivalents	6,453,166	40,756,321	47,209,487	-
Investments	-	2,087,774	2,087,774	-
Other Assets:				
Bond Issue Costs (Net)	682,455	1,473,502	2,155,957	-
Customer Base (Net)	-	187,935	187,935	-
Prepaid Expenses	-	450,000	450,000	-
Total Assets	292,176,799	336,273,833	628,450,632	1,495,335

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF NET ASSETS
June 30, 2007

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
LIABILITIES:				
Cash Due to Central Depository	3,200,339	1,798,641	4,998,980	-
Accounts Payable	3,348,243	11,103,111	14,451,354	4,506
Accrued Payroll Expenses	3,860,937	541,549	4,402,486	19,813
Accrued Expenses	3,012,325	2,262,117	5,274,442	-
Deposits Payable	77,282	2,184,491	2,261,773	-
Matured Bond and Interest Payable	5,794	33,253	39,047	-
Retainage Payable	434,629	96,413	531,042	-
Lease Payable	-	157,902	157,902	-
Unearned Revenue	34,865,197	100,133	34,965,330	-
Contractor Deposits	-	581,766	581,766	-
Compensated Absences:				
Due within one year	1,371,932	689,393	2,061,325	16,635
Due in more than one year	745,579	1,880,805	2,626,384	-
Noncurrent Liabilities:				
Due within one year	7,780,192	5,665,273	13,445,465	-
Due in more than one year	101,603,371	112,388,277	213,991,648	-
Special Commission Bonds	-	93,737	93,737	-
Deferred Landfill Postclosure Cost:				
Due within one year	-	37,380	37,380	-
Due in more than one year	-	598,080	598,080	-
Customer Deposits	-	975	975	-
Total Liabilities	160,305,820	140,213,296	300,519,116	40,954
NET ASSETS:				
Invested in Capital Assets, Net of Related Debt	67,467,865	181,475,490	248,943,355	1,181,373
Restricted for:				
Reserved	6,625,729	483,449	7,109,178	-
Endowments (nonexpendable)	-	-	-	211,706
Unrestricted	57,777,385	14,101,598	71,878,983	61,302
Total Net Assets	\$ 131,870,979	196,060,537	327,931,516	1,454,381

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, 2007

NET (EXPENSE) REVENUE AND CHANGES
 IN NET ASSETS

Functions/Programs	PROGRAM REVENUES						Primary Government			Component Units
	Expenses	Charges for Services	Operating		Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total		
			Grants and Contributions	Grants and Contributions						
Primary Government:										
Governmental Activities:										
General Government	\$ 10,246,706	1,923,011	368,863	-	-	(7,954,832)	-	(7,954,832)	-	-
Public Safety	20,196,334	1,507,099	1,890,892	-	-	(16,798,343)	-	(16,798,343)	-	-
Public Works	11,954,349	44,637	199,353	-	-	(11,710,359)	-	(11,710,359)	-	-
Public Welfare	6,551,969	364,945	720,999	-	-	(5,466,025)	-	(5,466,025)	-	-
City Services	2,105,771	2,445,477	1,956,754	-	-	2,296,460	-	2,296,460	-	-
Education	57,396,706	3,038,039	28,282,452	-	-	(26,076,215)	-	(26,076,215)	-	-
Interest on Long-Term Debt	7,140,164	-	-	-	-	(7,140,164)	-	(7,140,164)	-	-
Total Governmental Activities	115,591,999	9,323,208	33,419,313	-	-	(72,849,478)	-	(72,849,478)	-	-
Business-type Activities:										
Water and Sewer	21,053,584	23,133,709	-	123,453	-	-	2,203,578	2,203,578	-	-
City Solid Waste	7,294,552	8,622,823	-	-	-	-	1,328,271	1,328,271	-	-
Regional Solid Waste	1,658,724	2,080,774	-	-	-	-	422,050	422,050	-	-
Johnson City Power Board	143,319,219	150,526,423	-	-	-	-	7,207,204	7,207,204	-	-
JC Public Building Authority	2,107,230	2,050,924	-	-	-	-	(56,306)	(56,306)	-	-
Mass Transit	2,489,530	332,981	1,249,319	274,146	-	-	(633,084)	(633,084)	-	-
Stormwater Management	144,542	-	-	-	-	-	(144,542)	(144,542)	-	-
Golf Courses	1,472,066	1,034,672	-	-	-	-	(437,394)	(437,394)	-	-
Total Business-type Activities	179,539,447	187,782,306	1,249,319	397,599	-	-	9,889,777	9,889,777	-	-
Total Primary Government	\$ 295,131,446	197,105,514	34,668,632	397,599	(72,849,478)	9,889,777	(62,959,701)	(62,959,701)	-	-

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2007

Component Units	Functions/Programs	NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS							Component Units
		PROGRAM REVENUES			Primary Government				
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total		
	Expenses								
	Johnson City Public Library	1,611,498	64,029	1,449,170	-	-	-	-	(98,299)
	Johnson City Development Authority	150,466	6,127	150,000	-	-	-	-	5,661
	\$	1,761,964	70,156	1,599,170	-	-	-	-	(92,638)
	General Revenues:								
	Property Taxes				34,543,483	-	-	34,543,483	-
	Sales Taxes				33,525,842	-	-	33,525,842	-
	Other Taxes				7,802,498	-	-	7,802,498	-
	Unrestricted Investment Earnings				2,775,619	2,770,992	-	5,546,611	42,181
	Gain (Loss) on Disposal of Capital Assets				370,370	(5,428)	-	364,942	-
	Bond Proceeds from Washington County				5,511,205	-	-	5,511,205	-
	Other General Revenue				7,758	-	-	7,758	44,239
	Transfers				1,565,076	(1,565,076)	-	-	-
	Total General Revenues and Transfers				86,101,851	1,200,488	-	87,302,339	86,420
	Change in Net Assets				13,252,373	11,090,265	-	24,342,638	(6,218)
	Net Assets, Beginning				120,091,320	185,035,622	-	305,126,942	1,448,191
	Prior Period Adjustment-Accrued Bond Interest Payable				(662,714)	-	-	(662,714)	-
	Prior Period Adjustment-Prepaid Insurance				-	-	-	-	12,408
	Prior Period Adjustment-Worker's Compensation				(810,000)	-	-	(810,000)	-
	Prior Period Adjustment-Deferred Revenue				-	(65,350)	-	(65,350)	-
	Net Assets, Beginning (Restated)				118,618,606	184,970,272	-	303,588,878	1,460,599
	Net Assets, Ending				\$ 131,870,979	196,060,537	-	327,931,516	1,454,381

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

CITY OF JOHNSON CITY, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007

	General Fund	General Purpose School Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS:</u>					
Cash Due from Central Depository	\$ 15,660,332	-	-	3,457,108	19,117,440
Cash on Hand	10,969	-	-	-	10,969
Cash in Bank	12,900	6,826,654	799,048	12,283,164	19,921,766
Cash on Deposit with Paying Agent	5,794	-	-	-	5,794
Cash on Deposit with State of Tennessee	-	-	-	41,699	41,699
Taxes Receivable	27,843,078	-	-	-	27,843,078
Less: Estimated Uncollectible	(135,153)	-	-	-	(135,153)
Accounts Receivable	1,190,735	125,570	-	2,297	1,318,602
Local Option Sales Tax Receivable	-	-	576,364	-	576,364
Notes Receivable	-	-	-	56,482	56,482
Due from Washington County	-	10,749,302	-	-	10,749,302
Due from State of Tennessee	2,583,126	-	-	980,403	3,563,529
Due from Other Funds	493,512	636,821	-	-	1,130,333
Due from Federal Government	-	-	-	158,371	158,371
Due from Local Governments	3,016,580	-	-	-	3,016,580
Local Grants Receivable	-	-	-	465	465
Postage Deposits	5,050	-	-	-	5,050
Inventory	-	28,072	-	156,413	184,485
Advances to Other Funds	495,000	-	-	-	495,000
Restricted Cash	41,758	-	450	6,410,958	6,453,166
Total Assets	\$ 51,223,681	18,366,419	1,375,862	23,547,360	94,513,322

LIABILITIES AND FUND BALANCES:

Liabilities:

Cash Due to Central Depository	\$ -	-	259,329	2,862,843	3,122,172
Accounts Payable	1,568,192	40,188	-	1,296,283	2,904,663
Accrued Payroll Expenses	462,471	3,059,006	-	295,164	3,816,641
Accrued Expenses	-	-	-	6,954	6,954
Retainage Payable	-	-	-	434,629	434,629
Due to Other Funds	196,235	59,990	6,897	585,570	848,692
Deposits Payable	77,282	-	-	-	77,282
Matured Bond Interest Payable	5,794	-	-	-	5,794
Deferred Revenue	1,739,207	-	-	85,930	1,825,137
Unearned Revenue	26,536,926	8,242,341	-	-	34,779,267
Total Liabilities	30,586,107	11,401,525	266,226	5,567,373	47,821,231

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007

	General Fund	General Purpose School Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances:					
Reserved for:					
Debt Service	-	-	1,109,636	-	1,109,636
Encumbrances	-	671,339	-	-	671,339
Specific Activities and Projects	179,308	857,152	-	-	1,036,460
Public Safety	1,286,577	346,524	-	-	1,633,101
Inventory	-	28,072	-	156,413	184,485
Community Development	-	-	-	26,967	26,967
School Trust	-	-	-	210,485	210,485
Senior Citizens	-	-	-	15,000	15,000
Unreserved, Reported In:					
General Fund	19,171,689	-	-	-	19,171,689
General Purpose School Fund	-	5,061,807	-	-	5,061,807
Special Revenue Funds	-	-	-	1,852,936	1,852,936
Capital Project Funds	-	-	-	15,718,186	15,718,186
Total Fund Balances	20,637,574	6,964,894	1,109,636	17,979,987	46,692,091
Total Liabilities and Fund Balances	\$ 51,223,681	18,366,419	1,375,862	23,547,360	94,513,322

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

CITY OF JOHNSON CITY, TENNESSEE
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2007

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

Total Fund Balances of Governmental Funds	\$ 46,692,091
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	186,807,438
Prepays are expensed when disbursed and are not recognized based upon economic benefit or recorded as assets in the governmental funds.	163,419
Bond issue costs are expensed when disbursed in the governmental funds and are amortized over the life of the bonds in the governmental activities.	682,455
Property tax assessments are reported as revenue in the government-wide statements in the period in which an enforceable legal claim arises against property owners. In governmental funds, these assessments are not available to finance current period expenditures and are reported as deferred revenue at the fund level.	967,184
Other revenues which are earned but not available to finance current period expenditures and are reported as deferred revenue at the fund level.	772,024
Compensated absences are not considered due and payable in governmental funds until an employee has terminated service. Therefore, these amounts are presented as reserved fund balance.	(2,066,772)
Long-term liabilities, including bonds payable and accrued interest, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(109,920,159)
Internal service funds are used by management to charge the costs of fleet maintenance and employee insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	<u>7,773,299</u>
Net Assets of Governmental Activities	<u>\$ 131,870,979</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, 2007

	General Fund	General Purpose School Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 49,718,504	18,103,974	1,902,696	272,940	69,998,114
Licenses and Permits	1,061,700	1,541	-	-	1,063,241
Intergovernmental Revenue	9,566,264	21,838,976	-	7,409,987	38,815,227
Charges for Services	1,047,868	1,221,892	-	1,223,337	3,493,097
Sale of Real Estate and Other Equipment	325,275	-	-	107,720	432,995
Fines and Forfeitures	1,254,303	-	-	144,591	1,398,894
Revenue from Use of Property	936,824	-	-	1,447,321	2,384,145
Investment Income	1,504,559	335,633	50,408	401,712	2,292,312
Miscellaneous Revenues	758,113	223,647	-	326,206	1,307,966
Total Revenues	66,173,410	41,725,663	1,953,104	11,333,814	121,185,991
Expenditures:					
Current:					
General Government	10,411,369	-	-	-	10,411,369
Public Safety	19,645,191	-	-	297,452	19,942,643
Public Works	9,081,771	-	-	8,826	9,090,597
Public Welfare	5,526,299	-	-	730,775	6,257,074
City Services	-	-	-	1,946,010	1,946,010
Education	-	46,652,031	-	8,236,854	54,888,885
Miscellaneous	-	-	-	19,000	19,000
Capital Outlay	91,586	1,487,943	-	9,155,302	10,734,831
Debt Service:					
Principal Retirement	5,743,984	-	1,066,513	291,117	7,101,614
Interest and Fiscal Charges	7,467,453	-	1,641,739	136,735	9,245,927
Total Expenditures	57,967,653	48,139,974	2,708,252	20,822,071	129,637,950
Excess (Deficiency) of Revenues Over (Under) Expenditures	8,205,757	(6,414,311)	(755,148)	(9,488,257)	(8,451,959)
Other Financing Sources (Uses):					
Transfers to Other Funds	(11,334,167)	(1,782,208)	(44,000)	-	(13,160,375)
Transfers from Other Funds	2,905,737	7,836,578	1,003,377	2,695,648	14,441,340
Refunding Bonds Issued	3,510,560	-	25,574,441	-	29,085,001
Contribution of Bond Proceeds from Washington County	-	-	-	5,511,025	5,511,025
Bond Refunding Payments	-	-	(25,574,441)	-	(25,574,441)
Total Other Financing Sources (Uses)	(4,917,870)	6,054,370	959,377	8,206,673	10,302,550
Net Change in Fund Balance	3,287,887	(359,941)	204,229	(1,281,584)	1,850,591
Fund Balance, July 1, 2006	17,349,687	7,324,835	905,407	19,306,385	44,886,314
Purchase Method Inventory Adjustment	-	-	-	(44,814)	(44,814)
Fund Balance, July 1, 2006 (Restated)	17,349,687	7,324,835	905,407	19,261,571	44,841,500
Fund Balance, June 30, 2007	\$ 20,637,574	6,964,894	1,109,636	17,979,987	46,692,091

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, 2007

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

Net Change in Fund Balances of Governmental Funds	\$	1,850,591
Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays for general fixed assets in the current period exceeded depreciation.		4,301,112
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is to decrease net assets.		(120,362)
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This is the amount by which repayments exceeded proceeds.		6,236,718
Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		256,754
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.		(44,814)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		98,743
Prepaid expenses that do require the use of current financial resources are reported as expenditures in the governmental funds.		9,088
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.		65,455
Expenses for compensated absences do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds.		126,118
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.		472,970
Change in Net Assets of Governmental Activities	\$	<u>13,252,373</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, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<u>Revenues:</u>				
<u>Taxes:</u>				
Property Tax (Net of Discounts)	\$ 25,250,000	25,250,000	24,769,770	(480,230)
Property Tax - Penalty and Interest	369,000	369,000	267,766	(101,234)
Other Fees - Taxes	-	-	1,608	1,608
Received in Lieu of Taxes	1,248,000	1,248,000	1,354,631	106,631
Local Sales Tax	16,700,000	16,700,000	17,414,596	714,596
Business Tax	1,300,000	1,300,000	1,436,777	136,777
Business Tax - Penalty and Interest	35,000	35,000	40,451	5,451
Local Beer Tax	1,840,000	1,840,000	1,754,139	(85,861)
Local Liquor Tax	412,000	412,000	551,289	139,289
Hotel/Motel Tax	895,000	895,000	1,002,315	107,315
Franchise Tax	735,000	735,000	495,264	(239,736)
Telephone Commissions/Cable	588,000	588,000	629,898	41,898
Total Taxes	49,372,000	49,372,000	49,718,504	346,504
<u>Licenses and Permits:</u>				
Building Permits	550,000	550,000	614,989	64,989
Electrical Permits and Electrician Certificates	90,000	90,000	110,074	20,074
Plumbing Permits and Plumbers Certificates	42,500	42,500	48,032	5,532
Natural Gas Permits	12,500	12,500	14,785	2,285
Zoning Permits and Fees	45,000	45,000	25,880	(19,120)
Mechanical Permits	45,000	45,000	52,849	7,849
Sign Permits	15,000	15,000	19,857	4,857
Plan Review Permits	50,000	50,000	77,659	27,659
Beverage & Private Club Permits	94,000	94,000	92,757	(1,243)
Other Fees and Licenses	5,000	5,000	4,818	(182)
Total Licenses and Permits	949,000	949,000	1,061,700	112,700
<u>Intergovernmental Revenues:</u>				
State of Tennessee - Boarding of Prisoners	1,350,000	1,383,798	1,380,003	(3,795)
State of Tennessee - Sales Tax	3,750,000	3,750,000	4,073,426	323,426
State of Tennessee - Income Tax	420,000	420,000	759,869	339,869
State of Tennessee - Beer Tax	31,500	31,500	22,790	(8,710)
State of Tennessee - Mixed Drink Tax	465,000	465,000	562,729	97,729
State of Tennessee - State Street Aid	1,590,000	1,590,000	1,588,768	(1,232)
State of Tennessee - Highway Maintenance	159,580	159,580	244,084	84,504
State of Tennessee - Street and Transit	126,000	126,000	123,902	(2,098)
State of Tennessee - Excise Taxes	210,000	210,000	227,172	17,172
State of Tennessee - Civil Defense	30,221	30,221	39,026	8,805
State of Tennessee - Department of Agriculture	28,000	28,000	-	(28,000)

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<u>Revenues (Continued):</u>				
<u>Intergovernmental Revenues (Continued):</u>				
State of Tennessee - Fire Supplement	35,280	85,280	147,250	61,970
State of Tennessee - Police Supplement	84,370	84,370	84,600	230
State of Tennessee - First TN-VA Development District Senior Citizens Grant	62,691	62,691	64,729	2,038
State of Tennessee - Telecommunications	10,000	10,000	9,358	(642)
Washington County - Public Safety	95,000	95,000	109,058	14,058
Washington County - Senior Citizens	25,000	25,000	50,000	25,000
Washington County Schools Fund	75,000	75,000	75,000	-
Washington County Juvenile Court	4,500	4,500	4,500	-
Total Intergovernmental Revenues	8,552,142	8,635,940	9,566,264	930,324
<u>Charges for Services:</u>				
School Bus Charters	95,875	95,875	123,446	27,571
Clerk Fees	17,000	17,000	18,005	1,005
Accident Reports	25,000	25,000	22,173	(2,827)
Sidewalk Assessments/Curb Cuts	3,000	3,000	4,829	1,829
Special Work Charges	50,000	50,000	39,809	(10,191)
Administrative Fees from Other Funds	834,800	834,800	834,800	-
Contract Work - Geographic Information Systems	6,000	6,000	4,666	(1,334)
Miscellaneous Services	-	-	140	140
Total Charges for Services	1,031,675	1,031,675	1,047,868	16,193
<u>Sale of Real Estate and Other Equipment:</u>				
Sale of Real Estate	-	-	50,000	50,000
Sale of Equipment and Other Items	540,000	540,000	275,275	(264,725)
Total Sale of Real Estate and Other Equipment	540,000	540,000	325,275	(214,725)
<u>Fines and Forfeitures:</u>				
Municipal Courts - Fines and Court Costs	1,530,000	1,530,000	1,254,303	(275,697)
Total Fines and Forfeitures	1,530,000	1,530,000	1,254,303	(275,697)
<u>Receipts for Use of Property:</u>				
Rents from Buildings and Equipment	195,000	195,000	173,219	(21,781)
Parks and Recreation	430,150	430,150	473,925	43,775
Print Shop Charges	61,000	61,000	77,207	16,207
Computer Services (MIS)	212,471	212,471	212,473	2
Total Receipts for Use of Facilities	898,621	898,621	936,824	38,203

(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, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Investment Earnings:				
Investment Income	750,000	800,000	1,504,559	704,559
Total Investment Earnings	750,000	800,000	1,504,559	704,559
Miscellaneous:				
Refunds and Reimbursements	74,000	103,886	105,037	1,151
Senior Citizens	63,170	63,170	88,621	25,451
Tournaments	75,600	75,600	83,216	7,616
Donations	175,100	427,529	355,005	(72,524)
Miscellaneous	94,850	94,850	126,234	31,384
Total Miscellaneous	482,720	765,035	758,113	(6,922)
Total Revenues	64,106,158	64,522,271	66,173,410	1,651,139
Expenditures:				
General Government:				
Administration	85,205	85,205	79,488	5,717
Economic Development	87,668	87,668	73,489	14,179
City Commission	31,865	31,865	27,867	3,998
City Court	189,263	189,263	183,893	5,370
City Attorney	195,000	195,000	191,550	3,450
Staff Attorney	205,020	205,020	181,343	23,677
Juvenile Court	618,067	618,067	600,370	17,697
City Manager	312,041	312,041	317,896	(5,855)
Management Services	283,676	283,676	165,998	117,678
Community Relations Office	234,480	234,480	216,924	17,556
Community Economic Coordinator	104,232	104,232	104,664	(432)
Purchasing	136,390	136,390	142,167	(5,777)
Human Resources	365,947	365,947	353,758	12,189
Planning	528,243	528,243	463,789	64,454
Miscellaneous Appropriations	340,592	340,592	343,291	(2,699)
Risk Management	1,227,798	1,227,798	715,697	512,101
Geographic Information Systems	216,446	216,446	115,417	101,029
Management Information Systems	866,015	866,015	832,885	33,130
Central Print Shop	83,095	83,095	84,900	(1,805)
Special Appropriations	3,815,898	3,815,898	3,815,898	-
Finance Administration	165,702	165,702	160,612	5,090
Accounting	683,334	683,334	675,437	7,897
Collections	473,112	473,112	452,114	20,998
Records Management	55,909	55,909	53,026	2,883
General Elections	57,500	57,500	58,896	(1,396)
Capital Outlay	101,555	101,555	26,431	75,124
Total General Government	11,464,053	11,464,053	10,437,800	1,026,253

(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, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<u>Expenditures (Continued):</u>				
<u>Public Safety:</u>				
Student Transportation	1,569,621	1,569,621	1,432,522	137,099
Police Department	11,093,828	11,312,261	10,950,151	362,110
Fire Department	6,882,293	6,912,179	7,074,422	(162,243)
Civil Defense	204,106	204,106	188,096	16,010
Capital Outlay	2,400	2,400	48,343	(45,943)
Total Public Safety	19,752,248	20,000,567	19,693,534	307,033
<u>Public Works:</u>				
Administration	332,614	332,614	333,630	(1,016)
Streets	4,113,236	4,113,236	4,209,564	(96,328)
Engineering	601,745	601,745	641,896	(40,151)
Inspection	800,040	800,040	764,347	35,693
Downtown Parking	-	-	4,328	(4,328)
Traffic Control	2,107,770	2,107,770	2,027,461	80,309
Sidewalks	122,302	122,302	58,858	63,444
Mowing	204,475	204,475	197,892	6,583
General Facilities	415,165	415,165	363,481	51,684
Municipal Building	334,172	334,172	354,579	(20,407)
Keystone	118,044	118,044	119,651	(1,607)
Facilities Center	7,650	7,650	6,084	1,566
Gray Commons	-	-	-	-
Capital Outlay	2,000	2,000	16,812	(14,812)
Total Public Works	9,159,213	9,159,213	9,098,583	60,630
<u>Public Welfare:</u>				
Public Building Authority	1,349,653	1,349,653	1,342,114	7,539
Parks and Recreation	3,420,561	3,458,355	3,431,079	27,276
Senior Citizens	827,455	827,455	753,106	74,349
Total Public Welfare	5,597,669	5,635,463	5,526,299	109,164
<u>Debt Service:</u>				
Bond - Principal	5,641,385	5,641,385	5,641,109	276
Bond - Interest	5,372,588	8,872,588	7,418,505	1,454,083
Note - Principal	108,000	108,000	102,875	5,125
Note - Interest	5,000	5,000	48,948	(43,948)
Other Bond Fees	-	-	-	-
Total Debt Service	11,126,973	14,626,973	13,211,437	1,415,536
Total Expenditures	57,100,156	60,886,269	57,967,653	2,918,616

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, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Excess (Deficiency) of Revenues Over (Under) Expenditures	7,006,002	3,636,002	8,205,757	4,569,755
Other Financing Sources (Uses):				
Transfer from Debt Service	44,000	44,000	44,000	-
Transfer to General Purpose School Fund	(7,832,675)	(7,832,675)	(7,832,675)	-
Transfer to Insurance Fund	(40,000)	(40,000)	(426,700)	(386,700)
Transfer to Mass Transit	(438,437)	(438,437)	(438,437)	-
Transfer to Freedom Hall	(147,285)	(197,285)	(182,044)	15,241
Transfer to Transportation Planning	(46,364)	(46,364)	(46,364)	-
Transfer to Police Grant Fund	(3,223)	(3,223)	-	3,223
Transfer to Capital Projects	(1,362,500)	(1,552,115)	(1,665,961)	(113,846)
Transfer to Special School Projects	(4,750)	(4,750)	(4,750)	-
Transfers in From Proprietary Funds	2,755,000	2,755,000	2,861,737	106,737
Transfers To Proprietary Funds	(368,268)	(368,268)	(737,236)	(368,968)
Bond Proceeds - Refunding	-	3,500,000	3,510,560	10,560
Total Other Financing Sources (Uses)	(7,444,502)	(4,184,117)	(4,917,870)	(733,753)
Net Change in Fund Balance	(438,500)	(548,115)	3,287,887	3,836,002
Fund Balance, July 1, 2006	17,349,687	17,349,687	17,349,687	-
Fund Balance, June 30, 2007	\$ 16,911,187	\$ 16,801,572	\$ 20,637,574	3,836,002

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, 2007

	Budgeted Amounts		Actual Amounts and Encumbrances	Variance with Final Budget - Positive (Negative)
	Original	Final		
<u>Revenues:</u>				
<u>Taxes:</u>				
Local Sales Tax	9,537,500	9,800,000	10,135,123	335,123
County Property Tax	7,325,000	7,495,000	7,509,001	14,001
Interest and Penalty	70,000	70,000	69,457	(543)
Business Tax	220,000	245,000	265,825	20,825
In Lieu - Local Utilities	116,000	133,000	124,568	(8,432)
Total Taxes	17,268,500	17,743,000	18,103,974	360,974
<u>Licenses and Permits:</u>				
Marriage Licenses	1,500	1,500	1,541	41
Total Licenses and Permits	1,500	1,500	1,541	41
<u>Intergovernmental Revenues:</u>				
<u>State:</u>				
Basic Education Program	20,108,500	20,640,000	20,825,914	185,914
Career Ladder Program	642,000	642,000	621,038	(20,962)
Bank Excise Tax	30,000	46,000	45,017	(983)
Drivers Education	11,000	11,000	10,170	(830)
Mixed Drink Tax	1,000	1,000	1,180	180
Telecommunication Tax	7,500	7,500	7,782	282
Other State of Tennessee Funds	-	276,780	276,780	-
Total State	20,800,000	21,624,280	21,787,881	163,601
<u>Federal:</u>				
Education of Handicapped - IDEA	35,000	35,000	-	(35,000)
ROTC Reimbursement	50,000	50,000	50,159	159
Other Grant Revenue	-	21,651	936	(20,715)
Total Federal	85,000	106,651	51,095	(55,556)
Total Intergovernmental Revenues	20,885,000	21,730,931	21,838,976	108,045
<u>Investment Earnings:</u>				
Investment Income	150,000	337,500	335,633	(1,867)
Total Investment Earnings	150,000	337,500	335,633	(1,867)
<u>Miscellaneous Revenues:</u>				
Refunds and Reimbursements	155,000	170,000	137,134	(32,866)
Other Local Revenue	49,000	166,153	86,513	(79,640)
Total Miscellaneous Revenues	204,000	336,153	223,647	(112,506)

(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, 2007

	Budgeted Amounts		Actual Amounts and Encumbrances	Variance with Final Budget - Positive (Negative)
	Original	Final		
<u>Charges for Services:</u>				
School Tuition	346,000	346,000	372,230	26,230
Educare Revenue	700,000	735,000	758,679	23,679
Other Charges	150,000	150,000	90,983	(59,017)
Total Charges for Services	1,196,000	1,231,000	1,221,892	(9,108)
Total Revenues	39,705,000	41,380,084	41,725,663	345,579
<u>Expenditures:</u>				
<u>Instruction:</u>				
<u>Regular Education Program:</u>				
Personnel	19,131,043	19,084,915	18,955,420	129,495
Career Ladder Program	383,000	401,350	400,757	593
Personnel Benefits	5,126,721	5,197,331	5,121,419	75,912
Maintenance and Repairs	13,800	13,800	-	13,800
Contracted Services	91,500	89,200	11,375	77,825
Materials and Supplies	813,400	882,200	464,266	417,934
Other Charges	1,600	1,600	-	1,600
Capital Outlay	1,060,500	1,218,110	767,688	450,422
Total Regular Education Program	26,621,564	26,888,506	25,720,925	1,167,581
<u>Special Education Program:</u>				
Personnel	2,570,001	3,157,080	3,110,461	46,619
Career Ladder Program	42,500	49,550	49,550	-
Personnel Benefits	768,515	749,865	746,940	2,925
Contracted Services	35,000	32,010	32,006	4
Materials and Supplies	36,500	41,140	10,827	30,313
Capital Outlay	5,000	3,650	3,644	6
Total Special Education Program	3,457,516	4,033,295	3,953,428	79,867
<u>Vocational Education Program:</u>				
Personnel	1,098,000	1,166,500	1,140,157	26,343
Career Ladder Program	21,000	21,000	21,000	-
Personnel Benefits	288,554	297,154	289,923	7,231
Materials and Supplies	39,950	39,950	21,029	18,921
Maintenance and Repairs	2,050	2,050	-	2,050
Other Charges	3,200	3,200	-	3,200
Capital Outlay	4,850	4,850	-	4,850
Total Vocational Education Program	1,457,604	1,534,704	1,472,109	62,595

(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, 2007

	Budgeted Amounts		Actual Amounts and Encumbrances	Variance with Final Budget - Positive (Negative)
	Original	Final		
Instruction (Continued):				
Student Education:				
Materials and Supplies	1,500	1,500	-	1,500
Total Student Education	1,500	1,500	-	1,500
Adult Education Program:				
Personnel	80,000	127,595	83,252	44,343
Personnel Benefits	16,657	20,701	15,074	5,627
Materials and Supplies	-	37,412	1,292	36,120
Maintenance and Repairs	600	2,250	1,637	613
Capital Outlay	1,300	27,752	26,382	1,370
Total Adult Education Program	98,557	215,710	127,637	88,073
Preschool:				
Personnel	93,162	123,535	119,625	3,910
Personnel Benefits	20,164	20,664	16,857	3,807
Communication	5,000	5,000	501	4,499
Materials and Supplies	51,000	16,000	6,638	9,362
Other Charges	10,000	10,000	459	9,541
Capital Outlay	5,000	5,000	-	5,000
Total Preschool	184,326	180,199	144,080	36,119
Total Instruction	31,821,067	32,853,914	31,418,179	1,435,735
Support Services:				
Health Services:				
Personnel	130,000	130,000	127,763	2,237
Personnel Benefits	38,000	38,000	37,029	971
Travel	1,100	1,100	1,099	1
Contracted Services	5,000	5,000	4,979	21
Materials and Supplies	14,164	14,164	12,539	1,625
Capital Outlay	2,436	2,436	2,435	1
Total Health Services	190,700	190,700	185,844	4,856
Student Support Services:				
Personnel	947,500	990,100	980,394	9,706
Career Ladder Program	17,000	19,500	19,453	47
Personnel Benefits	230,531	235,782	232,096	3,686
Evaluation and Testing	20,000	20,000	16,565	3,435
Travel	6,000	6,600	1,405	5,195
Other Charges	35,000	35,000	4,630	30,370
Capital Outlay	6,000	2,400	-	2,400
Total Student Support Services	1,262,031	1,309,382	1,254,543	54,839

(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, 2007

	Budgeted Amounts		Actual Amounts and Encumbrances	Variance with Final Budget - Positive (Negative)
	Original	Final		
Support Services (Continued):				
Regular Education Program:				
Personnel	1,233,450	1,356,700	1,345,405	11,295
Career Ladder Program	35,351	37,400	37,400	-
In-Service Training and Development	227,200	586,150	586,044	106
Personnel Benefits	391,217	416,417	414,549	1,868
Travel	20,000	19,100	14,983	4,117
Materials and Supplies	26,300	105,652	97,212	8,440
Other Charges	241,600	208,600	206,281	2,319
Capital Outlay	8,500	2,500	886	1,614
Total Regular Education Program	2,183,618	2,732,519	2,702,760	29,759
Special Education Program:				
Personnel	102,562	165,072	160,008	5,064
Career Ladder Program	3,000	1,000	1,000	-
Personnel Benefits	42,027	41,177	40,126	1,051
Contracted Services	62,660	57,210	32,543	24,667
Travel	5,500	6,000	5,980	20
Maintenance and Repairs	2,428	2,428	238	2,190
Materials and Supplies	6,000	3,550	3,548	2
In-Service Training and Development	10,000	10,000	-	10,000
Total Special Education Program	234,177	286,437	243,443	42,994
Vocational Education Program:				
Personnel	106,500	120,050	119,320	730
Career Ladder Program	7,000	7,000	3,600	3,400
Personnel Benefits	29,887	31,162	30,946	216
Travel	360	360	-	360
Materials and Supplies	26,500	26,500	26,251	249
Total Vocational Education Program	170,247	185,072	180,117	4,955
Adult Education:				
Personnel	86,001	83,590	81,195	2,395
Career Ladder Program	1,000	1,000	1,000	-
Personnel Benefits	25,714	26,624	23,780	2,844
Total Adult Education	112,715	111,214	105,975	5,239

(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, 2007

	Budgeted Amounts		Actual Amounts and Encumbrances	Variance with Final Budget - Positive (Negative)
	Original	Final		
<u>Support Services (Continued):</u>				
<u>Board of Education:</u>				
Audit Services	30,000	20,000	12,500	7,500
Dues and Memberships	16,000	16,000	10,694	5,306
Legal Services	5,000	12,000	9,022	2,978
Travel	18,000	28,000	25,073	2,927
Materials and Supplies	10,000	10,000	2,360	7,640
Surety Bonds	3,500	3,500	144	3,356
In-Service Training and Development	7,000	-	-	-
Trustee's Commission	235,000	265,000	259,513	5,487
Workman's Compensation Insurance	300,000	300,000	300,000	-
Contracted Services	22,000	40,500	39,775	725
Other Charges	15,000	25,000	24,460	540
Total Board of Education	661,500	720,000	683,541	36,459
<u>Office of Superintendent:</u>				
Personnel	251,300	257,000	256,200	800
Career Ladder	1,000	1,000	1,000	-
Personnel Benefits	86,806	87,468	86,612	856
Communication	39,000	54,550	54,529	21
Dues and Memberships	7,500	7,500	7,369	131
In-Service Training and Development	5,000	1,989	882	1,107
Postal Charges	15,000	13,050	11,240	1,810
Travel	7,000	13,000	12,614	386
Contracted Services	21,000	12,900	11,165	1,735
Materials and Supplies	13,000	11,400	11,248	152
Other Charges	10,000	13,100	11,593	1,507
Capital Outlay	3,500	-	-	-
Total Office of Superintendent	460,106	472,957	464,452	8,505
<u>Office of Principal:</u>				
Personnel	2,469,000	2,422,590	2,372,044	50,546
Career Ladder Program	49,000	49,000	29,325	19,675
Personnel Benefits	740,035	745,535	723,576	21,959
Communication	66,922	66,922	3,499	63,423
Dues and Memberships	1,800	1,800	-	1,800
Postal Charges	6,900	7,550	4,847	2,703
Travel	4,000	4,400	-	4,400
Contracted Services	840	840	(408)	1,248
Maintenance and Repairs	22	22	-	22
Materials and Supplies	5,700	5,700	-	5,700
In-Service Training and Development	1,300	1,300	-	1,300
Total Office of Principal	3,345,519	3,305,659	3,132,883	172,776

(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, 2007

	Budgeted Amounts		Actual Amounts and Encumbrances	Variance with Final Budget - Positive (Negative)
	Original	Final		
Support Services (Continued):				
Fiscal Services:				
Personnel	213,500	224,500	222,846	1,654
Personnel Benefits	81,767	84,376	83,114	1,262
Dues and Memberships	700	400	-	400
Travel	3,000	4,300	4,194	106
Contracted Services	8,000	8,000	7,894	106
Materials and Supplies	14,500	13,750	13,027	723
Other Charges	3,000	3,000	3,000	-
Capital Outlay	8,000	8,050	8,049	1
Total Fiscal Services	332,467	346,376	342,124	4,252
Operation of Plant:				
Personnel	1,161,000	1,215,000	1,195,499	19,501
Personnel Benefits	561,631	561,882	552,703	9,179
Contracted Services	145,000	155,200	153,701	1,499
Utilities	2,117,000	2,300,100	2,274,669	25,431
Materials and Supplies	61,000	101,850	101,790	60
Capital Outlay	-	350	333	17
Total Operation of Plant	4,045,631	4,334,382	4,278,695	55,687
Maintenance of Plant:				
Personnel	784,500	824,000	751,615	72,385
Personnel Benefits	325,271	335,471	312,394	23,077
Maintenance and Repair	16,000	-	-	-
Materials and Supplies	125,000	271,000	235,969	35,031
Contracted Services	10,000	10,000	2,557	7,443
Other Charges	6,100	6,100	891	5,209
Communication	7,000	7,000	6,856	144
Capital Outlay	79,000	109,000	37,657	71,343
Total Maintenance of Plant	1,352,871	1,562,571	1,347,939	214,632
Transportation Expense:				
Maintenance and Repair	95,000	95,000	72,778	22,222
Other Charges	1,569,621	1,569,621	-	1,569,621
Capital Outlay	-	50,000	-	50,000
Total Transportation Expense	1,664,621	1,714,621	72,778	1,641,843
Other Support:				
Personnel	166,299	303,900	303,833	67
Personnel Benefits	129,427	117,377	115,746	1,631
Travel	7,600	8,800	4,840	3,960
Contracted Services	48,500	42,550	27,679	14,871
Materials and Supplies	27,100	17,150	5,613	11,537
Other Charges	61,100	61,850	54,829	7,021

(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, 2007

	Budgeted Amounts		Actual Amounts and Encumbrances	Variance with Final Budget - Positive (Negative)
	Original	Final		
<u>Support Services (Continued):</u>				
<u>Other Support (Continued):</u>				
In-Service Training and Development	-	13,150	13,142	8
Communication	5,000	5,000	3,656	1,344
Capital Outlay	17,000	17,000	14,573	2,427
Total Other Support	462,026	586,777	543,911	42,866
<u>Community Services:</u>				
Personnel	697,000	617,260	610,829	6,431
Personnel Benefits	60,000	61,700	60,466	1,234
Maintenance and Repair	100	1,100	165	935
Contracted Services	10,000	6,000	5,717	283
Communications	5,000	5,000	17,284	(12,284)
Materials and Supplies	57,000	65,200	63,761	1,439
Other Charges	25,900	23,500	22,164	1,336
Capital Outlay	20,000	9,000	8,801	199
Total Community Services	875,000	788,760	789,187	(427)
<u>Other Capital Outlay:</u>				
Building Improvements	1,590,736	1,590,736	176,431	1,414,305
Total Other Capital Outlay	1,590,736	1,590,736	176,431	1,414,305
Total Support Services	18,943,965	20,238,163	16,504,623	3,733,540
Total Expenditures	50,765,032	53,092,077	47,922,802	5,169,275
Excess (Deficiency) of Revenues Over (Under) Expenditures	(11,060,032)	(11,711,993)	(6,197,139)	5,514,854
<u>Other Financing Sources (Uses):</u>				
Transfer from General Fund	9,402,296	9,402,296	7,832,675	(1,569,621)
Transfer to Debt Service Fund	(945,000)	(995,000)	(1,003,377)	(8,377)
Transfer to School Federal, net Projects Fund	(55,000)	(51,000)	(28,213)	22,787
Transfer to School Site Based Fund	-	-	(746,715)	(746,715)
Total Other Financing Sources (Uses)	8,402,296	8,356,296	6,054,370	(2,301,926)
Net Change in Fund Balance	(2,657,736)	(3,355,697)	(142,769)	3,212,928
Fund Balance, July 1, 2006	6,653,496	6,653,496	6,653,496	-
Fund Balance, June 30, 2007	\$ 3,995,760	3,297,799	6,510,727	3,212,928

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
DEBT SERVICE FUND
For the Fiscal Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive (Negative)
<u>Revenues:</u>				
Taxes	\$ 1,884,038	1,884,038	1,902,696	18,658
Investment Earnings	20,000	20,000	50,408	30,408
Total Revenues	1,904,038	1,904,038	1,953,104	49,066
<u>Expenditures:</u>				
Debt Service:				
Principal Retirement	1,415,000	1,415,000	1,066,513	348,487
Interest and Fiscal Charges	1,817,613	1,817,613	1,641,739	175,874
Total Expenditures	3,232,613	3,232,613	2,708,252	524,361
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,328,575)	(1,328,575)	(755,148)	573,427
<u>Other Financing Sources (Uses):</u>				
Transfer Out	(44,000)	(44,000)	(44,000)	-
Transfer In	942,020	942,020	1,003,377	61,357
Bond Proceeds-Refunding	-	25,500,000	25,574,441	74,441
Bond Payment-Refunding	-	(25,500,000)	(25,574,441)	(74,441)
Total Other Financing Sources (Uses)	898,020	898,020	959,377	61,357
Net Change in Fund Balances	(430,555)	(430,555)	204,229	634,784
Fund Balance, July 1, 2006	905,407	905,407	905,407	-
Fund Balance, June 30, 2007	\$ 474,852	474,852	1,109,636	634,784

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

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2007

	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	Other Nonmajor Funds	Total	
ASSETS:							
<u>Current Assets:</u>							
Cash on Hand	\$ 100	-	18,100	-	1,722	19,922	-
Cash in Bank	1,805,849	-	1,210,582	634,135	-	3,650,566	9,983,786
Cash on Deposit with Paying Agent	134,809	-	-	-	-	134,809	-
Cash on Deposit with State	439,395	-	-	-	-	439,395	-
Cash Due from Central Depository	3,518,727	3,164,218	-	-	2,264,669	8,947,614	403,466
Accounts Receivable (Net)	940,385	567,347	6,068,835	21,638	68,702	7,666,907	31,013
Notes Receivable	-	-	232,500	-	-	232,500	-
Due from Federal Government	-	-	-	-	302,182	302,182	-
Due from State of Tennessee	31,492	-	-	-	129,267	160,759	-
Due from Other Funds	-	-	389,927	-	-	389,927	-
Inventory	1,214,826	-	2,749,068	-	123,470	4,087,364	404,842
Prepaid Expenses	-	-	157,753	-	4,500	162,253	-
Total Current Assets	8,085,583	3,731,565	10,826,765	655,773	2,894,512	26,194,198	10,823,107
<u>Noncurrent Assets:</u>							
<u>Capital Assets:</u>							
Land	2,724,348	1,748,342	4,724,882	2,641,442	2,133,932	13,972,946	-
Buildings	226,630	853,958	25,375,372	18,190,537	3,862,224	48,508,721	-
Plant in Service	148,545,880	-	141,407,861	-	-	289,953,741	-
Equipment and Vehicles	7,652,271	5,702,517	7,620,804	1,766,316	4,841,052	27,582,960	650,501
Less: Accumulated Depreciation	(58,712,745)	(3,927,042)	(51,978,558)	(4,968,419)	(4,677,293)	(124,264,057)	(614,747)
Construction In Progress	3,476,705	-	6,682,558	-	377,097	10,536,360	-
Net Capital Assets	103,913,089	4,377,775	133,832,919	17,629,876	6,537,012	266,290,671	35,754
<u>Restricted Assets:</u>							
Cash or Cash Equivalents	25,875,818	307	14,880,196	-	-	40,756,321	-
Investments	-	-	2,087,774	-	-	2,087,774	-
Total Restricted Assets	25,875,818	307	16,967,970	-	-	42,844,095	-

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2007

	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	Other Nonmajor Funds	Total	
ASSETS (CONTINUED):							
Noncurrent Assets (Continued):							
Other Assets:							
Bond Issue Costs (Net)	744,634	49,920	427,026	234,382	17,540	1,473,502	-
Customer Base (Net)	187,935	-	-	-	-	187,935	-
Prepaid Expenses	-	-	450,000	-	-	450,000	-
Total Other Assets	932,569	49,920	877,026	234,382	17,540	2,111,437	-
Total Non-Current Assets	130,721,476	4,428,002	151,677,915	17,864,258	6,554,552	311,246,203	35,754
Total Assets	138,807,059	8,159,567	162,504,680	18,520,031	9,449,064	337,440,401	10,858,861
LIABILITIES:							
Current Liabilities:							
Cash Due to Central Depository	-	-	-	-	1,798,641	1,798,641	78,169
Accounts Payable	852,127	732,104	9,107,449	56,877	354,554	11,103,111	443,587
Accrued Payroll Expenses	204,162	48,953	204,802	-	83,632	541,549	44,296
Other Liabilities	342,548	26,508	1,636,150	243,615	13,296	2,262,117	1,615,771
Leases Payable - Current Portion	-	-	-	-	36,448	36,448	-
Notes and Bonds Payable-Current Portion	2,981,465	513,808	1,155,000	840,000	175,000	5,665,273	-
Due to Other Funds	178,056	-	-	493,512	-	671,568	-
Retainages Payable	96,413	-	-	-	-	96,413	-
Compensated Absences-Current Portion	205,320	53,980	371,146	-	58,947	689,393	32,980
Deposits Payable	-	-	2,184,491	-	-	2,184,491	-
Deferred Revenue	2,731	-	21,500	-	-	24,231	-
Contractor Deposits	581,766	-	-	-	-	581,766	-
Deferred Landfill Postclosure Cost-Current Portion	-	37,380	-	-	-	37,380	-
Matured Bonds and Interest Payable	33,253	-	-	-	-	33,253	-
Total Current Liabilities	5,477,841	1,412,733	14,680,538	1,634,004	2,520,518	25,725,634	2,214,803

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2007

	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	Other Nonmajor Funds	Total	
Noncurrent Liabilities:							
Compensated Absences Payable	110,557	29,066	1,690,776	-	50,406	1,880,805	17,759
Other Liabilities	-	-	-	-	-	-	853,000
Advances from Other Funds	-	-	-	495,000	-	495,000	-
Leases Payable	-	-	-	-	121,454	121,454	-
Notes and Bonds Payable	59,881,800	4,334,395	32,360,000	14,975,000	1,725,000	113,276,195	-
Plus Bond Premiums	-	-	469,923	-	-	469,923	-
Less: Deferred Debt Refunding	(642,047)	(46,564)	-	(598,411)	(70,819)	(1,357,841)	-
Special Commission Bonds	-	-	-	-	93,737	93,737	-
Deferred Landfill Postclosure Cost	-	598,080	-	-	-	598,080	-
Deferred Revenue	15,580	375	-	-	59,947	75,902	-
Customer Deposits	-	975	-	-	-	975	-
Total Non-Current Liabilities	59,365,890	4,916,327	34,520,699	14,871,589	1,979,725	115,654,230	870,759
Total Liabilities	64,843,731	6,329,060	49,201,237	16,505,593	4,500,243	141,379,864	3,085,562
NET ASSETS:							
Invested in Capital Assets, Net of Related Debt	71,119,158	(467,072)	104,812,911	1,450,847	4,559,646	181,475,490	35,754
Restricted for:							
Debt Service	-	-	483,449	-	-	483,449	-
Unrestricted	2,844,170	2,297,579	8,007,083	563,591	389,175	14,101,598	7,737,545
Total Net Assets	\$ 73,963,328	1,830,507	113,303,443	2,014,438	4,948,821	196,060,537	7,773,299

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

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2007

	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	Other Nonmajor Funds		
Operating Revenues:							
Charges for Services (Net)	\$ 22,939,713	8,589,575	147,444,152	1,714,426	3,401,111	184,088,977	18,317,637
Other Revenue	193,996	33,248	3,082,271	336,498	47,316	3,693,329	9,462
Total Operating Revenues	23,133,709	8,622,823	150,526,423	2,050,924	3,448,427	187,782,306	18,327,099
Operating Expenses:							
Administration	496,600	245,000	-	-	93,200	834,800	-
Personnel Services	6,709,766	1,887,008	-	-	2,877,773	11,474,547	1,908,113
Contractual Services	669,178	2,746,396	-	10,812	512,207	3,938,593	13,223,941
Materials and Supplies	670,129	223,393	-	1,510	233,410	1,128,442	35,292
Repairs and Maintenance	2,187,100	1,290,933	6,061,152	19,186	835,277	10,393,648	3,439,391
Bad Debt Expense	147,737	39,843	-	-	12,883	200,463	-
Items for Resale	-	-	-	-	66,079	66,079	-
Other Operating Expenses	3,229,656	182,065	130,603,174	564,586	319,253	134,898,734	117,932
Depreciation and Amortization	3,772,651	430,546	5,114,486	689,975	578,700	10,586,358	17,920
Total Operating Expenses	17,882,817	7,045,184	141,778,812	1,286,069	5,528,782	173,521,664	18,742,589
Operating Income (Loss)	5,250,892	1,577,639	8,747,611	764,855	(2,080,355)	14,260,642	(415,490)
Nonoperating Revenue (Expenses):							
Investment Income	1,817,240	156,446	679,662	14,417	103,227	2,770,992	483,359
Operating Grants	-	-	-	-	1,249,319	1,249,319	-
Interest Expenses and Commissions	(3,098,588)	(242,367)	(1,482,474)	(805,466)	(234,131)	(5,863,026)	-
Amortization-Bond Cost	(72,179)	(7,001)	(57,933)	(15,695)	(1,949)	(154,757)	-
Gain (loss) on Sale of Capital Assets	-	11,401	-	-	(16,829)	(5,428)	-
Total Nonoperating Revenues (Expenses)	(1,353,527)	(81,521)	(860,745)	(806,744)	1,099,637	(2,002,900)	483,359

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2007

	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	Other Nonmajor Funds		
Income (Loss) Before Transfers and Capital Contributions	3,897,365	1,496,118	7,886,866	(41,889)	(980,718)	12,257,742	67,869
Transfers and Capital Contributions:							
Transfers In	71,397	115,800	-	-	1,315,596	1,502,793	426,700
Transfers Out	(430,000)	(51,798)	(2,431,737)	-	(154,334)	(3,067,869)	(21,599)
Federal Capital Grant Revenue	-	-	-	-	243,701	243,701	-
State Capital Grant Revenue	123,453	-	-	-	30,445	153,898	-
Total Transfers and Capital Contributions	(235,150)	64,002	(2,431,737)	-	1,435,408	(1,167,477)	405,101
Change in Net Assets	3,662,215	1,560,120	5,455,129	(41,889)	454,690	11,090,265	472,970
Net Assets, July 1, 2006	70,301,113	270,387	107,848,314	2,056,327	4,559,481	185,035,622	8,110,329
Prior Period Adjustment	-	-	-	-	(65,350)	(65,350)	(810,000)
Net Asset, July 1, 2006 (restated)	70,301,113	270,387	107,848,314	2,056,327	4,494,131	184,970,272	7,300,329
Net Assets, June 30, 2007	\$ 73,963,328	1,830,507	113,303,443	2,014,438	4,948,821	196,060,537	7,773,299

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, 2007

	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	Other Nonmajor Funds	Total		
<u>Cash Flows from Operating Activities:</u>								
Receipts from Customers and Users	\$ 22,072,472	8,454,946	145,915,538	716,695	3,401,463	180,561,114	13,217,794	
Receipts from Interfund Services Provided	824,877	82,969	3,657,540	1,334,229	-	5,899,615	5,086,987	
Payments to Employees	(6,672,262)	(1,879,275)	(6,273,808)	-	(2,860,413)	(17,685,758)	(1,905,715)	
Payments from Contractor Deposits	(242,414)	(58,414)	547,782	-	-	246,954	-	
Payments to Suppliers	(3,139,096)	(2,742,362)	(124,699,317)	(623,912)	(907,977)	(132,112,664)	(16,100,283)	
Payments for Interfund Services Used	(3,981,315)	(1,510,744)	(1,264,903)	-	(898,020)	(7,654,982)	(40,961)	
Net Cash Provided (Used) by Operating Activities	8,862,262	2,347,120	17,882,832	1,427,012	(1,264,947)	29,254,279	257,822	
<u>Cash Flows from Noncapital Financing Activities:</u>								
Transfers to Other Funds	(430,000)	(51,798)	(2,431,737)	-	(154,334)	(3,067,869)	-	
Advances from Other Funds	71,397	115,800	-	-	1,315,596	1,502,793	-	
Operating Grants Received	-	-	-	-	1,175,397	1,175,397	-	
Loans from Other Funds	-	-	-	(45,000)	-	(45,000)	483,546	
Net Cash Provided (Used) by Noncapital Financing Activities	(358,603)	64,002	(2,431,737)	(45,000)	2,336,659	(434,679)	483,546	
<u>Cash Flows from Capital and Related Financing Activities:</u>								
Proceeds from Capital Debt	-	-	-	-	192,500	192,500	-	
Proceeds from Refunding Bonds Payable	-	-	33,515,000	-	-	33,515,000	-	
Proceeds from Premiums and Other Cash Received in Refunding	-	-	961,438	-	-	961,438	-	
Purchase of Capital Assets	(4,553,196)	(509,274)	(14,973,618)	(19,185)	(676,687)	(20,731,960)	(5,647)	
Construction Retainage	96,413	-	-	-	-	96,413	-	
Bond Issue Costs	-	-	(432,891)	(234,382)	-	(667,273)	-	
Bond Proceeds	-	-	-	15,452,018	-	15,452,018	-	
Capital Grants Received	91,961	-	-	-	274,146	366,107	-	
Principal Paid on Capital Debt	(2,881,021)	(525,148)	(35,190,000)	(16,016,852)	(267,808)	(54,880,829)	-	
Principal Paid on Capital Lease	-	-	-	-	(34,598)	(34,598)	-	
Interest Paid on Capital Debt	(2,998,102)	(241,848)	(1,534,647)	(561,851)	(225,297)	(5,561,745)	-	
Sale of Capital Assets	-	11,401	6,774	-	26,829	45,004	-	
Proceeds from Notes Receivable	-	-	30,000	-	-	30,000	-	
Principal Paid on Notes Receivable	108,039	-	-	-	-	108,039	-	
Net Cash Used by Capital and Related Financing Activities	(10,135,906)	(1,264,869)	(17,617,944)	(1,380,252)	(710,915)	(31,109,886)	(5,647)	
<u>Cash Flows from Investing Activities:</u>								
Interest and Related Income/Expenses on Investments	1,817,239	156,446	679,662	14,417	103,227	2,770,991	483,359	
Purchase of Investments	-	-	(56,822)	-	-	(56,822)	-	
Net Cash Provided by Investing Activities	1,817,239	156,446	622,840	14,417	103,227	2,714,169	483,359	

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2007

	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	Other Nonmajor Funds	Total	
Net Increase (Decrease) in Cash and Cash Equivalents	184,992	1,302,699	(1,544,009)	16,177	464,024	423,883	1,219,080
Cash and Cash Equivalents, July 1, 2006	31,589,706	1,861,826	17,652,887	617,958	1,802,368	53,524,745	9,168,172
Cash and Cash Equivalents, June 30, 2007	\$ 31,774,698	3,164,525	16,108,878	634,135	2,266,392	53,948,628	10,387,252
Classified as:							
Current Assets	\$ 5,898,880	3,164,218	\$ 1,228,682	634,135	2,266,391	13,192,306	10,387,252
Restricted Assets	25,875,818	307	14,880,196	-	-	40,756,321	-
Totals	\$ 31,774,698	3,164,525	16,108,878	634,135	2,266,391	53,948,627	10,387,252
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:							
Operating Income (Loss)	\$ 5,250,892	1,577,639	8,747,611	764,855	(2,080,355)	14,260,642	(415,490)
Adjustments:							
Depreciation	3,772,651	430,546	5,386,795	689,975	578,700	10,858,667	17,920
Amortization of Customer Base	-	-	-	-	-	-	-
Landfill Postclosure Cost	-	(37,380)	-	-	-	(37,380)	-
Changes in the Allowance for Uncollectible Receivables	145,289	-	210,142	-	-	355,431	-
Changes in Assets and Liabilities:							
(Increase) Decrease in Accounts Receivable	(232,590)	(45,065)	2,371,991	-	(19,474)	2,074,862	(22,315)
(Increase) Decrease in Inventories	(215,791)	-	(623,456)	-	17,312	(821,935)	3,870
(Increase) Decrease in Prepaid Expenses	-	-	114,703	-	-	114,703	-
Increase (Decrease) in Accounts Payable and Accrued Expenses	337,000	470,767	808,511	(27,818)	236,117	1,824,577	671,872
Increase (Decrease) in Accrued Payroll Expenses	13,908	-	49,724	-	11,663	75,295	1,758
Increase (Decrease) in Compensated Absences	23,596	4,769	266,738	-	5,696	300,799	207
Increase (Decrease) in Construction Retainages	-	(58,414)	-	-	-	(58,414)	-
Increase (Decrease) in Customer Deposits	(242,414)	-	575,873	-	-	333,459	-
Other Payables	11,043	4,258	-	-	-	15,301	-
Increase (Decrease) in Deferred Revenue	(1,322)	-	(25,800)	-	(14,606)	(41,728)	-
Net Cash Provided (Used) by Operating Activities	\$ 8,862,262	2,347,120	17,882,832	1,427,012	(1,264,947)	29,254,279	257,822

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2007

	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	Other Nonmajor Funds	
Cash on Hand	100	-	18,100	634,135	1,722	654,057
Cash in Bank	1,805,849	-	1,210,582	-	-	3,016,431
Cash with Fiscal Agent	574,204	-	-	-	-	574,204
Equity Pooled Cash and Investments	3,518,727	-	-	-	-	3,518,727
Restricted Assets	25,875,818	307	14,880,196	-	-	40,756,321
Cash in From Central Depository	-	3,164,218	-	-	-	3,164,218
Cash Due From Central Depository	-	-	-	-	2,264,669	2,264,669
	<u>31,774,698</u>	<u>3,164,525</u>	<u>16,108,878</u>	<u>634,135</u>	<u>2,266,391</u>	<u>53,948,627</u>

Reconciliation of Cash and Cash Equivalents from Statement of Cash Flows:

- Cash on Hand 100
- Cash in Bank 1,805,849
- Cash with Fiscal Agent 574,204
- Equity Pooled Cash and Investments 3,518,727
- Restricted Assets 25,875,818
- Cash in From Central Depository -
- Cash Due From Central Depository -

Non-Cash Capital and Related Financing Activities:

Water and Sewer:

- Amortization of Deferred Bond Refunding totaling \$72,179 was included with Interest Expense on the Statement of Revenues, Expenses and Changes in Fund Net Assets.

City Solid Waste:

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

Johnson City Public Building Authority:

- Amortization of Deferred Bond Refunding totaling \$15,695 was included with Interest Expense on the Statement of Revenues, Expenses and Changes in Fund Net Assets.

Johnson City Power Board:

- The depreciation expense charge for the year ended June 30, 2007 was \$5,114,486.

Other Nonmajor Funds:

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

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

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF NET ASSETS
COMPONENT UNITS
June 30, 2007

	Johnson City Public Library	Johnson City Development Authority	Total
<u>ASSETS:</u>			
Cash on Hand	500	100	600
Cash in Bank	52,734	35,769	88,503
Accounts Receivable	17,234	1,657	18,891
Investments	211,706	-	211,706
Capital Assets:			
Book Collection	1,138,049	-	1,138,049
Equipment and Furniture	605,808	12,721	618,529
Less: Accumulated Depreciation	(569,040)	(11,903)	(580,943)
Total Assets	<u>1,456,991</u>	<u>38,344</u>	<u>1,495,335</u>
<u>LIABILITIES:</u>			
Accounts Payable	-	4,506	4,506
Accrued Payroll Expenses	19,801	12	19,813
Compensated Absences Payable	14,141	2,494	16,635
Total Liabilities	<u>33,942</u>	<u>7,012</u>	<u>40,954</u>
<u>NET ASSETS:</u>			
Invested in Capital Assets, net of Related Debt	1,174,817	6,556	1,181,373
Restricted Contributions	211,706	-	211,706
Unrestricted	36,526	24,776	61,302
Total Net Assets	<u><u>1,423,049</u></u>	<u><u>31,332</u></u>	<u><u>1,454,381</u></u>

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

CITY OF JOHNSON CITY, TENNESSEE
STATEMENT OF ACTIVITIES
COMPONENT UNITS

For the Fiscal Year Ended June 30, 2007

Functions/Programs	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS			Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Johnson City Public Library	Johnson City Development Authority			
Johnson City Public Library:								
General Government	1,608,720	64,029	1,449,170	(95,521)	-	-	(95,521)	
Investment Related Expenditures	2,778	-	-	(2,778)	-	-	(2,778)	
Total Johnson City Public Library	1,611,498	64,029	1,449,170	(98,299)	-	-	(98,299)	
Johnson City Development Authority:								
Operations	150,466	6,127	150,000	-	5,661	-	5,661	
Total Johnson City Development Authority	150,466	6,127	150,000	-	5,661	-	5,661	
Total Component Units	\$ 1,761,964	\$ 70,156	\$ 1,599,170	\$ (98,299)	\$ 5,661	\$ (92,638)		
General Revenues:								
Unrestricted Investment Earnings				41,286	895		42,181	
Other General Revenue				44,239	-		44,239	
Total General Revenues				85,525	895		86,420	
Change in Net Assets				(12,774)	6,556		(6,218)	
Net Assets, Beginning				1,423,415	24,776		1,448,191	
Prior Period Adjustment- Prepaid Insurance				12,408	-		12,408	
Adjusted Net Assets, Beginning				1,435,823	24,776		1,460,599	
Net Assets, Ending				1,423,049	31,332		1,454,381	

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, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

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

A. Reporting entity

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

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

Blended Component Units

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

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

A. Reporting entity (continued)

Discretely Presented Component Units

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

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

B. **Government-wide and fund financial statements**

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

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

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

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

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

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

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

The City reports the following major governmental funds:

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

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

The *Debt Service Fund* accounts for the accumulation of resources for the payment of principal and interest on long-term general obligation debt of governmental funds.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

The City reports the following nonmajor governmental funds:

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

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

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

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

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

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

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

The *Police Grant Fund* accounts for all police grants from the federal, state and local governments.

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

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

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

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

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

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

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

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

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

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

The City reports the following major proprietary funds:

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

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

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

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

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

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

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

The City reports the following nonmajor proprietary funds:

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

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

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

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

Additionally, the City reports the following fund type:

The *Internal Service Funds (Motor Transport Fund and Insurance Fund)* account for fleet management and insurance services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis.

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

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

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

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

D. Assets, liabilities and net assets or equity

1. Deposits and investments

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

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

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

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

1. *Deposits and investments (continued)*

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

Specifically, the LGIP was established under Tennessee Code Annotated Title 9, Chapter 4, Part 7. This investment pool is established for the use of idle funds of local governments located within the State of Tennessee. These funds are placed by the participating entity into accounts that are held and invested by the State Treasurer. The LGIP invests in time deposits, such as Certificates of Deposit, commercial paper, United States of America agency securities, repurchase agreements, and United States of America treasuries. By law, the LGIP is required to maintain a 90-day or less weighted-average-maturity. The fair value of shares held in the LGIP is the same as the value of the LGIP shares. The TN LGIP has not been rated by a nationally recognized statistical rating organization.

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

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

1. *Deposits and investments (continued)*

The cash management plan provides that the balance in the bank is invested on a daily basis at the current interest rates. Interest income is allocated to the individual funds based on the average cash balance of the individual funds. Likewise, interest expense is charged to funds with an overdraft. The plan is presently with First Tennessee Bank. Bids are obtained from all banks to obtain the best possible rates.

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

2. *Receivables and payables*

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

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

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

3. *Inventories and prepaid items*

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

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

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

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

4. Restricted assets

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

5. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost equal to or greater than \$5,000 and an estimated useful life in excess of one year for property, plant and equipment and assets with an initial, individual cost of more than \$100,000 for infrastructure. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Significant interest and related fees incurred during the construction phase of capital assets of business-type activities are included as part of the capitalized value of the assets constructed. Total interest and related fees incurred by the Water and Sewer Fund during the current fiscal year were \$3,085,333. During the fiscal year ended June 30, 2007, no significant amounts of interest and related fees were capitalized in connection with water and sewer line replacement and extension construction projects.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

5. *Capital assets (continued):*

Property, plant, and equipment of the primary government, as well as the blended component unit, is 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 guidelines of the Tennessee Valley Authority. When property is retired or otherwise disposed of, its average cost, together with its cost of removal less salvage, is charged to accumulated depreciation; no gain or loss is recognized as per federal energy regulations. The useful lives range from 3 years to 50 years. The Power Board's depreciation expense for the year ended June 30, 2007 was \$5,386,795 of which \$272,309 was charged to Other Operating Expenses.

6. *Compensated absences*

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

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

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

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

6. Compensated absences (continued)

Sick leave accumulates at the rate of eight (8) 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 twenty-four (24) hours and sick leave will accrue at twenty-four (24) hours a month unless Fire Bureau employees are assigned to an eight (8) hour shift then they will accumulate at the rate of eight (8) 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 (2) days of sick leave at the employee's regular rate for every completed year of service, not to exceed the days accumulated in the employee's account. In the event of death; one-third of the accumulated amount is paid to the beneficiary. It is also the City's policy to permit employees from certain departments of the City to accumulate earned but unused compensation for excess hours worked. All compensatory time is accrued when incurred in the government-wide and fund financial statements.

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

Policy of the Johnson City Power Board. Employees earn various vacation days determined on years of service. Vacation days can be accumulated to a maximum of forty (40) days, which are payable upon separation of employment. Sick leave is granted after ninety (90) days of employment. The employee earns one (1) day for each one (1) 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 seventy-five percent (75%) of accumulated days. A liability for compensated absences and related fringe benefits is reflected in the statement of net assets and in the proprietary fund financial statements.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

7. *Long-term obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method or the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. *Fund equity*

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

9. *Reclassifications*

Certain reclassifications have been made to the June 30, 2006 financial statements in order for them to conform to the June 30, 2007 financial statement presentation.

10. *Use of estimates*

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

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

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

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

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets- governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.” This difference does not include capital assets from the internal service funds. The details of this \$186,807,438 difference are as follows:

Governmental funds capital assets	\$ 329,852,597
Less: accumulated depreciation	<u>(143,045,159)</u>
Net adjustment to increase <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	<u>\$ 186,807,438</u>

Another element of that reconciliation explains that “long-term liabilities, including bonds payable and accrued interest, are not due and payable in the current period and, therefore, are not reported in the funds.” The details of this \$109,920,159 difference are as follows:

Bonds payable (net of deferred refunding)	\$ 108,455,806
Notes payable	927,757
Accrued Interest	<u>536,596</u>
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	<u>\$ 109,920,159</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation of general fixed assets in the current period exceeded capital outlays.” This difference does not include depreciation expense of \$17,920 relating to internal service funds. The details of this \$4,301,112 difference are as follows:

Capital outlay	\$ 13,050,614
Depreciation expense	<u>(8,749,502)</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 4,301,112</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

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

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

Another element of that reconciliation states that "The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is to decrease net assets." The details of this \$(120,362) difference are as follows:

In the statement of activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources.

Transfers from General Fixed Assets to Proprietary Funds	\$ (139,923)
Transfers from Proprietary Funds to General Fixed Assets	18,933
Sales Proceeds	(369,742)
Gain/Loss on Sale of Assets	<u>370,370</u>
	<u>\$ (120,362)</u>

Another element of that reconciliation states that "revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds." The details of this \$98,743 difference are as follows:

Deferred property taxes as of June 30, 2007	\$ 967,184
Deferred property taxes as of June 30, 2006	(921,993)
Deferred other taxes as of June 30, 2007	772,024
Deferred other taxes as of June 30, 2006	<u>(718,472)</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 98,743</u>

Another element of that reconciliation states that "the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the amount by which repayments exceeded proceeds." The details of this \$6,236,718 difference are as follows:

Principal repayments	\$ 34,627,939
Proceeds from bonds	(29,085,000)
Amortization of deferred refunding	(49,870)
Deferred refunding	<u>743,649</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 6,236,718</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

A. Budgetary information

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

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

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

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

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

	<u>General Purpose School Fund</u>
Fund Balance-Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	\$ 6,964,894
Less: Encumbrances	<u>(454,167)</u>
Fund Balance-Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	<u>\$ 6,510,727</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

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

B. Excess of expenditures over appropriations

For the year ended June 30, 2007, expenditures exceeded appropriations in the listed departments within the following major governmental funds:

	<u>Over spent Amount</u>
General Fund:	
Other Financing Sources (Uses)	\$ 733,753
General Purpose School Fund:	
Community Service	427
Other Financing Sources (Uses)	2,301,926
Drug Fund:	
Other Financing Sources (Uses)	7,256

C. Deficit fund equity

The following funds had deficit net assets/fund balance at June 30, 2007:

Capital Projects Funds:	
Industrial Park Fund	\$ (1,520,744)
Enterprise Funds:	
Golf Courses Fund	(1,028,321)

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

The deficit in the Golf Courses Fund is due to expenses consistently exceeding revenues.

4. DETAILED NOTES ON ALL FUNDS:

A. Deposits and investments

Cash deposits on the statement of net assets include demand deposits, certificates of deposit, savings accounts, cash on deposit with paying agents, cash on deposit with the State of Tennessee and cash deposited in escrow accounts.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

A. Deposits and investments (continued)

Deposits

Custodial Credit Risk.

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

At year end, the City had \$30,891 of cash on hand which has been included in cash and cash equivalents. The City's carrying amount of deposits was \$104,887,729 and the bank balance was \$104,976,409. Of the City's bank balance, \$71,895,600 was covered by the State of Tennessee Collateral Pool, which is a multiple financial institution collateral pool, or by amounts insured by the Federal Deposit Insurance Corporation (FDIC) and \$100,000 was covered by the National Credit Union Share Insurance Fund. State statutes require collateral pledged by each financial institution to equal a certain percentage of the uninsured public deposits it holds. Members of the pool can be assessed if the collateral is inadequate to cover a loss. This is similar to depository insurance. Of the remaining City balance, \$32,360,605 represents cash in trust accounts which are insured by the FDIC.

In addition to the above deposits, the City has \$481,094 on deposit with the State of Tennessee at June 30, 2007.

Investments

Custodial Credit Risk.

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

At June 30, 2007, the City's investments were as follows:

Investment Type:	<u>Primary Government</u>	
	Reported Amount	Fair Value
Local Government Investment Pool (LGIP)	\$ 359,494	359,494
Money Market Funds	254,332	254,332
U.S. Government Securities	2,087,774	2,087,774
Total Primary Government	<u>\$ 2,701,600</u>	<u>2,701,600</u>

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

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

A. Deposits and investments (continued)

Custodial Credit Risk (continued)

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

Interest Rate Risk:

Under its loan agreement, the Public Building Authority of Sevier County, TN (the "Authority"), at the request of the City, has entered into an interest rate swap agreement for all of the outstanding Local Government Improvement Bonds, Series III-C-1.

Objective of the interest rate swap: In order to protect against the potential of rising interest rates and to balance its mixture of variable and fixed rate debt, the City requested the Authority, on its behalf, to enter into an interest rate swap in connection with its \$11.5 million Series III-C-1 variable-rate bonds. The intention of the swap was to effectively change the City's variable interest rate on the bonds to a synthetic fixed rate.

Terms. Under the swap, the Authority pays a fixed payment of 4.66 percent and receives a variable payment computed as 100 percent of the rate paid on the outstanding variable rate bond associated to the swap. The swap had a notional amount of \$11.5 million and the associated variable-rate bond had an \$11.5 million principal amount. The interest rate swap agreement is based on the same amortization schedule as the outstanding principal of the Series III-C-1 Bonds. The bonds' variable-rates have historically approximated the Bond Market Association Municipal Index™ (the "BMA"). The bonds and the related swap agreement mature on June 1, 2018. As of June 30, 2007, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest Rate Swap		
Fixed Payment by Authority	Fixed	4.66%
Variable Payment to Authority		-3.76%
Net Interest Rate Swap Payments		<u>0.90%</u>
Variable-rate Bond Coupon Payments		<u>3.76%</u>
Synthetic Interest Rate on Bonds		<u><u>4.66%</u></u>

Fair value. As of June 30, 2007, the swap had a negative fair value of (\$130,683). 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.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

A. Deposits and investments (continued)

Interest Rate Risk:

Credit risk. As of June 30, 2007, the City was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the City would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was unrated at the time of the swap. In order to mitigate the potential for credit risk, the Authority, on behalf of the City, received a Financial Guarantee Insurance Policy for the swap agreement from Ambac Assurance Corporation, who was rated "AAA" by Standard and Poor's and Fitch and "Aaa" by Moody's Investor Service as of June 30, 2007. If Ambac's credit rating is downgraded, the counterparty is required to post collateral with a third-party custodian.

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

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

Swap payments and associated debt. As of June 30, 2007, 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	<u>Variable Rate Bonds</u>		Net Interest Rate	
	<u>Prinicipal</u>	<u>Interest</u>	<u>Swap Payment</u>	<u>Total</u>
2008	670,000	231,616	55,440	957,056
2009	705,000	206,424	49,410	960,834
2010	435,000	179,916	43,065	657,981
2011	455,000	163,560	39,150	657,710
2012	480,000	146,452	35,055	661,507
2013-2017	2,775,000	443,492	106,155	3,324,647
2018	640,000	24,064	5,760	669,824
	<u>6,160,000</u>	<u>1,395,524</u>	<u>334,035</u>	<u>7,889,559</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

A. Deposits and investments (continued)

Interest Rate Risk:

Under its loan agreement, the Public Building Authority of Sevier County, TN (the "Authority"), at the request of the City, has entered into an interest rate swap agreement for all of the outstanding Local Government Improvement Bonds, Series III-C-2.

Objective of the interest rate swap: In order to protect against the potential of rising interest rates and to balance its mixture of variable and fixed rate debt, the City requested the Authority, on its behalf, to enter into an interest rate swap in connection with its \$10.2 million Series III-C-2 variable-rate bonds. The intention of the swap was to effectively change the City's variable interest rate on the bonds to a synthetic fixed rate.

Terms. Under the swap, the Authority pays a fixed payment of 4.66 percent and receives a variable payment computed as 100 percent of the rate paid on the outstanding variable rate bond associated to the swap. The swap had a notional amount of \$10.2 million and the associated variable-rate bond had an \$10.2 million principal amount. The interest rate swap agreement is based on the same amortization schedule as the outstanding principal of the Series III-C-2 Bonds. The bonds' variable-rates have historically approximated the Bond Market Association Municipal Index™ (the "BMA"). The bonds and the related swap agreement mature on June 1, 2018. As of June 30, 2007, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest Rate Swap		
Fixed Payment to Counterparty	Fixed	4.66%
Variable Payment from Counterparty		<u>-3.81%</u>
Net Interest Rate Swap Payments		0.85%
Variable-rate Bond Coupon Payments		<u>3.81%</u>
Synthetic Interest Rate on Bonds		<u><u>4.66%</u></u>

Fair value. As of June 30, 2007, the swap had a negative fair value of (\$157,715). 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.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

A. Deposits and investments (continued)

Interest Rate Swap Agreements:

Credit risk. As of June 30, 2007, the City was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the City would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was unrated at the time of the swap. In order to mitigate the potential for credit risk, the Authority, on behalf of the City, received a Financial Guarantee Insurance Policy for the swap agreement from Ambac Assurance Corporation, who was rated "AAA" by Standard and Poor's and Fitch and "Aaa" by Moody's Investor Service as of June 30, 2007. If Ambac's credit rating is downgraded, the counterparty is required to post collateral with a third-party custodian.

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

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

Swap payments and associated debt. As of June 30, 2007, 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	<u>Variable Rate Bonds</u>		Net Interest Rate	Total
	Prinicipal	Interest	Swap Payment	
2008	495,000	267,272	59,628	821,900
2009	520,000	248,412	55,420	823,832
2010	545,000	228,600	51,000	824,600
2011	570,000	207,836	46,368	824,204
2012	600,000	186,119	41,523	827,642
2013-2017	3,480,000	564,071	125,483	4,169,554
2018	805,000	30,671	6,843	842,514
	<u>\$ 7,015,000</u>	<u>1,732,981</u>	<u>386,265</u>	<u>9,134,246</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

A. Deposits and investments (continued)

Interest Rate Risk:

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

Objective of the interest rate swap: In order to protect against the potential of rising interest rates and to balance its mixture of variable and fixed rate debt, the City requested the Authority, on its behalf, to enter into an interest rate swap in connection with its \$18 million Series D-9-A variable-rate bonds. The intention of the swap was to effectively change the City's variable interest rate on the bonds to a synthetic fixed rate.

Terms. Under the swap, the Authority pays the counterparty a fixed payment of 3.746 percent and receives a variable equal to the underlying interest payment on the Bonds. The swap has a notional amount of \$29.085 million and the associated variable-rate bond has a \$29.085 million principal amount. The interest rate swap agreement is based on the same amortization schedule as the outstanding principal of the Series D-9-A Bonds. The bonds' variable-rates have historically approximated the Bond Market Association Municipal Index™ (the "BMA"). The bonds mature on June 1, 2021 and the related swap agreement matures on June 1, 2021 As of June 30, 2007, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest Rate Swap		
Fixed Payment by Authority	Fixed	3.746%
Variable Payment to Authority		-3.810%
Net Interest Rate Swap Payments		-0.064%
Variable-rate Bond Coupon Payments		3.810%
Synthetic Interest Rate on Bonds		<u>3.746%</u>

Fair value. As of June 30, 2007, the swap had a positive fair value of \$531,344. The positive fair value of the swap may be countered by increases in total interest payments required under the variable-rate bond, creating higher 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.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

A. Deposits and investments (continued)

Interest Rate Swap Agreements:

Credit risk. As of June 30, 2007, the City's exposure to credit risk is equal to the amount of the swap's positive fair value. However, should interest rates change and the fair value of the swap becomes negative, the City would no longer be exposed to credit risk. The swap counterparty was rated "Aa" at the time of the swap. If MKFP's credit rating is downgraded, the counterparty is required to post collateral with a third-party custodian.

Basis risk. As noted above, the swap does not expose the City to basis risk.

Termination risk. The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an "additional termination provision." The Authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate bond would no longer carry a synthetic 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, 2007, 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
	Prinicipal	Interest	Swap Payment	
2008	350,000	1,108,139	(18,614)	1,439,525
2009	360,000	1,094,804	(18,390)	1,436,414
2010	375,000	1,081,088	(18,160)	1,437,928
2011	375,000	1,066,800	(17,920)	1,423,880
2012	400,000	1,052,513	(17,680)	1,434,833
2013-2017	13,225,000	4,456,748	(74,864)	17,606,884
2018-2021	14,000,000	1,162,050	(19,520)	15,142,530
	<u>29,085,000</u>	<u>11,022,142</u>	<u>(185,148)</u>	<u>39,921,994</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

B. Receivables

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

	General	General Purpose School	Debt Service	Other Governmental Funds	Water and Sewer	City Solid Waste	City Power Board	Public Building Authority	Internal Service Funds	Other Proprietary Funds	Total Primary Government
Receivables											
Taxes	\$27,843,078	-	576,364	-	-	-	-	-	-	-	28,419,442
Accounts	1,190,735	125,570	-	2,297	2,109,036	822,823	6,928,753	21,638	31,013	161,070	11,392,935
Notes	-	-	-	56,482	-	-	232,500	-	-	-	288,982
Intergovernmental	5,599,706	10,749,302	-	158,836	31,492	-	-	-	-	431,449	16,970,785
Gross receivables	34,633,519	10,874,872	576,364	217,615	2,140,528	822,823	7,161,253	21,638	31,013	592,519	57,072,144
Less: Allowances for uncollectibles	(135,153)	-	-	-	(1,168,651)	(255,476)	(859,918)	-	-	(92,368)	(2,511,566)
Net total receivables	\$34,498,366	10,874,872	576,364	217,615	971,877	567,347	6,301,335	21,638	31,013	500,151	54,560,578

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

Uncollectibles related to:	
water and sewer services	\$ 145,290
solid waste services	36,796
nonmajor and other funds	12,258
	<u>\$ 194,344</u>

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

	Unavailable	Unearned
Property taxes receivable (General Fund)	\$ -	26,536,926
Delinquent property taxes receivable (General Fund)	967,183	-
Other taxes receivable (General Fund)	772,024	-
Property taxes receivable (General Purpose School Fund)	-	8,242,341
Ticket sales prior to event date (Freedom Hall)	-	6,217
Grant drawdowns prior to meeting all eligibility requirements (Special School Projects, Police Grant and Community Development)	-	79,713
Total deferred / unearned revenue for governmental funds	<u>\$ 1,739,207</u>	<u>34,865,197</u>

Property taxes which are delinquent at year end are earned but not available. The tax year 2007 property taxes are unearned and unavailable, but are recorded as receivable on the levy date, as described in Note 1.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

C. Capital assets

Capital asset activity for the year ended June 30, 2007 was as follows:

	Primary Government				Ending Balance
	Beginning Balance	Additions	Deletions	Adjustments	
Governmental activities:					
Capital assets, not being depreciated:					
Land	17,075,561	-	-	-	17,075,561
Construction in Progress	1,487,764	6,163,243	(573,935)	(139,923) *	6,937,149
Total capital assets, not being depreciated	18,563,325	6,163,243	(573,935)	(139,923)	24,012,710
Capital assets, being depreciated:					
Buildings	137,831,648	665,368	-	-	138,497,016
Equipment and Vehicles	29,669,505	2,428,201	(772,634)	-	31,325,072
Infrastructure	132,167,490	4,500,810	-	-	136,668,300
Total capital assets, being depreciated	299,668,643	7,594,379	(772,634)	-	306,490,388
Accumulated depreciation:					
Buildings	(60,310,672)	(3,639,195)	-	-	(63,949,867)
Equipment and Vehicles	(21,113,099)	(2,107,465)	772,634	(18,933) **	(22,466,863)
Infrastructure	(54,133,478)	(3,109,698)	-	-	(57,243,176)
	(135,557,249)	(8,856,358)	772,634	(18,933)	(143,659,906)
Total capital assets, being depreciated, net	164,111,394	(1,261,979)	-	(18,933)	162,830,482
Governmental activities capital assets, net	182,674,719	4,901,264	(573,935)	(158,856)	186,843,192

* An adjustment was made to transfer the expenditures for the Stormwater Management Project that were previously tracked in the Capital Projects Fund to the new Stormwater Management Fund.

**

An adjustment was made when an asset was reassigned from Mass Transit (Enterprise Fund) to the General Fund (General Government).

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

C. Capital assets (continued)

	Primary Government				Ending Balance
	Beginning Balance	Additions	Deletions	Adjustments	
Business-type activities:					
Capital Assets, not being depreciated:					
Land	13,928,778	50,942	(6,774)	-	13,972,946
Construction in progress	10,986,825	2,373,034	(2,823,499)	-	10,536,360
Total capital assets, not being depreciated	24,915,603	2,423,976	(2,830,273)	-	24,509,306
Capital Assets, being depreciated:					
Buildings and other improvements	47,273,557	1,258,675	(23,511)	-	48,508,721
Plant in service	274,608,042	17,154,861	(1,809,162)	-	289,953,741
Equipment and vehicles	26,028,674	2,554,422	(892,811)	(107,325)	27,582,960
Total capital assets, being depreciated	347,910,273	20,967,958	(2,725,484)	(107,325)	366,045,422
Accumulated Depreciation:					
Buildings and other improvements	(8,499,271)	(1,189,712)	25,101		(9,663,882)
Plant in Service	(92,126,826)	(7,561,423)	2,068,568		(97,619,681)
Vehicles and Equipment	(15,770,753)	(2,109,013)	750,514	148,758	(16,980,494)
Accumulated depreciation	(116,396,850)	(10,860,148)	2,844,183	148,758	(124,264,057)
Total capital assets, being depreciated, net	231,513,423	10,107,810	118,699	41,433	241,781,365
Business-type activities capital assets, net	256,429,026	12,531,786	(2,711,574)	41,433	266,290,671

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

Governmental Activities:	2007
General Government	633,052
Education	3,424,733
Public Welfare	333,607
Public Works	3,909,272
Public Safety	346,557
City Service	209,137
Total Depreciation Expense-Governmental Activities	8,856,358

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

C. Capital assets (continued)

Business-Type Activities:	<u>2007</u>
Water Sewer	\$ 3,733,572
City Solid Waste	470,812
Johnson City Power Board	5,386,795
Johnson City Public Building Authority	690,269
Golf Courses Fund	112,339
Regional Solid Waste	131,259
Mass Transit	333,883
Stormwater Management	1,219
Total Depreciation Expense-Business-Type Activities	<u>\$ 10,860,148</u>

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of June 30, 2007, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Johnson City PBA	\$ 493,512
General Purpose School	General	51,251
	School Federal Projects	332,773
	Special School Projects	252,797
Johnson City Power Board	General	151,881
	Water / Sewer	178,056
	General Purpose School	59,990
Total		<u>\$ 1,520,260</u>

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

Advances to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Johnson City PBA	\$ <u>495,000</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

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

Advances to/from other funds:

The balance payable to the general fund relates to loans made to the PBA to fund operations. The PBA paid \$45,000 in principal during the year ended June 30, 2007.

Interfund Transfers:

	Governmental Activities				Internal Service Funds	Business Type Activities			Total
	General Fund	General Purpose School	Debt Service Fund	Nonmajor Governmental Funds		Water and Sewer	City Solid Waste	Nonmajor Proprietary Funds	
<i>Transfers Out:</i>									
Governmental Funds:									
General Fund	\$ -	7,832,675		1,899,119	426,700	-	-	1,175,673	11,334,167
General Purpose School Fund	-	-	1,003,377	778,831	-	-	-	-	1,782,208
Debt Service	44,000								44,000
Nonmajor Governmental Funds	-			2,977,819					2,977,819
Internal Service Funds:									
Motor Transport				21,599					21,599
Enterprise Funds:									
Johnson City Power Board	2,431,737								2,431,737
Water and Sewer	430,000								430,000
City Solid Waste						51,798			51,798
Nonmajor Proprietary Funds						19,599	115,800		135,399
Totals	\$ 2,905,737	7,832,675	1,003,377	5,677,368	426,700	71,397	115,800	1,175,673	19,208,727

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

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

E. Lease Revenue

Lease Revenue

The City acts as a lessor for various City properties. The City collects rents on these properties and maintains signed lease agreements with the various tenants. The revenue is reflected in the fund that owns the property. During the year ended June 30, 2007, the City earned revenue from the leases in the amount of \$288,780.

F. Long-Term Debt

Governmental Activities:

Notes Payable:

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

	<u>Date Issued</u>	<u>Amount Issued</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2007</u>
<u>Capital Projects Fund:</u>				
Note Payable-Land	7/1/1997	2,238,049	5.00%	470,757
<u>General Fund:</u>				
Capital Outlay Note - School Buses	12/20/2004	620,000	Variable	457,000
				<u>927,757</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Long-Term Debt (continued)

Governmental Activities (continued):

Notes Payable (continued):

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

Fiscal Year Ending June 30	Principal	Interest	Total
2008	229,568	20,704	250,272
2009	241,189	9,082	250,271
	<u>\$ 470,757</u>	<u>29,786</u>	<u>500,543</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
2008	85,000	15,767	100,767
2009	88,000	12,834	100,834
2010	91,000	9,798	100,798
2011	95,000	6,658	101,658
2012	98,000	3,381	101,381
	<u>\$ 457,000</u>	<u>48,438</u>	<u>505,438</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
2008	314,568	36,471	351,039
2009	329,189	21,916	351,105
2010	91,000	9,798	100,798
2011	95,000	6,658	101,658
2012	98,000	3,381	101,381
	<u>\$ 927,757</u>	<u>78,224</u>	<u>1,005,981</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Long-Term Debt (Continued):

Bonds Payable:

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

<u>Debt Service Fund:</u>	<u>Date Issued</u>	<u>Amount Issued</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2007</u>
Sales Tax and Tax Refunding Bonds, Series 1997	5/1/1997	4,812,803	5.25%-5.6%	4,291,290
Sales Tax Revenue and Unlimited Tax Refunding Bonds, Series 1998	7/15/1998	3,280,000	4.10%-4.75%	2,535,000
Public Improvement Bonds, Series III-A-6	3/19/1999	7,000,000	Variable	4,805,000
Local Government Public Improvement Bonds, Series D-9-A	3/1/2007	25,574,440	3.86%	<u>25,574,440</u>
				<u>37,205,730</u>
 <u>General Fund:</u>				
General Obligation School and Road Refunding Bonds, Series 1998	7/15/1998	5,355,000	4.10%-4.75%	975,000
General Obligation Public Improvement Refunding Bonds, Series 1998	7/15/1998	20,060,000	4.10%-4.75%	7,820,000

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Long-Term Debt (Continued):

Governmental Activities (Continued):

Bonds Payable (Continued):

<u>General Fund (Continued):</u>	<u>Date Issued</u>	<u>Amount Issued</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2007</u>
Public Improvement Bonds, Series III-C-1	10/29/1998	11,500,000	Variable	6,160,000
Local Government Improvement Bonds, Series IV-B-6	1/1/2000	10,700,000	Variable	7,565,000
General Obligation Bonds, Series 2000	7/27/2000	8,000,000	5.00%-5.375%	345,000
Local Government Improvement Bonds, Series IV-F-1	12/28/2000	10,000,000	Variable	8,470,000
Local Government Improvement Bonds, Series IV-G-2	5/8/2001	9,100,000	Variable	9,100,000
General Obligation Refunding Bonds, Series 2004A	9/23/2004	11,460,900	3.00%-4.40%	8,266,797
General Obligation Refunding Bonds, Series 2004B	12/29/2004	7,625,000	3.00%-4.40%	7,075,000
Local Government Public Improvement Bonds, Series D-6-A	2/15/2006	7,000,000	5.00%	6,900,000
General Obligation Refunding Bonds, Series 2006	3/30/2006	6,230,000	3.50%-4.125%	6,110,000
Local Government Public Improvement Bonds, Series D-9-A	3/1/2007	3,510,560	3.86%	<u>3,510,560</u>
				<u>\$ 72,297,357</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Long-Term Debt (Continued):

Governmental Activities (Continued):

Bonds Payable (Continued):

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

Fiscal Year Ending June 30	Principal	Interest	Total
2008	574,433	445,567	1,020,000
2009	625,751	559,249	1,185,000
2010	664,686	680,314	1,345,000
2011	780,713	899,287	1,680,000
2012	809,837	1,045,163	1,855,000
2013	835,870	1,204,130	2,040,000
	<u>\$ 4,291,290</u>	<u>4,833,710</u>	<u>9,125,000</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
2008	235,000	125,298	360,298
2009	245,000	112,960	357,960
2010	255,000	100,098	355,098
2011	270,000	86,710	356,710
2012	280,000	72,535	352,535
2013-2016	1,250,000	151,288	1,401,288
	<u>\$ 2,535,000</u>	<u>648,889</u>	<u>3,183,889</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Long-Term Debt (Continued):

Governmental Activities (Continued):

Bonds Payable (Continued):

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

Fiscal Year Ending June 30	Principal	Interest	Total
2008	340,000	288,300	628,300
2009	355,000	267,900	622,900
2010	375,000	246,600	621,600
2011	390,000	224,100	614,100
2012	410,000	200,700	610,700
2013-2017	2,385,000	608,400	2,993,400
2018	550,000	33,000	583,000
	<u>\$ 4,805,000</u>	<u>1,869,000</u>	<u>6,674,000</u>

Local Government Public Improvement Bonds, Series D-9-A issued March 1, 2007 to mature in 2021 as follows. The interest rate is 3.856%.

Fiscal Year Ending June 30	Principal	Interest	Total
2008	307,755	986,150	1,293,905
2009	316,548	974,283	1,290,831
2010	329,737	962,077	1,291,814
2011	329,738	949,363	1,279,101
2012	351,720	936,648	1,288,368
2013-2017	11,628,742	3,966,132	15,594,874
2018-2021	12,310,200	1,034,128	13,344,328
	<u>\$ 25,574,440</u>	<u>9,808,781</u>	<u>35,383,221</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Long-Term Debt (Continued):

Governmental Activities (Continued):

Bonds Payable (Continued):

General Obligation School and Road Refunding Bonds issued July 15, 1998 debt service requirements to maturity in 2008 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2008	975,000	51,188	1,026,188
	<u>\$ 975,000</u>	<u>51,188</u>	<u>1,026,188</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
2008	1,585,000	389,395	1,974,395
2009	665,000	306,183	971,183
2010	690,000	271,270	961,270
2011	725,000	235,045	960,045
2012	760,000	196,982	956,982
2013-2016	3,395,000	412,300	3,807,300
	<u>\$ 7,820,000</u>	<u>1,811,175</u>	<u>9,631,175</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Long-Term Debt (Continued):

Governmental Activities (Continued):

Bonds Payable (Continued):

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

Fiscal Year Ending June 30	Principal	Interest	Total
2008	670,000	287,056	957,056
2009	705,000	255,834	960,834
2010	435,000	222,981	657,981
2011	455,000	202,710	657,710
2012	480,000	181,507	661,507
2013-2017	2,775,000	549,647	3,324,647
2018	640,000	29,824	669,824
	<u>6,160,000</u>	<u>1,729,559</u>	<u>7,889,559</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
2008	420,000	453,900	873,900
2009	440,000	428,700	868,700
2010	460,000	402,300	862,300
2011	485,000	374,700	859,700
2012	510,000	345,600	855,600
2013-2017	3,005,000	1,233,900	4,238,900
2018-2020	2,245,000	274,500	2,519,500
	<u>\$ 7,565,000</u>	<u>3,513,600</u>	<u>11,078,600</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Long-Term Debt (Continued):

Governmental Activities (Continued):

Bonds Payable (Continued):

General Obligation Bonds, Series 2000, issued July 27, 2000 debt service requirements to maturity in 2008 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2008	345,000	17,250	362,250
	<u>\$ 345,000</u>	<u>17,250</u>	<u>362,250</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
2008	300,000	508,200	808,200
2009	315,000	490,200	805,200
2010	330,000	471,300	801,300
2011	350,000	451,500	801,500
2012	365,000	430,500	795,500
2013-2017	2,125,000	1,800,000	3,925,000
2018-2022	2,710,000	1,096,200	3,806,200
2023-2025	1,975,000	240,900	2,215,900
	<u>\$ 8,470,000</u>	<u>5,488,800</u>	<u>13,958,800</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Long-Term Debt (Continued):

Governmental Activities (Continued):

Bonds Payable (Continued):

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

Fiscal Year Ending June 30	Principal	Interest	Total
2008	-	546,000	546,000
2009	-	546,000	546,000
2010	480,000	546,000	1,026,000
2011	510,000	517,200	1,027,200
2012	540,000	486,600	1,026,600
2013-2017	3,240,000	1,904,700	5,144,700
2018-2022	4,330,000	809,400	5,139,400
	<u>\$ 9,100,000</u>	<u>5,355,900</u>	<u>14,455,900</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
2008	1,116,192	299,940	1,416,132
2009	1,146,090	266,454	1,412,544
2010	323,895	232,071	555,966
2011	338,844	222,354	561,198
2012	348,810	211,511	560,321
2013-2017	1,973,268	865,524	2,838,792
2018-2022	2,456,619	444,712	2,901,331
2023	563,079	24,775	587,854
	<u>\$ 8,266,797</u>	<u>2,567,341</u>	<u>10,834,138</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Long-Term Debt (Continued):

Governmental Activities (Continued):

Bonds Payable (Continued):

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

Fiscal Year Ending June 30	Principal	Interest	Total
2008	290,000	273,299	563,299
2009	295,000	264,599	559,599
2010	305,000	255,749	560,749
2011	315,000	246,599	561,599
2012	325,000	235,573	560,573
2013-2017	1,810,000	996,642	2,806,642
2018-2023	2,190,000	616,225	2,806,225
2024-2025	1,545,000	136,720	1,681,720
	<u>\$ 7,075,000</u>	<u>3,025,406</u>	<u>10,100,406</u>

Local Government Public Improvement Bonds Series D-6-A issued February 15, 2006 debt service requirements to maturity in 2026 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2008	225,000	345,000	570,000
2009	225,000	333,750	558,750
2010	250,000	322,500	572,500
2011	250,000	310,000	560,000
2012	275,000	297,500	572,500
2013-2017	1,575,000	1,270,000	2,845,000
2018-2022	2,025,000	832,500	2,857,500
2023-2026	2,075,000	271,250	2,346,250
	<u>\$ 6,900,000</u>	<u>3,982,500</u>	<u>10,882,500</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Long-Term Debt (Continued):

Governmental Activities (Continued):

Bonds Payable (Continued):

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

Fiscal Year Ending June 30	Principal	Interest	Total
2008	40,000	241,788	281,788
2009	405,000	240,387	645,387
2010	415,000	226,213	641,213
2011	435,000	209,612	644,612
2012	450,000	192,212	642,212
2013-2017	2,555,000	679,763	3,234,763
2018-2020	1,810,000	149,363	1,959,363
	<u>\$ 6,110,000</u>	<u>1,939,338</u>	<u>8,049,338</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
2008	42,245	135,367	177,612
2009	43,452	133,738	177,190
2010	45,262	132,063	177,325
2011	45,263	130,317	175,580
2012	48,280	128,572	176,852
2013-2017	1,596,258	544,423	2,140,681
2018	1,689,800	141,954	1,831,754
	<u>\$ 3,510,560</u>	<u>1,346,434</u>	<u>4,856,994</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Long-Term Debt (Continued):

Governmental Activities (Continued):

Bonds Payable (Continued):

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

Fiscal Year Ending June 30	Principal	Interest	Total
2008	7,465,625	5,393,698	12,859,323
2009	5,781,841	5,180,237	10,962,078
2010	5,358,581	5,071,536	10,430,117
2011	5,679,557	5,059,497	10,739,054
2012	5,953,647	4,961,603	10,915,250
2013-2017	40,149,138	16,186,849	56,335,987
2018-2022	32,956,619	5,461,806	38,418,425
2023-2026	6,158,079	673,645	6,831,724
	<u>\$ 109,503,087</u>	<u>\$ 47,988,871</u>	<u>157,491,958</u>

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.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Long-Term Debt (Continued):

Business-Type Activities (Continued):

Notes Payable:

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

	<u>Date Issued</u>	<u>Amount Issued</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2007</u>
<u>Water and Sewer:</u>				
Note Payable - Limestone Cove	3/13/2003	450,000	4.65%	\$ 429,643
Note Payable - Watauga Flats	4/20/2004	380,000	4.38%	366,644
Note Payable - Limestone Cove	4/20/2005	125,000	4.25%	<u>121,978</u>
				<u>\$ 918,265</u>

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

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	5,413	19,059	24,472
2009	5,669	18,809	24,478
2010	5,937	18,547	24,484
2011	6,219	18,272	24,491
2012	6,513	17,985	24,498
2013-2017	37,506	85,108	122,614
2018-2022	47,270	75,574	122,844
2023-2027	59,575	63,557	123,132
2028-2032	75,096	48,410	123,506
2033-2037	94,653	29,320	123,973
2038-2041	85,792	6,410	92,202
	<u>\$ 429,643</u>	<u>401,051</u>	<u>830,694</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Long-Term Debt (Continued):

Business-Type Activities (Continued):

Notes Payable (Continued):

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

Fiscal Year Ending June 30	Principal	Interest	Total
2008	4,574	16,053	20,627
2009	4,823	15,852	20,675
2010	5,308	15,641	20,949
2011	5,263	15,409	20,672
2012	5,456	15,179	20,635
2013-2017	31,345	72,077	103,422
2018-2022	38,997	64,581	103,578
2023-2027	48,516	55,255	103,771
2028-2032	60,340	43,651	103,991
2033-2037	75,102	29,214	104,316
2038-2042	86,920	11,255	98,175
	<u>\$ 366,644</u>	<u>354,167</u>	<u>720,811</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
2008	1,480	5,156	6,636
2009	1,544	5,092	6,636
2010	1,611	5,025	6,636
2011	1,681	4,955	6,636
2012	1,753	4,883	6,636
2013-2017	9,974	23,207	33,181
2018-2022	12,332	20,849	33,181
2023-2027	15,245	17,935	33,180
2028-2032	18,848	14,332	33,180
2033-2037	23,302	9,879	33,181
2038-2042	28,807	4,374	33,181
2043	5,401	106	5,507
	<u>\$ 121,978</u>	<u>115,793</u>	<u>237,771</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Long-Term Debt (Continued):

Business-Type Activities (Continued):

Notes Payable (Continued):

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

Fiscal Year Ending June 30	Principal	Interest	Total
2008	11,467	40,268	51,735
2009	12,036	39,754	51,790
2010	12,856	39,214	52,070
2011	13,163	38,637	51,800
2012	13,722	38,046	51,768
2013-2017	78,825	180,391	259,216
2018-2022	98,599	161,003	259,602
2023-2027	123,336	136,746	260,082
2028-2032	154,284	106,395	260,679
2033-2037	193,057	68,415	261,472
2038-2042	201,519	22,036	223,555
2043	5,401	106	5,507
	<u>\$ 918,265</u>	<u>871,011</u>	<u>1,789,276</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Long-Term Debt (Continued):

Business-Type Activities (Continued):

Bonds Payable:

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

	<u>Date Issued</u>	<u>Amount Issued</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2007</u>
<u>Water and Sewer:</u>				
Local Government Improvement Bonds- Series III-C-2	10/1/1998	10,200,000	Variable	\$ 7,015,000
Local Government Improvement Bonds- Series IV-B-7	1/1/2000	3,200,000	Variable	2,495,000
Local Government Public Improvement Bonds- Series-IV-G-3	5/3/2001	7,500,000	Variable	7,500,000
Series-D-6-A	2/15/2006	30,000,000	5%	29,625,000
				<u>\$ 46,635,000</u>
<u>City Solid Waste:</u>				
Solid Waste Refunding Bonds	7/15/1998	1,640,000	Variable	\$ 1,260,000
Local Government Improvement Bonds Series III-C-3	10/1/1998	4,800,000	Variable	2,800,000
Local Government Improvement Bonds Series IV-B-8	1/1/2000	1,300,000	Variable	390,000
General Obligation Refunding Bonds, Series 2004A	9/23/2004	39,100	3.00%-4.40%	28,203
				<u>\$ 4,478,203</u>
<u>Buffalo Valley Golf Course:</u>				
Golf Course Revenue and Tax Refunding Bonds	7/15/1998	2,465,000	4.10%-4.75%	<u>\$ 1,900,000</u>
<u>Johnson City Building Authority:</u>				
Public Facility Refunding Bonds Series 2006A	6/29/2006	16,655,000	4.036%-5.219%	<u>\$ 15,815,000</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Long-Term Debt (Continued):

Business-Type Activities (Continued):

Bonds Payable (Continued):

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

Fiscal Year Ending June 30	Principal	Interest	Total
2008	495,000	326,899	821,899
2009	520,000	303,832	823,832
2010	545,000	279,600	824,600
2011	570,000	254,203	824,203
2012	600,000	227,641	827,641
2013-2017	3,480,000	689,913	4,169,913
2018	805,000	37,513	842,513
	<u>\$ 7,015,000</u>	<u>2,119,601</u>	<u>9,134,601</u>

Local Government Improvement Bonds-Series IV-B-7 issued January 1, 2000 debt service requirements to maturity in 2020 are as follows. The interest rate is variable, but is depicted at 6.00%.

Fiscal Year Ending June 30	Principal	Interest	Total
2008	140,000	149,700	289,700
2009	145,000	141,300	286,300
2010	150,000	132,600	282,600
2011	160,000	123,600	283,600
2012	170,000	114,000	284,000
2013-2017	990,000	407,100	1,397,100
2018-2020	740,000	90,300	830,300
	<u>\$ 2,495,000</u>	<u>1,158,600</u>	<u>3,653,600</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Long-Term Debt (Continued):

Business-Type Activities (Continued):

Bonds Payable (Continued):

Local Government Public Improvement Bonds-Series IV-G-3 issued May 3, 2001 debt service requirements to maturity in 2022 are as follows. The interest rate is variable, but is depicted at 6.00%.

Fiscal Year Ending June 30	Principal	Interest	Total
2008	-	450,000	450,000
2009	-	450,000	450,000
2010	395,000	450,000	845,000
2011	420,000	426,300	846,300
2012	445,000	401,100	846,100
2013-2017	2,670,000	1,570,500	4,240,500
2018-2022	3,570,000	667,500	4,237,500
	<u>\$ 7,500,000</u>	<u>4,415,400</u>	<u>11,915,400</u>

Local Government Public Improvement Bonds Series D-6-A issued February 15, 2006 debt service requirements to maturity in 2031 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2008	375,000	1,481,250	1,856,250
2009	400,000	1,462,500	1,862,500
2010	725,000	1,442,500	2,167,500
2011	775,000	1,406,250	2,181,250
2012	775,000	1,367,500	2,142,500
2013-2017	4,475,000	6,226,250	10,701,250
2018-2022	5,925,000	4,961,250	10,886,250
2023-2027	8,100,000	3,271,250	11,371,250
2028-2031	8,075,000	1,036,250	9,111,250
	<u>\$ 29,625,000</u>	<u>22,655,000</u>	<u>52,280,000</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Long-Term Debt (Continued):

Business-Type Activities (Continued):

Bonds Payable (Continued):

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

Fiscal Year Ending June 30	Principal	Interest	Total
2008	115,000	62,230	177,230
2009	120,000	56,193	176,193
2010	125,000	49,892	174,892
2011	130,000	43,330	173,330
2012	140,000	36,505	176,505
2013-2016	630,000	76,713	706,713
	<u>\$ 1,260,000</u>	<u>324,863</u>	<u>1,584,863</u>

Local Government Improvement Bonds Series III-C-3 issued October 1, 1998 debt service requirements to maturity in 2018 are as follows. The interest rate is variable, but is depicted at 6.00%.

Fiscal Year Ending June 30	Principal	Interest	Total
2008	195,000	168,000	363,000
2009	205,000	156,300	361,300
2010	220,000	144,000	364,000
2011	230,000	130,800	360,800
2012	240,000	117,000	357,000
2013-2017	1,390,000	354,300	1,744,300
2018	320,000	19,200	339,200
	<u>\$ 2,800,000</u>	<u>1,089,600</u>	<u>3,889,600</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Long-Term Debt (Continued):

Business-Type Activities (Continued):

Bonds Payable (Continued):

Local Government Improvement Bonds Series IV-B-8 issued January 1, 2000 debt service requirements to maturity in 2020 are as follows. The interest rate is variable, but is depicted at 6.00%.

Fiscal Year Ending June 30	Principal	Interest	Total
2008	20,000	23,400	43,400
2009	25,000	22,200	47,200
2010	25,000	20,700	45,700
2011	25,000	19,200	44,200
2012	25,000	17,700	42,700
2013-2017	155,000	63,000	218,000
2018-2020	115,000	14,100	129,100
	<u>\$ 390,000</u>	<u>180,300</u>	<u>570,300</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
2008	3,808	1,023	4,831
2009	3,910	909	4,819
2010	1,105	792	1,897
2011	1,156	759	1,915
2012	1,190	722	1,912
2013-2017	6,732	2,953	9,685
2018-2022	8,381	1,517	9,898
2023	1,921	85	2,006
	<u>\$ 28,203</u>	<u>8,760</u>	<u>36,963</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Long-Term Debt (Continued):

Business-Type Activities (Continued):

Bonds Payable (Continued):

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

Fiscal Year Ending June 30	Principal	Interest	Total
2008	175,000	93,870	268,870
2009	180,000	84,682	264,682
2010	190,000	75,233	265,233
2011	200,000	65,257	265,257
2012	210,000	54,757	264,757
2013-2016	945,000	114,951	1,059,951
	<u>\$ 1,900,000</u>	<u>488,750</u>	<u>2,388,750</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
2008	615,000	718,436	1,333,436
2009	645,000	692,961	1,337,961
2010	665,000	666,431	1,331,431
2011	700,000	638,801	1,338,801
2012	725,000	609,971	1,334,971
2013-2017	4,715,000	2,467,471	7,182,471
2018-2022	6,600,000	1,097,922	7,697,922
2023	1,150,000	25,875	1,175,875
	<u>\$ 15,815,000</u>	<u>6,917,868</u>	<u>22,732,868</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Long-Term Debt (Continued):

Business-Type Activities (Continued):

Bonds Payable (Continued):

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

Fiscal Year Ending June 30	Principal	Interest	Total
2008	2,133,808	3,474,808	5,608,616
2009	2,243,910	3,370,877	5,614,787
2010	3,041,105	3,261,748	6,302,853
2011	3,211,156	3,108,500	6,319,656
2012	3,331,190	2,946,896	6,278,086
2013-2017	19,456,732	11,973,151	31,429,883
2018-2022	18,083,381	6,889,302	24,972,683
2023-2027	9,251,921	3,297,210	12,549,131
2028-2031	8,075,000	1,036,250	9,111,250
	<u>\$ 68,828,203</u>	<u>39,358,742</u>	<u>108,186,945</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, 2007
<u>Water and Sewer:</u>				
Water and Sewer Revenue and Tax Refunding Bonds	7/15/1998	19,325,000	4.10%-4.75%	12,045,000
Water and Sewer Revenue and Tax Bonds	7/27/2000	2,300,000	5.000%-5.375%	100,000
Water and Sewer Revenue and Tax Series 2004A Refunding Bonds	9/23/2004	3,210,000	3.00%-4.40%	1,405,000
Water and Sewer Revenue and Tax Series 2006 Refunding Bonds	3/30/2006	1,795,000	3.50%-4.125%	1,760,000
				<u>\$ 15,310,000</u>
<u>City Solid Waste:</u>				
Solid Waste Revenue and Tax Bonds	5/1/1994	2,000,000	5.30%-5.25%	\$ 370,000
<u>Johnson City Power Board:</u>				
Revenue Bonds Series A and B, 2007 Refunding	5/1/2007	33,515,000	4.00%-5.10%	\$ 33,515,000

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Long-Term Debt (Continued):

Business-Type Activities (Continued):

Bonds Payable (Continued):

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

Fiscal Year Ending June 30	Principal	Interest	Total
2008	1,155,000	596,307	1,751,307
2009	1,210,000	535,670	1,745,670
2010	1,270,000	472,145	1,742,145
2011	1,340,000	405,470	1,745,470
2012	1,410,000	335,120	1,745,120
2013-2016	5,660,000	641,728	6,301,728
	<u>\$ 12,045,000</u>	<u>2,986,440</u>	<u>15,031,440</u>

Water and Sewer Revenue and Tax Bonds issued July 27, 2000 debt service requirements to maturity in 2008 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2008	100,000	5,000	105,000
	<u>\$ 100,000</u>	<u>5,000</u>	<u>105,000</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Long-Term Debt (Continued):

Business-Type Activities (Continued):

Bonds Payable (Continued):

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

Fiscal Year Ending June 30	Principal	Interest	Total
2008	695,000	38,675	733,675
2009	710,000	21,300	731,300
	<u>\$ 1,405,000</u>	<u>59,975</u>	<u>1,464,975</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
2008	10,000	69,650	79,650
2009	115,000	69,300	184,300
2010	120,000	65,275	185,275
2011	125,000	60,475	185,475
2012	130,000	55,475	185,475
2013-2017	740,000	195,775	935,775
2018-2020	520,000	42,875	562,875
	<u>\$ 1,760,000</u>	<u>558,825</u>	<u>2,318,825</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Long-Term Debt (Continued):

Business-Type Activities (Continued):

Bonds Payable (Continued):

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

Fiscal Year Ending June 30	Principal	Interest	Total
2008	180,000	21,370	201,370
2009	190,000	11,020	201,020
	<u>\$ 370,000</u>	<u>32,390</u>	<u>402,390</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
2008	1,155,000	1,613,906	2,768,906
2009	1,285,000	1,430,789	2,715,789
2010	1,645,000	1,367,965	3,012,965
2011	1,715,000	1,300,800	3,015,800
2012	1,780,000	1,232,200	3,012,200
2013-2017	10,045,000	5,013,600	15,058,600
2018-2022	7,965,000	2,881,200	10,846,200
2023-2027	4,225,000	1,287,050	5,512,050
2028-2032	3,700,000	484,500	4,184,500
	<u>\$ 33,515,000</u>	<u>16,612,010</u>	<u>50,127,010</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Long-Term Debt (Continued):

Business-Type Activities (Continued):

Bonds Payable (Continued):

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

Fiscal Year Ending June 30	Principal	Interest	Total
2008	3,295,000	2,344,908	5,639,908
2009	3,510,000	2,068,079	5,578,079
2010	3,035,000	1,905,385	4,940,385
2011	3,180,000	1,766,745	4,946,745
2012	3,320,000	1,622,795	4,942,795
2013-2017	16,445,000	5,851,103	22,296,103
2018-2022	8,485,000	2,924,075	11,409,075
2023-2027	4,225,000	1,287,050	5,512,050
2028-2032	3,700,000	484,500	4,184,500
	<u>\$ 49,195,000</u>	<u>20,254,640</u>	<u>69,449,640</u>

Advance Refunding:

On May 1, 2007, the City refunded and defeased in substance its outstanding Sales Tax and Tax Refunding Bonds, Series 1997, dated May 1, 1997 totaling \$24,665,000, carrying interest rates of 5.4% to 5.6%. There was a total of \$4,812,803 from this issue which was not refunded. In the same issue the City also refunded and defeased its outstanding General Obligation Public Improvement Refunding Bonds, Series 1997, dated May 1, 1997 totaling \$3,385,000, carrying interest rates of 5.05% to 5.5%. There was a total of \$185,000 from this issue which was not refunded. The new bonds were issued with an insured interest rates swap agreement that projected an effective fixed rate of 3.856%. The synthetic fixed rate was created by entering into a variable-to-fixed interest rate swap agreement in conjunction with the variable interest rate loan agreement. The City is aware of the risks associated with interest rate agreements and believe their analysis supports the benefits outweigh those risks.

All insurance costs of the transaction of \$296,029 were paid from bond proceeds. The net proceeds of \$28,788,971 were used to purchase U.S. Government Securities which were placed in an escrow account to provide for the payment of the defeased debt. These were called and redeemed on May 1, 2007. The advance refunding resulted in a difference between the reacquisition prices and the net carrying amount of the old debt of \$738,971. This difference, reported in the government-wide financial statements as a deduction from bonds payable, is being charged to operations through the year 2021 using the straight-line method, which does not differ significantly from the effective-interest method.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Long-Term Debt (Continued):

Business-Type Activities (Continued):

Bonds Payable (Continued):

Advance Refunding (Continued):

The City completed the advance refunding to comply with the settlement with the Internal Revenue Service on the issues raised on the 1997 bond issues and whether certain of those should have been issued as taxable bonds and to provide savings due to a reduction of interest costs between the outstanding bonds and the refunding loan agreement through the creation of the synthetic fixed rate swap agreement. The refunding enabled the City to reduce the total debt service payments over the next fifteen years by \$3,813,306 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$3,120,198.

Also, on May 1, 2007, the Johnson City Power Board refunded and defeased in substance its outstanding Electric System Revenue Bonds, Series 1996 and Series 1997 totaling \$22,095,000, carrying interest rates of 5.1% to 5.7% on the Series 1996 bonds and rates of 4.75% to 6% on the Series 1997 bonds. In addition, \$12,000,000 of Electric System Revenue Anticipation Notes, Series 2005, with interest rates of 3.5% were refunded. The new bonds were issued as \$31,705,000 in Electric System Revenue Refunding Bonds, Series 2007A and \$1,810,000 in Electric System Revenue Refunding Bonds, Series 2007B (Taxable). The new bonds were issued with interest rates from 4% to 5%.

All issuance costs of the transaction of \$432,891 were paid from bond proceeds. The net proceeds, after the reoffering premium of \$1,080,005 were \$34,162,114. These net proceeds were used to purchase U.S. Government Securities which were placed in an escrow account to provide for the payment of the defeased debt. The defeased debt was called and redeemed on May 1, 2007. The advance refunding resulted in a difference between the reacquisition price and the new carrying amount of the old debt of \$2,192,317 on the tax-exempt portion and an economic gain (difference between the present values of the old and new debt service payments) of \$1,606,933.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Long-Term Debt (Continued):

Business-Type Activities (Continued):

Bonds Payable (Continued):

Advance Refunding-Prior Years:

The City defeased certain general obligation and other bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. On June 30, 2007, the following bonds outstanding are considered defeased:

<u>Issue</u>	<u>Year Refunded</u>	<u>Balance June 30, 2007</u>
General Obligation Public Improvement Bonds and Water and Sewer Revenue and Tax Bonds	1998	11,752,379
General Obligation Refunding and Improvement Bonds, Series 1993, 1994A and 1997	2005	8,310,000
Water and Sewer Revenue and Tax Refunding and Improvement Bonds, Series 1993 and 1994	2005	1,420,000
General Obligation Public Improvement Bonds, Series 2000	2006	5,890,000
Water and Sewer Revenue and Tax Bonds, Series 2000	2006	1,690,000

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Long-Term Debt (Continued):

Capital Leases - Governmental

During the fiscal year ended June 30, 2004, the City entered into a lease agreement for financing the acquisition of an IBM Computer System with a down payment of \$107,058. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

Computer Equipment	\$ 403,802
Less: Accumulated Depreciation	<u>403,802</u>
Total	\$ <u> -</u>

The lease was paid in full during the 2007 fiscal year.

Capital Leases – Business-Type Activities

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Minimum Lease Payment</u>
2008	\$ 36,448	7,375	43,823
2009	38,230	5,593	43,823
2010	40,273	3,550	43,823
2011	42,425	1,398	43,823
2012	526	-	526
	<u>\$ 157,902</u>	<u>17,916</u>	<u>175,818</u>

The assets acquired through capital leases are as follows:

Golf Carts	\$ 192,500
Less: Accumulated Depreciation	<u>19,250</u>
Total	\$ <u>173,250</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

F. Long-Term Debt (Continued):

Long-term liability activity for the year ended June 30, 2007, was as follows:

	Beginning Balance	Additions	Reductions	Adjustments	Ending Balance	Due within one year
Governmental activities:						
General Obligation Bonds	\$ 114,641,644	29,085,001	(34,223,558)	-	109,503,087	7,465,625
Less deferred amounts for refunding	(353,502)	(743,649)	49,870	-	(1,047,281)	-
Notes Payable-Land	689,264	-	(218,507)	-	470,757	229,568
Capital Outlay Note	540,000	-	(83,000)	-	457,000	85,000
Capital Leases	102,875	-	(102,875)	-	-	-
Compensated Absences	2,184,431	1,348,369	(1,415,289)	-	2,117,511	1,371,932
Governmental activity Long-term liabilities	<u>\$ 117,804,712</u>	<u>29,689,721</u>	<u>(35,993,359)</u>	<u>-</u>	<u>111,501,074</u>	<u>9,152,125</u>
Business-type activities:						
Bonds Payable:						
General Obligation Bonds	\$ 68,641,159	-	(2,307,956)	2,495,000	68,828,203	2,133,808
Revenue Bonds	43,560,000	33,515,000	(25,385,000)	(2,495,000)	49,195,000	3,295,000
Less deferred amounts for refunding, premiums and discounts	(1,518,243)	427,681	202,644	-	(887,918)	-
Total bonds payable	110,682,916	33,942,681	(27,490,312)	-	117,135,285	5,428,808
Notes Payable						
Capital Leases	\$ -	192,500	(34,598)	-	157,902	36,448
General Obligation	929,286	-	(11,021)	-	918,265	11,467
Revenue Anticipation Notes	12,000,000	-	(12,000,000)	-	-	-
Compensated Absences	2,269,399	868,339	(567,540)	-	2,570,198	689,393
Landfill Postclosure Cost	672,840	-	(37,380)	-	635,460	37,380
Business-type activity Long-term liabilities	<u>\$ 126,554,441</u>	<u>35,003,520</u>	<u>(40,140,851)</u>	<u>-</u>	<u>121,417,110</u>	<u>6,203,496</u>

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

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

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

G. Closure and Post Closure Costs

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions for thirty years after closure. The Bowser Ridge Landfill closed during the fiscal year ended June 30, 1994 and the Iris Glen Landfill began receiving solid waste during the fiscal year ended June 30, 1995. The deferred postclosure costs recorded are for the Bowser Ridge Landfill. Since the Landfill closed during the year that *Governmental Accounting Standards Board Statement Number 18*, which requires the recording of these costs, went into effect, no investments have been set aside to cover these costs. All costs will be funded by the City government. The City of Johnson City has filed financial assurance with the State of Tennessee Department of Environment and Conservation for the Bowser Ridge Landfill in the form of a contract in lieu of performance bond in the amount of \$975,884, for closure and postclosure costs. An estimate of the required amounts was made by an environmental auditor for the future years, with consideration given to inflation and other potential changes. A separate operation and maintenance contract with Waste Management Systems, Inc. is in effect for the Iris Glen Landfill. The contract states that Waste Management is responsible for the closure and postclosure costs for Iris Glen. During the year ended June 30, 2007, the City paid Waste Management, \$3,470,370 for Landfill Services.

H. Segment Information

A segment is an identifiable activity (or grouping of activities) reported as or within an enterprise fund or another stand-alone entity that has one or more bonds or other debt instruments outstanding, with a revenue stream pledged in support of that debt. Summary financial information as of June 30, 2007, for segments Buffalo Valley Golf Course and Regional Solid Waste (see Note 1.C. for description of services provided) is presented below.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

H. Segment Information (Continued)

CONDENSED STATEMENT OF NET ASSETS

	Golf	Regional	
	Courses	Solid Waste	Total
<u>ASSETS:</u>			
Current Assets	\$ 129,140	2,099,203	2,228,343
Capital Assets (Net)	2,789,099	704,280	3,493,379
Other Assets (Net)	17,540	-	17,540
Total Assets	<u>2,935,779</u>	<u>2,803,483</u>	<u>5,739,262</u>
<u>LIABILITIES:</u>			
Current Liabilities	2,112,214	165,549	2,277,763
Non-Current Liabilities	1,851,886	101,552	1,953,438
Total Liabilities	<u>3,964,100</u>	<u>267,101</u>	<u>4,231,201</u>
<u>NET ASSETS:</u>			
Invested in Capital Assets, Net of Related Debt	811,733	704,280	1,516,013
Unrestricted	(1,840,054)	1,832,102	(7,952)
Total Net Assets	<u>\$ (1,028,321)</u>	<u>2,536,382</u>	<u>1,508,061</u>

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007.

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

H. Segment Information (continued)

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	Golf Courses	Regional Solid Waste	Total
Operating Revenues (Expenses):			
Charges for Services (Net)	\$ 1,008,265	2,080,774	3,089,039
Other Revenue	26,407	-	26,407
Depreciation and Amortization	(112,339)	(131,259)	(243,598)
Other Operating Expenses	(1,128,560)	(1,523,811)	(2,652,371)
Operating Income (Loss)	(206,227)	425,704	219,477
Nonoperating Revenues (Expenses):			
Investment Income	-	103,227	103,227
Interest Expense and Commissions	(229,218)	(3,654)	(232,872)
Amortization	(1,949)	-	(1,949)
Gain (Loss) on Sale of Capital Assets	-	-	-
Operating Transfers	549,751	(135,399)	414,352
Change in Net Assets	112,357	389,878	502,235
Beginning Net Assets	(1,140,678)	2,146,504	1,005,826
Ending Net Assets	\$ (1,028,321)	2,536,382	1,508,061

CONDENSED STATEMENT OF CASH FLOWS

	Golf Courses	Regional Solid Waste	Total
Net Cash Provided by (Used for):			
Operating Activities	\$ (107,369)	649,602	542,233
Noncapital Financing Activities	549,751	(135,399)	414,352
Capital and Related Financing Activities	(442,382)	(123,304)	(565,686)
Investing Activities	-	103,227	103,227
Net Increase (Decrease)	-	494,126	494,126
Beginning Cash and Cash Equivalents	1,170	1,560,611	1,561,781
Ending Cash and Cash Equivalents	\$ 1,170	2,054,737	2,055,907

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

5. OTHER INFORMATION:

A. Risk management

The City carries insurance coverage through the Tennessee Municipal League (TML) Risk Management Pool for general liability, automobile coverage, and errors and omission coverage. The City also carries auto physical damage coverage with the TML Risk Management Pool. There was no reduction in insurance coverage from the prior year and the City has not had any settlements in the last three years which were not covered by insurance. The City participates in a self-insured retention plan through TML for the liability program. All other insurance programs written through TML are provided through conventional insurance coverage. Although TML is a risk management pool and the policy contains an assessment clause, no assessment has been levied during the time the City has participated in this program. With the TML coverage, the City has an annual aggregate limit of \$600,000 for liability retention plan. As of June 30, 2007, the general liability program had \$212,439 for the City in claims incurred during the fiscal year but not yet settled. These amounts are not recorded in the financial statements until settlement is made. For the July 1, 2006 to July 1, 2007 policy period, the City received a dividend of \$28,985 from TML.

The City carried workers' compensation coverage through the Tennessee Municipal League (TML) Risk Management Pool prior to October 15, 2002, with an aggregate limit for the period of 7/1/02-10/15/02 of \$600,000. After October 15, 2002, the City provided workers' compensation coverage through a self-funded plan. The City carries stop-loss insurance with an individual specific amount of \$500,000 and an aggregate limit of 120% of expected claims. The total paid out for workers' compensation during 2006-2007 was \$1,321,343 for the City and \$223,356 for the Schools. These totals include payments for claims from injuries incurred in previous years. A reconciliation of claims for the year ended June 30, 2007 and 2006 are as follows:

	June 30, 2007			June 30, 2006	Variance
	City	Schools	Total		
Claims Incurred	\$ 404,088	178,326	582,414	541,262	41,152
Claims Paid	210,908	60,152	271,060	317,947	(46,887)
Claims Ending	\$ 193,180	118,174	311,354	223,315	88,039

The above represent current year liabilities and are reflected in the Internal Service Funds. Prior year amounts have been reflected as a liability in the Internal Service Funds for a total liability of \$734,000.

In addition to the above insurance, the City provides medical insurance to employees as well as post employment health care benefits through a partially self-funded health insurance plan. Participants in the plan pay premiums as determined by the City to offset a portion of the cost of the plan. The City carries stop-loss insurance with an individual specific limit of \$150,000 and an aggregate limit of 120% of expected claims. A reconciliation of claims for the year ended June 30, 2007 and 2006 are as follows:

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

5. OTHER INFORMATION (CONTINUED):

A. Risk management (continued)

	<u>June 30, 2007</u>			<u>June 30, 2006</u>	<u>Variance</u>
	<u>City</u>	<u>Schools</u>	<u>Total</u>		
Claims Accrued, Beginning	\$ 373,709	325,432	699,141	522,596	176,545
Claims Incurred	6,509,224	5,403,125	11,912,349	8,577,452	3,334,897
Claims Paid	6,325,196	5,251,523	11,576,719	9,801,334	1,775,385
Claims Accrued, Ending	\$ 557,737	477,034	1,034,771	(701,286)	1,736,057

The above liabilities are reflected in the Internal Service Funds.

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

Since July 1, 1986, the Power Board has been self-insured for the general liability, comprehensive general automobile liability, fire and casualty, and errors and omissions coverage. There has been one claim in the amount of \$94,750 paid from the fund, which was originally established at \$1,000,000 and has accumulated to \$2,087,774 at June 30, 2007. The Power Board has workman's compensation and employee group health insurance with outside companies.

B. Prior Period Adjustments

Government Wide:

Prior Period Adjustment - Accrued Interest Expense	\$ <u>(662,714)</u>
Prior Period Adjustment - Prepaid Insurance	\$ <u>12,408</u>
Prior Period Adjustment - Worker's Compensation	\$ <u>(810,000)</u>
Prior Period Adjustment - Deferred Revenue, Golf Course	\$ <u>(65,350)</u>

A prior period adjustment of \$(662,714) was recorded at the government-wide level for accrued interest on long-term debt.

A prior period adjustment was recorded in the Public Library, a component unit of the City, for recording prepaid insurance.

A prior period adjustment was recorded in the Insurance fund to account for worker's compensation liability.

A prior period adjustment was recorded in the Golf Course fund to defer revenue relating to membership fees.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

5. OTHER INFORMATION (CONTINUED):

C. Contingencies

The Johnson City School System questioned the division of the local option sales tax revenue between them and the Washington County, Tennessee School System for years prior to July 1, 1991. A final agreement was reached in October 1994, and the County will repay the City at \$75,000 per year over a fifteen (15) year period. The remaining amount of the settlement has been recorded on the General Fund as receivable and deferred revenue at both the government-wide and fund levels.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the government.

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

The City entered a lease agreement with the Johnson City Public Building Authority (PBA), an enterprise fund of the City, on December 15, 1997 to lease a facility known as the Continuing Education Center. The lease expires in 2023 in connection with the final payments on the PBA's bond issues. The annual rent due is the amount necessary to pay the maturing principal and interest due on the bond issues and any other expense or debt of the PBA that remains unpaid during the fiscal year. During the year ended June 30, 2007, the City paid \$1,315,596 to the PBA to lease the Continuing Education Center.

D. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The plan assets are in custodial accounts and are not subject to the claims of the City's general creditors and are not reflected in funds of the City.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

5. OTHER INFORMATION (CONTINUED):

E. Post-employment health care benefits

City of Johnson City:

In 1984 the City Commission passed a resolution which offers post-employment health care benefits to all employees who retire from the City after 20 years service until their 65th birthday. The quarterly charge for employees is \$330 for individual and \$705 for family. There are 73 City employees covered by this arrangement. Employees who attain age 65 and retire after 40 years of service are provided health care benefits at no cost for life. At present, two City employees meet the eligibility requirements. The City reimburses 80% or 90%, depending upon the plan chosen, of validated claims for medical and hospitalization after a deductible of \$350 or \$275, depending on the Plan chosen. During the fiscal year ended June 30, 2007, premiums of \$162,874 were collected for City employees.

Johnson City Schools:

The Johnson City Schools have two arrangements for post-employment health care benefits. If the school employee retires with full benefits (30 years or age 60), has 10 years of service with the Johnson City Schools and has carried insurance for the past 5 consecutive years, then the quarterly charge is \$0 for individual and \$291.50 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 \$330 for individual and \$705 for family. There are approximately 122 School employees participating in the post-employment health care benefit arrangements. Employees who attain age 65 and retire after 40 years of service are provided health care benefits at no cost for life. At present, one School employees meet the eligibility requirements. The City reimburses 80% or 90%, depending upon the plan chosen, of validated claims for medical and hospitalization after a deductible of \$350 or \$275, depending on the Plan chosen. During the year ended June 30, 2007, premiums of \$63,587 were collected for school employees.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

5. OTHER INFORMATION (CONTINUED):

F. Pension Plan

CITY OF JOHNSON CITY:

Plan Description

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

Funding Policy

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

JOHNSON CITY is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2007 was 17.76% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for JOHNSON 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, 2007

5. OTHER INFORMATION (CONTINUED):

F. Pension Plan (continued)

CITY OF JOHNSON CITY (CONTINUED):

Annual Pension Cost

For the year ending June 30, 2007, JOHNSON CITY's annual pension cost of \$6,254,779 to TCRS was equal to JOHNSON CITY's required and actual contributions. The required contribution was determined as part of the July 1, 2005 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. JOHNSON CITY's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005 was 10 years. An actuarial valuation was performed as of July 1, 2005, which established contribution rates effective July 1, 2006.

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2007	6,254,779	100%	-
June 30, 2006	4,962,046	100%	-
June 30, 2005	4,749,969	100%	-

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

5. OTHER INFORMATION (CONTINUED):

F. Pension Plan (continued)

JOHNSON CITY SCHOOLS:

Plan Description

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

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

Funding Policy

Most teachers are required by state statute to contribute 5.0% of salary to the plan. The employer contribution rate for JOHNSON CITY SCHOOLS is established at an actuarially determined rate. The employer rate for the fiscal year ending June 30, 2007 was 6.13% 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, 2007, 2006, and 2005 were \$1,687,513, \$1,394,501, \$1,328,269, respectively, equal to the required contributions for each year.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

5. OTHER INFORMATION (CONTINUED):

F. Pension Plan (continued)

JOHNSON CITY POWER BOARD:

Plan Description

Employees of JOHNSON CITY POWER BD 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 JOHNSON CITY POWER BD participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

5. OTHER INFORMATION (CONTINUED):

F. Pension Plan (continued)

JOHNSON CITY POWER BOARD (CONTINUED):

Funding Policy

JOHNSON CITY POWER BD requires employees to contribute 5.0 percent of earnable compensation. JOHNSON CITY POWER BD is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2007 was 14.39% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for JOHNSON CITY POWER BD is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ending June 30, 2007, JOHNSON CITY POWER BD's annual pension cost of \$1,235,076 to TCRS was equal to JOHNSON CITY POWER BD's required and actual contributions. The required contribution was determined as part of the July 1, 2005 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. JOHNSON CITY POWER BD's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005 was 10 years. An actuarial valuation was performed as of July 1, 2005, which established contribution rates effective July 1, 2006.

Trend Information

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
June 30, 2007	1,235,076	100%	-
June 30, 2006	1,034,737	100%	-
June 30, 2005	926,477	100%	-

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

5. OTHER INFORMATION (CONTINUED):

G. Joint Ventures

The Washington County – Johnson City Animal Control Center (ACC) is an animal shelter jointly owned by Johnson City and Washington County, Tennessee. Johnson City has control over budget and financing of the joint venture only to the extent of representation by the board members appointed and is responsible for funding 50% of any deficits from operations. Johnson City contributed \$129,048 to the operations during the year ended June 30, 2007.

The Washington Co. – Johnson City EMS, Inc. (EMS) receives revenue from Washington County and Johnson City, as well as patient billings. Johnson City contributed \$500,000 to the operations during the year ended June 30, 2006. As of the date of this report, audited financial statements were not completed for June 30, 2007; therefore the numbers presented herein are as of June 30, 2006.

Johnson City is responsible for funding at least 30% of operations of the Johnson City/Jonesborough/Washington County Economic Development Board, Inc. (EDB). Johnson City contributed \$131,250 and the Johnson City Power Board contributed \$77,000 to the operations during the year ended June 30, 2007.

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

The Johnson City Athletic Club (JCAC) receives revenue from the City of Johnson City, the Johnson City Housing Authority, interest income and private donations. Both the City and JCHA have agreed to donate \$45,000 annually to the Club for its operations. The City has advisory authority with regard to operations including recommendations of annual and capital budgets of the joint venture only to the extent of representation by the board members appointed. The Club is responsible for its debt and is entitled to surpluses. The City of Johnson City contributed \$43,000 for operations during the year ended June 30, 2007.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

5. OTHER INFORMATION (CONTINUED):

G. 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. During the fiscal year ended June 30, 2007, the City received \$0 from vacant lot sales. Financial statements are not prepared for the Tri-County Industrial Park.

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

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

Audited information as of June 30, 2007 is presented below for the following organizations except for EMS and the JCAC. The JCAC year end presented is September 30, 2006. EMS is presented for the year ended June 30, 2006. The information does not include the Tri-County Industrial Park. All are presented on the accrual basis.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

5. OTHER INFORMATION (CONTINUED):

G. Joint Ventures (continued)

	ACC	EMS	EDB	TCA	JCAC
Operating Revenues	\$ 111,943	5,580,618	357,000	5,940,932	91,258
Operating Expenses	(458,925)	(7,069,748)	(366,544)	(5,415,312)	(85,030)
Depreciation	-	-	-	(2,730,172)	-
Amortization	-	-	-	(13,501)	-
Other Income (Expense)	325,135	1,755,981	38,671	557,579	3,933
Capital Contributions	-	-	-	3,067,094	-
Net Income (Loss) Transferred to Net Assets	(21,847)	266,851	29,127	1,406,620	10,161
Net Assets, Beginning	388,571	2,064,483	890,967	45,751,198	109,233
Prior Period Adjustments	-	(22,615)	-	-	-
Net Assets, Ending	<u>\$ 366,724</u>	<u>2,308,719</u>	<u>920,094</u>	<u>47,157,818</u>	<u>119,394</u>
Total Assets	\$ 411,941	4,474,768	920,874	56,781,550	127,781
Total Liabilities	45,217	2,166,049	780	9,623,732	8,387
Total Net Assets	<u>\$ 366,724</u>	<u>2,308,719</u>	<u>920,094</u>	<u>47,157,818</u>	<u>119,394</u>

H. Subsequent Event

The City has settled with a claimant for flood damage to the claimant's property. The City settled this claim subsequent to year end for \$115,000. The total payment required by the City has been recorded as a liability in the Storm Water Management Fund.

I. New Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued its Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans* (OPEB). The Statement establishes standards for the measurement, recognition and display of OPEB expense and related liabilities in the financial statements. Management has not completed the process of evaluating the impact that will result from adoption of the standard, and is therefore unable to disclose the impact of adoption. The requirements of the Statement are effective in three phases based on the government's annual revenues, with the effective date for the City being the year ended June 30, 2008.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

6. NOTES OF THE DISCRETELY PRESENTED COMPONENT UNITS:

A. Johnson City Public Library

1. Summary of Significant Accounting Policies:

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

a. Government-wide and Fund Financial Statements

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

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

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

The Library established an endowment fund during the fiscal year ended June 30, 2000. The fund is currently being managed by the East Tennessee Foundation, a separate 501(c)(3), which operates as a service organization and manages the investment for the Johnson City Public Library.

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

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

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

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

A. Johnson City Public Library (continued)

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

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

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

The government reports the following major governmental funds:

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

The *permanent fund* is an endowment fund which was established to allow a separate 501(c)(3) to manage and invest funds on behalf of the Library.

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

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

c. Cash and Investments

Cash includes deposits with financial institutions in checking accounts and petty cash. Cash is reported at carrying value, which reasonably estimates fair value. Investments are recorded at market value in accordance with GASB Statement No. 31 (See Note 2).

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

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

A. **Johnson City Public Library (continued)**

d. *Capital Investments*

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

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

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

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

Computers	3-5 years
Equipment	5 years
Furniture	7 years

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

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

e. *Accumulated Unpaid Vacation and Sick Pay*

General policy of the Library does not allow employees to accumulate vacation days in excess of a normal year's accumulation. The amount of liability for accrued vacation pay was determined by computing the total number of hours earned as of June 30, 2007 at the current rate of pay. Sick leave is accumulated at the rate of 3.693 hours per pay period or 96 hours per year.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

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

A. **Johnson City Public Library (continued)**

f. Fund Equity

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

g. Budgets

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the Library. All annual appropriations lapse at fiscal year end. Any budget amendments require board approval. The budget was amended during the 2007 fiscal year for the general fund.

h. Use of Estimates

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

2. Deposits and Investments:

The Library has various deposits at banks and a cash investment through the East Tennessee Foundation at June 30, 2007. All deposits are insured by FDIC insurance up to \$100,000. Amounts in excess of \$100,000 are secured by the financial institution through the State Collateral Pool. Various restrictions on deposits and investments, including repurchase agreements, are imposed by state statutes. These restrictions are summarized as follows:

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

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

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

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

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

A. Johnson City Public Library (continued)

2. Deposits and Investments:

At June 30, 2007, cash on deposit is held in the following bank:

	<u>Per Bank</u>	<u>Per Books</u>
Bank	\$ <u>135,226</u>	<u>52,734</u>

Investments

The Library established an endowment fund during the fiscal year ended June 30, 2000, by giving the East Tennessee Foundation \$150,000. The Foundation manages and invests the funds of the Library on their behalf. The balance reflected on the governmental funds balance sheet for the Permanent Fund represents the funds currently being invested through the Foundation in several investment alternatives (See Note 1).

The funds held in the endowment are a category 2 risk; uninsured and unregistered, with securities held by the counterparty in the Library's name. These investments do not comply with the requirements of the Tennessee Code Annotated as outlined above under INVESTMENTS. The East Tennessee Foundation's commingled fund was invested with The Investment Fund for Foundations (TIFF) in a balanced portfolio. On June 30, 2007, the asset allocation was 42% in the U.S. Equity Fund, 15% in the International Equity Fund, 25.4% in Fixed Income, 9.8% in an Absolute Return Pool and 7.9% in private investment vehicles.

	<u>Cost</u>	<u>Market</u>
Endowment Investment	\$ <u>150,000</u>	<u>211,706</u>

The East Tennessee Foundation is audited and receives an independent auditors' report on their separate financial statements. Complete financial statements of the East Tennessee Foundation may be obtained from their office at: East Tennessee Foundation; 550 W Main Street, Suite 550; Knoxville, TN 37902.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

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

A. Johnson City Public Library (continued)

3. Capital Assets

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Adjustments</u>	<u>Ending Balance</u>
Governmental Activities:					
Capital Assets, Not Being Depreciated:					
Book Collection	\$1,138,049	-	-	-	1,138,049
Capital Assets, Being Depreciated:					
Equipment	100,029	18,360	(27,594)	-	90,795
Furniture	515,013	-	-	-	515,013
Total Capital Assets, Being Depreciated	<u>615,042</u>	<u>18,360</u>	<u>(27,594)</u>	<u>-</u>	<u>605,808</u>
Less Accumulated Depreciation for:					
Equipment	(56,708)	(8,065)	-	-	(64,773)
Furniture	(504,267)	-	-	-	(504,267)
Total Accumulated Depreciation	<u>(560,975)</u>	<u>(8,065)</u>	<u>-</u>	<u>-</u>	<u>(569,040)</u>
Total Capital Assets, Being Depreciated, Net	<u>54,067</u>	<u>10,295</u>	<u>(27,594)</u>	<u>-</u>	<u>36,768</u>
Governmental Activities, Capital Assets, Net	<u>\$1,192,116</u>	<u>10,295</u>	<u>(27,594)</u>	<u>-</u>	<u>1,174,817</u>

Depreciation expense of \$8,065 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, 2007

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

A. Johnson City Public Library (continued)

4. Budgetary Information:

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

Information Technology	335
Other Expenditures	43

5. Deferred Compensation Plan:

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

The Library also has a 403B plan in which employees may participate through payroll deductions. The Library made matching contributions to the plan totaling \$23,375.

6. Risk Management Activities:

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

7. Grants:

During the fiscal year ended June 30, 2007, the Library received a Library Services Technology Assistance (LSTA) grant from the State of Tennessee for computers in the amount of \$20,000. A foundation grant totaling \$5,000 was awarded and \$4,170 was received on the grant for shelving and fundraising resources.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

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

A. Johnson City Public Library (continued)

8. Commitments:

In August 2004, the Library entered into an operating lease for the lease of a phone system. The lease has an initial term of 60 months with a monthly rental payment of \$740. Total rent paid during fiscal year ended June 30, 2007 was \$8,880. The following is a schedule of future rental payments as identified in the lease agreement:

2008	8,880
2009	8,880
2010	<u>2,960</u>
	<u>\$ 20,720</u>

9. Economic Dependency:

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

City of Johnson City, Tennessee	85%
Washington County, Tennessee	6%

B. Johnson City Development Authority

1. Summary of Significant Accounting Policies:

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

a. Government-wide and Fund Financial Statements

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

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

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

B. Johnson City Development Authority (Continued)

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

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

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

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

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

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

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

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

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

B. Johnson City Development Authority (Continued)

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

The government reports the following major governmental funds:

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

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

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

c. Cash and Deposits

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

d. Capital Assets

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

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

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

Equipment	5 years
Furniture	7 years

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

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

B. Johnson City Development Authority (Continued)

e. Fund Equity

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

f. Budget

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

g. Use of Estimates

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

2. Deposits:

The JCDA has various deposits at a bank at June 30, 2007. All deposits are insured by FDIC insurance up to \$100,000. Various restrictions on deposits and investments, including repurchase agreements, are imposed by state statutes. These restrictions are summarized as follows:

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

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

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

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

B. Johnson City Development Authority (Continued)

2. Deposits (continued):

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

Deposits

The Johnson City Development Authority had \$100 cash on hand and the following balances in a bank at June 30, 2007, including certificates of deposits:

Bank	<u>Per Bank</u> \$ <u>43,235</u>	<u>Per Books</u> <u>35,769</u>
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3. Capital Assets

Capital asset activity for the year ended June 30, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Adjustments</u>	<u>Ending Balance</u>
Governmental Activities:					
Capital Assets, Being Depreciated:					
Office Equipment and Furniture	12,721	-	-	-	12,721
Total Capital Assets, Being Depreciated	<u>12,721</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,721</u>
Less Accumulated Depreciation for:					
Office Equipment and Furniture	(11,631)	(272)	-	-	(11,903)
Total Accumulated Depreciation	<u>(11,631)</u>	<u>(272)</u>	<u>-</u>	<u>-</u>	<u>(11,903)</u>
Total Capital Assets, Being Depreciated, Net	<u>1,090</u>	<u>(272)</u>	<u>-</u>	<u>-</u>	<u>818</u>
Governmental Activities, Capital Assets, Net	<u>\$1,090</u>	<u>(272)</u>	<u>-</u>	<u>-</u>	<u>818</u>

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

4. Leases

Operating Leases

The JCDA leases office space on a year to year basis from the Downtown Partners. Office rent is \$625 per month and total rent paid for the year was \$8,340.

CITY OF JOHNSON CITY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal year ended June 30, 2007

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

B. Johnson City Development Authority (Continued)

5. Risk Management

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

6. Economic Dependency

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

7. Retirement

During the 2006-2007 fiscal year, the JCDA began an IRA simple plan for the employees. The plan allows for the employer to match the contribution made by the employee, up to 3% of wages. For the fiscal year ended June 30, 2007, the total retirement amount paid by employees was \$2,882 and by the employer was \$2,882.

7. OTHER MATTERS:

On January 23, 2007, Washington County issued \$105,675,000 in bonds to fund capital needs within the Washington County and Johnson City Schools. School debt proceeds received by the County are shared with the City based on Student Average Daily Attendance (ADA). During FY 2007, the City received \$5,511,025 of these proceeds which were deposited in the Capital Project Funds. Since it is the County's intent to draw down the bond proceeds as needed for use, and to use the interest income from these proceeds to fund interest expense, the remaining bond proceeds are expected to be received during FY 2008. The remaining amounts of the proceeds to be received by the City of Johnson City are \$41,875,805.

During the fiscal year, a long-term employee of the City was charged with fraud involving the Community Development programs for rehabilitation of housing. Currently, the Tennessee Bureau of Investigation is working with the Department of Housing and Urban Development to determine the extent of the activity.

CITY OF JOHNSON CITY, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF FUNDING PROGRESS FOR DEFINED BENEFIT PENSION PLAN
For the Fiscal year ended June 30, 2007

Schedule of Funding Progress For Johnson City, 80020

(Dollar Amounts in Thousands)

	(a)	(b) (AAL)	(b) - (a) (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAAL as a % of Covered Payroll
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL			
July 1, 2005	103,948	114,847	10,899	90.51%	31,396	34.71%
July 1, 2003	93,477	105,760	12,283	88.39%	29,601	41.50%
July 1, 2001	85,662	99,393	13,731	86.19%	30,839	44.52%

Schedule of Funding Progress for Johnson City Power Board, 80022

(Dollar Amounts in Thousands)

	(a)	(b) (AAL)	(b) - (a) (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAAL as a % of Covered Payroll
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL			
July 1, 2005	24,498	28,313	3,815	86.53%	7,830	48.72%
July 1, 2003	22,514	26,813	4,299	83.97%	7,560	56.87%
July 1, 2001	20,902	25,457	4,555	82.11%	6,427	70.87%

NONMAJOR GOVERNMENTAL FUNDS

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

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

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

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

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

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

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

Drug Fund accounts for drug fines awarded by court action.

Police Grant Fund accounts for all the police grants from the federal, state and local governments.

Community Development Fund accounts for Housing and Urban Development Funds.

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

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

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

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

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

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

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

CITY OF JOHNSON CITY, TENNESSEE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2007

	Special Revenue Funds	Capital Project Funds	Permanent Fund - School Trust Fund	Total Nonmajor Governmental Funds
<u>ASSETS:</u>				
Cash in Bank	\$ 1,189,929	10,882,750	210,485	12,283,164
Cash on Deposit with State of Tennessee	-	41,699	-	41,699
Cash Due from Central Depository	689,430	2,767,678	-	3,457,108
Restricted Cash	-	6,410,958	-	6,410,958
Accounts Receivable	-	2,297	-	2,297
Due from Federal Government	158,371	-	-	158,371
Due from State of Tennessee	980,403	-	-	980,403
Local Grants Receivable	465	-	-	465
Notes Receivable	56,482	-	-	56,482
Inventories	156,413	-	-	156,413
Total Assets	\$ 3,231,493	20,105,382	210,485	23,547,360
<u>LIABILITIES AND FUND BALANCES:</u>				
<u>Liabilities:</u>				
Cash Due to Central Depository	\$ 91,817	2,771,026	-	2,862,843
Accounts Payable	114,742	1,181,541	-	1,296,283
Accrued Payroll Expenses	295,164	-	-	295,164
Accrued Expenses	6,954	-	-	6,954
Due to Other Funds	585,570	-	-	585,570
Deferred Revenue	85,930	-	-	85,930
Retainage Payable	-	434,629	-	434,629
Total Liabilities	1,180,177	4,387,196	-	5,567,373
<u>Fund Balances:</u>				
Reserved for Community Development	26,967	-	-	26,967
Reserved for Inventories	156,413	-	-	156,413
Reserved for School Trust	-	-	210,485	210,485
Reserved for Senior Citizens	15,000	-	-	15,000
Unreserved:				
Designated for Special Projects	347,683	-	-	347,683
Designated for Compensated Absences	44,865	-	-	44,865
Undesignated	1,460,388	15,718,186	-	17,178,574
Total Fund Balances	2,051,316	15,718,186	210,485	17,979,987
Total Liabilities and Fund Balances	\$ 3,231,493	20,105,382	210,485	23,547,360

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, 2007

	Special Revenue Funds	Capital Project Funds	Permanent Fund - School Trust Fund	Total Nonmajor Governmental Funds
<u>Revenues:</u>				
Taxes	\$ -	272,940	-	272,940
Federal Government	6,382,473	-	-	6,382,473
State of Tennessee	985,197	-	-	985,197
Local Governments	42,317	-	-	42,317
Charges for Current Services	1,223,337	-	-	1,223,337
Sale of Real Estate	62,625	45,095	-	107,720
Fines and Forfeitures	144,591	-	-	144,591
Investment Earnings	35,809	354,991	10,912	401,712
Use of Property	1,417,052	30,269	-	1,447,321
Miscellaneous	257,315	68,891	-	326,206
Total Revenues	10,550,716	772,186	10,912	11,333,814
<u>Expenditures:</u>				
Current:				
Public Safety	191,510	105,942	-	297,452
Public Works	-	8,826	-	8,826
Public Welfare	707,918	22,857	-	730,775
Senior Citizens	30,434	-	-	30,434
Scholarships Awarded	-	-	3,591	3,591
Entertainment and Operation	1,675,050	-	-	1,675,050
Highway and Transportation Planning	236,935	-	-	236,935
Education	5,508,775	-	-	5,508,775
School Food Service	2,728,079	-	-	2,728,079
Miscellaneous	19,000	-	-	19,000
Capital Outlay	360,669	8,794,633	-	9,155,302
Debt Service:				
Principal Retirement	-	291,117	-	291,117
Interest and Fiscal Charges	-	136,735	-	136,735
Total Expenditures	11,458,370	9,360,110	3,591	20,822,071
Excess (Deficiency) of Revenues Over (Under) Expenditures	(907,654)	(8,587,924)	7,321	(9,488,257)
<u>Other Financing Sources (Uses):</u>				
Transfers (Net)	1,008,088	1,687,560	-	2,695,648
Contribution of Bond Issue from Washington County	-	5,511,025	-	5,511,025
Total Other Financing Sources (Uses)	1,008,088	7,198,585	-	8,206,673

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2007

	Special Revenue Funds	Capital Project Funds	Permanent Fund - School Trust Fund	Total Nonmajor Governmental Funds
Net Change in Fund Balances	100,434	(1,389,339)	7,321	(1,281,584)
Fund Balances, July 1, 2006	1,995,696	17,107,525	203,164	19,306,385
Purchase Method Inventory Adjustment	(44,814)	-	-	(44,814)
Fund Balances, July 1, 2006 (Restated)	1,950,882	17,107,525	203,164	19,261,571
Fund Balances, June 30, 2007	<u>\$ 2,051,316</u>	<u>15,718,186</u>	<u>210,485</u>	<u>17,979,987</u>

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
June 30, 2007

	Freedom Hall Civic Center	School Funds	Transportation Planning Fund	Drug Fund	Police Grant Fund	Community Development	Senior Citizens Fund	Employee Scholarship Fund	Total Special Revenue Funds
\$	1,875	1,186,054	-	2,000	-	-	-	-	1,189,929
	67,068	-	-	347,518	5,817	-	266,081	2,946	689,430
	-	-	-	-	4,450	153,921	-	-	158,371
	-	883,683	73,388	-	8,315	15,017	-	-	980,403
	-	-	-	-	465	-	-	-	465
	-	156,413	-	-	-	56,482	-	-	56,482
	-	2,226,150	73,388	349,518	19,047	225,420	266,081	2,946	156,413
\$	68,943	2,226,150	73,388	349,518	19,047	225,420	266,081	2,946	3,231,493

ASSETS:

Cash and Cash Equivalents	
Cash Due from Central Depository	
Due from Federal Government	
Due from State of Tennessee	
Local Grants Receivable	
Notes Receivable	
Inventories	
Total Assets	

LIABILITIES AND FUND BALANCES:

	Freedom Hall Civic Center	School Funds	Transportation Planning Fund	Drug Fund	Police Grant Fund	Community Development	Senior Citizens Fund	Employee Scholarship Fund	Total Special Revenue Funds
\$	-	-	16,449	-	-	75,368	-	-	91,817
	11,496	14,308	20,600	3,209	377	64,264	488	-	114,742
	6,352	284,222	2,247	-	-	2,343	-	-	295,164
	6,954	-	-	-	-	-	-	-	6,954
	-	585,570	-	-	-	-	-	-	585,570
	6,217	4,711	-	-	18,524	56,478	-	-	85,930
	31,019	888,811	39,296	3,209	18,901	198,453	488	-	1,180,177

Liabilities:

Cash Due to Central Depository	
Accounts Payable	
Accrued Payroll Expenses	
Accrued Expenses	
Due to Other Funds	
Deferred Revenue	
Total Liabilities	

Fund Balances:

Reserved for Community Development	
Reserved for Inventories	
Reserved for Senior Citizens	
Unreserved:	
Designated for Special Projects	
Designated for Compensated Absences	
Undesignated	
Total Fund Balances	

Total Liabilities and Fund Balances

\$	68,943	2,226,150	73,388	349,518	19,047	225,420	266,081	2,946	3,231,493
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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, 2007

	Freedom Hall Civic Center	School Funds	Transportation Planning Fund	Drug Fund	Police Grant Fund	Community Development Fund	Senior Citizens Fund	Employee Scholarship Fund	Total Special Revenue Funds
Revenues:									
Federal Government	-	5,775,667	-	-	53,332	553,474	-	-	6,382,473
State of Tennessee	-	690,203	199,354	-	45,241	50,399	-	-	985,197
Local Governments	-	9,935	-	-	32,382	-	-	-	42,317
Charges for Current Services	-	1,223,337	-	-	-	-	-	-	1,223,337
Sale of Real Estate	-	-	-	-	-	62,625	-	-	62,625
Fines and Forfeitures	-	-	-	144,591	-	-	-	-	144,591
Investment Earnings	-	22,657	-	-	18	-	12,796	338	35,809
Use of Property	1,417,052	-	-	-	-	-	-	-	1,417,052
Miscellaneous	39,587	-	-	-	377	67,266	56,673	7,758	257,315
Total Revenues	1,456,639	7,721,799	199,354	230,245	131,350	733,764	69,469	8,096	10,550,716
Expenditures:									
Current:									
Public Safety	-	-	-	71,167	120,343	-	-	-	191,510
Public Welfare	-	-	-	-	-	707,918	-	-	707,918
Senior Citizens	-	-	-	-	-	-	30,434	-	30,434
Entertainment and Operation	1,675,050	-	-	-	-	-	-	-	1,675,050
Highway and Transportation Planning	-	-	236,935	-	-	-	-	-	236,935
Education	-	5,508,775	-	-	-	-	-	-	5,508,775
School Food Service	-	2,728,079	-	-	-	-	-	-	2,728,079
Miscellaneous	-	-	-	-	-	-	-	-	-
Capital Outlay	-	279,325	-	61,494	19,850	-	-	19,000	360,669
Total Expenditures	1,675,050	8,516,179	236,935	132,661	140,193	707,918	30,434	19,000	11,458,370
Excess (Deficiency) of Revenues Over (Under) Expenditures	(218,411)	(794,380)	(37,581)	97,584	(8,843)	25,846	39,035	(10,904)	(907,654)
Other Financing Sources (Uses):									
Transfers (Net)	182,044	779,680	46,364	(15,980)	15,980	-	-	-	1,008,088
Total Other Financing Sources (Uses)	182,044	779,680	46,364	(15,980)	15,980	-	-	-	1,008,088
Net Change in Fund Balances	(36,367)	(14,700)	8,783	81,604	7,137	25,846	39,035	(10,904)	100,434
Fund Balances, July 1, 2006	74,291	1,343,952	25,309	264,705	(6,991)	54,022	226,558	13,850	1,995,696
Purchase Method Inventory Adjustment	-	8,087	-	-	-	(52,901)	-	-	(44,814)
Fund Balances, July 1, 2006 (Restated)	74,291	1,352,039	25,309	264,705	(6,991)	1,121	226,558	13,850	1,950,882
Fund Balances, June 30, 2007	\$ 37,924	1,337,339	34,092	346,309	146	26,967	265,593	2,946	2,051,316

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
COMBINING BALANCE SHEET
SCHOOL FUNDS
June 30, 2007

	School Federal Projects Fund	Special School Projects Fund	School Food Service Fund	School Site Based Fund	Total School Funds
<u>ASSETS:</u>					
Cash and Cash Equivalents	\$ -	-	836,195	349,859	1,186,054
Due from State of Tennessee	609,806	273,877	-	-	883,683
Inventories	-	-	156,413	-	156,413
Total Assets	\$ 609,806	273,877	992,608	349,859	2,226,150
<u>LIABILITIES AND FUND BALANCES:</u>					
<u>Liabilities:</u>					
Accounts Payable	\$ 12,132	-	-	2,176	14,308
Accrued Payroll Expenses	260,190	21,080	2,952	-	284,222
Due to Other Funds	332,773	252,797	-	-	585,570
Deferred Revenue	4,711	-	-	-	4,711
Total Liabilities	609,806	273,877	2,952	2,176	888,811
<u>Fund Balances:</u>					
Reserved for Inventory	-	-	156,413	-	156,413
Reserved for Compensated Absences	-	-	3,374	-	3,374
Unreserved:					
Designated for Special Projects	-	-	-	347,683	347,683
Undesignated	-	-	829,869	-	829,869
Total Fund Balances	-	-	989,656	347,683	1,337,339
Total Liabilities and Fund Balances	\$ 609,806	273,877	992,608	349,859	2,226,150

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, 2007

	School Federal Projects Fund	Special School Projects Fund	School Food Service Fund	School Site Based Fund	Total School Funds
Revenues:					
Federal Government	\$ 4,167,686	33,300	1,574,681	-	5,775,667
State of Tennessee	-	656,164	34,039	-	690,203
Local Governments	-	9,935	-	-	9,935
Charges for Current Services	-	-	1,223,337	-	1,223,337
Investment Earnings	-	-	22,657	-	22,657
Total Revenues	4,167,686	699,399	2,854,714	-	7,721,799
Expenditures:					
Current:					
Education	4,080,309	696,111	-	732,355	5,508,775
School Food Service	-	-	2,728,079	-	2,728,079
Capital Outlay	106,898	16,730	155,697	-	279,325
Total Expenditures	4,187,207	712,841	2,883,776	732,355	8,516,179
Excess (Deficiency) of Revenues Over (Under) Expenditures	(19,521)	(13,442)	(29,062)	(732,355)	(794,380)
Other Financing Sources (Uses):					
Transfers (Net)	19,521	13,442	-	746,717	779,680
Total Other Financing Sources (Uses)	19,521	13,442	-	746,717	779,680
Net Change in Fund Balances	-	-	(29,062)	14,362	(14,700)
Fund Balances, July 1, 2006	-	-	1,010,631	333,321	1,343,952
Purchase Method Inventory Adjustment	-	-	8,087	-	8,087
Fund Balances, July 1, 2006 (Restated)	-	-	1,018,718	333,321	1,352,039
Fund Balances, June 30, 2007	\$ -	-	989,656	347,683	1,337,339

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
COMBINING BALANCE SHEET
CAPITAL PROJECT FUNDS
June 30, 2007

	Various Project Funds										Total Capital Project Funds
	Equipment Fund	Parks Fund	Public		Infrastructure Fund	Schools Fund	Industrial		Med Tech Park Fund	Total	
			Facilities Fund	Fund			Park Fund	Fund			
ASSETS:											
Cash and Cash Equivalents	\$ -	-	-	-	-	10,882,750	-	-	-	-	10,882,750
Cash on Deposit with State of Tennessee	-	-	-	41,699	-	-	-	-	-	-	41,699
Cash Due from Central Depository	539,989	238,797	221,774	-	-	-	-	1,767,118	-	-	2,767,678
Restricted Cash	-	-	3,949,119	2,461,839	-	-	-	-	-	-	6,410,958
Accounts Receivable	-	-	-	-	-	-	2,297	-	-	-	2,297
Total Assets	\$ 539,989	238,797	4,170,893	2,503,538	10,882,750	2,297	1,767,118	20,105,382			
LIABILITIES AND FUND BALANCES:											
Liabilities:											
Cash Due to Central Depository	\$ -	-	-	788,976	460,536	-	1,521,514	-	-	-	2,771,026
Accounts Payable	27,810	22,278	123,656	622,884	383,386	-	1,527	-	-	-	1,181,541
Retainage Payable	-	-	9,017	371,718	53,894	-	-	-	-	-	434,629
Total Liabilities	27,810	22,278	132,673	1,783,578	897,816	-	1,523,041	-	-	-	4,387,196
Fund Balances											
Unreserved:											
Undesignated	512,179	216,519	4,038,220	719,960	9,984,934	-	(1,520,744)	1,767,118	-	-	15,718,186
Total Fund Balances	512,179	216,519	4,038,220	719,960	9,984,934	-	(1,520,744)	1,767,118	-	-	15,718,186
Total Liabilities and Fund Balances	\$ 539,989	238,797	4,170,893	2,503,538	10,882,750	2,297	1,767,118	20,105,382			

See Independent Auditors' Report.

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

CAPITAL PROJECT FUNDS

For the Fiscal Year Ended June 30, 2007

	Various Project Funds							Total Capital Project Funds
	Equipment Fund	Parks Fund	Public Facilities Fund	Infrastructure Fund	Schools Fund	Industrial Park Fund	Med Tech Park Fund	
<u>Revenues:</u>								
Taxes	-	-	-	-	-	-	272,940	272,940
Sale of Real Estate	-	-	-	-	-	45,095	-	45,095
Investment Earnings	-	940	-	2,423	351,539	-	89	354,991
Use of Property	-	-	-	-	-	30,269	-	30,269
Miscellaneous	7,000	44,391	-	17,500	-	-	-	68,891
Total Revenues	7,000	45,331	-	19,923	351,539	75,364	273,029	772,186
<u>Expenditures:</u>								
<u>Current:</u>								
Public Safety	105,942	-	-	-	-	-	-	105,942
Public Works	-	-	8,785	41	-	-	-	8,826
Public Welfare	-	-	-	-	-	22,857	-	22,857
Capital Outlay	1,841,817	38,996	456,218	4,603,180	1,447,875	-	406,547	8,794,633
Debt Service:								
Retirement of Debt	-	-	-	-	-	-	291,117	291,117
Interest and Fiscal Charges	-	-	-	-	-	-	136,735	136,735
Total Expenditures	1,947,759	38,996	465,003	4,603,221	1,447,875	22,857	834,399	9,360,110
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,940,759)	6,335	(465,003)	(4,583,298)	(1,096,336)	52,507	(561,370)	(8,587,924)

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
CAPITAL PROJECT FUNDS
For the Fiscal Year Ended June 30, 2007

	Various Project Funds							Total Capital Project Funds
	Equipment Fund	Parks Fund	Public Facilities Fund	Infrastructure Fund	Schools Fund	Industrial Park Fund	Med Tech Park Fund	
Other Financing Sources (Uses):								
Operating Transfers (Net)	1,409,214	62,971	3,163,690	13,524	(2,961,839)	-	-	1,687,560
Contribution of Bond Issue from Washington County	-	-	-	-	5,511,025	-	-	5,511,025
Total Other Financing Sources (Uses)	1,409,214	62,971	3,163,690	13,524	2,549,186	-	-	7,198,585
Net Change in Fund Balances	(531,545)	69,306	2,698,687	(4,569,774)	1,452,850	52,507	(561,370)	(1,389,339)
Fund Balances, July 1, 2006	1,043,724	147,213	1,339,533	5,289,734	8,532,084	(1,573,251)	2,328,488	17,107,525
Fund Balances, June 30, 2007	\$ 512,179	216,519	4,038,220	719,960	9,984,934	(1,520,744)	1,767,118	15,718,186

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
For the Fiscal Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<u>Revenues:</u>				
Use of Property	\$ 1,408,250	1,416,250	1,417,052	802
Miscellaneous	45,000	45,000	39,587	(5,413)
Total Revenues	<u>1,453,250</u>	<u>1,461,250</u>	<u>1,456,639</u>	<u>(4,611)</u>
<u>Expenditures:</u>				
Civic Center Entertainment and Operation	1,600,535	1,693,535	1,675,050	18,485
Total Expenditures	<u>1,600,535</u>	<u>1,693,535</u>	<u>1,675,050</u>	<u>18,485</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(147,285)</u>	<u>(232,285)</u>	<u>(218,411)</u>	<u>13,874</u>
<u>Other Financing Sources (Uses):</u>				
Transfer In	147,285	197,285	182,044	(15,241)
Total Other Financing Sources (Uses)	<u>147,285</u>	<u>197,285</u>	<u>182,044</u>	<u>(15,241)</u>
Net Change in Fund Balances	-	(35,000)	(36,367)	(1,367)
Fund Balance, July 1, 2006	<u>74,291</u>	<u>74,291</u>	<u>74,291</u>	<u>-</u>
Fund Balance, June 30, 2007	<u>\$ 74,291</u>	<u>39,291</u>	<u>37,924</u>	<u>(1,367)</u>

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
SCHOOL FEDERAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Federal Government	\$ 4,070,504	4,852,299	4,167,686	(684,613)
Total Revenues	4,070,504	4,852,299	4,167,686	(684,613)
<u>Expenditures:</u>				
Education	3,957,957	4,739,828	4,080,309	659,519
Capital Outlay	112,547	116,201	106,898	9,303
Total Expenditures	4,070,504	4,856,029	4,187,207	668,822
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(3,730)	(19,521)	(15,791)
<u>Other Financing Sources (Uses):</u>				
Transfer In, net	3,730	3,730	19,521	15,791
Total Other Financing Sources (Uses)	3,730	3,730	19,521	15,791
Net Change in Fund Balances	3,730	-	-	-
Fund Balance, July 1, 2006	-	-	-	-
Fund Balance, June 30, 2007	\$ 3,730	0	0	0

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
SPECIAL SCHOOL PROJECTS FUND
For the Fiscal Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Federal Government	\$ 3,300	33,300	33,300	-
State of Tennessee	571,679	686,902	656,164	(30,738)
Local Governments	10,120	10,120	9,935	(185)
Total Revenues	585,099	730,322	699,399	(30,923)
<u>Expenditures:</u>				
Education	603,387	719,767	696,111	23,656
Capital Outlay	16,462	17,305	16,730	575
Total Expenditures	619,849	737,072	712,841	24,231
Excess (Deficiency) of Revenues Over (Under) Expenditures	(34,750)	(6,750)	(13,442)	(6,692)
<u>Other Financing Sources (Uses):</u>				
Transfer from Other Special Revenue Funds	4,750	6,750	13,442	6,692
Total Other Financing Sources (Uses)	4,750	6,750	13,442	6,692
Net Change in Fund Balances	(30,000)	-	-	-
Fund Balance, July 1, 2006	-	-	-	-
Fund Balance, June 30, 2007	\$ (30,000)	0	0	0

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
SCHOOL FOOD SERVICE FUND
For the Fiscal Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Federal Government	\$ 1,573,500	1,759,025	1,574,681	(184,344)
State of Tennessee	33,250	-	34,039	34,039
Charges for Current Services	1,468,025	1,316,000	1,223,337	(92,663)
Investment Earnings	17,750	17,500	22,657	5,157
Total Revenues	3,092,525	3,092,525	2,854,714	(237,811)
<u>Expenditures:</u>				
School Food Service	2,977,025	2,977,025	2,728,079	248,946
Capital Outlay	115,500	115,500	155,697	(40,197)
Total Expenditures	3,092,525	3,092,525	2,883,776	208,749
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(29,062)	(29,062)
Fund Balance, July 1, 2006	1,010,631	1,010,631	1,010,631	-
Purchase Method Inventory Adjustment	8,087	8,087	8,087	-
Fund Balance, July 1, 2006 (Restated)	1,018,718	1,018,718	1,018,718	-
Fund Balance, June 30, 2007	\$ 1,018,718	1,018,718	989,656	(29,062)

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
TRANSPORTATION PLANNING FUND
For the Fiscal Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<u>Revenues:</u>				
Revenue from State of Tennessee	\$ 212,459	242,459	199,354	(43,105)
Revenue from Other Governments	18,158	18,158	-	(18,158)
Total Revenues	230,617	260,617	199,354	(61,263)
<u>Expenditures:</u>				
Highway and Transportation Planning	231,822	261,822	236,935	24,887
Capital Outlay	-	-	-	-
Total Expenditures	231,822	261,822	236,935	24,887
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,205)	(1,205)	(37,581)	(36,376)
<u>Other Financing Sources (Uses):</u>				
Transfer In	46,011	46,011	46,364	353
Total Other Financing Sources (Uses)	46,011	46,011	46,364	353
Net Change in Fund Balances	44,806	44,806	8,783	(36,023)
Fund Balance July 1, 2006	25,309	25,309	25,309	-
Fund Balance, June 30, 2007	\$ 70,115	70,115	34,092	(36,023)

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
DRUG FUND
For the Fiscal Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Fines and Forfeitures	\$ 56,000	146,000	144,591	(1,409)
Miscellaneous	-	85,000	85,654	654
Total Revenues	56,000	231,000	230,245	(755)
<u>Expenditures:</u>				
Public Safety	84,000	84,000	71,167	12,833
Capital Outlay	5,000	180,000	61,494	118,506
Total Expenditures	89,000	264,000	132,661	131,339
Excess (Deficiency) of Revenues Over (Under) Expenditures	(33,000)	(33,000)	97,584	130,584
<u>Other Financing Sources (Uses):</u>				
Transfer Out	(8,724)	(8,724)	(15,980)	(7,256)
Total Other Financing Sources (Uses)	(8,724)	(8,724)	(15,980)	(7,256)
Net Change in Fund Balances	(41,724)	(41,724)	81,604	123,328
Fund Balance, July 1, 2006	264,705	264,705	264,705	-
Fund Balance, June 30, 2007	\$ 222,981	222,981	346,309	123,328

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
POLICE GRANT FUND
For the Fiscal Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<u>Revenues:</u>				
Federal Government	\$ 53,709	53,709	53,332	(377)
State of Tennessee	37,873	46,373	45,241	(1,132)
Local Governments	11,450	32,450	32,382	(68)
Investment Earnings	275	275	18	(257)
Miscellaneous	-	-	377	377
Total Revenues	103,307	132,807	131,350	(1,457)
<u>Expenditures:</u>				
Public Safety	115,254	119,254	120,343	(1,089)
Capital Outlay	-	40,200	19,850	20,350
Total Expenditures	115,254	159,454	140,193	19,261
Excess (Deficiency) of Revenues Over (Under) Expenditures	(11,947)	(26,647)	(8,843)	17,804
<u>Other Financing Sources (Uses):</u>				
Transfer In - General Fund	3,223	3,223	-	(3,223)
Transfer In - Drug Fund	8,724	23,424	15,980	(7,444)
Total Other Financing Sources (Uses)	11,947	26,647	15,980	(10,667)
Net Change in Fund Balances	-	-	7,137	7,137
Fund Balance, July 1, 2006	(6,991)	(6,991)	(6,991)	-
Fund Balance, June 30, 2007	\$ (6,991)	(6,991)	146	7,137

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT
For the Fiscal Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Federal Government	\$ 501,105	590,726	553,474	(37,252)
State of Tennessee	48,000	48,000	50,399	2,399
Sale of Real Estate	-	62,625	62,625	-
Miscellaneous	52,400	71,062	67,266	(3,796)
Total Revenues	601,505	772,413	733,764	(38,649)
<u>Expenditures:</u>				
Public Welfare	603,905	774,813	707,918	66,895
Capital Outlay	-	-	-	-
Total Expenditures	603,905	774,813	707,918	66,895
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,400)	(2,400)	25,846	28,246
<u>Other Financing Sources (Uses):</u>				
Transfer In - General Fund	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	(2,400)	(2,400)	25,846	28,246
Fund Balance, July 1, 2006	54,022	54,022	54,022	-
Purchase Method Inventory Adjustment	(52,901)	(52,901)	(52,901)	-
Fund Balance, July 1, 2006 (Restated)	1,121	1,121	1,121	-
Fund Balance, June 30, 2007	\$ (1,279)	(1,279)	26,967	28,246

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.

Storm Water Management Fund accounts for the activities of the City's storm water and drainage management system.

CITY OF JOHNSON CITY, TENNESSEE
COMBINING STATEMENT OF NET ASSETS
NONMAJOR PROPRIETARY FUNDS
June 30, 2007

	Golf Courses	Regional Solid Waste	Mass Transit	Stormwater Management	Total Nonmajor Proprietary Funds
<u>ASSETS:</u>					
<u>Current Assets:</u>					
Cash and Cash Equivalents	\$ 1,170	-	552	-	1,722
Cash Due from Central Depository	-	2,054,737	208,741	1,191	2,264,669
Accounts Receivable (Net)	-	44,466	24,236	-	68,702
Due from Federal Government	-	-	302,182	-	302,182
Due from State Government	-	-	129,267	-	129,267
Inventories	123,470	-	-	-	123,470
Prepaid Expenses	4,500	-	-	-	4,500
Total Current Assets	129,140	2,099,203	664,978	1,191	2,894,512
<u>Noncurrent Assets:</u>					
<u>Capital Assets:</u>					
Land	1,927,942	-	205,990	-	2,133,932
Buildings	758,351	204,192	1,757,796	-	2,720,339
Improvements Other than Buildings	955,529	-	186,356	-	1,141,885
Equipment and Vehicles	738,215	1,303,902	2,791,620	7,315	4,841,052
Less: Accumulated Depreciation	(1,590,938)	(803,814)	(2,281,322)	(1,219)	(4,677,293)
Construction in Progress	-	-	76,714	300,383	377,097
Net Capital Assets	2,789,099	704,280	2,737,154	306,479	6,537,012
<u>Other Assets:</u>					
Bond Issue Costs (Net)	17,540	-	-	-	17,540
Total Other Assets	17,540	-	-	-	17,540
Total Noncurrent Assets	2,806,639	704,280	2,737,154	306,479	6,554,552
Total Assets	2,935,779	2,803,483	3,402,132	307,670	9,449,064
<u>LIABILITIES:</u>					
<u>Current Liabilities:</u>					
Cash Due to Central Depository	1,798,641	-	-	-	1,798,641
Accounts Payable	33,364	138,045	61,196	121,949	354,554
Accrued Payroll Expenses	25,186	12,991	42,600	2,855	83,632
Accrued Expenses	13,296	-	-	-	13,296
Compensated Absences-Current Portion	30,279	14,513	14,155	-	58,947
Leases Payable - Current Portion	36,448	-	-	-	36,448
Bonds Payable - Current Portion	175,000	-	-	-	175,000
Total Current Liabilities	2,112,214	165,549	117,951	124,804	2,520,518

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
COMBINING STATEMENT OF NET ASSETS
NONMAJOR PROPRIETARY FUNDS
June 30, 2007

	Golf Courses	Regional Solid Waste	Mass Transit	Stormwater Management	Total Nonmajor Proprietary Funds
<u>Noncurrent Liabilities:</u>					
Deferred Revenue	59,947	-	-	-	59,947
Compensated Absences	16,304	7,815	26,287	-	50,406
Leases Payable	121,454	-	-	-	121,454
Bonds Payable	1,725,000	-	-	-	1,725,000
Less: Deferred Debt Refunding	(70,819)	-	-	-	(70,819)
Special Commission Bonds	-	93,737	-	-	93,737
Total Noncurrent Liabilities	1,851,886	101,552	26,287	-	1,979,725
Total Liabilities	3,964,100	267,101	144,238	124,804	4,500,243
<u>NET ASSETS:</u>					
Invested in Capital Assets, Net of Related Debt	811,733	704,280	2,737,154	306,479	4,559,646
Unrestricted	(1,840,054)	1,832,102	520,740	(123,613)	389,175
Total Net Assets	\$ (1,028,321)	2,536,382	3,257,894	182,866	4,948,821

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
NONMAJOR PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2007

	Golf Courses	Regional Solid Waste	Mass Transit	Stormwater Management	Total Nonmajor Proprietary Funds
Operating Revenues:					
Charges for Services (Net)	\$ 1,008,265	2,080,774	312,072	-	3,401,111
Other Revenue	26,407	-	20,909	-	47,316
Total Operating Revenues	1,034,672	2,080,774	332,981	-	3,448,427
Operating Expenses:					
Administration	-	93,200	-	-	93,200
Personnel Services	730,510	552,893	1,579,243	15,127	2,877,773
Contractual Services	25,322	467,447	17,029	2,409	512,207
Materials and Supplies	73,891	57,476	95,340	6,703	233,410
Repairs and Maintenance	94,870	335,256	404,751	400	835,277
Bad Debt Expense	-	12,883	-	-	12,883
Items for Resale	66,079	-	-	-	66,079
Other Operating Expenses	137,888	4,656	59,284	117,425	319,253
Depreciation and Amortization	112,339	131,259	333,883	1,219	578,700
Total Operating Expenses	1,240,899	1,655,070	2,489,530	143,283	5,528,782
Operating Income (Loss)	(206,227)	425,704	(2,156,549)	(143,283)	(2,080,355)
Non-Operating Revenues (Expenses):					
Investment Income	-	103,227	-	-	103,227
Operating Grants	-	-	1,249,319	-	1,249,319
Interest Expenses and Commissions	(229,218)	(3,654)	-	(1,259)	(234,131)
Amortization - Bond Cost	(1,949)	-	-	-	(1,949)
Gain (Loss) on Sale of Capital Assets	-	-	(16,829)	-	(16,829)
Total Non-Operating Revenues (Expenses)	(231,167)	99,573	1,232,490	(1,259)	1,099,637
Income (Loss) Before Operating Transfers and Capital Contributions	(437,394)	525,277	(924,059)	(144,542)	(980,718)
Transfers and Capital Contributions:					
Transfers In	549,751	-	438,437	327,408	1,315,596
Transfers Out	-	(135,399)	(18,935)	-	(154,334)
Federal Capital Grant Revenue	-	-	243,701	-	243,701
State Capital Grant Revenue	-	-	30,445	-	30,445
Total Transfers and Capital Contributions	549,751	(135,399)	693,648	327,408	1,435,408

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
NONMAJOR PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2007

	Golf Courses	Regional Solid Waste	Mass Transit	Stormwater Management	Total Nonmajor Proprietary Funds
Change in Net Assets	112,357	389,878	(230,411)	182,866	454,690
Net Assets, July 1, 2006	(1,075,328)	2,146,504	3,488,305	-	4,559,481
Prior Period Adjustment	(65,350)	-	-	-	(65,350)
Net Assets, July 1, 2006 (restated)	(1,140,678)	2,146,504	3,488,305	-	4,494,131
Net Assets, June 30, 2007	\$ (1,028,321)	\$ 2,536,382	\$ 3,257,894	\$ 182,866	4,948,821

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2007

	Golf Courses	Regional Solid Waste	Mass Transit	Stormwater Management	Total Nonmajor Proprietary Funds
<u>Cash Flows from Operating Activities:</u>					
Receipts from Customers and Users	\$ 1,020,066	2,065,796	315,601	-	3,401,463
Payments to Employees	(725,477)	(557,563)	(1,565,101)	(12,272)	(2,860,413)
Payments to Suppliers	(344,326)	(388,939)	(169,724)	(4,988)	(907,977)
Payments for Interfund Services Used	(57,632)	(469,691)	(370,697)	-	(898,020)
Net Cash Provided (Used) by Operating Activities	(107,369)	649,603	(1,789,921)	(17,260)	(1,264,947)
<u>Cash Flows from Noncapital Financing Activities:</u>					
Transfers to Other Funds	-	(135,399)	(18,935)	-	(154,334)
Advances from Other Funds	549,751	-	438,437	327,408	1,315,596
Operating Grants Received	-	-	1,175,397	-	1,175,397
Net Cash Provided (Used) by Noncapital Financing Activities	549,751	(135,399)	1,594,899	327,408	2,336,659
<u>Cash Flows from Capital and Related Financing Activities:</u>					
Proceeds from Capital Lease	192,500	-	-	-	192,500
Purchase of Capital Assets	(219,109)	(16,628)	(133,252)	(307,698)	(676,687)
Capital Grants Received	-	-	274,146	-	274,146
Principal Paid on Capital Debt	(165,000)	(102,808)	-	-	(267,808)
Principal Paid on Capital Lease	(34,598)	-	-	-	(34,598)
Interest Paid on Capital Debt	(220,170)	(3,868)	-	(1,259)	(225,297)
Sale of Capital Assets	3,995	-	22,834	-	26,829
Net Cash Provided (Used) by Capital and Related Financing Activities	(442,382)	(123,304)	163,728	(308,957)	(710,915)
<u>Cash Flows from Investing Activities:</u>					
Interest and Related Income/Expenses and Investments	-	103,227	-	-	103,227
Net Cash Provided (Used) by Investing Activities	-	103,227	-	-	103,227
Net Increase in Cash and Cash Equivalents	-	494,127	(31,294)	1,191	464,024
Cash and Cash Equivalents, July 1, 2006	1,170	1,560,611	240,587	-	1,802,368
Cash and Cash Equivalents, June 30, 2007	<u>\$ 1,170</u>	<u>2,054,738</u>	<u>209,293</u>	<u>1,191</u>	<u>2,266,392</u>
Classified as Current Assets	<u>\$ 1,170</u>	<u>2,054,737</u>	<u>209,293</u>	<u>1,191</u>	<u>2,266,391</u>
Totals	<u>\$ 1,170</u>	<u>2,054,737</u>	<u>209,293</u>	<u>1,191</u>	<u>2,266,391</u>

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2007

	Golf Courses	Regional Solid Waste	Mass Transit	Stormwater Management	Total Nonmajor Proprietary Funds
<u>Reconciliation of Operating Income (Loss) to Net</u>					
<u>Cash Provided (Used) by Operating Activities:</u>					
Operating Income (Loss)	\$ (206,227)	425,704	(2,156,549)	(143,283)	(2,080,355)
Adjustments:					
Depreciation	112,339	131,259	333,883	1,219	578,700
Changes in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable	-	(2,094)	(17,380)	-	(19,474)
(Increase) Decrease in Inventories	17,312	-	-	-	17,312
Increase (Decrease) in Accounts Payable and Accrued Expenses	(21,973)	99,405	35,983	121,949	235,364
Increase (Decrease) in Other Payables	753	-	-	-	753
Increase (Decrease) in Accrued Payroll Expenses	1,141	(1,285)	8,952	2,855	11,663
Increase (Decrease) in Compensated Absences	3,892	(3,386)	5,190	-	5,696
Increase (Decrease) in Deferred Revenue	(14,606)	-	-	-	(14,606)
Net Cash Provided (Used) by Operating Activities	<u>\$ (107,369)</u>	<u>649,603</u>	<u>(1,789,921)</u>	<u>(17,260)</u>	<u>(1,264,947)</u>

Non-Cash Capital and Related Financing Activities:

Buffalo Valley Golf Course:

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

Reconciliation of Operating Income (Loss) to Net Cash From Operating Activities

Cash on Hand	\$ 1,170	-	552	-	1,722
Cash Due From Central Depository	-	2,054,737	208,741	1,191	2,264,669
	<u>\$ 1,170</u>	<u>2,054,737</u>	<u>209,293</u>	<u>1,191</u>	<u>2,266,391</u>

See Independent Auditors' Report.

INTERNAL SERVICE FUNDS

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

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

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

CITY OF JOHNSON CITY, TENNESSEE
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2007

	Insurance Fund	Motor Transport	Total Internal Service Funds
<u>ASSETS:</u>			
<u>Current Assets:</u>			
Cash and Cash Equivalents	\$ 9,983,786	-	9,983,786
Cash Due from Central Depository	403,466	-	403,466
Accounts Receivable (Net)	31,013	-	31,013
Inventories	-	404,842	404,842
Total Current Assets	<u>10,418,265</u>	<u>404,842</u>	<u>10,823,107</u>
<u>Non-Current Assets:</u>			
<u>Capital Assets:</u>			
Equipment and Vehicles	-	650,501	650,501
Less: Accumulated Depreciation	-	(614,747)	(614,747)
Net Capital Assets	<u>-</u>	<u>35,754</u>	<u>35,754</u>
Total Non-Current Assets	<u>-</u>	<u>35,754</u>	<u>35,754</u>
Total Assets	<u>10,418,265</u>	<u>440,596</u>	<u>10,858,861</u>
<u>LIABILITIES:</u>			
<u>Current Liabilities:</u>			
Cash Due to Central Depository	-	78,169	78,169
Accounts Payable	226,720	216,867	443,587
Accrued Payroll Expenses	2,284	42,012	44,296
Compensated Absences-Current Portion	-	32,980	32,980
Other Liabilities	1,615,771	-	1,615,771
Total Current Liabilities	<u>1,844,775</u>	<u>370,028</u>	<u>2,214,803</u>
<u>Non-Current Liabilities:</u>			
Compensated Absences	-	17,759	17,759
Other Liabilities	853,000	-	853,000
Total Non-Current Liabilities	<u>853,000</u>	<u>17,759</u>	<u>870,759</u>
Total Liabilities	<u>2,697,775</u>	<u>387,787</u>	<u>3,085,562</u>
<u>NET ASSETS:</u>			
Invested in Capital Assets, Net of Related Debt	-	35,754	35,754
Unrestricted	7,720,490	17,055	7,737,545
Total Net Assets	<u>\$ 7,720,490</u>	<u>52,809</u>	<u>7,773,299</u>

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS-INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2007

	Insurance Fund	Motor Transport	Total Internal Service Funds
<u>Operating Revenues:</u>			
Charges for Services (Net)	\$ 12,840,230	5,477,407	18,317,637
Miscellaneous	-	9,462	9,462
Total Operating Revenues	<u>12,840,230</u>	<u>5,486,869</u>	<u>18,327,099</u>
<u>Operating Expenses:</u>			
Personnel Services	112,516	1,795,597	1,908,113
Contractual Services	13,164,803	59,138	13,223,941
Materials and Supplies	-	35,292	35,292
Repairs and Maintenance	-	3,439,391	3,439,391
Other Operating Expenses	-	117,932	117,932
Depreciation and Amortization	-	17,920	17,920
Total Operating Expenses	<u>13,277,319</u>	<u>5,465,270</u>	<u>18,742,589</u>
Operating Income (Loss)	<u>(437,089)</u>	<u>21,599</u>	<u>(415,490)</u>
<u>Non-Operating Revenues (Expenses):</u>			
Investment Income	483,359	-	483,359
Total Non-Operating Revenues (Expenses)	<u>483,359</u>	<u>-</u>	<u>483,359</u>
Income (Loss) Before Operating Transfers and Capital Contributions	<u>46,270</u>	<u>21,599</u>	<u>67,869</u>
<u>Transfers and Capital Contributions:</u>			
Transfers In	426,700	-	426,700
Transfers Out	-	(21,599)	(21,599)
Total Transfers and Capital Contributions	<u>426,700</u>	<u>(21,599)</u>	<u>405,101</u>
Change in Net Assets	<u>472,970</u>	<u>-</u>	<u>472,970</u>
Net Assets, July 1, 2006	8,057,520	52,809	8,110,329
Prior Period Adjustment-Worker's Compensation	<u>(810,000)</u>	<u>-</u>	<u>(810,000)</u>
Net Assets, July 1, 2006 (restated)	<u>7,247,520</u>	<u>52,809</u>	<u>7,300,329</u>
Net Assets, June 30, 2007	<u>\$ 7,720,490</u>	<u>52,809</u>	<u>7,773,299</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, 2007

	Insurance Fund	Motor Transport	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>			
Receipts from Customers and Users	\$ 12,817,914	399,880	13,217,794
Receipts from Interfund Services Provided	-	5,086,987	5,086,987
Payments to Employees	(112,083)	(1,793,632)	(1,905,715)
Payments to Suppliers	(12,413,713)	(3,686,570)	(16,100,283)
Payments for Interfund Services Used	-	(40,961)	(40,961)
Net Cash Provided (Used) by Operating Activities	<u>292,118</u>	<u>(34,296)</u>	<u>257,822</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Loans from Other Funds	<u>443,603</u>	<u>39,943</u>	<u>483,546</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>443,603</u>	<u>39,943</u>	<u>483,546</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Purchase of Capital Assets	<u>-</u>	<u>(5,647)</u>	<u>(5,647)</u>
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>-</u>	<u>(5,647)</u>	<u>(5,647)</u>
<u>Cash Flows from Investing Activities:</u>			
Interest Received	<u>483,359</u>	<u>-</u>	<u>483,359</u>
Net Cash Provided (Used) by Investing Activities	<u>483,359</u>	<u>-</u>	<u>483,359</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,219,080	-	1,219,080
Cash and Cash Equivalents, July 1, 2006	9,168,172	-	9,168,172
Cash and Cash Equivalents, June 30, 2007	<u>\$ 10,387,252</u>	<u>-</u>	<u>10,387,252</u>
Classified as Current Assets:	<u>\$ 10,387,252</u>	<u>-</u>	<u>10,387,252</u>
Totals	<u>\$ 10,387,252</u>	<u>-</u>	<u>10,387,252</u>

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended June 30, 2007

	Insurance Fund	Motor Transport	Total Internal Service Funds
<u>Reconciliation of Operating Income (Loss) to Net</u>			
<u>Cash Provided (Used) by Operating Activities:</u>			
Operating Income (Loss)	\$ (437,089)	21,599	(415,490)
Adjustments:			
Depreciation and Amortization	-	17,920	17,920
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	(22,315)	-	(22,315)
(Increase) Decrease in Inventories	-	3,870	3,870
Increase (Decrease) in Accounts Payable	751,522	(79,650)	671,872
Increase (Decrease) in Accrued Payroll Expenses	-	1,758	1,758
Increase (Decrease) in Compensated Absences	-	207	207
Net Cash Provided (Used) by Operating Activities	<u>\$ 292,118</u>	<u>(34,296)</u>	<u>257,822</u>

Reconciliation of Cash and Cash Equivalents from Statement of Cash Flows

Cash in Bank	\$ 9,983,786	-	9,983,786
Cash Due from Central Depository	403,466	-	403,466
	<u>10,387,252</u>	<u>-</u>	<u>10,387,252</u>

See Independent Auditors' Report.

CAPITAL ASSETS
USED IN THE OPERATION
OF GOVERNMENTAL FUNDS

CITY OF JOHNSON CITY, TENNESSEE
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULE BY SOURCE¹
June 30, 2007

<u>Governmental Funds Capital Assets:</u>	<u>2007</u>	<u>2006</u>
Land	17,075,561	17,075,561
Buildings	138,497,016	137,831,648
Equipment and Vehicles	30,674,572	28,993,846
Infrastructure	136,668,300	132,167,490
Construction in Progress	6,937,149	1,487,764
	<hr/>	<hr/>
Total Governmental Funds Capital Assets	<u>329,852,598</u>	<u>317,556,309</u>
<u>Investments in Governmental Funds Capital Assets by Source:</u>		
General Fund	192,160,276	185,535,790
General Purpose School Fund	2,476,599	2,459,046
Special Revenue Funds	118,594,650	118,575,881
Capital Project Funds	9,683,924	9,497,828
Construction in Progress	6,937,149	1,487,764
	<hr/>	<hr/>
Total Governmental Funds Capital Assets	<u>329,852,598</u>	<u>317,556,309</u>

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

CITY OF JOHNSON CITY, TENNESSEE
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY¹
June 30, 2007

Function and Activity	Land	Buildings	Equipment & Vehicles	Infrastructure	Construction in Progress	Total
General Government:						
General Administration	\$ 7,547,485	15,015,224	1,404,986	-	-	23,967,695
Information Technology	-	-	2,116,842	-	-	2,116,842
Total General Government	7,547,485	15,015,224	3,521,828	-	-	26,084,537
Education:						
General Operations	7,517,242	107,686,524	2,476,599	-	1,632,189	119,312,554
Food Service	-	-	2,832,791	-	-	2,832,791
Student Transit	-	-	2,799,899	-	-	2,799,899
Total Education	7,517,242	107,686,524	8,109,289	-	1,632,189	124,945,244
Public Welfare and Recreation	237,867	5,957,386	2,274,523	4,526,566	524,117	13,520,459
Public Works:						
Public Services	-	164,833	6,460,584	132,141,734	4,780,843	143,547,994
Recycling	-	462,980	-	-	-	462,980
Total Public Works	-	627,813	6,460,584	132,141,734	4,780,843	144,010,974
Public Safety:						
Police	-	-	5,596,361	-	-	5,596,361
Fire	-	2,296,299	4,244,821	-	-	6,541,120
Civil Defense	-	-	326,635	-	-	326,635
Total Public Safety	-	2,296,299	10,167,817	-	-	12,464,116
City Service:						
Library	1,772,967	6,893,988	-	-	-	8,666,955
Community Development	-	-	30,525	-	-	30,525
MTP	-	19,782	110,006	-	-	129,788
Total City Service	1,772,967	6,913,770	140,531	-	-	8,827,268
Total Governmental Funds Capital Assets	\$ 17,075,561	138,497,016	30,674,572	136,668,300	6,937,149	329,852,598

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

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY¹
For the Fiscal Year Ended June 30, 2007

<u>Function and Activity</u>	<u>Governmental Funds Capital Assets June 30, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Governmental Funds Capital Assets June 30, 2007</u>
General Government:					
General Administration	23,496,717	481,511	(10,532)	-	23,967,696
Information Technology	2,032,039	84,802	-	-	2,116,841
Total General Government	<u>25,528,756</u>	<u>566,313</u>	<u>(10,532)</u>	<u>-</u>	<u>26,084,537</u>
Education:					
General Operations	117,664,361	2,138,101	(489,908)	-	119,312,554
Food Service	2,823,117	9,674	-	-	2,832,791
Student Transit	2,638,688	366,416	(205,205)	-	2,799,899
Total Education	<u>123,126,166</u>	<u>2,514,191</u>	<u>(695,113)</u>	<u>-</u>	<u>124,945,244</u>
Public Welfare and Recreation:					
Public Welfare and Recreation	12,899,185	751,696	(130,422)	-	13,520,459
Total Public Welfare	<u>12,899,185</u>	<u>751,696</u>	<u>(130,422)</u>	<u>-</u>	<u>13,520,459</u>
Public Works:					
Public Services	134,744,679	8,946,678	(143,363)	-	143,547,994
Recycling	462,980	-	-	-	462,980
Total Public Works	<u>135,207,659</u>	<u>8,946,678</u>	<u>(143,363)</u>	<u>-</u>	<u>144,010,974</u>
Public Safety:					
Police	5,267,144	778,043	(448,826)	-	5,596,361
Fire	6,495,034	73,518	(27,432)	-	6,541,120
Civil Defense	326,635	-	-	-	326,635
Total Public Safety	<u>12,088,813</u>	<u>851,561</u>	<u>(476,258)</u>	<u>-</u>	<u>12,464,116</u>
City Service:					
Library	8,666,955	-	-	-	8,666,955
Community Development	30,525	-	-	-	30,525
MTP	8,250	121,538	-	-	129,788
Total City Service	<u>8,705,730</u>	<u>121,538</u>	<u>-</u>	<u>-</u>	<u>8,827,268</u>
Total Governmental Funds					
Capital Assets	<u>317,556,309</u>	<u>13,751,977</u>	<u>(1,455,688)</u>	<u>-</u>	<u>329,852,598</u>

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

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Fiscal Year Ended June 30, 2007

CFDA Number	Program Name/Grant Number	Grantor Agency / Pass Through Agency	Balance July 1, 2006	Cash Receipts	Expenditures	Adjustments	Balance 6/30/2007
PRIMARY GOVERNMENT:							
General Fund:							
<i>Pass Through State of Tennessee:</i>							
97.042	Emergency Management Assistance Z-05-025382-00	U.S. Dept. of Homeland Security TN Dept. of Military - TEMA	-	7,555	7,555	-	-
97.042	Emergency Management Assistance Z-06-032888-00	U.S. Dept. of Homeland Security TN Dept. of Military - TEMA	-	39,026	39,026	-	-
		<i>Sub-total Pass Through State of Tennessee</i>	(3,501)	46,581	46,581	-	-
<i>Pass Through Other Organizations:</i>							
93.044	Title III-B, III-D, & III-E JOCITY-2006-HOOT-06	U.S. Dept. of Health and Human Services First TN Dev. District (from State of TN)	(3,501)	4,090	589	-	-
93.044	Title III-B, III-D, & III-E JOCITY-2007-HOOT-07	U.S. Dept. of Health and Human Services First TN Dev. District (from State of TN)	(3,501)	29,118	32,324	-	(3,206) *
		<i>Sub-total Pass Through Other Organizations</i>	(3,501)	33,208	32,913	-	(3,206)
		Total General Fund	(3,501)	79,789	79,494	-	(3,206)
School Federal Projects Fund:							
<i>Pass Through State of Tennessee:</i>							
84.002	Adult Basic Education 2005-2006 Z-06-027787-00	Department of Labor and Workforce Development	(24,413)	24,413	-	-	-
84.002	Adult Basic Education 2006-2007 Z-07-033707-00	Department of Labor and Workforce Development	-	151,523	180,886	-	(29,363) *
		Total Adult Basic Education	(24,413)	175,936	180,886	-	(29,363)
93.561	Families First 2006-2007 Z-06-027195-00	Department of Labor and Workforce Development	(10,126)	10,126	-	-	-
93.561	Families First 2006-2007 Z-07-034233-00	Department of Labor and Workforce Development	-	46,434	46,434	-	-
		Total Families First	(10,126)	56,560	46,434	-	-
84.048	Carl Perkins 2005-2006	U.S. Department of Education	(23,661)	23,661	-	-	-
84.048	Carl Perkins 2006-2007	U.S. Department of Education	-	118,975	139,364	-	(20,389) *
		Total Carl Perkins	(23,661)	142,636	139,364	-	(20,389)
16.999	TITLE IV.A Youth Violence & Drug Use Prevention	US Department of Education	(22,632)	22,632	-	-	-
16.999	TITLE IV.A Youth Violence & Drug Use Prevention	US Department of Education	-	32,000	42,402	-	(10,402) *
		Total Title IV	(22,632)	54,632	42,402	-	(10,402)
16.999	Drug-Free Communities Support Plan 2003NDFX0038	Department of Human Services	(42,450)	59,478	17,028	-	-
16.999	Drug-Free Communities Support Plan 2003NDFX0058	Department of Human Services	-	48,635	70,782	-	(22,147) *
		Total Drug Free Communities	(42,450)	108,113	87,810	-	(22,147)
84.213C	Even Start Literacy 2005-2006	U.S. Department of Education	(13,984)	13,984	-	-	-
84.213C	Even Start Literacy 2006-2007 MCT/ABX	U.S. Department of Education	-	57,445	74,979	-	(17,534) *
		Total Even Start	(13,984)	71,429	74,979	-	(17,534)

* Receivable ** Unused Revenue
 (Continued)

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Fiscal Year Ended June 30, 2007

CFDA Number	Program Name/Grant Number	Grantor Agency / Pass Through Agency	Balance	Cash	Expenditures	Adjustments	Balance
			July 1, 2006	Receipts			6/30/2007
84.027	IDEA, Project 2005-2006	U.S. Department of Education	(246,383)	246,383	-	-	-
84.027	IDEA, Project 2006-2007	U.S. Department of Education	1,055,203	1,381,622	-	-	(326,419) *
	Total IDEA		(246,383)	1,301,586	1,381,622	-	(326,419)
84.027	Preschool Incentive, Project 2005-2006	U.S. Department of Education	(9,248)	9,248	-	-	-
84.027	Preschool Incentive, Project 2006-2007	U.S. Department of Education	-	23,756	35,348	-	(11,592) *
	Total Preschool Incentive		(9,248)	33,004	35,348	-	(11,592)
84.010	Title I, Project 2005-2006	U.S. Department of Education	(12,695)	12,695	-	-	-
	Title I, Project 2006-2007	U.S. Department of Education	1,246,317	1,310,973	-	-	(64,656) *
	Total Title I		(12,695)	1,259,012	1,310,973	-	(64,656)
84.318X	Title II, Part D 2005-2006	U.S. Department of Education	(8,251)	8,251	-	-	-
84.318X	Title II, Part D 2006-2007	U.S. Department of Education	-	18,429	13,718	-	4,711 **
	Total Title II, Part D		(8,251)	26,680	13,718	-	4,711
84.367A	Title II, Part A 2005	U.S. Department of Education	(192,583)	192,583	-	-	-
84.367A	Title II, Part A 2006	U.S. Department of Education	-	341,769	370,013	-	(28,244) *
	Total Title II, Part A		(192,583)	534,352	370,013	-	(28,244)
84.365A	Title III, ESL 2005-2006	U.S. Department of Education	7,146	(7,146)	-	-	-
84.365A	Title III, ESL 2006-2007	U.S. Department of Education	-	36,353	42,872	-	(6,519) *
	Total Title III		7,146	29,207	42,872	-	(6,519)
84.298A	Title V, Innovative Programs 2005.01	U.S. Department of Education	(13,483)	13,483	-	-	-
84.298A	Title V, Innovative Programs 2006.01	U.S. Department of Education	-	16,741	24,419	-	(7,678) *
	Total Title V, Innovative Programs		(13,483)	30,224	24,419	-	(7,678)
84.186A	Title V, Safe & Drug Free Schools & Communities 2005	U.S. Department of Education	(11,388)	11,388	-	-	-
84.186A	Title V, Safe & Drug Free Schools & Communities 2006	U.S. Department of Education	-	13,647	28,199	-	(14,552) *
	Total Title V, Safe & Drug Free Schools & Communities		(11,388)	25,035	28,199	-	(14,552)
84.215x	This First Frontier Teaching Amer History U215x050264	U.S. Department of Education	-	245,750	253,903	-	(8,153) *
			-	245,750	253,903	-	(8,153) *
84.196	TITLE X, Part C, McKinney Homeless Grant	U.S. Department of Education	(9,922)	9,922	-	-	-
84.196	TITLE X, Part C, McKinney Homeless Grant	U.S. Department of Education	-	30,341	39,440	-	(9,099) *
	Total Title X		(9,922)	40,263	39,440	-	(9,099)
84.287C	21st Century Community Learning Center Z-05-021725-00	U.S. Department of Education	(45,351)	45,351	-	-	-
84.287C	21st Century Community Learning Center	U.S. Department of Education	-	62,244	95,304	-	(33,060) *
	Total 21st Century		(45,351)	107,595	95,304	-	(33,060)
	Total School Federal Projects		(679,424)	4,242,014	4,167,686	-	(605,096)

* Receivable ** Unused Revenue
 (Continued)

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Fiscal Year Ended June 30, 2007

CFDA Number	Program Name/Grant Number	Grantor Agency / Pass Through Agency	Balance July 1, 2006	Cash Receipts	Expenditures	Adjustments	Balance 6/30/2007
Special School Projects:							
<i>Pass Through State of Tennessee</i>							
93.645	Family Resources 2005-2006	Tennessee Department of Education	(9,687)	9,687	-	-	-
93.645	Family Resources 2006-2007	Tennessee Department of Education	-	27,615	33,300	-	(5,685) *
	Total Family Resources		(9,687)	37,302	33,300	-	(5,685)
84.126	Vocational Rehab 2005	U.S. Department of Education	(6,724)	6,724	-	-	-
	GG-04-10238-02	U.S. Department of Education	-	31,676	39,101	-	(7,425) *
84.126	Vocational Rehab 2006	U.S. Department of Education	(6,724)	38,400	39,101	-	(7,425)
	GG-04-10238-03		-	-	-	-	-
	Total Vocational Rehab		(13,448)	75,814	78,201	-	(14,731)
94.004	Learn and Serve	Corporation for National and Community Service	(2,937)	2,937	-	-	-
	GG-05-11274-00	Corporation for National and Community Service	-	1,792	3,413	-	(1,621) *
94.004	Learn and Serve	Corporation for National and Community Service	(2,937)	4,729	3,413	-	(1,621)
	GG-06-480-005		-	-	-	-	-
	Total Learn and Serve		(5,874)	8,728	6,826	-	(3,972)
	Total School Special Projects		(19,348)	80,431	75,814	-	(14,731)
School Food Service:							
<i>Pass Through State of Tennessee:</i>							
10.533	National School Breakfast Program	U.S. Department of Agriculture	-	237,469	237,469	-	-
10.555	National School Lunch Program	U.S. Department of Agriculture	-	1,049,086	1,049,086	-	-
10.500	National School Snack Program	U.S. Department of Agriculture	-	46,273	46,273	-	-
	Total School Food Service		-	1,332,828	1,332,828	-	-
Pass Through Northeast Tennessee Cooperative:							
10.550	USDA: Commodity Supplemental Feeding - Commodities Match	Tennessee Department of Agriculture	-	34,039	34,039	-	-
	Feeding - Commodities Distributed	Tennessee Department of Agriculture	-	241,853	241,853	-	-
	Total Food Service		-	1,608,720	1,608,720	-	-
Transportation Planning Fund:							
<i>Direct Programs:</i>							
20.205	Highway Planning and Construction Z-06-030932	U.S. Department of Transportation	(26,688)	128,841	167,391	-	(65,238) *
20.514	Project TN-90-X012 - Planning/Research	U.S. Department of Transportation	(1,374)	14,810	18,867	-	(5,431) *
20.205	Sec. 5303 - GG0612306	U.S. Department of Transportation	(1,566)	9,297	9,545	-	(1,814) *
	Intelligent Vehicle Highway Systems Admin - ITS-9447 (402)	U.S. Department of Transportation	(29,628)	152,948	195,803	-	(72,483)
	Total Transportation Planning Fund	<i>Sub-total Pass Through State of Tennessee</i>	(29,628)	152,948	195,803	-	(72,483)

* Receivable ** Unused Revenue
 (Continued)

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Fiscal Year Ended June 30, 2007

CFDA Number	Program Name/Grant Number	Grantor Agency / Pass Through Agency	Balance July 1, 2006	Cash Receipts	Expenditures	Adjustments	Balance 6/30/2007
Police Grants Fund:							
<i>Direct Programs:</i>							
16.592	Local Law Enforcement Block Grants IX #2004-LB-BX-0103	U.S. Dept of Justice	4,134	18	4,152	-	-
16.607	Bullet Proof Vest Program #2000-BU-BX-01007843	U.S. Dept. of Justice	(13,052)	13,052	4,255	-	(4,255) *
16.607	Byrne JAG III-JC/Wash Co Law Enfor #2006-DJ-BX-0740	U.S. Dept. of Justice	-	36,854	33,105	-	3,749 **
		<i>Sub-total Direct Programs</i>	<u>(8,918)</u>	<u>49,924</u>	<u>41,512</u>		<u>(506)</u>
Pass Through State of Tennessee:							
16.592	Local Law Enforcement Grant 2005-F188-TN-DOJ	U.S. Dept of Justice TN Dept of Justice	22,296	894	10,899	-	12,291 **
16.580	Byrne Grant-Alcohol/Chime #Z-99-088453-00	U.S. Dept. of Justice TN Dept. of Finance & Admin.	(12,857)	51,842	47,148	-	(8,163) *
20.601	High Visibility Law Enforcement #Z-07-035848-00	U.S. Dept. of Justice Governor's Highway Safety Office	-	743	937	-	(194) *
20.601	Safe Cart Program II #Z-07-036124	U.S. Dept. of Justice Governor's Highway Safety Office	-	10,021	10,172	-	(151) *
		<i>Sub-total Pass Through State of Tennessee</i>	<u>9,439</u>	<u>63,500</u>	<u>69,156</u>		<u>3,783</u>
Pass Through Other Organizations:							
16.609	Safe Neighborhoods I 2003-GP-CX-0177	U.S. Dept. of Justice City of Knoxville, TN	(4,095)	4,175	80	-	-
16.609	Safe Neighborhoods II 2003-GP-CX-0177 (Phase II)	U.S. Dept. of Justice City of Knoxville, TN	-	37,836	25,152	(12,220)	464 **
		<i>Sub-total Pass Through Other Organizations</i>	<u>(4,095)</u>	<u>42,011</u>	<u>25,232</u>	<u>(12,220)</u>	<u>464</u>
	Total Police Grants Fund		<u>(3,574)</u>	<u>155,435</u>	<u>135,900</u>	<u>(12,220)</u>	<u>3,741</u>
Community Development Fund:							
14.218	Community Development Block Grant B-MC-47-0008	U.S. Dept. of Housing & Urban Dev.	(106,189)	505,738	553,470	-	(153,921) *
	Total Community Development Fund		<u>(106,189)</u>	<u>505,738</u>	<u>553,470</u>		<u>(153,921)</u>
Mass Transit Fund:							
<i>Direct Programs:</i>							
20.516	Job Access - Operating GG-06-11327	U.S. Department of Transportation	(26,960)	102,203	99,569	-	(24,326) *
20.507	Project #TN-90-X251 - Operating GG-07-12814	U.S. Department of Transportation	-	532,717	726,940	-	(194,223) *
20.507	Project #TN-90-X233 - Operating GG-06-12112-00	U.S. Department of Transportation	(173,625)	173,625	-	-	-

* Receivable ** Unused Revenue
 (Continued)

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Fiscal Year Ended June 30, 2007

CFDA Number	Program Name/Grant Number	Grantor Agency /Pass Through Agency	Balance July 1, 2006	Cash Receipts	Expenditures	Adjustments	Balance 6/30/2007
Mass Transit Fund:							
<i>Direct Programs (Continued):</i>							
20.507	Project #TN-90-X251 - Capital	U.S. Department of Transportation	-	76,456	105,176	-	(28,720) *
20.507	Project #TN-90-X233 - Capital	U.S. Department of Transportation	(29,214)	33,964	4,750	-	-
20.507	Project #TN-90-X208 - Capital	U.S. Department of Transportation	(18,502)	104,654	110,478	-	(24,326) *
20.507	Project #TN-90-X210-Capital	U.S. Department of Transportation	(1,132)	1,132	-	-	-
20.507	Project #TN-90-X216 - Capital	U.S. Department of Transportation	(1,507)	1,507	-	-	-
<i>Sub-total Direct Programs</i>							
			(250,940)	1,044,564	1,073,030	-	(7,811) *
			(250,940)	1,044,564	1,073,030	-	(279,406)
Water & Sewer Fund:							
<i>Direct Programs:</i>							
10.770	Water System Improvements	U.S. Department of Agriculture	(108,039)	108,039	-	-	-
	Watauga Flats Project - Grant #9		(108,039)	108,039	-	-	-
			(1,200,643)	7,977,678	7,889,917	(12,220)	(1,125,102)
			\$				

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-131, *Audit 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 balances amounts represent inventory on hand. Non-monetary assistance has not been included in the financial statements.

* Receivable
 ** Unused Revenue
 See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF EXPENDITURES OF STATE AWARDS

For the Fiscal Year Ended June 30, 2007

CFDA Number	Program Name/Grant Number	Grantor Agency / Pass Through Agency	Balance 7/1/2006	Cash Receipts	Expenditures	Adjustments	Balance 6/30/2007
General Fund:							
Direct Programs:							
N/A	State Boarding of Prisoners	Tennessee Dept. of Correction	(127,001)	1,359,263	1,349,167	-	(116,905) *
N/A	Civil Defense	Tennessee Civil Defense	-	39,026	39,026	-	-
Pass Through Other Organizations:							
N/A	Juvenile Court State Supplement Z-06-020439-00	TN Commission on Children & Youth Washington County, TN	-	4,500	4,500	-	-
N/A	Senior Center Operations JOCITY-2006-HOOT-06	TN Commission on Aging First TN Development District	(1,150)	1,150	-	-	-
N/A	Senior Center Operations JOCITY-2005-HOOT-04	TN Commission on Aging First TN Development District	(22,078)	22,078	-	-	-
N/A	Senior Center Operations JOCITY-2007-HOOT-07	TN Commission on Aging First TN Development District	-	20,000	20,000	-	-
	Total General Fund	<i>Sub-total Pass Through Other Organizations</i>	(23,228)	47,728	24,500	-	-
			(150,229)	1,446,017	1,412,693	-	(116,905)
Special School Projects Fund:							
N/A	LOTTERY PRE-K	Tennessee Department of Education	-	107,566	143,692	-	(36,126) *
N/A	Lottery for Education: After School PGM	Tennessee Department of Education	(33,435)	33,435	-	-	-
N/A	Lottery for Education: After School PGM	Tennessee Department of Education	21,810	21,810	63,938	-	(42,128) *
N/A	Lottery for Education: After School PGM	Tennessee Department of Education	(62,851)	62,851	-	-	-
N/A	Lottery for Education: After School PGM	Tennessee Department of Education	-	102,927	102,927	-	-
N/A	Lottery for Education: After School PGM	Tennessee Department of Education	(22,590)	22,590	-	-	-
N/A	Lottery for Education: After School PGM	Tennessee Department of Education	-	81,381	145,534	-	(64,153) *
N/A	Lottery for Education: After School PGM	Tennessee Department of Education	-	7,873	43,606	-	-
	Total LEAPS		(118,876)	332,867	356,005	-	(35,733) *
N/A	Safe Schools 2004-2005	Tennessee Department of Education	(6,262)	6,262	-	-	-
N/A	Safe Schools 2005-2006	Tennessee Department of Education	20,903	20,903	33,984	-	(13,081) *
	Total Safe Schools		(6,262)	27,165	33,984	-	(13,081)

* Receivable ** Unused Revenue

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF EXPENDITURES OF STATE AWARDS
 For the Fiscal Year Ended June 30, 2007

CFDA Number	Program Name/Grant Number	Grantor Agency / Pass Through Agency	Balance 7/1/2006	Cash Receipts	Expenditures	Adjustments	Balance 6/30/2007
Special School Projects Fund (Continued):							
N/A	Coordinated School Health	Tennessee Department of Education	(125,138)	24,584	79,968	-	(55,384) *
Total Special School Projects Fund			(125,138)	492,182	613,649	-	(246,605)
Transportation Planning Fund:							
N/A	Project TN-90-X012 - Planning/Research Sec. 5303 - GG0512306	Tennessee Department of Transportation	(172)	1,851	2,358	-	(679) *
N/A	Intelligent Vehicle Highway Systems Admin - ITS-9447 (402)	Tennessee Department of Transportation	(196)	1,163	1,193	-	(226) *
Total Transportation Planning Fund			(368)	3,014	3,551	-	(905)
Community Development Fund:							
N/A	Emergency Shelter Grant Z-05-020660-01	TN Dept. of Human Services	(11,586)	46,969	50,400	-	(15,017) *
Total Community Development Fund			(11,586)	46,969	50,400	-	(15,017)
Mass Transit:							
N/A	Job Access - Operating GG-06-11327	Tennessee Department of Transportation	(13,480)	51,102	49,785	-	(12,163) *
N/A	Project #TN-90-X251 - Operating GG-07-12814	Tennessee Department of Transportation	-	266,358	373,025	-	(106,667) *
N/A	Project #TN-90-X233 - Operating GG-04-10507	Tennessee Department of Transportation	(86,813)	86,813	-	-	-
N/A	Project #TN-90-X251 - Capital Option GG-03-10422	Tennessee Department of Transportation	-	8,657	8,657	-	-
N/A	Project #TN-90-X208 - Capital GG-04-10830	Tennessee Department of Transportation	(2,313)	10,235	13,810	-	(5,888) *
N/A	Project #TN-90-X209 - Capital GG-04-10830-01	Tennessee Department of Transportation	(142)	-	-	-	(142) *
N/A	Project #TN-90-X210 - Capital GG-04-10830-02	Tennessee Department of Transportation	(188)	188	-	-	-
N/A	Project #TN-90-X216 - Capital GG-04-10830	Tennessee Department of Transportation	-	2,289	3,265	-	(976) *

* Receivable ** Unused Revenue

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF EXPENDITURES OF STATE AWARDS

For the Fiscal Year Ended June 30, 2007

CFDA Number	Program Name/Grant Number	Grantor Agency / Pass Through Agency	Balance 7/1/2006	Cash Receipts	Expenditures	Adjustments	Balance 6/30/2007
N/A	Project #TN-90-X233 - Capital GG-06-10830	Tennessee Department of Transportation	(3,652)	4,223	571	-	-
Total Mass Transit Fund			(106,588)	429,865	449,113	-	(125,836)
TOTAL STATE GRANTS			(393,909)	2,418,047	2,529,406	-	(505,268)

* Receivable ** Unused Revenue

See Independent Auditors' Report.



STATISTICAL SECTION

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

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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>	174
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Revenue Capacity

<i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	182
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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>	186
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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>	192
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Operating Information

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Other Statistical Schedules

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

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

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Governmental Activities						
Invested in Capital Assets, Net of Related Debt Restricted	\$ 65,828,986	69,634,762	68,066,836	69,035,062	67,480,139	67,467,865
Unrestricted	5,802,936	6,423,195	1,339,792	1,235,783	1,108,571	6,625,729
Total Governmental Activities Net Assets	\$ 8,812,085	12,932,492	27,064,737	38,368,429	51,502,610	57,777,385
	\$ 80,444,007	88,990,449	96,471,365	108,639,274	120,091,320	131,870,979
Business-Type Activities						
Invested in Capital Assets, Net of Related Debt Restricted	\$ 130,726,623	143,691,479	151,024,946	164,362,698	170,338,354	181,475,490
Unrestricted	3,789,232	1,546,874	595,205	501,521	660,326	483,449
Total Business-Type Activities Net Assets	\$ 8,694,385	7,817,725	9,307,410	8,347,415	14,036,942	14,101,598
	\$ 143,210,240	153,056,078	160,927,361	173,211,634	185,035,622	196,060,537
Primary Government						
Invested in Capital Assets, Net of Related Debt Restricted	\$ 196,355,609	213,326,241	219,091,782	233,397,760	236,542,197	248,943,355
Unrestricted	9,592,168	7,970,069	1,934,997	1,737,304	1,768,897	7,109,178
Total Primary Government Net Assets	\$ 17,506,470	20,750,217	36,372,147	46,715,844	66,815,848	71,878,983
	\$ 223,654,247	242,046,527	257,398,926	281,850,908	303,126,942	327,931,516

Information not available prior to 2002.

See Independent Auditors' Report.

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

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Expenses						
<u>Governmental Activities:</u>						
General Government	\$ 11,404,279	10,381,350	7,249,216	7,518,525	7,102,418	10,246,706
Public Safety	17,178,099	17,322,254	17,676,316	18,254,020	19,537,869	20,196,334
Public Works	9,034,320	10,666,838	11,581,458	10,648,651	11,740,047	11,954,349
Public Welfare	4,735,469	5,640,206	5,485,982	6,211,203	6,309,383	6,551,969
City Services	1,343,376	1,361,193	2,090,545	1,818,017	1,789,975	2,105,771
Education	43,763,902	45,705,523	48,542,847	51,957,017	54,448,620	57,396,706
Interest on Long-Term Debt	5,789,746	5,208,576	4,713,367	4,760,654	3,040,993	7,140,164
Total Governmental Activities Expenses	93,249,191	96,285,940	97,339,731	101,168,087	103,969,305	115,591,999
<u>Business-Type Activities:</u>						
Water and Sewer	16,047,642	15,871,722	16,885,803	17,309,426	18,616,496	21,053,584
City Solid Waste	6,523,049	6,603,231	6,737,417	6,654,113	7,040,115	7,294,552
Regional Solid Waste	1,634,139	1,208,387	1,272,173	1,410,536	1,615,196	1,658,724
Johnson City Power Board	104,882,717	112,540,287	118,868,370	119,754,592	133,197,667	143,319,219
Public Building Authority	2,536,430	3,437,385	3,295,700	2,376,597	2,294,949	2,107,230
Mass Transit	1,796,611	1,757,068	1,934,480	1,901,831	2,193,038	2,489,530
Stormwater Management	-	-	-	-	-	144,542
Golf Courses	1,498,244	1,247,855	1,217,833	1,231,510	1,393,946	1,472,066
Total Business-Type Activities Expenses	134,918,832	142,665,935	150,211,776	150,638,605	166,351,407	179,539,447
Total Primary Government Expenses	\$ 228,168,023	238,951,875	247,551,507	251,806,692	270,320,712	295,131,446
Program Revenues						
<u>Governmental Activities:</u>						
Charges for Services:	\$ 2,365,752	2,699,122	1,351,314	1,470,777	1,577,697	1,507,099
Public Safety	240,095	1,147,694	2,419,198	2,105,424	2,113,662	2,445,477
City Services						

(Continued)

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

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Program Revenues (Continued)						
Governmental Activities (Continued):						
Charges for Services (Continued):						
Education	2,556,732	2,415,390	2,262,888	2,445,031	2,708,056	3,038,039
Other Activities	2,443,996	1,698,033	1,224,777	1,232,901	2,469,235	2,332,593
Operating Grants and Contributions	24,102,639	24,646,466	26,225,494	30,133,808	30,516,925	33,419,313
Capital Grants and Contributions	-	4,702,519	2,277,006	626,238	164,833	-
Total Governmental Activities Program Revenues	31,709,214	37,309,224	35,760,677	38,014,179	39,550,408	42,742,521
Business-Type Activities:						
Charges for Services:						
Water and Sewer	17,706,771	19,631,344	19,690,045	20,288,469	21,772,092	23,133,709
City Solid Waste	6,635,333	7,468,291	7,897,479	7,917,942	8,257,612	8,622,823
Johnson City Power Board	111,054,311	118,634,679	124,669,151	128,314,735	141,680,330	150,526,423
Other Activities	4,633,523	5,444,811	5,621,249	5,194,686	5,277,396	5,499,351
Operating Grants and Contributions	1,275,705	1,417,259	1,142,869	995,661	1,103,458	1,249,319
Capital Grants and Contributions	303,981	1,306,351	1,090,342	1,717,925	818,212	397,599
Total Business-Type Activities Program Revenues	141,609,624	153,902,735	160,111,135	164,429,418	178,909,300	189,429,224
Total Primary Government Program Revenues	\$ 173,318,838	\$ 191,211,959	\$ 195,871,812	\$ 202,443,597	\$ 218,459,708	\$ 232,171,745
Net (Expense)/Revenue						
Governmental Activities	\$ (61,539,977)	\$ (58,976,716)	\$ (61,579,054)	\$ (63,153,908)	\$ (64,418,897)	\$ (72,849,478)
Business-Type Activities	6,690,792	11,236,800	9,899,359	13,790,813	12,557,893	9,889,777
Total Primary Government Net (Expense)	\$ (54,849,185)	\$ (47,739,916)	\$ (51,679,695)	\$ (49,363,095)	\$ (51,861,004)	\$ (62,959,701)

(Continued)

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

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

Information not available prior to 2002.

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

See Independent Auditors' Report.

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

Fiscal Year	Property Tax	In-Lieu of Tax	Local Sales Tax	State Sales Tax	Business Tax	Local Beer Tax	Local Liquor Tax	Hotel / Motel Tax	Franchise Tax	Telephone / Cable Tax	Other Taxes	Total
1998	21,468,691	2,472,263	20,176,240	-	821,580	1,391,537	268,673	750,331	434,654	216,069	-	48,000,038
1999	22,009,570	3,036,073	21,448,956	-	891,788	1,471,798	285,122	755,519	368,711	361,033	-	50,628,570
2000	23,180,852	2,661,762	22,561,606	-	1,027,605	1,569,562	300,549	821,117	497,731	278,277	-	52,899,061
2001	24,620,392	3,516,368	23,314,961	-	1,070,085	1,629,893	297,675	852,688	456,646	467,264	-	56,225,972
2002	27,756,409	1,242,550	24,944,155	3,334,329	1,345,704	1,533,506	340,401	789,544	534,241	547,142	1,568,308	63,936,289
2003	28,189,818	1,218,964	24,072,977	3,346,526	1,311,531	1,654,319	359,470	771,638	313,280	556,094	1,810,685	63,605,302
2004	28,749,841	1,307,933	25,462,839	3,258,630	1,405,547	1,725,538	372,019	842,594	687,446	589,580	854,663	65,256,630
2005	31,429,944	1,311,286	26,712,881	3,382,171	1,534,947	1,805,940	361,364	885,521	516,393	577,627	1,185,532	69,703,606
2006	32,167,845	1,423,631	28,294,239	3,717,885	1,647,154	1,816,061	446,371	958,196	701,976	588,419	1,352,130	73,113,907
2007	33,064,284	1,479,199	29,452,416	4,073,426	1,743,053	1,754,139	551,289	1,002,315	495,264	629,898	1,626,540	75,871,823

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

See Independent Auditors' Report.

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

	Fiscal Year				
	1998	1999	2000	2001	2002
General Fund					
Reserved	101,944	139,027	193,003	419,344	\$ 506,239
Unreserved	6,572,797	7,373,043	5,804,552	2,024,867	5,343,621
Total General Fund	<u>6,674,741</u>	<u>7,512,070</u>	<u>5,997,555</u>	<u>2,444,211</u>	<u>\$ 5,849,860</u>
All Other Governmental Funds					
Reserved	1,861,415	2,180,499	1,872,980	1,681,294	\$ 1,968,692
Unreserved, reported in:					
Special Revenue Funds	3,430,397	790,735	718,608	1,581,365	4,585,218
Capital Project Funds	(11,124,965)	(13,558,062)	(10,613,448)	7,905,828	3,992,758
Total all Other Governmental Funds	<u>(5,833,153)</u>	<u>(10,586,828)</u>	<u>(8,021,860)</u>	<u>11,168,487</u>	<u>\$ 10,546,668</u>
	2003	2004	2005	2006	2007
General Fund					
Reserved	715,889	2,239,857	2,739,904	3,139,975	1,465,885
Unreserved	5,949,014	8,585,184	11,085,672	14,209,712	19,171,689
Total General Fund	<u>6,664,903</u>	<u>10,825,041</u>	<u>13,825,576</u>	<u>17,349,687</u>	<u>20,637,574</u>
All Other Governmental Funds					
Reserved	2,049,980	2,405,370	2,926,613	3,279,288	3,421,588
Unreserved, reported in:					
Special Revenue Funds	6,391,322	6,838,620	7,359,144	7,100,574	6,914,743
Capital Project Funds	3,812,255	2,950,645	8,858,602	17,156,764	15,718,186
Total all Other Governmental Funds	<u>12,253,557</u>	<u>12,194,635</u>	<u>19,144,359</u>	<u>27,536,626</u>	<u>26,054,517</u>

See Independent Auditors' Report.

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

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Revenues:										
Taxes	48,000,038	50,628,570	52,899,061	56,225,972	58,643,682	58,660,691	61,331,670	65,078,164	68,016,783	69,998,114
Licenses and Permits	784,837	714,383	873,542	720,622	817,347	693,800	907,393	988,999	1,141,199	1,063,241
Intergovernmental	27,914,065	27,517,424	29,114,849	36,011,746	30,817,336	31,661,321	32,455,612	35,091,817	35,370,088	38,815,227
Charges for Services	2,425,252	1,819,248	2,736,090	2,890,217	3,214,386	3,246,883	3,160,152	3,299,506	3,474,166	3,493,097
Sale of Property	1,858,456	3,875,865	392,735	10,525	412,631	416,597	66,467	317,641	1,490,276	432,995
Fines and Forfeitures	712,962	769,654	665,026	798,680	1,137,169	1,310,573	1,321,820	1,443,058	1,550,283	1,398,894
Use of Property	1,647,658	1,499,702	1,898,283	2,352,988	1,623,901	1,710,307	2,662,326	2,290,344	2,019,665	2,384,145
Investment Earnings	564,741	193,096	418,392	242,262	507,299	371,760	251,925	632,101	1,541,663	2,292,312
Miscellaneous	1,520,124	2,249,072	1,144,197	1,752,995	1,079,005	1,017,049	875,424	701,751	1,211,931	1,307,966
Total Revenues	85,428,133	89,267,014	90,142,175	101,006,007	98,252,756	99,088,981	103,032,789	109,843,381	115,816,054	121,185,991
Expenditures:										
General Government	7,838,085	8,571,586	8,976,747	10,017,967	10,863,994	9,940,946	9,436,485	9,593,656	9,848,863	10,411,369
Public Safety	13,141,228	13,908,841	15,319,127	17,263,941	16,451,487	16,900,884	17,371,848	17,924,968	19,207,764	19,942,643
Public Works	5,623,936	6,610,729	6,589,137	6,587,092	6,127,143	7,801,801	8,059,691	7,518,536	8,006,327	9,090,597
Public Welfare	8,116,117	6,301,191	6,033,120	5,561,905	5,790,202	5,387,930	5,215,580	5,894,087	6,048,271	6,257,074
City Services	-	-	2,028,975	2,267,819	1,015,110	1,107,267	1,893,464	1,618,348	1,574,399	1,946,010
Education	34,606,404	38,653,622	39,598,870	41,411,565	40,734,322	43,342,763	45,358,328	48,675,282	51,032,222	54,888,885
Miscellaneous	-	-	118,270	91,743	287,353	17,436	63,273	18,423	-	19,000
Capital Outlay	28,936,280	25,280,599	15,845,065	14,551,960	6,249,147	3,096,956	3,557,667	7,505,676	6,450,204	10,734,831
Debt Service:										
Principal	6,307,843	4,800,927	6,176,202	6,695,416	7,185,853	7,550,040	7,146,592	7,386,039	7,447,570	7,101,614
Interest and Fiscal Fees	2,937,201	5,002,397	6,000,451	6,397,812	5,819,175	5,244,117	4,713,367	4,598,310	5,611,096	9,245,927
Other Charges	163,347	486,733	126,981	330,819	9,410	-	-	266,066	304,043	-
Total Expenditures	107,670,441	109,616,625	106,812,945	111,178,039	100,533,196	100,390,140	102,816,295	110,999,391	115,530,759	129,637,950
Excess of revenues over (under) expenditures	(22,242,308)	(20,349,611)	(16,670,770)	(10,172,032)	(2,280,440)	(1,301,159)	216,494	(1,156,010)	285,295	(8,451,959)

(Continued)

CITY OF JOHNSON CITY, TENNESSEE
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(modified accrual basis of accounting)
(Unaudited)

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Other Financing Sources (Uses):										
Transfers (Net)	(1,466,823)	(1,743,080)	(1,456,461)	(1,497,235)	1,868,307	2,013,728	2,148,158	2,254,158	2,087,000	1,280,965
Loss on Investments	2,238,050	-	-	-	-	-	-	-	-	-
Notes Issued	-	-	-	-	-	-	-	-	-	-
Refunding Bonds Issued	-	1,440,040	-	-	-	-	-	11,460,900	6,245,425	29,085,001
Refunding Bond Payments	-	-	-	-	-	-	-	-	(5,890,000)	(25,574,441)
Bond Issued	8,500,000	17,300,000	18,700,000	27,100,000	921,038	2,090,751	-	8,249,610	7,000,000	-
Bond Proceeds from Washington County	-	-	-	-	-	-	-	-	2,152,800	5,511,025
Refunding Bonds Premium	-	203,310	-	-	-	-	-	58,861	-	-
Payments to Refunded	-	-	-	-	-	-	-	-	-	-
Bond Escrow Agent	-	(1,357,300)	-	-	-	-	-	(11,380,809)	-	-
Insurance Recovery	-	-	-	-	-	-	-	71,623	-	-
Capital Leases	-	-	-	-	-	-	403,802	-	-	-
Total Other Financing Sources (Uses)	9,271,227	15,842,970	17,243,539	25,602,765	2,789,345	4,104,479	2,551,960	10,714,343	11,595,225	10,302,550
Net Change in Fund Balances	(12,971,081)	(4,506,641)	572,769	15,430,733	508,905	2,803,320	2,768,454	9,558,333	11,880,520	1,850,591
Debt Service as a Percentage of Noncapital Expenditures	11.9%	12.2%	13.5%	13.9%	13.8%	13.2%	11.9%	11.8%	12.3%	13.7%

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

See Independent Auditors' Report.

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

Fiscal Year Ended June 30	Real Property			Personal Property	Public Utility	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Tax Year	Residential & Farm Property	Industrial & Commercial Property						
1998	1997	341,789,613	313,671,160	99,065,539	33,546,743	788,073,055	2.19	2,548,416,781	30.92%
1999	1998	357,275,562	345,261,445	99,087,954	33,547,784	835,172,745	2.19	2,544,678,373	32.82%
2000	1999	422,327,350	390,315,160	98,847,526	33,999,226	945,489,262	1.87	3,056,405,828	30.93%
2001	2000	435,578,550	408,159,132	112,630,088	36,911,863	993,279,633	1.87	3,159,332,578	31.44%
2002	2001	460,694,975	406,847,400	117,302,952	43,817,031	1,028,662,358	2.15	3,247,881,063	31.67%
2003	2002	473,877,275	417,779,120	116,420,340	38,519,170	1,046,595,905	2.15	3,328,062,244	31.45%
2004	2003	489,975,800	419,548,720	110,603,453	40,775,100	1,060,903,073	1.93	3,406,701,422	31.14%
2005	2004	586,366,747	512,287,398	115,283,797	48,675,887	1,262,613,829	1.93	4,011,552,024	31.47%
2006	2005	608,631,775	519,232,096	113,193,113	44,989,552	1,286,046,536	1.93	4,097,250,413	31.39%
2007	2006	638,630,400	527,884,240	101,364,219	42,025,565	1,309,904,424	1.93	4,243,334,375	30.87%

Source: City of Johnson City Finance Department

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

See Independent Auditors' Report.

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

Fiscal Year Ended June 30	Overlapping Rates			County Rates		
	Washington County	Carter County	Sullivan County	Washington County	Carter County	Sullivan County
1998	2.19	1.94	1.94	2.22	2.46	2.58
1999	1.87	1.87	2.05	1.93	2.46	2.58
2000	1.87	1.87	2.05	1.93	2.46	2.63
2001	2.15	2.04	2.04	1.93	2.22	2.35
2002	2.15	2.04	2.04	1.93	2.22	2.35
2003	2.15	2.04	2.04	1.93	2.22	2.35
2004	1.93	2.04	2.04	1.87	2.56	2.67
2005	1.93	2.18	1.95	1.87	2.56	2.53
2006	1.93	2.04	1.80	2.00	2.10	2.53
2007	1.93	1.80	1.80	2.00	2.10	2.53

Source: City of Johnson City Finance Department

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

See Independent Auditors' Report.

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

Taxpayer	2007			1998		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
United Telephone SE Inc	\$ 18,738,393	1	1.4%	21,370,304	1	2.7%
Johnson City Venture LLC (Mall)	18,387,520	2	1.4%	14,671,160	2	1.9%
Mountain States Properties	9,685,720	3	0.7%	5,006,525	6	0.6%
Atmos Energy Corporation	8,473,080	4	0.6%	-	-	0.0%
American Water Heater Company	8,302,028	5	0.6%	4,538,989	8	0.6%
New Johnson City Crossing	6,967,155	6	0.5%	-	-	0.0%
Robert Bosch Corporation	6,686,433	7	0.5%	11,225,870	4	1.4%
Superior Industries Int'l	59,278,785	8	4.5%	4,722,487	7	0.6%
John A. Pritchett, Jr	5,528,910	9	0.4%	-	-	0.0%
Tarkett Wood Inc	5,503,792	10	0.4%	-	-	0.0%
Siemens Industrial Automation	-	-	0.0%	12,089,960	3	1.5%
United Cities Gas Company	-	-	0.0%	5,531,598	5	0.7%
Wiggins WB JR	-	-	0.0%	4,249,240	9	0.5%
Allegiance Healthcare Co	-	-	0.0%	4,184,596	10	0.5%
Totals	\$ 147,551,816		11.3%	87,590,729		11.1%

Total Taxable Assessed Value:

FYE 2007 (Tax Year 2006)	1,309,904,424
FYE 1998 (Tax Year 1997)	788,073,055

Source: City of Johnson City Finance Department

See Independent Auditors' Report.

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

Fiscal Year Ended June 30	Tax Levy for Fiscal Year	Subsequent Adjustments to Levy	Adjusted Tax Levy	Collected within the Fiscal Year of the Levy			Total Collections to Date		
				Amount	Percentage of Adjusted Levy	Collections in Subsequent Years	Amount	Percentage of Adjusted Levy	Uncollected Delinquent Taxes
1998	17,026,668	(186,566)	16,840,102	16,136,224	95.82%	701,724	16,837,948	99.99%	2,154
1999	17,553,810	(227,443)	17,326,367	16,292,409	94.03%	1,024,238	17,316,647	99.94%	9,720
2000	17,970,361	(11,072)	17,959,289	16,944,556	94.35%	1,008,167	17,952,723	99.96%	6,567
2001	18,558,384	(44,575)	18,513,809	17,756,760	95.91%	739,658	18,496,418	99.91%	17,391
2002	21,117,931	874,982	21,992,913	21,108,710	95.98%	860,293	21,969,003	99.89%	23,910
2003	22,071,665	215,049	22,286,714	21,613,078	96.98%	609,829	22,222,907	99.71%	63,807
2004	22,723,186	37,367	22,760,553	22,019,690	96.74%	619,580	22,639,270	99.47%	121,283
2005	24,282,470	(49,021)	24,233,449	23,694,840	97.78%	410,726	24,105,566	99.47%	128,643
2006	23,967,796	392,286	24,360,082	23,677,242	97.20%	489,649	24,166,891	99.21%	206,703
2007	25,245,152	199,823	25,444,975	24,718,999	97.15%	-	24,718,999	97.15%	725,976

Source: City of Johnson City Finance Department

See Independent Auditors' Report.

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

Fiscal Year Ended June 30	Governmental Activities			Business-Type Activities					Percentage of Personal Income	Per Capita
	General Obligation Bonds	Notes Payable	Capital Lease	General Obligation Bonds	Revenue Bonds	Notes Payable	Total Primary Government			
1998	92,999,036	2,650,950	-	6,069,030	43,341,998	95,600	145,156,614	12.59%	2,747	
1999	108,620,300	2,419,259	-	23,061,278	36,724,998	71,700	170,897,535	14.73%	3,208	
2000	113,403,739	2,234,517	-	39,187,239	64,342,998	47,800	219,216,293	17.34%	3,952	
2001	134,077,206	1,965,667	-	47,452,907	63,110,997	23,900	246,630,677	18.60%	4,438	
2002	128,094,467	1,683,591	-	46,162,236	58,589,000	-	234,529,294	17.24%	4,214	
2003	120,825,645	1,402,373	-	44,125,074	54,436,000	448,936	221,238,028	15.96%	3,972	
2004	113,974,350	1,107,076	296,744	41,980,980	50,813,000	823,787	208,995,937	14.13%	3,616	
2005	114,752,367	1,517,241	201,735	39,624,138	47,220,000	939,804	204,255,285	13.24%	3,482	
2006	114,641,644	1,229,264	102,875	68,641,159	43,560,000	929,286	229,104,228	14.54%	3,902	
2007	109,503,087	927,757	-	68,828,203	49,195,000	1,076,167	229,530,214	13.74%	3,685	

Note:

-Details regarding the City's outstanding debt can be found in the notes to the financial statements.
-See the Schedule of Demographic and Economic Statistics for personal income and population data.

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year Ended June 30	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Net General Obligation Bonds	Percentage of Estimated Actual Taxable Value of Property	Per Capita
1998	92,999,036	(1,607,985)	91,391,051	3.59%	1,729
1999	108,620,300	(1,788,218)	106,832,082	4.20%	2,005
2000	113,403,739	(1,601,932)	111,801,807	3.66%	2,016
2001	134,077,206	(1,371,745)	132,705,461	4.20%	2,388
2002	128,094,467	(1,287,353)	126,807,114	3.90%	2,279
2003	120,825,645	(1,212,470)	119,613,175	3.59%	2,147
2004	113,974,350	(1,141,370)	112,832,980	3.31%	1,952
2005	114,752,367	(1,036,938)	113,715,429	2.83%	1,939
2006	114,641,644	(905,407)	113,736,237	2.78%	1,937
2007	109,503,087	(1,109,636)	108,393,451	2.55%	1,740

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.

CITY OF JOHNSON CITY, TENNESSEE
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2007
(Unaudited)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes:			
Carter County	\$ 25,866,333	2.00%	517,327
Sullivan County	56,556,973	0.04%	22,623
Washington County	154,710,000	62.00%	95,920,200
<i>Subtotal, Overlapping Debt</i>	<u>237,133,306</u>		<u>96,460,149</u>
City of Johnson City Direct Debt	<u>109,503,087</u>	100.00%	<u>109,503,087</u>
Total Direct and Overlapping Debt	<u><u>\$346,636,393</u></u>		<u><u>205,963,236</u></u>

Sources:

- City of Johnson City Finance Department
- County Governments

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

See Independent Auditors' Report.

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

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Debt Limit	78,807,306	83,517,275	94,548,926	99,327,963	102,866,236	104,659,591	106,090,307	126,261,383	128,604,654	130,990,442
Total Net Debt Applicable to Limit	57,186,233	65,777,497	71,035,936	92,264,403	86,976,664	80,397,842	74,396,547	76,189,564	77,278,841	72,297,357
Legal Debt Margin	21,621,073	17,739,778	23,512,990	7,063,560	15,889,572	24,261,749	31,693,760	50,071,819	51,325,813	58,693,085

Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	72.56%	78.76%	75.13%	92.89%	84.55%	76.82%	70.13%	60.34%	60.09%	55.19%
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Legal Debt Margin Calculation for Fiscal Year 2006	
Total Taxable Assessed Value	\$ 1,309,904,424
Debt Limit (10% of Taxable Assessed Value)	130,990,442
Debt Applicable to Limit:	
General Obligation Debt	109,503,087
Less: Sales Tax Revenue Bonds	(37,205,730)
Total Net Debt Applicable to Limit	72,297,357
Legal Debt Margin	\$ 58,693,085

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

See Independent Auditors' Report.

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

Fiscal Year	Operating Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
Water and Sewer Revenue Bonds:							
1998	18,469,792	10,861,251	7,608,541	4,230,977	2,261,970	6,492,947	1.17
1999	19,163,077	11,321,777	7,841,300	3,992,000	1,860,886	5,852,886	1.34
2000	18,829,366	10,352,608	8,476,758	3,867,000	1,578,335	5,445,335	1.56
2001	18,262,236	11,475,442	6,786,794	2,857,001	1,709,359	4,566,360	1.49
2002	17,706,771	10,555,308	7,151,463	3,166,997	1,464,644	4,631,641	1.54
2003	19,626,789	10,920,221	8,706,568	2,733,000	1,335,810	4,068,810	2.14
2004	19,690,045	11,501,842	8,188,203	2,293,000	1,203,915	3,496,915	2.34
2005	20,288,469	11,952,939	8,335,530	2,483,000	1,109,675	3,592,675	2.32
2006	21,772,092	16,415,529	5,356,563	2,545,000	1,052,982	3,597,982	1.49
2007	23,133,709	17,882,817	5,250,892	1,095,000	1,218,689	2,313,689	2.27
City Solid Waste Revenue Bonds:							
1998	5,166,150	5,990,444	(824,294)	105,000	92,553	197,553	(4.17)
1999	6,018,747	7,415,623	(1,396,876)	110,000	87,513	197,513	(7.07)
2000	6,699,036	6,442,559	256,477	115,000	82,068	197,068	1.30
2001	6,212,455	6,748,753	(536,298)	120,000	99,454	219,454	(2.44)
2002	6,635,333	5,543,526	1,091,807	245,000	95,080	340,080	3.21
2003	7,468,291	5,909,997	1,558,294	255,000	82,505	337,505	4.62
2004	7,897,479	6,077,126	1,820,353	275,000	67,504	342,504	5.31
2005	7,917,942	5,996,550	1,921,392	285,000	53,082	338,082	5.68
2006	8,257,612	6,791,872	1,465,740	160,000	40,020	200,020	7.33
2007	8,622,823	7,045,184	1,577,639	170,000	31,060	201,060	7.85
Regional Solid Waste Revenue Bonds:							
1998	1,323,569	1,111,962	211,607	125,000	33,523	158,523	1.33
1999	1,374,116	1,040,554	333,562	125,000	29,271	154,271	2.16
2000	1,403,026	1,222,182	180,844	135,000	15,625	150,625	1.20
2001	1,497,806	1,386,409	111,397	140,000	18,301	158,301	0.70
2002	1,578,419	1,372,532	205,887	150,000	10,144	160,144	1.29
2003	1,728,755	1,072,280	656,475	155,000	3,643	158,643	4.14
2004	1,809,069	1,152,122	656,947	N/A	N/A	N/A	N/A
2005	1,892,638	1,290,443	602,195	N/A	N/A	N/A	N/A
2006	2,001,125	1,608,350	392,775	N/A	N/A	N/A	N/A
2007	2,080,774	1,655,070	425,704	N/A	N/A	N/A	N/A
Golf Course Revenue Bonds:							
1998	565,706	458,236	107,470	-	169,263	169,263	0.63
1999	533,380	482,182	51,198	-	38,922	38,922	1.32
2000	552,872	457,620	95,252	110,000	30,426	140,426	0.68
2001	498,628	491,734	6,894	115,000	24,783	139,783	0.05
2002	538,747	507,895	30,852	120,000	19,650	139,650	0.22
2003	533,449	467,528	65,921	130,000	13,650	143,650	0.46
2004	501,343	476,022	25,321	135,000	6,435	141,435	0.18
2005	493,298	497,651	(4,353)	N/A	N/A	N/A	N/A
2006	991,748	1,188,143	(196,395)	N/A	N/A	N/A	N/A
2007	1,034,672	1,240,899	(206,227)	N/A	N/A	N/A	N/A

(Continued)

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

Fiscal Year	Operating Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
Johnson City Power Board Revenue Bonds:							
1998	99,521,265	94,074,802	5,446,463	285,000	1,099,943	1,384,943	3.93
1999	109,464,372	99,026,356	10,438,016	305,000	1,557,061	1,862,061	5.61
2000	111,275,891	100,556,971	10,718,920	765,000	1,481,409	2,246,409	4.77
2001	116,106,756	104,328,939	11,777,817	800,000	936,979	1,736,979	6.78
2002	111,054,311	99,973,365	11,080,946	840,000	1,474,301	2,314,301	4.79
2003	118,634,679	107,479,291	11,155,388	880,000	1,433,510	2,313,510	4.82
2004	124,669,151	113,013,470	11,655,681	929,121	1,384,892	2,314,013	5.04
2005	128,314,735	113,411,634	14,903,101	980,000	1,330,569	2,310,569	6.45
2006	141,680,530	131,546,144	10,134,386	1,035,000	1,276,389	2,311,389	4.38
2007	150,526,423	141,778,812	8,747,611	1,095,000	1,218,689	2,313,689	3.78

Note:

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

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

Fiscal Year Ended June	Population	Personal Income	Per Capita Personal Income ¹	Median Age	Education Level in Years of Formal Schooling		School Enrollment	Unemployment Rate
30 1998	52,851	1,152,944,565	21,815	34.4	12.85		6,546	3.3%
1999	53,272	1,160,530,520	21,785	34.4	12.85		6,677	3.6%
2000	55,469	1,263,916,634	22,786	36.9	13.44		6,732	4.0%
2001	55,570	1,325,844,630	23,859	36.9	13.44		6,655	4.7%
2002	55,650	1,360,030,350	24,439	36.9	13.44		6,805	5.3%
2003	55,700	1,386,150,200	24,886	36.9	13.44		6,778	5.1%
2004	57,800	1,478,697,400	25,583	36.9	13.44		6,778	5.0%
2005	58,658	1,542,646,742	26,299	36.9	13.44		6,766	5.6%
2006	58,718	1,575,227,786	26,827	39.7	13.44		6,998	4.9%
2007	62,289	1,671,027,003	26,827	39.2	13.44		7,052	4.2%

Sources:

- Johnson City Economic Development Board
- Tennessee Department of Labor & Workforce Development
- State of the Cities Data Systems (SOCDS-HUD)
- Johnson City School System
- Johnson City Chamber of Commerce

¹Data presented is for Washington County, TN

See Independent Auditors' Report.

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

Employer	2007			2003*		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Mountain States Health Alliance	3,541	1	5.8%	3,541	1	6.3%
East Tennessee State University	1,990	2	3.2%	2,012	2	3.6%
CITI Commerce Solution	1,700	3	2.8%	1,817	3	3.3%
Washington County School System	1,275	4	2.1%	1,150	6	2.1%
James H. Quillen VA Medical Center	1,259	5	2.1%	1,259	4	2.3%
American Water Heater Co	1,194	6	1.9%	1,200	5	2.2%
AT & T Wireless	1,000	7	1.6%	805	10	1.4%
Johnson City School System	851	8	1.4%	920	7	1.6%
City of Johnson City	843	9	1.4%	824	8	1.5%
Advanced Call Center Technologies	600	10	1.0%	N/A	-	-
Siemens Energy & Automation, Inc.	N/A	-	-	730	9	1.3%
	<u>14,253</u>		<u>23.1%</u>	<u>14,258</u>		<u>25.6%</u>

Total Washington County Employment:
FYE 2006 61,280
FYE 2003 55,800

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

*Principal Employer information is not available prior to FY 2003

See Independent Auditors' Report.

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

Function	Fiscal Year						
	2001	2002	2003	2004	2005	2006	2007
General Government	143	135	125	120	116	102	91
Public Safety	319	310	295	294	294	310	297
Public Works	92	86	91	90	89	71	81
Public Welfare	90	85	74	74	74	74	75
City Services	18	10	13	10	10	52	51
Education	850	857	860	827	829	832	832
Water and Sewer	160	139	142	145	146	151	153
Solid Waste	62	56	49	47	45	45	54
Mass Transit	59	64	59	57	55	39	44
Golf Courses	43	36	36	36	36	10	7
	<u>1,836</u>	<u>1,778</u>	<u>1,744</u>	<u>1,700</u>	<u>1,694</u>	<u>1,686</u>	<u>1,685</u>

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

See Independent Auditors' Report.

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

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

Source: Various City Departments

Note: Operating Indicators are not available for the general government function.

See Independent Auditors' Report.

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

Function	Fiscal Year			
	2004	2005	2006	2007
Public Safety:				
Student Transportation:				
Buses	51	54	52	52
Police:				
Stations	1	1	1	1
Patrol Units	154	163	166	170
Motorcycle Units	3	3	3	3
Fire:				
Stations	8	8	8	8
Fire Trucks/Rescue Units	27	26	27	15
Public Works:				
Streets (Miles)	483.1	488.9	496.89	505.01
Traffic Signals	84	85	86	91
Public Welfare:				
Parks and Recreation:				
Park Sites	19	19	19	19
Park Acreage	1,081	1,081	1,081	1,081
Swimming Pools	2	2	2	2
Tennis Courts	17	17	17	17
Community/Recreation Centers	4	4	4	4
Senior Citizens:				
Senior Centers	1	1	1	1
School System:				
Elementary Schools	8	8	8	8
Secondary Schools	2	2	2	2
Water and Sewer:				
Water Mains (Miles)	840.7	854.5	871.3	960
Fire Hydrants	2,622	2,639	2,828	3,108
Sanitary Sewers (Miles)	474.3	474.8	505.3	525
Manholes	10,743	10,766	11,452	11,525
Solid Waste:				
Collection Trucks	46	48	51	51
Golf Courses	2	2	2	2
Mass Transit:				
Buses/Trolleys/Vans	33	35	43	43

Source: Various City Departments

Note:

-Capital Asset Indicators are not available for the general government function.

-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, 2007
 (Unaudited)

Transfers In:	Capital Projects Funds										Enterprise Funds				Internal Service Funds				
	General Fund	General Purpose School	Debt Service Fund	Trans- portation Planning	Police Grant Fund	Freedom Hall	Special School Federal Projects	Special School Site Based Fund	School Projects	Parks	Equipment	Infrastructure	Public Facilities	Med Tech Park	City Solid Waste	Golf Fund	Mass Transit	Stormwater Management	Insurance Fund
General Fund	\$ -	7,832,675	-	46,364	-	182,044	-	4,750	-	62,971	1,387,615	13,524	201,851	-	-	549,751	438,437	187,485	426,700
Special Revenue Funds:																			
General Purpose School Fund	-	-	1,003,377	-	-	-	19,521	8,692	746,715	-	-	-	-	-	-	-	-	-	-
Debt Service Fund	44,000	-	-	-	15,980	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Drug Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
School Federal Projects	-	3,903	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public Aid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Projects:																			
Infrastructure Schools	-	-	-	-	-	-	-	-	-	-	-	-	2,961,839	-	-	-	-	-	-
Internal Service Funds:																			
Motor Transport	-	-	-	-	-	-	-	-	21,599	-	-	-	-	-	-	-	-	-	-
Enterprise Funds:																			
Johnson City Power Board	2,431,737	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water and Sewer	430,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Regional Solid Waste	-	-	-	-	-	-	-	-	-	-	-	-	-	115,800	-	-	-	-	-
City Solid Waste	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Totals	\$ 2,905,737	7,836,578	1,003,377	46,364	15,980	182,044	19,521	13,442	746,715	62,971	1,409,214	13,524	3,163,690	-	115,800	549,751	438,437	187,485	426,700

Note: An asset was reassigned from Mass Transit (Enterprise Fund) to the General Fund (General Government) for \$18,935. This has been recorded as a transfer out from the Mass Transit fund even though no other fund is in a position to report a corresponding transfer in. However, the transfers in and transfers out will balance in the government-wide statement of activities.

An asset was reassigned from the General Fund (General Government) to the Storm Water Management Fund (Enterprise Fund) for \$139,923. This has not been recorded as a transfer out from the General Fund since this fund is not in a position to record the transfer out but has been recorded as a transfer in to the Storm Water Management Fund. However, the transfers in and transfers out will balance in the government-wide statement of activities.

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS -
ALL FUNDS - PRIMARY GOVERNMENT
June 30, 2007
(Unaudited)

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2008	12,894,433	11,213,413	24,107,846
2009	11,535,751	10,619,193	22,154,944
2010	11,434,686	10,238,668	21,673,354
2011	12,070,713	9,934,742	22,005,455
2012	12,604,837	9,531,295	22,136,132
2013	13,235,870	9,127,889	22,363,759
2014	15,255,000	7,331,931	22,586,931
2015	16,165,000	6,622,031	22,787,031
2016	16,560,000	5,864,272	22,424,272
2017	14,835,000	5,064,980	19,899,980
2018	14,845,000	4,349,773	19,194,773
2019	13,410,000	3,652,520	17,062,520
2020	14,045,000	3,018,699	17,063,699
2021	8,920,000	2,351,626	11,271,626
2022	8,305,000	1,902,565	10,207,565
2023	6,605,000	1,499,144	8,104,144
2024	3,760,000	1,219,570	4,979,570
2025	3,910,000	1,028,190	4,938,190
2026	2,940,000	829,000	3,769,000
2027	2,420,000	682,000	3,102,000
2028	2,555,000	561,000	3,116,000
2029	2,660,000	438,350	3,098,350
2030	2,790,000	310,675	3,100,675
2031	2,970,000	176,725	3,146,725
2032	800,000	34,000	834,000
	<u>\$ 227,526,290</u>	<u>107,602,251</u>	<u>335,128,541</u>

The total reflected on the statement of net assets has been reduced by deferred debt refunding costs of \$1,935,199.

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF NOTE PRINCIPAL AND INTEREST REQUIREMENTS -
ALL FUNDS - PRIMARY GOVERNMENT
June 30, 2007
(Unaudited)

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2008	326,034	76,739	402,773
2009	341,226	61,670	402,896
2010	103,856	49,012	152,868
2011	108,163	45,295	153,458
2012	111,722	41,427	153,149
2013	14,394	37,430	51,824
2014	15,052	36,785	51,837
2015	15,742	36,109	51,851
2016	16,424	35,403	51,827
2017	17,213	34,664	51,877
2018	18,003	33,893	51,896
2019	18,827	33,084	51,911
2020	19,652	32,238	51,890
2021	20,586	31,356	51,942
2022	21,531	30,432	51,963
2023	22,514	29,465	51,979
2024	23,517	28,454	51,971
2025	24,624	27,398	52,022
2026	25,752	26,293	52,045
2027	26,929	25,136	52,065
2028	28,138	23,927	52,065
2029	29,455	22,663	52,118
2030	30,803	21,340	52,143
2031	32,216	19,956	52,172
2032	33,672	18,509	52,181
2033	35,227	16,997	52,224
2034	36,843	15,414	52,257
2035	38,528	13,758	52,286
2036	40,281	12,028	52,309
2037	42,178	10,218	52,396
2038	44,079	8,324	52,403
2039	46,101	6,344	52,445
2040	48,207	4,273	52,480
2041	42,889	2,107	44,996
2042	20,243	988	21,231
2043	5,401	106	5,507
	<u>\$ 1,846,022</u>	<u>949,235</u>	<u>2,795,257</u>

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF UNCOLLECTED DELINQUENT TAXES

June 30, 2007

(Unaudited)

<u>Tax Year</u>	<u>Uncollected Delinquent Taxes June 30, 2007</u>
2005	\$ 206,703
2004	\$ 128,643
2003	121,283
2002	63,807
2001	23,910
2000	17,391
1999	6,567
1998	9,720
1997	2,154
Total	<u>\$ 580,178</u>

Uncollected Delinquent Taxes Filed in Chancery Court:

As of April 1, 2007 all of the above delinquent taxes for 1996 through 2005 have been filed by the City Attorney with the Washington County Chancery Court.

See Independent Auditors' Report.

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

June 30, 2007

(Unaudited)

<u>Water Rates:</u>	<u>Inside City</u>	<u>Outside City</u>
Base	3.04	6.08
0 - 20,000 Gallons Used	2.38 / 1,000 gal.	4.76 / 1,000 gal.
20,001 - 190,000 Gallons Used	1.90 / 1,000 gal.	3.81 / 1,000 gal.
190,000 - 490,000 Gallons Used	1.71 / 1,000 gal.	3.43 / 1,000 gal.
Over 490,000 Gallons Used	1.55 / 1,000 gal.	3.09 / 1,000 gal.
<u>Sewer Rates:</u>	<u>Inside City</u>	<u>Outside City</u>
Base	3.04	6.08
0 - 20,000 Gallons Used	3.05 / 1,000 gal.	6.1 / 1,000 gal.
20,001 - 190,000 Gallons Used	2.81 / 1,000 gal.	5.61 / 1,000 gal.
190,000 - 490,000 Gallons Used	2.59 / 1,000 gal.	5.19 / 1,000 gal.
Over 490,000 Gallons Used	2.29 / 1,000 gal.	4.58 / 1,000 gal.
<u>Residential Collection Rates:</u>	<u>Inside City</u>	<u>Outside City</u>
Collection at Roadside	\$8 / mon.	\$15 / mon.
Collection at Door	\$23 / mon.	\$26 / mon.
2 Carts	\$8/mon.	\$22.50 / mon.
3 Carts	\$8/mon.	\$45 / mon.
<u>Commercial Collection Rates:</u>	<u>Inside City¹</u>	<u>Outside City²</u>
4 yard	\$52.50 / mon.	\$87.50 / mon.
6 yard	\$67.50 / mon.	\$102.50 / mon.
8 yard	\$82.50 / mon.	\$117.50 / mon.
Each Commercial Cart	1-4 \$13/mon.	1 \$15 / mon.
	5-8 \$26/mon.	2 \$22.50/mon.
	9-12 \$39/mon.	3 \$45/mon.
		4 \$60/mon.
<u>Number of Customers:</u>	<u>Inside City</u>	<u>Outside City</u>
Water	24,817	15,127
Sewer	23,066	3,313
Solid Waste ³	23,132	9,157
<u>Unaccounted for Water:</u>	<u>Gallons</u>	<u>% of Total Gallons</u>
Pumped gallons of water	5,453,157,000	100.00%
Accounted for gallons of water ⁴	<u>3,657,823,300</u>	<u>67.08%</u>
Unaccounted for (lost) gallons of water	<u>1,795,333,700</u>	<u>32.92%</u>

Sources:

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

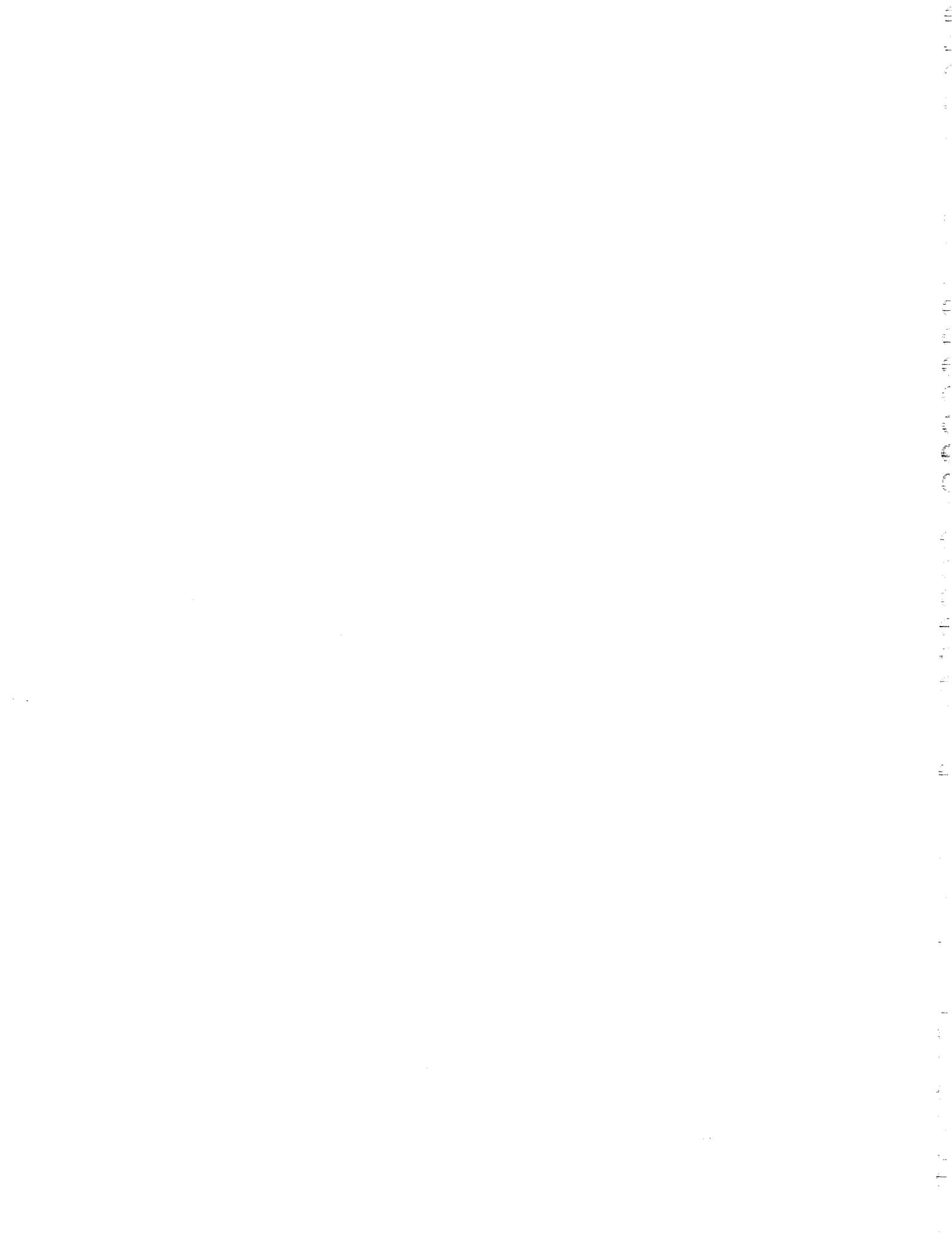
¹Does not include dumpster which can be purchased or rented @\$30/mon.

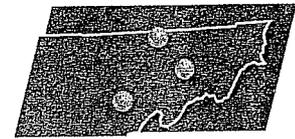
²Includes dumpster which is furnished.

³Does not include garbage pulls, front loader or container rentals.

⁴Accounted for gallons includes only gallons billed; figure does not include the following: (1) water used internally for tank cleaning, line flushing, street cleaning, etc., (2) water used by Fire Department, (3) water sold in bulk, (4) water leaks, and (5) water bill adjustments.

See Independent Auditors' Report.





American Institute of Certified Public Accountants

Independent Auditors' Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Johnson City, Tennessee (the "City") as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 14, 2007. We did not audit the financial statements of the Johnson City Schools Site-Based Fund, a nonmajor special revenue fund, as of and for the year ended June 30, 2007, which represent 2%, 2% and 7%, respectively, of the assets, net assets and revenues of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on the City's financial statements, insofar as it relates to the amounts included for the Johnson City Schools Site-Based Fund, is based on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. 07-1, 07-2, and 98-1.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as items 07-1, 07-2, 98-1.

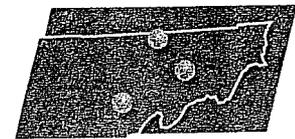
The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

We noted certain other matters that we reported to management of the City, in a separate letter dated December 14, 2007.

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

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

December 14, 2007



Independent Auditors' Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control
Over Compliance in Accordance with OMB Circular A-133

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

Compliance

We have audited the compliance of the City of Johnson City, Tennessee with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The City of Johnson City, Tennessee's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Johnson City, Tennessee's management. Our responsibility is to express an opinion on the City of Johnson City, Tennessee's compliance based on our audit.

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

In our opinion, the City of Johnson City, Tennessee complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

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

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

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

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

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

December 14, 2007

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2007

Section I - Summary of Auditors' Results

1. The auditors' report based on our audit and the report of other auditors expresses an unqualified opinion on the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Johnson City, Tennessee (the "City").
2. Three significant deficiencies relating to the audit of the consolidated financial statements are reported in the Schedule of Findings and Questioned Costs. Of these significant deficiencies, none are considered to be material weaknesses.
3. No instances of noncompliance material to the financial statements of the City, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. There are no significant deficiencies relating to the audit of the major federal award programs.
5. The auditors' report on compliance for the major federal award programs for the City expresses an unqualified opinion on all major federal programs.
6. There are no audit findings relative to the major federal award programs that are required to be disclosed in accordance with section 510(a) of OMB Circular A-133.
7. The programs tested as major programs were as follows:

<u>Program</u>	<u>CFDA Number</u>
IDEA, U.S. Department of Education	84.027
Federal Transportation Administration	20.516
Federal Transportation Administration	20.507
Community Development Block Grant	14.218
National School Lunch Program	10.555
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The City was determined to be a low-risk auditee.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2007

Section II - Financial Statement Findings

Current Year Findings:

07-1 Significant Deficiency: Water/Sewer Inventory Procedures

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

Criteria: All inventories and the usage of the inventory should be accounted for in accordance with best business practices.

Effect: Failure to account for inventory appropriately circumvents controls over both inventory and the tracking of project and job costs.

Recommendation: We recommend strengthening controls to ensure that proper control over inventory is maintained.

Management's Comments: Additional physical safeguards will be put in place by Water/Sewer management/supervision at the warehouse and will be observed by operations employees.

07-2 Significant Deficiency: Golf Course Procedures

Condition: During our audit we noted deficiencies in the control procedures relating to the recording of revenue and cash collections and procurement of inventory items at the golf courses.

Criteria: The City's policies regarding the use of daily cash collection sheets, recording of revenue, and procurement policies were used to evaluate the operations at the golf courses.

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

Recommendation: We recommend strengthening controls to ensure that proper control over revenue, cash collections and procurement is maintained. For revenue and cash collections, this will include the use of standard cash collection sheets and the use of a new cash register system. For procurement of inventory items, the golf courses should limit the number of procurement cards and the use of those procurement cards, i.e. the golf courses should order items in bulk using purchase orders.

CITY OF JOHNSON CITY, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2007

Section II - Financial Statement Findings (Continued)

Current Year Findings (Continued)

Management's Comments: Golf course management will implement utilization of the new cash register system previously purchased and will ensure that golf course personnel observe the procedures in place that outline the type of information and format required by Finance, for the recording of cash collections, revenues and cash shorts/overs. Golf course management will further review the list of procurement card holders for possible reductions and limit the use of the procurement cards to purchases that cannot be more economically handled through purchasing and will refrain from utilizing these cards as a method of payment for invoices.

Prior Year Findings Not Implemented:

98-1 ***Deficit Retained Earnings-Enterprise Funds (6-30-98, Report, Finding #2, Page 232):***

Condition: The City has one enterprise fund which operated at a loss for the year and continued to have deficit net assets. Golf Courses Fund has continued to have higher expenses than revenues.

Criteria: Enterprise funds are required by State Statute to be self-supporting.

Effect: Without a realistic budget and adequate controls over the revenues and expenses, the deficit may continue to increase.

Recommendation: Revenues and expenses should continue to be reviewed to provide adequate income for the enterprise funds to be self-supporting.

Management's Comments: Financial statements for the Enterprise Funds are provided to the Board of Commissioners on a monthly basis. In addition, the Board is provided Statements of Cash Flows on a quarterly basis. Numerous discussions have transpired between the Board members and Management regarding the City's policy on golf services, with no conclusions having been made. City Staff will continue to bring these matters to the attention of the Board.

Section III - Federal Award Findings and Questioned Costs

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

