

# **City of Johnson City, Tennessee**

## Comprehensive Annual Financial Report

For the Fiscal Year Ended  
June 30, 2009



Prepared by:

### **Finance Department**

Janet Jennings, CPA, Director of Finance

CITY OF JOHNSON CITY, TENNESSEE

BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION WITH  
INDEPENDENT AUDITORS' REPORT

For the Fiscal Year Ended June 30, 2009

**CITY OF JOHNSON CITY, TENNESSEE**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the Fiscal Year Ended June 30, 2009**

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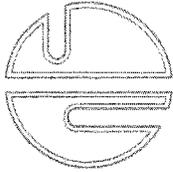
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# City of Johnson City Tennessee

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

## Office of Finance Director

December 18, 2009

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, 2009 is submitted hereby, in accordance with the provisions of Section 2.89 of the Johnson City Code. This report consists of the City's representations concerning the finances of the City of Johnson City. Consequently, the City assumes full responsibility for the completeness and reliability of all of the information presented in this report. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial structures have been included.

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

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

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

## Financial Information

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

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

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

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

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

### **Profile of the Government**

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

The City provides a full range of services, as directed by its charter. These services include police and fire protection, park and recreation activities, schools, a senior citizen's center, street construction and maintenance, planning and zoning and general administrative services. In addition, water and sewer, electric power, transit service, garbage pick-up, landfill, stormwater, and golf are provided under the 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. The area has an MSA population of 500,538. 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. As a result of the distressed economy, unemployment rates for the Johnson City MSA experienced an increase during the fiscal year, ending the year at 9.9%. A balance of property and sales taxes support the City's finances. Property taxes continued a pattern of growth, while sales tax collections suffered from the troubled economy. Nonetheless, effective cost containment by City departments and the earlier implementation of innovative ideas, such as the gas-to-energy project, have allowed the City to continue to cash fund capital equipment purchases, make cash contributions toward capital projects and operate with no increase in the property tax rate. The City's property tax rate continues to be the lowest of all the surrounding areas.

### **Accomplishments**

The City of Johnson City, in conjunction with neighboring municipalities and the business and education community, conducted the 6<sup>th</sup> Annual Economic Summit during fiscal year 2009. 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, 2009 are as follows:

- Acquired police and fire equipment and vehicles, public works equipment, school buses, parks and recreation vehicles and equipment, solid waste equipment, stormwater management vehicles and water and sewer equipment, utilizing cash reserves.
- Completed construction on Sunset Drive Improvement Project.
- Continued construction on Tennessee Street Project.
- Continued construction on Buffalo/Plymouth Road Project.
- Continued construction project to upgrade the Regional Wastewater Treatment Plant.
- Continued construction project to renovate the Science Hill High School 8-9 Campus.
- Commenced construction on Mall Street Improvement Project.
- Commenced implementing Energy Audit Improvements identified for City and School facilities.
- Opened Preservation Pointe, an affordable housing subdivision developed jointly by the City and Eastern Eight Community Development Corporation.

- Received Shining Star Award from Governor Phil Bredesen for the Up & At 'Em program designed to encourage a healthier population.
- Received National Association of Clean Water Agencies Awards for the City's wastewater treatment plants, as follows: Knob Creek - Platinum, Brush Creek – Gold and Regional – Silver.
- Received Kentucky-Tennessee Operational Excellence Awards for Brush Creek, Knob Creek and Regional Wastewater Plants.

### **Capital Projects**

The City government maintains and revises annually a five-year capital improvement program, which identifies present and future projects, as well as funding sources. 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 can be found in the nonmajor governmental fund statements, following the notes to the financial statements. Capital Asset schedules can be found in the supplemental information section.

### **Cash Management**

All cash, except that which is restricted or invested, 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. The City's investment policy governs the investment of idle funds and mirrors state law with respect to authorized investments. Investment practices are designed to emphasize safety of capital first, sufficient liquidity to meet obligations second and the highest possible yield third.

### **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 2009.

### **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, 2008. This was the City's eighth consecutive year for receiving the award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

### **Acknowledgements**

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

Respectfully submitted,



Janet Jennings, CPA  
Director of Finance

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Johnson City  
Tennessee

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2008

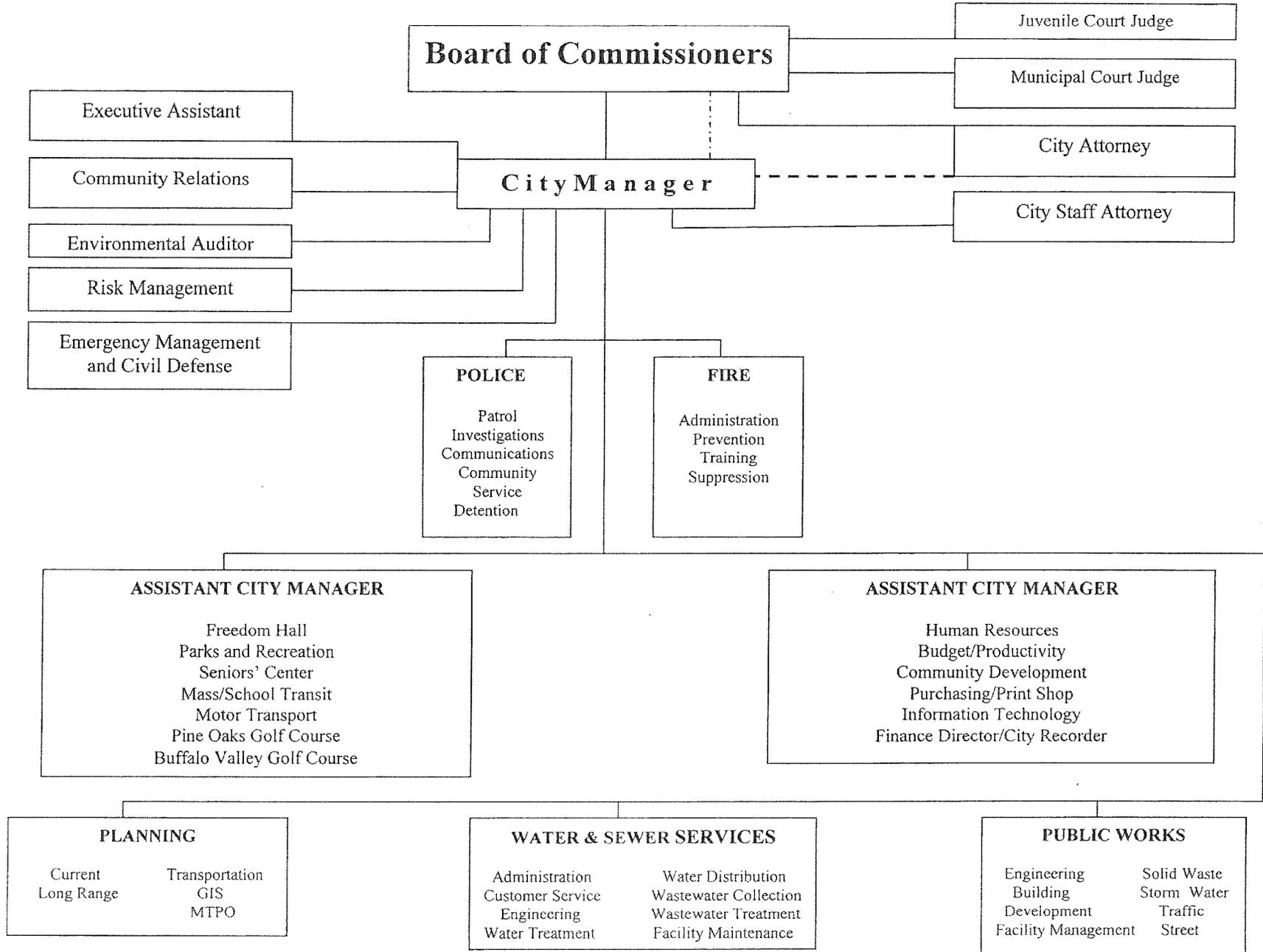
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

# CITIZENS OF JOHNSON CITY



**CITY OF JOHNSON CITY, TENNESSEE**  
**CITY OFFICIALS**  
**June 30, 2009**

**Board of Commissioners:**

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

**City Judges:**

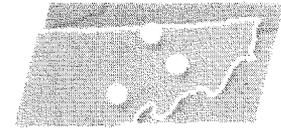
Sharon Greene, Juvenile Judge  
Stan Widener, City Judge

**City Administration:**

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



**Blackburn,  
Childers &  
Steagall, PLC**



CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

REGIONAL EXPERTISE - LOCAL SERVICE

American Institute of Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Johnson City, Tennessee (the "City") as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Johnson City Schools Site Based Fund, a nonmajor special revenue fund, which represents 1%, 2%, and 1% respectively, of the assets, 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 did not audit the financial statements of the Johnson City Development Authority, which represents 6%, 6%, and 15% respectively, of the assets, net assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Johnson City Development Authority, is based on the report of other auditors.

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to 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, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund and the General Purpose School Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Johnson City	801B Sunset Drive, P.O. Box 3745, Johnson City, TN 37602-3745	<b>(423) 282-4511</b>	Fax (423) 283-4532
Memphis	440 E. Sullivan Street, P.O. Box 1504, Kingsport, TN 37662-1504	<b>(423) 246-1725</b>	Fax (423) 247-6800
Crossville	1140 Tusculum Boulevard, Greeneville, TN 37745-4039	<b>(423) 638-8516</b>	Fax (423) 638-3361

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2009, 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, the analysis of funding progress for defined benefit pension plans, and the analysis of funding progress for postemployment healthcare plans on pages 3 through 13 and pages 135 through 136, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual 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 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 reports 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, PLLC*  
BLACKBURN, CHILDERS & STEAGALL, PLC

December 18, 2009

## 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, 2009. 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 \$407,058 (*net assets*). Of this amount, \$320,804 is invested in capital assets (*net of related debt*) and \$1,994 is restricted for specific purposes with 208 being nonexpendable.
- The City's total net assets increased by \$29,801 for the current period.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$73,621, an increase of \$4,222 in comparison with the prior year. Of this amount, \$47,658 is reserved for specific purposes. In addition, beginning fund balance increased \$98 for adjustments to inventory accounted for under the purchase method.
- At the end of the current fiscal year, fund balance for the general fund was \$20,181, or 28% of total general fund expenditures including transfers out. This balance included \$474 committed for specific purposes.
- The City's total debt decreased by \$414 (.2%) during the current fiscal year.

### Overview of the Financial Statements.

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

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

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

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

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

City include water and sewer, city solid waste, regional solid waste, stormwater, power board, public building authority, mass transit and golf courses. The government-wide financial statements can be found on pages 13 through 16 of this report.

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

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

The City maintains twenty-four (24) individual governmental funds. Nineteen (19) of these governmental funds are classified as nonmajor and are summarized under the heading "Other Governmental Funds" in the governmental fund presentation. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, general-purpose school fund, debt service fund, educational facilities debt service fund, school capital project fund and nonmajor governmental funds, all of which are combined into a single, aggregated presentation. Individual fund data for nonmajor governmental funds is provided in the form of combining statements elsewhere in this report. The basic governmental fund financial statements can be found on pages 17 through 22 of this report.

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

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information of the water and sewer, city solid waste, power board and public building authority, which are considered to be major funds of the City. Data from the other enterprise funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor enterprise funds is provided in the form of

combining statements elsewhere in this report. Data from the City's internal service funds (motor transport and insurance) are included in the proprietary fund financial statements under the heading "Governmental Activities – Internal Service Funds)". The basic proprietary fund financial statements can be found on pages 31 through 38 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 41 through 130 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 133 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 \$407,058 at the close of the most recent fiscal year.

By far, the largest portion of the City's net assets (79%) reflects its investment in capital assets (e.g. land, buildings, equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### City of Johnson City's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 140,684	127,747	84,907	91,775	225,591	219,522
Capital assets	212,063	194,978	302,818	280,603	514,881	475,581
<b>Total assets</b>	<u>352,747</u>	<u>322,725</u>	<u>387,725</u>	<u>372,378</u>	<u>740,472</u>	<u>695,103</u>
Long-term liabilities	109,332	101,723	135,681	141,324	245,013	243,047
Other liabilities	62,321	51,851	26,080	22,948	88,401	74,799
<b>Total liabilities</b>	<u>171,653</u>	<u>153,574</u>	<u>161,761</u>	<u>164,272</u>	<u>333,414</u>	<u>317,846</u>
Net assets:						
Invested in capital assets, net of related debt	112,492	93,928	208,312	187,286	320,804	281,214
Restricted	208	-	1,786	483	1,994	483
Unrestricted	68,394	75,223	15,866	20,337	84,260	95,560
<b>Total net assets</b>	<u>\$ 181,094</u>	<u>169,151</u>	<u>225,964</u>	<u>208,106</u>	<u>407,058</u>	<u>377,257</u>

The City's net assets include a significant investment in capital assets (79%), net of the related debt. A portion of the City's net assets (.4%) 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 \$29,801 during the current fiscal year. About 40% of this increase (\$11,943) was from the governmental activities while the remaining 60% of the increase (\$17,858) was from the business-type activities.

The following is a summary of financial activities for the City during the 2009 fiscal year:

### City of Johnson City's Change in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	\$ 11,865	9,611	234,353	200,493	246,218	210,104
Operating grants & contributions	36,813	35,525	1,702	1,509	38,515	37,034
Capital grants & contributions	-	31	724	798	724	829
General revenues:					-	-
Property taxes	36,519	36,459	-	-	36,519	36,459
Sales taxes	33,539	34,905	-	-	33,539	34,905
Other taxes & intergovernmental	8,245	8,475	-	-	8,245	8,475
Unrestricted investment earnings	1,305	2,560	1,858	2,351	3,163	4,911
Other	12,780	29,340	10	459	12,790	29,799
<b>Total revenues</b>	<u>141,066</u>	<u>156,906</u>	<u>238,647</u>	<u>205,610</u>	<u>379,713</u>	<u>362,516</u>

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Expenses:						
General government	13,518	12,983	-	-	13,518	12,983
Public safety	23,320	23,050	-	-	23,320	23,050
Public works	14,699	11,760	-	-	14,699	11,760
Public welfare	7,306	5,455	-	-	7,306	5,455
City services	3,078	2,263	-	-	3,078	2,263
Education	63,517	61,435	-	-	63,517	61,435
Interest on long-term debt	5,767	4,144	-	-	5,767	4,144
Water and sewer	-	-	22,831	21,711	22,831	21,711
City solid waste	-	-	8,060	7,813	8,060	7,813
Regional solid waste	-	-	1,871	1,819	1,871	1,819
Power board	-	-	178,834	153,414	178,834	153,414
Public building authority	-	-	1,985	1,806	1,985	1,806
Mass transit	-	-	3,021	2,842	3,021	2,842
Stormwater management	-	-	774	495	774	495
Golf courses	-	-	1,331	1,462	1,331	1,462
<b>Total expenses</b>	<b>131,205</b>	<b>121,090</b>	<b>218,707</b>	<b>191,362</b>	<b>349,912</b>	<b>312,452</b>
Increase in net assets						
before transfers	9,861	35,816	19,940	14,248	29,801	50,064
Transfers	2,082	2,203	(2,082)	(2,203)	-	-
Change in net assets	11,943	38,019	17,858	12,045	29,801	50,064
Net assets, beginning of period	169,151	131,871	208,106	196,061	377,257	327,932
Prior period adjustment	-	(739)	-	-	-	(739)
Net assets, end of period	<u>\$ 181,094</u>	<u>169,151</u>	<u>225,964</u>	<u>208,106</u>	<u>407,058</u>	<u>377,257</u>

**Governmental activities.** Governmental activities increased the City's net assets by \$11,943, thereby accounting for 40% of the total growth in the net assets of the City. Of this increase, a significant amount of additional bond proceeds were received during the current fiscal year, but not expended prior to year-end. Additionally, information regarding this increase can be found in Note 2 on pages 54 through 55 of this report.

**Business-type activities .** Business-type activities increased the City's net assets by \$17,858 accounting for 60% 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 72% of the total growth in net assets for business-type activities.
- Water and Sewer Activities achieved a net income and contributed 16% of the total net assets growth (business-type activities) to provide funds for debt repayments and capital expansion as indicated in the statement of cash flows located on pages 36 through 38 of this report.

### 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 \$73,621, a current year increase of \$4,222 in comparison with the prior year. Additionally, beginning fund balance increased \$98 for adjustments to inventory accounted for under the purchase method. Included in ending fund balance is a reserved balance of \$47,658 to indicate that it has already been committed to: (1) public safety projects funded by donations and fees (\$1,987), (2) education projects (\$43,593) and (3) for a variety of other restricted purposes (\$724).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, total fund balance reached \$20,181, including \$2,691 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 24% of total general fund expenditures and transfers out, while total fund balance represents 28% of that same amount. The fund balance of the City's general fund decreased by \$2,773 as a result of transfers made to capital project funds to cash fund equipment and projects (approximately \$6,000). Additionally, beginning fund balance was decreased \$242 as the result of a transfer to set up the police technology fund.

The general-purpose school fund has a total fund balance of \$5,854, of which \$4,095 is unreserved. The net decrease in fund balance during the current year was \$823. This decrease is due entirely to capital expenditures.

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

The educational facilities debt service fund has a total fund balance of \$(42). The net decrease in fund balance was \$837. This decrease is attributable to lower collections of the dedicated sales tax.

The school capital project fund has a total fund balance of \$42,415, all of which is unreserved. The net increase in fund balance during the current year was \$6,589. This net increase is primarily due to bond proceeds received but not expended prior to year-end.

Nonmajor (other) governmental funds have a fund balance of \$5,213. The net increase in fund balance during the current year was \$2,066. This net increase is primarily attributed to real estate sales and transfers made from the general fund to cash fund equipment and projects and not expended. The beginning fund balances for nonmajor governmental funds were increased \$340. These increases included adjustments to inventory to account for the purchase method (\$98) and a transfer to set up the police technology fund (\$242).

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

Unrestricted net assets of the Water and Sewer Fund, City Solid Waste Fund and Johnson City Power Board, at the end of the year, amounted to \$6,843, \$1,129 and \$6,321, respectively.

The Public Building Authority (PBA) is a blended component unit of the City and reported unrestricted net assets of \$1,107.

Nonmajor (other) proprietary funds reported unrestricted net assets of \$466. Total unrestricted net assets of proprietary funds amounted to \$15,866. Total growth in net assets for the proprietary funds amounted to \$17,858. 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 \$657 increase in expenditures appropriations and an \$896 increase in net transfers appropriated, for a total of \$1,553, and include the following:

\$ 3,313	Additional cash funding of capital equipment and projects from prior year reserves
279	Funding for public safety holiday pay not included in original budget
70	Funding for state fire supplement training pay
(258)	Move transportation planning fund out of general fund and back to a special revenue fund
(1,974)	Debt service savings
123	Other
<u>\$ 1,553</u>	

After offsetting for debt service savings, the remaining \$1,553 was primarily funded from reserves set aside from prior years' surpluses.

**Final Amended Budget and Actual Amounts.** Differences, between the final amended budget and actual results for the general fund, represent a \$1,483 decrease in expenditures and a \$1,159 decrease in net transfers, for a total of \$(2,642), and include the following:

\$ (774)	Debt principal and interest savings
(155)	Lower than budgeted insurance-related administrative fees; Risk Management Department
(748)	Less than expected personnel-related expenditures and supplies and materials due to delays in filling open positions and overall spending reductions; General Government Departments
(303)	Less than expected personnel-related expenditures and supplies and materials due to delays in filling open positions and overall spending reductions; Parks and Recreation Department
(256)	Less than expected personnel-related expenditures and supplies and materials due to delays in filling open positions and overall spending reductions; Public Safety Departments
(49)	Increase in transfer from power board for annual payment in lieu of tax
(302)	Lower transfers out to proprietary and internal service funds
(55)	Other
<u>\$(2,642)</u>	

Since the budget to actual variance represents a reduction in required appropriations, no additional funding was necessary. Decreases in revenue totaling \$2,578, when netted with the favorable expenditure performance, resulted in a better than anticipated surplus of \$64. The final budget anticipated a deficit of \$2,837. Revenue experienced lower than anticipated performance, with the most significant decreases being realized in property tax (\$623) and local and state sales tax (\$1,610). The remaining decrease of \$345 came from lower state revenues for boarding of prisoners and municipal fines (\$351) partially reduced by increases of \$6 in other categories.

**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, 2009, amounted to \$514,881 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, plant in service, equipment and vehicles, paving, transmission and power distribution system, garbage containers, infrastructure and construction in progress.

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

- Acquisition of police and fire equipment and vehicles, public works equipment, school buses, parks and recreation equipment, solid waste equipment, stormwater management vehicles, water and sewer equipment and power board equipment.
- Completion of Sunset Drive improvement project.
- Construction in progress on Mall Street improvement project.
- Construction in progress on Tennessee Street project.
- Construction in progress on Buffalo/Plymouth Road project.
- Construction in progress on upgrade to Regional Wastewater Treatment Plant.
- Construction in progress on Science Hill High School 8-9 Campus renovations.
- Additional investment in Johnson City Power Board plant.
- Construction in progress on Energy Audit improvements to city and school facilities.

**City of Johnson City’s Capital Assets**

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 17,820	17,005	14,025	13,699	31,845	30,704
Buildings and Improvements	147,847	138,705	49,832	49,501	197,679	188,206
Plant and Lines	-	-	311,779	304,583	311,779	304,583
Vehicles and Equipment	33,615	31,835	33,789	28,442	67,404	60,277
Infrastructure	149,331	141,333	-	-	149,331	141,333
Construction in Progress	20,808	16,693	35,021	16,884	55,829	33,577
Accumulated Depreciation	(157,358)	(150,593)	(141,628)	(132,506)	(298,986)	(283,099)
<b>Total capital assets</b>	<b>\$ 212,063</b>	<b>194,978</b>	<b>302,818</b>	<b>280,603</b>	<b>514,881</b>	<b>475,581</b>

Additional information on the City’s capital assets can be found in Note 4.C. on pages 64 through 66 of this report.

**Long-term debt.** At the end of the current fiscal year, the City had total debt outstanding of \$244,234. 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	
	2009	2008	2009	2008	2009	2008
Notes payable	\$ 284	613	895	907	1,179	1,520
General obligation bonds	107,813	102,113	64,401	66,994	172,214	169,107
Revenue bonds	-	-	70,390	73,900	70,390	73,900
Capital Leases	368	-	83	121	451	121
<b>Total Long-Term Debt</b>	<b>\$ 108,465</b>	<b>102,726</b>	<b>135,769</b>	<b>141,922</b>	<b>244,234</b>	<b>244,648</b>

The City's total debt decreased by \$414 (.2%) during the current fiscal year, as a result of principal payments, partially offset by general obligation debt issued by the general government. Additionally, during the current fiscal year, the government refinanced most of its existing general obligation variable rate debt in an effort to limit exposure to the volatile market.

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

The City of Johnson City is subject to debt limitations imposed by its Charter. The total bonded indebtedness (excluding sales tax revenue debt) shall not exceed 10% of the assessed taxable value of property within the City. The current debt limitation for the City is in excess of the outstanding general obligation debt, with the amount of debt applicable to the debt limit at only 5.3%. Additional information on the City's long-term debt can be found in Note 4.F. on pages 68 through 93 of this report.

#### Economic Factors and Next Year's Budget and Rates

- The unemployment rate for the Johnson City statistical area is currently 9.9%, which is an increase of 3.3% from a year ago. This compares to the state's average unemployment rate of 10.8% as of June 30, 2009.
- Inflationary trends in the region are comparable to national indices.
- New construction permitted and inspected was down 4.5% from the previous year, at \$170 million.
- Growth in local sales tax collections is budgeted to approximate 2.4% in fiscal year 2010.

Short-term interest rates on the City's pooled cash account decreased as a result of decreases in the federal fund rate from 2% to .1%. All of these factors were considered in preparing the City of Johnson City's budget for fiscal year 2010.

During the current fiscal year, unreserved fund balance in the general fund decreased to \$17,490 due to the cash funding of capital equipment and projects. All appropriations lapse at year-end. The City of Johnson City has appropriated an additional \$3.2 million of this amount for capital spending in the fiscal year 2010 budget.

Water and sewer rates remained steady for the fiscal year. Likewise, residential, commercial and industrial collection rates remained steady.

#### Discretely Presented Component Units

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

The Johnson City Development Authority (the "Authority") is an organization whose purpose is to facilitate business development within the City. The City Commission appoints a majority of the Authority's Board of Directors and may impose its will on the Authority since the City can remove appointed members of the Authority's Board of Directors. Separately issued financial statements may be requested from: Johnson City Development Authority, 300 East Main Street, Johnson City, TN 37601.

### **Requests for Information**

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

**CITY OF JOHNSON CITY, TENNESSEE**  
**STATEMENT OF NET ASSETS**  
**June 30, 2009**

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS:</b>				
Cash on Hand	\$ 5,728	21,201	26,929	500
Cash on Deposit with Paying Agent	5,744	1,317,895	1,323,639	-
Cash in Bank	60,272,907	9,719,691	69,992,598	131,936
Cash on Deposit with State	10,072,766	392,702	10,465,468	-
Cash Due from Central Depository	7,539,356	8,862,691	16,402,047	-
Investments	-	-	-	155,254
Accounts Receivable	1,677,857	15,238,978	16,916,835	46,361
Notes Receivable	42,298	172,500	214,798	-
Internal Balances	584,839	(584,839)	-	-
Taxes Receivable	29,560,022	-	29,560,022	-
Less: Estimated Uncollectible	(164,713)	-	(164,713)	-
Intergovernmental Receivables	18,819,642	532,878	19,352,520	-
Deposits	5,050	-	5,050	825
Inventories	685,166	5,363,143	6,048,309	-
Prepaid Expenses	132,600	136,295	268,895	-
Capital Assets:				
Land	17,819,404	14,025,387	31,844,791	-
Book Collection	-	-	-	1,138,049
Buildings and Improvements	147,846,651	49,831,428	197,678,079	-
Plant in Service	-	311,779,019	311,779,019	-
Equipment and Vehicles	33,614,774	33,789,235	67,404,009	662,440
Infrastructure	149,331,415	-	149,331,415	-
Less: Accumulated Depreciation	(157,357,652)	(141,628,477)	(298,986,129)	(567,966)
Construction in Progress	20,808,063	35,021,218	55,829,281	-
Restricted Assets:				
Cash or Cash Equivalents	402,422	17,292,056	17,694,478	-
Investments	9,976,000	24,004,695	33,980,695	-
Other Assets:				
Bond Issue Costs (Net)	1,066,341	2,076,591	3,142,932	-
Customer Base (Net)	-	110,366	110,366	-
Prepaid Expenses	-	250,000	250,000	-
<b>Total Assets</b>	<b>352,746,680</b>	<b>387,724,653</b>	<b>740,471,333</b>	<b>1,567,399</b>

(Continued)

**CITY OF JOHNSON CITY, TENNESSEE**  
**STATEMENT OF NET ASSETS**  
**June 30, 2009**

	Primary Government		Total	Component Units
	Governmental Activities	Business-Type Activities		
<b>LIABILITIES:</b>				
Cash Due to Central Depository	7,431,233	1,936,370	9,367,603	-
Accounts Payable	4,957,612	13,296,764	18,254,376	5,810
Accrued Payroll Expenses	3,851,639	756,545	4,608,184	28,842
Termination Benefits	100,634	-	100,634	-
Accrued Expenses	3,696,706	1,422,375	5,119,081	-
Deposits Payable	-	3,043,552	3,043,552	-
Matured Bonds and Interest Payable	973,370	33,253	1,006,623	-
Retainages Payable	501,763	1,208,603	1,710,366	-
Unearned Revenue	37,526,574	72,288	37,598,862	-
Contractor Deposits	28,307	583,518	611,825	-
Other Liabilities	784,376	-	784,376	-
Compensated Absences:				
Due within one year	1,732,239	903,464	2,635,703	27,158
Due in more than one year	736,338	2,026,963	2,763,301	-
Noncurrent Liabilities:				
Due within one year	6,182,120	7,024,409	13,206,529	-
Due in more than one year	102,793,825	128,077,743	230,871,568	-
OPEB Liability	355,708	796,248	1,151,956	-
Special Commission Bonds	-	17,281	17,281	-
Deferred Landfill Postclosure Cost:				
Due within one year	-	37,380	37,380	-
Due in more than one year	-	523,320	523,320	-
Customer Deposits	-	975	975	-
<b>Total Liabilities</b>	<b>171,652,444</b>	<b>161,761,051</b>	<b>333,413,495</b>	<b>61,810</b>
<b>NET ASSETS:</b>				
Invested in Capital Assets, Net of Related Debt	112,491,762	208,312,172	320,803,934	1,232,523
Temporarily Restricted for:				
Restricted for Debt Service	-	1,785,757	1,785,757	-
Restricted by External Contributions	-	-	-	49,124
Restricted by Enabling Legislation	-	-	-	21,000
Restricted for School Trust- Nonexpendable	208,378	-	208,378	-
Unrestricted	68,394,096	15,865,673	84,259,769	202,942
<b>Total Net Assets</b>	<b>\$ 181,094,236</b>	<b>225,963,602</b>	<b>407,057,838</b>	<b>1,505,589</b>

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, 2009

NET (EXPENSE) REVENUE AND CHANGES  
IN NET ASSETS

Functions/Programs	Expenses	PROGRAM REVENUES			Primary Government			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary Government:								
Governmental Activities:								
General Government	\$ 13,517,750	2,774,390	106,413	-	(10,636,947)	-	(10,636,947)	-
Public Safety	23,320,230	2,011,006	1,882,162	-	(19,427,062)	-	(19,427,062)	-
Public Works	14,699,318	447,036	145,469	-	(14,106,813)	-	(14,106,813)	-
Public Welfare	7,305,539	208,758	825,564	-	(6,271,217)	-	(6,271,217)	-
City Services	3,078,092	3,578,736	1,887,705	-	2,388,349	-	2,388,349	-
Education	63,517,290	2,844,579	31,965,588	-	(28,707,123)	-	(28,707,123)	-
Interest on Long-Term Debt	5,767,393	-	-	-	(5,767,393)	-	(5,767,393)	-
Total Governmental Activities	131,205,612	11,864,505	36,812,901	-	(82,528,206)	-	(82,528,206)	-
Business-type Activities:								
Water and Sewer	22,830,928	25,057,671	-	584,451	-	2,811,194	2,811,194	-
City Solid Waste	8,060,129	8,902,029	-	-	-	841,900	841,900	-
Regional Solid Waste	1,871,460	2,313,041	-	-	-	441,581	441,581	-
Johnson City Power Board	178,834,070	193,154,773	-	-	-	14,320,703	14,320,703	-
JC Public Building Authority	1,984,687	2,074,331	-	-	-	89,644	89,644	-
Mass Transit	3,021,432	327,033	1,702,482	139,724	-	(852,193)	(852,193)	-
Stormwater Management	773,631	1,494,488	-	-	-	720,857	720,857	-
Golf Courses	1,330,540	1,029,325	-	-	-	(301,215)	(301,215)	-
Total Business-type Activities	218,706,877	234,352,691	1,702,482	724,175	-	18,072,471	18,072,471	-
Total Primary Government	\$ 349,912,489	246,217,196	38,515,383	724,175	(82,528,206)	18,072,471	(64,455,735)	-

(Continued)

CITY OF JOHNSON CITY, TENNESSEE  
STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2009

Functions/Programs	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Component Units:								
Johnson City Public Library	1,719,449	64,911	1,585,890	-	-	-	-	(68,648)
Johnson City Development Authority	288,831	15,801	286,530	-	-	-	-	13,500
	<u>\$ 2,008,280</u>	<u>80,712</u>	<u>1,872,420</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(55,148)</u>
General Revenues:								
Property Taxes					36,519,412	-	36,519,412	-
Sales Taxes					33,539,491	-	33,539,491	-
Other Taxes					8,244,855	-	8,244,855	-
Unrestricted Investment Earnings					1,305,131	1,857,877	3,163,008	9,102
Gain on Disposal of Capital Assets					1,153,428	9,879	1,163,307	-
Bond Proceeds from Washington County					11,617,308	-	11,617,308	-
Other General Revenue					9,583	-	9,583	70,779
Transfers					2,081,923	(2,081,923)	-	-
Total General Revenues and Transfers					<u>94,471,131</u>	<u>(214,167)</u>	<u>94,256,964</u>	<u>79,881</u>
Change in Net Assets					<u>11,942,925</u>	<u>17,858,304</u>	<u>29,801,229</u>	<u>24,733</u>
Net Assets, Beginning					169,151,311	208,105,298	377,256,609	1,504,383
Prior Period Adjustment					-	-	-	(23,527)
Net Assets, Beginning (Restated)					<u>169,151,311</u>	<u>208,105,298</u>	<u>377,256,609</u>	<u>1,480,856</u>
Net Assets, Ending					<u>\$ 181,094,236</u>	<u>225,963,602</u>	<u>407,057,838</u>	<u>1,505,589</u>

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

CITY OF JOHNSON CITY, TENNESSEE  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2009

	General Fund	General Purpose School Fund	Debt Service Fund	Educational Facilities Debt Service Fund	School Capital Project Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>							
Cash Due from Central Depository	\$ -	-	-	-	-	7,277,368	7,277,368
Cash on Hand	5,228	-	-	-	-	-	5,228
Cash in Bank	19,390	6,448,307	-	-	43,866,415	1,323,339	51,657,452
Cash on Deposit with Paying Agent	5,744	-	-	-	-	-	5,744
Cash on Deposit with State of Tennessee	10,019,703	-	-	-	-	53,063	10,072,766
Investments	9,976,000	-	-	-	-	-	9,976,000
Taxes Receivable	29,560,022	-	-	-	-	-	29,560,022
Less: Estimated Uncollectible	(164,713)	-	-	-	-	-	(164,713)
Accounts Receivable	1,027,754	21,126	-	568,850	10,945	9,079	1,637,754
Notes Receivable	-	-	-	-	-	42,298	42,298
Due from Washington County	-	11,986,131	-	-	-	-	11,986,131
Due from State of Tennessee	2,513,662	-	-	-	-	1,171,293	3,684,955
Due from Other Funds	493,512	506,604	-	-	-	19,351	1,019,467
Due from Federal Government	-	-	-	-	-	294,017	294,017
Due from Local Governments	2,850,955	-	-	-	-	-	2,850,955
Postage Deposits	5,050	-	-	-	-	-	5,050
Inventories	-	37,234	-	-	-	228,955	266,189
Advances to Other Funds	400,000	-	-	-	-	-	400,000
Restricted Cash	-	-	256,039	31,757	114,626	-	402,422
Total Assets	\$ 56,712,307	18,999,402	256,039	600,608	43,991,986	10,418,763	130,979,105

CITY OF JOHNSON CITY, TENNESSEE  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2009

	General Fund	General Purpose School Fund	Debt Service Fund	Educational Facilities Debt Service Fund	School Capital Project Fund	Other Governmental Funds	Total Governmental Funds
<u>LIABILITIES AND FUND BALANCES:</u>							
<u>Liabilities:</u>							
Cash Due to Central Depository	\$ 4,134,583	-	256,039	642,522	104,107	2,163,423	7,300,674
Accounts Payable	1,621,527	59,238	-	-	1,354,922	1,643,276	4,678,963
Accrued Payroll Expenditures	784,376	3,460,653	-	-	-	327,972	4,573,001
Accrued Expenditures	-	-	-	-	-	10,556	10,556
Retainages Payable	-	-	-	-	117,778	383,985	501,763
Due to Other Funds	175,816	152,208	-	-	-	506,604	834,628
Deposits Payable	28,307	-	-	-	-	-	28,307
Matured Bond Interest Payable	5,744	-	-	-	-	-	5,744
Deferred Revenue	1,897,581	-	-	-	-	-	1,897,581
Unearned Revenue	27,883,067	9,473,520	-	-	-	169,987	37,526,574
<b>Total Liabilities</b>	<b>36,531,001</b>	<b>13,145,619</b>	<b>256,039</b>	<b>642,522</b>	<b>1,576,807</b>	<b>5,205,803</b>	<b>57,357,791</b>
<u>Fund Balances:</u>							
Reserved for:							
Debt Service	-	-	-	(41,914)	-	-	(41,914)
Encumbrances	-	353,693	-	-	-	-	353,693
Specific Activities and Projects	173,559	578,616	-	-	-	-	752,175
Public Safety	300,757	653,811	-	-	-	1,032,231	1,986,799
Inventories	-	37,234	-	-	-	228,955	266,189
Specified Capital Projects	-	-	-	-	42,415,179	1,702,655	44,117,834
School Trust	-	-	-	-	-	208,378	208,378
Senior Citizens	-	-	-	-	-	15,000	15,000
Unreserved, Designated for:							
Compensated Absences	2,216,930	135,181	-	-	-	52,392	2,404,503
Special Projects	-	-	-	-	-	348,712	348,712
Specified Capital Outlays	-	-	-	-	-	2,876,749	2,876,749
Unreserved, Reported In:							
General Fund	17,490,060	-	-	-	-	-	17,490,060
General Purpose School Fund	-	4,095,248	-	-	-	-	4,095,248
Special Revenue Funds	-	-	-	-	-	1,674,208	1,674,208
Capital Project Funds	-	-	-	-	-	(2,926,320)	(2,926,320)
<b>Total Fund Balances</b>	<b>20,181,306</b>	<b>5,853,783</b>	<b>0</b>	<b>(41,914)</b>	<b>42,415,179</b>	<b>5,212,960</b>	<b>73,621,314</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 56,712,307</b>	<b>18,999,402</b>	<b>256,039</b>	<b>600,608</b>	<b>43,991,986</b>	<b>10,418,763</b>	<b>130,979,105</b>

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, 2009

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

Total Fund Balances of Governmental Funds	\$ 73,621,314
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	212,007,332
Prepays are expensed when disbursed and are not recognized based upon economic benefit or recorded as assets in the governmental funds.	132,600
Bond issue costs are expensed when disbursed in the governmental funds and are amortized over the life of the bonds in the governmental activities.	1,066,341
Property tax assessments are reported as revenue in the government-wide statements in the period in which an enforceable legal claim arises against property owners. In governmental funds, these assessments are not available to finance current period expenditures and are reported as deferred revenue at the fund level.	1,370,762
Other revenues which are earned but not available to finance current period expenditures and are reported as deferred revenue at the fund level.	526,819
OPEB and termination benefits represent liabilities of the City that are not recorded at the fund level.	(456,342)
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.	(2,404,503)
Accrued interest on the notes and bonds payable represents a liability of the City that is generally not recorded at the fund level.	(967,626)
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.	(108,975,945)
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>5,173,484</u>
Net Assets of Governmental Activities	<u>\$ 181,094,236</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, 2009

	General Fund	General Purpose School Fund	Debt Service Fund	Educational Facilities Debt Service Fund	School Capital Project Fund	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>							
Taxes	\$ 51,599,265	19,533,428	-	1,918,898	-	499,718	73,551,309
Licenses and Permits	907,433	1,163	-	-	-	-	908,596
Intergovernmental Revenue	9,023,944	24,558,130	-	-	11,617,308	8,574,467	53,773,849
Charges for Services	1,194,930	1,270,134	-	-	-	1,178,721	3,643,785
Fines and Forfeitures	1,357,512	-	-	-	-	69,049	1,426,561
Revenue from Use of Property	959,824	-	-	-	-	2,330,866	3,290,690
Investment Earnings	201,602	20,518	3,741	4,794	975,244	24,421	1,230,320
Miscellaneous	1,225,405	252,947	-	-	-	1,222,180	2,700,532
<b>Total Revenues</b>	<b>66,469,915</b>	<b>45,636,320</b>	<b>3,741</b>	<b>1,923,692</b>	<b>12,592,552</b>	<b>13,899,422</b>	<b>140,525,642</b>
<u>Expenditures:</u>							
<u>Current:</u>							
General Government	11,160,930	-	-	-	-	-	11,160,930
Public Safety	22,211,507	-	-	-	-	649,709	22,861,216
Public Works	10,888,843	-	-	-	-	-	10,888,843
Public Welfare	6,039,420	-	-	-	-	725,486	6,764,906
City Services	-	-	-	-	-	2,968,013	2,968,013
Education	-	51,235,636	-	-	-	9,183,298	60,418,934
Miscellaneous	-	-	-	-	-	21,645	21,645
<u>Capital Outlay:</u>							
General Government	479,961	-	-	-	-	2,366,891	2,846,852
Public Safety	21,435	-	-	-	-	2,483,926	2,505,361
Public Works	102,102	-	-	-	-	8,992,209	9,094,311
Public Welfare	90,717	-	-	-	-	575,613	666,330
City Services	-	-	-	-	-	414,198	414,198
Education	-	1,218,862	-	-	9,241,481	214,498	10,674,841
<u>Debt Service:</u>							
Principal Retirement	-	-	3,285,364	1,052,551	-	319,031	4,656,946
Interest and Fiscal Charges	-	-	2,968,752	2,502,236	-	99,617	5,570,605
<b>Total Expenditures</b>	<b>50,994,915</b>	<b>52,454,498</b>	<b>6,254,116</b>	<b>3,554,787</b>	<b>9,241,481</b>	<b>29,014,134</b>	<b>151,513,931</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>15,475,000</b>	<b>(6,818,178)</b>	<b>(6,250,375)</b>	<b>(1,631,095)</b>	<b>3,351,071</b>	<b>(15,114,712)</b>	<b>(10,988,289)</b>

(Continued)

**CITY OF JOHNSON CITY, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2009**

	General Fund	General Purpose School Fund	Debt Service Fund	Educational Facilities Debt Service Fund	School Capital Project Fund	Other Governmental Funds	Total Governmental Funds
<u>Other Financing Sources (Uses):</u>							
Transfers to Other Funds	(22,007,464)	(1,863,592)	-	(44,000)	-	(308,278)	(24,223,334)
Transfers from Other Funds	3,193,888	7,843,195	6,584,371	1,035,400	393,000	6,991,912	26,041,766
Capital Lease	472,161	-	-	-	-	23,000	495,161
Sale of Real Estate and Other Equipment	94,123	15,559	-	-	-	1,076,476	1,186,158
Bond Issue Proceeds, Premiums, and Debt Refunding	-	-	37,335,594	29,727,657	2,845,049	10,727,584	80,635,884
Redemption of Refunded Bonds	-	-	(37,669,590)	(29,925,000)	-	(1,330,410)	(68,925,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(18,247,292)</b>	<b>5,995,162</b>	<b>6,250,375</b>	<b>794,057</b>	<b>3,238,049</b>	<b>17,180,284</b>	<b>15,210,635</b>
<b>Net Change in Fund Balances</b>	<b>(2,772,292)</b>	<b>(823,016)</b>	<b>0</b>	<b>(837,038)</b>	<b>6,589,120</b>	<b>2,065,572</b>	<b>4,222,346</b>
<b>Fund Balances, July 1, 2008</b>	<b>23,195,598</b>	<b>6,676,799</b>	<b>-</b>	<b>795,124</b>	<b>35,826,059</b>	<b>2,807,921</b>	<b>69,301,501</b>
Purchase Method Inventory Adjustment	-	-	-	-	-	97,467	97,467
Prior Period Adjustment for Police Technology- Transferred from Equipment Project Fund	(242,000)	-	-	-	-	242,000	-
<b>Fund Balances, July 1, 2008 (Restated)</b>	<b>22,953,598</b>	<b>6,676,799</b>	<b>0</b>	<b>795,124</b>	<b>35,826,059</b>	<b>3,147,388</b>	<b>69,398,968</b>
<b>Fund Balances, June 30, 2009</b>	<b>\$ 20,181,306</b>	<b>5,853,783</b>	<b>0</b>	<b>(41,914)</b>	<b>42,415,179</b>	<b>5,212,960</b>	<b>73,621,314</b>

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, 2009

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

Net Change in Fund Balances of Governmental Funds	\$	4,222,346
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays for general capital assets in the current period exceeded depreciation.		17,084,155
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is to decrease net assets.		(32,730)
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This is the amount by which repayments exceeded proceeds.		(7,253,417)
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.		393,645
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.		97,467
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		125,663
Prepaid expenses that do require the use of current financial resources are reported as expenditures in the governmental funds.		(26,400)
Liability for OPEB and termination benefits are not reported in the governmental funds.		(65,494)
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.		(436,734)
Expenses for compensated absences do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds.		(191,790)
Internal service funds are used by management to charge the costs of fleet maintenance and employee insurance to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.		(1,973,786)
Change in Net Assets of Governmental Activities	<u>\$</u>	<u>11,942,925</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, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<u>Revenues:</u>				
<u>Taxes:</u>				
Property Tax (Net of Discounts)	\$ 26,674,450	26,674,450	25,999,365	(675,085)
Property Tax - Penalty and Interest	300,000	300,000	350,294	50,294
Other Fees - Taxes	-	-	1,782	1,782
Received in Lieu of Taxes	1,452,247	1,452,247	1,256,248	(195,999)
Local Sales Tax	18,574,500	18,574,500	17,433,542	(1,140,958)
Business Tax	1,612,000	1,612,000	1,510,630	(101,370)
Business Tax - Penalty and Interest	40,000	40,000	20,725	(19,275)
Local Beer Tax	1,892,000	1,892,000	2,060,432	168,432
Local Liquor Tax	600,000	600,000	520,586	(79,414)
Hotel/Motel Tax	1,120,000	1,120,000	979,246	(140,754)
Franchise Tax	500,000	500,000	526,233	26,233
Telephone Commissions/Cable	701,000	701,000	940,182	239,182
Total Taxes	53,466,197	53,466,197	51,599,265	(1,866,932)
<u>Licenses and Permits:</u>				
Building Permits	525,000	525,000	499,439	(25,561)
Electrical Permits and Electrician Certificates	90,000	90,000	100,244	10,244
Plumbing Permits and Plumbers Certificates	40,000	40,000	35,883	(4,117)
Natural Gas Permits	9,000	9,000	6,920	(2,080)
Zoning Permits and Fees	15,000	15,000	11,010	(3,990)
Mechanical Permits	43,000	43,000	62,299	19,299
Sign Permits	15,000	15,000	16,753	1,753
Plan Review Permits	65,000	65,000	83,890	18,890
Beverage and Private Club Permits	93,000	93,000	86,451	(6,549)
Other Fees and Licenses	233,180	5,000	4,544	(456)
Total Licenses and Permits	1,128,180	900,000	907,433	7,433
<u>Intergovernmental Revenues:</u>				
<u>State:</u>				
Boarding of Prisoners	1,390,000	1,390,000	1,239,247	(150,753)
Sales Tax	4,197,300	4,197,300	3,728,468	(468,832)
Income Tax	525,000	525,000	806,628	281,628
Beer Tax	31,000	31,000	29,611	(1,389)
Mixed Drink Tax	563,000	563,000	569,441	6,441
State Street Aid	1,589,000	1,589,000	1,474,807	(114,193)
Highway Maintenance	248,680	248,680	291,058	42,378
Street and Transit	125,000	125,000	121,840	(3,160)
Excise Taxes	240,000	240,000	174,387	(65,613)
Civil Defense	31,000	31,000	83,000	52,000
Department of Agriculture	-	-	11,000	11,000

(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, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<u>Revenues (Continued):</u>				
<u>Intergovernmental Revenues (Continued):</u>				
Fire Supplement	47,250	69,600	69,600	-
Police Supplement	84,600	84,600	84,600	-
First TN-VA Development				
District Senior Citizens Grant	67,200	67,200	67,200	-
Telecommunications	10,000	10,000	6,999	(3,001)
Total State	9,149,030	9,171,380	8,757,886	(413,494)
<u>Washington County:</u>				
Public Safety	109,058	109,058	159,058	50,000
Senior Citizens	50,000	50,000	50,000	-
Schools Fund	100,000	100,000	52,500	(47,500)
Juvenile Court	4,500	4,500	4,500	-
Total Washington County	263,558	263,558	266,058	2,500
Local Match - Elizabethton	7,200	-	-	-
Total Intergovernmental Revenues	9,419,788	9,434,938	9,023,944	(410,994)
<u>Charges for Services:</u>				
School Bus Charters	118,000	118,000	142,777	24,777
Clerk Fees	20,000	20,000	16,800	(3,200)
Accident Reports	23,000	23,000	20,466	(2,534)
Sidewalk Assessments/Curb Cuts	5,000	5,000	5,115	115
Special Work Charges	50,000	50,000	30,459	(19,541)
Administrative Fees from Other Funds	927,000	937,212	977,314	40,102
Miscellaneous Services	200	200	1,999	1,799
Total Charges for Services	1,143,200	1,153,412	1,194,930	41,518
<u>Fines and Forfeitures:</u>				
Municipal Courts - Fines and Court Costs	1,558,000	1,558,000	1,357,512	(200,488)
Total Fines and Forfeitures	1,558,000	1,558,000	1,357,512	(200,488)
<u>Revenue From Use of Property:</u>				
Rents from Buildings and Equipment	141,000	141,000	193,061	52,061
Parks and Recreation	431,920	431,920	456,577	24,657
Tournaments	15,000	15,000	7,716	(7,284)
Print Shop Charges	78,000	78,000	64,160	(13,840)
Computer Services (MIS)	238,000	238,000	238,310	310
Total Revenue From Use of Property	903,920	903,920	959,824	55,904

(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, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<u>Investment Earnings:</u>				
Investment Income	550,000	550,000	201,602	(348,398)
Total Investment Earnings	550,000	550,000	201,602	(348,398)
<u>Miscellaneous:</u>				
Refunds and Reimbursements	147,500	213,607	250,410	36,803
Senior Citizens	85,000	85,000	77,833	(7,167)
Donations	471,400	208,180	94,913	(113,267)
Sale of Methane Gas	500,000	500,000	660,600	160,600
Miscellaneous	66,500	73,999	141,649	67,650
Total Miscellaneous	1,270,400	1,080,786	1,225,405	144,619
Total Revenues	69,439,685	69,047,253	66,469,915	(2,577,338)
<u>Expenditures:</u>				
<u>General Government:</u>				
Administration	9,500	9,500	424	9,076
Economic Development	107,718	107,718	106,617	1,101
City Commission	91,261	91,261	60,507	30,754
City Court	223,742	223,742	156,221	67,521
City Attorney	177,350	177,350	-	177,350
Staff Attorney	292,249	217,249	252,275	(35,026)
Juvenile Court	653,539	670,581	649,860	20,721
City Manager	366,769	366,769	411,387	(44,618)
Management Services	430,140	430,140	380,925	49,215
Community Relations Office	256,273	256,273	223,750	32,523
Community Economic Coordinator	40,980	40,980	39,713	1,267
Purchasing	138,602	138,602	142,592	(3,990)
Human Resources	394,572	394,572	289,850	104,722
Planning	520,524	520,524	461,978	58,546
Miscellaneous Appropriations	258,653	258,653	231,074	27,579
Risk Management	854,520	854,520	699,148	155,372
Geographic Information Systems	180,916	180,916	173,983	6,933
Management Information Systems	1,198,121	1,198,121	1,105,056	93,065
Central Print Shop	99,834	99,834	96,085	3,749
Special Appropriations	4,183,720	4,183,720	4,132,720	51,000
Finance Administration	181,979	181,979	170,550	11,429
Accounting	743,803	743,803	746,298	(2,495)
Collections	534,761	534,761	517,796	16,965
Records Management	60,486	60,486	56,712	3,774
General Elections	70,000	70,000	55,409	14,591
Capital Outlay	60,000	532,161	479,961	52,200
Total General Government	12,130,012	12,544,215	11,640,891	903,324

(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, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<u>Expenditures (Continued):</u>				
<u>Public Safety:</u>				
Student Transportation	1,851,314	1,851,314	1,711,798	139,516
Police Department	12,080,958	12,147,133	11,963,167	183,966
Fire Department	8,102,815	8,248,095	8,329,184	(81,089)
Emergency Management Services	216,240	216,240	207,358	8,882
Capital Outlay	5,000	26,435	21,435	5,000
Total Public Safety	22,256,327	22,489,217	22,232,942	256,275
<u>Public Works:</u>				
Administration	346,391	346,391	347,616	(1,225)
Streets	5,211,564	5,211,564	5,159,002	52,562
Engineering	784,842	784,842	836,060	(51,218)
Inspection	923,506	923,506	845,887	77,619
Downtown Parking	-	-	1,201	(1,201)
Traffic Control	2,389,216	2,389,216	2,349,791	39,425
Sidewalks	169,820	169,820	123,310	46,510
Mowing	206,970	206,970	220,247	(13,277)
General Facilities	426,660	426,660	454,276	(27,616)
Municipal Building	376,715	376,715	399,609	(22,894)
Keystone	132,678	132,678	140,006	(7,328)
Facilities Center	7,650	7,650	11,838	(4,188)
Capital Outlay	75,000	75,000	102,102	(27,102)
Total Public Works	11,051,012	11,051,012	10,990,945	60,067
<u>Public Welfare:</u>				
Public Building Authority	1,338,000	1,338,000	1,337,961	39
Parks and Recreation	4,174,043	4,184,255	3,881,755	302,500
Senior Citizens	870,979	870,979	819,704	51,275
Capital Outlay	-	-	90,717	(90,717)
Total Public Welfare	6,383,022	6,393,234	6,130,137	263,097
Total Expenditures	51,820,373	52,477,678	50,994,915	1,482,763

(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, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Excess (Deficiency) of Revenues Over (Under) Expenditures	17,619,312	16,569,575	15,475,000	(1,094,575)
<b>Other Financing Sources (Uses):</b>				
Transfer from Educational Facilities Debt Service	44,000	44,000	44,000	-
Transfer to General Purpose School Fund	(7,832,675)	(7,832,675)	(7,825,925)	6,750
Transfer to Insurance Fund	(350,000)	(350,000)	(225,000)	125,000
Transfer to Mass Transit	(660,000)	(660,000)	(660,000)	-
Transfer to Freedom Hall	(233,000)	(233,000)	(234,735)	(1,735)
Transfer to Transportation Planning	-	(29,000)	(31,647)	(2,647)
Transfer to Capital Projects	(1,880,000)	(5,752,539)	(5,920,769)	(168,230)
Transfer to Special School Projects	(13,950)	(13,950)	(14,950)	(1,000)
Transfer to Police Grants	(635,000)	(75,000)	(63,611)	11,389
Transfer to Debt Service	(9,332,497)	(7,358,464)	(6,584,371)	774,093
Transfer from Proprietary Funds	3,083,480	3,083,480	3,143,138	59,658
Transfer to Proprietary Funds	(540,000)	(540,000)	(401,215)	138,785
Transfer to Motor Transport	(202,000)	(202,000)	(38,491)	163,509
Capital Lease	-	472,161	472,161	-
Sale of Real Estate and Other Equipment	40,000	40,000	94,123	54,123
Total Other Financing Sources (Uses)	(18,511,642)	(19,406,987)	(18,247,292)	1,159,695
Net Change in Fund Balance	(892,330)	(2,837,412)	(2,772,292)	65,120
Fund Balance, July 1, 2008	19,252,463	18,932,844	23,195,598	4,262,754
Prior Period Adjustment for Police Technology- Transferred to Equipment Project Fund	-	(242,000)	(242,000)	-
Fund Balance, July 1, 2008 (restated)	19,252,463	18,690,844	22,953,598	4,262,754
Fund Balance, June 30, 2009	\$ 18,360,133	15,853,432	20,181,306	4,327,874

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, 2009**

	Budgeted Amounts		Actual Amounts and Encumbrances	Variance with Final Budget - Positive (Negative)
	Original	Final		
<u>Revenues:</u>				
<u>Taxes:</u>				
Local Sales Tax	\$ 10,520,000	10,520,000	10,458,583	(61,417)
County Property Tax	8,095,000	8,645,000	8,623,681	(21,319)
Interest and Penalty	70,000	70,000	75,728	5,728
Business Tax	265,000	265,000	243,467	(21,533)
In Lieu - Local Utilities	132,000	132,000	131,969	(31)
Total Taxes	19,082,000	19,632,000	19,533,428	(98,572)
<u>Licenses and Permits:</u>				
Marriage Licenses	1,500	1,500	1,163	(337)
Total Licenses and Permits	1,500	1,500	1,163	(337)
<u>Intergovernmental Revenues:</u>				
<u>State:</u>				
Basic Education Program	23,440,000	23,875,000	23,654,000	(221,000)
Career Ladder Program	633,500	633,500	564,756	(68,744)
Bank Excise Tax	46,000	46,000	39,742	(6,258)
Drivers Education	11,000	11,000	9,629	(1,371)
Mixed Drink Tax	1,000	1,000	1,330	330
Telecommunication Tax	7,500	7,500	5,947	(1,553)
Other State of Tennessee Funds	-	222,725	226,801	4,076
Total State	24,139,000	24,796,725	24,502,205	(294,520)
<u>Federal:</u>				
ROTC Reimbursement	50,000	50,000	55,925	5,925
Total Intergovernmental Revenues	24,189,000	24,846,725	24,558,130	(288,595)
<u>Investment Earnings:</u>				
Investment Income	337,500	337,500	20,518	(316,982)
Total Investment Earnings	337,500	337,500	20,518	(316,982)
<u>Miscellaneous Revenues:</u>				
Refunds and Reimbursements	165,000	172,330	158,190	(14,140)
Other Local Revenue	215,477	150,157	94,757	(55,400)
Total Miscellaneous Revenues	380,477	322,487	252,947	(69,540)

(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, 2009**

	Budgeted Amounts		Actual Amounts and Encumbrances	Variance with Final Budget - Positive (Negative)
	Original	Final		
<u>Charges for Services:</u>				
School Tuition	394,000	421,845	416,627	(5,218)
Educare Revenue	800,000	800,000	755,728	(44,272)
Other Charges	202,000	202,000	97,779	(104,221)
Total Charges for Services	1,396,000	1,423,845	1,270,134	(153,711)
Total Revenues	45,386,477	46,564,057	45,636,320	(927,737)
<u>Expenditures:</u>				
<u>Instruction:</u>				
Regular Education	29,214,812	29,573,357	27,870,448	1,702,909
Special Education	3,878,830	3,924,560	3,744,672	179,888
Vocational Education	1,461,825	1,469,045	1,411,134	57,911
Adult Education	204,770	147,170	119,060	28,110
Preschool	223,385	274,735	179,509	95,226
Total Instruction	34,983,622	35,388,867	33,324,823	2,064,044
<u>Support Services:</u>				
Health Services	199,150	200,200	199,108	1,092
Student Support	1,446,440	1,482,790	1,428,202	54,588
Regular Education	2,857,050	2,918,155	2,691,947	226,208
Alternative Instructional	739,650	798,370	749,507	48,863
Special Education	238,580	239,845	238,926	919
Vocational Education	196,395	197,095	178,135	18,960
Adult Education	105,415	168,855	131,328	37,527
Board of Education	656,500	686,500	648,317	38,183
Office of Superintendent	517,935	519,290	489,219	30,071
Office of Principal	3,556,795	3,578,140	3,433,041	145,099
Fiscal Services	369,460	371,290	357,178	14,112
Operation of Plant	4,535,850	4,967,425	4,660,332	307,093
Maintenance of Plant	1,494,600	1,534,160	1,461,459	72,701
Transportation Expense	2,102,314	2,147,939	223,279	1,924,660
Other Support	744,630	806,178	765,386	40,792
Community Services	807,500	815,612	795,047	20,565
Other Capital Outlay	1,200,000	1,150,000	361,930	788,070
Total Support Services	21,768,264	22,581,844	18,812,341	3,769,503
Total Expenditures	56,751,886	57,970,711	52,137,164	5,833,547
Excess (Deficiency) of Revenues Over (Under) Expenditures	(11,365,409)	(11,406,654)	(6,500,844)	4,905,810

(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, 2009**

	Budgeted Amounts		Actual Amounts and Encumbrances	Variance with Final Budget - Positive (Negative)
	Original	Final		
<u>Other Financing Sources (Uses):</u>				
Transfer from General Fund	9,683,989	9,683,989	7,825,925	(1,858,064)
Transfer to Educational Facilities Debt Service	(1,062,500)	(1,082,500)	(1,035,400)	47,100
Transfer to School Federal	-	-	(46,895)	(46,895)
Transfer from School Federal Projects	-	-	10,520	10,520
Transfer to School Site Based Fund	-	-	(774,547)	(774,547)
Sale of Equipment	-	-	15,559	15,559
Total Other Financing Sources (Uses)	<u>8,621,489</u>	<u>8,601,489</u>	<u>5,995,162</u>	<u>(2,606,327)</u>
Net Change in Fund Balance	(2,743,920)	(2,805,165)	(505,682)	2,299,483
Fund Balance, July 1, 2008	<u>4,175,727</u>	<u>4,053,927</u>	<u>6,005,772</u>	<u>1,951,845</u>
Fund Balance, June 30, 2009	<u>\$ 1,431,807</u>	<u>1,248,762</u>	<u>5,500,090</u>	<u>4,251,328</u>

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

CITY OF JOHNSON CITY, TENNESSEE  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2009

	Business-Type Activities - Enterprise Funds					Total	Governmental Activities- Internal Service Funds
	Water and Sewer	City Solid Waste	Johnson City Power Board	Johnson City Public Building Authority	Nonmajor Proprietary Funds		
<u>ASSETS:</u>							
<u>Current Assets:</u>							
Cash on Hand	\$ 100	-	18,100	-	3,001	21,201	-
Cash in Bank	123,225	-	7,994,700	1,601,766	-	9,719,691	8,615,955
Cash on Deposit with Paying Agent	1,317,895	-	-	-	-	1,317,895	-
Cash on Deposit with State	392,702	-	-	-	-	392,702	-
Cash Due from Central Depository	4,774,038	1,916,674	-	-	2,171,979	8,862,691	261,988
Accounts Receivable (Net)	932,731	446,903	13,736,147	3,284	119,913	15,238,978	43,686
Notes Receivable	-	-	172,500	-	-	172,500	-
Due from Federal Government	-	-	-	-	362,841	362,841	-
Due from State of Tennessee	45,781	-	-	-	124,256	170,037	-
Due from Other Funds	-	-	510,031	-	-	510,031	-
Inventories	1,701,623	-	3,553,003	-	108,517	5,363,143	418,977
Prepaid Expenses	-	-	133,295	-	3,000	136,295	-
<b>Total Current Assets</b>	<b>9,288,095</b>	<b>2,363,577</b>	<b>26,117,776</b>	<b>1,605,050</b>	<b>2,893,507</b>	<b>42,268,005</b>	<b>9,340,606</b>
<u>Noncurrent Assets:</u>							
<u>Capital Assets:</u>							
Land	2,732,748	1,895,842	4,883,913	2,281,070	2,231,814	14,025,387	-
Buildings	129,661	853,958	26,249,329	18,221,250	4,377,230	49,831,428	-
Plant in Service	154,260,097	-	157,518,922	-	-	311,779,019	-
Equipment and Vehicles	7,546,015	8,895,431	8,636,327	1,806,529	6,904,933	33,789,235	696,793
Less: Accumulated Depreciation	(65,561,405)	(5,094,678)	(59,353,447)	(5,949,460)	(5,669,487)	(141,628,477)	(641,470)
Construction In Progress	26,239,381	-	8,742,811	35,766	3,260	35,021,218	-
<b>Net Capital Assets</b>	<b>125,346,497</b>	<b>6,550,553</b>	<b>146,677,855</b>	<b>16,395,155</b>	<b>7,847,750</b>	<b>302,817,810</b>	<b>55,323</b>
<u>Restricted Assets:</u>							
Cash or Cash Equivalents	5,006,678	556	12,284,822	-	-	17,292,056	-
Investments	-	-	24,004,695	-	-	24,004,695	-
<b>Total Restricted Assets</b>	<b>5,006,678</b>	<b>556</b>	<b>36,289,517</b>	<b>0</b>	<b>0</b>	<b>41,296,751</b>	<b>0</b>

(Continued)

CITY OF JOHNSON CITY, TENNESSEE  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2009

	Business-Type Activities - Enterprise Funds					Total	Governmental Activities- Internal Service Funds
	Water and Sewer	City Solid Waste	Johnson City Power Board	Johnson City Public Building Authority	Nonmajor Proprietary Funds		
<u>ASSETS (CONTINUED):</u>							
<u>Noncurrent Assets (Continued):</u>							
<u>Other Assets:</u>							
Bond Issue Costs (Net)	619,157	33,045	1,209,847	200,899	13,643	2,076,591	-
Customer Base (Net)	110,366	-	-	-	-	110,366	-
Prepaid Expenses	-	-	250,000	-	-	250,000	-
Total Other Assets	729,523	33,045	1,459,847	200,899	13,643	2,436,957	0
Total Non-Current Assets	131,082,698	6,584,154	184,427,219	16,596,054	7,861,393	346,551,518	55,323
 Total Assets	 140,370,793	 8,947,731	 210,544,995	 18,201,104	 10,754,900	 388,819,523	 9,395,929
<u>LIABILITIES:</u>							
<u>Current Liabilities:</u>							
Cash Due to Central Depository	-	-	-	-	1,936,370	1,936,370	130,557
Accounts Payable	759,503	483,578	11,719,351	92,582	241,750	13,296,764	278,858
Accrued Payroll Expenses	296,601	74,479	268,356	-	117,109	756,545	62,806
Accrued Expenses	228,720	32,360	923,484	226,632	11,179	1,422,375	3,686,150
Leases Payable - Current Portion	-	-	-	-	40,448	40,448	-
Notes and Bonds Payable - Current Portion	3,402,856	391,105	2,335,000	665,000	190,000	6,983,961	-
Due to Other Funds	201,358	-	-	493,512	-	694,870	-
Retainages Payable	1,208,603	-	-	-	-	1,208,603	-
Compensated Absences - Current Portion	311,731	76,864	416,536	-	98,333	903,464	50,618
Deposits Payable	-	-	3,043,552	-	-	3,043,552	-
Deferred Revenue	5,405	-	-	5,482	-	10,887	-
Contractor Deposits	583,518	-	-	-	-	583,518	-
Deferred Landfill Postclosure Cost - Current Portion	-	37,380	-	-	-	37,380	-
Matured Bonds and Interest Payable	33,253	-	-	-	-	33,253	-
Total Current Liabilities	7,031,548	1,095,766	18,706,279	1,483,208	2,635,189	30,951,990	4,208,989

(Continued)

CITY OF JOHNSON CITY, TENNESSEE  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2009

	Business-Type Activities - Enterprise Funds					Total	Governmental Activities- Internal Service Funds
	Water and Sewer	City Solid Waste	Johnson City Power Board	Johnson City Public Building Authority	Nonmajor Proprietary Funds		
<u>Noncurrent Liabilities:</u>							
Compensated Absences Payable	82,865	20,432	1,897,526	-	26,140	2,026,963	13,456
OPEB Liability	-	-	796,248	-	-	796,248	-
Advances from Other Funds	-	-	-	400,000	-	400,000	-
Leases Payable	-	-	-	-	42,610	42,610	-
Notes and Bonds Payable	53,712,181	3,004,380	56,740,000	13,890,000	1,355,000	128,701,561	-
Plus: Bond Premiums	-	-	406,342	-	-	406,342	-
Less: Deferred Debt Refunding	(519,626)	18,514	-	(518,937)	(52,721)	(1,072,770)	-
Special Commission Bonds	-	-	-	-	17,281	17,281	-
Deferred Landfill Postclosure Cost	-	523,320	-	-	-	523,320	-
Deferred Revenue	15,580	600	-	-	45,221	61,401	-
Customer Deposits	-	975	-	-	-	975	-
Total Non-Current Liabilities	53,291,000	3,568,221	59,840,116	13,771,063	1,433,531	131,903,931	13,456
Total Liabilities	60,322,548	4,663,987	78,546,395	15,254,271	4,068,720	162,855,921	4,222,445
<u>NET ASSETS:</u>							
Invested in Capital Assets, Net of Related Debt	73,204,885	3,155,068	123,892,372	1,840,155	6,219,692	208,312,172	55,323
Restricted for:							
Debt Service	-	-	1,785,757	-	-	1,785,757	-
Unrestricted	6,843,360	1,128,676	6,320,471	1,106,678	466,488	15,865,673	5,118,161
Total Net Assets	\$ 80,048,245	4,283,744	131,998,600	2,946,833	6,686,180	225,963,602	5,173,484

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, 2009**

	Business-Type Activities - Enterprise Funds					Total	Governmental Activities- Internal Service Funds
	Water and Sewer	City Solid Waste	Johnson City Power Board	Johnson City Public Building Authority	Nonmajor Proprietary Funds		
<u>Operating Revenues:</u>							
Charges for Services (Net)	\$ 24,851,288	8,858,839	188,894,143	1,757,469	5,121,203	229,482,942	20,280,555
Other Revenue	206,383	43,190	4,260,630	316,862	42,684	4,869,749	868,766
Total Operating Revenues	25,057,671	8,902,029	193,154,773	2,074,331	5,163,887	234,352,691	21,149,321
<u>Operating Expenses:</u>							
Administration	521,450	259,351	-	-	164,150	944,951	-
Personnel Services	7,565,930	2,301,745	-	-	3,611,002	13,478,677	2,058,530
Contractual Services	1,087,749	2,808,468	-	4,972	647,912	4,549,101	17,598,860
Materials and Supplies	1,040,612	246,951	-	2,376	410,240	1,700,179	35,750
Repairs and Maintenance	2,316,985	1,310,911	6,616,758	74,268	916,249	11,235,171	3,626,508
Bad Debt Expense	144,887	43,256	-	-	56,542	244,685	-
Items for Resale	-	-	-	-	55,050	55,050	-
Other Operating Expenses	4,428,386	183,584	163,795,770	649,577	312,574	169,369,891	128,720
Depreciation and Amortization	3,838,824	708,573	5,693,999	487,647	709,174	11,438,217	13,041
Total Operating Expenses	20,944,823	7,862,839	176,106,527	1,218,840	6,882,893	213,015,922	23,461,409
Operating Income (Loss)	4,112,848	1,039,190	17,048,246	855,491	(1,719,006)	21,336,769	(2,312,088)
<u>Nonoperating Revenue (Expenses):</u>							
Investment Income	499,988	35,538	1,287,354	14,106	20,891	1,857,877	74,811
Operating Grants	-	-	-	-	1,702,482	1,702,482	-
Interest Expenses and Commissions	(1,830,428)	(184,237)	(2,669,512)	(709,368)	(112,221)	(5,505,766)	-
Amortization-Bond Cost	(55,677)	(13,053)	(58,031)	(56,479)	(1,949)	(185,189)	-
Gain (Loss) on Sale of Capital Assets	1,132	7,096	-	-	1,651	9,879	-
Total Nonoperating Revenues (Expenses)	(1,384,985)	(154,656)	(1,440,189)	(751,741)	1,610,854	(2,120,717)	74,811

(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, 2009**

	Business-Type Activities - Enterprise Funds					Total	Governmental Activities- Internal Service Funds
	Water and Sewer	City Solid Waste	Johnson City Power Board	Johnson City Public Building Authority	Nonmajor Proprietary Funds		
Income (Loss) Before Transfers and Capital Contributions	2,727,863	884,534	15,608,057	103,750	(108,152)	19,216,052	(2,237,277)
<b><u>Transfers and Capital Contributions:</u></b>							
Transfers In	71,180	148,792	-	-	1,061,215	1,281,187	263,491
Transfers Out	(441,048)	(51,000)	(2,702,090)	-	(168,972)	(3,363,110)	-
Federal Capital Grant Revenue	-	-	-	-	129,158	129,158	-
State Capital Grant Revenue	584,451	-	-	-	10,566	595,017	-
Total Transfers and Capital Contributions	214,583	97,792	(2,702,090)	0	1,031,967	(1,357,748)	263,491
Change in Net Assets	2,942,446	982,326	12,905,967	103,750	923,815	17,858,304	(1,973,786)
Net Assets, July 1, 2008	77,105,799	3,301,418	119,092,633	2,843,083	5,762,365	208,105,298	7,147,270
Net Assets, June 30, 2009	<u>\$ 80,048,245</u>	<u>4,283,744</u>	<u>131,998,600</u>	<u>2,946,833</u>	<u>6,686,180</u>	<u>225,963,602</u>	<u>5,173,484</u>

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

CITY OF JOHNSON CITY, TENNESSEE  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Fiscal Year Ended June 30, 2009

	Business-Type Activities - Enterprise Funds					Total	Governmental Activities- Internal Service Funds
	Water and Sewer	City Solid Waste	Johnson City Power Board	Johnson City Public Building Authority	Nonmajor Proprietary Funds		
<u>Cash Flows from Operating Activities:</u>							
Receipts from Customers and Users	\$ 24,001,967	8,928,320	181,489,982	733,087	5,088,413	220,241,769	15,768,704
Receipts from Interfund Services Provided	915,307	88,970	6,066,153	1,337,961	-	8,408,391	5,405,569
Payments to Employees	(7,469,014)	(2,274,305)	(7,608,686)	-	(3,592,259)	(20,944,264)	(2,034,794)
Payments from (to) Contractor Deposits	(167,167)	-	354,559	-	-	187,392	-
Payments to Suppliers	(4,302,285)	(3,292,824)	(159,765,492)	(746,495)	(1,174,806)	(169,281,902)	(20,700,403)
Payments for Interfund Services Used	(5,116,037)	(1,630,066)	(823,919)	-	(1,071,388)	(8,641,410)	(46,476)
Net Cash Provided by (Used for) Operating Activities	7,862,771	1,820,095	19,712,597	1,324,553	(750,040)	29,969,976	(1,607,400)
<u>Cash Flows from Noncapital Financing Activities:</u>							
Transfers to Other Funds	(441,048)	(51,000)	(2,702,091)	-	(168,972)	(3,363,111)	-
Purchase of/receipt for Equipment - Interfund	(13,685)	(32,992)	-	-	32,992	(13,685)	-
Advances from Other Funds	71,180	148,792	-	-	1,061,215	1,281,187	-
Operating Grants Received	-	-	-	-	1,663,563	1,663,563	-
Loans from Other Funds	-	-	-	(50,000)	-	(50,000)	263,491
Net Cash Provided by (Used for) Noncapital Financing Activities	(383,553)	64,800	(2,702,091)	(50,000)	2,588,798	(482,046)	263,491
<u>Cash Flows from Capital and Related Financing Activities:</u>							
Proceeds from Capital Debt	-	-	-	-	-	-	-
Purchase of Capital Assets	(14,050,280)	(2,917,615)	(13,966,712)	(16,111)	(2,183,702)	(33,134,420)	(46,291)
Bond Issue Costs	-	(3,178)	-	-	-	(3,178)	-
Refunding Bond Issue Costs	(482,118)	(23,943)	-	-	-	(506,061)	-
Refunding Bond Proceeds	44,905,000	2,350,000	-	-	-	47,255,000	-
Refunding Bond Payments	(44,860,000)	(2,400,000)	-	-	-	(47,260,000)	-
Capital Grants Received	848,067	-	100,000	-	139,724	1,087,791	-
Principal Paid on Capital Debt	(2,629,644)	(864,967)	(1,285,000)	(645,000)	(219,818)	(5,644,429)	-
Principal Paid on Capital Lease	-	-	-	-	(38,396)	(38,396)	-
Interest Paid on Capital Debt	(2,427,995)	(116,139)	(2,498,868)	(718,078)	(87,938)	(5,849,018)	-
Sale of Capital Assets	1,132	7,096	-	-	1,651	9,879	-
Proceeds from Notes Receivable	-	-	30,000	-	-	30,000	-
Net Cash Used for Capital and Related Financing Activities	(18,695,838)	(3,968,746)	(17,620,580)	(1,379,189)	(2,388,479)	(44,052,832)	(46,291)

(Continued)

CITY OF JOHNSON CITY, TENNESSEE  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Fiscal Year Ended June 30, 2009

	Business-Type Activities - Enterprise Funds					Total	Governmental Activities- Internal Service Funds
	Water and Sewer	City Solid Waste	Johnson City Power Board	Johnson City Public Building Authority	Nonmajor Proprietary Funds		
<u>Cash Flows from Investing Activities:</u>							
Interest and Related Income/Expenses on Investments	499,988	35,538	902,039	14,106	4,676	1,456,347	74,811
Purchase of Investments	-	-	(21,602,855)	-	-	(21,602,855)	-
Net Cash Provided by (Used for) Investing Activities	499,988	35,538	(20,700,816)	14,106	4,676	(20,146,508)	74,811
Net Increase (Decrease) in Cash and Cash Equivalents	(10,716,632)	(2,048,313)	(21,310,890)	(90,530)	(545,045)	(34,711,410)	(1,315,389)
Cash and Cash Equivalents, July 1, 2008	22,331,270	3,965,543	41,608,512	1,692,296	2,720,025	72,317,646	10,193,332
Cash and Cash Equivalents, June 30, 2009	<u>\$ 11,614,638</u>	<u>1,917,230</u>	<u>20,297,622</u>	<u>1,601,766</u>	<u>2,174,980</u>	<u>37,606,236</u>	<u>8,877,943</u>
Classified as:							
Current Assets	\$ 6,607,960	1,916,674	8,012,800	1,601,766	2,174,980	20,314,180	8,877,943
Restricted Assets	5,006,678	556	12,284,822	-	-	17,292,056	-
Totals	<u>\$ 11,614,638</u>	<u>1,917,230</u>	<u>20,297,622</u>	<u>1,601,766</u>	<u>2,174,980</u>	<u>37,606,236</u>	<u>8,877,943</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</u>							
Operating Income (Loss)	\$ 4,112,848	1,039,190	17,048,246	855,491	(1,719,006)	21,336,769	(2,312,088)
Adjustments:							
Depreciation	3,800,040	708,573	6,093,111	487,647	709,173	11,798,544	13,041
Amortization of Customer Base	38,784	-	-	-	-	38,784	-
Landfill Postclosure Cost	-	(37,380)	-	-	-	(37,380)	-
Changes in the Allowance for Uncollectible Receivables	22,037	-	118,306	-	-	140,343	-
Changes in Assets and Liabilities:							
(Increase) Decrease in Accounts Receivable	(58,144)	158,517	(5,958,919)	(3,283)	(5,504)	(5,867,333)	24,952
(Increase) Decrease in Inventories	(351,758)	-	(223,467)	-	1,635	(573,590)	33,441
(Increase) Decrease in Customer Base	38,784	-	-	-	-	38,784	-
(Increase) Decrease in Prepaid Expenses	-	-	99,795	-	1,500	101,295	-
Increase (Decrease) in Accounts Payable and Accrued Expenses	323,285	(75,738)	1,510,973	(15,302)	256,849	2,000,067	609,518
Increase (Decrease) in Accrued Payroll Expenses	50,636	-	29,766	-	18,450	98,852	13,171
Increase (Decrease) in Compensated Absences	46,280	11,109	223,675	-	293	281,357	10,565
Increase (Decrease) in Customer Deposits	(167,167)	-	372,094	-	-	204,927	-
Increase (Decrease) in Other Payables	5,333	15,824	399,017	-	-	420,174	-
Increase (Decrease) in Deferred Revenue	1,813	-	-	-	(13,430)	(11,617)	-
Net Cash Provided by (Used for) Operating Activities	<u>\$ 7,862,771</u>	<u>1,820,095</u>	<u>19,712,597</u>	<u>1,324,553</u>	<u>(750,040)</u>	<u>29,969,976</u>	<u>(1,607,400)</u>

(Continued)

CITY OF JOHNSON CITY, TENNESSEE  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Fiscal Year Ended June 30, 2009

	Business-Type Activities - Enterprise Funds					Total	Governmental Activities- Internal Service Funds
	Water and Sewer	City Solid Waste	Johnson City Power Board	Johnson City Public Building Authority	Nonmajor Proprietary Funds		
<u>Reconciliation of Cash and Cash Equivalents from Statement of Cash Flows:</u>							
Cash on Hand	\$ 100	-	18,100	-	3,001	21,201	-
Cash in Bank	123,225	-	7,994,700	1,601,766	-	9,719,691	8,615,955
Cash on Deposit with Paying Agent	1,317,895	-	-	-	-	1,317,895	-
Cash on Deposit with State	392,702	-	-	-	-	392,702	-
Equity Pooled Cash and Investments	4,774,038	-	-	-	-	4,774,038	-
Restricted Cash	5,006,678	556	12,284,822	-	-	17,292,056	-
Cash in From Central Depository	-	1,916,674	-	-	-	1,916,674	-
Cash Due From Central Depository	-	-	-	-	2,171,979	2,171,979	261,988
	<u>\$ 11,614,638</u>	<u>1,917,230</u>	<u>20,297,622</u>	<u>1,601,766</u>	<u>2,174,980</u>	<u>37,606,236</u>	<u>8,877,943</u>

Non-Cash Capital and Related Financing Activities:

Water and Sewer:

- Amortization of Deferred Bond Refunding totaling \$55,677 was included with Interest Expense on the Statement of Revenues, Expenses and Changes in Fund Net Assets.
- Interest paid on capital debt includes \$488,389 that was capitalized.

City Solid Waste:

- Amortization of Bond Issue Cost totaling \$13,053 was included with Interest Expense on the Statement of Revenues, Expenses and Changes in Fund Net Assets.

Johnson City Public Building Authority:

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

Johnson City Power Board:

- The depreciation expense charged for the year ended June 30, 2009 was \$5,693,999. Total depreciation expense was \$6,093,110. The difference of \$399,111 has been reflected in "other operating expenses" as required by the Tennessee Valley Authority.

Other Nonmajor Funds:

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

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

**CITY OF JOHNSON CITY, TENNESSEE**  
**COMBINING STATEMENT OF NET ASSETS**  
**COMPONENT UNITS**  
**June 30, 2009**

	Johnson City Public Library	Johnson City Development Authority	Total Component Units
<b><u>ASSETS:</u></b>			
Cash on Hand	\$ 500	-	500
Cash in Bank	82,403	49,533	131,936
Accounts Receivable	5,361	41,000	46,361
Customer Deposits	-	825	825
Investments	155,254	-	155,254
Capital Assets:			
Book Collection	1,138,049	-	1,138,049
Equipment and Furniture	649,719	12,721	662,440
Less: Accumulated Depreciation	(555,518)	(12,448)	(567,966)
Total Assets	<u>1,475,768</u>	<u>91,631</u>	<u>1,567,399</u>
<b><u>LIABILITIES:</u></b>			
Accounts Payable	-	5,810	5,810
Accrued Payroll Expenses	28,842	-	28,842
Compensated Absences	26,326	832	27,158
Total Liabilities	<u>55,168</u>	<u>6,642</u>	<u>61,810</u>
<b><u>NET ASSETS:</u></b>			
Invested in Capital Assets, net of Related Debt	1,232,250	273	1,232,523
Restricted by External Contributions	-	49,124	49,124
Restricted by Enabling Legislation	-	21,000	21,000
Unrestricted	188,350	14,592	202,942
Total Net Assets	<u>\$ 1,420,600</u>	<u>84,989</u>	<u>1,505,589</u>

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

**CITY OF JOHNSON CITY, TENNESSEE**  
**COMBINING STATEMENT OF ACTIVITIES**  
**COMPONENT UNITS**  
**For the Fiscal Year Ended June 30, 2009**

Functions/Programs	Expenses	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Johnson City Public Library	Johnson City Development Authority
Johnson City Public Library:						
General Government	1,719,449	64,911	1,585,890	-	(68,648)	(68,648)
Total Johnson City Public Library	1,719,449	64,911	1,585,890	0	(68,648)	(68,648)
Johnson City Development Authority:						
Operations	288,831	15,801	286,530	-	13,500	13,500
Total Johnson City Development Authority	288,831	15,801	286,530	0	13,500	13,500
Total Component Units	\$ 2,008,280	80,712	1,872,420	0	(68,648)	(55,148)
General Revenues:						
Unrestricted Investment Earnings				8,991	111	9,102
Other General Revenue				70,779	-	70,779
Total General Revenues				79,770	111	79,881
Change in Net Assets				11,122	13,611	24,733
Net Assets, Beginning				1,409,478	94,905	1,504,383
Prior Period Adjustment				-	(23,527)	(23,527)
Net Assets, Beginning (Restated)				1,409,478	71,378	1,480,856
Net Assets, Ending				\$ 1,420,600	84,989	1,505,589

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, 2009**

**I. 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, 2009**

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

**A. Reporting entity (continued)**

**Discretely Presented Component Units**

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

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

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

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

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

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

CITY OF JOHNSON CITY, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009

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

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

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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

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

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

The City reports the following nonmajor governmental funds:

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

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

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

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

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

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

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

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

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

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

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

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

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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

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

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

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

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

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

The City reports the following major proprietary funds:

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

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

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

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

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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

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

The City reports the following nonmajor proprietary funds:

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

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

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

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

Additionally, the City reports the following fund type:

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

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

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

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

CITY OF JOHNSON CITY, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009

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, 2009

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, 2009**

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, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

4. *Restricted assets*

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

5. *Capital assets*

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Significant interest and related fees incurred during the construction phase of capital assets of business-type activities are included as part of the capitalized value of the assets constructed. Total interest and related fees incurred by the Water and Sewer Fund during the current fiscal year were \$2,318,816. During the fiscal year ended June 30, 2009, \$488,389 of interest and related fees were capitalized in connection with the wastewater treatment plant upgrade.

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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

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

5. *Capital assets (continued)*

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

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

Assets of the Johnson City Power Board are depreciated over the useful lives per guidelines of the 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, 2009 was \$6,093,110 of which \$399,111 was charged to Other Operating Expenses.

6. *Compensated absences*

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

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

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

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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

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

6. *Compensated absences (continued)*

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

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

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

CITY OF JOHNSON CITY, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009

**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, 2008 financial statements in order for them to conform to the June 30, 2009 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, 2009**

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

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

The governmental fund balance sheet includes a reconciliation between *fund balances - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.” This difference does not include capital assets from the internal service funds. The details of this \$212,007,332 difference are as follows:

Governmental funds capital assets	\$ 369,420,307
Less: Accumulated depreciation	(157,357,652)
Less: Internal service funds, net capital assets	( 55,323)
Net adjustment to increase <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	<u>\$ 212,007,332</u>

Another element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.” The details of this \$109,943,572 difference are as follows:

Bonds payable (net of deferred refunding)	\$ 108,323,495
Notes payable	284,000
Capital Lease	<u>368,450</u>
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	<u>\$ 108,975,945</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of general capital assets in the current period exceeded depreciation.” This difference does not include depreciation expense of \$13,041 relating to internal service funds. The details of this \$17,084,155 difference are as follows:

Capital outlay	\$ 26,261,298
Depreciation expense	<u>(9,177,143)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 17,084,155</u>

CITY OF JOHNSON CITY, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009

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

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

Another element of that reconciliation states that “the net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is to decrease net assets.” In the statement of activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. The details of this \$(32,730) difference are as follows:

Gain on sale	\$ 1,153,428
Less: Sales proceeds	(1,186,158)
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>32,730</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 \$125,663 difference are as follows:

Deferred property taxes as of June 30, 2009	\$ 1,370,762
Deferred property taxes as of June 30, 2008	(1,045,391)
Deferred other taxes as of June 30, 2009	526,819
Deferred other taxes as of June 30, 2008	(726,527)
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>125,663</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 \$(7,253,417) difference are as follows:

Principal repayments	\$ 73,692,741
Proceeds from bonds and capital lease	(79,432,383)
Amortization of deferred refunding	54,019
Deferred refunding	(1,567,794)
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>7,253,417</u> )

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

**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	\$ 5,853,783
Less: Encumbrances	<u>(353,693)</u>
Fund Balance-Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	<u>\$ 5,500,090</u>

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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

**B. Excess of expenditures over appropriations**

For the year ended June 30, 2009, expenditures exceeded appropriations in the listed departments within the following governmental funds:

	<u>Over spent Amount</u>
Educational Facilities Debt Service:	
Debt Service Expenditures	5,279
Freedom Hall Civic Center Fund:	
Civic Center Entertainment	840
Special School Projects:	
Education	2,048

**C. Deficit fund equity**

The following funds had deficit net assets/fund balance at June 30, 2009:

Educational Facilities Debt Service Fund	\$ (41,914)
Capital Projects Funds:	
Industrial Park Fund	(1,445,910)
Infrastructure Fund	(1,480,410)
Special Revenue Funds:	
Community Development Fund	(7,173)
Enterprise Funds:	
Golf Course Fund	(828,301)

The deficit in the Educational Facilities Debt Service Fund will be eliminated by future reimbursements.

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

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

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

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

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

4. **DETAILED NOTES ON ALL FUNDS:**

A. **Deposits and investments**

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

Deposits

*Custodial Credit Risk.*

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

At year end, the City had \$26,929 of cash on hand which has been included in cash and cash equivalents. The City's carrying amount of deposits was \$106,025,807 and the bank balance was \$117,153,907. Of the City's bank balance, \$69,861,188 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 \$45,713 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, \$47,247,006 represents cash in trust accounts which are insured by the FDIC.

In addition to the above deposits, the City has \$10,465,468 on deposit with the State of Tennessee at June 30, 2009.

Investments

*Custodial Credit Risk.*

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

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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

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

At June 30, 2009, the City's investments were as follows:

Investment Type:	<u>Primary Government</u>	
	Reported Amount	Fair Value
Local Government Investment Pool (LGIP)	\$ 10,465,468	10,465,468
Money Market Funds	1,184,560	1,184,560
Certificates of Deposit-Cash	267,915	267,915
Reported as Cash in Bank	<u>11,917,943</u>	<u>11,917,943</u>
Certificates of Deposit-Investments	4,605,000	4,605,000
U.S. Government Securities	29,375,695	29,375,695
Reported as Investments	<u>33,980,695</u>	<u>33,980,695</u>
Total Primary Government	<u>\$ 45,898,638</u>	<u>45,898,638</u>

The LGIP, certificates of deposit, and money market investments have been included in cash in bank since they are comprised of short term investments.

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

**Interest Rate Risk:**

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

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

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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

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

*Terms.* Under the swap, the Authority pays the counterparty a fixed payment of 3.746 percent and receives a variable equal to the Securities Industry and Financial Markets Association Index (the "SIFMA"). The bonds hedged by the interest rate swap agreement had an original outstanding principal amount of \$29.085 million. At no time will the notional amount of the interest rate swap agreement exceed the outstanding principal amount on the associated hedged bonds. The related swap agreement matures on June 1, 2012. As of June 30, 2009, rates were as follows:

	Terms	Rates
Interest Rate Swap		
Fixed Payment to Counterparty	Fixed	3.746%
Variable Payment from Counterparty		-0.350%
Net Interest Rate Swap Payments		3.396%
True Interest Costs		3.550%
Synthetic Interest Rate on Bonds		6.946%

*Fair value.* As of June 30, 2009, the swap had a negative fair value of (\$1,593,929). The negative fair value of the swap may be countered by reductions in total interest payments required under the variable-rate bond, creating lower synthetic rates. Because the rates on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates, and then discounts those cash flows at their present value.

*Credit risk.* As of June 30, 2009, the City was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the City would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was rated "Aa" at the time of the swap. If the counterparty's credit rating is downgraded, the counterparty is required to post collateral with a third-party custodian.

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

*Termination risk.* The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an "additional termination provision." The Authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate bond would no longer carry a synthetic

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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

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

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, 2009, 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>			Total
	<u>Principal</u>	<u>Interest</u>	<u>Net Interest Rate Swap Payment</u>	
2010	\$ 375,000	1,007,313	963,615	2,345,928
2011	375,000	994,000	950,880	2,319,880
2012	400,000	980,688	938,145	2,318,833
2013	425,000	966,488	924,561	2,316,049
2014	2,700,000	951,400	910,128	4,561,528
2015-2019	18,550,000	3,086,725	2,952,822	24,589,547
2020-2021	5,550,000	230,750	220,740	6,001,490
	<u>\$ 28,375,000</u>	<u>8,217,364</u>	<u>7,860,891</u>	<u>44,453,255</u>

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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

**B. Receivables**

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

	General	General Purpose School	Educational Facilities Debt Service	School Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Receivables						
Taxes	\$ 29,560,022	-	-	-	-	29,560,022
Accounts	1,027,754	21,126	568,850	10,945	9,079	1,637,754
Notes	-	-	-	-	42,298	42,298
Intergovernmental	5,364,617	11,986,131	-	-	1,465,310	18,816,058
Gross receivables	35,952,393	12,007,257	568,850	10,945	1,516,687	50,056,132
Less: Allowances for						
Uncollectibles	(164,713)	-	-	-	-	(164,713)
Net total receivables	<u>\$ 35,787,680</u>	<u>12,007,257</u>	<u>568,850</u>	<u>10,945</u>	<u>1,516,687</u>	<u>49,891,419</u>

	Water and Sewer	City Solid Waste	Johnson City Power Board	Johnson City Public Building Authority	Other Proprietary Funds	Total Proprietary Funds
Receivables						
Accounts	\$ 2,064,293	704,328	14,837,316	3,284	266,324	17,875,545
Notes	-	-	172,500	-	-	172,500
Intergovernmental	45,781	-	-	-	487,097	532,878
Gross receivables	2,110,074	704,328	15,009,816	3,284	753,421	18,580,923
Less: Allowances for						
Uncollectibles	(1,131,562)	(257,425)	(1,101,169)	-	(146,411)	(2,636,567)
Net total receivables	<u>\$ 978,512</u>	<u>446,903</u>	<u>13,908,647</u>	<u>3,284</u>	<u>607,010</u>	<u>15,944,356</u>

	Total Governmental Funds	Total Proprietary Funds	Internal Service Funds	Total Primary Government
Receivables				
Taxes	\$ 29,560,022	-	-	29,560,022
Accounts	1,637,754	17,875,545	43,686	19,556,985
Notes	42,298	172,500	-	214,798
Intergovernmental	18,816,058	532,878	-	19,348,936
Gross receivables	50,056,132	18,580,923	43,686	68,680,741
Less: Allowances for				
Uncollectibles	(164,713)	(2,636,567)	-	(2,801,280)
Net total receivables	<u>\$ 49,891,419</u>	<u>15,944,356</u>	<u>43,686</u>	<u>65,879,461</u>

CITY OF JOHNSON CITY, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

B. Receivables (Continued)

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

Uncollectibles related to:	General Services	\$ 6,741
	Nonmajor Governmental Services	80
	Water and Sewer Services	144,887
	City Solid Waste Services	43,256
	Nonmajor Proprietary Services	56,542
	Power Services	118,306
		<u>\$ 369,812</u>

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

	<u>Unavailable</u>	<u>Unearned</u>
Property taxes receivable (General Fund)	\$ -	27,883,067
Delinquent property taxes receivable (General Fund)	1,370,762	-
Other taxes receivable (General Fund)	526,819	-
Property taxes receivable (General Purpose School Fund)	-	9,473,520
Ticket sales prior to event date (Freedom Hall)	-	93,743
Grant drawdowns prior to meeting all eligibility requirements (Transportation Planning, Police Grant and Community Development)	-	76,244
Total deferred / unearned revenue for governmental funds	<u>\$ 1,897,581</u>	<u>37,526,574</u>

Property taxes which are delinquent at year end are earned but not available. The tax year 2009 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, 2009**

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

**C. Capital assets**

Capital asset activity for the year ended June 30, 2009 was as follows:

	Primary Government				
	Beginning Balance	Additions	Deletions	Adjustments	Ending Balance
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 17,005,094	1,021,634	(207,324)	-	17,819,404
Construction in Progress	16,693,027	21,122,857	(17,007,821)	-	20,808,063
Total capital assets, not being depreciated	<u>33,698,121</u>	<u>22,144,491</u>	<u>(17,215,145)</u>	<u>0</u>	<u>38,627,467</u>
Capital assets, being depreciated:					
Buildings	138,705,187	9,610,715	(469,251)	-	147,846,651
Equipment and Vehicles	31,835,545	3,772,917	(2,026,583)	32,895	33,614,774
Infrastructure	141,332,585	7,998,830	-	-	149,331,415
Total capital assets, being depreciated	<u>311,873,317</u>	<u>21,382,462</u>	<u>(2,495,834)</u>	<u>32,895</u>	<u>330,792,840</u>
Accumulated depreciation:					
Buildings	(67,573,406)	(3,800,203)	430,246	-	(70,943,363)
Equipment and Vehicles	(22,573,225)	(2,063,108)	2,025,205	(29,461)	(22,640,589)
Infrastructure	(60,446,827)	(3,326,873)	-	-	(63,773,700)
Total Accumulated Depreciation	<u>(150,593,458)</u>	<u>(9,190,184)</u>	<u>2,455,451</u>	<u>(29,461)</u>	<u>(157,357,652)</u>
Total capital assets, being depreciated, net	<u>161,279,859</u>	<u>12,192,278</u>	<u>(40,383)</u>	<u>3,434</u>	<u>173,435,188</u>
<b>Governmental activities capital assets, net</b>	<b><u>\$ 194,977,980</u></b>	<b><u>34,336,769</u></b>	<b><u>(17,255,528)</u></b>	<b><u>3,434</u></b>	<b><u>212,062,655</u></b>

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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

**C. Capital assets (continued)**

	Primary Government				Ending Balance
	Beginning Balance	Additions	Deletions	Adjustments	
<b>Business-type activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 13,698,752	326,635	-	-	14,025,387
Construction in progress	16,883,555	19,171,060	(1,033,397)	-	35,021,218
Total capital assets, not being depreciated	30,582,307	19,497,695	(1,033,397)	0	49,046,605
Capital assets, being depreciated:					
Buildings and other improvements	49,500,593	330,835	-	-	49,831,428
Plant in service	304,583,449	9,063,436	(1,867,866)	-	311,779,019
Equipment and vehicles	28,442,084	5,889,194	(525,215)	(16,828)	33,789,235
Total capital assets, being depreciated	382,526,126	15,283,465	(2,393,081)	(16,828)	395,399,682
Accumulated depreciation:					
Buildings and other improvements	(10,848,448)	(1,222,037)	-	35,722	(12,034,763)
Plant in service	(104,016,593)	(8,235,962)	2,170,031	-	(110,082,524)
Vehicles and equipment	(17,640,722)	(2,340,543)	492,403	(22,328)	(19,511,190)
Total accumulated depreciation	(132,505,763)	(11,798,542)	2,662,434	13,394	(141,628,477)
Total capital assets, being depreciated, net	250,020,363	3,484,923	269,353	(3,434)	253,771,205
Business-type activities capital assets, net	\$ 280,602,670	22,982,618	(764,044)	(3,434)	302,817,810

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

Governmental Activities:

General Government	\$ 642,827
Education	3,465,275
Public Welfare	415,164
Public Works	4,040,431
Public Safety	409,728
City Service	216,759
Total Depreciation Expense-Governmental Activities	<u>\$ 9,190,184</u>

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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

C. **Capital assets (continued)**

Business-Type Activities:

Water Sewer	\$ 3,800,039
City Solid Waste	708,573
Johnson City Power Board	6,093,110
Johnson City Public Building Authority	487,647
Golf Course Fund	113,809
Regional Solid Waste	206,534
Mass Transit	330,579
Stormwater Management	58,251
Total Depreciation Expense-Business-Type Activities	\$ 11,798,542

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

The composition of interfund balances as of June 30, 2009, is as follows:

*Due to/from Other Funds:*

Receivable Fund	Payable Fund	Amount
General	Public Building Authority	\$ 493,512
General Purpose School	School Federal Projects	346,277
	Special School Projects	160,327
Special School Projects	General Purpose School	19,351
Johnson City Power Board	General Fund	175,816
	Water/Sewer	201,358
	General Purpose School	132,857
Total		\$ 1,529,498

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

*Advances to/from other funds:*

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Public Building Authority	\$ <u>400,000</u>

CITY OF JOHNSON CITY, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009

4. DETAILED NOTES ON ALL FUNDS (CONTINUED):

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

*Advances to/from other funds (Continued):*

The balance payable to the General Fund relates to loans made to the PBA to fund operations. The PBA paid \$50,000 in principal during the year ended June 30, 2009.

*Interfund Transfers:*

	<u>Transfers In:</u>						<u>Business-Type Activities</u>				<u>Total</u>
	<u>General Fund</u>	<u>General Purpose School</u>	<u>Educational Facilities Debt Service</u>	<u>School Capital Project</u>	<u>Debt Service Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Internal Service Funds</u>	<u>City Solid Waste</u>	<u>Water and Sewer</u>	<u>Nonmajor Proprietary Funds</u>	
<u>Transfers Out:</u>											
<u>Governmental Activities</u>											
General Fund	\$ -	7,832,675	-	393,000	6,584,371	5,872,712	263,491	-	-	1,061,215	22,007,464
General Purpose School Fund	6,750	-	1,035,400	-	-	821,442	-	-	-	-	1,863,592
Educational Facilities Debt Service	44,000	-	-	-	-	-	-	-	-	-	44,000
Nonmajor Governmental Funds	-	10,520	-	-	-	297,758	-	-	-	-	308,278
<u>Business-Type Activities</u>											
Johnson City Power Board	2,702,090	-	-	-	-	-	-	-	-	-	2,702,090
Water and Sewer	441,048	-	-	-	-	-	-	-	-	-	441,048
City Solid Waste	-	-	-	-	-	-	-	51,000	-	-	51,000
Nonmajor Proprietary Funds	-	-	-	-	-	-	148,792	20,180	-	-	168,972
<b>Totals</b>	<b>\$ 3,193,888</b>	<b>7,843,195</b>	<b>1,035,400</b>	<b>393,000</b>	<b>6,584,371</b>	<b>6,991,912</b>	<b>263,491</b>	<b>148,792</b>	<b>71,180</b>	<b>1,061,215</b>	<b>27,586,444</b>

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, 2009**

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, 2009, the City earned revenue from the leases in the amount of \$283,436.

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, 2009</u>
<u>Debt Service Fund:</u>				
Capital Outlay Note -				
School Buses	12/20/2004	\$ 620,000	Variable	284,000
				<u>\$ 284,000</u>

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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

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

Governmental Activities (continued):

**Notes Payable (continued):**

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
2010	\$ 91,000	9,798	100,798
2011	95,000	6,658	101,658
2012	98,000	3,381	101,381
	<u>\$ 284,000</u>	<u>19,837</u>	<u>303,837</u>

**Bonds Payable:**

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

<u>Educational Facilities Debt Service Fund:</u>	Date Issued	Amount Issued	Interest Rate	Outstanding June 30, 2009
Sales Tax and Tax Refunding Bonds, Series 1997	5/1/1997	\$ 4,812,803	5.25%-5.6%	\$ 3,091,106
Sales Tax Revenue and Unlimited Tax Refunding Bonds, Series 1998	7/15/1998	3,280,000	4.10%-4.75%	2,055,000
Local Government Public Improvement Bonds- Series V-K-1	3/12/2009	28,485,000	4.53%	28,485,000
				<u>\$ 33,631,106</u>

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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

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

Governmental Activities (Continued):

**Bonds Payable (Continued):**

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

Fiscal Year Ending June 30	Principal	Interest	Total
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>\$ 3,091,106</u>	<u>3,828,894</u>	<u>6,920,000</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
2010	\$ 255,000	100,097	355,097
2011	270,000	86,710	356,710
2012	280,000	72,535	352,535
2013	295,000	59,375	354,375
2014	305,000	45,363	350,363
2015-2016	650,000	46,550	696,550
	<u>\$ 2,055,000</u>	<u>410,630</u>	<u>2,465,630</u>

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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

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

Governmental Activities (Continued):

**Bonds Payable (Continued):**

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

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ -	1,250,341	1,250,341
2011	28,485,000	1,289,750	29,774,750
	<u>\$ 28,485,000</u>	<u>2,540,091</u>	<u>31,025,091</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ 919,686	2,030,752	2,950,438
2011	29,535,713	2,275,747	31,811,460
2012	1,089,837	1,117,698	2,207,535
2013	1,130,870	1,263,505	2,394,375
2014	305,000	45,363	350,363
2015-2016	650,000	46,550	696,550
	<u>\$ 33,631,106</u>	<u>6,779,615</u>	<u>40,410,721</u>

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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

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

Governmental Activities (Continued):

**Bonds Payable (Continued):**

<u>General Obligation</u>	<u>Date Issued</u>	<u>Amount Issued</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2009</u>
Public Improvement Refunding Bonds, Series 1998	7/15/1998	\$ 20,060,000	4.10%-4.75%	\$ 5,570,000
General Obligation Refunding Bonds, Series 2004A	9/23/2004	11,460,900	3.00%-4.40%	6,004,515
General Obligation Refunding Bonds, Series 2004B	12/29/2004	7,625,000	3.00%-4.40%	6,490,000
General Obligation Refunding Bonds, Series 2006	3/30/2006	6,230,000	3.50%-4.125%	5,665,000
Local Government Public Improvement Bonds- Series V-K-1	3/12/2009	26,645,000	2.50%-5.00%	26,645,000
General Obligation Refunding Bonds, Series 2009	6/30/2009	11,390,000	3.00%-5.00%	11,390,000
The Tennessee Municipal Bond Fund, Series TCSLP 2008	1/9/2009	25,000,000	5.00%	12,417,222
				<u>\$ 74,181,737</u>

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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

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

Governmental Activities (Continued):

**Bonds Payable (Continued):**

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

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ 690,000	271,270	961,270
2011	725,000	235,045	960,045
2012	760,000	196,983	956,983
2013	790,000	161,262	951,262
2014	830,000	123,738	953,738
2015-2016	1,775,000	127,299	1,902,299
	<u>\$ 5,570,000</u>	<u>1,115,597</u>	<u>6,685,597</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
2010	\$ 323,895	232,070	555,965
2011	338,844	222,354	561,198
2012	348,810	211,510	560,320
2013	363,759	200,175	563,934
2014	378,708	187,443	566,151
2015-2019	2,147,673	714,735	2,862,408
2020-2023	2,102,826	232,662	2,335,488
	<u>\$ 6,004,515</u>	<u>2,000,949</u>	<u>8,005,464</u>

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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

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

Governmental Activities (Continued):

**Bonds Payable (Continued):**

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

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ 305,000	255,748	560,748
2011	315,000	246,599	561,599
2012	325,000	235,574	560,574
2013	335,000	224,198	559,198
2014	350,000	212,474	562,474
2015-2019	1,950,000	858,250	2,808,250
2020-2024	2,375,000	431,124	2,806,124
2025	535,000	23,541	558,541
	<u>\$ 6,490,000</u>	<u>2,487,508</u>	<u>8,977,508</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ 415,000	226,212	641,212
2011	435,000	209,613	644,613
2012	450,000	192,212	642,212
2013	470,000	174,213	644,213
2014	490,000	156,587	646,587
2015-2019	2,775,000	472,338	3,247,338
2020	630,000	25,987	655,987
	<u>\$ 5,665,000</u>	<u>1,457,162</u>	<u>7,122,162</u>

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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

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

Governmental Activities (Continued):

**Bonds Payable (Continued):**

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

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ 1,660,000	1,063,535	2,723,535
2011	4,110,000	1,055,556	5,165,556
2012	1,500,000	850,056	2,350,056
2013	1,590,000	775,056	2,365,056
2014	1,645,000	727,356	2,372,356
2015-2019	9,420,000	2,588,181	12,008,181
2020-2024	6,140,000	756,819	6,896,819
2025	580,000	24,713	604,713
	<u>\$ 26,645,000</u>	<u>7,841,272</u>	<u>34,486,272</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ 775,000	394,993	1,169,993
2011	795,000	406,350	1,201,350
2012	830,000	382,500	1,212,500
2013	835,000	357,600	1,192,600
2014	875,000	332,550	1,207,550
2015-2019	4,125,000	1,189,138	5,314,138
2020-2024	2,085,000	507,763	2,592,763
2025-2026	1,070,000	97,450	1,167,450
	<u>\$ 11,390,000</u>	<u>3,668,344</u>	<u>15,058,344</u>

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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

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

Governmental Activities (Continued):

**Bonds Payable (Continued):**

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

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ 1,080,000	1,250,000	2,330,000
2011	1,134,000	1,196,000	2,330,000
2012	1,192,000	1,139,300	2,331,300
2013	1,251,000	1,079,700	2,330,700
2014	1,313,000	1,017,150	2,330,150
2015-2019	7,619,000	4,032,700	11,651,700
2020-2024	6,860,000	2,200,200	9,060,200
2025-2029	4,551,000	704,750	5,255,750
	<u>25,000,000</u>	<u>12,619,800</u>	<u>37,619,800</u>
Less: Amount not drawn	<u>(12,582,778)</u>	<u>-</u>	<u>(12,582,778)</u>
	<u>\$ 12,417,222</u>	<u>12,619,800</u>	<u>25,037,022</u>

At June 30, 2009, the outstanding balance of this bond issue is \$12,417,222. The City expects to draw the remaining \$12,582,778 during the year ending June 30, 2010.

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

**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
2010	\$ 6,168,581	5,724,580	11,893,161
2011	37,388,557	5,847,264	43,235,821
2012	6,495,647	4,325,833	10,821,480
2013	6,765,629	4,235,709	11,001,338
2014	6,186,708	2,802,661	8,989,369
2015-2019	30,461,673	10,029,191	40,490,864
2020-2024	20,192,826	4,154,555	24,347,381
2025-2029	6,736,000	850,454	7,586,454
	<u>120,395,621</u>	<u>37,970,247</u>	<u>158,365,868</u>
Less: Amount not drawn	<u>(12,582,778)</u>	<u>-</u>	<u>(12,582,778)</u>
	<u>\$ 107,812,843</u>	<u>37,970,247</u>	<u>145,783,090</u>

At June 30, 2009, the outstanding balance of governmental activities general obligation bonds is \$107,812,843. The difference relates to amount not drawn on the Tennessee Municipal Bond Fund, Series TCSLP 2008 issued January 9, 2009. The City expects to draw the remaining \$12,582,778 during the year ending June 30, 2010.

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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

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

Business-Type Activities:

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

**Notes Payable:**

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

	<u>Date Issued</u>	<u>Amount Issued</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2009</u>
<u>Water and Sewer:</u>				
Note Payable - Limestone Cove	3/13/2003	\$ 450,000	4.65%	\$ 418,542
Note Payable - Watauga Flats	4/20/2004	380,000	4.38%	357,504
Note Payable - Limestone Cove	4/20/2005	125,000	4.25%	<u>118,991</u>
				<u>\$ 895,037</u>

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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

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

Business-Type Activities (Continued):

**Notes Payable (Continued):**

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

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ 5,937	19,287	25,224
2011	6,219	19,005	25,224
2012	6,513	18,711	25,224
2013	6,824	18,400	25,224
2014	7,145	18,079	25,224
2015-2019	41,145	84,975	126,120
2020-2024	51,852	74,268	126,120
2025-2029	65,355	60,765	126,120
2030-2034	82,383	43,737	126,120
2035-2039	103,832	22,288	126,120
2040-2041	41,337	1,741	43,078
	<u>\$ 418,542</u>	<u>381,256</u>	<u>799,798</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ 5,295	15,260	20,555
2011	5,263	15,305	20,568
2012	5,456	15,112	20,568
2013	5,741	14,827	20,568
2014	5,998	14,570	20,568
2015-2019	34,206	68,634	102,840
2020-2024	42,525	60,315	102,840
2025-2029	52,948	49,892	102,840
2030-2034	65,874	36,966	102,840
2035-2039	81,956	20,884	102,840
2040-2042	52,242	3,246	55,488
	<u>\$ 357,504</u>	<u>315,011</u>	<u>672,515</u>

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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

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

Business-Type Activities (Continued):

**Notes Payable (Continued):**

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

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ 1,624	5,024	6,648
2011	1,694	4,954	6,648
2012	1,754	4,894	6,648
2013	1,844	4,804	6,648
2014	1,924	4,724	6,648
2015-2019	10,930	22,310	33,240
2020-2024	13,503	19,737	33,240
2025-2029	16,708	16,532	33,240
2030-2034	20,659	12,581	33,240
2035-2039	25,543	7,697	33,240
2040-2043	22,808	1,882	24,690
	<u>\$ 118,991</u>	<u>105,139</u>	<u>224,130</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ 12,856	39,571	52,427
2011	13,176	39,264	52,440
2012	13,723	38,717	52,440
2013	14,409	38,031	52,440
2014	15,067	37,373	52,440
2015-2019	86,281	175,919	262,200
2020-2024	107,880	154,320	262,200
2025-2029	135,011	127,189	262,200
2030-2034	168,916	93,284	262,200
2035-2039	211,331	50,869	262,200
2040-2043	116,387	6,869	123,256
	<u>\$ 895,037</u>	<u>801,406</u>	<u>1,696,443</u>

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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, 2009</u>
<u>Water and Sewer:</u>				
Local Government Public Improvement Bonds- Series V-K-1	3/12/2009	\$ 9,520,000	2.50%-5.00%	\$ 9,520,000
General Obligation Refunding Bonds, Series 2009	6/30/2009	35,385,000	3.00%-5.00%	<u>35,385,000</u> <u>\$ 44,905,000</u>
<u>City Solid Waste:</u>				
Solid Waste Refunding Bonds	7/15/1998	1,640,000	Variable	\$ 1,025,000
General Obligation Refunding Bonds, Series 2004A	9/23/2004	39,100	3.00%-4.40%	20,485
Local Government Public Improvement Bonds- Series V-K-1	3/12/2009	2,350,000	2.50%-5.00%	<u>2,350,000</u> <u>\$ 3,395,485</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>\$ 1,545,000</u>
<u>Johnson City Public Building Authority:</u>				
Public Facility Refunding Bonds Series 2006A	6/29/2006	16,655,000	4.04%-5.22%	<u>\$ 14,555,000</u>

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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

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

Business-Type Activities (Continued):

**Bonds Payable (Continued):**

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

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ 550,000	366,450	916,450
2011	580,000	364,250	944,250
2012	615,000	335,250	950,250
2013	650,000	304,500	954,500
2014	685,000	285,000	970,000
2015	6,440,000	257,600	6,697,600
	<u>\$ 9,520,000</u>	<u>1,913,050</u>	<u>11,433,050</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ 1,450,000	1,356,698	2,806,698
2011	1,530,000	1,432,063	2,962,063
2012	1,535,000	1,386,163	2,921,163
2013	1,565,000	1,340,113	2,905,113
2014	1,590,000	1,293,163	2,883,163
2015-2019	8,190,000	5,589,363	13,779,363
2020-2024	6,635,000	4,014,475	10,649,475
2025-2029	8,735,000	2,345,775	11,080,775
2030-2031	4,155,000	315,250	4,470,250
	<u>\$ 35,385,000</u>	<u>19,073,063</u>	<u>54,458,063</u>

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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
2010	\$ 125,000	49,892	174,892
2011	130,000	43,330	173,330
2012	140,000	36,505	176,505
2013	145,000	29,925	174,925
2014	155,000	23,037	178,037
2015-2016	330,000	23,750	353,750
	<u>\$ 1,025,000</u>	<u>206,439</u>	<u>1,231,439</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
2010	\$ 1,105	792	1,897
2011	1,156	759	1,915
2012	1,190	722	1,912
2013	1,241	683	1,924
2014	1,292	639	1,931
2015-2019	7,327	2,438	9,765
2020-2023	7,174	794	7,968
	<u>\$ 20,485</u>	<u>6,827</u>	<u>27,312</u>

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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

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

Business-Type Activities (Continued):

**Bonds Payable (Continued):**

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

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ 265,000	89,843	354,843
2011	290,000	86,050	376,050
2012	300,000	71,550	371,550
2013	325,000	56,550	381,550
2014	350,000	46,800	396,800
2015-2016	820,000	49,600	869,600
	<u>\$ 2,350,000</u>	<u>400,393</u>	<u>2,750,393</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ 190,000	75,233	265,233
2011	200,000	65,257	265,257
2012	210,000	54,758	264,758
2013	220,000	44,887	264,887
2014	230,000	34,438	264,438
2015-2016	495,000	35,625	530,625
	<u>\$ 1,545,000</u>	<u>310,198</u>	<u>1,855,198</u>

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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

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

Business-Type Activities (Continued):

**Bonds Payable (Continued):**

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

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ 665,000	666,431	1,331,431
2011	700,000	638,801	1,338,801
2012	725,000	609,971	1,334,971
2013	825,000	576,898	1,401,898
2014	875,000	539,779	1,414,779
2015-2019	5,420,000	1,980,969	7,400,969
2020-2023	5,345,000	493,621	5,838,621
	<u>\$ 14,555,000</u>	<u>5,506,470</u>	<u>20,061,470</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ 3,246,105	2,605,339	5,851,444
2011	3,431,156	2,630,510	6,061,666
2012	3,526,190	2,494,919	6,021,109
2013	3,731,241	2,353,556	6,084,797
2014	3,886,292	2,222,856	6,109,148
2015-2019	21,702,327	7,939,345	29,641,672
2020-2024	11,987,174	4,508,890	16,496,064
2025-2029	8,735,000	2,345,775	11,080,775
2030-2031	4,155,000	315,250	4,470,250
	<u>\$ 64,400,485</u>	<u>27,416,440</u>	<u>91,816,925</u>

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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

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

Business-Type Activities (Continued):

**Bonds Payable (Continued):**

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

	<u>Date Issued</u>	<u>Amount Issued</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2009</u>
<u>Water and Sewer:</u>				
Water and Sewer Revenue and Tax Refunding Bonds	7/15/1998	\$ 19,325,000	4.10%-4.75%	\$ 9,680,000
Water and Sewer Revenue and Tax Series 2006 Refunding Bonds	3/30/2006	1,795,000	3.50%-4.12%	<u>1,635,000</u>
				<u>\$ 11,315,000</u>
<u>Johnson City Power Board:</u>				
Revenue Bonds Series A and B, 2007 Refunding	5/1/2007	33,515,000	4.00%-5.10%	\$ 31,075,000
Electric System Revenue	6/30/2008	28,000,000	4.00%-5.00%	28,000,000
				<u>\$ 59,075,000</u>

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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
2010	\$ 1,270,000	472,145	1,742,145
2011	1,340,000	405,469	1,745,469
2012	1,410,000	335,121	1,745,121
2013	1,475,000	268,849	1,743,849
2014	1,545,000	198,788	1,743,788
2015-2016	2,640,000	174,087	2,814,087
	<u>\$ 9,680,000</u>	<u>1,854,459</u>	<u>11,534,459</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
2010	\$ 120,000	65,275	185,275
2011	125,000	60,475	185,475
2012	130,000	55,475	185,475
2013	140,000	50,275	190,275
2014	140,000	45,025	185,025
2015-2019	800,000	135,925	935,925
2020	180,000	7,425	187,425
	<u>\$ 1,635,000</u>	<u>419,875</u>	<u>2,054,875</u>

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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

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

Business-Type Activities (Continued):

**Bonds Payable (Continued):**

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

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ 1,645,000	1,367,965	3,012,965
2011	1,715,000	1,300,800	3,015,800
2012	1,780,000	1,232,200	3,012,200
2013	1,850,000	1,161,000	3,011,000
2014	1,925,000	1,087,000	3,012,000
2015-2019	9,235,000	4,140,500	13,375,500
2020-2024	7,380,000	2,134,100	9,514,100
2025-2029	3,235,000	944,850	4,179,850
2030-2032	2,310,000	198,900	2,508,900
	<u>\$ 31,075,000</u>	<u>13,567,315</u>	<u>44,642,315</u>

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

Fiscal Year Ending June 30	Principal	Interest	Total
2010	\$ 690,000	1,277,438	1,967,438
2011	720,000	1,249,838	1,969,838
2012	750,000	1,221,038	1,971,038
2013	775,000	1,191,038	1,966,038
2014	810,000	1,160,038	1,970,038
2015-2019	4,555,000	5,288,187	9,843,187
2020-2024	5,600,000	4,243,175	9,843,175
2025-2029	7,075,000	2,764,187	9,839,187
2030-2033	7,025,000	853,575	7,878,575
	<u>\$ 28,000,000</u>	<u>19,248,514</u>	<u>47,248,514</u>

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

**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
2010	\$ 3,725,000	3,182,823	6,907,823
2011	3,900,000	3,016,582	6,916,582
2012	4,070,000	2,843,834	6,913,834
2013	4,240,000	2,671,162	6,911,162
2014	4,420,000	2,490,851	6,910,851
2015-2019	17,230,000	9,738,699	26,968,699
2020-2024	13,160,000	6,384,700	19,544,700
2025-2029	10,310,000	3,709,037	14,019,037
2030-2033	9,335,000	1,052,475	10,387,475
	<u>\$ 70,390,000</u>	<u>35,090,163</u>	<u>105,480,163</u>

**Current Refunding:**

On March 12, 2009, the City issued \$67,000,000 Local Government Public Improvement Bonds, Series V-K-1 for the purpose of refunding \$27,690,000 General Obligation Bonds, \$29,925,000 of Sales Tax Revenue Bonds, \$9,805,000 of General Obligation Bonds used for Water and Sewer and \$2,605,000 of General Obligation Bonds used for Solid Waste. The new bonds bear interest rates from 2.5% to 5.0%. The average rate is 4.183%. The bonds were refunded with a premium of \$2,001,135 which was offset to the deferred bond refunding. Total bond issue costs were \$746,135 and were paid from bond proceeds. The refunding resulted in a difference between the reacquisition prices and the net on the old debt as a gain, due to the premium, of \$211,957 in the Water and Sewer Fund, \$53,179 in the Solid Waste Fund and \$438,968 which is reported in the government-wide financial statements as an increase to bonds payable and is being added to operations from 7 to 17 years 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, 2009**

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

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

Business-Type Activities (Continued):

**Current Refunding (Continued):**

On June 30, 2009, the City issued \$46,775,000 General Obligation Refunding Bonds, Series 2009 for the purpose of refunding \$46,460,000 General Obligation Bonds E-2-A, III C-1 and III C-2. The Water and Sewer Fund had used \$35,150,000 of these funds and the General fund had used \$11,310,000 of the funds. The new bonds bear interest rates from 3.0% to 5.0%. The average rate is 4.473%. The bonds were refunded with a reoffering premium of \$633,587 which was offset to the deferred bond refunding. Total bond issue costs were \$498,587 and were paid from the bond proceeds. The refunding resulted in a difference between the reacquisition prices and the net on the old debt of \$290,687 in the Water and Sewer Fund and a gain of \$177,314 which is reported in the government-wide financial statements as an increase to bonds payable and is being added to operations over 27 years. The Water and Sewer debt difference is being charged to operations over 31 years. The amortization of both is on the straight-line method, which does not differ significantly from the effective-interest method.

**Advanced Refunding-Prior Years:**

The City defeased certain general obligation and other bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. On June 30, 2009, the following bonds outstanding are considered defeased:

<u>Issue</u>	<u>Year Refunded</u>	<u>Balance June 30, 2009</u>
General Obligation Public Improvement Bonds and Water and Sewer Revenue and Tax Bonds	1998	\$ 21,740,000

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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

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

**Capital Leases – Governmental Activities**

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

Fiscal Year		
2010	\$	3,840
2011		3,840
2012		3,840
2013		3,840
2014		3,800
Present Value of Minimum Payments	\$	19,160

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

Fiscal Year		
2010	\$	125,478
2011		125,478
2012		125,478
Total Minimum Lease Payments		376,434
Less: Interest		27,144
Present Value of Minimum Payments	\$	349,290

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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

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

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

Computer Equipment	\$	472,161
Vehicle		23,000
Less: Accumulated Depreciation		<u>(80,336)</u>
Total		<u><u>\$ 414,825</u></u>

**Capital Leases – Business-Type Activities**

During the fiscal year ended June 30, 2007, the City entered into two lease agreements for financing golf carts for the two golf courses. The leases were entered into July 1, 2006 for \$115,500 and \$77,000, respectively. The net present value was calculated at 5.22% and the leases are to be repaid over 60 months. The future minimum lease obligations as of June 30, 2009 are as follows:

<u>Fiscal Year</u>		
2010	\$	43,824
2011		<u>43,824</u>
Total Minimum Lease Payments		87,648
Less: Interest		<u>4,590</u>
Present Value of Minimum Payments	\$	<u><u>83,058</u></u>

The assets acquired through capital leases are as follows:

Golf Carts	\$	192,500
Less: Accumulated Depreciation		<u>(96,250)</u>
Total		<u><u>\$ 96,250</u></u>

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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

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

Long-term liability activity for the year ended June 30, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
<b>Governmental activities:</b>					
General Obligation Bonds	\$ 102,112,462	78,937,222	(73,236,841)	107,812,843	6,168,581
Less: Deferred Amounts for Refunding	(1,003,123)	(54,019)	1,567,794	510,652	(182,914)
Total Bonds	101,109,339	78,883,203	(71,669,047)	108,323,495	5,985,667
Notes Payable-Land	241,189	-	(241,189)	-	-
Capital Outlay Note	372,000	-	(88,000)	284,000	91,000
Capital Lease	-	495,161	(126,711)	368,450	105,453
OPEB Liability and Termination Benefits	390,848	65,494	-	456,342	-
Compensated Absences	2,266,221	1,792,598	(1,590,243)	2,468,576	1,732,239
Governmental Activity Long-term Liabilities	<u>\$ 104,379,597</u>	<u>81,236,456</u>	<u>(73,715,190)</u>	<u>111,900,863</u>	<u>7,914,359</u>
<b>Business-type activities:</b>					
Bonds Payable:					
General Obligation Bonds	\$ 66,994,395	47,255,000	(49,848,910)	64,400,485	3,246,105
Revenue Bonds	73,900,000	-	(3,510,000)	70,390,000	3,725,000
Less: Deferred Amounts for Refunding, Premiums and Discounts	(1,133,236)	(290,690)	757,498	(666,428)	(73,782)
Total Bonds Payable	139,761,159	46,964,310	(52,601,412)	134,124,057	6,897,323
Notes Payable					
Capital Leases	121,454	-	(38,396)	83,058	40,448
General Obligation	906,799	-	(11,762)	895,037	12,856
OPEB Liability	391,626	404,622	-	796,248	-
Compensated Absences	2,649,066	1,205,744	(924,383)	2,930,427	903,464
Landfill Postclosure Cost	598,080	-	(37,380)	560,700	37,380
Business-type Activity Long-term Liabilities	<u>\$ 144,428,184</u>	<u>48,574,676</u>	<u>(53,613,333)</u>	<u>139,389,527</u>	<u>7,891,471</u>

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, 2009**

**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, 2009, the City paid Waste Management \$2,174,616 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, 2009, for segments of the Golf Course Fund and Regional Solid Waste (see Note 1.C. for description of services provided) is presented below.

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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

H. **Segment Information (Continued)**

**CONDENSED STATEMENT OF NET ASSETS**

	Golf Course Fund	Regional Solid Waste Fund	Total
<b><u>ASSETS:</u></b>			
Current Assets	\$ 112,601	1,693,251	1,805,852
Capital Assets (Net)	2,688,672	1,605,182	4,293,854
Other Assets (Net)	13,643	-	13,643
Total Assets	<u>2,814,916</u>	<u>3,298,433</u>	<u>6,113,349</u>
<b><u>LIABILITIES:</u></b>			
Current Liabilities	2,245,869	135,346	2,381,215
Non-Current Liabilities	1,397,348	23,174	1,420,522
Total Liabilities	<u>3,643,217</u>	<u>158,520</u>	<u>3,801,737</u>
<b><u>NET ASSETS:</u></b>			
Invested in Capital Assets, Net of Related Debt	1,060,614	1,605,182	2,665,796
Unrestricted	(1,888,915)	1,534,731	(354,184)
Total Net Assets	<u>\$ (828,301)</u>	<u>3,139,913</u>	<u>2,311,612</u>

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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

H. **Segment Information (continued)**

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

	Golf Course Fund	Regional Solid Waste Fund	Total
Operating Revenues (Expenses):			
Charges for Services (Net)	\$ 1,025,701	2,313,041	3,338,742
Other Revenue	3,624	-	3,624
Depreciation and Amortization	(113,809)	(206,534)	(320,343)
Other Operating Expenses	(1,102,561)	(1,664,926)	(2,767,487)
Operating Income (Loss)	(187,045)	441,581	254,536
Nonoperating Revenues (Expenses):			
Investment Income	-	20,562	20,562
Interest Expense and Commissions	(112,221)	-	(112,221)
Amortization	(1,949)	-	(1,949)
Gain (Loss) on Sale of Capital Assets	-	-	-
Operating Transfers	401,215	(168,972)	232,243
Change in Net Assets	100,000	293,171	393,171
Beginning Net Assets	(928,301)	2,846,742	1,918,441
Ending Net Assets	\$ (828,301)	3,139,913	2,311,612

**CONDENSED STATEMENT OF CASH FLOWS**

	Golf Course Fund	Regional Solid Waste Fund	Total
Net Cash Provided by (Used for):			
Operating Activities	\$ 48,006	654,611	702,617
Noncapital Financing Activities	401,215	(135,980)	265,235
Capital and Related Financing Activities	(433,093)	(1,232,222)	(1,665,315)
Investing Activities	(16,214)	20,562	4,348
Net Increase (Decrease)	(86)	(693,029)	(693,115)
Beginning Cash and Cash Equivalents	1,170	2,339,888	2,341,058
Ending Cash and Cash Equivalents	\$ 1,084	1,646,859	1,647,943

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

**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, 2009, the general liability program had \$594,218 in claims incurred during the fiscal year for the City, but not yet settled. These amounts are not recorded in the financial statements until settlement is made. For the July 1, 2008 to July 1, 2009 policy period, the City received a dividend of \$63,256 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 80% of expected claims. The total paid out for workers' compensation during 2008-2009 was \$881,089 for the City and \$289,019 for the Schools. These totals include payments for claims from injuries incurred in previous years. A reconciliation of claims for the years ended June 30, 2009 and 2008 are as follows:

	June 30, 2009			June 30, 2008	Variance
	City	Schools	Total		
Claims Incurred	\$ 540,015	122,001	662,016	468,978	193,038
Claims Paid	280,425	61,733	342,158	236,872	105,286
Claims Ending	\$ 259,590	60,268	319,858	232,106	87,752

The above represent current year liabilities and are reflected in the Internal Service Funds. Prior year amounts have been reflected as a liability in the Internal Service Funds for a total liability of \$1,890,000.

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, 2009 and 2008 are as follows:

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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

**A. Risk Management (continued):**

	June 30, 2009			June 30, 2008	Variance
	City	Schools	Total		
Claims Accrued, Beginning	\$ 493,256	455,741	948,997	1,034,771	(85,774)
Claims Incurred	6,929,862	7,971,613	14,901,475	12,762,490	2,138,985
Claims Paid	6,918,028	8,000,294	14,918,322	12,848,264	2,070,058
Claims Accrued, Ending	\$ 505,090	427,060	932,150	948,997	(16,847)

The above liabilities are reflected in the Internal Service Funds.

There are additional estimated losses for both automobile and general incidents that have been reflected as liabilities in the Internal Service Funds in the amount of \$864,000.

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

Since July 1, 1986, the Power Board has been self-insured for the general liability, comprehensive general automobile liability, fire and casualty, and errors and omissions coverage. There have been two claims in the amount of \$179,750 paid from the fund, which was originally established at \$1,000,000 and has accumulated to \$2,080,664 at June 30, 2009. The Power Board has workman's compensation and employee group health insurance with outside companies.

**B. Prior Period Adjustments**

Prior Period Adjustment - General Fund (Police Technology)	\$ <u>(242,000)</u>
Prior Period Adjustment – Capital Projects-Equipment (Police Technology)	\$ <u>(639,400)</u>
Prior Period Adjustment – Police Technology Fund	\$ <u>881,400</u>

A prior period adjustment was recorded between the General Fund, the Capital Projects – Equipment Fund, and the Police Technology Fund. The adjustment is a reclassification of fund balances between governmental funds.

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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

C. **Contingencies**

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

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

The City entered a lease agreement with the Johnson City Public Building Authority (PBA), an enterprise fund of the City, on December 15, 1997 to lease a facility known as the Continuing Education Center. The lease expires in 2023 in connection with the final payments on the PBA's bond issues. The annual rent due is the amount necessary to pay the maturing principal and interest due on the bond issues and any other expense or debt of the PBA that remains unpaid during the fiscal year. During the year ended June 30, 2009, the City paid \$1,337,961 to the PBA to lease the Continuing Education Center.

D. **Deferred Compensation Plan**

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

E. **Termination Benefits**

The City has an involuntary termination plan in accordance with the City Manager's contract. The estimated liability under the contract is \$100,634 at June 30, 2009 and is recorded in the government-wide financial statements.

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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

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

Plan Description:

*City of Johnson City:*

In 1984 the City Commission passed a resolution which offers post-employment health care benefits to all employees who retire from the City after 20 years service until their 65th birthday. The quarterly charge for employees is \$354 for individual and \$909 for family. There are 77 City employees covered by this arrangement. Employees who attain age 65 and retire after 40 years of service are provided health care benefits at no cost for life. At present, two City employees meet the eligibility requirements. The co-insurance rate of reimbursement depends on the plan the employee is covered by. The Preferred Network has a \$550 deductible with an 80% co-insurance rate. The Select Network has a \$475 deductible and a 90% co-insurance rate. During the fiscal year ending June 30, 2009, contributions received from active employees was \$1,357,059 and contributions received from retirees were \$218,668.

*Johnson City Schools:*

The Johnson City Schools have two arrangements for post-employment health care benefits. If the school employee retires with full benefits (30 years or age 60), has 10 years of service with the Johnson City Schools and has carried insurance for the past 5 consecutive years, then the quarterly charge is \$0 for individual and \$292 for family. If the school employee does not retire with full benefits but has 20 years of service with the Johnson City Schools and has carried insurance for the past 5 consecutive years, then the quarterly charge is \$333 for individual and \$856 for family. There are approximately 114 school employees participating in the post-employment health care benefit arrangements. The co-insurance rate of reimbursement depends on the plan the employee is covered by. The Preferred Network has a \$350 deductible with an 80% co-insurance rate. The Select Network has a \$275 deductible and a 90% co-insurance rate. During the year ended June 30, 2009, premiums of \$915,949 were collected from active employees and \$70,605 was collected from retirees.

*Funding Policy:*

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

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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

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

*Annual OPEB Cost and Net OPEB Obligation:*

The City's other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (of funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's OPEB obligation.

	FYE 6/30/2009
Annual OPEB Cost and Net OPEB Obligation	
1. Annual Required Contribution (ARC)	\$ 944,032
2. Interest on net OPEB Obligation	13,861
3. Adjustment to ARC	(9,840)
4. Annual OPEB Cost (Expense) (1+2+3)	948,053
5. Contribution made (assumed end of year)*	(884,153)
6. Increase in net OPEB Obligation (4 - 5)	63,900
7. Net OPEB Obligation - beginning of year	291,808
8. Net OPEB Obligation - end of year (6 + 7)	\$ 355,708

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

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2009 is as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2008	\$ 702,818	58.5%	\$ 291,808
6/30/2009	\$ 948,053	93.0%	\$ 355,708

CITY OF JOHNSON CITY, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009

5. OTHER INFORMATION (CONTINUED):

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

*Funded Status and Funding Progress:*

As of July 1, 2008, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$17,664,283. The covered payroll (annual payroll of active employees covered by the plan) was \$29,043,557, and the ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll was 61 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions:*

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

In the July 1, 2008 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.75 percent investment rate of return which is equivalent to the expected return on the general assets for the City and an annual healthcare cost trend rate of 10 percent initially in 2008, reduced by decrements of one-half a percent to an ultimate rate of 4.5 percent in 2019. There is a 30 year closed amortization of the UAAL increasing at 5.0% a year (the payroll growth rate).

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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

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

*Johnson City Power Board:*

Plan Description:

- a. *Plan Types:* Presently employees have the choice of two insurance plans (a co-pay plan and a deductible plan). The deductible plan is the primary plan for JCPB. At age 65 each retiree covered will move to Medicare coverage Part A and B.
- b. *Eligibility:* 30 years of service or age 60 with 5 years of service.
- c. *Benefit/Cost Sharing:* 80% paid by the Board
- d. *Spouse Benefit:* Spouse pays 100% of the medical premium.
- e. *Surviving Spouse Benefit:* No
- f. *Annual Medical Premium:*

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

*Funding Policy:*

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

*Annual OPEB Cost and Net OPEB Obligation:*

The Power Board's other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (of funding excess) over a period not to exceed thirty years. The following table shows the components of the Power Board's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Power Board's OPEB obligation.

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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

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

*Johnson City Power Board:*

*Annual OPEB Cost and Net OPEB Obligation (Continued):*

	7/01/2008- 6/30/2009
Annual OPEB Cost and Net OPEB Obligation	
1. Annual Required Contribution (ARC)	\$ 724,497
2. Interest on net OPEB Obligation	16,644
3. Adjustment to ARC	(16,924)
4. Annual OPEB Cost (Expense) (1+2+3)	724,217
5. Contribution made (assumed end of year)*	319,595
6. Increase in net OPEB Obligation (4 - 5)	404,622
7. Net OPEB Obligation - beginning of year	391,626
8. Net OPEB Obligation - end of year (6 + 7)	\$ 796,248

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

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2008 and 2009 are as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2008	\$ 690,315	43.3%	\$ 391,626
6/30/2009	\$ 724,217	44.1%	\$ 796,248

*Funded Status and Funding Progress:*

As of July 1, 2007, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$8,294,562.

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

CITY OF JOHNSON CITY, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009

5. OTHER INFORMATION (CONTINUED):

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

*Johnson City Power Board:*

*Actuarial Methods and Assumptions:*

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

Funding Interest Rate	4.50%
2007 Medical Trend Rate	10.00%
Ultimate Trend Rate	5.00%
Year Uitimate Trend Rate Reached	2012
Actuarial Cost Method	Entry Age Normal
Remaining Amortization Period at June 30, 2009	28 years

G. **Pension Plan**

*City of Johnson City:*

*Plan Description*

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

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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

**G. Pension Plan (continued)**

CITY OF JOHNSON CITY (CONTINUED):

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

***Funding Policy***

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

The City is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2009 was 18.35% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the City is established and may be amended by the TCRS Board of Trustees.

***Annual Pension Cost***

For the year ending June 30, 2009, the City's annual pension cost of \$7,191,211 to TCRS was equal to the City's required and actual contributions. The required contribution was determined as part of the July 1, 2007 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. The City's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2007 was 8 years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

**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, 2009	\$ 7,191,211	100%	\$ -
June 30, 2008	6,769,990	100%	-
June 30, 2007	6,254,779	100%	-

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**5. OTHER INFORMATION (CONTINUED):**

**G. Pension Plan (continued)**

*City of Johnson City (Continued):*

***Funded Status and Funding Progress***

As of July 1, 2007, the most recent actuarial valuation date, the plan was 81.68 percent funded. The actuarial accrued liability for benefits was \$146.99 million, and the actuarial value of assets was \$120.06 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$26.93 million. The covered payroll (annual payroll of active employees covered by the plan) was \$34.87 million, and the ratio of the UAAL to the covered payroll was 77.23 percent. The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits. The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

(Dollar amounts in thousands)

	(a)	(b)	(b) - (a)	(a/b)	(c)	((b-a)/c)
	Actuarial	Actuarial	(UAAL)	Funded	Covered	UAAL as a %
Valuation	Value of	Accrued	Unfunded	Ratio	Payroll	of Covered
Date	Assets	Liability	AAL			Payroll
July 1, 2007	\$ 120,065	\$ 146,993	\$ 26,928	81.68%	\$ 34,866	77.23%

*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.

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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

**G. Pension Plan (continued)**

*Johnson City Schools (Continued):*

Members joining prior to July 1, 1979 are vested after four years of service. Compounded cost of living adjustments (COLA) are provided each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year except that (a) no COLA is granted if the CPI increases less than one-half percent; (b) a COLA of 1 percent will be granted if the CPI increases between one-half percent and one percent; (c) the maximum annual COLA is capped at three percent. 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. Ad hoc increases may only be authorized by the General Assembly.

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

***Funding Policy***

All teachers are required by state statute to contribute 5.0% of salary to the plan. The employer contribution rate for the Johnson City Schools is established at an actuarially determined rate. The employer rate for the fiscal year ending June 30, 2009 was 6.42% of annual covered payroll. The employer contribution requirement for the Johnson City Schools is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ending June 30, 2009, 2008, and 2007 were \$3,341,786, \$3,128,468, and \$2,883,947, respectively, equal to the required contributions for each year.

***Johnson City Power Board:***

**Plan Description**

Employees of the Power Board are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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

**G. Pension Plan (continued)**

*Johnson City Power Board (Continued):*

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

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

***Funding Policy***

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

The Power Board is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2009 was 14.00% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the Power Board is established and may be amended by the TCRS Board of Trustees.

***Annual Pension Cost***

For the year ending June 30, 2009, the Power Board's annual pension cost of \$1,334,487 to TCRS was equal to the Power Board's required and actual contributions. The required contribution was determined as part of the July 1, 2007 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. The Power Board's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2007 was 8 years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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

G. **Pension Plan (continued)**

**JOHNSON CITY POWER BOARD (CONTINUED):**

**Trend Information**

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2009	\$ 1,334,487	100%	\$ -
June 30, 2008	1,292,419	100%	-
June 30, 2007	1,235,076	100%	-

***Funded Status and Funding Progress***

As of July 1, 2007, the most recent actuarial valuation date, the plan was 78.83 percent funded. The actuarial accrued liability for benefits was \$35.45 million, and the actuarial value of assets was \$27.95 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$7.50 million. The covered payroll (annual payroll of active employees covered by the plan) was \$8 million, and the ratio of the UAAL to the covered payroll was 88.99 percent. The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits. The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

(Dollar amounts in thousands)

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

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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

**H. Joint Ventures**

The Washington County – Johnson City Animal Control Center (ACC) is an animal shelter jointly owned by Johnson City and Washington County, Tennessee. Johnson City has control over budget and financing of the joint venture only to the extent of representation by the board members appointed and is responsible for funding 50% of any deficits from operations. Johnson City contributed \$158,000 to the operations during the year ended June 30, 2009.

The Washington County – Johnson City EMS, Inc. (EMS) receives revenue from Washington County and Johnson City, as well as patient billings. Johnson City contributed \$583,495 to the operations during the year ended June 30, 2009.

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 \$139,244 and the Johnson City Power Board contributed \$76,965 to the operations during the year ended June 30, 2009.

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

The Johnson City Athletic Club (JCAC) receives revenue from the City of Johnson City, the Johnson City Housing Authority (JCHA), interest income and private donations. Both the City and JCHA have agreed to donate \$45,000 annually to the Club for its operations. The City has advisory authority with regard to operations including recommendations of annual and capital budgets of the joint venture only to the extent of representation by the board members appointed. The Club is responsible for its debt and is entitled to surpluses. The City of Johnson City contributed \$37,950 for operations during the year ended June 30, 2009.

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, 2009, the City received \$6,476 from vacant lot sales. Financial statements are not prepared for the Tri-County Industrial Park.

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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

**H. Joint Ventures (continued)**

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

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

Audited information as of June 30, 2009 is presented below for the following organizations except for the JCAC. The JCAC year end presented is September 30, 2008. The information does not include the Tri-County Industrial Park. All are presented on the accrual basis.

	ACC	EMS	EDB	TCA	JCAC
Operating Revenues	\$ 95,912	6,876,706	388,343	5,818,444	45,026
Operating Expenses	(496,607)	(8,310,651)	(402,491)	(5,431,972)	(78,181)
Depreciation	-	-	-	(2,855,601)	(940)
Amortization	-	-	-	(13,501)	-
Other Income (Expense)	371,359	1,865,257	25,972	781,318	3,413
Capital Contributions	-	-	-	7,485,388	-
Net Income (Loss) Transferred to Net Assets	(29,336)	431,312	11,824	5,784,076	(30,682)
Net Assets, Beginning	364,115	3,073,972	898,760	50,165,338	143,367
Net Assets, Ending	<u>\$334,779</u>	<u>3,505,284</u>	<u>910,584</u>	<u>55,949,414</u>	<u>112,685</u>
Total Assets	\$373,616	6,152,651	964,084	65,325,593	114,904
Total Liabilities	38,837	2,647,367	53,500	9,376,179	2,219
Total Net Assets	<u>\$334,779</u>	<u>3,505,284</u>	<u>910,584</u>	<u>55,949,414</u>	<u>112,685</u>

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

**6. NOTES OF THE DISCRETELY PRESENTED COMPONENT UNITS:**

**A. Johnson City Public Library**

1. Summary of Significant Accounting Policies:

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

a. Government-wide and Fund Financial Statements

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

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

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

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

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

CITY OF JOHNSON CITY, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009

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

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

1. Summary of Significant Accounting Policies (Continued):

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

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

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

The government reports the following major governmental fund:

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

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

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

c. Cash and Investments

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

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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

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

1. **Summary of Significant Accounting Policies (Continued):**

d. *Capital Assets*

Capital Assets, which include the book collection, equipment, and furniture, are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the Library as equipment and furniture with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year and additions to the book collection. The book collection has been viewed as one item. The Library only capitalizes fiction and non-fiction works. Audio visual items and periodicals do not have long useful lives and are not capitalized. The book collection of the 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.

CITY OF JOHNSON CITY, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009

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

A. Johnson City Public Library (continued)

1. Summary of Significant Accounting Policies (Continued):

*e. Accumulated Unpaid Vacation and Sick Pay*

General policy of the Library does not allow employees to accumulate vacation days in excess of a normal year's accumulation. The amount of liability for accrued vacation pay was determined by computing the total number of hours earned as of June 30, 2009 at the current rate of pay. Sick leave is accumulated at the rate of 3.693 hours per pay period or 96 hours per year.

*f. Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance. Fund balance is further classified into reserved and unreserved. Reservations of fund balance consist of amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

*g. Budgets*

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the Library. All annual appropriations lapse at fiscal year end. Any budget amendments require board approval. The budget was amended during the 2009 fiscal year for the General Fund.

*h. Use of Estimates*

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

2. Deposits and Investments:

The Library has various deposits at banks and a certificate of deposit at June 30, 2009. All deposits are insured by FDIC insurance. Amounts in excess of FDIC insurance are secured by the financial institution through the State Collateral Pool. Various restrictions on deposits and investments, including repurchase agreements, are imposed by state statutes. These restrictions are summarized as follows:

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

CITY OF JOHNSON CITY, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009

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

A. Johnson City Public Library (continued)

2. Deposits and Investments (Continued):

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

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

Deposits

The Library had \$500 cash on hand and the following balances in the bank at June 30, 2009:

	<u>Per Bank</u>	<u>Per Books</u>
Cash in Bank	\$ 103,629	82,403
Certificate of Deposit	155,254	155,254
Total	<u>\$ 258,883</u>	<u>237,657</u>

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

**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	125,650	38,266	(29,210)	35,566	170,272
Furniture	515,013	-	-	(35,566)	479,447
Total Capital Assets, Being Depreciated	<u>640,663</u>	<u>38,266</u>	<u>(29,210)</u>	<u>0</u>	<u>649,719</u>
Less Accumulated Depreciation for:					
Equipment	(42,387)	(26,263)	18,194	(26,078)	(76,534)
Furniture	(504,267)	(795)	-	26,078	(478,984)
Total Accumulated Depreciation	<u>(546,654)</u>	<u>(27,058)</u>	<u>18,194</u>	<u>0</u>	<u>(555,518)</u>
Total Capital Assets, Being Depreciated, Net	<u>94,009</u>	<u>11,208</u>	<u>(11,016)</u>	<u>0</u>	<u>94,201</u>
Governmental Activities, Capital Assets, Net	<u>\$1,232,058</u>	<u>11,208</u>	<u>(11,016)</u>	<u>0</u>	<u>1,232,250</u>

Depreciation expense of \$27,058 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, 2009

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:

Salaries	\$ 990
Social Security	32
Utilities	600
Youth Services Programs	58
Equipment Replacement	5,565
Security	225

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 \$23,310 for the fiscal year ending June 30, 2009.

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, 2009, a Community Enhancement grant totaling \$7,500 was awarded for implementation of a Job Center and \$2,640 was received on the Harris fund grant for the Friendly Visitor Program.

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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, 2009 was \$9,620. In November 2006, the Library entered into a lease for a Toshiba copier. This lease has a term of 60 months with payments of \$491 per month. The total amount paid during fiscal year ended June 30, 2009 was \$5,893. The following is a schedule of future rental payments as identified in the lease agreement:

2010	\$ 6,632
2011	<u>4,910</u>
	<u>\$ 11,542</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%

10. Compensated Absences:

Compensated absences are earned based on position and years of service up to 20 working days per year. Up to 8 days per year may be carried over from the end of the calendar year to the end of the fiscal year. Carryover amounts are also allowed based on position and years of service and the carryover amount is forfeited after the end of the next fiscal year. The balance at June 30, 2009 was \$26,326.

B. **Johnson City Development Authority**

1. Summary of Significant Accounting Policies:

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

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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

B. **Johnson City Development Authority (Continued)**

1. **Summary of Significant Accounting Policies (Continued):**

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

a. *Government-Wide and Fund Financial Statements*

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

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

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

The Authority reports the following major governmental funds:

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

CITY OF JOHNSON CITY, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009

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

B. **Johnson City Development Authority (Continued)**

1. Summary of Significant Accounting Policies (Continued):

a. Government-Wide and Fund Financial Statements (Continued):

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

There are no non-major governmental funds.

b. Measurement Focus and Basis of Accounting

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

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

c. Fund Balances

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

CITY OF JOHNSON CITY, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009

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

B. Johnson City Development Authority (Continued)

1. Summary of Significant Accounting Policies (Continued):

d. 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.

e. Capital Assets

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

The Authority's capitalization threshold (the dollar value above which asset acquisitions are added to the capital asset accounts) for purchases of property and equipment is \$500. The Authority depreciates property and equipment over five years using the straight-line depreciation method.

f. Federal, State, and Local Agency Grant Funds

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

g. Annual Leave

Annual leave is expensed during the period it is earned. The Authority's policies allow employees to accrue leave time and carry it over into future program years. The liability for annual leave recognized in the statement of net assets represents accrued annual leave for all of the Authority's employees at June 30, 2009.

h. Income Taxes

The Authority is a component unit of a local government, and as such, is exempt from federal and state income taxes.

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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

B. **Johnson City Development Authority (Continued)**

1. Summary of Significant Accounting Policies (Continued):

i. Budgetary Accounting

As a component unit of a local government, the Authority is required to provide a budgetary comparison as required supplementary information with its annual financial statements.

2. Cash:

Custodial credit risk is the risk that in the event of a bank failure, the Authority's bank deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk.

The Authority's bank deposits are maintained in banks participating in the Tennessee Collateral Pool for Public Deposits and are, consequently, fully insured.

Cash at June 30, 2009, consisted of the following:

	<u>Bank Balance</u>	<u>Carrying Value</u>
Cash Deposited in Financial Institutions	<u>\$ 49,920</u>	<u>\$ 49,533</u>

3. Grant Receivable:

At June 30, 2009, the Authority had applied for and was due reimbursement from the State of Tennessee in the amount of \$20,000 for expenditures incurred in connection with a Main Street Innovation Grant.

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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

**B. Johnson City Development Authority (Continued)**

4. TIF Receivable:

The Authority is responsible for administering the City's tax increment financing program for rehabilitation distressed business zones within the City. Under this program, the Authority collects the tax increment, the difference between property taxes collected on higher assessed values on new or rehabilitated real estate improvements and the prior assessed value of the real estate when it was unimproved or a blighted property. At June 30, 2009, the Authority was owed \$21,000 by the City which represents \$1,600 for the 2007 TIF increment and \$19,400 for the 2008 TIF increment. See note 7 – prior period adjustment for information concerning excess accrual of the TIF receivable in the prior year's financial statements. No revenue or receivable related to TIF has been recorded in the Authority's governmental funds financial statements since none of the TIF monies due from the City were received within sixty days subsequent to year end.

5. Capital Assets:

Capital asset activity for the year ended June 30, 2009, consisted of:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</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>0</u>	<u>0</u>	<u>12,721</u>
Less Accumulated Depreciation for:				
Office Equipment and Furniture	\$ (12,175)	(273)	-	(12,448)
Total Accumulated Depreciation	<u>\$ (12,175)</u>	<u>(273)</u>	<u>0</u>	<u>(12,448)</u>
Total Capital Assets, Being Depreciated, Net	<u>\$ 546</u>	<u>(273)</u>	<u>0</u>	<u>273</u>
Governmental Activities, Capital Assets, Net	<u>\$ 546</u>	<u>(273)</u>	<u>0</u>	<u>273</u>

CITY OF JOHNSON CITY, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009

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

B. Johnson City Development Authority (Continued)

6. Accrued Compensated Absences:

The Authority provides employees with two weeks of paid vacation per year. Unused vacation can be carried over to the following year. A liability for accrued compensated absences is presented on the Authority's statement of net assets.

The Authority provides employees with eight days of sick leave per year. Employees are not eligible to be compensated for the unused portion of sick leave and are unable to carry over unused sick days to the following year.

7. Net Assets:

The Authority's net assets at June 30, 2009, consisted of:

Invested in Capital Assets	\$	273
Restricted by enabling legislation:		
TIF revenues		21,000
Restricted by external contributors:		
Façade grant revenues		49,124
Unrestricted		14,592
		<hr/>
	\$	84,989
		<hr/> <hr/>

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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

**B. Johnson City Development Authority (Continued)**

8. Grants:

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

<u>Grantor</u>	<u>Grant</u>	<u>Statement of Activities</u>	<u>Statement of Revenue, Expenditures, and Changes in Fund Balance</u>
State of Tennessee	Three Star Priority Grant	\$ -	2,500
State of Tennessee	Main Street Energy Efficient Lights	19,757	19,757
State of Tennessee	Main Street Innovation Grant	39,445	39,445
City of Johnson City	Façade Grant	20,000	20,000
Other Sources		<u>2,237</u>	<u>2,237</u>
Total grant revenue recognized		<u>\$ 81,439</u>	<u>83,939</u>
Recorded in financial statements		\$ 102,339	83,939
TIF revenue		(19,400)	-
Contributions		<u>(1,500)</u>	<u>-</u>
		<u>\$ 81,439</u>	<u>83,939</u>

The Three Star Priority Grant was recorded as revenue and a grant receivable in the Authority's prior year government-wide financial statements. However, the grant monies were not received within sixty days following June 30, 2008, so this grant was not recognized in the financial statements for the year ended June 30, 2008. The monies were received in the current fiscal year and were recognized as revenue in the governmental funds financial statements when received.

All other grant revenues and receivables, if applicable, were recognized in the current fiscal year since any grant receivable due the Authority had been received within sixty days following June 30, 2009.

9. Retirement:

The Authority maintains a SIMPLE plan for employees who elect to participate. The plan allows participating employees to contribute pre-tax monies from their salaries and requires an annual matching contribution by the Authority of up to 3% of the employee's salary based on their contribution rate. For the fiscal year ended June 30, 2009, the Authority recorded \$2,321 of matching contributions as an expense.

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

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

**B. Johnson City Development Authority (Continued)**

10. Leases:

Operating leases – The Authority leases office space from an entity that is owned by two board members. The lease is a one year lease which will end within the Authority’s 2010 fiscal year. Monthly rent on the Authority’s office space is \$825 per month. A security deposit of \$825 was paid to the lessor prior to the Authority occupying the property. The Authority also leases office equipment utilizing either operating or capital leases.

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

<u>Year</u>	<u>Amount</u>
2010	\$ 12,120
2011	2,010
2012	<u>1,430</u>
Total	<u>\$ 15,560</u>

Capital Lease – There was one insignificant capital lease entered into in a prior year that the Authority has treated as an operating lease for financial reporting purposes.

11. Prior Period Adjustment:

The Authority recorded \$25,127 of revenue, net of an allowance for uncollectables, and a related receivable for TIF increment monies due from the City for the 2007 property tax year during the year ended June 30, 2008. It was subsequently determined that the TIF increment due from the City for the 2007 property tax year was \$1,600. The prior period adjustment presented in the combined statement of activities represents the difference between the amount recorded in the Authority’s financial statements for the year ended June 30, 2008, and the actual amount due from the City for that period.

12. Related Party Transactions:

The Authority receives an annual operating appropriation from the City which is used to fund the Authority’s basic operations. The amount of the annual appropriation for the year ended June 30, 2009, was \$184,191. This represented 61% of revenues recognized in the government-wide financial statements for the year ended June 30, 2009, and 65% of the revenue recorded in the governmental fund financial statements.

Additionally, façade grant and TIF revenues recognized in the Authority’s financial statements represented 19% and 14%, respectively of the government-wide and governmental fund revenues for the year. When all sources of City-related revenue are combined, the City accounted for 80% of the government-wide and 79% of the governmental fund revenue for the year ended June 30, 2009.

CITY OF JOHNSON CITY, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2009

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

B. Johnson City Development Authority (Continued)

13. Risk Management Activities:

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

14. Downtown Johnson City Foundation, Inc.:

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

During the current fiscal year, the Foundation received \$1,500 of contributions. The financial statements of the Foundation have been combined with the financial statements of the Authority for the year ended June 30, 2009.

Condensed financial statements for the Foundation are presented below.

Downtown Johnson City Foundation, Inc.  
Condensed Financial Statements  
For the Year Ended June 30, 2009

Assets	
Cash	\$ 1,500
Net Assets	\$ 1,500
Revenues	\$ 1,500
Expenses	-
Increase in net assets	\$ 1,500

**CITY OF JOHNSON CITY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2009**

**7. OTHER MATTERS:**

On January 23, 2007, Washington County issued \$130,360,000 in bonds to fund capital needs within the Washington County and Johnson City Schools. School debt proceeds received by the County are shared with the City based on Student Average Daily Attendance. The City's portion of the proceeds to be received is valued at \$47,386,830. During the fiscal year ended June 30, 2009, the City received \$11,617,308. These proceeds were deposited in the School Capital Project Fund. The remaining amounts available to be received of the proceeds by the City of Johnson City were \$928,107. This balance is expected to be received during fiscal year 2010.

On January 9, 2009, the City entered into a Loan Agreement with The Public Building Authority of the County of Montgomery, Tennessee in the amount of \$25,000,000. These funds will be drawn down to make capital improvements within the General Government. During the fiscal year ended June 30, 2009, the City had drawn down \$12,417,222. These proceeds were deposited in the Infrastructure, Public Facilities, Equipment and School Capital Project Funds. The remaining funds available to be drawn by the City are \$12,582,778 as of June 30, 2009. This balance is expected to be received during fiscal year 2010.

**8. SUBSEQUENT FEDERAL FUNDING:**

The City was awarded \$4,523,123 and the Schools were awarded \$3,003,600 in federal funding under the Recovery Act for the City's fiscal year 2010. Federal funds have specific compliance and accounting requirements. The Board should obtain an understanding of requirements, ensuring timely compliance and organized record retention. The State of Tennessee Comptroller's website contains several links to documents addressing various aspects of the ARRA funding. The link to the site is: <http://www.tn.gov/comptroller/shared/arra.htm>.

**9. NEW ACCOUNTING STANDARDS:**

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

**CITY OF JOHNSON CITY, TENNESSEE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**ANALYSIS OF FUNDING PROGRESS FOR DEFINED BENEFIT PENSION PLANS**  
**For the Fiscal Year Ended June 30, 2009**

Schedule of Funding Progress for the City of Johnson City 80020

(Dollar Amounts in Thousands)

	(a)	(b)	(b) - (a)	(a/b)	(c)	((b-a)/c)
		(AAL)	(UAAL)			UAAL as a %
Actuarial	Actuarial	Actuarial	Unfunded	Funded	Covered	of Covered
Valuation	Value of	Accrued	AAL	Ratio	Payroll	Payroll
Date	Assets	Liability				
July 1, 2007	\$ 120,065	\$ 146,993	\$ 26,928	81.68%	\$ 34,866	77.23%

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

Schedule of Funding Progress for the Johnson City Power Board 80022

(Dollar Amounts in Thousands)

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

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

**CITY OF JOHNSON CITY, TENNESSEE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**ANALYSIS OF FUNDING PROGRESS FOR POSTEMPLOYMENT HEALTHCARE PLANS**  
**For the Fiscal Year Ended June 30, 2009**

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

(Dollar amounts expressed in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2007	\$ -	\$ 15,479	\$ 15,479	0.0%	\$ 28,203	54.9%
July 1, 2008	\$ -	\$ 17,664	\$ 17,664	0.0%	\$ 29,044	60.8%

Amounts presented above include the Johnson City Schools.

Note: Data is not available for the preceding year.

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

(Dollar amounts expressed in thousands)

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

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

## MAJOR GOVERNMENTAL FUNDS

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

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

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

**CITY OF JOHNSON CITY, TENNESSEE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**DEBT SERVICE FUND**  
**For the Fiscal Year Ended June 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Investment Earnings	\$ 1,500	1,500	3,741	2,241
Total Revenues	1,500	1,500	3,741	2,241
<u>Expenditures:</u>				
Debt Service:				
Principal Retirement	5,003,331	3,285,616	3,285,364	252
Interest and Fiscal Charges	4,329,166	3,338,763	2,223,805	1,114,958
Other Fees	30,000	430,089	744,947	(314,858)
Total Expenditures	9,362,497	7,054,468	6,254,116	800,352
Excess (Deficiency) of Revenues Over (Under) Expenditures	(9,360,997)	(7,052,968)	(6,250,375)	802,593
<u>Other Financing Sources (Uses):</u>				
Transfers In	9,332,496	7,358,463	6,584,371	(774,092)
Bond Issue Proceeds and Debt Refunding	-	37,335,594	37,335,594	-
Redemption of Refund Bonds	-	(37,669,590)	(37,669,590)	-
Total Other Financing Sources (Uses)	9,332,496	7,024,467	6,250,375	(774,092)
Net Change in Fund Balances	(28,501)	(28,501)	-	28,501
Fund Balance, July 1, 2008	-	-	-	-
Fund Balance, June 30, 2009	\$ (28,501)	(28,501)	0	28,501

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

**CITY OF JOHNSON CITY, TENNESSEE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**EDUCATIONAL FACILITIES DEBT SERVICE FUND**  
**For the Fiscal Year Ended June 30, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<u>Revenues:</u>				
Taxes	\$ 2,092,194	2,092,194	1,918,898	(173,296)
Investment Earnings	24,300	24,300	4,794	(19,506)
Total Revenues	2,116,494	2,116,494	1,923,692	(192,802)
<u>Expenditures:</u>				
Debt Service:				
Principal Retirement	1,542,299	1,052,299	1,052,551	(252)
Interest and Fiscal Charges	1,914,392	2,204,552	2,209,347	(4,795)
Other Fees	-	292,657	292,889	(232)
Total Expenditures	3,456,691	3,549,508	3,554,787	(5,279)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,340,197)	(1,433,014)	(1,631,095)	(198,081)
<u>Other Financing Sources (Uses):</u>				
Transfer Out	(44,000)	(44,000)	(44,000)	-
Transfer In	1,099,181	1,099,181	1,035,400	(63,781)
Bond Issue Proceeds and Debt Refunding	-	29,727,657	29,727,657	-
Redemption of Refunded Bonds	-	(29,925,000)	(29,925,000)	-
Total Other Financing Sources (Uses)	1,055,181	857,838	794,057	(63,781)
Net Change in Fund Balances	(285,016)	(575,176)	(837,038)	(261,862)
Fund Balance, July 1, 2008	1,106,774	839,654	795,124	(44,530)
Fund Balance, June 30, 2009	\$ 821,758	264,478	(41,914)	(306,392)

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

**CITY OF JOHNSON CITY, TENNESSEE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**SCHOOL CAPITAL PROJECT FUND**  
**For the Fiscal Year Ended June 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Investment Earnings	\$ -	-	975,244	975,244
Intergovernmental Revenue	-	9,000,000	11,617,308	2,617,308
Total Revenues	0	9,000,000	12,592,552	3,592,552
<u>Expenditures:</u>				
Capital Outlay	393,000	9,393,000	9,241,481	151,519
Total Expenditures	393,000	9,393,000	9,241,481	151,519
Excess (Deficiency) of Revenues Over (Under) Expenditures	(393,000)	(393,000)	3,351,071	3,744,071
<u>Other Financing Sources (Uses):</u>				
Transfer In	393,000	393,000	393,000	-
Bond Issue Proceeds and Debt Refunding	-	-	2,845,049	2,845,049
Total Other Financing Sources (Uses)	393,000	393,000	3,238,049	2,845,049
Net Change in Fund Balances	-	-	6,589,120	6,589,120
Fund Balance, July 1, 2008	-	-	35,826,059	35,826,059
Fund Balance, June 30, 2009	\$ 0	0	42,415,179	42,415,179

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

## NONMAJOR GOVERNMENTAL FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**June 30, 2009**

	Special Revenue Funds	Capital Project Funds	Permanent Fund - School Trust Fund	Total Nonmajor Governmental Funds
<b><u>ASSETS:</u></b>				
Cash in Bank	\$ 1,114,961	-	208,378	1,323,339
Cash on Deposit with State of Tennessee	-	53,063	-	53,063
Cash Due from Central Depository	2,023,883	5,253,485	-	7,277,368
Accounts Receivable	3,584	5,495	-	9,079
Due from Other Funds	19,351	-	-	19,351
Due from Federal Government	294,017	-	-	294,017
Due from State of Tennessee	1,171,293	-	-	1,171,293
Notes Receivable	42,298	-	-	42,298
Inventories	228,955	-	-	228,955
Total Assets	<u>\$ 4,898,342</u>	<u>5,312,043</u>	<u>208,378</u>	<u>10,418,763</u>
<b><u>LIABILITIES AND FUND BALANCES:</u></b>				
<b><u>Liabilities:</u></b>				
Cash Due to Central Depository	\$ 288,521	1,874,902	-	2,163,423
Accounts Payable	243,204	1,400,072	-	1,643,276
Accrued Payroll Expenditures	327,972	-	-	327,972
Accrued Expenditures	10,556	-	-	10,556
Due to Other Funds	506,604	-	-	506,604
Unearned Revenue	169,987	-	-	169,987
Retainage Payable	-	383,985	-	383,985
Total Liabilities	<u>1,546,844</u>	<u>3,658,959</u>	<u>-</u>	<u>5,205,803</u>
<b><u>Fund Balances:</u></b>				
Reserved for Inventories	228,955	-	-	228,955
Reserved for Police Technology	1,032,231	-	-	1,032,231
Reserved for School Trust	-	-	208,378	208,378
Reserved for Senior Citizens	15,000	-	-	15,000
Reserved for Specified Capital Projects	-	1,702,655	-	1,702,655
<b><u>Unreserved:</u></b>				
Designated for Special Projects	348,712	-	-	348,712
Designated for Compensated Absences	52,392	-	-	52,392
Designated for Specified Capital Outlays	-	2,876,749	-	2,876,749
Undesignated	1,674,208	(2,926,320)	-	(1,252,112)
Total Fund Balances	<u>3,351,498</u>	<u>1,653,084</u>	<u>208,378</u>	<u>5,212,960</u>
Total Liabilities and Fund Balances	<u>\$ 4,898,342</u>	<u>5,312,043</u>	<u>208,378</u>	<u>10,418,763</u>

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, 2009**

	Special Revenue Funds	Capital Project Funds	Permanent Fund - School Trust Fund	Total Nonmajor Governmental Funds
<u>Revenues:</u>				
Taxes	\$ -	499,718	-	499,718
Federal Government	7,783,334	-	-	7,783,334
State of Tennessee	744,716	-	-	744,716
Local Governments	46,417	-	-	46,417
Charges for Services	1,178,721	-	-	1,178,721
Fines and Forfeitures	69,049	-	-	69,049
Investment Earnings	20,037	2,517	1,867	24,421
Revenue from Use of Property	2,321,844	9,022	-	2,330,866
Miscellaneous	751,335	470,845	-	1,222,180
<b>Total Revenues</b>	<b>12,915,453</b>	<b>982,102</b>	<b>1,867</b>	<b>13,899,422</b>
<u>Expenditures:</u>				
<u>Current:</u>				
Public Safety	649,709	-	-	649,709
Public Welfare	725,486	-	-	725,486
Senior Citizens	108,383	-	-	108,383
Scholarships Awarded	-	-	6,000	6,000
Entertainment and Operation	2,650,419	-	-	2,650,419
Highway and Transportation Planning	203,211	-	-	203,211
Education	6,169,273	-	-	6,169,273
School Food Service	3,014,025	-	-	3,014,025
Miscellaneous	21,645	-	-	21,645
Capital Outlay	254,448	14,792,887	-	15,047,335
<u>Debt Service:</u>				
Principal Retirement	-	319,031	-	319,031
Interest and Fiscal Charges	-	99,617	-	99,617
<b>Total Expenditures</b>	<b>13,796,599</b>	<b>15,211,535</b>	<b>6,000</b>	<b>29,014,134</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(881,146)	(14,229,433)	(4,133)	(15,114,712)
<u>Other Financing Sources (Uses):</u>				
Transfers (Net)	1,159,304	5,524,330	-	6,683,634
Capital Lease	23,000	-	-	23,000
Sale of Real Estate	-	1,076,476	-	1,076,476
Bond Issue Proceeds and Debt Refunding	-	10,727,584	-	10,727,584
Redemption of Refunded Bonds	-	(1,330,410)	-	(1,330,410)
<b>Total Other Financing Sources</b>	<b>1,182,304</b>	<b>15,997,980</b>	<b>0</b>	<b>17,180,284</b>

(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, 2009

	Special Revenue Funds	Capital Project Funds	Permanent Fund - School Trust Fund	Total Nonmajor Governmental Funds
Net Change in Fund Balances	301,158	1,768,547	(4,133)	2,065,572
Fund Balances, July 1, 2008	2,071,473	523,937	212,511	2,807,921
Prior Period Adjustment: Police Transfer from Police Technology to Capital Project Fund	-	(639,400)	-	(639,400)
Purchase Method Inventory Adjustment	97,467	-	-	97,467
Prior Period Transfer of Funds	881,400	-	-	881,400
Fund Balances, July 1, 2008 (Restated)	3,050,340	(115,463)	212,511	3,147,388
Fund Balances, June 30, 2009	\$ 3,351,498	1,653,084	208,378	5,212,960

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE  
COMBINING BALANCE SHEET  
SPECIAL REVENUE FUNDS  
June 30, 2009

	Freedom Hall Civic Center Fund	School Funds	Transportation Planning Fund	Drug Fund	Police Grant Fund	Police Technology Fund	Community Development Fund	Senior Citizens Fund	Employee Scholarship Fund	Total Special Revenue Funds
<b>ASSETS:</b>										
Cash and Cash Equivalents	\$ 1,875	1,112,586	-	500	-	-	-	-	-	1,114,961
Cash Due from Central Depository	189,805	-	25,156	488,311	-	1,049,917	-	269,691	1,003	2,023,883
Accounts Receivable	-	-	-	-	3,584	-	-	-	-	3,584
Due from Other Funds	-	19,351	-	-	-	-	-	-	-	19,351
Due from Federal Government	-	-	-	-	84,967	-	209,050	-	-	294,017
Due from State of Tennessee	-	1,042,331	45,618	-	9,937	-	73,407	-	-	1,171,293
Local Grants Receivable	-	-	-	-	-	-	-	-	-	-
Notes Receivable	-	-	-	-	-	-	42,298	-	-	42,298
Inventories	-	228,955	-	-	-	-	-	-	-	228,955
Total Assets	\$ 191,680	2,403,223	70,774	488,811	98,488	1,049,917	324,755	269,691	1,003	4,898,342
<b>LIABILITIES AND FUND BALANCES:</b>										
<u>Liabilities:</u>										
Cash Due to Central Depository	\$ -	-	-	-	78,490	-	210,031	-	-	288,521
Accounts Payable	28,994	96,879	10,987	8,097	196	17,686	76,992	3,373	-	243,204
Accrued Payroll Expenses	11,260	310,322	3,783	-	-	-	2,607	-	-	327,972
Accrued Expenses	10,556	-	-	-	-	-	-	-	-	10,556
Due to Other Funds	-	506,604	-	-	-	-	-	-	-	506,604
Unearned Revenue	93,743	-	14,400	-	19,546	-	42,298	-	-	169,987
Total Liabilities	144,553	913,805	29,170	8,097	98,232	17,686	331,928	3,373	0	1,546,844
<u>Fund Balances:</u>										
Reserved for Inventories	-	228,955	-	-	-	-	-	-	-	228,955
Reserved for Police Technology	-	-	-	-	-	1,032,231	-	-	-	1,032,231
Reserved for Senior Citizens	-	-	-	-	-	-	-	15,000	-	15,000
Unreserved:										
Designated for Special Projects	-	348,712	-	-	-	-	-	-	-	348,712
Designated for Compensated Absences	47,127	3,518	1,747	-	-	-	-	-	-	52,392
Undesignated	-	908,233	39,857	480,714	256	-	(7,173)	251,318	1,003	1,674,208
Total Fund Balances	47,127	1,489,418	41,604	480,714	256	1,032,231	(7,173)	266,318	1,003	3,351,498
Total Liabilities and Fund Balances	\$ 191,680	2,403,223	70,774	488,811	98,488	1,049,917	324,755	269,691	1,003	4,898,342

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, 2009**

	Freedom Hall Civic Center Fund	School Funds	Transportation Planning Fund	Drug Fund	Police Grant Fund	Police Technology Fund	Community Development Fund	Senior Citizens Fund	Employee Scholarship Fund	Total Special Revenue Funds
<b>Revenues:</b>										
Federal Government	\$ -	6,938,391	10,996	-	225,765	-	608,182	-	-	7,783,334
State of Tennessee	-	516,086	134,473	-	4,975	-	89,182	-	-	744,716
Local Governments	-	-	-	-	46,417	-	-	-	-	46,417
Charges for Services	-	1,178,295	-	-	-	-	426	-	-	1,178,721
Fines and Forfeitures	-	-	-	69,049	-	-	-	-	-	69,049
Investment Earnings	-	17,441	-	-	-	-	-	2,571	25	20,037
Revenue from Use of Property	2,321,844	-	-	-	-	-	-	-	-	2,321,844
Miscellaneous	98,070	-	-	186,930	434	376,615	190	79,513	9,583	751,335
<b>Total Revenues</b>	<b>2,419,914</b>	<b>8,650,213</b>	<b>145,469</b>	<b>255,979</b>	<b>277,591</b>	<b>376,615</b>	<b>697,980</b>	<b>82,084</b>	<b>9,608</b>	<b>12,915,453</b>
<b>Expenditures:</b>										
<b>Current:</b>										
Public Safety	-	-	-	100,005	320,481	229,223	-	-	-	649,709
Public Welfare	-	-	-	-	-	-	725,486	-	-	725,486
Senior Citizens	-	-	-	-	-	-	-	108,383	-	108,383
Entertainment and Operation	2,650,419	-	-	-	-	-	-	-	-	2,650,419
Highway and Transportation Planning	-	-	203,211	-	-	-	-	-	-	203,211
Education	-	6,169,273	-	-	-	-	-	-	-	6,169,273
School Food Service	-	3,014,025	-	-	-	-	-	-	-	3,014,025
Miscellaneous	-	-	-	-	-	-	-	-	21,645	21,645
Capital Outlay	-	214,498	-	-	39,950	-	-	-	-	254,448
<b>Total Expenditures</b>	<b>2,650,419</b>	<b>9,397,796</b>	<b>203,211</b>	<b>100,005</b>	<b>360,431</b>	<b>229,223</b>	<b>725,486</b>	<b>108,383</b>	<b>21,645</b>	<b>13,796,599</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(230,505)	(747,583)	(57,742)	155,974	(82,840)	147,392	(27,506)	(26,299)	(12,037)	(881,146)
<b>Other Financing Sources (Uses):</b>										
Transfers (Net)	234,735	827,637	31,647	(19,105)	82,951	3,439	(2,000)	-	-	1,159,304
Capital Lease	-	-	23,000	-	-	-	-	-	-	23,000
<b>Total Other Financing Sources (Uses)</b>	<b>234,735</b>	<b>827,637</b>	<b>54,647</b>	<b>(19,105)</b>	<b>82,951</b>	<b>3,439</b>	<b>(2,000)</b>	<b>0</b>	<b>0</b>	<b>1,182,304</b>
<b>Net Change in Fund Balances</b>	<b>4,230</b>	<b>80,054</b>	<b>(3,095)</b>	<b>136,869</b>	<b>111</b>	<b>150,831</b>	<b>(29,506)</b>	<b>(26,299)</b>	<b>(12,037)</b>	<b>301,158</b>
Fund Balances, July 1, 2008	42,897	1,311,897	44,699	343,845	145	-	22,333	292,617	13,040	2,071,473
Purchase Method Inventory Adjustment	-	97,467	-	-	-	-	-	-	-	97,467
Prior Period Transfer of Funds	-	-	-	-	-	881,400	-	-	-	881,400
Fund Balances, July 1, 2008 (restated)	42,897	1,409,364	44,699	343,845	145	881,400	22,333	292,617	13,040	3,050,340
<b>Fund Balances, June 30, 2009</b>	<b>\$ 47,127</b>	<b>1,489,418</b>	<b>41,604</b>	<b>480,714</b>	<b>256</b>	<b>1,032,231</b>	<b>(7,173)</b>	<b>266,318</b>	<b>1,003</b>	<b>3,351,498</b>

See Independent Auditors' Report.

**CITY OF JOHNSON CITY, TENNESSEE**  
**COMBINING BALANCE SHEET**  
**SCHOOL FUNDS**  
**June 30, 2009**

	School Federal Projects Fund	Special School Projects Fund	School Food Service Fund	School Site Based Fund	Total School Funds
<b><u>ASSETS:</u></b>					
Cash and Cash Equivalents	\$ -	-	763,693	348,893	1,112,586
Due from Other Funds	-	19,351	-	-	19,351
Due from State of Tennessee	697,282	166,431	178,618	-	1,042,331
Inventories	-	-	228,955	-	228,955
Total Assets	<u>\$ 697,282</u>	<u>185,782</u>	<u>1,171,266</u>	<u>348,893</u>	<u>2,403,223</u>
<b><u>LIABILITIES AND FUND BALANCES:</u></b>					
<b><u>Liabilities:</u></b>					
Accounts Payable	\$ 96,672	26	-	181	96,879
Accrued Payroll Expenses	254,333	25,429	30,560	-	310,322
Due to Other Funds	346,277	160,327	-	-	506,604
Total Liabilities	<u>697,282</u>	<u>185,782</u>	<u>30,560</u>	<u>181</u>	<u>913,805</u>
<b><u>Fund Balances:</u></b>					
Reserved for Inventory	-	-	228,955	-	228,955
Unreserved:					
Designated for Special Projects	-	-	-	348,712	348,712
Designated for Compensated Absences	-	-	3,518	-	3,518
Undesignated	-	-	908,233	-	908,233
Total Fund Balances	<u>0</u>	<u>0</u>	<u>1,140,706</u>	<u>348,712</u>	<u>1,489,418</u>
Total Liabilities and Fund Balances	<u>\$ 697,282</u>	<u>185,782</u>	<u>1,171,266</u>	<u>348,893</u>	<u>2,403,223</u>

See Independent Auditors' Report.

**CITY OF JOHNSON CITY, TENNESSEE**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**SCHOOL FUNDS**  
**For the Fiscal Year Ended June 30, 2009**

	School Federal Projects Fund	Special School Projects Fund	School Food Service Fund	School Site Based Fund	Total School Funds
<b><u>Revenues:</u></b>					
Federal Government	\$ 4,917,560	56,484	1,964,347	-	6,938,391
State of Tennessee	-	481,519	34,567	-	516,086
Charges for Services	-	-	1,178,295	-	1,178,295
Investment Earnings	-	-	17,441	-	17,441
Total Revenues	<u>4,917,560</u>	<u>538,003</u>	<u>3,194,650</u>	<u>0</u>	<u>8,650,213</u>
<b><u>Expenditures:</u></b>					
<b>Current:</b>					
Education	4,801,036	599,849	-	768,388	6,169,273
School Food Service	-	-	3,014,025	-	3,014,025
Capital Outlay	107,768	-	106,730	-	214,498
Total Expenditures	<u>4,908,804</u>	<u>599,849</u>	<u>3,120,755</u>	<u>768,388</u>	<u>9,397,796</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>8,756</u>	<u>(61,846)</u>	<u>73,895</u>	<u>(768,388)</u>	<u>(747,583)</u>
<b><u>Other Financing Sources (Uses):</u></b>					
Transfers (Net)	<u>(8,756)</u>	<u>61,846</u>	<u>-</u>	<u>774,547</u>	<u>827,637</u>
Total Other Financing Sources (Uses)	<u>(8,756)</u>	<u>61,846</u>	<u>0</u>	<u>774,547</u>	<u>827,637</u>
Net Change in Fund Balances	<u>0</u>	<u>0</u>	<u>73,895</u>	<u>6,159</u>	<u>80,054</u>
Fund Balances, July 1, 2008	-	-	969,344	342,553	1,311,897
Purchase Method Inventory Adjustment	-	-	97,467	-	97,467
Fund Balances, July 1, 2008 (Restated)	<u>0</u>	<u>0</u>	<u>1,066,811</u>	<u>342,553</u>	<u>1,409,364</u>
Fund Balances, June 30, 2009	<u>\$ 0</u>	<u>0</u>	<u>1,140,706</u>	<u>348,712</u>	<u>1,489,418</u>

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE  
COMBINING BALANCE SHEET  
CAPITAL PROJECT FUNDS  
June 30, 2009

	Various Project Funds						Total Capital Project Funds
	Equipment Fund	Parks Fund	Public Facilities Fund	Infrastructure Fund	Industrial Park Fund	Med Tech Park Fund	
<u>ASSETS:</u>							
Cash on Deposit with State of Tennessee	\$ -	-	-	53,063	-	-	53,063
Cash Due from Central Depository	667,881	435,795	1,273,060	-	-	2,876,749	5,253,485
Accounts Receivable	-	-	-	5,495	-	-	5,495
<b>Total Assets</b>	<b>\$ 667,881</b>	<b>435,795</b>	<b>1,273,060</b>	<b>58,558</b>	<b>0</b>	<b>2,876,749</b>	<b>5,312,043</b>
<u>LIABILITIES AND FUND BALANCES:</u>							
<u>Liabilities:</u>							
Cash Due to Central Depository	\$ -	-	-	429,513	1,445,389	-	1,874,902
Accounts Payable	56,207	90,594	527,280	725,470	521	-	1,400,072
Retainage Payable	-	-	-	383,985	-	-	383,985
<b>Total Liabilities</b>	<b>56,207</b>	<b>90,594</b>	<b>527,280</b>	<b>1,538,968</b>	<b>1,445,910</b>	<b>0</b>	<b>3,658,959</b>
<u>Fund Balances</u>							
Reserved for Specified Capital Projects	611,674	345,201	745,780	-	-	-	1,702,655
Unreserved:							
Designated for Specified Capital Outlays	-	-	-	-	-	2,876,749	2,876,749
Undesignated	-	-	-	(1,480,410)	(1,445,910)	-	(2,926,320)
<b>Total Fund Balances</b>	<b>611,674</b>	<b>345,201</b>	<b>745,780</b>	<b>(1,480,410)</b>	<b>(1,445,910)</b>	<b>2,876,749</b>	<b>1,653,084</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 667,881</b>	<b>435,795</b>	<b>1,273,060</b>	<b>58,558</b>	<b>0</b>	<b>2,876,749</b>	<b>5,312,043</b>

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, 2009**

	Various Project Funds				Industrial Park Fund	Med Tech Park Fund	Total Capital Project Funds
	Equipment Fund	Parks Fund	Public Facilities Fund	Infrastructure Fund			
<u>Revenues:</u>							
Taxes	\$ -	-	-	-	-	499,718	499,718
Investment Earnings	-	177	-	942	-	1,398	2,517
Revenue from Use of Property	-	-	-	-	9,022	-	9,022
Miscellaneous	17,183	42,200	-	411,462	-	-	470,845
<b>Total Revenues</b>	<b>17,183</b>	<b>42,377</b>	<b>-</b>	<b>412,404</b>	<b>9,022</b>	<b>501,116</b>	<b>982,102</b>
<u>Expenditures:</u>							
Capital Outlay	3,809,434	167,279	2,507,322	8,279,805	19,478	9,569	14,792,887
Debt Service:							
Principal Retirement	-	-	-	-	-	319,031	319,031
Interest and Fiscal Charges	-	-	-	-	-	99,617	99,617
<b>Total Expenditures</b>	<b>3,809,434</b>	<b>167,279</b>	<b>2,507,322</b>	<b>8,279,805</b>	<b>19,478</b>	<b>428,217</b>	<b>15,211,535</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,792,251)	(124,902)	(2,507,322)	(7,867,401)	(10,456)	72,899	(14,229,433)

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, 2009

	Various Project Funds					Total Capital Project Funds	
	Equipment Fund	Parks Fund	Public Facilities Fund	Infrastructure Fund	Industrial Park Fund		Med Tech Park Fund
<u>Other Financing Sources (Uses):</u>							
Operating Transfers (Net)	3,059,863	369,500	1,694,538	400,429	-	-	5,524,330
Sale of Real Estate	-	-	-	-	76,476	1,000,000	1,076,476
Bond Issue Proceeds and Debt Refunding	1,223,750	-	2,010,404	6,163,020	-	1,330,410	10,727,584
Redemption of Refunded Bonds	-	-	-	-	-	(1,330,410)	(1,330,410)
Total Other Financing Sources (Uses)	4,283,613	369,500	3,704,942	6,563,449	76,476	1,000,000	15,997,980
Net Change in Fund Balances	491,362	244,598	1,197,620	(1,303,952)	66,020	1,072,899	1,768,547
Fund Balances, July 1, 2008	759,712	100,603	(451,840)	(176,458)	(1,511,930)	1,803,850	523,937
Prior Period Adjustment:							
Transfer from Police Technology to Capital Projects	(639,400)	-	-	-	-	-	(639,400)
Fund Balance, July 1, 2008 (restated)	120,312	100,603	(451,840)	(176,458)	(1,511,930)	1,803,850	(115,463)
Fund Balances, June 30, 2009	\$ 611,674	345,201	745,780	(1,480,410)	(1,445,910)	2,876,749	1,653,084

See Independent Auditors' Report.

**CITY OF JOHNSON CITY, TENNESSEE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**FREEDOM HALL CIVIC CENTER FUND**  
**For the Fiscal Year Ended June 30, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<u>Revenues:</u>				
Revenue from Use of Property	\$ 1,422,500	2,317,500	2,321,844	4,344
Miscellaneous	42,000	97,000	98,070	1,070
Total Revenues	1,464,500	2,414,500	2,419,914	5,414
<u>Expenditures:</u>				
Civic Center Entertainment and Operation	169,579	2,649,579	2,650,419	(840)
Total Expenditures	169,579	2,649,579	2,650,419	(840)
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,294,921	(235,079)	(230,505)	4,574
<u>Other Financing Sources (Uses):</u>				
Transfer In	233,000	233,000	234,735	1,735
Total Other Financing Sources (Uses)	233,000	233,000	234,735	1,735
Net Change in Fund Balances	1,527,921	(2,079)	4,230	6,309
Fund Balance, July 1, 2008	37,924	37,924	42,897	4,973
Fund Balance, June 30, 2009	\$ 1,565,845	35,845	47,127	11,282

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, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<u>Revenues:</u>				
Federal Government	\$ 6,019,812	6,403,169	4,917,560	(1,485,609)
Total Revenues	6,019,812	6,403,169	4,917,560	(1,485,609)
<u>Expenditures:</u>				
Education	5,744,480	6,109,703	4,801,036	1,308,667
Capital Outlay	275,332	282,065	107,768	174,297
Total Expenditures	6,019,812	6,391,768	4,908,804	1,482,964
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	11,401	8,756	(2,645)
<u>Other Financing Sources (Uses):</u>				
Transfer to General Purpose School Fund	-	(10,756)	(10,520)	236
Transfer From Special Revenue Fund	-	-	1,764	1,764
Total Other Financing Sources (Uses)	0	(10,756)	(8,756)	2,000
Net Change in Fund Balances	-	645	-	(645)
Fund Balance, July 1, 2008	-	-	-	-
Fund Balance, June 30, 2009	\$ 0	645	0	(645)

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, 2009**

	<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	\$ 74,924	74,924	56,484	(18,440)
State of Tennessee	495,708	499,208	481,519	(17,689)
Local Governments	-	4,319	-	(4,319)
Total Revenues	<u>570,632</u>	<u>578,451</u>	<u>538,003</u>	<u>(40,448)</u>
<u>Expenditures:</u>				
Education	582,582	597,801	599,849	(2,048)
Capital Outlay	2,000	-	-	-
Total Expenditures	<u>584,582</u>	<u>597,801</u>	<u>599,849</u>	<u>(2,048)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(13,950)</u>	<u>(19,350)</u>	<u>(61,846)</u>	<u>(42,496)</u>
<u>Other Financing Sources (Uses):</u>				
Transfer In	13,950	13,950	13,950	-
Transfer from Other Special Revenue Funds	-	5,400	47,896	42,496
Total Other Financing Sources (Uses)	<u>13,950</u>	<u>19,350</u>	<u>61,846</u>	<u>42,496</u>
Net Change in Fund Balances	-	-	-	-
Fund Balance, July 1, 2008	-	-	-	-
Fund Balance, June 30, 2009	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>0</u>

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, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Federal Government	\$ 1,813,000	1,813,000	1,964,347	151,347
State of Tennessee	-	-	34,567	34,567
Charges for Services	1,295,000	1,295,000	1,178,295	(116,705)
Investment Earnings	15,000	15,000	17,441	2,441
Total Revenues	3,123,000	3,123,000	3,194,650	71,650
<u>Expenditures:</u>				
School Food Service	3,100,000	3,100,000	3,014,025	85,975
Capital Outlay	100,000	100,000	106,730	(6,730)
Total Expenditures	3,200,000	3,200,000	3,120,755	79,245
Excess (Deficiency) of Revenues Over (Under) Expenditures	(77,000)	(77,000)	73,895	150,895
Fund Balance, July 1, 2008	1,010,631	1,010,631	969,344	(41,287)
Purchase Method Inventory Adjustment	-	-	97,467	97,467
Fund Balance, July 1, 2008 (Restated)	1,010,631	1,010,631	1,066,811	56,180
Fund Balance, June 30, 2009	\$ 933,631	933,631	1,140,706	207,075

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, 2009**

	<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	\$ -	217,180	134,473	(82,707)
State of Tennessee	-	18,200	10,996	(7,204)
Total Revenues	0	235,380	145,469	(89,911)
<u>Expenditures:</u>				
Highway and Transportation Planning	-	281,173	203,211	77,962
Total Expenditures	0	281,173	203,211	77,962
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(45,793)	(57,742)	(11,949)
<u>Other Financing Sources (Uses):</u>				
Transfer In	-	29,000	31,647	2,647
Capital Lease	-	23,000	23,000	-
Total Other Financing Sources (Uses)	0	52,000	54,647	2,647
Net Change in Fund Balances	-	6,207	(3,095)	(9,302)
Fund Balance July 1, 2008	60,973	60,973	44,699	(16,274)
Fund Balance, June 30, 2009	\$ 60,973	67,180	41,604	(25,576)

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, 2009**

	<u>Budgeted Amounts</u>		<u>Actual</u> Amounts	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Fines and Forfeitures	\$ 142,000	142,000	69,049	(72,951)
Miscellaneous	-	-	186,930	186,930
Total Revenues	<u>142,000</u>	<u>142,000</u>	<u>255,979</u>	<u>113,979</u>
<u>Expenditures:</u>				
Public Safety	128,000	128,000	100,005	27,995
Total Expenditures	<u>128,000</u>	<u>128,000</u>	<u>100,005</u>	<u>27,995</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	14,000	14,000	155,974	141,974
<u>Other Financing Sources (Uses):</u>				
Transfer Out	(40,000)	(40,000)	(19,105)	20,895
Total Other Financing Sources (Uses)	<u>(40,000)</u>	<u>(40,000)</u>	<u>(19,105)</u>	<u>20,895</u>
Net Change in Fund Balances	(26,000)	(26,000)	136,869	162,869
Fund Balance, July 1, 2008	<u>295,680</u>	<u>295,680</u>	<u>343,845</u>	<u>48,165</u>
Fund Balance, June 30, 2009	<u>\$ 269,680</u>	<u>269,680</u>	<u>480,714</u>	<u>211,034</u>

See Independent Auditors' Report.

**CITY OF JOHNSON CITY, TENNESSEE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**POLICE GRANT FUND**  
**For the Fiscal Year Ended June 30, 2009**

	<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	\$ 198,537	265,199	225,765	(39,434)
State of Tennessee	2,484	7,459	4,975	(2,484)
Local Governments	-	45,000	46,417	1,417
Investment Earnings	1,365	1,365	-	(1,365)
Miscellaneous	-	300	434	134
Total Revenues	<u>202,386</u>	<u>319,323</u>	<u>277,591</u>	<u>(41,732)</u>
<u>Expenditures:</u>				
Public Safety	214,774	368,211	320,481	47,730
Capital Outlay	-	38,500	39,950	(1,450)
Total Expenditures	<u>214,774</u>	<u>406,711</u>	<u>360,431</u>	<u>46,280</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(12,388)</u>	<u>(87,388)</u>	<u>(82,840)</u>	<u>4,548</u>
<u>Other Financing Sources (Uses):</u>				
Transfer In - Drug Fund	32,442	107,442	82,951	(24,491)
Total Other Financing Sources (Uses)	<u>32,442</u>	<u>107,442</u>	<u>82,951</u>	<u>(24,491)</u>
Net Change in Fund Balances	20,054	20,054	111	(19,943)
Fund Balance, July 1, 2008	<u>138,405</u>	<u>7,405</u>	<u>145</u>	<u>(7,260)</u>
Fund Balance, June 30, 2009	<u>\$ 158,459</u>	<u>27,459</u>	<u>256</u>	<u>(27,203)</u>

See Independent Auditors' Report.

**CITY OF JOHNSON CITY, TENNESSEE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**POLICE TECHNOLOGY FUND**  
**For the Fiscal Year Ended June 30, 2009**

	<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>				
Miscellaneous	\$ -	300,000	376,615	76,615
Total Revenues	0	300,000	376,615	76,615
<u>Expenditures:</u>				
Public Safety	-	250,000	229,223	20,777
Total Expenditures	0	250,000	229,223	20,777
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	50,000	147,392	97,392
<u>Other Financing Sources (Uses):</u>				
Transfer In	-	-	3,439	3,439
Total Other Financing Sources (Uses)	0	0	3,439	3,439
Net Change in Fund Balances	0	50,000	150,831	100,831
Fund Balance, July 1, 2008	-	-	-	-
Prior Period Adjustment: Police				
Technology Transfer from General Fund	-	-	242,000	242,000
Transfer from Capital Project Fund	-	-	639,400	639,400
Fund Balance, July 1, 2008 (Restated)	0	0	881,400	881,400
Fund Balance, June 30, 2009	\$ 0	50,000	1,032,231	982,231

See Independent Auditors' Report.

**CITY OF JOHNSON CITY, TENNESSEE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**COMMUNITY DEVELOPMENT FUND**  
**For the Fiscal Year Ended June 30, 2009**

	<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	\$ 484,135	484,135	608,182	124,047
State of Tennessee	84,935	84,935	89,182	4,247
Charges for Services	1,000	1,000	426	(574)
Miscellaneous	32,000	32,000	190	(31,810)
Total Revenues	602,070	602,070	697,980	95,910
<u>Expenditures:</u>				
Public Welfare	736,191	736,191	725,486	10,705
Total Expenditures	736,191	736,191	725,486	10,705
Excess (Deficiency) of Revenues Over (Under) Expenditures	(134,121)	(134,121)	(27,506)	106,615
<u>Other Financing Sources (Uses):</u>				
Transfer In - General Fund	-	-	(2,000)	(2,000)
Total Other Financing Sources (Uses)	0	0	(2,000)	(2,000)
Net Change in Fund Balances	(134,121)	(134,121)	(29,506)	104,615
Fund Balance, July 1, 2008	26,965	26,965	22,333	(4,632)
Fund Balance, June 30, 2009	\$ (107,156)	(107,156)	(7,173)	99,983

See Independent Auditors' Report.

## NONMAJOR PROPRIETARY FUNDS

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

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

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

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

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

CITY OF JOHNSON CITY, TENNESSEE  
COMBINING STATEMENT OF NET ASSETS  
NONMAJOR PROPRIETARY FUNDS  
June 30, 2009

	Golf Course Fund	Regional Solid Waste Fund	Mass Transit Fund	Stormwater Management Fund	Total Nonmajor Proprietary Funds
<b>ASSETS:</b>					
<b>Current Assets:</b>					
Cash in Bank	\$ 1,084	-	1,917	-	3,001
Cash Due from Central Depository	-	1,646,859	277,348	247,772	2,171,979
Accounts Receivable (Net)	-	46,392	13,967	59,554	119,913
Due from Federal Government	-	-	362,841	-	362,841
Due from State Government	-	-	124,256	-	124,256
Inventories	108,517	-	-	-	108,517
Prepaid Expenses	3,000	-	-	-	3,000
<b>Total Current Assets</b>	<b>112,601</b>	<b>1,693,251</b>	<b>780,329</b>	<b>307,326</b>	<b>2,893,507</b>
<b>Noncurrent Assets:</b>					
<b>Capital Assets:</b>					
Land	1,927,942	-	205,990	97,882	2,231,814
Buildings	758,351	204,192	1,967,346	305,456	3,235,345
Improvements Other than Buildings	955,529	-	186,356	-	1,141,885
Equipment and Vehicles	822,946	2,410,135	2,829,205	842,647	6,904,933
Less: Accumulated Depreciation	(1,776,096)	(1,009,145)	(2,799,915)	(84,351)	(5,669,487)
Construction in Progress	-	-	-	3,260	3,260
<b>Net Capital Assets</b>	<b>2,688,672</b>	<b>1,605,182</b>	<b>2,388,982</b>	<b>1,164,914</b>	<b>7,847,750</b>
<b>Other Assets:</b>					
Bond Issue Costs (Net)	13,643	-	-	-	13,643
<b>Total Noncurrent Assets</b>	<b>2,702,315</b>	<b>1,605,182</b>	<b>2,388,982</b>	<b>1,164,914</b>	<b>7,861,393</b>
<b>Total Assets</b>	<b>2,814,916</b>	<b>3,298,433</b>	<b>3,169,311</b>	<b>1,472,240</b>	<b>10,754,900</b>
<b>LIABILITIES:</b>					
<b>Current Liabilities:</b>					
Cash Due to Central Depository	1,936,370	-	-	-	1,936,370
Accounts Payable	14,122	92,365	82,711	52,552	241,750
Accrued Payroll Expenses	26,522	20,814	61,275	8,498	117,109
Accrued Expenses	11,179	-	-	-	11,179
Compensated Absences-Current Portion	27,228	22,167	42,316	6,622	98,333
Leases Payable - Current Portion	40,448	-	-	-	40,448
Bonds Payable - Current Portion	190,000	-	-	-	190,000
<b>Total Current Liabilities</b>	<b>2,245,869</b>	<b>135,346</b>	<b>186,302</b>	<b>67,672</b>	<b>2,635,189</b>
<b>Noncurrent Liabilities:</b>					
Deferred Revenue	45,221	-	-	-	45,221
Compensated Absences	7,238	5,893	11,249	1,760	26,140
Leases Payable	42,610	-	-	-	42,610
Bonds Payable	1,355,000	-	-	-	1,355,000
Less: Deferred Debt Refunding	(52,721)	-	-	-	(52,721)
Special Commission Bonds	-	17,281	-	-	17,281
<b>Total Noncurrent Liabilities</b>	<b>1,397,348</b>	<b>23,174</b>	<b>11,249</b>	<b>1,760</b>	<b>1,433,531</b>
<b>Total Liabilities</b>	<b>3,643,217</b>	<b>158,520</b>	<b>197,551</b>	<b>69,432</b>	<b>4,068,720</b>
<b>NET ASSETS:</b>					
Invested in Capital Assets, Net of Related Debt	1,060,614	1,605,182	2,388,982	1,164,914	6,219,692
Unrestricted	(1,888,915)	1,534,731	582,778	237,894	466,488
<b>Total Net Assets</b>	<b>\$ (828,301)</b>	<b>3,139,913</b>	<b>2,971,760</b>	<b>1,402,808</b>	<b>6,686,180</b>

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, 2009**

	Golf Course Fund	Regional Solid Waste Fund	Mass Transit Fund	Stormwater Management Fund	Total Nonmajor Proprietary Funds
<b>Operating Revenues:</b>					
Charges for Services (Net)	\$ 1,025,701	2,313,041	306,654	1,475,807	5,121,203
Other Revenue	3,624	-	20,379	18,681	42,684
Total Operating Revenues	1,029,325	2,313,041	327,033	1,494,488	5,163,887
<b>Operating Expenses:</b>					
Administration	-	98,000	-	66,150	164,150
Personnel Services	749,004	630,184	1,930,792	301,022	3,611,002
Contractual Services	13,891	490,535	11,321	132,165	647,912
Materials and Supplies	66,630	75,314	178,878	89,418	410,240
Repairs and Maintenance	80,648	351,412	467,051	17,138	916,249
Bad Debt Expense	28	16,071	24	40,419	56,542
Items for Resale	55,050	-	-	-	55,050
Other Operating Expenses	137,310	3,410	102,786	69,068	312,574
Depreciation and Amortization	113,809	206,534	330,580	58,251	709,174
Total Operating Expenses	1,216,370	1,871,460	3,021,432	773,631	6,882,893
Operating Income (Loss)	(187,045)	441,581	(2,694,399)	720,857	(1,719,006)
<b>Non-Operating Revenues (Expenses):</b>					
Investment Income	-	20,562	-	329	20,891
Operating Grants	-	-	1,702,482	-	1,702,482
Interest Expenses and Commissions	(112,221)	-	-	-	(112,221)
Amortization - Bond Cost	(1,949)	-	-	-	(1,949)
Gain (Loss) on Sale of Capital Assets	-	-	1,651	-	1,651
Total Non-Operating Revenues (Expenses)	(114,170)	20,562	1,704,133	329	1,610,854
Income (Loss) Before Operating Transfers and Capital Contributions	(301,215)	462,143	(990,266)	721,186	(108,152)
<b>Transfers and Capital Contributions:</b>					
Transfers In	401,215	-	660,000	-	1,061,215
Transfers Out	-	(168,972)	-	-	(168,972)
Federal Capital Grant Revenue	-	-	129,158	-	129,158
State Capital Grant Revenue	-	-	10,566	-	10,566
Total Transfers and Capital Contributions	401,215	(168,972)	799,724	0	1,031,967
Change in Net Assets	100,000	293,171	(190,542)	721,186	923,815
Net Assets, July 1, 2008	(928,301)	2,846,742	3,162,302	681,622	5,762,365
Net Assets, June 30, 2009	\$ (828,301)	3,139,913	2,971,760	1,402,808	6,686,180

See Independent Auditors' Report.

**CITY OF JOHNSON CITY, TENNESSEE**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2009**

	Golf Course Fund	Regional Solid Waste Fund	Mass Transit Fund	Stormwater Management Fund	Total Nonmajor Proprietary Funds
<u>Cash Flows from Operating Activities:</u>					
Receipts from Customers and Users	\$ 1,018,282	2,297,523	316,033	1,456,575	5,088,413
Payments to Employees	(757,154)	(623,884)	(1,914,031)	(297,190)	(3,592,259)
Payments to Suppliers	(138,464)	(571,766)	(247,336)	(217,240)	(1,174,806)
Payments for Interfund Services Used	(74,658)	(447,262)	(439,544)	(109,924)	(1,071,388)
Net Cash Provided by (Used for) Operating Activities	48,006	654,611	(2,284,878)	832,221	(750,040)
<u>Cash Flows from Noncapital Financing Activities:</u>					
Transfers to Other Funds	-	(168,972)	-	-	(168,972)
Purchase of/receipt for Equipment - Interfunds	-	32,992	-	-	32,992
Advances from Other Funds	401,215	-	660,000	-	1,061,215
Operating Grants Received	-	-	1,663,563	-	1,663,563
Net Cash Provided by (Used for) Noncapital Financing Activities	401,215	(135,980)	2,323,563	0	2,588,798
<u>Cash Flows from Capital and Related Financing Activities:</u>					
Purchase of Capital Assets	(126,759)	(1,192,404)	(48,412)	(816,127)	(2,183,702)
Capital Grants Received	-	-	139,724	-	139,724
Principal Paid on Capital Debt	(180,000)	(39,818)	-	-	(219,818)
Principal Paid on Capital Lease	(38,396)	-	-	-	(38,396)
Interest Paid on Capital Debt	(87,938)	-	-	-	(87,938)
Sale of Capital Assets	-	-	1,651	-	1,651
Net Cash Provided by (Used for) Capital and Related Financing Activities	(433,093)	(1,232,222)	92,963	(816,127)	(2,388,479)
<u>Cash Flows from Investing Activities:</u>					
Interest and Related Income/Expenses and Investments	(16,214)	20,562	-	328	4,676
Net Cash Provided by (Used for) Investing Activities	(16,214)	20,562	0	328	4,676
Net Increase (Decrease) in Cash and Cash Equivalents	(86)	(693,029)	131,648	16,422	(545,045)
Cash and Cash Equivalents, July 1, 2008	1,170	2,339,888	147,617	231,350	2,720,025
Cash and Cash Equivalents, June 30, 2009	\$ 1,084	1,646,859	279,265	247,772	2,174,980
Classified as Current Assets	\$ 1,084	1,646,859	279,265	247,772	2,174,980
Totals	\$ 1,084	1,646,859	279,265	247,772	2,174,980

(Continued)

**CITY OF JOHNSON CITY, TENNESSEE**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR PROPRIETARY FUNDS**  
**For the Fiscal Year Ended June 30, 2009**

	Golf Course Fund	Regional Solid Waste Fund	Mass Transit Fund	Stormwater Management Fund	Total Nonmajor Proprietary Funds
<u>Reconciliation of Operating Income (Loss) to Net</u>					
<u>Cash Provided by (Used for) Operating Activities:</u>					
Operating Income (Loss)	\$ (187,045)	441,581	(2,694,399)	720,857	(1,719,006)
Adjustments:					
Depreciation	113,808	206,534	330,580	58,251	709,173
Changes in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable	2,415	553	(10,978)	2,506	(5,504)
(Increase) Decrease in Inventories	1,635	-	-	-	1,635
(Increase) Decrease in Prepaid Expenses	1,500	-	-	-	1,500
Increase (Decrease) in Accounts Payable and Accrued Expenses	137,272	(356)	73,158	46,775	256,849
Increase (Decrease) in Accrued Payroll Expenses	(714)	3,682	13,249	2,233	18,450
Increase (Decrease) in Compensated Absences	(7,435)	2,617	3,512	1,599	293
Increase (Decrease) in Deferred Revenue	(13,430)	-	-	-	(13,430)
Net Cash Provided by (Used for) Operating Activities	<u>\$ 48,006</u>	<u>654,611</u>	<u>(2,284,878)</u>	<u>832,221</u>	<u>(750,040)</u>

Non-Cash Capital and Related Financing Activities:

Buffalo Valley Golf Course:

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

Reconciliation of Cash and Cash Equivalents from Statement of Cash Flows

Cash in Bank	\$ 1,084	-	1,917	-	3,001
Cash Due From Central Depository	-	1,646,859	277,348	247,772	2,171,979
	<u>\$ 1,084</u>	<u>1,646,859</u>	<u>279,265</u>	<u>247,772</u>	<u>2,174,980</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, 2009**

	<u>Insurance</u> <u>Fund</u>	<u>Motor</u> <u>Transport</u> <u>Fund</u>	<u>Total</u> <u>Internal</u> <u>Service</u> <u>Funds</u>
<b><u>ASSETS:</u></b>			
<b><u>Current Assets:</u></b>			
Cash in Bank	\$ 8,615,955	-	8,615,955
Cash Due from Central Depository	261,988	-	261,988
Accounts Receivable (Net)	-	43,686	43,686
Inventories	-	418,977	418,977
Total Current Assets	<u>8,877,943</u>	<u>462,663</u>	<u>9,340,606</u>
<b><u>Non-Current Assets:</u></b>			
<b><u>Capital Assets:</u></b>			
Equipment and Vehicles	-	696,793	696,793
Less: Accumulated Depreciation	-	(641,470)	(641,470)
Net Capital Assets	<u>0</u>	<u>55,323</u>	<u>55,323</u>
Total Assets	<u>8,877,943</u>	<u>517,986</u>	<u>9,395,929</u>
<b><u>LIABILITIES:</u></b>			
<b><u>Current Liabilities:</u></b>			
Cash Due to Central Depository	-	130,557	130,557
Accounts Payable	67,315	211,543	278,858
Accrued Payroll Expenses	3,803	59,003	62,806
Compensated Absences-Current Portion	-	50,618	50,618
Other Liabilities	3,686,150	-	3,686,150
Total Current Liabilities	<u>3,757,268</u>	<u>451,721</u>	<u>4,208,989</u>
<b><u>Non-Current Liabilities:</u></b>			
Compensated Absences	-	13,456	13,456
Total Non-Current Liabilities	<u>0</u>	<u>13,456</u>	<u>13,456</u>
Total Liabilities	<u>3,757,268</u>	<u>465,177</u>	<u>4,222,445</u>
<b><u>NET ASSETS:</u></b>			
Invested in Capital Assets, Net of Related Debt	-	55,323	55,323
Unrestricted	5,120,675	(2,514)	5,118,161
Total Net Assets	<u>\$ 5,120,675</u>	<u>52,809</u>	<u>5,173,484</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, 2009**

	Insurance Fund	Motor Transport Fund	Total Internal Service Funds
<u>Operating Revenues:</u>			
Charges for Services (Net)	\$ 14,533,607	5,746,948	20,280,555
Other Revenue	865,017	3,749	868,766
Total Operating Revenues	<u>15,398,624</u>	<u>5,750,697</u>	<u>21,149,321</u>
<u>Operating Expenses:</u>			
Personnel Services	164,907	1,893,623	2,058,530
Contractual Services	17,507,314	91,546	17,598,860
Materials and Supplies	-	35,750	35,750
Repairs and Maintenance	-	3,626,508	3,626,508
Other Operating Expenses	-	128,720	128,720
Depreciation and Amortization	-	13,041	13,041
Total Operating Expenses	<u>17,672,221</u>	<u>5,789,188</u>	<u>23,461,409</u>
Operating Income (Loss)	<u>(2,273,597)</u>	<u>(38,491)</u>	<u>(2,312,088)</u>
<u>Non-Operating Revenues (Expenses):</u>			
Investment Income	74,811	-	74,811
Total Non-Operating Revenues (Expenses)	<u>74,811</u>	<u>0</u>	<u>74,811</u>
Income (Loss) Before Operating Transfers	<u>(2,198,786)</u>	<u>(38,491)</u>	<u>(2,237,277)</u>
<u>Transfers:</u>			
Transfers In	225,000	38,491	263,491
Total Transfers	<u>225,000</u>	<u>38,491</u>	<u>263,491</u>
Change in Net Assets	(1,973,786)	-	(1,973,786)
Net Assets, July 1, 2008	<u>7,094,461</u>	<u>52,809</u>	<u>7,147,270</u>
Net Assets, June 30, 2009	<u>\$ 5,120,675</u>	<u>52,809</u>	<u>5,173,484</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, 2009**

	Insurance Fund	Motor Transport Fund	Total Internal Service Funds
<b><u>Cash Flows from Operating Activities:</u></b>			
Receipts from Customers and Users	\$ 15,398,624	370,080	15,768,704
Receipts from Interfund Services Provided	-	5,405,569	5,405,569
Payments to Employees	(164,092)	(1,870,702)	(2,034,794)
Payments to Suppliers	(16,849,732)	(3,850,671)	(20,700,403)
Payments for Interfund Services Used	-	(46,476)	(46,476)
Net Cash Provided by (Used for) Operating Activities	<u>(1,615,200)</u>	<u>7,800</u>	<u>(1,607,400)</u>
<b><u>Cash Flows from Noncapital Financing Activities:</u></b>			
Loans from Other Funds	<u>225,000</u>	<u>38,491</u>	<u>263,491</u>
Net Cash Provided by Noncapital Financing Activities	<u>225,000</u>	<u>38,491</u>	<u>263,491</u>
<b><u>Cash Flows from Capital and Related Financing Activities:</u></b>			
Purchase of Capital Assets	<u>-</u>	<u>(46,291)</u>	<u>(46,291)</u>
Net Cash Used for Capital and Related Financing Activities	<u>-</u>	<u>(46,291)</u>	<u>(46,291)</u>
<b><u>Cash Flows from Investing Activities:</u></b>			
Interest Received	<u>74,811</u>	<u>-</u>	<u>74,811</u>
Net Cash Provided by Investing Activities	<u>74,811</u>	<u>-</u>	<u>74,811</u>
Net (Decrease) in Cash and Cash Equivalents	<u>(1,315,389)</u>	<u>-</u>	<u>(1,315,389)</u>
Cash and Cash Equivalents, July 1, 2008	<u>10,193,332</u>	<u>-</u>	<u>10,193,332</u>
Cash and Cash Equivalents, June 30, 2009	<u>\$ 8,877,943</u>	<u>0</u>	<u>8,877,943</u>

(Continued)

CITY OF JOHNSON CITY, TENNESSEE  
COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
For the Fiscal Year Ended June 30, 2009

	Insurance Fund	Motor Transport Fund	Total Internal Service Funds
<u>Reconciliation of Operating Income (Loss) to Net</u>			
<u>Cash Provided by (Used for) Operating Activities:</u>			
Operating Income (Loss)	\$ (2,273,597)	(38,491)	(2,312,088)
Adjustments:			
Depreciation and Amortization	-	13,041	13,041
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	-	24,952	24,952
(Increase) Decrease in Inventories	-	33,441	33,441
Increase (Decrease) in Accounts Payable	2,429	(74,738)	(72,309)
Increase (Decrease) in Other Liabilities	655,153	26,674	681,827
Increase (Decrease) in Accrued Payroll Expenses	815	12,356	13,171
Increase (Decrease) in Compensated Absences	-	10,565	10,565
Net Cash Provided by (Used for) Operating Activities	<u>\$ (1,615,200)</u>	<u>7,800</u>	<u>(1,607,400)</u>
<u>Reconciliation of Cash and Cash Equivalents from Statement of Cash Flows</u>			
Cash in Bank	\$ 8,615,955	-	8,615,955
Cash Due from Central Depository	261,988	-	261,988
	<u>8,877,943</u>	<u>0</u>	<u>8,877,943</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 SOURCE<sup>1</sup>  
June 30, 2009

<u>Governmental Funds Capital Assets:</u>	<u>2009</u>	<u>2008</u>
Land	\$ 17,819,404	17,005,094
Buildings	147,846,651	138,705,187
Equipment and Vehicles	32,917,981	31,185,045
Infrastructure	149,331,415	141,332,585
Construction in Progress	<u>20,808,063</u>	<u>16,693,027</u>
Total Governmental Funds Capital Assets	<u>\$ 368,723,514</u>	<u>344,920,938</u>

Investments in Governmental Funds Capital Assets by Source:

General Fund	\$ 215,734,284	197,221,538
General Purpose School Fund	2,620,516	2,635,451
Special Revenue Funds	127,231,989	119,303,819
Capital Project Funds	2,328,662	9,067,103
Construction in Progress	<u>20,808,063</u>	<u>16,693,027</u>
Total Governmental Funds Capital Assets	<u>\$ 368,723,514</u>	<u>344,920,938</u>

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

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE  
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
SCHEDULE BY FUNCTION AND ACTIVITY<sup>1</sup>  
June 30, 2009

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings</u>	<u>Equipment and Vehicles</u>	<u>Infrastructure</u>	<u>Construction in Progress</u>	<u>Total</u>
<b>General Government:</b>						
General Administration	\$ 7,392,423	15,112,955	1,349,104	-	-	23,854,482
Information Technology	-	-	1,449,347	-	-	1,449,347
Total General Government	<u>7,392,423</u>	<u>15,112,955</u>	<u>2,798,451</u>	<u>0</u>	<u>0</u>	<u>25,303,829</u>
<b>Education:</b>						
General Operations	7,491,794	115,133,842	2,620,516	-	7,748,294	132,994,446
Food Service	-	-	2,985,395	-	-	2,985,395
Student Transit	-	-	3,249,597	-	-	3,249,597
Total Education	<u>7,491,794</u>	<u>115,133,842</u>	<u>8,855,508</u>	<u>0</u>	<u>7,748,294</u>	<u>139,229,438</u>
Public Welfare and Recreation	<u>251,453</u>	<u>6,419,553</u>	<u>2,604,282</u>	<u>4,526,566</u>	<u>2,878,801</u>	<u>16,680,655</u>
<b>Public Works:</b>						
Public Services	910,767	193,848	6,989,290	144,804,849	8,976,572	161,875,326
Recycling	-	462,980	-	-	-	462,980
Total Public Works	<u>910,767</u>	<u>656,828</u>	<u>6,989,290</u>	<u>144,804,849</u>	<u>8,976,572</u>	<u>162,338,306</u>
<b>Public Safety:</b>						
Police	-	-	5,999,451	-	1,204,396	7,203,847
Fire	-	3,629,485	5,402,711	-	-	9,032,196
Civil Defense	-	-	226,218	-	-	226,218
Total Public Safety	<u>0</u>	<u>3,629,485</u>	<u>11,628,380</u>	<u>0</u>	<u>1,204,396</u>	<u>16,462,261</u>
<b>City Service:</b>						
Library	1,772,967	6,893,988	-	-	-	8,666,955
Community Development	-	-	19,070	-	-	19,070
Metropolitan Transportation Planning	-	-	23,000	-	-	23,000
Total City Service	<u>1,772,967</u>	<u>6,893,988</u>	<u>42,070</u>	<u>0</u>	<u>0</u>	<u>8,709,025</u>
<b>Total Governmental Funds</b>						
Capital Assets	<u>\$ 17,819,404</u>	<u>147,846,651</u>	<u>32,917,981</u>	<u>149,331,415</u>	<u>20,808,063</u>	<u>368,723,514</u>

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

See Independent Auditors' Report.

**CITY OF JOHNSON CITY, TENNESSEE**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY<sup>1</sup>**  
**For the Fiscal Year Ended June 30, 2009**

<u>Function and Activity</u>	Governmental Funds Capital Assets June 30, 2008	Additions	Deletions	Adjustments	Governmental Funds Capital Assets June 30, 2009
<b>General Government:</b>					
General Administration	\$ 23,883,186	251,272	(261,005)	(18,971)	23,854,482
Information Technology	966,455	479,961	(12,769)	15,700	1,449,347
Total General Government	<u>24,849,641</u>	<u>731,233</u>	<u>(273,774)</u>	<u>(3,271)</u>	<u>25,303,829</u>
<b>Education:</b>					
General Operations	124,262,854	9,226,290	(481,112)	(13,586)	132,994,446
Food Service	2,890,820	300,578	(206,003)	-	2,985,395
Student Transit	3,195,974	414,198	(360,575)	-	3,249,597
Total Education	<u>130,349,648</u>	<u>9,941,066</u>	<u>(1,047,690)</u>	<u>(13,586)</u>	<u>139,229,438</u>
<b>Public Welfare and Recreation:</b>					
Public Welfare and Recreation	15,180,564	1,544,983	(75,306)	30,414	16,680,655
Total Public Welfare	<u>15,180,564</u>	<u>1,544,983</u>	<u>(75,306)</u>	<u>30,414</u>	<u>16,680,655</u>
<b>Public Works:</b>					
Public Services	152,048,347	10,244,272	(493,443)	76,150	161,875,326
Recycling	462,980	-	-	-	462,980
Total Public Works	<u>152,511,327</u>	<u>10,244,272</u>	<u>(493,443)</u>	<u>76,150</u>	<u>162,338,306</u>
<b>Public Safety:</b>					
Police	5,936,173	1,781,195	(528,958)	15,437	7,203,847
Fire	7,093,026	1,992,113	(69,010)	16,067	9,032,196
Civil Defense	303,079	-	-	(76,861)	226,218
Total Public Safety	<u>13,332,278</u>	<u>3,773,308</u>	<u>(597,968)</u>	<u>(45,357)</u>	<u>16,462,261</u>
<b>City Service:</b>					
Library	8,666,955	-	-	-	8,666,955
Community Development	30,525	-	-	(11,455)	19,070
Metropolitan Transportation Planning	-	23,000	-	-	23,000
Total City Service	<u>8,697,480</u>	<u>23,000</u>	<u>0</u>	<u>(11,455)</u>	<u>8,709,025</u>
<b>Total Governmental Funds</b>					
Capital Assets	<u>\$ 344,920,938</u>	<u>26,257,862</u>	<u>(2,488,181)</u>	<u>32,895</u>	<u>368,723,514</u>

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

See Independent Auditors' Report.

**CITY OF JOHNSON CITY, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Fiscal Year Ended June 30, 2009

CFDA Number	Program Name/Grant Number	Grantor Agency / Pass Through Agency	Balance July 1, 2008	Cash Receipts	Expenditures	Adjustments	Balance 6/30/2009
<b>PRIMARY GOVERNMENT:</b>							
<b>General Fund:</b>							
<i>Pass Through State of Tennessee:</i>							
10.675	Urban & Community Forestry Program	U.S. Dept. of Agriculture Urban & Community Forestry	\$ -	11,000	11,000	-	-
<i>Sub-total Pass Through State of Tennessee</i>			<u>0</u>	<u>11,000</u>	<u>11,000</u>	<u>0</u>	<u>0</u>
<i>Pass Through Other Organizations:</i>							
93.044	Title III-B, III-D, & III-E JOCITY-2007-HOOT-08	U.S. Dept. of Health and Human Services First TN Dev. District (from State of TN)	(7,199)	6,719	-	480	-
93.044	Title III-B, III-D, & III-E JOCITY-2008-HOOT-09	U.S. Dept. of Health and Human Services First TN Dev. District (from State of TN)	-	46,607	47,200	-	(593) *
<i>Sub-total Pass Through Other Organizations</i>			<u>(7,199)</u>	<u>53,326</u>	<u>47,200</u>	<u>480</u>	<u>(593)</u>
<b>Total General Fund</b>			<u>(7,199)</u>	<u>64,326</u>	<u>58,200</u>	<u>480</u>	<u>(593)</u>
<b>Transportation Planning Fund:</b>							
<i>Pass Through State of Tennessee:</i>							
20.514	Project TN-90-X012 - Planning/Research Sec. 5303 - GG0612306	U.S. Department of Transportation TN Dept. of Transportation	(9,349)	24,320	20,336	-	(5,365) *
20.205	Intelligent Vehicle Highway Systems Admin - ITS-9447 (402)	U.S. Department of Transportation TN Dept. of Transportation	(3,694)	7,472	7,674	-	(3,896) *
20.205	Highway Planning and Construction Z-05-024246	U.S. Department of Transportation TN Dept. of Transportation	(24,878)	102,658	114,136	-	(36,356) *
<i>Sub-total Pass Through State of Tennessee</i>			<u>(37,921)</u>	<u>134,450</u>	<u>142,146</u>	<u>0</u>	<u>(45,617)</u>

\* Receivable      \*\* Unused Revenue

(Continued)

CITY OF JOHNSON CITY, TENNESSEE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2009

CFDA Number	Program Name/Grant Number	Grantor Agency / Pass Through Agency	Balance July 1, 2008	Cash Receipts	Expenditures	Adjustments	Balance 6/30/2009
<b><u>PRIMARY GOVERNMENT (CONTINUED):</u></b>							
<b><u>Police Grants Fund:</u></b>							
<b><u>Direct Programs:</u></b>							
16.607	Bullet Proof Vest Program #2000-BU-BX-01007843	U.S. Dept. of Justice	(4,745)	7,118	2,373	-	-
16.738	Byrne JAG I - JC/Wash Co Law Enfor #2005-F1882-TN-DJ	U.S. Dept of Justice	1,407	5	1,412	-	-
16.738	Byrne JAG II - JC/Wash Co Law Enfor #2006-DJ-BX-0740	U.S. Dept of Justice	3,895	18	3,470	-	443 **
16.738	Byrne JAG III - JC/Wash Co Law Enfor #2007-F1253-TN-DJ	U.S. Dept of Justice	20,583	163	9,962	-	10,784 **
16.738	Byrne JAG IV - JC/Wash Co Law Enfor #2008-DJ-BX-0365	U.S. Dept of Justice	-	5,835	-	-	5,835 **
16.595	Central City Community Weed and Seed #2007-WS-Q7-0270	U.S. Dept of Justice	(49,257)	150,563	159,261	-	(57,955) *
		<i>Sub-total Direct Programs</i>	(28,117)	163,702	176,478	0	(40,893)
<b><u>Pass Through State of Tennessee:</u></b>							
16.580	Byrne - Alcohol/Crime Investigator #Z-99-088453-00	U.S. Dept of Justice TN Dept. of Finance & Admin.	(17,644)	17,644	-	-	-
16.580	Byrne - Comprehensive Crime Initiative #Z-99-088453-00	U.S. Dept. of Justice TN Dept. of Finance & Admin.	(5,763)	33,343	37,517	-	(9,937) *
		<i>Sub-total Pass Through State of Tennessee</i>	(23,407)	50,987	37,517	0	(9,937)
<b><u>Pass Through Local Agency:</u></b>							
84.184	Safe Schools/Healthy Students Program	U. S. Dept. of Education Johnson City Schools	-	19,402	45,682	-	(26,280) *
		<i>Sub-total Pass Through Local Agency</i>	-	19,402	45,682	0	(26,280)
<b>Total Police Grants Fund</b>			(51,524)	234,091	259,677	0	(77,110)
<b><u>Community Development Fund:</u></b>							
<b><u>Direct Programs:</u></b>							
14.218	Community Development Block Grant B-MC-47-0008	U.S. Dept. of Housing & Urban Dev.	(130,215)	529,347	608,182	-	(209,050) *
<b>Total Community Development Fund</b>			(130,215)	529,347	608,182	0	(209,050)

\* Receivable      \*\* Unused Revenue

(Continued)

**CITY OF JOHNSON CITY, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Fiscal Year Ended June 30, 2009

CFDA Number	Program Name/Grant Number	Grantor Agency / Pass Through Agency	Balance July 1, 2008	Cash Receipts	Expenditures	Adjustments	Balance 6/30/2009
<b>PRIMARY GOVERNMENT (CONTINUED):</b>							
<b>Mass Transit Fund:</b>							
<i>Direct Programs:</i>							
20.516	Job Access - Operating TN-37-X058	U.S. Department of Transportation	(23,486)	21,662	36,554	-	(38,378) *
20.507	Project #TN-90-X264 and #TN-90-X276 Operating	U.S. Department of Transportation	(234,838)	162,343	290,146	70,363	(292,278) *
20.507	Project #TN-90-X216, #TN-90-X251, #TN-90-X264, #TN-90-X276, #TN-90-X233 - Capital	U.S. Department of Transportation	(165,697)	156,768	36,141	12,885	(32,185) *
<i>Sub-total Direct Programs</i>			<u>(424,021)</u>	<u>340,773</u>	<u>362,841</u>	<u>83,248</u>	<u>(362,841)</u>
<b>Total Mass Transit Fund</b>			<u>(424,021)</u>	<u>340,773</u>	<u>362,841</u>	<u>83,248</u>	<u>(362,841)</u>
<b>School Federal Projects Fund:</b>							
<i>Pass Through State of Tennessee:</i>							
84.002	Adult Basic Education Z-07-033707-00	Department of Labor and Workforce Development	(25,128)	271,299	280,321	-	(34,150) *
84.048	Carl Perkins	U.S. Department of Education	(66,486)	177,104	120,619	-	(10,001) *
84.184L	TITLE IV.A Youth Violence & Drug Use Prevention	U.S. Department of Education	-	152,270	196,670	-	(44,400) *
16.299	Drug-Free Communities Support Plan	Department of Human Services	(10,500)	44,831	34,331	-	-
84.213C	Even Start Literacy	U.S. Department of Education	7,000	41,945	62,500	-	(13,555) *
84.027	IDEA, Project	U.S. Department of Education	(351,545)	1,438,528	1,328,340	-	(241,357) *
84.027	Preschool incentive, Project	U.S. Department of Education	(13,872)	40,036	28,843	-	(2,679) *
84.010	Title I, Project	U.S. Department of Education	(210,496)	1,525,812	1,411,044	-	(95,728) *
84.318X	Title II, Part D	U.S. Department of Education	(204)	13,608	13,574	-	(170) *
84.367A	Title II, Part A	U.S. Department of Education	(72,145)	373,246	347,597	-	(46,496) *
<b>Total Title II</b>			<u>(72,349)</u>	<u>386,854</u>	<u>361,171</u>	<u>0</u>	<u>(46,666)</u>
84.365A	Title III, ESL	U.S. Department of Education	(12,756)	32,302	36,838	-	(17,292) *
84.298A	Title V, Innovative Programs	U.S. Department of Education	(7,734)	7,734	-	-	-
84.186A	Title V, Safe & Drug Free Schools & Communities	U.S. Department of Education	(15,280)	37,087	24,298	-	(2,491) *
84.186B	Title V, Youth Violence	U.S. Department of Education	(47,901)	102,320	90,000	-	(35,581) *
<b>Total Title V</b>			<u>(70,915)</u>	<u>147,141</u>	<u>114,298</u>	<u>0</u>	<u>(38,072)</u>

\* Receivable    \*\* Unused Revenue

(Continued)

CITY OF JOHNSON CITY, TENNESSEE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2009

CFDA Number	Program Name/Grant Number	Grantor Agency / Pass Through Agency	Balance July 1, 2008	Cash Receipts	Expenditures	Adjustments	Balance 6/30/2009	
<b>PRIMARY GOVERNMENT (CONTINUED):</b>								
<u>School Federal Projects Fund (Continued):</u>								
<i>Pass Through State of Tennessee:</i>								
84.215	TN's First Frontier Teaching American History	U.S. Department of Education	(53,009)	309,042	268,790	-	(12,757) *	
84.196	TITLE X, Part C, McKinney Homeless Grant	U.S. Department of Education	(15,330)	64,861	55,056	-	(5,525) *	
84.287C	21st Century Community Learning Center	U.S. Department of Education	(18,266)	127,816	198,846	-	(89,296) *	
94.004	Learn and Serve	Corporation for National and Community	(843)	3,456	3,750	-	(1,137) *	
84.184L	Heroes Element 4,5	US Department of Education	-	359,038	403,689	-	(44,651) *	
10.533	National School Breakfast Program	U.S. Department of Agriculture	-	307,742	307,742	-	-	
10.555	National School Lunch Program	U.S. Department of Agriculture	-	1,237,797	1,237,797	-	-	
10.500	National School Snack Program	U.S. Department of Agriculture	-	36,889	36,889	-	-	
10.550	USDA: Commodity Supplemental Feeding - Commodities Match	Tennessee Department of Agriculture	-	34,567	34,567	-	-	
	Feeding - Commodities Distributed	Tennessee Department of Agriculture	-	381,920	381,920	-	-	
	<b>Total National School Programs</b>		-	1,998,915	1,998,915	0	0	
<b>Total School Federal Project</b>			<i>Sub-total Pass Through State of Tennessee</i>	(914,495)	7,121,250	6,904,021	0	(697,266)
<u>Johnson City Power Board</u>								
<i>Direct Programs:</i>								
11.300	Public Works Program 04-01-05882	U.S. Department of Commerce	-	100,000	100,000	-	-	
<b>Total Johnson City Power Board</b>			<i>Sub-total Direct Programs</i>	-	100,000	100,000	0	0
<b>TOTAL FEDERAL GRANTS-PRIMARY GOVERNMENT</b>			<b>\$ (1,565,375)</b>	<b>8,524,237</b>	<b>8,435,067</b>	<b>83,728</b>	<b>(1,392,477)</b>	

NOTE A: BASIS OF PRESENTATION

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

NOTE B: FOOD DISTRIBUTION

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

\* Receivable      \*\* Unused Revenue

See Independent Auditors' Report.

**CITY OF JOHNSON CITY, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF STATE AWARDS**  
For the Fiscal Year Ended June 30, 2009

CFDA Number	Program Name/Grant Number	Grantor Agency / Pass Through Agency	Balance July 1, 2008	Cash Receipts	Expenditures	Adjustments	Balance June 30, 2009
<b>PRIMARY GOVERNMENT:</b>							
<b>General Fund:</b>							
<i>Direct Programs:</i>							
N/A	State Boarding of Prisoners	Tennessee Dept. of Correction	\$ (114,460)	1,246,562	1,363,729	-	(231,627) *
N/A	Community Enhancement Grant	Tennessee Dept. of State	3,000	-	3,000	-	-
		<i>Sub-total Direct Programs</i>	<u>(111,460)</u>	<u>1,246,562</u>	<u>1,366,729</u>	<u>0</u>	<u>(231,627)</u>
<i>Pass Through Other Organizations:</i>							
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-2007-HOOT-08	TN Commission on Aging First TN Development District	(1,667)	1,667	-	-	-
N/A	Senior Center Operations JOCITY-2008-HOOT-09	TN Commission on Aging First TN Development District	-	20,000	20,000	-	-
		<i>Sub-total Pass Through Other Organizations</i>	<u>(1,667)</u>	<u>21,667</u>	<u>24,500</u>	<u>0</u>	<u>(4,500)</u>
	<b>Total General Fund</b>		<u>(113,127)</u>	<u>1,268,229</u>	<u>1,391,229</u>	<u>0</u>	<u>(236,127)</u>
<b>Police Grant Fund:</b>							
<i>Direct Programs:</i>							
20.601	Comprehensive Alcohol Risk Reduction #Z-09-214620-00	TN Dept. of Transportation Governor's Highway Safety Office	-	4,688	8,272	-	(3,584) *
20.601	Governor's Highway Safety Office #Z-08-023987-00	TN Dept. of Transportation Governor's Highway Safety Office	(25,463)	28,960	3,497	-	-
N/A	Community Enhancement Grant	Tennessee Dept. of State	-	4,975	4,975	-	-
		<i>Sub-total Direct Programs</i>	<u>(25,463)</u>	<u>38,623</u>	<u>16,744</u>	<u>0</u>	<u>(3,584)</u>
<i>Pass Through Other Organizations:</i>							
N/A	Project Safe Neighborhood/ Interdiction Plus/C-09-0199	U. S. Attorney's Office City of Knoxville	-	-	127	-	(127) *
N/A	Project Safe Neighborhood/ Community Antiviolence/C-09-0195	U. S. Attorney's Office City of Knoxville	-	-	607	-	(607) *
		<i>Sub-total Pass Through Other Organizations</i>	<u>0</u>	<u>0</u>	<u>734</u>	<u>0</u>	<u>(734)</u>
	<b>Total Police Grants Fund</b>		<u>(25,463)</u>	<u>38,623</u>	<u>17,478</u>	<u>0</u>	<u>(4,318)</u>
<b>Community Development Fund:</b>							
<i>Direct Programs:</i>							
N/A	Emergency Shelter Grant Z-05-020660-01	TN Dept. of Human Services	(12,470)	28,244	89,182	-	(73,408) *
	<b>Total Community Development Fund</b>		<u>(12,470)</u>	<u>28,244</u>	<u>89,182</u>	<u>0</u>	<u>(73,408)</u>

\* Receivable      \*\* Unused Revenue

(Continued)

CITY OF JOHNSON CITY, TENNESSEE  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
For the Fiscal Year Ended June 30, 2009

CFDA Number	Program Name/Grant Number	Grantor Agency / Pass Through Agency	Balance July 1, 2008	Cash Receipts	Expenditures	Adjustments	Balance June 30, 2009
<b><u>PRIMARY GOVERNMENT:</u></b>							
<b><u>PRIMARY GOVERNMENT (CONTINUED):</u></b>							
<b><u>Mass Transit:</u></b>							
N/A	Job Access - Operating GG-07-12842, GG-06-12594	Tennessee Department of Transportation	(5,694)	4,783	18,277	-	(19,188) *
N/A	Project- Operating Z-08-21340; Z-09-213797	Tennessee Department of Transportation	(2,224)	2,224	102,994	-	(102,994) *
N/A	Project - Capital GG-06-12083; GG-07-12961; GG-07-23861; GG-08-23860; GG-07-12923; GG-09-26229	Tennessee Department of Transportation	(16,240)	15,123	2,984	2,028	(2,073) *
<b>Total Mass Transit Fund</b>			<u>(24,158)</u>	<u>22,130</u>	<u>124,255</u>	<u>2,028</u>	<u>(124,255)</u>
<b><u>Water &amp; Sewer Fund:</u></b>							
<b><u>Direct Programs:</u></b>							
N/A	Water System Improvements American Water Heater Company	U.S. Department of Economic and Community Development	(75,147)	593,288	563,922	-	(45,781) *
N/A	Water System Improvements Bayless Road Project	U.S. Department of Economic and Community Development	(234,250)	234,250	-	-	-
<b>Total Water &amp; Sewer Fund</b>			<u>(309,397)</u>	<u>827,538</u>	<u>563,922</u>	<u>0</u>	<u>(45,781)</u>
<b><u>Special School Projects Fund:</u></b>							
<b><u>Pass Through State of Tennessee:</u></b>							
N/A	Lottery Pre-K	Tennessee Department of Education	(71,637)	228,582	228,498	-	(71,553)
93.645	Family Resources	Tennessee Department of Education	(11,187)	35,508	33,300	-	(8,979)
	Lottery for Education: Afterschool Pgm	Tennessee Department of Education	(28,367)	28,367	-	-	-
	Lottery for Education: Afterschool Pgm	Tennessee Department of Education	(57,983)	112,713	75,557	-	(20,827) *
	Lottery for Education: Afterschool Pgm	Tennessee Department of Education	(95,333)	95,333	-	-	-
	<b>Total LEAPS</b>		<u>(181,683)</u>	<u>236,413</u>	<u>75,557</u>	<u>0</u>	<u>(20,827)</u>
84.126	Vocational Rehab	U.S. Department of Education	(2,360)	12,940	15,038	-	(4,458)
N/A	Safe Schools	Tennessee Department of Education	(8,810)	31,649	31,667	-	(8,828)

\* Receivable      \*\* Unused Revenue

(Continued)

CITY OF JOHNSON CITY, TENNESSEE  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
For the Fiscal Year Ended June 30, 2009

CFDA Number	Program Name/Grant Number	Grantor Agency / Pass Through Agency	Balance July 1, 2008	Cash Receipts	Expenditures	Adjustments	Balance June 30, 2009
<b><u>PRIMARY GOVERNMENT:</u></b>							
<b><u>PRIMARY GOVERNMENT (CONTINUED):</u></b>							
<b><u>Special School Projects Fund (Continued):</u></b>							
<i>Pass Through State of Tennessee:</i>							
	Enforcing Underage Drinking	Corporation for National and Community Service	(27,888)	51,072	40,912	-	(17,728)
	Coordinated School Health	Tennessee Department of Education	(37,115)	111,060	108,002	-	(34,057)
	<b>Total Special School Projects Fund</b>		<b>(340,680)</b>	<b>707,224</b>	<b>532,974</b>	<b>0</b>	<b>(166,430)</b>
	<b>TOTAL STATE GRANTS-PRIMARY GOVERNMENT</b>		<b>(825,295)</b>	<b>2,891,988</b>	<b>2,719,040</b>	<b>2,028</b>	<b>(650,319)</b>
<b><u>COMPONENT UNITS</u></b>							
<b><u>Johnson City Public Library:</u></b>							
<i>Direct Programs:</i>							
N/A	Community Enhancement	State of Tennessee	-	7,500	7,500	-	-
	<b>Total Johnson City Public Library</b>		<b>0</b>	<b>7,500</b>	<b>7,500</b>	<b>0</b>	<b>0</b>
<b><u>Johnson City Development Authority</u></b>							
<i>Direct Programs:</i>							
N/A	Three-Star Priority Grant GG-08-24477-00	U.S. Department of Economic and Community Development	(2,500)	2,500	-	-	-
N/A	Main Street Energy Efficient Lights GG-08-23571-00	U.S. Department of Economic and Community Development	-	19,757	19,757	-	-
	<b>Total Johnson City Development Authority</b>		<b>(2,500)</b>	<b>22,257</b>	<b>19,757</b>	<b>0</b>	<b>0</b>
	<b>TOTAL STATE GRANTS-COMPONENT UNITS</b>		<b>(2,500)</b>	<b>29,757</b>	<b>27,257</b>	<b>-</b>	<b>-</b>
	<b>TOTAL STATE GRANTS</b>		<b>\$ (827,795)</b>	<b>2,921,745</b>	<b>2,746,297</b>	<b>2,028</b>	<b>(650,319)</b>

\* 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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**Debt Capacity**

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**Operating Information**

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

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**Other Statistical Schedules**

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

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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
Governmental Activities					
Invested in Capital Assets, Net of Related Debt	\$ 65,828,986	69,634,762	68,066,836	69,035,062	67,480,139
Restricted	5,802,936	6,423,195	1,339,792	1,235,783	1,108,571
Unrestricted	8,812,085	12,932,492	27,064,737	38,368,429	51,502,610
Total Governmental Activities Net Assets	<u>\$ 80,444,007</u>	<u>88,990,449</u>	<u>96,471,365</u>	<u>108,639,274</u>	<u>120,091,320</u>
Business-Type Activities					
Invested in Capital Assets, Net of Related Debt	\$ 130,726,623	143,691,479	151,024,946	164,362,698	170,338,354
Restricted	3,789,232	1,546,874	595,205	501,521	660,326
Unrestricted	8,694,385	7,817,725	9,307,410	8,347,415	14,036,942
Total Business-Type Activities Net Assets	<u>\$ 143,210,240</u>	<u>153,056,078</u>	<u>160,927,561</u>	<u>173,211,634</u>	<u>185,035,622</u>
Primary Government					
Invested in Capital Assets, Net of Related Debt	\$ 196,555,609	213,326,241	219,091,782	233,397,760	237,818,493
Restricted	9,592,168	7,970,069	1,934,997	1,737,304	1,768,897
Unrestricted	17,506,470	20,750,217	36,372,147	46,715,844	65,539,552
Total Primary Government Net Assets	<u>\$ 223,654,247</u>	<u>242,046,527</u>	<u>257,398,926</u>	<u>281,850,908</u>	<u>305,126,942</u>
	<u>2007</u>	<u>2008</u>	<u>2009</u>		
Governmental Activities					
Invested in Capital Assets, Net of Related Debt	\$ 67,467,865	93,255,452	112,491,762		
Restricted	6,625,729	-	208,378		
Unrestricted	57,777,385	75,895,859	68,394,096		
Total Governmental Activities Net Assets	<u>\$ 131,870,979</u>	<u>169,151,311</u>	<u>181,094,236</u>		
Business-Type Activities					
Invested in Capital Assets, Net of Related Debt	\$ 181,475,490	187,286,301	208,312,172		
Restricted	483,449	482,776	1,785,757		
Unrestricted	14,101,598	20,336,221	15,865,673		
Total Business-Type Activities Net Assets	<u>\$ 196,060,537</u>	<u>208,105,298</u>	<u>225,963,602</u>		
Primary Government					
Invested in Capital Assets, Net of Related Debt	\$ 248,943,355	280,541,753	320,803,934		
Restricted	7,109,178	482,776	1,994,135		
Unrestricted	71,878,983	96,232,080	84,259,769		
Total Primary Government Net Assets	<u>\$ 327,931,516</u>	<u>377,256,609</u>	<u>407,057,838</u>		

Information not available prior to 2002.

See Independent Auditors' Report.

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

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
<b>Expenses</b>								
<b>Governmental Activities:</b>								
General Government	\$ 11,404,279	10,381,350	7,249,216	7,518,525	7,102,418	10,246,706	12,982,708	13,517,750
Public Safety	17,178,099	17,322,254	17,676,316	18,254,020	19,537,869	20,196,334	23,050,291	23,320,230
Public Works	9,034,320	10,666,838	11,581,458	10,648,651	11,740,047	11,954,349	11,759,714	14,699,318
Public Welfare	4,735,469	5,640,206	5,485,982	6,211,203	6,309,383	6,551,969	5,455,063	7,305,539
City Services	1,343,376	1,361,193	2,090,545	1,818,017	1,789,975	2,105,771	2,262,984	3,078,092
Education	43,763,902	45,705,523	48,542,847	51,957,017	54,448,620	57,396,706	61,434,692	63,517,290
Interest on Long-Term Debt	5,789,746	5,208,576	4,713,367	4,760,654	3,040,993	7,140,164	4,144,293	5,767,393
Total Governmental Activities Expenses	<u>93,249,191</u>	<u>96,285,940</u>	<u>97,339,731</u>	<u>101,168,087</u>	<u>103,969,305</u>	<u>115,591,999</u>	<u>121,089,745</u>	<u>131,205,612</u>
<b>Business-Type Activities:</b>								
Water and Sewer	16,047,642	15,871,722	16,885,803	17,309,426	18,616,496	21,053,584	21,710,919	22,830,928
City Solid Waste	6,523,049	6,603,231	6,737,417	6,654,113	7,040,115	7,294,552	7,813,531	8,060,129
Regional Solid Waste	1,634,139	1,208,387	1,272,173	1,410,536	1,615,196	1,658,724	1,818,585	1,871,460
Johnson City Power Board	104,882,717	112,540,287	118,868,370	119,754,592	133,197,667	143,319,219	153,413,844	178,834,070
Public Building Authority	2,536,430	3,437,385	3,295,700	2,376,597	2,294,949	2,107,230	1,805,760	1,984,687
Mass Transit	1,796,611	1,757,068	1,934,480	1,901,831	2,193,038	2,489,530	2,842,568	3,021,432
Stormwater Management	-	-	-	-	-	144,542	495,011	773,631
Golf Courses	1,498,244	1,247,855	1,217,833	1,231,510	1,393,946	1,472,066	1,462,210	1,330,540
Total Business-Type Activities Expenses	<u>134,918,832</u>	<u>142,665,935</u>	<u>150,211,776</u>	<u>150,638,605</u>	<u>166,351,407</u>	<u>179,539,447</u>	<u>191,362,428</u>	<u>218,706,877</u>
Total Primary Government Expenses	<u>\$ 228,168,023</u>	<u>238,951,875</u>	<u>247,551,507</u>	<u>251,806,692</u>	<u>270,320,712</u>	<u>295,131,446</u>	<u>312,452,173</u>	<u>349,912,489</u>

(Continued)

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

	<b>Fiscal Year</b>							
	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
<b>Program Revenues</b>								
<u>Governmental Activities:</u>								
Charges for Services:								
Public Safety	\$ 2,365,752	2,699,122	1,351,314	1,470,777	1,577,697	1,507,099	1,586,621	2,011,006
City Services	240,095	1,147,694	2,419,198	2,105,424	2,113,662	2,445,477	2,441,483	3,578,736
Education	2,556,732	2,415,390	2,262,888	2,445,031	2,708,056	3,038,039	2,752,587	2,844,579
Other Activities	2,443,996	1,698,033	1,224,777	1,232,901	2,469,235	2,332,593	2,829,651	3,430,184
Operating Grants and Contributions	24,102,639	24,646,466	26,225,494	30,133,808	30,516,925	33,419,313	35,525,329	36,812,901
Capital Grants and Contributions	-	4,702,519	2,277,006	626,238	164,833	-	31,055	-
Total Governmental Activities Program Revenues	<u>31,709,214</u>	<u>37,309,224</u>	<u>35,760,677</u>	<u>38,014,179</u>	<u>39,550,408</u>	<u>42,742,521</u>	<u>45,166,726</u>	<u>48,677,406</u>
<u>Business-Type Activities:</u>								
Charges for Services:								
Water and Sewer	17,706,771	19,631,344	19,690,045	20,288,469	21,772,092	23,133,709	23,543,970	25,057,671
City Solid Waste	6,635,333	7,468,291	7,897,479	7,917,942	8,257,612	8,622,823	9,100,844	8,902,029
Johnson City Power Board	111,054,311	118,634,679	124,669,151	128,314,735	141,680,530	150,526,423	161,195,320	193,154,773
Other Activities	4,633,523	5,444,811	5,621,249	5,194,686	5,277,396	5,499,351	6,653,378	7,238,218
Operating Grants and Contributions	1,275,705	1,417,259	1,142,869	995,661	1,103,458	1,249,319	1,509,571	1,702,482
Capital Grants and Contributions	303,981	1,306,351	1,090,342	1,717,925	818,212	397,599	797,607	724,175
Total Business-Type Activities Program Revenues	<u>141,609,624</u>	<u>153,902,735</u>	<u>160,111,135</u>	<u>164,429,418</u>	<u>178,909,300</u>	<u>189,429,224</u>	<u>202,800,690</u>	<u>236,779,348</u>
Total Primary Government Program Revenues	<u>\$ 173,318,838</u>	<u>191,211,959</u>	<u>195,871,812</u>	<u>202,443,597</u>	<u>218,459,708</u>	<u>232,171,745</u>	<u>247,967,416</u>	<u>285,456,754</u>
<b>Net (Expense)/Revenue</b>								
Governmental Activities	\$ (61,539,977)	(58,976,716)	(61,579,054)	(63,153,908)	(64,418,897)	(72,849,478)	(75,923,019)	(82,528,206)
Business-Type Activities	6,690,792	11,236,800	9,899,359	13,790,813	12,557,893	9,889,777	11,438,262	18,072,471
Total Primary Government Net (Expense)	<u>\$ (54,849,185)</u>	<u>(47,739,916)</u>	<u>(51,679,695)</u>	<u>(49,363,095)</u>	<u>(51,861,004)</u>	<u>(62,959,701)</u>	<u>(64,484,757)</u>	<u>(64,455,735)</u>

(Continued)

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

	Fiscal Year							
	2002	2003	2004	2005	2006	2007	2008	2009
<b>General Revenues and Other Changes in Net Assets</b>								
<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	36,458,981	36,519,412
Sales Taxes	28,278,484	27,419,503	28,721,469	30,095,052	32,012,124	33,525,842	34,904,671	33,539,491
Other Taxes	6,853,737	6,777,017	6,477,387	6,867,324	7,510,307	7,802,498	8,474,886	8,244,855
Unrestricted Investment Earnings	433,546	371,760	270,478	737,108	1,858,159	2,775,619	2,560,328	1,305,131
Miscellaneous	2,173,707	1,802,171	1,530,007	1,366,945	174,525	5,889,333	29,340,255	12,780,319
Transfers	589,438	2,013,728	2,148,158	2,278,248	2,098,500	1,565,076	2,203,230	2,081,923
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>113,942,351</u>	<u>94,471,131</u>
<u>Business-Type Activities:</u>								
Unrestricted Investment Earnings	1,461,450	373,899	245,100	332,770	1,167,313	2,770,991	2,350,892	1,857,877
Miscellaneous	233,447	382,479	-	438,738	197,282	(5,428)	458,838	9,879
Transfers	(589,438)	(2,013,728)	(2,148,158)	(2,278,248)	(2,098,500)	(1,565,076)	(2,203,230)	(2,081,923)
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>	<u>606,500</u>	<u>(214,167)</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>	<u>114,548,851</u>	<u>94,256,964</u>
<b>Change in Net Assets</b>								
Governmental Activities	\$ 5,787,894	8,816,245	7,626,219	10,931,999	12,826,194	13,252,373	38,019,332	11,942,925
Business-Type Activities	7,796,251	9,979,450	7,996,301	12,284,073	11,823,988	11,090,264	12,044,762	17,858,304
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>	<u>50,064,094</u>	<u>29,801,229</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
2000	23,180,852	2,661,762	22,561,606	-	1,027,605	1,569,562	300,549	821,117	497,731	278,277	-	52,899,061
2001	24,620,392	3,516,368	23,314,961	-	1,070,085	1,629,893	297,675	852,688	456,646	467,264	-	56,225,972
2002	27,756,409	1,242,550	24,944,155	3,334,329	1,345,704	1,533,506	340,401	789,544	534,241	547,142	1,568,308	63,936,289
2003	28,189,818	1,218,964	24,072,977	3,346,526	1,311,531	1,654,319	359,470	771,638	313,280	556,094	1,810,685	63,605,302
2004	28,749,841	1,307,933	25,462,839	3,258,630	1,405,547	1,725,538	372,019	842,594	687,446	589,580	854,663	65,256,630
2005	31,429,944	1,311,286	26,712,881	3,382,171	1,534,947	1,805,940	361,364	885,521	516,393	577,627	1,185,532	69,703,606
2006	32,167,845	1,423,631	28,294,239	3,717,885	1,647,154	1,816,061	446,371	958,196	701,976	588,419	1,352,130	73,113,907
2007	33,064,284	1,479,199	29,452,416	4,073,426	1,743,053	1,754,139	551,289	1,002,315	495,264	629,898	1,626,540	75,871,823
2008	34,913,535	1,545,446	30,809,215	4,095,456	1,836,729	1,953,748	517,842	1,035,770	485,807	787,281	1,857,709	79,838,538
2009	35,131,195	1,388,217	29,811,023	3,728,468	1,774,822	2,060,432	520,586	979,246	526,233	940,182	1,443,354	78,303,758

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				
	2000	2001	2002	2003	2004
General Fund					
Reserved	\$ 193,003	419,344	506,239	715,889	2,239,857
Unreserved	5,804,552	2,024,867	5,343,621	5,949,014	8,585,184
Total General Fund	<u>\$ 5,997,555</u>	<u>2,444,211</u>	<u>5,849,860</u>	<u>6,664,903</u>	<u>10,825,041</u>
All Other Governmental Funds					
Reserved	\$ 1,872,980	1,681,294	1,968,692	2,049,980	2,405,370
Unreserved, reported in:					
Special Revenue Funds	718,608	1,581,365	4,585,218	6,391,322	6,838,620
Capital Project Funds	(10,613,448)	7,905,828	3,992,758	3,812,255	2,950,645
Total all Other Governmental Funds	<u>\$ (8,021,860)</u>	<u>11,168,487</u>	<u>10,546,668</u>	<u>12,253,557</u>	<u>12,194,635</u>
	2005	2006	2007	2008	2009
General Fund					
Reserved	\$ 2,739,904	3,139,975	1,465,885	2,703,817	474,316
Unreserved	11,085,672	14,209,712	19,171,689	20,491,781	19,706,990
Total General Fund	<u>\$ 13,825,576</u>	<u>17,349,687</u>	<u>20,637,574</u>	<u>23,195,598</u>	<u>20,181,306</u>
All Other Governmental Funds					
Reserved	\$ 2,926,613	3,279,288	3,421,588	3,955,386	47,183,838
Unreserved, reported in:					
Special Revenue Funds	7,359,144	7,100,574	6,914,743	6,324,458	5,957,029
Capital Project Funds	8,858,602	17,156,764	15,718,186	35,826,059	299,141
Total all Other Governmental Funds	<u>\$ 19,144,359</u>	<u>27,536,626</u>	<u>26,054,517</u>	<u>46,105,903</u>	<u>53,440,008</u>

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									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Revenues:</b>										
Taxes	52,899,061	56,225,972	58,643,682	58,660,691	61,331,670	65,078,164	68,016,783	69,998,114	73,777,660	73,551,309
Licenses and Permits	873,542	720,622	817,347	693,800	907,393	988,999	1,141,199	1,063,241	1,014,440	908,596
Intergovernmental	29,114,849	36,011,746	30,817,336	31,661,321	32,455,612	35,091,817	37,522,888	44,326,252	70,373,307	53,773,849
Charges for Services	2,736,090	2,890,217	3,214,386	3,246,883	3,160,152	3,299,506	3,474,166	3,493,097	3,528,793	3,643,785
Fines and Forfeitures	665,026	798,680	1,137,169	1,310,573	1,321,820	1,443,058	1,550,283	1,398,894	1,491,732	1,426,561
Use of Property	1,898,283	2,352,988	1,623,901	1,710,307	2,662,326	2,290,344	2,019,665	2,384,145	2,410,381	3,290,690
Investment Earnings	418,392	242,262	507,299	371,760	251,925	632,101	1,541,663	2,292,312	2,187,458	1,230,320
Miscellaneous	1,144,197	1,752,995	1,079,005	1,017,049	875,424	701,751	1,211,931	1,307,966	1,716,494	2,700,532
<b>Total Revenues</b>	<b>89,749,440</b>	<b>100,995,482</b>	<b>97,840,125</b>	<b>98,672,384</b>	<b>102,966,322</b>	<b>109,525,740</b>	<b>116,478,578</b>	<b>126,264,021</b>	<b>156,500,265</b>	<b>140,525,642</b>
<b>Expenditures:</b>										
General Government	8,976,747	10,017,967	10,863,994	9,940,946	9,436,485	9,593,656	9,848,863	10,411,369	11,085,668	11,160,930
Public Safety	15,319,127	17,263,941	16,451,487	16,900,884	17,371,848	17,924,968	19,207,764	19,942,643	22,670,820	22,861,216
Public Works	6,589,137	6,587,092	6,127,143	7,801,801	8,059,691	7,518,536	8,006,327	9,090,597	10,090,160	10,888,843
Public Welfare	6,033,120	5,561,905	5,790,202	5,387,930	5,215,580	5,894,087	6,048,271	6,257,074	6,390,206	6,764,906
City Services	2,028,975	2,267,819	1,015,110	1,107,267	1,893,464	1,618,348	1,574,399	1,946,010	2,040,465	2,968,013
Education	39,598,870	41,411,565	40,734,322	43,342,763	45,358,328	48,675,282	51,032,222	54,888,885	58,097,916	60,418,934
Miscellaneous	118,270	91,743	287,353	17,436	63,273	18,423	-	19,000	-	21,645
Capital Outlay	15,845,065	14,551,960	6,249,147	3,096,956	3,557,667	7,505,676	6,450,204	10,734,831	13,732,994	26,201,893
Debt Service:										
Principal	6,176,202	6,695,416	7,185,853	7,550,040	7,146,592	7,386,039	7,447,570	7,101,614	6,763,728	4,656,946
Interest and Fiscal Fees	6,000,451	6,397,812	5,819,175	5,244,117	4,713,367	4,598,310	5,611,096	9,245,927	5,158,406	5,570,605
Other Charges	126,981	330,819	9,410	-	-	266,066	304,043	-	-	-
<b>Total Expenditures</b>	<b>106,812,945</b>	<b>111,178,039</b>	<b>100,533,196</b>	<b>100,390,140</b>	<b>102,816,295</b>	<b>110,999,391</b>	<b>115,530,759</b>	<b>129,637,950</b>	<b>136,030,363</b>	<b>151,513,931</b>
Excess of revenues over (under) expenditures	(17,063,505)	(10,182,557)	(2,693,071)	(1,717,756)	150,027	(1,473,651)	947,819	(3,373,929)	20,469,902	(10,988,289)

(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									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Other Financing Sources (Uses):</b>										
Transfers (Net)	(1,456,461)	(1,497,235)	1,868,307	2,013,728	2,148,158	2,254,158	2,087,000	1,280,965	1,923,228	1,818,432
Loss on Investments	-	-	-	-	-	-	-	-	-	-
Notes Issued	-	-	-	-	-	-	-	-	-	-
Refunding Bonds Issued	-	-	-	-	-	11,460,900	6,230,000	29,085,001	6,750,000	66,520,000
Refunding Bond Payments	-	-	-	-	-	(11,380,809)	(5,890,000)	(25,574,441)	(6,675,000)	(68,925,000)
Bond Issued	18,700,000	27,100,000	921,038	2,090,751	-	8,249,610	7,000,000	-	-	12,242,223
Refunding Bonds Premium	-	-	-	-	-	58,861	15,425	-	-	1,873,661
Insurance Recovery	-	-	-	-	-	71,623	-	-	-	-
Sale of Property	392,735	10,525	412,631	416,597	66,467	317,641	1,490,276	432,995	143,145	1,186,158
Capital Leases	-	-	-	-	403,802	-	-	-	-	495,161
Total Other Financing Sources (Uses)	17,636,274	25,613,290	3,201,976	4,521,076	2,618,427	11,031,984	10,932,701	5,224,520	2,141,373	15,210,635
<sup>1</sup> Net Change in Fund Balances	572,769	15,430,733	508,905	2,803,320	2,768,454	9,558,333	11,880,520	1,850,591	22,611,275	4,222,346
Debt Service as a Percentage of Noncapital Expenditures	13.5%	13.9%	13.8%	13.2%	11.9%	11.9%	12.5%	14.0%	14.8%	13.0%

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					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	Personal Property	Public Utility				
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	2.15	3,406,701,422	31.14%
2005	2004	586,366,747	512,287,398	115,283,797	48,675,887	1,262,613,829	1.93	4,011,552,024	31.47%
2006	2005	608,631,775	519,232,096	113,193,113	44,989,552	1,286,046,536	1.93	4,097,250,413	31.39%
2007	2006	638,630,400	527,884,240	101,364,219	42,025,565	1,309,904,424	1.93	4,243,334,375	30.87%
2008	2007	675,793,350	555,791,560	111,531,042	41,392,490	1,384,508,442	1.93	4,574,379,041	30.27%
2009	2008	693,472,459	569,623,983	101,474,853	38,786,092	1,403,357,387	1.93	4,605,069,088	30.47%

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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									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Johnson City Direct Rates	1.87	1.87	2.15	2.15	2.15	1.93	1.93	1.99	1.93	1.54
Washington County Direct Rates										
General	0.66	0.66	0.66	0.68	0.63	0.63	0.63	0.82	0.83	0.65
Upkeep (Highway)	0.16	0.16	0.16	0.16	0.14	0.14	0.14	0.19	0.19	0.15
General Purpose School	0.76	0.76	0.76	0.76	0.82	0.82	0.82	0.82	0.88	0.68
Debt Service	0.31	0.30	0.30	0.27	0.23	0.23	0.36	0.47	0.50	0.39
Solid Waste/Sanitation	0.04	0.05	0.05	0.06	0.05	0.05	0.05	0.05	0.05	0.04
Total Direct Rate	<u>1.93</u>	<u>1.93</u>	<u>1.93</u>	<u>1.93</u>	<u>1.87</u>	<u>1.87</u>	<u>2.00</u>	<u>2.35</u>	<u>2.45</u>	<u>1.91</u>
Carter County Direct Rates										
General	0.71	0.69	0.68	0.72	0.85	0.85	0.78	0.73	0.75	0.80
Highway/Public Works	0.08	0.07	0.08	0.08	0.08	0.10	0.09	0.10	0.10	0.10
General Purpose Schools	1.42	1.24	1.24	1.24	1.25	1.25	0.96	0.96	0.96	0.96
General Debt Service	0.25	0.22	0.22	0.18	0.38	0.36	0.27	0.31	0.41	0.42
Total Direct Rate	<u>2.46</u>	<u>2.22</u>	<u>2.22</u>	<u>2.22</u>	<u>2.56</u>	<u>2.56</u>	<u>2.10</u>	<u>2.10</u>	<u>2.22</u>	<u>2.28</u>
Sullivan County Rates	2.58	2.63	2.35	2.35	2.36	2.67	2.53	2.53	2.53	2.53

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

Taxpayer	2009			2000		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Johnson City Venture LLC (Mall)	\$ 18,481,040	1	1.3%	\$ 17,367,960	2	1.8%
United Telephone SE Inc	15,877,537	2	1.1%	22,076,323	1	2.3%
Mountain States Properties	9,689,142	3	0.7%	11,808,840	3	1.2%
American Water Heater Company	7,953,550	4	0.6%	5,293,719	9	0.5%
Atmos Energy Corporation	7,634,866	5	0.5%	6,564,177	5	0.7%
Johnson City Crossing LLC	6,955,715	6	0.5%	6,524,680	6	0.7%
Aborcraft Floors	5,873,599	7	0.4%	-	-	0.0%
Sams East Inc.	5,757,908	8	0.4%	-	-	0.0%
John A. Pritchett, Jr.	5,528,910	9	0.4%	4,839,000	10	0.5%
Robert Bosch Corporation	5,393,079	10	0.4%	10,302,878	4	1.1%
Harris-Tarkett Inc	-	-	0.0%	5,876,533	8	0.6%
Siemens Industrial Automation	-	-	0.0%	5,926,226	7	0.6%
Totals	<u>\$ 89,145,346</u>		<u>6.3%</u>	<u>\$ 96,580,336</u>		<u>10.0%</u>

Total Taxable Assessed Value:

FYE 2009 (Tax Year 2008)	1,403,357,387
FYE 2000 (Tax Year 1999)	965,628,237

Source: City of Johnson City Finance Department

See Independent Auditors' Report.

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

Fiscal Year Ended June 30	Tax Levy for Fiscal Year	Subsequent Adjustments to Levy	Adjusted Tax Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date		Uncollected Delinquent Taxes
				Amount	Percentage of Adjusted Levy		Amount	Percentage of Adjusted Levy	
2000	17,970,361	(11,072)	17,959,289	16,944,556	94.35%	1,008,211	17,952,767	99.96%	6,522
2001	18,558,384	(44,575)	18,513,809	17,756,760	95.91%	742,792	18,499,552	99.92%	14,257
2002	21,117,931	874,982	21,992,913	21,108,710	95.98%	869,295	21,978,005	99.93%	14,908
2003	22,071,665	215,049	22,286,714	21,613,078	96.98%	652,364	22,265,442	99.90%	21,272
2004	22,723,186	37,367	22,760,553	22,019,690	96.74%	658,818	22,678,508	99.64%	82,045
2005	24,282,470	(49,021)	24,233,449	23,694,840	97.78%	481,630	24,176,470	99.76%	56,979
2006	23,967,796	392,286	24,360,082	23,677,242	97.20%	607,308	24,284,550	99.69%	75,532
2007	25,245,152	199,823	25,444,975	24,718,999	97.15%	640,180	25,359,179	99.66%	85,796
2008	26,684,753	(51,078)	26,633,675	25,856,042	97.08%	556,517	26,412,559	99.17%	221,116
2009	26,298,062	748,932	27,046,994	25,979,435	96.05%	-	25,979,435	96.05%	1,067,559

Source: City of Johnson City Finance Department

See Independent Auditors' Report.

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

Fiscal Year Ended June 30	Governmental Activities			Business-Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Notes Payable	Capital Lease	General Obligation Bonds	Revenue Bonds	Lease and Notes Payable			
2000	113,403,739	2,234,517	-	39,187,239	64,342,998	47,800	219,216,293	17.16%	3,911
2001	134,077,206	1,965,667	-	47,452,907	63,110,997	23,900	246,630,677	18.40%	4,389
2002	128,094,467	1,683,591	-	46,162,236	58,589,000	-	234,529,294	16.69%	4,079
2003	120,825,645	1,402,373	-	44,125,074	54,436,000	448,936	221,238,028	15.42%	3,836
2004	113,974,350	1,107,076	296,744	41,980,980	50,813,000	823,787	208,995,937	14.07%	3,599
2005	114,752,367	1,517,241	201,735	39,624,138	47,220,000	939,804	204,255,285	13.14%	3,456
2006	114,641,644	1,229,264	102,875	68,641,159	43,560,000	929,286	229,104,228	14.15%	3,797
2007	109,503,087	927,757	-	68,828,203	49,195,000	1,076,167	229,530,214	14.03%	3,763
2008	102,112,462	613,189	-	66,994,395	73,900,000	1,028,253	244,648,299	14.04%	3,947
2009	107,812,843	284,000	368,450	64,400,485	70,390,000	978,095	244,233,873	13.49%	3,888

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Note:

- Details regarding the City's outstanding debt can be found in the notes to the financial statements.
- See the Schedule of Demographic and Economic Statistics for personal income and population data.

See Independent Auditors' Report.

**CITY OF JOHNSON CITY, TENNESSEE**  
**RATIOS OF GENERAL BONDED DEBT OUTSTANDING**  
**LAST TEN FISCAL YEARS**  
**(Unaudited)**

<u>Fiscal Year Ended June 30</u>	<u>General Obligation Bonds</u>	<u>Less: Amounts Available in Debt Service Funds</u>	<u>Net General Obligation Bonds</u>	<u>Percentage of Estimated Actual Taxable Value of Property</u>	<u>Per Capita</u>
2000	113,403,739	(1,601,932)	111,801,807	3.66%	1,995
2001	134,077,206	(1,371,745)	132,705,461	4.20%	2,362
2002	128,094,467	(1,287,353)	126,807,114	3.90%	2,205
2003	120,825,645	(1,212,470)	119,613,175	3.59%	2,074
2004	113,974,350	(1,141,370)	112,832,980	3.31%	1,943
2005	114,752,367	(1,036,938)	113,715,429	2.83%	1,924
2006	114,641,644	(905,407)	113,736,237	2.78%	1,885
2007	109,503,087	(1,109,636)	108,393,451	2.55%	1,777
2008	102,112,462	(795,124)	101,317,338	2.21%	1,634
2009	107,812,843	41,914	107,854,757	2.34%	1,717

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.
- The General Obligation Bonds above do not include General Obligation Bonds of The Business-Type funds which are anticipated to be paid back from Business revenues.

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE  
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF JUNE 30, 2009  
(Unaudited)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
<b>Debt Repaid with Property Taxes:</b>			
Carter County	\$ 37,699,272	2.00%	753,985
Sullivan County	51,451,207	0.04%	20,580
Washington County	149,935,000	62.00%	92,959,700
<i>Subtotal, Overlapping Debt</i>	<u>239,085,479</u>		<u>93,734,265</u>
<b>City of Johnson City Direct Debt</b>	<u>107,812,843</u>	100.00%	<u>107,812,843</u>
<b>Total Direct and Overlapping Debt</b>	<u>\$ 346,898,322</u>		<u>201,547,108</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									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Debt Limit	\$ 94,548,926	99,327,963	102,866,236	104,659,591	106,090,307	126,261,383	128,604,654	130,990,442	138,450,844	140,335,739
Total Net Debt Applicable to Limit	71,035,936	92,264,403	86,976,664	80,397,842	74,396,547	76,189,564	77,278,841	72,297,357	66,363,920	74,181,737
Legal Debt Margin	\$ 23,512,990	7,063,560	15,889,572	24,261,749	31,693,760	50,071,819	51,325,813	58,693,085	72,086,924	66,154,002
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	75.13%	92.89%	84.55%	76.82%	70.13%	60.34%	60.09%	55.19%	47.93%	52.86%

Legal Debt Margin Calculation for Fiscal Year 2009	
Total Taxable Assessed Value	\$ 1,403,357,387
Debt Limit (10% of Taxable Assessed Value)	140,335,739
Debt Applicable to Limit:	
General Obligation Debt	107,812,843
Less: Sales Tax Revenue Bonds	(33,631,106)
Total Net Debt Applicable to Limit	<u>74,181,737</u>
Legal Debt Margin	<u>\$ 66,154,002</u>

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

See Independent Auditors' Report.

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

Fiscal Year	Operating Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
<b>Water and Sewer Revenue Bonds:</b>							
2000	18,829,366	10,352,608	8,476,758	3,867,000	1,578,335	5,445,335	1.56
2001	18,262,236	11,475,442	6,786,794	2,857,001	1,709,359	4,566,360	1.49
2002	17,706,771	10,555,308	7,151,463	3,166,997	1,464,644	4,631,641	1.54
2003	19,626,789	10,920,221	8,706,568	2,733,000	1,335,810	4,068,810	2.14
2004	19,690,045	11,501,842	8,188,203	2,293,000	1,203,915	3,496,915	2.34
2005	20,288,469	11,952,939	8,335,530	2,483,000	1,109,675	3,592,675	2.32
2006	21,772,092	16,415,529	5,356,563	2,545,000	1,052,982	3,597,982	1.49
2007	23,133,709	17,882,817	5,250,892	2,025,000	937,308	2,962,308	1.77
2008	23,543,970	18,616,888	4,927,082	1,960,000	703,327	2,663,327	1.85
2009	25,057,671	20,944,823	4,112,848	2,035,000	626,270	2,661,270	1.55
<b>City Solid Waste Revenue Bonds:</b>							
2000	6,699,036	6,442,559	256,477	115,000	82,068	197,068	1.30
2001	6,212,455	6,748,753	(536,298)	120,000	99,454	219,454	(2.44)
2002	6,635,333	5,543,526	1,091,807	245,000	95,080	340,080	3.21
2003	7,468,291	5,909,997	1,558,294	255,000	82,505	337,505	4.62
2004	7,897,479	6,077,126	1,820,353	275,000	67,504	342,504	5.31
2005	7,917,942	5,996,550	1,921,392	285,000	53,082	338,082	5.68
2006	8,257,612	6,791,872	1,465,740	160,000	40,020	200,020	7.33
2007	8,622,823	7,045,184	1,577,639	170,000	31,060	201,060	7.85
2008	9,100,844	7,586,586	1,514,258	180,000	21,068	201,068	7.53
2009	8,902,029	7,862,839	1,039,190	190,000	11,020	201,020	5.17
<b>Regional Solid Waste Revenue Bonds:</b>							
2000	1,403,026	1,222,182	180,844	135,000	15,625	150,625	1.20
2001	1,497,806	1,386,409	111,397	140,000	18,301	158,301	0.70
2002	1,578,419	1,372,532	205,887	150,000	10,144	160,144	1.29
2003	1,728,755	1,072,280	656,475	155,000	3,643	158,643	4.14
2004	1,809,069	1,152,122	656,947	N/A	N/A	N/A	N/A
2005	1,892,638	1,290,443	602,195	N/A	N/A	N/A	N/A
2006	2,001,125	1,608,350	392,775	N/A	N/A	N/A	N/A
2007	2,080,774	1,655,070	425,704	N/A	N/A	N/A	N/A
2008	2,191,065	1,818,585	372,480	N/A	N/A	N/A	N/A
2009	2,313,041	1,871,460	441,581	N/A	N/A	N/A	N/A
<b>Golf Course Revenue Bonds:</b>							
2000	552,872	457,620	95,252	110,000	30,426	140,426	0.68
2001	498,628	491,734	6,894	115,000	24,783	139,783	0.05
2002	538,747	507,895	30,852	120,000	19,650	139,650	0.22
2003	533,449	467,528	65,921	130,000	13,650	143,650	0.46
2004	501,343	476,022	25,321	135,000	6,435	141,435	0.18
2005	493,298	497,651	(4,353)	N/A	N/A	N/A	N/A
2006	991,748	1,188,143	(196,395)	N/A	N/A	N/A	N/A
2007	1,034,672	1,240,899	(206,227)	N/A	N/A	N/A	N/A
2008	1,093,309	1,288,126	(194,817)	N/A	N/A	N/A	N/A
2009	1,029,325	1,216,370	(187,045)	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	
<b><u>Johnson City Power Board Revenue Bonds:</u></b>							
2000	111,275,891	100,556,971	10,718,920	765,000	1,481,409	2,246,409	4.77
2001	116,106,756	104,328,939	11,777,817	800,000	936,979	1,736,979	6.78
2002	111,054,311	99,973,365	11,080,946	840,000	1,474,301	2,314,301	4.79
2003	118,634,679	107,479,291	11,155,388	880,000	1,433,510	2,313,510	4.82
2004	124,669,151	113,013,470	11,655,681	929,121	1,384,892	2,314,013	5.04
2005	128,314,735	113,411,634	14,903,101	980,000	1,330,569	2,310,569	6.45
2006	141,680,530	131,546,144	10,134,386	1,035,000	1,276,389	2,311,389	4.38
2007	150,526,423	141,778,812	8,747,611	1,095,000	1,218,689	2,313,689	3.78
2008	161,195,320	151,860,753	9,334,567	1,155,000	1,613,906	2,768,906	3.37
2009	193,154,773	176,106,527	17,048,246	1,285,000	2,498,869	3,783,869	4.51

Note:

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

See Independent Auditors' Report.

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

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita</u> <u>Personal</u> <u>Income<sup>1</sup></u>	<u>Median</u> <u>Age</u>	<u>Education</u> <u>Level in</u> <u>Years of</u> <u>Formal</u> <u>Schooling</u>	<u>School</u> <u>Enrollment</u>	<u>Unemployment</u> <u>Rate</u>
2000	56,052	1,277,200,872	22,786	36.9	13.44	6,732	4.0%
2001	56,194	1,340,732,646	23,859	36.9	13.44	6,655	4.7%
2002	57,501	1,405,266,939	24,439	36.9	13.44	6,805	5.3%
2003	57,671	1,435,200,506	24,886	36.9	13.44	6,778	5.1%
2004	58,078	1,485,809,474	25,583	36.9	13.44	6,778	5.0%
2005	59,099	1,554,244,601	26,299	36.9	13.44	6,766	5.6%
2006	60,333	1,618,553,391	26,827	39.7	13.44	6,998	4.9%
2007	60,990	1,636,178,730	26,827	39.2	13.44	7,052	4.2%
2008	61,990	1,742,848,850	28,115	39.2	13.44	7,180	6.6%
2009*	62,811	1,810,338,642	28,822	39.2	13.44	7,275	9.9%

Sources:

- Johnson City Economic Development Board
- Tennessee Department of Labor & Workforce Development
- State of the Cities Data Systems (SOCDS-HUD)
- Johnson City School System
- Johnson City Chamber of Commerce
- U. S. Census Bureau

<sup>1</sup>Data presented is for Washington County, TN

\*projected

See Independent Auditors' Report.

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

Employer	2009			2003*		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Mountain States Health Alliance	3,541	1	6.3%	3,541	1	6.3%
East Tennessee State University	2,330	2	4.2%	2,012	2	3.6%
CITI Commerce Solution	1,950	3	3.5%	1,817	3	3.3%
James H. Quillen VA Medical Center	1,592	4	2.8%	1,259	4	2.3%
Advanced Call Center Technologies	1,400	5	2.5%	-		0.0%
Washington County School System	1,200	6	2.1%	1,150	6	2.1%
American Heater Company	1,170	7	2.1%	1,200	5	2.2%
City of Johnson City	853	8	1.5%	824	8	1.5%
Johnson City School Systems	832	9	1.5%	920	7	1.6%
AT & T Mobility	650	10	1.2%	805	9	1.4%
Siemens Energy & Automation, Inc.	N/A	-	-	730	10	1.3%
	<u>15,518</u>		<u>27.7%</u>	<u>14,258</u>		<u>25.6%</u>

Total Washington County Employment:

FYE 2009	55,860
FYE 2003	55,800

Sources:

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

\*Principal Employer information is not available prior to FY 2003

See Independent Auditors' Report.

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

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

Sources:

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

Data not available prior to 2001

See Independent Auditors' Report.

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

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

Source: Various City Departments

Note: Operating Indicators are not available for the general government function.

Data not available prior to 2004.

See Independent Auditors' Report.

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

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

Source: Various City Departments

Note:

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

Data not available prior to 2004.

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE  
SCHEDULE OF INTERFUND TRANSFERS  
For the Fiscal Year Ended June 30, 2009  
(Unaudited)

Transfers Out:

	Special Revenue Funds						Capital Projects Funds		Enterprise Funds			
	General Fund	General Purpose School	Debt Service Fund	Drug Fund	School Federal Projects	Community Development Fund	Facilities Project Fund	Equipment Project Fund	Johnson City Power Board	Water and Sewer	Regional Solid Waste	City Solid Waste
<u>Transfers In:</u>												
General Fund	\$ -	-	44,000	-	-	-	-	-	2,702,090	441,048	-	-
Special Revenue Funds:												
General Purpose												
School Fund	7,825,925	-	-	-	10,520	-	-	-	-	-	-	-
Transportation Planning	31,647	-	-	-	-	-	-	-	-	-	-	-
Police Grant Fund	63,611	-	-	19,105	-	-	-	-	-	-	-	-
Police Technology Fund	-	-	-	-	-	-	-	3,439	-	-	-	-
Freedom Hall	234,735	-	-	-	-	-	-	-	-	-	-	-
School Federal Projects	-	-	-	-	-	2,000	-	-	-	-	-	-
Special School Projects	14,950	46,895	-	-	-	-	-	-	-	-	-	-
School Site Based Fund	-	774,547	-	-	-	-	-	-	-	-	-	-
Educational Facilities	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service Fund	-	1,035,400	-	-	-	-	-	-	-	-	-	-
Debt Service Fund	6,584,371	-	-	-	-	-	-	-	-	-	-	-
Capital Projects Funds:												
Parks	215,000	-	-	-	-	-	4,500	150,000	-	-	-	-
Schools	393,000	-	-	-	-	-	-	-	-	-	-	-
Equipment	3,181,389	-	-	-	-	-	31,913	-	-	-	-	-
Infrastructure	313,628	-	-	-	-	-	86,801	-	-	-	-	-
Public Facilities	1,817,752	-	-	-	-	-	-	-	-	-	-	-
Enterprise Funds:												
City Water and Sewer	-	-	-	-	-	-	-	-	-	-	20,180	51,000
Solid Waste	-	-	-	-	-	-	-	-	-	-	148,792	-
Golf Course Fund	401,215	-	-	-	-	-	-	-	-	-	-	-
Mass Transit	660,000	-	-	-	-	-	-	-	-	-	-	-
Internal Service Funds:												
Insurance Fund	225,000	-	-	-	-	-	-	-	-	-	-	-
Motor Transport Fund	38,491	-	-	-	-	-	-	-	-	-	-	-
<b>Totals</b>	<b>\$ 22,000,714</b>	<b>1,856,842</b>	<b>44,000</b>	<b>19,105</b>	<b>10,520</b>	<b>2,000</b>	<b>123,214</b>	<b>153,439</b>	<b>2,702,090</b>	<b>441,048</b>	<b>168,972</b>	<b>51,000</b>

See Independent Auditors' Report.

**CITY OF JOHNSON CITY, TENNESSEE**  
**SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS -**  
**ALL FUNDS - PRIMARY GOVERNMENT**

**June 30, 2009**  
**(Unaudited)**

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2010	\$ 13,139,686	11,512,742	24,652,428
2011	44,719,713	11,494,356	56,214,069
2012	14,091,837	9,664,586	23,756,423
2013	14,736,870	9,260,427	23,997,297
2014	14,493,000	7,516,368	22,009,368
2015	20,869,000	6,917,820	27,786,820
2016	14,453,000	6,062,840	20,515,840
2017	11,865,000	5,430,623	17,295,623
2018	11,591,000	4,907,338	16,498,338
2019	10,616,000	4,388,614	15,004,614
2020	10,631,000	3,898,622	14,529,622
2021	9,479,000	3,426,264	12,905,264
2022	9,849,000	2,986,708	12,835,708
2023	9,052,000	2,554,902	11,606,902
2024	6,329,000	2,181,649	8,510,649
2025	5,824,000	1,892,303	7,716,303
2026	5,105,000	1,615,650	6,720,650
2027	4,713,000	1,366,100	6,079,100
2028	4,963,000	1,134,825	6,097,825
2029	5,176,000	896,388	6,072,388
2030	4,380,000	639,613	5,019,613
2031	4,635,000	430,250	5,065,250
2032	2,595,000	208,562	2,803,562
2033	1,880,000	89,300	1,969,300
Less: Amount not drawn	(12,582,778)	-	(12,582,778)
	<u>\$ 242,603,328</u>	<u>100,476,850</u>	<u>343,080,178</u>

The total reflected on the statement of net assets has been reduced by deferred debt refunding costs of \$155,776.

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE  
SCHEDULE OF NOTE PRINCIPAL AND INTEREST REQUIREMENTS -  
ALL FUNDS - PRIMARY GOVERNMENT  
June 30, 2009  
(Unaudited)

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2010	\$ 103,856	49,369	153,225
2011	108,176	45,922	154,098
2012	111,723	42,098	153,821
2013	14,409	38,031	52,440
2014	15,067	37,373	52,440
2015	15,758	36,682	52,440
2016	16,429	36,011	52,440
2017	17,229	35,211	52,440
2018	18,020	34,420	52,440
2019	18,845	33,595	52,440
2020	19,959	32,481	52,440
2021	20,606	31,834	52,440
2022	21,551	30,889	52,440
2023	22,535	29,905	52,440
2024	23,229	29,211	52,440
2025	24,647	27,793	52,440
2026	25,775	26,665	52,440
2027	26,954	25,486	52,440
2028	28,155	24,285	52,440
2029	29,480	22,960	52,440
2030	30,830	21,610	52,440
2031	32,245	20,195	52,440
2032	33,695	18,745	52,440
2033	35,265	17,175	52,440
2034	36,881	15,559	52,440
2035	38,558	13,882	52,440
2036	40,307	12,133	52,440
2037	42,173	10,267	52,440
2038	44,165	8,275	52,440
2039	46,128	6,312	52,440
2040	48,266	4,174	52,440
2041	43,065	2,025	45,090
2042	20,433	589	21,022
2043	4,623	81	4,704
	<u>\$ 1,179,037</u>	<u>821,243</u>	<u>2,000,280</u>

See Independent Auditors' Report.

**CITY OF JOHNSON CITY, TENNESSEE**  
**SCHEDULE OF UNCOLLECTED DELINQUENT TAXES**  
**June 30, 2009**  
**(Unaudited)**

Tax Year	Uncollected Delinquent Taxes June 30, 2009
2008	\$ 1,067,559
2007	221,116
2006	85,796
2005	75,532
2004	56,979
2003	82,045
2002	21,272
2001	14,908
2000	14,257
1999	6,522
Total	\$ 1,645,986

Uncollected Delinquent Taxes Filed in Chancery Court:

As of April 1, 2009, the above delinquent taxes for 1999 through 2007 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, 2009**

**(Unaudited)**

<u>Water Rates:</u>	<u>Inside City</u>	<u>Outside City</u>
Base	3.42	6.84
0 - 20,000 Gallons Used	2.65 / 1,000 gal.	5.30 / 1,000 gal.
20,001 - 190,000 Gallons Used	2.12 / 1,000 gal.	4.24 / 1,000 gal.
190,000 - 490,000 Gallons Used	1.91 / 1,000 gal.	3.82 / 1,000 gal.
Over 490,000 Gallons Used	1.72 / 1,000 gal.	3.45 / 1,000 gal.
<u>Sewer Rates:</u>	<u>Inside City</u>	<u>Outside City</u>
Base	3.46	6.92
0 - 20,000 Gallons Used	3.47 / 1,000 gal.	6.94 / 1,000 gal.
20,001 - 190,000 Gallons Used	3.47 / 1,000 gal.	6.94 / 1,000 gal.
190,000 - 490,000 Gallons Used	3.30 / 1,000 gal.	6.59 / 1,000 gal.
Over 490,000 Gallons Used	3.12 / 1,000 gal.	6.25 / 1,000 gal.
<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 City<sup>1</sup></u>	<u>Outside City<sup>2</sup></u>
4 yard <sup>3</sup>	\$60.00 / mon.	\$102.50 / mon.
6 yard <sup>3</sup>	\$75.00 / mon.	\$117.50 / mon.
8 yard <sup>3</sup>	\$90.00 / mon.	\$132.50 / mon.
Each Commercial Cart	1-4 \$13/mon. 5-8 \$26/mon. 9-12 \$39/mon.	1 \$15 / mon. 2 \$22.50/mon. 3 \$45/mon. 4 \$60/mon.
<u>Number of Customers:</u>	<u>Inside City</u>	<u>Outside City</u>
Water	25,404	15,719
Sewer	23,480	3,873
Solid Waste <sup>4</sup>	22,665	9,623
<u>Unaccounted for Water:</u>	<u>Gallons</u>	<u>% of Total Gallons</u>
Pumped gallons of water	5,374,897,000	100.00%
Accounted for gallons of water	3,590,551,174	66.80%
Unaccounted for (lost) gallons of water	<u>1,784,345,826</u>	<u>33.20%</u>

Sources:

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

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

<sup>2</sup>Includes dumpster which is furnished.

<sup>3</sup>Rates based on one collection per week.

<sup>4</sup>Does not include garbage pulls, front loader or container rentals.

See Independent Auditors' Report.

CITY OF JOHNSON CITY, TENNESSEE  
SCHEDULE OF UNACCOUNTED FOR WATER

June 30, 2009

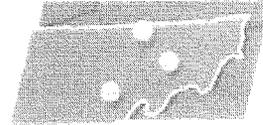
(Unaudited)

*(All amounts in gallons)*

<b>Water Treated and Purchased:</b>	
Water Pumped (potable)	5,374,897,000
Water Purchased	-
<b>Total Water Treated and Purchased</b>	5,374,897,000
 <b>Accounted for Water:</b>	
Water Sold	3,538,799,300
Metered for Consumption	-
Fire Departments Usage	7,486,800
Flushing	41,347,898
Tank Cleaning/Filling	2,500,800
Street Cleaning	416,376
Bulk Sales	-
Water Bill Adjustments	-
<b>Total Accounted for Water</b>	3,590,551,174
 <b>Unaccounted for Water</b>	 1,784,345,826
 <b>Percentage Unaccounted for Water</b>	 33.198%
 <b>Cost per 1,000 gallons of water</b>	 \$0.0374
 <b>Cost of Unaccounted for Water</b>	 66,734.53

Note: The unmetered water percentage does not include leakage or meter accuracy adjustments as previously accounted for in the **AWWA M36 manual** accounting method. The yearly unmetered water would be 11% if the AWWA M36 manual accounting method was allowed.

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, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 18, 2009. We did not audit the financial statements of the Johnson City Schools Site Based Fund, a nonmajor special revenue fund, which represent 1%, 2% and 1%, 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 did not audit the financial statements of the Johnson City Development Authority, which represents 6%, 6%, and 15% respectively, of the assets, net assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it related to the amounts included for the Johnson City Development Authority, is based on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not to be prevented or detected by the City's internal control.

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 or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

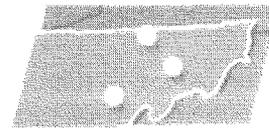
As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

We noted certain other matters that we reported to management of the City, in a separate letter dated December 18, 2009.

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

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

December 18, 2009



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, 2009. 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, 2009.

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.

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 18, 2009

**CITY OF JOHNSON CITY, TENNESSEE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**June 30, 2009**

Section I - Summary of Auditors' Results

1. The auditors' report based on our audit and the report of other auditors expresses an unqualified opinion on the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Johnson City, Tennessee (the "City").
2. There are no significant deficiencies relating to the audit of the financial statements.
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
HEROES, U.S. Department of Education	84.184L
Federal Transportation Administration	20.507
Community Development Block Grant	14.218
National School Breakfast Program	10.533
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, 2009

Section II - Financial Statement Findings

Current Year Findings:

None

Prior Year Findings Implemented:

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

- |              |  |
|--------------|--|
| Finding 08-1 | Budget Procedures: Budgetary controls appear to have improved with budget amendments being made to correctly reflect actual spending.  |
| Finding 08-2 | Golf Course Procedures: Cash registers were used throughout the entire year and controls were strengthened over golf course procedures.  |
| Finding 08-3 | Budget Procedures: The budgets appear to have been approved in a timely manner and differences between the approval amounts were minimal.  |
| Finding 08-4 | Tracking of Grants: Grants were more closely tracked within the schools during the current year. Expenses were matched with grant revenues and monitored more closely.                               |
| Finding 08-5 | Actuarial Reports: Actuarial reports for workers compensation, automotive liability and general liability were received in a timely manner resulting in adequate time for the liability adjustments. |

Section III - Federal Award Findings and Questioned Costs

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