

City of Athens, Tennessee



*Comprehensive Annual
Financial Report*

For The Year Ended June 30, 2010

CITY OF ATHENS, TENNESSEE

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**FOR THE YEAR ENDED
JUNE 30, 2010**

**Prepared by:
Department of Finance**

CONTENTS

	<u>Page No.</u>
INTRODUCTORY SECTION	
Letter of Transmittal	A-1 - A-4
GFOA Certificate of Achievement	A-5
Organizational Chart	A-6
List of Principal Officials	A-7
FINANCIAL SECTION	
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON FINANCIAL STATEMENTS	
	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	
	B-1 - B-9
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
Statement of net assets	3
Statement of activities	4
Fund Financial Statements:	
Balance sheet - governmental funds	5
Reconciliation of the governmental funds balance sheet to the statement of net assets	6
Statement of revenues, expenditures and changes in fund balances - governmental funds	7
Reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities	8
Statement of revenues, expenditures and changes in fund balance - budget and actual - General Fund	9-12
Balance sheet - proprietary funds	13
Statement of revenues, expenses and changes in fund net assets - proprietary funds	14
Statement of cash flows - proprietary funds	15
Statement of fiduciary net assets - Athens Pension Trust Fund - fiduciary fund	16
Statement of changes in fiduciary net assets - Athens Pension Trust Fund - fiduciary fund	17
Notes to financial statements	18-50
REQUIRED SUPPLEMENTAL INFORMATION	
Schedule of funding progress and schedule of employer contributions - pension plan	51

Page No.

SUPPLEMENTAL INFORMATION

Combining balance sheet - nonmajor governmental funds	52
Combining statement of revenues, expenditures and changes in fund balance - nonmajor governmental funds	53
Budgetary comparison schedule - Debt Service Fund	54
Budgetary comparison schedule - Drug Fund	55

Schedule No.

FINANCIAL SCHEDULES

Schedule of uncollected delinquent taxes filed - last ten years	1	56
Schedule of changes in property taxes receivable	2	57
Schedule of investments	3	58-61
Schedule of debt service requirements	4	62

Table No.

STATISTICAL SECTION

Net assets by component - last eight fiscal years	1	63
Changes in net assets - last eight fiscal years	2	64-66
Fund balances, governmental funds - last eight fiscal years	3	67
Changes in fund balances, governmental funds - last eight fiscal years	4	68-69
Assessed and estimated actual value of taxable property - last ten fiscal years	5	70
Direct and overlapping property tax rates - last ten fiscal years	6	71
Principal property taxpayers - current fiscal year and nine years ago	7	72
Property tax levies and collections - last ten fiscal years	8	73
Ratio of outstanding debt by type - last ten fiscal years	9	74
Ratio of general debt outstanding - last ten fiscal years	10	75
Direct and overlapping governmental activities debt	11	76
Legal debt margin information - last ten fiscal years	12	77
Pledged revenue coverage - last ten fiscal years	13	78
Demographic and economic statistics - last ten fiscal years	14	79
Principal employers - current fiscal year and nine years ago	15	80
Full-time equivalent city government employees by function/program - last eight fiscal years	16	81
Operating indicators by function/program - last eight fiscal years	17	82
Infrastructure statistics by function - last eight fiscal years	18	83

SINGLE AUDIT

Schedule of expenditures of federal and state awards	84-88
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	<u>Page No.</u>
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	89-90
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	91-92
Schedule of findings and questioned costs	93-94

INTRODUCTORY SECTION

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CITY OF ATHENS

Brad Harris, CPA
Director of Finance

Honorable Mayor,
Members of the City Council and
Citizens of the City of Athens, Tennessee

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and an audit in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Athens for the fiscal year ended June 30, 2010.

This report consists of management's representations concerning the finances of the City of Athens. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Athens has established a comprehensive internal control framework that is designed both to protect the city's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Athens' financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Athens' comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Athens' financial statements have been audited by Neal, Scouten and McConnell, P.C., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Athens, for the fiscal year ended June 30, 2010, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Athens' financial statements, for the fiscal year ended June 30, 2010, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

PROFILE OF THE CITY OF ATHENS

The City of Athens, incorporated in 1891, is located in the southeastern part of the state, midway between the metropolitan cities of Knoxville and Chattanooga. This unique location affords the citizens of the City of Athens the ability to quickly access the amenities of two metropolitan areas. In addition, its proximity to the mountains of east Tennessee, the Tennessee River, and whitewater rafting makes it attractive to a wide range of individuals. The City of Athens serves a population of 13,334 and occupies a land area of approximately 14 square miles.

The City of Athens operates under the council-manager form of government, as authorized under Chapter 455 of the Private Acts of 1953. The five council members are elected at large. All elections are non-partisan, and the terms are for four years. Elections are held every two years on the first Tuesday in November so that only two or three seats are up for election at any given time. The council members select the Mayor and Vice-Mayor every two years at the council meeting in November, following the election. Policy-making and legislative authority are vested in the council. The council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, hiring the city manager, and appointing the city attorney and city judge. The city manager is responsible for carrying out the policies and ordinances of the city council, for overseeing the city's day-to-day operations, and for appointing the heads of the various departments.

The city provides a full range of services which include police and fire protection; sanitation services; the construction and maintenance of highways, streets, and infrastructure; recreational activities and cultural events. In addition to general government activities, the governing body appoints the Athens Utilities Board and approves the annual budget and debt issues for the Athens City Schools; therefore, these activities are reported separately within the financial statements of the City of Athens. However, the Athens Housing Authority, the McMinn County Economic Development Authority, the E. G. Fisher Library, and the Athens Health and Educational Facilities Board have not met the established criteria for inclusion; and, accordingly, are excluded from this report.

The annual budget serves as the foundation for the City of Athens' financial planning and control. The council reviews capital outlay needs each year at their annual retreat in January/February. The finance department compiles budgetary information to be distributed to the departments by February 28. Budget requests are submitted to the finance director in March, at which time the finance department compiles the data and makes revenue estimates. Budget hearings are held in April of each year with the department heads. In early May, the City Manager and/or Director of Finance makes a formal balanced budget presentation to the city council.

After much review and debate among the council, the budget is revised to include any recommendations of the city council. A revised budget is submitted to city council at the May council meeting. The council is required to hold a public hearing on the proposed budget and to adopt a final budget and tax rate by June 30 each year, which is the close of the city's fiscal year. The appropriated budget is prepared by fund, function (e.g., public safety), department (e.g., police) and division (e.g., patrol). Department heads may make transfers within a division, but transfers of appropriations between divisions and funds require approval of the city council. Budget to actual comparisons are provided in this report for each governmental fund for which an appropriated annual budget has been adopted.

Local Economy

Major industries located within the city include several automotive parts suppliers, manufacturers of electrical components and plastics, and a producer of dairy products.

The unemployment rate has varied over the past decade. In 2000, the rate was 4.4 percent, with the highest rate being 14.9 percent in 2009 and the lowest rate being 5.9 percent. During the past ten years, Denso Manufacturing has grown from a vacant parcel of land to an employer of approximately 890 individuals.

During the past ten years, the government's expenses related to education have generally increased in both percentage and amount. This is due to the increased state funding for The Basic Education Program (BEP), funding for renovations and an increase in sales tax collections.

During the same ten-year period, taxes and intergovernmental revenues have increased in both amount and percentage. Property tax collections have grown because of the growth of Denso and personal property tax growth throughout the entire city. Sales taxes have also grown, but fiscal year ended June 30, 2010 saw a decline from previous years due to the current economic conditions. Athens still accounts for approximately 80 percent of sales tax collections within McMinn County. Intergovernmental increases this fiscal year are a result of increased grant revenues.

Long-Term Financial Planning

Unreserved, undesignated fund balance in the general fund (60 percent of total general fund revenues) has continued to grow over the past ten years. The policy has been to maintain approximately 2 to 3 months of expenditures in fund balance (approximately 17 to 25 percent). In past years the excess has typically been transferred to the capital improvement fund to accumulate funds for large capital items and grant matching funds. These funds are currently being held in the general fund and will be transferred to the capital improvement fund to be used for such items as identified by the council.

The city has identified approximately \$34,000,000 in capital funding items. The policy for the city has been to fund many of these types of projects with grant monies or the funds accumulated in the capital improvement fund. The City is anticipating the development of a new road at the Athens Regional Park, the construction of projects at Market Park and Exit 49, the completion of a sewer collection system and sewer line rehabilitation in the Mt. Verd area and the North Mouse Creek watershed restoration project and various other projects. The total cost is estimated to be \$2,000,000 and is funded primarily by federal and state grants.

Significant Financial Policies

The global economy, and in particular the United States economy have suffered significantly over the past two to three years. This economic downturn has also affected municipalities, with the City of Athens being no exception. The City has responded to a decrease in revenues by consistently looking for ways to trim expenditures. The 2009-2010 budget reduced expenditures by 3.9 percent, while the 2010-2011 budget further reduced expenditures by 4.5 percent. Also, a detailed multi-year revenue trend analysis is utilized to assist in the budget process. The City's policy is to balance its budget annually without using reserves, and to budget conservatively in the process.

Cash Management Policies and Practices

Cash temporarily idle during the year was invested in the State Treasurer's investment pool. The City uses a three-year rotation for banking services, but maintains a minimal balance in its checking account and works to negotiate a higher interest rate on idle cash from other local banks. This allows a higher interest rate to sometimes be earned on funds for a maximum period of time. When interest rates are not favorable at local banks, the investment pool is used.

Major Initiatives

Several transportation-related projects are expected to begin during the next several years. These include a traffic safety project at Rocky Mount Road and Dennis Street, which will be funded with federal highway funds. The state is in the planning process for widening Highway 30 between Athens and Etowah to a four lane highway. Construction is expected to begin in 2012. It is expected that traffic will increase in the city as a result of this and may require changes and upgrades to the streets and signalizations over future years. The city and McMinn County have been in discussions with the State of Tennessee concerning the location of a bypass to improve traffic flow in the area. Having funded a new position in the fire department and purchased a new combination pumper/ladder fire truck, the City continues to review capital and personnel needs for the fire department.

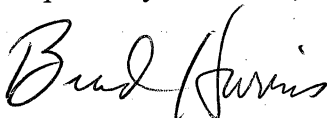
Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada(GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Athens for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2009. This was the eighteenth consecutive year that the city has received this prestigious award. In order to be awarded a Certificate of Achievement, the city published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

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

The preparation of this CAFR on a timely basis was made possible by the dedicated service of the entire staff of the finance and administration departments. Credit must also be given to the mayor, city council, and the city manager for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Athens' finances.

Respectfully submitted,



Brad Harris
Director of Finance

December 22, 2010

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Athens
Tennessee

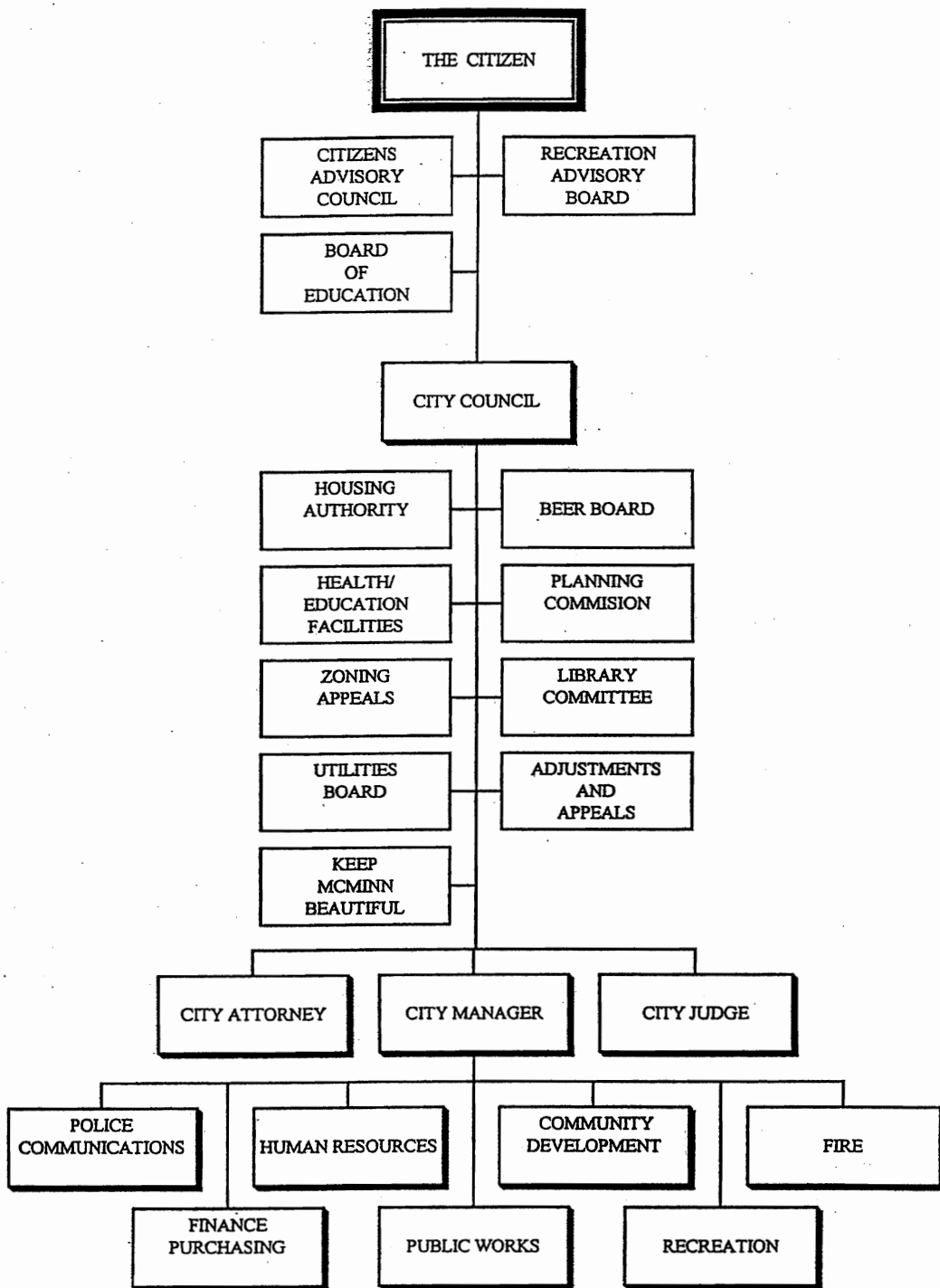
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

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



President

Executive Director



CITY OF ATHENS, TENNESSEE
LIST OF PRINCIPAL OFFICIALS
June 30, 2010

City of Athens

R. Hal Buttram
William Bo Perkinson
Ann Davis
Shane Jackson
Dick Pelley

Mayor
Vice-Mayor
Council Member
Council Member
Council Member

Mitchell B. Moore
H. Chris Trew
Donald E. (Trey) Winder
Rita C. Brown
Anthony Casteel

City Manager
City Attorney
City Judge
Director of Human Resources
Director of Community Development

Jim Dyer
Austin Fesmire
Brad Harris
Shawn Lindsay
Charles T. Zeigler

Fire Chief
Director of Parks & Recreation
Director of Finance
Director of Public Works
Police Chief

Athens City Board of Education

Michael L. Bevins
Chris Liner
Jim Nelson
Harold Powers
Brian Heatherly
Chris Adams

Chairman
Vice-Chairman
Secretary
Treasurer
Board Member
Board Member

Robert Greene
Becky Simpson
Pete Harrell
Janey Morris
Yvonne Raper
Eddie Arnold
Diane Frank

Director of Schools
Supervisor of Instruction
Supervisor of Transportation
Supervisor of Special Education and Federal Projects
Supervisor of Food Services
Supervisor of Maintenance
Supervisor of Financial Services

Athens Utilities Board

R. Carter Runyan
William Bo Perkinson
Linda Derrick
Lou Pascarella
Stan Harrison

Chairman
Vice-Chairman
Board Member
Board Member
Board Member

Eric Newberry
Doug Rodgers
Larry Monteen
Sherree Reed
Jill Davis
Wayne Scarbrough
Phyllis Lunceford

General Manager
Superintendent of Accounting
Superintendent of Power
Superintendent of Gas
Superintendent of Water/Wastewater
Director of Communications
Director of Management Services

FINANCIAL SECTION

NEAL, SCOUTEN & McCONNELL, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
633 Chestnut Street
Suite 1440 Republic Centre
Chattanooga, Tennessee 37450-1440

Report of Independent Certified Public Accountants
on Financial Statements

To the City Council
City of Athens
Athens, 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 Athens, Tennessee, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Athens, Tennessee's management. Our responsibility is to express opinions on these financial statements based on our audit.

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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, 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 Athens, Tennessee, as of June 30, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 22, 2010, on our consideration of the City of Athens, Tennessee'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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages B-1 – B-9 and other required supplemental information on page 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Athens, Tennessee's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements on pages 52-53, the budgetary comparison schedules on pages 54-55, the statistical section and the financial schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements, the budgetary comparison schedules, the financial schedules, and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Neal, Scouter & McConnell, P.C.

Chattanooga, Tennessee
December 22, 2010

City of Athens, Tennessee
Management's Discussion and Analysis
June 30, 2010

As management of the City of Athens, we offer readers of the city's financial statements this narrative overview and analysis of the financial activities of the City of Athens for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in pages A-1 to A-4 of this report.

Financial Highlights

- The assets of the City of Athens exceeded its liabilities at June 30, 2010 by \$27,722,344 (net assets). Of this amount, \$10,418,347 (unrestricted net assets) may be used to meet the city's ongoing obligations to citizens and creditors.
- Net assets increased by \$2,572,568, an increase of 10.2% compared to fiscal year 2009. The City of Athens' changes in net assets is detailed in the chart on page B-6 of this report. Total revenues increased \$3,640,190, primarily due to an increase in grant revenues, including pass-through grants and property taxes. Expenses increased \$2,996,388 primarily due to pass-through grants.
- As of the close of the current fiscal year, the City of Athens' governmental funds reported combined ending fund balances of \$15,858,867. Only 24.2% is reserved for specific purposes, and the remaining 75.8%, or \$12,025,868, is available for spending at the city's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$7,645,767 or 70% of total general fund expenditures. Expenditures do not include transfers to other funds, which totaled \$1,790,000 in the city's general fund.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction of the City of Athens' basic financial statements. The City of Athens' basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The *statement of net assets* presents information on all of the City of Athens' 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 of Athens is improving or deteriorating.

The *statement of activities* presents information showing how the government'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

City of Athens, Tennessee
Management's Discussion and Analysis
June 30, 2010

reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Athens that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Athens include general government, public safety, highways and streets, education, economic development, and culture and recreation. The business-type activities of the City of Athens include the Conference Center Fund and the Sanitation Fund.

The government-wide financial statements include not only the City of Athens itself (which is the primary government), but also the legally separate entities Athens Board of Education and Athens Utilities Board. However, the Athens Housing Authority, the McMinn County Economic Development Authority, the E. G. Fisher Library, and the Athens Health and Educational Facilities Board are not legal entities of the City of Athens, and, accordingly are excluded from this report.

The government-wide financial statements can be found on pages 3-4 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 of Athens, 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 of Athens can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of the 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 government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Athens maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the capital improvement fund and the debt service fund, which are considered to be major funds. Data from the other three governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor

City of Athens, Tennessee
Management's Discussion and Analysis
June 30, 2010

governmental funds is provided in the form of combining statements later in this report beginning on page 51.

The City of Athens adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 5-8 of this report.

Proprietary funds. The City of Athens maintains two different types of proprietary funds: enterprise funds 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 of Athens uses enterprise funds to account for its Southeast Tennessee Trade and Conference Center operations and sanitation services. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Athens' various functions. The City of Athens uses an internal service fund to account for its fleet of vehicles. Because this service predominantly benefits governmental rather than business-type functions, it has been 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 funds financial statements provide separate information for the Southeast Tennessee Trade and Conference Center operations and sanitation fund, both of which are considered to be major funds of the City of Athens. Since there is only one internal service fund, it is presented in the proprietary fund financial statement.

The basic proprietary fund financial statements can be found on pages 13-15 of this report.

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

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 18-49 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Athens' progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 50 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 51-54 of this report.

City of Athens, Tennessee
Management's Discussion and Analysis
June 30, 2010

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Athens, assets exceeded liabilities by \$27,722,344 at the close of this fiscal year.

The largest portion of the City of Athens net assets (49 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any debt used to acquire those assets that is still outstanding. The City of Athens uses these capital assets to provide services to its citizens; consequently these assets are not available for future spending. Although the City of Athens' investment in its 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. Unrestricted net assets total 38 percent of net assets and may be used to meet the government's ongoing obligations to its citizens and creditors. The city has accumulated funds for capital project needs as approved by Council and debt service. Restricted net assets comprise 13 percent of net assets. These resources are subject to external restrictions on how they may be used.

At June 30, 2010, the City of Athens is able to report positive balances in all categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities and its component units.

City of Athens
Net Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Current and other assets	\$26,387,320	\$22,939,611	\$ 967,079	\$ 1,160,878	\$27,354,399	\$24,100,489
Capital assets	<u>12,210,372</u>	<u>11,565,341</u>	<u>1,548,913</u>	<u>1,373,417</u>	<u>13,759,285</u>	<u>12,938,758</u>
Total assets	<u>38,597,692</u>	<u>34,504,952</u>	<u>2,515,992</u>	<u>2,534,295</u>	<u>41,113,684</u>	<u>37,039,247</u>
Long-term liabilities	6,152,081	6,751,972	—	—	6,152,081	6,751,972
Other liabilities	<u>7,211,109</u>	<u>5,115,919</u>	<u>28,150</u>	<u>21,580</u>	<u>7,239,259</u>	<u>5,137,499</u>
Total liabilities	<u>13,363,190</u>	<u>11,867,891</u>	<u>28,150</u>	<u>21,580</u>	<u>13,391,340</u>	<u>11,889,471</u>
Invested in capital assets, net of related debt	12,210,372	11,060,041	1,548,913	1,373,417	13,759,285	12,433,458
Restricted	3,544,712	3,243,590	—	—	3,544,712	3,243,590
Unrestricted	<u>9,479,418</u>	<u>8,333,430</u>	<u>938,929</u>	<u>1,139,298</u>	<u>10,418,347</u>	<u>9,472,728</u>
Net assets	<u>\$25,234,502</u>	<u>\$22,637,061</u>	<u>\$ 2,487,842</u>	<u>\$ 2,512,715</u>	<u>\$27,722,344</u>	<u>\$25,149,776</u>

Governmental activities. Governmental activities increased the City of Athens' net assets by \$2,597,441 which accounts for all of the total increase in the net assets of the City of Athens. The majority of the increase in the governmental activities is due to an increase in grant funds and property taxes, as well as overall cost-cutting measures that decreased expenditures.

City of Athens, Tennessee
Management's Discussion and Analysis
June 30, 2010

Business-type activities. Business-type activities decreased the City of Athens' net assets by \$24,873. This decrease was primarily the result of an increase in expenditures related to the automation of residential refuse collection.

Key elements of this increase in net assets are as follows:

City of Athens
Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 670,200	\$ 770,799	\$ 824,350	\$ 836,191	\$ 1,494,550	\$ 1,606,990
Operating grants and contributions	682,455	577,555	—	—	682,455	577,555
Capital grants and contributions	4,484,478	234,110	—	—	4,484,478	234,110
General revenues:						
Property taxes	4,433,632	4,334,558	—	—	4,433,632	4,334,558
Other taxes	5,731,900	5,994,169	—	—	5,731,900	5,994,169
Intergovernmental revenues not restricted to specific programs						
Transfers	—	—	195,000	—	—	—
Other	171,664	519,250	44,788	27,188	216,452	546,438
Total revenues	17,284,768	13,650,337	1,064,138	863,379	18,153,906	14,513,716
Expenses:						
General government	2,504,213	2,490,960	—	—	2,504,213	2,490,960
Public safety	4,224,580	4,461,884	—	—	4,224,580	4,461,884
Highways and streets	1,644,740	1,998,281	—	—	1,644,740	1,998,281
Culture and recreation	709,813	911,898	—	—	709,813	911,898
Education	1,825,000	1,685,054	—	—	1,825,000	1,685,054
Health and welfare	97,091	93,733	—	—	97,091	93,733
Interest on long-term debt	63,175	124,260	—	—	63,175	124,260
Transfers	195,000	—	—	—	195,000	—
Passthrough grants	3,423,715	—	—	—	3,423,715	—
Conference center	—	—	64,782	74,287	64,782	74,287
Sanitation	—	—	1,024,229	744,393	1,024,229	744,393
Total expenses	14,687,327	11,766,070	1,089,011	818,680	15,776,338	12,584,750
Change in net assets	2,597,441	1,884,267	(24,873)	44,699	2,572,568	1,928,966
Net assets, beginning of year	22,637,061	20,752,794	2,512,715	2,468,016	25,149,776	23,220,810
Net assets, end of year	\$25,234,502	\$22,637,061	\$ 2,487,842	\$ 2,512,715	\$27,722,344	\$25,149,776

City of Athens, Tennessee
Management's Discussion and Analysis
June 30, 2010

Financial Analysis of the City's Fund

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

Governmental funds. The focus of the City of Athens' governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Athens' financing requirements. The unreserved fund balance may serve as a useful measure of a government's net resources available at the end of the fiscal year for future unforeseen emergencies.

As of the end of the current fiscal year, the City of Athens' governmental funds reported combined ending fund balances of \$15,858,867, an increase of \$1,174,264 in comparison to the prior year. Approximately 75.8 percent of this total amount (\$12,025,898) constitutes unreserved fund balance. The remainder of fund balance is reserved to indicate that it is not available for spending because it has already been committed. Within the governmental funds, \$4,215 is reserved for encumbrances, \$108,098 is reserved for inventory, \$171,024 is reserved for law enforcement and police benefit, \$4,950 is reserved for NLC Small Cities meeting, \$144,596 is reserved for cemetery perpetual care, and \$3,400,116 is reserved for debt service.

The general fund is the chief operating fund of the City of Athens. At the end of the current fiscal year, unreserved fund balance of the general fund was \$7,645,767. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total general fund expenditures. Unreserved fund balance represents 70% of total fund expenditures, but represents 60.1% when compared to total fund expenditures and transfers to other funds (e.g. debt service fund and capital projects fund).

The fund balance of the City of Athens' general fund decreased by \$76,836 during the current fiscal year. The decrease in expenditures was greater than the decrease in revenues before considering transfers. These transfers increased in this fiscal year by \$1,000,000 compared to the previous year, accounting for the overall decrease in the general fund.

The debt service fund has a total fund balance of \$3,400,116. The net increase was \$285,388, due to a transfer from the general fund and a combined decrease in principal payments and interest expense. The capital projects fund has a total fund balance of \$4,178,331. The net increase was \$936,943, due to a transfer from the general fund as noted. The city continued to transfer \$790,000 to the debt service fund in the current year, and as noted transferred \$1,000,000 to the capital projects fund.

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

Unrestricted net assets at the end of the year amounted to \$3,264 for the conference center fund, \$935,665 for the sanitation fund and \$1,966,474 for the fleet management fund.

City of Athens, Tennessee
Management's Discussion and Analysis
June 30, 2010

General Fund Budgetary Highlights.

Differences between the original budget and the final amended budgeted expenditures were approximately \$244,100 and are summarized below:

\$97,600 in miscellaneous increases in general government activities, related primarily to legal and other professional services, special appropriations, city hall repairs and maintenance as well as grant expenditures related to housing rehabilitation

\$133,800 in miscellaneous increases in public safety, related primarily to fixed asset expenditures in emergency communications and police services

\$10,200 in miscellaneous increases in culture and recreation, related primarily to maintenance projects

\$2,500 in miscellaneous increases in public works, related primarily to projects

Final amended budgeted revenues exceeded actual revenues by \$245,680 and are summarized below:

\$147,287 decrease in property taxes and other local taxes

\$11,793 increase in intergovernmental revenues

\$54,203 decrease in interest income

\$26,004 increase in fines and forfeitures

\$81,987 decrease in miscellaneous revenues and charges for services

Final amended budgeted expenditures exceeded actual expenditures by \$1,182,452 and are summarized below:

\$450,131 in general government expenditures, related primarily to administrative services, finance and community development

\$293,513 in public safety expenditures including police (\$104,680), fire (\$105,905) and communications (\$82,928)

\$299,258 in highways and streets primarily due to street maintenance and construction

\$136,841 in parks and recreation primarily due to maintenance and program planning

\$2,709 in Health and welfare expenditures

City of Athens, Tennessee
Management's Discussion and Analysis
June 30, 2010

Capital Asset and Debt Administration

Capital assets. The City of Athens' investment in capital assets for its governmental and business-type fund activities as of June 30, 2010, amounts to \$13,759,285 (net of accumulated depreciation). This investment in capital assets includes land, buildings, other improvements, equipment, and infrastructure.

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

Computer upgrades and equipment added approximately 2,000.

Central heat and air changeouts to City buildings added approximately \$94,000.

Police department activities added approximately \$190,000 in computer equipment and vehicles.

Fire department activities added approximately \$2,000 in new equipment and vehicles.

Parks and recreation projects added approximately \$150,000 in new equipment and infrastructure projects.

Public works and sanitation added approximately \$390,000 in equipment, vehicles and infrastructure projects.

The City has construction-in-process of approximately \$744,000 related to a sidewalk enhancement project and other projects.

City of Athens
Capital Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Buildings and improvements	\$ 5,199,617	\$ 5,150,639	\$ 1,517,930	\$ 1,517,930	\$ 6,717,547	\$ 6,668,569
Infrastructure	7,452,975	6,580,297	-	-	7,452,975	6,580,297
Furniture and office equipment	1,065,657	1,044,461	29,864	29,864	1,095,521	1,074,325
Machinery and equipment	5,929,406	5,754,829	1,473,083	1,317,228	7,402,489	7,072,057
Land	2,563,167	2,563,167	34,500	34,500	2,597,667	2,597,667
Construction in progress	<u>774,033</u>	<u>326,613</u>	<u>-</u>	<u>-</u>	<u>774,033</u>	<u>326,613</u>
	<u>\$22,984,855</u>	<u>\$21,420,006</u>	<u>\$ 3,055,377</u>	<u>\$ 2,899,522</u>	<u>\$26,040,232</u>	<u>\$24,319,528</u>

Additional information on the City of Athens' capital assets can be found in Note 2 on pages 32-34 of this report.

City of Athens, Tennessee
Management's Discussion and Analysis
June 30, 2010

Long-term debt. At the end of the current fiscal year, the City of Athens had no bonded debt outstanding. The city has financed school projects through a loan from bond proceeds issued by the Public Building Authority of the City of Clarksville, Tennessee. The balance outstanding for this 2003 note was \$5,900,000. It is backed by the full faith and credit of the city. Detailed information on long-term debt activity can be found in Note 3 on pages 35-37 of this report

State statutes do not limit the amount of general obligation bonded debt a governmental entity may issue.

Economic Factors and Next Year's Budgets and Rates

The unemployment rate for the City of Athens is currently 11.5 percent, which is an increase from the rate of 10.3 percent a year ago. Athens' rate is higher than the federal rate and the state rate.

Revenues were expected to decrease by approximately 4.9 percent due to decreases related to taxes, fines and forfeits and investment income. Management has been conservative in estimating all revenues for 2010-2011 and expenditures decreased by 4.5 percent. Budgeted expenditures were to decrease primarily due to salaries and fringe benefits, travel and business tax payments to the state. The property tax rate remained the same for 2010-2011.

Requests for Information

This financial report is designed to provide a general overview of the City of Athens' finances for all those with an interest in the city's finances. Questions concerning any of the information provided in this report or requests for additional financial information may be addressed to the City of Athens, Office of the Finance Director, Post Office Box 849, Athens, Tennessee 37371-0849.

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**BASIC FINANCIAL
STATEMENTS**

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

	Primary Government			Component Units	
				Governmental	Proprietary
	Governmental Activities	Business-Type Activities	Total	Athens Board of Education	Athens Utilities Board
ASSETS					
Cash and cash equivalents	\$ 993,413	\$ 346,658	\$ 1,340,071	\$ 3,330,482	\$ 19,031,861
Investments	15,359,894	924,950	16,284,844	-	-
Receivables:					
Customers, net	-	24,070	24,070	-	4,728,530
Other	50,144	-	50,144	-	282,620
Property taxes, net	4,850,662	-	4,850,662	1,904,108	-
Interest	-	-	-	-	-
Other governments	3,658,270	-	3,658,270	1,678,257	-
Component units/primary government	-	67,144	67,144	-	1,759,715
Internal balances	395,743	(395,743)	-	-	228,063
Prepaid expenses	-	-	-	-	600,804
Inventories	108,098	-	108,098	30,101	2,313,062
Customer loans receivable	-	-	-	-	270,361
Restricted assets	-	-	-	-	83,112
Debt issue costs, net	18,025	-	18,025	-	146,942
Prepaid pension obligation	953,071	-	953,071	-	150,893
Capital assets, net of depreciation	8,873,172	1,514,413	10,387,585	6,158,173	82,843,837
Nondepreciable capital assets	3,337,200	34,500	3,371,700	213,486	7,706,610
Total assets	\$ 38,597,692	\$ 2,515,992	\$ 41,113,684	\$13,314,607	\$120,146,410
LIABILITIES AND NET ASSETS					
LIABILITIES					
Accounts payable	\$ 446,053	\$ 22,624	\$ 468,677	\$ 369,616	\$ 5,728,798
Accrued payroll and withholdings	145,218	5,526	150,744	916,933	-
Due to component units/primary government	2,109,655	-	2,109,655	-	68,221
Interfund	-	-	-	-	228,063
Other current liabilities	-	-	-	-	620,018
Unearned revenues	4,510,183	-	4,510,183	1,768,852	29,950
Customer deposits	-	-	-	-	370,160
OPEB liability	-	-	-	43,745	-
Long-term liabilities:					
Due within one year	830,062	-	830,062	-	1,232,320
Due in more than one year	5,322,019	-	5,322,019	-	28,576,689
Total liabilities	13,363,190	28,150	13,391,340	3,099,146	36,854,219
NET ASSETS					
Invested in capital assets, net of related debt	12,210,372	1,548,913	13,759,285	6,371,659	61,145,036
Restricted for:					
Debt service	3,400,116	-	3,400,116	-	83,112
Cemetery perpetual care:					
Expendable	97,313	-	97,313	-	-
Nonexpendable	47,283	-	47,283	-	-
Unrestricted	9,479,418	938,929	10,418,347	3,843,802	22,064,043
Total net assets	25,234,502	2,487,842	27,722,344	10,215,461	83,292,191
Total liabilities and net assets	\$ 38,597,692	\$ 2,515,992	\$ 41,113,684	\$13,314,607	\$120,146,410

The Notes to Financial Statements are an integral part of this statement.

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CITY OF ATHENS, TENNESSEE
STATEMENT OF ACTIVITIES
Year Ended June 30, 2010

Functions/Programs	Expenses	Net Revenues (Expenses) and Changes in Net Assets							
		Program Revenues			Primary Government			Component Units	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Athens Board of Education	Athens Utilities Board
Primary government:									
Governmental activities:									
General government	\$ 2,504,213	\$ 68,970	\$ 33,393	\$ -	\$ (2,401,850)	\$ -	\$ (2,401,850)	\$ -	\$ -
Public safety	4,224,580	490,614	183,907	-	(3,550,059)	-	(3,550,059)	-	-
Highways and streets	1,644,740	-	378,624	35,761	(1,230,355)	-	(1,230,355)	-	-
Culture and recreation	709,813	107,617	1,000	1,025,002	423,806	-	423,806	-	-
Education	1,825,000	-	-	-	(1,825,000)	-	(1,825,000)	-	-
Health and welfare	97,091	2,999	85,531	-	(8,561)	-	(8,561)	-	-
Interest on long-term debt	63,175	-	-	-	(63,175)	-	(63,175)	-	-
Passthrough grants	3,423,715	-	-	3,423,715	-	-	-	-	-
Total governmental activities	14,492,327	670,200	682,455	4,484,478	(8,655,194)	-	(8,655,194)	-	-
Business-type activities:									
Conference center	64,782	17,712	-	-	-	(47,070)	(47,070)	-	-
Sanitation	1,024,229	806,638	-	-	-	(217,591)	(217,591)	-	-
Total business-type activities	1,089,011	824,350	-	-	-	(264,661)	(264,661)	-	-
Total primary government	\$ 15,581,338	\$ 1,494,550	\$ 682,455	\$ 4,484,478	(8,655,194)	(264,661)	(8,919,855)	\$ -	\$ -
Component units:									
School system	\$ 16,224,675	\$ 550,565	\$ 4,379,420	\$ -				\$ (11,294,690)	\$ -
Public utilities	58,688,021	61,441,200	-	1,166,620				-	3,919,799
Total component units	\$ 74,912,696	\$ 61,991,765	\$ 4,379,420	\$ 1,166,620				(11,294,690)	3,919,799
General revenues:									
Property taxes					4,433,632	-	4,433,632	1,877,991	-
Local sales tax					3,599,822	-	3,599,822	-	-
In lieu of taxes					985,412	-	985,412	-	-
Gross receipts tax					121,861	-	121,861	-	-
Wholesale beer tax					489,083	-	489,083	-	-
Other local taxes					535,722	-	535,722	-	-
Intergovernmental revenues not restricted to specific programs					1,110,439	-	1,110,439	9,453,604	-
Investment income					91,129	4,763	95,892	77,346	280,471
Gain (loss) on disposal of capital assets					(4,264)	34,040	29,776	(3,477)	(22,798)
Insurance proceeds					35,539	-	35,539	-	-
Miscellaneous					49,260	5,985	55,245	76,313	-
Transfer					(195,000)	195,000	-	-	-
Total general revenues and special item					11,252,635	239,788	11,492,423	11,481,777	257,673
Change in net assets					2,597,441	(24,873)	2,572,568	187,087	4,177,472
Net assets, beginning of year					22,637,061	2,512,715	25,149,776	10,028,374	79,114,719
Net assets, end of year					\$ 25,234,502	\$ 2,487,842	\$ 27,722,344	\$ 10,215,461	\$ 83,292,191

The Notes to Financial Statements are an integral part of this statement.

**CITY OF ATHENS, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010**

	General	Debt Service	Capital Projects Fund Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 633,481	\$ 143,146	\$ 57,556	\$ 79,565	\$ 913,748
Investments	6,318,686	3,256,970	3,644,568	250,101	13,470,325
Property taxes receivable, less allowance of \$71,937	4,850,662	-	-	-	4,850,662
Due from other governments	1,178,201	-	2,463,369	16,700	3,658,270
Interfund receivables	395,743	-	-	-	395,743
Other receivables	50,144	-	-	-	50,144
Inventories	108,098	-	-	-	108,098
Total assets	<u>\$13,535,015</u>	<u>\$3,400,116</u>	<u>\$6,165,493</u>	<u>\$ 346,366</u>	<u>\$23,446,990</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 215,846	\$ -	\$ 227,447	\$ -	\$ 443,293
Accrued payroll and withholdings	145,218	-	-	-	145,218
Due to component units	349,940	-	1,759,715	-	2,109,655
Deferred revenues	4,889,957	-	-	-	4,889,957
Total liabilities	<u>5,600,961</u>	<u>-</u>	<u>1,987,162</u>	<u>-</u>	<u>7,588,123</u>
FUND BALANCES					
Reserved for debt service	-	3,400,116	-	-	3,400,116
Reserved	288,287	-	-	144,596	432,883
Unreserved, undesignated reported in nonmajor	7,645,767	-	4,178,331	-	11,824,098
Special revenue fund	-	-	-	182,621	182,621
Capital projects fund	-	-	-	19,149	19,149
Total fund balances	<u>7,934,054</u>	<u>3,400,116</u>	<u>4,178,331</u>	<u>346,366</u>	<u>15,858,867</u>
Total liabilities and fund balances	<u>\$13,535,015</u>	<u>\$3,400,116</u>	<u>\$6,165,493</u>	<u>\$ 346,366</u>	<u>\$23,446,990</u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF ATHENS, TENNESSEE
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
June 30, 2010

Total fund balances		\$ 15,858,867
Amounts for governmental activities in the statement of net assets are different because:		
Capital assets and related accumulated depreciation are not financial resources or uses and not reported in the funds.		
Capital assets	\$ 19,045,395	
Accumulated depreciation	<u>(8,507,928)</u>	10,537,467
Certain property taxes and intergovernmental revenues are not available to pay for current period expenditures and therefore are deferred in the funds.		
Property taxes	322,274	
Intergovernmental revenue	<u>57,500</u>	379,774
Prepaid pension obligations are not current financial resources and are not reported in the funds.		
		953,071
Certain liabilities are not considered a use of current financial resources in the funds.		
Bonds and notes payable	5,900,000	
Compensated absences	<u>252,081</u>	(6,152,081)
Debt issue costs are amortized in the statement of net assets but are considered a current financial use in the funds.		
Debt issue costs	31,500	
Accumulated amortization	<u>(13,475)</u>	18,025
An internal service fund is used by management to charge the cost of fleet management to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		
Cash	79,665	
Investments	1,889,569	
Capital assets	3,939,459	
Accumulated depreciation	(2,266,554)	
Accounts payable	<u>(2,760)</u>	<u>3,639,379</u>
Net assets		<u>\$ 25,234,502</u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF ATHENS, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2010

	General	Debt Service	Capital Projects Fund Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$4,374,413	\$ -	\$ -	\$ -	\$ 4,374,413
Other local taxes	5,731,900	-	-	-	5,731,900
Intergovernmental	1,834,493	140,054	4,484,478	-	6,459,025
Charges for services	177,411	-	-	2,175	179,586
Fines and forfeitures	446,004	-	-	44,609	490,613
Investment and interest income	36,597	13,924	16,222	13,994	80,737
Miscellaneous	38,602	9,885	773	-	49,260
Total revenues	<u>12,639,420</u>	<u>163,863</u>	<u>4,501,473</u>	<u>60,778</u>	<u>17,365,534</u>
EXPENDITURES					
Current:					
General government	2,339,869	-	-	-	2,339,869
Public safety	4,217,987	-	-	92,598	4,310,585
Highways and streets	1,669,242	-	-	-	1,669,242
Culture and recreation	776,659	-	-	-	776,659
Education	1,825,000	-	-	-	1,825,000
Health and welfare	100,491	-	-	-	100,491
Debt service:					
Principal	-	605,300	-	-	605,300
Interest	-	63,175	-	-	63,175
Capital outlay	-	-	4,564,530	-	4,564,530
Total expenditures	<u>10,929,248</u>	<u>668,475</u>	<u>4,564,530</u>	<u>92,598</u>	<u>16,254,851</u>
REVENUES OVER (UNDER)	<u>1,710,172</u>	<u>(504,612)</u>	<u>(63,057)</u>	<u>(31,820)</u>	<u>1,110,683</u>
EXPENDITURES					
OTHER FINANCING SOURCES (USES)					
Transfers	(1,790,000)	790,000	1,000,000	-	-
Insurance proceeds	1,109	-	-	34,430	35,539
Sale of capital assets	1,883	-	-	1,286	3,169
Total other financing sources (uses)	<u>(1,787,008)</u>	<u>790,000</u>	<u>1,000,000</u>	<u>35,716</u>	<u>38,708</u>
NET CHANGE IN FUND BALANCES	(76,836)	285,388	936,943	3,896	1,149,391
FUND BALANCES, beginning of year	<u>8,010,890</u>	<u>3,114,728</u>	<u>3,241,388</u>	<u>342,470</u>	<u>14,709,476</u>
FUND BALANCES, end of year	<u>\$7,934,054</u>	<u>\$3,400,116</u>	<u>\$4,178,331</u>	<u>\$ 346,366</u>	<u>\$15,858,867</u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF ATHENS, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2010

Net change in fund balances \$ 1,149,391

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

Property taxes are recognized as revenue in the period for which they are levied in the statement of activities while funds recognize revenue when collected and available.

Current year levy	\$ 4,433,632	
Fund revenue recognized	<u>(4,374,413)</u>	59,219

Intergovernmental revenues that do not provide current financial resources are not reported as revenue in the funds.

State beer tax-full accrual	6,408	
State income tax-full accrual	79,060	
Collected fund revenue	<u>(127,068)</u>	(41,600)

Repayments from a component unit due under the school renovation agreement are recognized as revenue in the funds. The receipts are recorded against the receivable balance in the statement of net assets.

(140,054)

Funds report capital outlays as expenditures. Asset cost is capitalized and allocated over the estimated useful lives as depreciation expense in the statement of activities.

Capital asset expenditures in the current period	1,606,900	
Net book value of capital assets retired	(554)	
Less current year depreciation	<u>(803,608)</u>	802,738

The change in value of the net pension obligation is recorded as an expense in the statement of activities.

164,658

Internal service fund is used by management to charge the cost of fleet management to individual funds. The change in net assets of the internal service fund is reported with governmental activities.

5,298

Funds report proceeds from the issuance of long-term debt as financing sources and the related liabilities as expenditures when paid; but the proceeds and payments are recorded through a liability in the statement of net assets.

Bonds and notes payable payments	605,300	
Net change in compensated absences	<u>(5,409)</u>	599,891

Debt issue costs are amortized over the life of the debt in the statement of activities and expended when incurred in the funds.

(2,100)

Change in net assets

\$ 2,597,441

The Notes to Financial Statements are an integral part of this statement.

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

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
PROPERTY TAXES				
Property taxes-current	\$ 4,100,000	\$ 4,100,000	\$ 4,084,711	\$ (15,289)
Property taxes-prior	120,000	120,000	145,340	25,340
Property taxes-delinquent	40,000	40,000	56,710	16,710
Public utilities taxes	90,000	90,000	87,652	(2,348)
Total property taxes	<u>4,350,000</u>	<u>4,350,000</u>	<u>4,374,413</u>	<u>24,413</u>
OTHER LOCAL TAXES				
Penalty and interest on property tax-prior	15,000	15,000	24,753	9,753
Penalty and interest on property tax-current	15,000	15,000	22,541	7,541
In lieu of taxes	956,000	956,000	985,411	29,411
TVA impact	32,000	32,000	37,781	5,781
Local sales tax	3,614,600	3,614,600	3,599,822	(14,778)
Wholesale beer tax	480,000	480,000	489,083	9,083
Minimum business tax	13,000	13,000	7,839	(5,161)
Cable TV franchise tax	138,000	138,000	144,908	6,908
Gross receipts tax	640,000	640,000	121,861	(518,139)
Business license fee	-	-	875	875
Business tax - state clerk fee	-	-	21,512	21,512
Business tax - state collected	-	-	274,964	274,964
Transient fees	-	-	550	550
Total other local taxes	<u>5,903,600</u>	<u>5,903,600</u>	<u>5,731,900</u>	<u>(171,700)</u>
INTERGOVERNMENTAL				
State sales tax	880,000	880,000	853,860	(26,140)
State beer tax	7,000	7,000	6,508	(492)
State income tax	100,000	133,500	120,560	(12,940)
State gas and motor fuel tax	350,000	350,000	353,879	3,879
State gasoline inspection tax	29,000	29,000	28,633	(367)
State mixed drink tax	50,000	50,000	47,464	(2,536)
State excise tax	83,000	83,000	95,013	12,013
State law/fire grants	13,200	13,200	26,400	13,200
Reimbursement-other government agencies	65,000	65,000	84,845	19,845
Highway maintenance reimbursement	10,000	10,000	14,866	4,866
Police grants	-	120,300	120,108	(192)
Other grant funds	16,000	81,700	82,357	657
Total intergovernmental	<u>1,603,200</u>	<u>1,822,700</u>	<u>1,834,493</u>	<u>11,793</u>

The Notes to Financial Statements are an integral part of this statement.

(continued)

CITY OF ATHENS, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2010
(continued)

	Budget		Actual	Variance
	Original	Final		With Final Budget
CHARGES FOR SERVICES				
Utility damage reimbursement	\$ 16,000	\$ 16,000	\$ 10,365	\$ (5,635)
Animal control	3,000	3,000	2,999	(1)
Grave opening	25,000	25,000	19,150	(5,850)
Recreation fees	92,500	92,500	79,826	(12,674)
Building permits	60,000	60,000	34,130	(25,870)
Clerks fees	5,000	5,000	3,150	(1,850)
Recreation concessions	45,000	45,000	27,791	(17,209)
Total charges for services	<u>246,500</u>	<u>246,500</u>	<u>177,411</u>	<u>(69,089)</u>
FINES AND FORFEITURES				
Court fines	420,000	420,000	441,479	21,479
Law enforcement forfeitures	-	-	4,525	4,525
Total fines and forfeitures	<u>420,000</u>	<u>420,000</u>	<u>446,004</u>	<u>26,004</u>
INTEREST	<u>90,800</u>	<u>90,800</u>	<u>36,597</u>	<u>(54,203)</u>
MISCELLANEOUS	<u>43,500</u>	<u>51,500</u>	<u>38,602</u>	<u>(12,898)</u>
Total revenues	<u>12,657,600</u>	<u>12,885,100</u>	<u>12,639,420</u>	<u>(245,680)</u>
EXPENDITURES				
GENERAL GOVERNMENT				
Administrative:				
City Manager's Office	287,300	287,300	224,674	62,626
City Council	50,300	50,300	42,217	8,083
City Judge	17,500	17,500	13,716	3,784
City Attorney	17,700	27,700	24,017	3,683
Special appropriations	316,800	321,800	321,627	173
Athens Utilities Board	500,000	500,000	473,786	26,214
Finance	696,400	696,400	454,871	241,529
Personnel	176,600	176,600	154,166	22,434
Administrative services:				
Administration	109,100	109,400	72,819	36,581
City Hall	177,300	193,800	181,327	12,473
Community development:				
Administration	127,200	127,300	119,746	7,554
Codes enforcement	156,000	221,700	205,863	15,837
Cemeteries	60,200	60,200	51,040	9,160
Total general government	<u>2,692,400</u>	<u>2,790,000</u>	<u>2,339,869</u>	<u>450,131</u>

The Notes to Financial Statements are an integral part of this statement.

(continued)

CITY OF ATHENS, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2010
(continued)

	Budget		Actual	Variance
	Original	Final		With Final Budget
PUBLIC SAFETY				
Police:				
Administration	\$ 279,600	\$ 304,600	\$ 282,107	\$ 22,493
Patrol	1,724,400	1,825,800	1,748,157	77,643
Detective	206,000	211,000	206,456	4,544
Fire:				
Administration	109,200	109,200	103,331	5,869
Prevention	95,900	95,900	93,970	1,930
Suppression	1,496,900	1,496,900	1,398,794	98,106
Administrative services:				
Communications	465,700	468,100	385,172	82,928
Total public safety	<u>4,377,700</u>	<u>4,511,500</u>	<u>4,217,987</u>	<u>293,513</u>
HIGHWAYS AND STREETS				
Public Works:				
Administration	198,200	198,200	166,584	31,616
Traffic control	161,500	161,500	145,479	16,021
Street maintenance	406,000	406,000	300,621	105,379
Street construction	336,300	338,800	269,313	69,487
Street cleaning	606,200	606,200	555,972	50,228
City garage	257,800	257,800	231,273	26,527
Total highways and streets	<u>1,966,000</u>	<u>1,968,500</u>	<u>1,669,242</u>	<u>299,258</u>
CULTURE AND RECREATION				
Parks and Recreation:				
Administration	180,100	180,100	161,854	18,246
Maintenance	442,800	450,500	384,906	65,594
Swimming pools	33,600	36,100	31,582	4,518
Program planning	246,800	246,800	198,317	48,483
Total culture and recreation	<u>903,300</u>	<u>913,500</u>	<u>776,659</u>	<u>136,841</u>
EDUCATION				
Athens City Schools	<u>1,825,000</u>	<u>1,825,000</u>	<u>1,825,000</u>	<u>-</u>
HEALTH AND WELFARE				
Public Works:				
Animal control	<u>103,200</u>	<u>103,200</u>	<u>100,491</u>	<u>2,709</u>
Total expenditures	<u>11,867,600</u>	<u>12,111,700</u>	<u>10,929,248</u>	<u>1,182,452</u>
REVENUES OVER (UNDER)				
EXPENDITURES	<u>790,000</u>	<u>773,400</u>	<u>1,710,172</u>	<u>936,772</u>

The Notes to Financial Statements are an integral part of this statement.

(continued)

CITY OF ATHENS, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2010
(continued)

	Budget		Actual	Variance With Final Budget
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Insurance proceeds	\$ -	\$ -	\$ 1,109	\$ 1,109
Transfer to debt service fund	(790,000)	(790,000)	(790,000)	-
Transfer to capital projects fund	-	(1,000,000)	(1,000,000)	-
Sale of capital assets	-	-	1,883	1,883
Total other financing sources (uses)	<u>(790,000)</u>	<u>(1,790,000)</u>	<u>(1,787,008)</u>	<u>2,992</u>
Net change in fund balance	-	(1,016,600)	(76,836)	939,764
FUND BALANCE, beginning of year	<u>8,010,890</u>	<u>8,010,890</u>	<u>8,010,890</u>	<u>-</u>
FUND BALANCE, end of year	<u>\$ 8,010,890</u>	<u>\$ 6,994,290</u>	<u>\$ 7,934,054</u>	<u>\$ 939,764</u>

1. The basis of budgeting for the City of Athens is based upon generally accepted accounting principles.

The Notes to Financial Statements are an integral part of this statement.

**CITY OF ATHENS, TENNESSEE
BALANCE SHEET
PROPRIETARY FUNDS
June 30, 2010**

	<u>Business-Type Activities-Enterprise Funds</u>			<u>Governmental Activities</u>
	<u>Conference</u>			<u>Internal Service Fund</u>
	<u>Center</u>	<u>Sanitation</u>	<u>Total</u>	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,233	\$ 345,425	\$ 346,658	\$ 79,665
Investments	1,298	923,652	924,950	1,889,569
Accounts receivable	975	23,095	24,070	-
Due from component units	-	67,144	67,144	-
Total current assets	<u>3,506</u>	<u>1,359,316</u>	<u>1,362,822</u>	<u>1,969,234</u>
Capital assets:				
Land	34,500	-	34,500	-
Other capital assets, net	<u>1,063,377</u>	<u>451,036</u>	<u>1,514,413</u>	<u>1,672,905</u>
Total capital assets	<u>1,097,877</u>	<u>451,036</u>	<u>1,548,913</u>	<u>1,672,905</u>
Total assets	<u><u>\$ 1,101,383</u></u>	<u><u>\$1,810,352</u></u>	<u><u>\$ 2,911,735</u></u>	<u><u>\$ 3,642,139</u></u>
LIABILITIES AND NET ASSETS				
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 60	\$ 22,564	\$ 22,624	\$ 2,760
Accrued payroll and withholdings	182	5,344	5,526	-
Interfund payable	-	395,743	395,743	-
Total current liabilities	<u>242</u>	<u>423,651</u>	<u>423,893</u>	<u>2,760</u>
NET ASSETS				
Invested in capital assets	1,097,877	451,036	1,548,913	1,672,905
Unrestricted	<u>3,264</u>	<u>935,665</u>	<u>938,929</u>	<u>1,966,474</u>
Total net assets	<u>1,101,141</u>	<u>1,386,701</u>	<u>2,487,842</u>	<u>3,639,379</u>
Total liabilities and net assets	<u><u>\$ 1,101,383</u></u>	<u><u>\$1,810,352</u></u>	<u><u>\$ 2,911,735</u></u>	<u><u>\$ 3,642,139</u></u>

The Notes to Financial Statements are an integral part of this statement.

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

	Business-Type Activities-Enterprise Funds			Governmental Activities
	Conference			Internal Service Fund
	Center	Sanitation	Total	
OPERATING REVENUES				
Charges for services	\$ -	\$ 806,638	\$ 806,638	\$ 411,000
Rental income	17,712	-	17,712	-
Miscellaneous	-	5,985	5,985	-
Total operating revenues	<u>17,712</u>	<u>812,623</u>	<u>830,335</u>	<u>411,000</u>
OPERATING EXPENSES				
Salaries and employee benefits	5,636	291,185	296,821	-
Operation	8,387	483,242	491,629	-
Maintenance	179	6,978	7,157	-
Depreciation	50,580	82,114	132,694	214,216
Landfill services	-	160,710	160,710	-
Total operating expenses	<u>64,782</u>	<u>1,024,229</u>	<u>1,089,011</u>	<u>214,216</u>
OPERATING INCOME (LOSS)	<u>(47,070)</u>	<u>(211,606)</u>	<u>(258,676)</u>	<u>196,784</u>
NONOPERATING REVENUES				
Transfers	-	195,000	195,000	(195,000)
Interest income	-	4,763	4,763	10,392
Gain (loss) on sale of capital assets	-	34,040	34,040	(6,878)
Total nonoperating revenues	<u>-</u>	<u>233,803</u>	<u>233,803</u>	<u>(191,486)</u>
CHANGE IN NET ASSETS	<u>(47,070)</u>	<u>22,197</u>	<u>(24,873)</u>	<u>5,298</u>
NET ASSETS, beginning of year	<u>1,148,211</u>	<u>1,364,504</u>	<u>2,512,715</u>	<u>3,634,081</u>
NET ASSETS, end of year	<u>\$ 1,101,141</u>	<u>\$ 1,386,701</u>	<u>\$ 2,487,842</u>	<u>\$ 3,639,379</u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF ATHENS, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2010

	Business-Type Activities-Enterprise Funds			Governmental Activities
	Conference			Internal Service
	Center	Sanitation	Total	Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 16,737	\$ 803,513	\$ 820,250	\$ 411,000
Payments to employees	(5,350)	(190,535)	(195,885)	-
Payments to suppliers and vendors	(8,949)	(744,913)	(753,862)	2,098
Other receipts	-	2,145	2,145	-
Net cash provided by (used in) operating activities	<u>2,438</u>	<u>(129,790)</u>	<u>(127,352)</u>	<u>413,098</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	-	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Transfer for purchase of capital assets	-	195,000	195,000	(195,000)
Interfund loan	-	418,500	418,500	-
Repayments of interfund loan	-	(22,757)	(22,757)	-
Proceeds from the sale of capital assets	-	34,040	34,040	7,975
Purchase of capital assets	-	(308,190)	(308,190)	(71,362)
Net cash provided by (used in) capital and related financing activities	<u>-</u>	<u>316,593</u>	<u>316,593</u>	<u>(258,387)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment and interest earnings	-	4,763	4,763	25,888
Purchase of investments	(1,285)	(83,165)	(84,450)	(611,202)
Net cash used in investing activities	<u>(1,285)</u>	<u>(78,402)</u>	<u>(79,687)</u>	<u>(585,314)</u>
Net increase (decrease) in cash and cash equivalents	1,153	108,401	109,554	(430,603)
Cash and cash equivalents, beginning of year	80	237,024	237,104	510,268
Cash and cash equivalents, end of year	<u>\$ 1,233</u>	<u>\$ 345,425</u>	<u>\$ 346,658</u>	<u>\$ 79,665</u>
Reconciliation of operating income to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (47,070)	\$ (211,606)	\$ (258,676)	\$ 196,784
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	50,580	82,114	132,694	214,216
Changes in assets and liabilities:				
Accounts receivable	(975)	(6,965)	(7,940)	-
Accounts payable and accrued liabilities	(97)	6,667	6,570	2,098
Net cash provided by (used in) operating activities	<u>\$ 2,438</u>	<u>\$ (129,790)</u>	<u>\$ (127,352)</u>	<u>\$ 413,098</u>

The Notes to Financial Statements are an integral part of this statement.

**CITY OF ATHENS, TENNESSEE
 STATEMENT OF FIDUCIARY NET ASSETS
 ATHENS PENSION TRUST FUND
 FIDUCIARY FUND
 June 30, 2010**

ASSETS

Interest receivable	\$ 15,154
Investments, at fair value:	
U.S. government and agency securities	1,367,926
Foreign stocks	62,679
Corporate bonds	189,285
Common stock	1,451,450
Mutual funds	3,810,195
Money market funds	99,826
Total investments	<u>6,981,361</u>
Total assets	<u>\$ 6,996,515</u>

NET ASSETS

Net assets held in trust for pension benefits	\$ <u>6,996,515</u>
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The Notes to Financial Statements are an integral part of this statement.

CITY OF ATHENS, TENNESSEE
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
ATHENS PENSION TRUST FUND
FIDUCIARY FUND
Year Ended June 30, 2010

ADDITIONS

Employer contributions	\$ 700,000
Net investment income:	
Interest and dividend income	196,646
Net appreciation in the fair value of investments	<u>450,443</u>
Total additions	<u>1,347,089</u>

DEDUCTIONS

Benefits paid	492,015
Administrative expenses	<u>36,347</u>
Total deductions	<u>528,362</u>

**CHANGE IN NET ASSETS HELD IN TRUST FOR
PENSION BENEFITS**

	818,727
NET ASSETS , held in trust for pension benefits, beginning of year	<u>6,177,788</u>
NET ASSETS , held in trust for pension benefits, end of year	<u><u>\$ 6,996,515</u></u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 1. Summary of Significant Accounting Policies

The City of Athens, Tennessee (the City) was incorporated on March 25, 1891, by an act of the legislature of the Tennessee General Assembly. The City operates under the Council-Manager form of government as authorized under Chapter 455 of the Private Acts of 1953.

In accordance with GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments", the basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements consist of the Statement of Net Assets and the Statement of Activities which are presented on a full accrual basis of accounting. The City's funds are reported as governmental activities or business-type activities. Fund financial statements are presented on a modified accrual basis of accounting for governmental activities and present information by individual major funds. Nonmajor funds are presented in total in one column.

The financial statements of the City have been prepared in accordance with U.S. generally accepted accounting principles as applied to governmental units. The City applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The more significant accounting policies used by the City are described below.

A. Financial Reporting Entity

As required by generally accepted accounting principles, these financial statements present the City of Athens, Tennessee (the primary government) and its component units. The component units are presented in a separate column in the government-wide financial statements to emphasize their separate legal status from the primary government. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City. Their inclusion in the City's reporting entity is based upon criteria provided by Section 2100 of Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, including whether:

- the organization is legally separate (can sue and be sued in their own name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity (continued)

Component Units:

Athens Utilities Board

The Athens Utilities Board (Utilities Board) provides power, water, gas and sewer services to residential, commercial and industrial customers located in Athens, Tennessee and surrounding areas. The Utilities Board is governed by a five-member commission appointed by the City Council. The City Council has authority over the Utilities Board and prescribes the rules and regulations with which the Utilities Board must comply. The Utilities Board reports as four separate accounting and reporting entities presenting divisional financial statements on its business-type activities in accordance with enterprise fund accounting requirements. Complete financial statements may be obtained at the Utilities Board's administrative office at Athens Utilities Board, 100 New Englewood Road, Athens, Tennessee.

Athens City Board of Education

The Athens City Board of Education (Board of Education) is responsible for elementary education within the government's jurisdiction. The Board of Education consists of six publicly elected officials who appoint the Director of Schools. However, the Board of Education is fiscally dependent upon the City because the City Council approves the annual budget, levies taxes (if necessary), and must approve any debt issues. The Board of Education's activity is presented within the government-wide financial statements. Complete financial statements may be obtained at the Board of Education's administrative office at Athens City Schools, 943 Crestway Drive, Athens, Tennessee.

Other Related Organizations:

Athens Housing Authority

The Athens Housing Authority Board consists of five members appointed by the Mayor. The Department of Housing and Urban Development subsidizes Housing Authority operations and sets rates charged for housing. The debts of the Housing Authority are not secured by the City and deficits are not financed by the City.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity (continued)

Other Related Organizations: (continued)

McMinn County Economic Development Authority

This independent corporation is governed by a twenty-member board, only one of which is a City official. The activities of the Economic Development Authority include industrial recruitment, assistance in expansion of existing industries, and development of industrial parks. The Authority has the power to issue its own debt.

E. G. Fisher Public Library

The City of Athens and McMinn County participate in the joint operation of E. G. Fisher Public Library. The McMinn County Library Board is responsible for administering the joint library. This Board consists of seven members, of which four are appointed by the County Commission and three are appointed by the City Council. The Board directs all the internal affairs of the library, and such assistants or employees as may be necessary.

Athens Health and Education Facilities Board

The Athens Health and Education Facilities Board's activities include acquiring, owning, leasing and disposing of property as well as issuing bonds to promote higher education and health in Athens. The City is not liable for the debt of the Health and Education Facilities Board nor does the City finance their deficits. The Board is directed by volunteer Board members appointed by the City.

B. Basic Financial Statements, Presentation, Basis of Accounting and Measurement Focus

Government-wide Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City. As a general rule, the effect of interfund activity has been eliminated from these statements. Activity which represents services provided or used are not eliminated in the government-wide statements. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities rely to a significant extent on fees and charges for services.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

B. Basic Financial Statements, Presentation, Basis of Accounting and Measurement Focus (continued)

Government-wide Financial Statements: (continued)

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. This means that revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the 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.

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" (the City may act as either provider or recipient), the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements including time requirements, are met. Resources transmitted before the eligibility requirements are met should be reported as advances by the provider and deferred revenue by the recipient. Certain nonexchange transactions where revenues are collected by other governments are not recognized in the statement of activities because they are not measurable at year end. The statement of activities reflects these transactions (bank excise tax and gross receipts tax) on the same basis as the fund financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. The City does not allocate indirect expenses to functions or activities in the statement of activities. Program revenues include: (1) charges to individuals 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 or activity. Taxes and other items not considered program revenues are reported as general revenues. When both restricted and unrestricted resources are available for use, the City's policy is to use restricted resources first.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, equity, revenues, and expenditures/expenses.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

B. Basic Financial Statements, Presentation, Basis of Accounting and Measurement Focus (continued)

Fund Financial Statements: (continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

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. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within sixty days of the end of the current fiscal period.

Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property taxes, franchise taxes, licenses, and interest 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 government.

State and federal funding is recognized as revenue in the period the City is entitled to the resources and the amounts are available. Reimbursements from expenditure-driven programs are recognized as revenue when the qualifying expenditures have been incurred and the amounts are available. For governmental fund financial statements, deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received before the City has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the deferred revenue liability is removed and revenue is recognized.

Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide statements described above. The internal service fund of the City and the City's two enterprise funds are included in the proprietary fund financial statements. Since the

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

B. Basic Financial Statements, Presentation, Basis of Accounting and Measurement Focus (continued)

Fund Financial Statements: (continued)

principal users of the internal services are the City's governmental activities, financial statements of the internal service funds are consolidated into the governmental column when presented at the government-wide level. Proprietary funds report activity and transactions as operating if the transaction constitutes activity that is the funds' principal ongoing operations. Activity not pertaining to the funds' ongoing operations are reported as nonoperating. Enterprise funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Enterprise funds do not apply FASB pronouncements issued subsequent to November 30, 1989.

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The reporting focus is on net assets and changes in net assets and employs accounting principles similar to proprietary funds. The City's fiduciary fund is presented in the fund financial statements. Since by definition these assets are being held for the benefit of a third party and cannot be used to finance activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Governmental Funds:

The measurement focus of governmental funds is based upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income determination. These funds are maintained on the modified accrual basis of accounting. The following are the City's governmental fund types:

General Fund: The General Fund is the principal fund of the City and is used to account for the financial resources of the City which are not accounted for in other funds. The principal sources of revenues are taxes and state-shared revenue. Primary expenditures are for public safety, education and general administration.

Special Revenue Fund: The Special Revenue Fund is used to account for the proceeds of specific revenues which are legally restricted to finance specific functions or activities of the government and which, therefore, cannot be diverted to other uses.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

B. Basic Financial Statements, Presentation, Basis of Accounting and Measurement Focus (continued)

Fund Financial Statements: (continued)

Governmental Funds: (continued)

Drug Fund: This fund was established expressly to account for financial activities related to drug revenues and expenditures. This includes revenues for drug fines and forfeitures and expenditures for drug enforcement, education and treatment.

Capital Projects Fund: Resources designated for the construction or acquisition of major capital assets are accounted for in this fund. Revenues are derived primarily from capital grants and investment income.

Capital Improvement Fund: This fund is used to account for large capital projects as designated by City Council.

General Obligation Bond Fund: This fund was established in fiscal year 1989 to account for the proceeds of a bond issue for the construction of public works and recreation projects.

Permanent Fund: The Permanent Fund is used to account for resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support a specific government program.

Cemetery Perpetual Care Fund: This trust fund was established to provide for future maintenance of the City's cemeteries.

Debt Service Fund: This fund accounts for the payment of principal and interest on the City's general obligation long-term debt.

Proprietary Funds:

Proprietary funds include the Internal Service Fund and Enterprise Funds. The measurement focus is upon determination of net income, financial position, and changes in financial position. The generally accepted accounting principles used are those applicable to similar businesses in the private sector and, accordingly, these funds are maintained on the accrual basis of accounting. The following are the City's proprietary fund types:

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

B. Basic Financial Statements, Presentation, Basis of Accounting and Measurement Focus (continued)

Fund Financial Statements: (continued)

Proprietary Funds: (continued)

Internal Service Fund: This fund accounts for operations that provide service to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis.

Fleet Management Fund: This fund is used to account for the acquisition and depreciation of motorized vehicles and equipment used by the City.

Enterprise Funds: These funds account for the acquisition, operations and maintenance of City facilities and services which are entirely or predominantly self-supporting through user charges.

Conference Center Fund: This fund was established to provide a facility for recreational, cultural and educational activities and to promote regional awareness.

Sanitation Fund: This fund was established expressly to account for financial activities related to the management of solid waste. This includes the collection, transportation and disposal of industrial, commercial and residential refuse.

Fiduciary Funds:

Fiduciary funds include trust and agency funds. The following is the City's fiduciary fund type:

Trust Fund: This fund is used to account for assets held by the City in a trustee capacity.

Athens Pension Trust Fund: This fund is used to account for the accumulation of resources for pension benefit payments to qualified City retirees.

Funds are classified as major funds or nonmajor funds within the statements. An emphasis is placed on major funds with all nonmajor funds presented in total in one column on the governmental and proprietary funds financial statements.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

B. Basic Financial Statements, Presentation, Basis of Accounting and Measurement Focus (continued)

Fund Financial Statements: (continued)

Fiduciary Funds: (continued)

The City's major governmental funds are the General Fund, Capital Improvement Fund, and Debt Service Fund. The City's major proprietary funds are the Conference Center Fund and Sanitation Fund.

C. Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City holds budget hearings in April of each year with all department heads submitting requests. The operating budget includes proposed expenditures and the means of financing them.
2. In early May, the City Manager and/or the Director of Finance makes a formal presentation to the City Council.
3. Prior to July 1, the Council will pass on second reading an ordinance to adopt the budget and set the tax rate.
4. Management may transfer budgeted amounts between line items within a department; however, any revision that alters the total expenditures of any department and/or fund must be approved by the City Council.
5. Formal budgets are adopted for the General Fund, the Debt Service Fund and the Special Revenue Fund on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts reflected in the accompanying budget and actual comparison are as originally adopted, unless amended by the City Council.
6. All appropriations which are not expensed or encumbered lapse at year end.

D. Use of Estimates in the Preparation of Financial Statements

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

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

E. Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits and certificates of deposit with original maturities of 90 days or less. In accordance with governmental accounting standards, certain restricted assets are considered cash equivalents for purposes of the statements of cash flows.

F. Investments

Investments are valued at fair value. Legal provisions require that all investments be properly insured or collateralized with a financial depository. State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, equity securities, repurchase agreements, and pooled investment funds.

G. Inventories

Inventories consist primarily of supplies and gravesites, valued at weighted average cost, which approximates market. The cost of inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Reported inventories in governmental funds are equally offset by a fund balance reserve, which indicates they are unavailable for appropriation even though they are a component of reported assets.

H. Capital Assets

In the government-wide financial statements, capital expenditures are accounted for as capital assets. Capital assets are defined by the City as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. All capital assets are valued at historical cost, except for donated capital assets which are recorded at their estimated fair value at the date of donation. The City charges maintenance and repairs, including the costs of renewals of minor items of property, to maintenance expense accounts.

Capital asset depreciation is provided using the straight-line method over the estimated useful lives as follows:

Vehicles, machinery, and equipment	5-15 years
Furniture and office equipment	5 years
Buildings and improvements	15-40 years
Infrastructure	40 years

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

H. Capital Assets (continued)

In the fund financial statements, the acquisition of capital assets is accounted for as capital outlay expenditures and depreciation is not reported.

Component Unit - Athens Utilities Board:

The Athens Utilities Board uses group depreciation for many of its assets. Under this method, assets are aggregated into pools and depreciated over their estimated useful lives. In group depreciation, depreciation is not accumulated by individual assets; therefore, property subject to depreciation is retired at its average unit cost. In addition, accumulated depreciation of the same amount is retired with no gain or loss recognized on the disposal. Cost of removing retired assets less the salvage value recovered is also charged to accumulated depreciation.

The composite straight-line depreciation rate, expressed as a percentage of average depreciable plant, property and equipment, ranged from 2.7 to 3.2 percent in 2010. The depreciation and amortization in the Utilities Board's statement of revenues, expenses and changes in net assets does not include depreciation on certain transportation equipment which is allocated to other expense classifications based on relative usage.

I. Debt Issue Costs

Debt issue costs are amortized using the straight-line method over the life of the related debt in the government-wide financial statements. Debt issue costs are accounted for as expenditures in the governmental fund financial statements when incurred.

J. Interfund Transactions

During the normal course of the City's operations, transactions occur between individual funds that are classified as transfers or as receivables/payables in the fund financial statements. These fund transactions are eliminated in the government-wide financial statements within the governmental activities column and the business-type activities column.

K. Long-Term Debt

Bonds and Notes Payable:

General obligation bonds and the notes payable which have been issued to fund capital projects of the general government and to fund school renovations are to be repaid from tax revenues of the City.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

K. Long-Term Debt (continued)

Compensated Absences:

Employees of the City are granted vacation and sick leave in varying amounts based on years of service. Sick leave is not vested and employees who resign or are dismissed from employment will lose any accrued sick leave benefits.

Vacation leave is vested and employees who resign or are dismissed from employment are compensated for unused vacation upon termination. Employees of the City may accrue vacation leave to a maximum of the leave earned in a one and one-half year period.

Accordingly, the City has accrued a liability for vacation leave which has been earned but not taken by City employees.

The accounting treatment of long-term debt differs between the government-wide and governmental fund financial statements. All long-term debt to be repaid from governmental resources is reported as a liability in the government-wide statements. The fund financial statements for governmental funds report long-term debt principal and interest payments as expenditures and do not reflect a liability.

L. Net Assets and Fund Balances

Net assets in the government-wide financial statements are classified in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any related debt that is attributable to the acquisition, construction, or improvement of those assets. If there are unspent debt proceeds, these proceeds are not included in the calculation of invested in capital assets, net of related debt.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – Consists of all other net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

L. Net Assets and Fund Balances (continued)

Fund balances in the fund financial statements are classified as reserved and unreserved, with unreserved further split between designated and undesignated. Reserved fund balances represent amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. Designated fund balances represent restrictions made by the City Council for specific purposes that are not legally binding. Undesignated fund balance amounts represent amounts available for use in future periods.

M. Property Taxes

In the government-wide financial statements, property tax revenues are recognized as revenue in the fiscal year for which the taxes are levied. Property taxes are based on the assessed value of property as of January 1. Property taxes attach as an enforceable lien on the assessment date and are therefore recognized on this date. In October, property taxes are due and are considered delinquent if not paid before the first day of March. Amounts owed to the City as of year end, which are not available, are recorded as receivables and deferred revenue in the fund financial statements.

The City's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the City. City property tax revenues are recognized when levied to the extent that they result in current receivables. Taxes not collected as of March 1 of the following year are considered delinquent and are subject to lien on March 1 of the succeeding year.

Assessed values are established by the State of Tennessee at the following rates of assumed market value:

Public Utility Property	55%	(Railroads 40%)
Industrial and Commercial Property:		
Real	40	
Personal	30	
Residential Property	25	

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 1. Summary of Significant Accounting Policies (continued)

M. Property Taxes (continued)

The assessed value for the list of January 1, 2009, was \$401,031,398 based upon a reappraisal completed for the list of January 1, 2009. The estimated actual was \$1,251,838,522 making the total assessed value 32.04 percent of the total actual value.

Taxes were levied at a rate of \$1.1147 per \$100 of assessed value. Current tax collections of \$4,179,963 for the fiscal year ended June 30, 2010, were 94 percent of the 2009 tax levy. An allowance has been established for delinquent taxes to the extent that their collectability is improbable. The allowance at June 30, 2010, for the 2009 tax levy was \$31,937.

The 2010 taxes were levied at a rate of \$1.1147 per \$100 of assessed value and have been recorded as a receivable at June 30, 2010. An allowance for doubtful collection of \$40,000 has been estimated and established for this levy at June 30, 2010. There are no current tax collections related to the 2010 levy.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 2. Capital Assets

Primary government capital asset activity for the year is as follows:

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
<u>Governmental Activities</u>				
Capital assets being depreciated:				
Buildings and improvements	\$ 5,150,639	\$ 48,978	\$ -	\$ 5,199,617
Infrastructure	6,580,297	872,678	-	7,452,975
Furniture and office equipment	1,044,461	55,783	34,587	1,065,657
Machinery and equipment	<u>5,754,829</u>	<u>253,456</u>	<u>78,879</u>	<u>5,929,406</u>
Total capital assets depreciated	<u>18,530,226</u>	<u>1,230,895</u>	<u>113,466</u>	<u>19,647,655</u>
Accumulated depreciation:				
Buildings and improvements	3,186,158	179,316	-	3,365,474
Infrastructure	2,133,638	162,387	-	2,296,025
Furniture and office equipment	470,374	88,990	27,814	531,550
Machinery and equipment	<u>4,064,495</u>	<u>587,184</u>	<u>70,245</u>	<u>4,581,434</u>
Total accumulated depreciation	<u>9,854,665</u>	<u>1,017,877</u>	<u>98,059</u>	<u>10,774,483</u>
Net capital assets being depreciated	<u>8,675,561</u>	<u>213,018</u>	<u>15,407</u>	<u>8,873,172</u>
Capital assets not being depreciated:				
Land	2,563,167	-	-	2,563,167
Construction in progress	<u>326,613</u>	<u>760,493</u>	<u>313,073</u>	<u>774,033</u>
Total capital assets not depreciated	<u>2,889,780</u>	<u>760,493</u>	<u>313,073</u>	<u>3,337,200</u>
Net capital assets	<u>\$ 11,565,341</u>	<u>\$ 973,511</u>	<u>\$ 328,480</u>	<u>\$ 12,210,372</u>
<u>Business-Type Activities</u>				
Capital assets being depreciated:				
Buildings and improvements	\$ 1,517,930	\$ -	\$ -	\$ 1,517,930
Furniture and office equipment	29,864	-	-	29,864
Machinery and equipment	<u>1,317,228</u>	<u>308,190</u>	<u>152,335</u>	<u>1,473,083</u>
Total capital assets depreciated	<u>2,865,022</u>	<u>308,190</u>	<u>152,335</u>	<u>3,020,877</u>
Accumulated depreciation:				
Buildings and improvements	403,973	50,580	-	454,553
Furniture and office equipment	29,864	-	-	29,864
Machinery and equipment	<u>1,092,268</u>	<u>82,114</u>	<u>152,335</u>	<u>1,022,047</u>
Total accumulated depreciation	<u>1,526,105</u>	<u>132,694</u>	<u>152,335</u>	<u>1,506,464</u>
Net capital assets being depreciated	<u>1,338,917</u>	<u>175,496</u>	<u>-</u>	<u>1,514,413</u>
Capital assets not being depreciated:				
Land	<u>34,500</u>	<u>-</u>	<u>-</u>	<u>34,500</u>
Net capital assets	<u>\$ 1,373,417</u>	<u>\$ 175,496</u>	<u>\$ -</u>	<u>\$ 1,548,913</u>

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 2. Capital Assets (continued)

Depreciation expense was charged to functions as follows:

Governmental Activities	
General government	\$ 185,781
Public safety	376,076
Highways and streets	355,627
Culture and recreation	100,393
	\$ 1,017,877
Business-Type Activities	
Conference Center	\$ 50,580
Sanitation	82,114
	\$ 132,694

Component unit capital asset activity for the year is as follows:

Utilities Board:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
Capital assets being depreciated:				
Plant in service	\$ 117,151,612	\$ 2,200,292	\$ 492,985	\$ 118,858,919
Equipment and furniture	4,833,532	255,214	484,216	4,604,530
Transportation equipment	2,884,582	104,849	124,578	2,864,853
Total depreciable capital assets	124,869,726	2,560,355	1,101,779	126,328,302
Accumulated depreciation:				
Plant in service	36,266,078	3,600,202	820,937	39,045,343
Equipment and furniture	2,831,158	385,537	217,048	2,999,647
Transportation equipment	2,068,515	195,940	124,578	2,139,877
Total accumulated depreciation	41,165,751	4,181,679	1,162,563	44,184,867
Net depreciable capital assets	83,703,975	(1,621,324)	(60,784)	82,143,435
Capital assets not being depreciated:				
Land	700,402	-	-	700,402
Construction in progress	4,383,085	5,812,592	2,489,067	7,706,610
Nondepreciable capital assets	5,083,487	5,812,592	2,489,067	8,407,012
Net capital assets	\$ 88,787,462	\$ 4,191,268	\$ 2,428,283	\$ 90,550,447

Depreciation was charged as follows:

	Charged to Depreciation and Amortization	Charged to Other Accounts	Total Depreciation and Amortization
Power Division	\$ 1,589,164	\$ 73,236	\$ 1,662,400
Water Division	670,350	38,357	708,707
Gas Division	434,473	43,594	478,067
Department of Sewer	1,283,913	46,544	1,330,457
	\$ 3,977,900	\$ 201,731	\$ 4,179,631

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 2. Capital Assets (continued)

Board of Education:

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2010</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 13,550,762	\$ 107,582	\$ -	\$ 13,658,344
Infrastructure	19,350	-	-	19,350
Furniture, equipment, and vehicles	<u>2,302,027</u>	<u>208,023</u>	<u>41,887</u>	<u>2,468,163</u>
Total depreciable capital assets	<u>15,872,139</u>	<u>315,605</u>	<u>41,887</u>	<u>16,145,857</u>
Accumulated depreciation:				
Buildings and improvements	8,000,748	270,575	-	8,271,323
Infrastructure	11,187	967	-	12,154
Furniture, equipment, and vehicles	<u>1,577,139</u>	<u>165,478</u>	<u>38,410</u>	<u>1,704,207</u>
Total accumulated depreciation	<u>9,589,074</u>	<u>437,020</u>	<u>38,410</u>	<u>9,987,684</u>
Net depreciable capital assets	<u>6,283,065</u>	<u>(121,415)</u>	<u>3,477</u>	<u>6,158,173</u>
Capital assets not being depreciated:				
Land	<u>211,146</u>	<u>2,340</u>	<u>-</u>	<u>213,486</u>
Nondepreciable capital assets	<u>211,146</u>	<u>2,340</u>	<u>-</u>	<u>213,486</u>
Net capital assets	<u>\$ 6,494,211</u>	<u>\$ (119,075)</u>	<u>\$ 3,477</u>	<u>\$ 6,371,659</u>

Depreciation expense was charged to functions as follows:

Regular instruction	\$ 58,788
Administration	12,576
Operation and maintenance	4,419
Transportation	46,341
Food services	44,321
Unallocated depreciation	<u>270,575</u>
	<u>\$ 437,020</u>

Unallocated depreciation consists of depreciation related to the Board's buildings. Depreciation has not been allocated because the buildings serve multiple functions.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 3. Long-Term Debt

All long-term debt of the primary government is related to governmental activities. Primary government long-term debt activity for the year is as follows:

	<u>Balance</u> <u>6/30/09</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>6/30/10</u>	<u>Due</u> <u>within</u> <u>one year</u>
Note payable to the Public Building Authority of the City of Clarksville, Tennessee, Pooled Loan Program, Series 1995; adjustable rate pooled financing; principal due annually, interest due monthly through May 2010	\$ 505,300	\$ -	\$ 505,300	\$ -	\$ -
Note payable to the Public Building Authority of the City of Clarksville, Tennessee, Pooled Loan Program, Series 2003; adjustable rate pooled financing; principal due annually beginning May 2007, interest due monthly	6,000,000	-	100,000	5,900,000	662,000
Compensated absences	<u>246,672</u>	<u>5,409</u>	<u>-</u>	<u>252,081</u>	<u>168,062</u>
Total long-term debt	<u>\$ 6,751,972</u>	<u>\$ 5,409</u>	<u>\$ 605,300</u>	<u>\$ 6,152,081</u>	<u>\$ 830,062</u>

The liability for compensated absences is typically liquidated in the General Fund.

The Series 2003 note payable carries an adjustable interest rate that is determined based on the market rate of tax exempt variable interest. The rate is adjusted weekly and was 0.44 percent at June 30, 2010.

The debt service requirements for the notes payable are as follows:

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 662,000	\$ 26,012	\$ 688,012
2012	683,000	23,093	706,093
2013	703,000	20,083	723,083
2014	725,000	16,983	741,983
2015	747,000	13,787	760,787
2016-2018	<u>2,380,000</u>	<u>21,194</u>	<u>2,401,194</u>
Total	<u>\$ 5,900,000</u>	<u>\$ 121,152</u>	<u>\$ 6,021,152</u>

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 3. Long-Term Debt (continued)

During 2004, the City authorized the issuance of \$6,300,000 of debt through the Tennessee Municipal Bond Fund to be appropriated to the Athens City Board of Education for school renovations. As of June 30, 2007, the entire \$6,300,000 issuance had been drawn on the debt issue of which \$6,268,500 has been appropriated to the Board of Education and \$31,500 has been disbursed to pay debt issue costs. See Note 6 for further details regarding this debt issue.

Component unit long-term debt activity for the year is as follows:

Utilities Board:

	Balance 6/30/09	Additions	Payments	Balance 6/30/10	Due within one year
Revenue and tax bonds	\$ 2,035,000	\$ 1,414,000	\$ 263,684	\$ 3,185,316	\$ 286,921
Notes payable	25,732,739	1,280,274	645,976	26,367,037	817,763
TVA advances	458,128	18,336	219,808	256,656	127,636
Total	<u>\$ 28,225,867</u>	<u>\$ 2,712,610</u>	<u>\$ 1,129,468</u>	<u>\$ 29,809,009</u>	<u>\$ 1,232,320</u>

The Power Division and the Department of Sewer revenue bonds are payable from and are secured by a first pledge of the revenues derived from the operation of the respective systems. The revenue bonds and the Water Division note payable are collateralized by a statutory lien on the respective systems.

The Department of Sewer bond documents require that certain restricted reserve funds be estimated and maintained. At June 30, 2010, the required funds have been segregated into restricted accounts in the financial statements.

The principal and interest payments on all long-term debt were current as of June 30, 2010.

During 2010, the Board entered an agreement which will provide approximately \$4,740,000 for sewer collection system expansion and sewer line rehabilitation. The agreement was entered into by the City of Athens, Tennessee and utilizes State Revolving Fund loans and American Recovery and Reinvestment Act funding. Under the agreement, approximately \$1,896,000 of principal is to be forgiven. The debt service that must be paid under this agreement will be paid by the Board. If Board funds are not sufficient to service the debt, the City of Athens is required to establish ad valorem taxes to pay the debt. The Board's financial statements disclose the debt service in accordance with the debt amortization schedule to the extent that the debt has been drawn or requested for the portion that must be repaid. Contractors had begun work on this project prior to June 30, 2010, accordingly related construction in progress, payables to contractors, receivables from the primary government and long-term debt were recognized at year-end.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 3. Long-Term Debt (continued)

Utilities Board: (continued)

During 2010 the Board entered a \$1,414,000 loan agreement whereby the City of Athens issued Water Revenue and Tax Bond, Series 2009 for water system construction, improvement and extension. The Bond was registered to USDA Rural Development and is payable from revenues to be derived from operation of the water system. If Board funds are not sufficient to service the debt, the City of Athens is required to establish ad valorem taxes to pay the debt. The Board has agreed to pay all debt service due under this agreement over a 38 year amortization period. The project was completed and debt service began during 2010.

During 2008, the Board entered a \$2,600,000 loan agreement. The note payable is between the City of Athens, Tennessee and the Public Building Authority of the City of Clarksville, Tennessee (PBA); however, the debt service will be paid by the Board over a 29-year amortization period. If Board funds are not sufficient to service the debt, the City of Athens is required to establish ad valorem taxes to pay the note. The debt issue requires monthly interest at a variable rate with the rate at June 30, 2010, at 0.44 percent.

During 2004, Athens Utilities Board entered a \$20,500,000 loan agreement. The note payable is between the City of Athens, Tennessee and the Public Building Authority of the City of Clarksville, Tennessee; however, the debt service will be paid by the Board over a 29-year amortization period. If Board funds are not sufficient to service the debt, the City of Athens is required to establish ad valorem taxes to pay the note. The debt issue requires monthly interest at a variable rate with the rate at June 30, 2010, set at 0.44 percent.

Aggregate maturities or payments required on principal under long-term debt obligations are as follows:

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 1,104,684	\$ 280,898	\$ 1,385,582
2012	1,078,982	255,410	1,334,392
2013	1,118,528	233,007	1,351,535
2014	1,123,381	210,872	1,334,253
2015	1,126,364	188,318	1,314,682
2016-2020	5,671,041	733,429	6,404,470
2021-2025	6,952,971	541,135	7,494,106
2026-2030	7,081,293	339,388	7,420,681
2031-2035	3,317,894	158,694	3,476,588
2036-2040	537,219	93,760	630,979
2041-2045	274,513	50,447	324,960
2046-2048	165,483	7,546	173,029
	<u>\$ 29,552,353</u>	<u>\$ 3,092,904</u>	<u>\$ 32,645,257</u>

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 4. Cash Deposits and Investments

Cash Deposits:

Primary government

State statutes require that all deposits with financial institutions must be collateralized in an amount equal to 105 percent of the face amount of uninsured deposits. Under these statutes, the deposits must be either covered by state or federal depository insurance, by collateral held by the City's agent in the City's name or by the Federal Reserve Banks acting as third-party agents. At June 30, 2010, all the City's deposits were insured or collateralized.

Component units

At June 30, 2010, all cash deposits of the Athens City Board of Education were covered by state or federal depository insurance or collateralized with securities held by the Board's agents in the Board's name.

At June 30, 2010, all cash deposits of the Athens Utilities Board were covered by state or federal depository insurance or collateralized with securities held by the Board's agents in the Board's name.

Investments:

Primary government

The City's investment policy states that investments shall only be made in debt instruments of commercial banks or other investment institutions or other obligors having a Standard and Poors (A) and Moody's (P) short-term credit rating of at least an A1 P1. For instruments not rated, deposits must be insured by the maximum authorized under the Federal Deposit Insurance Corporation or be covered by an institution that is a participant in the State of Tennessee's Bank Collateral Pool. Investments are carried at fair value, as determined by quoted market prices. It is the City's policy, generally, to hold investments until maturity. Investments will have an average maturity of less than one year and shall not exceed two years.

State statutes authorize the City to invest in obligations of the U.S. Treasury, its agents and instrumentalities, repurchase agreements, interest earning money market accounts, certificates of deposit, obligations of the state or any agency of the state, and the State of Tennessee Local Government Investment Pool (LGIP).

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 4. Cash Deposits and Investments (continued)

Primary government (continued)

As of June 30, 2010, the City had \$16,140,248 invested in the LGIP, which represents all of the City's investments excluding those included in the Cemetery Perpetual Care Fund and the Athens Pension Trust Fund. The LGIP was not rated as of June 30, 2010. At June 30, 2010, the investments of the LGIP had a weighted average maturity of 86 days. The fair value of the position of the LGIP is the same as the value of the pool shares. Regulatory oversight for the LGIP is provided by the State legislature, the State Comptroller and the State Funding Board.

Cemetery Perpetual Fund:

The Cemetery Perpetual Care Fund's investments are determined by Branch Banking and Trust, the Trustee. The Trustee is authorized to invest in all legal and prudent investments.

As of June 30, 2010, the Cemetery Perpetual Care Fund's investments consisted of the following:

	<u>Fair Value</u>
Money market funds	\$ 8,521
Mutual funds	<u>136,075</u>
	<u>\$ 144,596</u>

There is not a formal policy to limit the credit risk exposure on these investments.

Athens Pension Trust Fund:

As of June 30, 2010, the Pension Trust Fund's investments consisted of the following:

	<u>Weighted Average Maturity</u>	<u>Fair Value</u>
U.S. government and agency securities	3.86 years	\$ 1,367,926
Foreign stocks	N/A	62,679
Corporate bonds	1.89 years	189,285
Common stock	N/A	1,452,869
Mutual funds	N/A	3,808,776
Money market fund	N/A	<u>99,826</u>
		<u>\$ 6,981,361</u>

The Athens Pension Trust Fund is authorized to invest in stocks and corporate bonds rated investment grade or above by Moody's Investor Services. The Retirement Committee's investment policy is to achieve a 50/50 government and corporate bonds/equities ratio. U.S.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 4. Cash Deposits and Investments (continued)

Athens Pension Trust Fund (continued):

government and agency securities carry the explicit guarantee of the U.S. government. The City does not have any additional formal policy to limit its credit risk exposure.

The City does not have a formal policy to limit its exposure to fair value losses arising from rising interest rates.

Note 5. Interfund Transactions

Interfund Transfers:

Interfund transfers during the year consisted of the General Fund transferring \$790,000 to the Debt Service Fund and \$1,000,000 to the Capital Improvement Fund. Interfund transactions were for the purpose of funding debt service requirements and capital projects. In addition, the Internal Service Fund transferred \$195,000 to the Sanitation Fund to assist in Sanitation's purchase of vehicles and refuse containers. Interfund activity is netted in the government-wide statements within the governmental activities and business-type activities columns.

Interfund Payable/Receivable:

During 2010, the General Fund loaned the Sanitation Fund \$418,500 to help finance costs associated with Sanitation's purchase of vehicles and refuse containers. The outstanding amounts are reflected as interfund payable and receivable on the respective funds. The loan was authorized by the State of Tennessee, Division of Local Finance through approval of the \$418,500 Automated Refuse Collection System Interfund Loan Capital Outlay Notes, Series 2009.

Note 6. Component Unit Transactions

Utilities Board:

Generally, all transactions with the Utilities Board are as a result of services being provided. The Utilities Board provides utilities to the City. In addition, the Utilities Board bills and collects residential sanitation services for the City.

Various debt issues have occurred where the City has entered into loan agreements for the benefit of the Athens Utilities Board. The Athens Utilities Board has assumed all debt obligations including debt service. See Note 3, and Note 10 for additional information regarding these matters.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 6. Component Unit Transactions (continued)

Board of Education:

During 2010, the City appropriated \$1,825,000, as part of its annual appropriation to fund the Board's operations to the Board of Education. The appropriation is paid monthly. The financial statements reflect a payable from the City to the Board of Education of \$289,000 for appropriations to be remitted.

During 2004, the City authorized \$6,300,000 for school renovations. The City has issued debt through the Tennessee Municipal Bond Fund. The debt is in the City's name and draws on the loan are appropriated to the Board of Education for renovations as necessary, but renovations must be completed within three years.

During the construction period, interest only payments were made based on the amounts drawn. The Board of Education has agreed to pay the first \$1,300,000 due with the City liable for all principal and interest due thereafter. As of June 30, 2008, the City had appropriated the entire \$6,300,000. At June 30, 2010, the Board of Education had paid the Board's share of principal and interest in full.

Note 7. Detail of Net Assets and Fund Balances

Net Assets:

Net assets reported on the government-wide Statement of Net Assets include the following:

	Governmental Activities	Business- Type Activities	Total
Capital assets	\$ 22,984,855	\$ 3,055,377	\$ 26,040,232
Accumulated depreciation	(10,774,483)	(1,506,464)	(12,280,947)
Debt related to acquisition and construction of capital assets	—	—	—
Invested in capital assets, net of related debt	<u>12,210,372</u>	<u>1,548,913</u>	<u>13,759,285</u>
Restricted for debt service	3,400,116	—	3,400,116
Restricted for cemetery perpetual care:			
Expendable	97,313	—	97,313
Nonexpendable	<u>47,283</u>	<u>—</u>	<u>47,283</u>
Total restricted	<u>3,544,712</u>	<u>—</u>	<u>3,544,712</u>
Unrestricted	<u>9,479,418</u>	<u>938,929</u>	<u>10,418,347</u>
Total net assets	<u>\$ 25,234,502</u>	<u>\$ 2,487,842</u>	<u>\$ 27,722,344</u>

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 7. Detail of Net Assets and Fund Balances (continued)

Governmental Fund Balances:

Reservations of fund balances of governmental funds are created to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated or (2) identify the portion of the fund balance that is not appropriated for future expenditures. Specific reservations of the fund balance accounts are summarized below.

Reserved for encumbrances. This reserve was created to represent encumbrances outstanding at the end of the year based on purchase orders and contracts signed by the City but not completed as of the close of the fiscal year.

Reserved for Cook Park. This reserve was created as a result of an agreement between the City and the Cook Garden Club. The agreement provides for an annual appropriation for the neighborhood park of \$6,617 in return for the closing of the Cook Park swimming pool. At year end there were no remaining amounts reserved for Cook Park.

Reserved for inventories. This reserve was created to represent the portion of the fund balance that is not available for expenditures because the City expects to use these resources within the next budgetary period.

Reserved for law enforcement. This reserve was created to comply with federal statutes concerning accountability for federally forfeited property.

Reserved for police benefit fund. This reserve was created from a portion of the funds collected from charges for traffic accident reports. It is used for small purchases made by the department for flowers to families of deceased police officers and other miscellaneous items.

Reserved for cemetery perpetual care. This reserve was in conjunction with an irrevocable trust agreement established for the Cemetery Perpetual Care Fund.

Reserved for debt service. This reserve was established to provide for future debt service.

Reserved for state street aid. This reserve was created to comply with state statutes concerning accountability for funds received from the State of Tennessee gas tax. There was no reserve required at June 30, 2010. Revenues were \$353,879 and expenditures were \$473,786 for street lighting.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 7. Detail of Net Assets and Fund Balances (continued)

Governmental fund balances reported on the fund financial statements include the following:

Reserved	
Major Funds:	
General Fund	
Encumbrances	\$ 4,215
Inventory	108,098
Law enforcement	154,153
Police benefit	16,871
NLC small cities conference	4,950
Debt Service Fund	
Debt service	<u>3,400,116</u>
	3,688,403
Nonmajor Funds:	
Cemetery Perpetual Care Fund	
Cemetery perpetual care	<u>144,596</u>
Total reserved fund balances	<u>3,832,999</u>
Unreserved	
Major Funds:	
General Fund	7,645,767
Capital Improvement Fund	4,178,331
Nonmajor Funds:	
Drug Fund	182,621
General Obligation Bond Fund	<u>19,149</u>
Total unreserved fund balances	<u>12,025,868</u>
Total governmental fund balances	<u>\$ 15,858,867</u>

Component Units:

Utilities Board

Net assets of the Utilities Board consist of the following:

Invested in capital assets, net of related debt	\$ 61,145,036
Restricted for debt service	83,112
Unrestricted	<u>22,064,043</u>
	<u>\$ 83,292,191</u>

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 7. Detail of Net Assets and Fund Balances (continued)

Board of Education

Net assets of the Board of Education consist of the following:

Invested in capital assets, net of related debt	\$ 6,371,659
Unrestricted	<u>3,843,802</u>
	<u>\$ 10,215,461</u>

Note 8. Pension Plans

Primary Government:

Plan description

The City of Athens, Tennessee Pension Plan (Plan) is a single employer non-contributory defined benefit plan. All regular and full-time employees of the City, and the City Judge, excluding temporary, part-time or seasonal employees, whose customary employment is less than 5 months a year, are eligible to participate. Currently, there are 106 active and 20 terminated participants, as well as 42 retired participants.

A complete copy of the Plan's actuarial report is available upon request at the City of Athens Finance Department.

All employees who have completed at least one year of employment are eligible to participate in the Plan. Under the Plan, employees' annual benefits, to be paid in monthly installments for life, are based on continuous service to normal retirement age (65) and are equal to the sum of:

1. Thirty percent of average compensation reduced by 1/10 for each year of continuous service less than 10 (reduced by 1/20 for each year of continuous service less than 20 for employees hired after June 30, 1999), plus
2. One percent of average compensation in excess of the Average Covered Wage, given by the table below, for each year of service up to 35 years.

Effective January 1, 2006, the normal retirement date coincides with the attainment of age 65 and 5 years of continuous service.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 8. Pension Plans (continued)

Plan description (continued)

<u>Participant's Year of Birth</u>	<u>Average Covered Wage</u>
Before 1910	\$ 6,000
1910 to 1911	6,600
1912 to 1913	7,200
1914 to 1915	8,400
1916 to 1917	9,000
1918 to 1921	9,600
1922 to 1925	10,200
1926 to 1930	10,800
1931 to 1932	11,400
1933 to 1934	12,000
1935 to 1936	12,600
1937 to 1940	13,200
1941 to 1944	13,800
1945 and later	14,100

The minimum annual benefit is the greater of (a) \$42 per year of service not to exceed 35 years, (b) the accrued benefit under the formula as of June 30, 1976 or (c) the accrued benefit under the formula as of June 30, 1998.

Upon the completion of 15 years of continuous service and the attainment of age 55, a participant may elect early retirement. The participant may receive a monthly benefit for life beginning at early retirement date equal to the benefit accrued, reduced by one-fifteenth for each of the first 5 years and one-thirtieth for each of the next 5 years by which early retirement precedes normal retirement. A participant age 62 with 15 years of service or age 55 with 25 years of service is eligible for an unreduced benefit.

A participant who becomes totally and permanently disabled before the normal retirement date and has 10 years of continuous service may retire and receive a disability retirement benefit reduced one-fifteenth for each of the first 5 years and one-thirtieth for each of the next 5 years by which disability precedes normal retirement date and actuarially reduced for each additional year.

A participant is 100 percent vested in his accrued benefit upon termination after 5 or more years of service. The Plan trust funds are managed by the Trust Division of Branch Banking & Trust Company.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 8. Pension Plans (continued)

Summary of significant accounting policies

The City of Athens, Tennessee's financial statements are prepared using the accrual basis of accounting. Contributions are recognized in the period that they are due. Benefits and refunds are recognized in the period that they are payable to the participants. Pension administration costs are financed by the General Fund and the Sanitation Fund.

Following are the significant accounting principles followed by the Trust Division of Branch Banking & Trust Company:

The securities listed on a national securities exchange are valued at the closing price at the valuation date. Securities which are not listed on a national securities exchange are valued at the mean of the bid and asked prices on the valuation date. Temporary investments are valued at their estimated market value by the Fund's Trustee.

Interest income is accrued as earned on each valuation date. The cost of securities sold is determined by the specific identification method.

Fixed income fund securities are valued utilizing prices quoted by a statistical service. U.S. Government Securities (held in trust) are valued at their estimated market value by the Fund's Trustee.

Contributions and reserves

- a. The authority under which the obligation to contribute to the Plan of the City is established through Section 3.02 of the Plan Document and a Trust Agreement between the employer and the Trust Division of Branch Banking & Trust Company.
- b. The funding policy is to contribute annually the normal cost with interest as determined through an actuarial valuation utilizing the collective aggregate normal cost method.
- c. Active Plan members are not required to contribute.
- d. There are no long-term contracts for contributions at the reporting date.
- e. There are no legally required reserves at the reporting date.

Annual pension cost and net pension obligation (benefit):

The amount shown below as the "net pension obligation (benefit)" is the cumulative difference between annual pension cost and the City's contributions to the Plan, including the pension liability at transition.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 8. Pension Plans (continued)

Annual pension cost and net pension obligation (benefit) (continued):

Significant actuarial assumptions used in the valuation and the update 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 a 4 percent annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) no post retirement benefit increases, (d) level percentage of projected payroll amortization method, and (e) 30 years open amortization period. The actuarial value of assets was the market value.

Development of the net pension obligation (benefit)

Annual required contribution for year ending June 30, 2010	\$ 532,374
Interest on net pension obligation	(59,131)
Adjustment to annual required contribution	<u>62,099</u>
Annual pension cost	535,342
Employer contributions made	<u>700,000</u>
Change in net pension benefit	(164,658)
Net pension benefit at June 30, 2009	<u>(788,413)</u>
Net pension benefit at June 30, 2010	<u>\$ (953,071)</u>

The annual required contribution for the 2010 year was determined as part of the annual actuarial valuation on January 1, 2010 using the service prorated unit credit actuarial cost method.

Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Benefit)</u>
6/30/10	\$ 535,342	130.8 %	\$(953,071)
6/30/09	484,399	179.6	(788,413)
6/30/08	503,195	103.3	(402,812)

Funded Status and Funding Progress:

As of January 1, 2010, the most recent actuarial valuation date, the plan was 73.52 percent funded. The actuarial accrued liability for benefits was \$11.10 million, and the actuarial value of assets was \$8.16 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$2.94 million. The covered payroll (annual payroll of active employees covered by the plan) was \$4.50 million, and the ratio of the UAAL to the covered payroll was 65.31 percent.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 8. Pension Plans (continued)

Funded Status and Funding Progress (continued):

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

The annual required contribution (ARC) was calculated using the service prorated unit credit actuarial cost method.

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Percentage of Covered Payroll</u>
01/01/08	\$ 7,202,088	\$ 9,671,718	\$ 2,469,630	74.47 %	\$ 4,234,871	58.32 %
01/01/09	7,409,050	10,305,686	2,896,636	71.89	4,159,928	69.63
01/01/10	8,157,164	11,095,133	2,937,969	73.52	4,498,821	65.31

Component Units

Utilities Board:

Plan description

The Utilities Board has a single-employer, noncontributory defined benefit pension plan covering substantially all employees in all divisions.

Board of Education:

Non-instructional employees - plan description

Employees of the Board of Education 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. Political subdivisions such as the Board of Education participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan.

Instructional employees - plan description

The Board of Education contributes 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.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 8. Pension Plans (continued)

Report availability

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEPP and the PSPP in which the Board of Education participates. 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.

The Board of Education and Utilities Board issue stand-alone financial reports which include all required disclosures and required supplementary information related to the component units' pension plan. Complete financial statements can be obtained at the component units' administrative office.

Note 9. Deferred Compensation

The City and the Utilities Board offer their employees deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans, available to all employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

Note 10. Contingencies

The Athens Utilities Board has debt issues with outstanding balances totaling \$26,981,718, representing debt issued by the City where the Utilities Board has assumed all responsibility through resolution. This long-term debt is reported in the Athens Utilities Board financial statements. The debt service is to be paid through user fees and Board funds, but the City is required to establish ad valorem taxes under each debt issue if Utilities Board funds are not sufficient to service the debts.

The City is subject to lawsuits and claims arising out of its business nature. Management, after review and consultation with counsel, believes that any liability, not covered by insurance, from these lawsuits would not materially affect the financial position of the City.

The City has received several federal and state grants for specific purposes which are subject to review by the grantor agencies. Such reviews could lead to a request for reimbursement to the grantor agencies for any expenditures disallowed under the terms of the grants. Management believes that such disallowed costs, if any, would be immaterial.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

Note 11. Risk Management

The City is exposed to various risks of loss to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the government carries commercial insurance or participates in the Tennessee Municipal League Risk Management Pool. The Tennessee Municipal League Risk Management Pool is a public entity risk pool which provides coverage for a variety of risks to Tennessee governments. The City does not retain the risk of loss under coverages with the pool. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

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**CITY OF ATHENS, TENNESSEE
SCHEDULE OF FUNDING PROGRESS
AND SCHEDULE OF EMPLOYER CONTRIBUTIONS
PENSION PLAN
June 30, 2010**

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
01/01/01	\$ 4,000,642	\$ 5,688,590	\$ 1,687,948	70.33 %	\$ 3,320,903	50.83 %
01/01/02	4,343,940	6,104,335	1,760,395	71.16	3,554,617	49.52
01/01/03	4,664,487	6,497,963	1,833,476	71.78	3,815,073	48.06
01/01/04	5,068,768	7,113,097	2,044,329	71.26	3,610,949	56.61
01/01/05	5,493,047	7,847,572	2,354,525	70.00	3,777,279	62.33
01/01/06	5,953,249	7,906,837	1,953,588	75.29	3,713,900	52.60
01/01/07	6,531,144	9,312,183	2,781,039	70.14	4,083,265	68.11
01/01/08	7,202,088	9,671,718	2,469,630	74.47	4,234,871	58.32
01/01/09	7,409,050	10,305,686	2,896,636	71.89	4,159,928	69.63
01/01/10	8,157,164	11,095,133	2,937,969	73.52	4,498,821	65.31

Schedule of Employer Contributions

<u>Plan Year Ending</u>	<u>Contributions by the City</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
06/30/01	\$ 282,666	\$ 281,558	100.4 %
06/30/02	343,829	339,606	101.2
06/30/03	410,000	366,470	111.9
06/30/04	410,000	391,030	104.9
06/30/05	393,536	408,869	96.2
06/30/06	466,000	439,869	105.9
06/30/07	510,000	401,148	127.1
06/30/08	525,000	506,743	103.6
06/30/09	870,000	482,883	180.2
06/30/10	700,000	532,374	131.4

1. The service prorated unit credit actuarial cost method has been used. Under this method, annual contributions consist of normal cost plus amortization of the unfunded actuarial accrued liability. Costs are allocated as a percentage of earnings.
2. There are no factors that significantly affect the identification of trends in the amounts reported in the required schedules.

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NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Fund

The Special Revenue Fund is used to account for the proceeds of specific revenues which are legally restricted to finance specific functions or activities of government and which, therefore, cannot be diverted to other uses.

DRUG FUND: This fund was established expressly to account for financial activities related to drug revenues and expenditures. This includes revenues for drug fines and forfeitures and expenditures for drug enforcement, education and treatment.

Capital Projects Fund

The Capital Projects Fund is used to account for the acquisition or construction of major capital facilities other than those financed by proprietary funds and trust funds.

GENERAL OBLIGATION BOND FUND: This fund was established in fiscal year 1989 to account for the proceeds of a bond issue for the construction of public works and recreation projects.

Permanent Fund

The Permanent Fund is 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.

CEMETERY PERPETUAL CARE FUND: This fund was established to provide for the future maintenance of city cemeteries. The interest income of the trust can be used for cemetery maintenance with no principal encroachment permitted.

**CITY OF ATHENS, TENNESSEE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2010**

	Special Revenue Fund	Capital Projects Fund	Permanent Fund	Total Nonmajor Governmental Funds
	Drug	General Obligation Bond	Cemetery Perpetual Care	
ASSETS				
Cash and cash equivalents	\$ 75,784	\$ 3,781	\$ -	\$ 79,565
Investments	90,137	15,368	144,596	250,101
Due from other governments	16,700	-	-	16,700
Total assets	\$ 182,621	\$ 19,149	\$ 144,596	\$ 346,366
LIABILITIES AND FUND BALANCES				
LIABILITIES	\$ -	\$ -	\$ -	\$ -
FUND BALANCES				
Reserved for cemetery perpetual care	-	-	144,596	144,596
Unreserved, undesignated	182,621	19,149	-	201,770
Total fund balances	182,621	19,149	144,596	346,366
Total liabilities and fund balances	\$ 182,621	\$ 19,149	\$ 144,596	\$ 346,366

CITY OF ATHENS, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2010

	Special Revenue Fund <hr/> Drug	Capital Projects Fund <hr/> General Obligation Bond	Permanent Fund <hr/> Cemetery Perpetual Care	Total Nonmajor Governmental Funds
REVENUES				
Fines and forfeitures	\$ 44,609	\$ -	\$ -	\$ 44,609
Investment and interest income	381	54	13,559	13,994
Charges for services	<u>-</u>	<u>-</u>	<u>2,175</u>	<u>2,175</u>
Total revenues	<u>44,990</u>	<u>54</u>	<u>15,734</u>	<u>60,778</u>
EXPENDITURES				
Current:				
Public safety	<u>92,598</u>	<u>-</u>	<u>-</u>	<u>92,598</u>
Total expenditures	<u>92,598</u>	<u>-</u>	<u>-</u>	<u>92,598</u>
REVENUES OVER (UNDER)				
EXPENDITURES	<u>(47,608)</u>	<u>54</u>	<u>15,734</u>	<u>(31,820)</u>
OTHER FINANCING SOURCES (USES)				
Sale of city property	1,286	-	-	1,286
Insurance proceeds	<u>34,430</u>	<u>-</u>	<u>-</u>	<u>34,430</u>
Total other financing sources	<u>35,716</u>	<u>-</u>	<u>-</u>	<u>35,716</u>
NET CHANGE IN FUND BALANCES	(11,892)	54	15,734	3,896
FUND BALANCES, beginning of year	<u>194,513</u>	<u>19,095</u>	<u>128,862</u>	<u>342,470</u>
FUND BALANCES, end of year	<u>\$ 182,621</u>	<u>\$ 19,149</u>	<u>\$ 144,596</u>	<u>\$ 346,366</u>

CITY OF ATHENS, TENNESSEE
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
Year Ended June 30, 2010

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 140,000	\$ 140,000	\$ 140,054	\$ 54
Interest	40,000	40,000	13,924	(26,076)
Miscellaneous income	-	-	9,885	9,885
Total revenues	<u>180,000</u>	<u>180,000</u>	<u>163,863</u>	<u>(16,137)</u>
EXPENDITURES				
Debt service:				
Principal	606,000	606,000	605,300	700
Interest	200,000	200,000	56,631	143,369
General government	7,500	7,500	6,544	956
Total expenditures	<u>813,500</u>	<u>813,500</u>	<u>668,475</u>	<u>145,025</u>
REVENUES OVER (UNDER) EXPENDITURES	(633,500)	(633,500)	(504,612)	128,888
OTHER FINANCING SOURCES				
Transfer from general fund	<u>790,000</u>	<u>790,000</u>	<u>790,000</u>	-
Net change in fund balance	156,500	156,500	285,388	128,888
FUND BALANCE, beginning of year	<u>3,114,728</u>	<u>3,114,728</u>	<u>3,114,728</u>	-
FUND BALANCE, end of year	<u>\$ 3,271,228</u>	<u>\$ 3,271,228</u>	<u>\$ 3,400,116</u>	<u>\$ 128,888</u>

CITY OF ATHENS, TENNESSEE
BUDGETARY COMPARISON SCHEDULE
DRUG FUND
Year Ended June 30, 2010

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Drug fines and forfeitures	\$ 32,000	\$ 38,000	\$ 44,609	\$ 6,609
Investment and interest income	-	-	381	381
Total revenues	<u>32,000</u>	<u>38,000</u>	<u>44,990</u>	<u>6,990</u>
EXPENDITURES				
Drug investigation	12,000	12,000	13,000	(1,000)
Supplies	15,000	81,200	78,008	3,192
Education and training	5,000	5,000	1,590	3,410
Total expenditures	<u>32,000</u>	<u>98,200</u>	<u>92,598</u>	<u>5,602</u>
REVENUES OVER (UNDER)				
EXPENDITURES	-	(60,200)	(47,608)	12,592
OTHER FINANCING SOURCES (USES)				
Sale of city property	-	-	1,286	1,286
Insurance proceeds	-	34,500	34,430	(70)
Total other financing sources	-	<u>34,500</u>	<u>35,716</u>	<u>1,216</u>
NET CHANGE IN FUND BALANCES	-	(25,700)	(11,892)	13,808
FUND BALANCE, beginning of year	<u>194,513</u>	<u>194,513</u>	<u>194,513</u>	-
FUND BALANCE, end of year	<u>\$ 194,513</u>	<u>\$ 168,813</u>	<u>\$ 182,621</u>	<u>\$ 13,808</u>

OTHER

CITY OF ATHENS, TENNESSEE
SCHEDULE OF UNCOLLECTED DELINQUENT TAXES FILED
LAST TEN YEARS
June 30, 2010

<u>Tax Year</u>	<u>Delinquent Taxes Filed</u>	<u>July 1, 2009 Delinquent Taxes Receivable</u>	<u>Current Collections and Adjustment</u>	<u>June 30, 2010 Delinquent Taxes Receivable</u>
1999 and Prior	\$ *	\$ 2,670	\$ -	\$ 2,670
2000	52,893	942	-	942
2001	53,445	305	-	305
2002	37,540	1,734	-	1,734
2003	54,164	3,628	-	3,628
2004	42,110	3,328	108	3,220
2005	45,102	2,709	630	2,079
2006	55,813	11,852	6,649	5,203
2007	69,042	52,884	29,342	23,542
2008	80,293	242,893	170,781	72,112

* Not available.

CITY OF ATHENS, TENNESSEE
SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE
Year Ended June 30, 2010

	Total	2010 Assessment	2009 Assessment	Prior Years
PROPERTY TAXES RECEIVABLE				
July 1, 2009	<u>\$ 4,790,945</u>	<u>\$ -</u>	<u>\$4,468,000</u>	<u>\$ 322,945</u>
Add -				
Taxes assessed	4,546,000	4,546,000	-	-
Late listings	<u>51</u>	<u>-</u>	<u>-</u>	<u>51</u>
	<u>4,546,051</u>	<u>4,546,000</u>	<u>-</u>	<u>51</u>
Deduct -				
Collections	4,387,243	-	4,179,963	207,280
Adjustments and abatements	<u>27,154</u>	<u>-</u>	<u>26,873</u>	<u>281</u>
	<u>4,414,397</u>	<u>-</u>	<u>4,206,836</u>	<u>207,561</u>
PROPERTY TAXES RECEIVABLE				
June 30, 2010	<u><u>\$ 4,922,599</u></u>	<u><u>\$4,546,000</u></u>	<u><u>\$ 261,164</u></u>	<u><u>\$ 115,435</u></u>

CITY OF ATHENS, TENNESSEE
SCHEDULE OF INVESTMENTS
June 30, 2010

	Interest Rate	Maturity Date	Cost	Market Value
<u>FUNDS GOVERNED BY THE CITY COUNCIL</u>				
Cemetery Perpetual Care Fund:				
Allianz Opportunity Fund	-	-	\$ 813	\$ 809
Artisan Mid Cap Value Fund	-	-	2,115	2,262
BB&T Intermediate U.S. Government Bond Fund	-	-	14,619	15,807
BB&T Special Opportunities Fund	-	-	2,373	2,209
BB&T U.S. Treasury Money Market Fund	-	-	8,521	8,521
Dodge & Cox Income Fund	-	-	20,754	20,897
Eaton Vance Large Cap Value Fund	-	-	7,877	6,920
Federated Institutional High Yield Bond Fund	-	-	5,000	5,069
Federated Mortgage Institutional Class Fund	-	-	10,453	10,520
Fidelity Advisor Strategic Income Fund	-	-	10,180	10,224
Harbor International Fund	-	-	3,423	3,436
Invesco International Growth Fund	-	-	2,617	2,372
iShares Lehman Credit Bond Fund	-	-	10,357	10,538
iShares MSCI EAFE Small Cap Index Fund	-	-	1,055	943
Lazard Emerging Markets Portfolio Institutional Class Fund	-	-	2,985	2,771
Neuberger & Berman Large Cap Disciplined Growth Fund	-	-	5,248	4,724
Pimco Commodity Real Return Strategy Fund	-	-	1,819	1,614
Pimco Foreign Bond (U.S. Dollar Hedged) Fund	-	-	5,221	5,343
Pimco Low Duration Fund	-	-	10,383	10,393
T. Rowe Price Institutional Emerging Markets Bond Fund	-	-	4,981	5,078
TCW Growth Equities Fund	-	-	2,256	2,235
Vanguard GNMA Fund	-	-	10,507	10,635
Virtus Quality Small Cap Fund	-	-	1,319	1,276
Total			<u>\$ 144,876</u>	<u>\$ 144,596</u>
Athens Pension Trust Fund:				
Federal Home Loan Bank	5.250	06/18/14	\$ 336,559	\$ 370,399
Federal Home Loan Mortgage Corporation	5.000	01/30/14	212,253	241,742
Federal Home Loan Mortgage Corporation	4.750	11/17/15	79,549	84,469
Federal National Mortgage Association	4.750	02/21/13	143,145	158,866
Federal National Mortgage Association	5.125	01/02/14	141,812	159,462
Federal National Mortgage Association	5.000	05/11/17	85,266	91,275
U.S. Treasury Bond	4.250	11/15/14	232,114	261,713
General Electric Corporation	3.000	12/09/11	92,721	92,970
Wells Fargo Company	5.250	10/23/12	91,603	96,315
Abbott Laboratories	-	-	13,932	13,473
Accenture Limited	-	-	4,658	4,136
Adobe Systems, Inc.	-	-	7,494	7,215
Air Products and Chemicals, Inc.	-	-	5,653	6,092
Allergan, Inc.	-	-	10,290	10,370
Allegheny Technologies	-	-	15,746	13,611

(continued)

CITY OF ATHENS, TENNESSEE
SCHEDULE OF INVESTMENTS

June 30, 2010

(continued)

	Interest Rate	Maturity Date	Cost	Market Value
Amazon, Inc.	-	-	\$ 6,946	\$ 15,515
American Electric Power, Inc.	-	-	10,319	12,177
American Express Company	-	-	6,486	7,781
American Tower Corporation	-	-	18,686	19,625
Amgen, Inc.	-	-	26,543	25,932
Apache Corporation	-	-	19,935	16,333
Apple, Inc.	-	-	28,453	52,821
AT&T	-	-	13,071	8,055
Avalonbay Communities, Inc.	-	-	5,443	9,991
Bank of America Corporation	-	-	16,384	18,322
Best Buy Company, Inc.	-	-	15,257	12,901
Boston Properties, Inc.	-	-	2,754	4,423
Carnival Corporation	-	-	5,938	6,774
Caterpillar Tractor Company	-	-	7,189	7,208
Celgene Corporation	-	-	13,781	11,739
Cisco Systems, Inc.	-	-	27,835	27,106
Citrix Systems, Inc.	-	-	16,636	16,301
Coach, Inc.	-	-	6,655	6,944
Coca Cola Company	-	-	24,985	22,654
Colgate-Palmolive Company	-	-	13,040	12,838
ConAgra Foods, Inc.	-	-	13,531	12,803
ConocoPhillips	-	-	20,527	18,311
Corning, Inc.	-	-	23,205	21,318
Cummins, Inc.	-	-	6,711	12,896
CVS Caremark Corporation	-	-	4,418	4,017
Danaher Corporation	-	-	9,571	9,132
Denbury Resources, Inc.	-	-	4,641	4,260
DIRECTV Group, Inc.	-	-	6,001	8,141
EMC Corporation	-	-	8,689	12,298
Emerson Electric Company	-	-	7,407	9,131
Express Scripts, Inc.	-	-	12,803	11,426
Exxon Mobil Corporation	-	-	19,272	13,925
Fifth Third Bancorp	-	-	3,753	4,744
Freeport-McMoran Copper & Gold, Inc.	-	-	8,750	9,106
General Dynamics Corporation	-	-	15,397	11,946
General Electric Corporation	-	-	12,154	11,680
Goldman Sachs Group, Inc.	-	-	12,405	13,258
Google, Inc.	-	-	12,486	9,789
Hess Corporation	-	-	19,553	16,612
Hewlett Packard Development Company	-	-	32,769	33,023
Intel Corporation	-	-	6,675	6,477
International Business Machines Corporation	-	-	11,847	11,854
Johnson & Johnson Services, Inc.	-	-	30,185	29,766
JP Morgan Chase & Company	-	-	24,743	29,691

(continued)

CITY OF ATHENS, TENNESSEE
SCHEDULE OF INVESTMENTS
June 30, 2010
(continued)

	Interest Rate	Maturity Date	Cost	Market Value
Kellogg Company	-	-	\$ 6,515	\$ 6,187
KeyCorp	-	-	6,293	6,506
Kimberly-Clark Corporation	-	-	29,133	28,496
Laboratory Corporation of America Holdings	-	-	13,464	13,111
Lincoln National Corporation	-	-	7,037	6,971
Lowe's Companies, Inc.	-	-	8,605	8,188
MasterCard, Inc.	-	-	6,909	7,981
McDonald's Corporation	-	-	38,705	40,971
Mead Johnson Nutrition Company	-	-	10,446	11,828
Merck & Company, Inc.	-	-	13,021	13,638
Metlife, Inc.	-	-	13,367	13,820
Microsoft Corporation	-	-	43,402	39,140
Monsanto Company	-	-	9,112	5,685
Northern Trust Corporation	-	-	6,299	6,258
Occidental Petroleum Corporation	-	-	19,488	19,750
Oracle Corporation	-	-	24,958	22,984
PACCAR, Inc.	-	-	5,645	5,622
Paychex, Inc.	-	-	12,795	11,401
Peabody Energy Corporation	-	-	13,546	11,543
PepsiCo, Inc.	-	-	18,066	18,834
Pfizer, Inc.	-	-	37,280	31,885
PG&E, Inc.	-	-	12,040	11,508
PNC Financial Services Group, Inc.	-	-	12,118	17,402
Proctor and Gamble Company	-	-	12,727	14,695
Prudential Financial, Inc.	-	-	12,794	17,279
Range Resources	-	-	11,228	7,588
Raytheon Company	-	-	13,212	12,291
Rockwell Collins, Inc.	-	-	17,455	14,983
Rogers Communications, Inc.	-	-	7,948	8,092
Salesforce.com, Inc.	-	-	8,540	9,183
Schlumberger Limited	-	-	9,399	7,471
Sempra Energy	-	-	8,837	8,188
Southwest Energy Company	-	-	9,093	7,071
St. Jude Medical, Inc.	-	-	11,066	10,502
Staples, Inc.	-	-	7,746	6,915
Starbucks Corporation	-	-	14,002	12,539
Target Corporation	-	-	21,620	22,667
Teva Pharmaceutical Industries Limited	-	-	7,505	7,954
The Boeing Company	-	-	22,677	22,653
The TJX Companies, Inc.	-	-	6,844	9,103
The Travelers Companies, Inc.	-	-	3,675	3,940
Thermo Fisher Scientific, Inc.	-	-	2,939	4,905
3M Company	-	-	17,629	17,457
Time Warner, Inc.	-	-	6,369	8,702
Tyco International Limited	-	-	3,899	4,051

(continued)

CITY OF ATHENS, TENNESSEE
SCHEDULE OF INVESTMENTS

June 30, 2010

(continued)

	Interest Rate	Maturity Date	Cost	Market Value
Union Pacific Corporation	-	-	\$ 10,291	\$ 11,400
United States Steel	-	-	5,073	4,934
United Technologies Corporation	-	-	29,885	31,676
UnitedHealth Group, Inc.	-	-	20,451	19,681
US Bancorp	-	-	10,915	11,175
Verizon Communications, Inc.	-	-	11,096	7,930
VF Corporation	-	-	4,792	3,986
Visa, Inc.	-	-	10,230	11,674
Vornado Realty, L.P. Trust	-	-	5,845	6,784
Walgreens Company	-	-	8,852	6,755
Wal-Mart Stores, Inc.	-	-	11,636	10,143
Walt Disney Company	-	-	4,241	4,032
Waste Management, Inc.	-	-	6,531	7,510
Wells Fargo & Company	-	-	16,207	19,891
BHP Billiton Limited	-	-	6,377	8,802
Canadian Natural Resources Limited	-	-	16,101	12,827
Coviden Limited	-	-	25,093	21,818
Ericsson LM Telephone Company	-	-	5,191	6,017
Nestle	-	-	13,022	13,215
Artisan Mid Cap Value Fund	-	-	392,292	365,243
Cohen and Steers International Realty Fund	-	-	25,670	28,626
Fidelity Advisor Small Cap Fund	-	-	335,266	317,423
Goldman Sachs Growth Opportunity	-	-	394,448	357,984
Harbor International Fund	-	-	335,919	256,134
iShares Lehman 1-3 year Fund	-	-	770,785	786,004
iShares Lehman Intermediate Fund	-	-	508,085	531,765
iShares Lehman MBS Fund	-	-	427,799	462,342
iShares MSCI EAFE Index Fund	-	-	360,048	267,432
Lazard Emerging Markets Portfolio Institutional Class Fund	-	-	256,214	224,538
Pimco Foreign Bond (U.S. Dollar Hedged) Fund	-	-	194,098	212,704
BB&T Prime Money Market Fund	-	-	49,223	49,223
Charles Schwab Government Money Fund	-	-	50,603	50,603
			<u>\$ 7,014,351</u>	<u>\$ 6,981,361</u>
Participation in the State of Tennessee Local Government Investment Pool:				
General Fund	-	-	<u>\$ 6,318,686</u>	<u>\$ 6,318,686</u>
Debt Service Fund	-	-	<u>\$ 3,256,970</u>	<u>\$ 3,256,970</u>
Sanitation Fund	-	-	<u>\$ 923,652</u>	<u>\$ 923,652</u>
Drug Fund	-	-	<u>\$ 90,137</u>	<u>\$ 90,137</u>
Capital Improvement Fund	-	-	<u>\$ 3,644,568</u>	<u>\$ 3,644,568</u>
Fleet Management Fund	-	-	<u>\$ 1,889,569</u>	<u>\$ 1,889,569</u>
General Obligation Bond Fund	-	-	<u>\$ 15,368</u>	<u>\$ 15,368</u>
Conference Center Fund	-	-	<u>\$ 1,298</u>	<u>\$ 1,298</u>

CITY OF ATHENS, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS
June 30, 2010

Fiscal Year Ending 6/30	Public Building Authority of the City of Clarksville, Tennessee, Pooled Loan Program, Series 2003			Total All Issues		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 662,000	\$ 26,012	\$ 688,012	\$ 662,000	\$ 26,012	688,012
2012	683,000	23,094	706,094	683,000	23,094	706,094
2013	703,000	20,083	723,083	703,000	20,083	723,083
2014	725,000	16,983	741,983	725,000	16,983	741,983
2015	747,000	13,787	760,787	747,000	13,787	760,787
2016	770,000	10,493	780,493	770,000	10,493	780,493
2017	793,000	7,098	800,098	793,000	7,098	800,098
2018	817,000	3,602	820,602	817,000	3,602	820,602
	<u>\$ 5,900,000</u>	<u>\$ 121,152</u>	<u>\$ 6,021,152</u>	<u>\$ 5,900,000</u>	<u>\$ 121,152</u>	<u>\$ 6,021,152</u>

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STATISTICAL SECTION

The statistical section presents data to assist users of this report to assess the economic condition of the City. They are intended to provide a broader and more complete understanding of the City and its affairs than is possible from the financial statements, note disclosures and required supplementary information. Many of these schedules cover more than two fiscal years and present data from sources other than the accounting records. Therefore, the data contained in the Statistical Section has not been subjected to independent audit. The five categories of information are as follows:

Financial Trends

These schedules contain trend information to help the reader understand and assess how the City's financial position has changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant revenue source, the property tax.

Debt Capacity

These schedules contain information to help the reader assess the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operation Information

These schedules contain information to help the reader understand the City's operations and resources.

The following tables are inapplicable

SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS: The City has made no special assessments during the last ten years.

COMPUTATION OF LEGAL DEBT MARGIN: The State of Tennessee imposes no legal debt margin on municipalities.

CITY OF ATHENS, TENNESSEE
NET ASSETS BY COMPONENT
LAST EIGHT FISCAL YEARS
June 30, 2010
 (Accrual Basis of Accounting)

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
GOVERNMENTAL ACTIVITIES								
Invested in capital assets, net of related debt	\$ 12,210,372	\$ 11,060,041	\$ 10,614,066	\$ 10,514,601	\$ 8,795,550	\$ 8,003,707	\$ 5,182,286	\$ 2,927,226
Restricted	3,544,712	3,243,590	2,892,696	2,888,921	2,345,447	1,943,236	1,591,590	1,276,029
Unrestricted	<u>9,479,418</u>	<u>8,333,430</u>	<u>7,246,032</u>	<u>5,855,845</u>	<u>5,699,906</u>	<u>4,770,721</u>	<u>11,561,939</u>	<u>11,983,773</u>
Total governmental activities net assets	<u>\$ 25,234,502</u>	<u>\$ 22,637,061</u>	<u>\$ 20,752,794</u>	<u>\$ 19,259,367</u>	<u>\$ 16,840,903</u>	<u>\$ 14,717,664</u>	<u>\$ 18,335,815</u>	<u>\$ 16,187,028</u>
BUSINESS-TYPE ACTIVITIES								
Invested in capital assets, net of related debt	\$ 1,548,913	\$ 1,373,417	\$ 1,485,011	\$ 1,346,519	\$ 1,456,036	\$ 1,587,133	\$ 1,685,987	\$ 1,789,623
Unrestricted	<u>938,929</u>	<u>1,139,298</u>	<u>983,005</u>	<u>863,382</u>	<u>733,135</u>	<u>569,531</u>	<u>582,291</u>	<u>654,479</u>
Total business-type activities net assets	<u>\$ 2,487,842</u>	<u>\$ 2,512,715</u>	<u>\$ 2,468,016</u>	<u>\$ 2,209,901</u>	<u>\$ 2,189,171</u>	<u>\$ 2,156,664</u>	<u>\$ 2,268,278</u>	<u>\$ 2,444,102</u>
PRIMARY GOVERNMENT								
Invested in capital assets, net of related debt	\$ 13,759,285	\$ 12,433,458	\$ 12,099,077	\$ 11,861,120	\$ 10,251,586	\$ 9,590,840	\$ 6,868,273	\$ 4,716,849
Restricted	3,544,712	3,243,590	2,892,696	2,888,921	2,345,447	1,943,236	1,591,590	1,276,029
Unrestricted	<u>10,418,347</u>	<u>9,472,728</u>	<u>8,229,037</u>	<u>6,719,227</u>	<u>6,433,041</u>	<u>5,340,252</u>	<u>12,144,230</u>	<u>12,638,252</u>
Total primary government net assets	<u>\$ 27,722,344</u>	<u>\$ 25,149,776</u>	<u>\$ 23,220,810</u>	<u>\$ 21,469,268</u>	<u>\$ 19,030,074</u>	<u>\$ 16,874,328</u>	<u>\$ 20,604,093</u>	<u>\$ 18,631,130</u>

Source: Comprehensive Annual Financial Reports

CITY OF ATHENS, TENNESSEE
CHANGES IN NET ASSETS
LAST EIGHT FISCAL YEARS
June 30, 2010
 (Accrual Basis of Accounting)

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
EXPENSES								
Governmental activities:								
General government	\$ 2,504,213	\$ 2,490,960	\$ 2,819,334	\$ 3,213,814	\$ 3,247,334	\$ 3,466,385	\$ 3,808,931	\$ 2,916,608
Public safety	4,224,580	4,461,884	3,885,236	3,668,107	3,407,171	3,327,801	3,145,414	3,333,481
Highways and streets	1,644,740	1,998,281	2,252,358	1,872,584	2,031,940	1,838,813	1,930,598	1,540,403
Culture and recreation	709,813	911,898	825,652	878,552	588,744	870,846	847,670	894,206
Education	1,825,000	1,685,054	1,808,646	2,680,133	2,359,781	4,393,735	3,452,952	1,437,643
Health and welfare	97,091	93,733	89,773	96,383	86,069	81,158	76,462	79,706
Interest on long-term debt	63,175	124,260	254,003	326,030	259,020	148,652	56,436	99,015
Passthrough grants	3,423,715	-	-	-	-	-	-	-
Total governmental activities expenses	<u>14,492,327</u>	<u>11,766,070</u>	<u>11,935,002</u>	<u>12,735,603</u>	<u>11,980,059</u>	<u>14,127,390</u>	<u>13,318,463</u>	<u>10,301,062</u>
Business-type activities:								
Conference center	64,782	74,287	78,630	73,475	74,533	74,332	71,182	73,638
Sanitation	1,024,229	744,393	773,071	750,040	713,587	821,148	874,411	737,660
Total business-type activities expenses	<u>1,089,011</u>	<u>818,680</u>	<u>851,701</u>	<u>823,515</u>	<u>788,120</u>	<u>895,480</u>	<u>945,593</u>	<u>811,298</u>
Total primary government expenses	<u>\$ 15,581,338</u>	<u>\$ 12,584,750</u>	<u>\$ 12,786,703</u>	<u>\$ 13,559,118</u>	<u>\$ 12,768,179</u>	<u>\$ 15,022,870</u>	<u>\$ 14,264,056</u>	<u>\$ 11,112,360</u>
PROGRAM REVENUES								
Governmental activities:								
Charges for services:								
General government	\$ 68,970	\$ 128,972	\$ 161,389	\$ 124,870	\$ 143,012	\$ 144,930	\$ 124,963	\$ 107,968
Public safety	490,614	517,846	456,715	607,386	624,310	537,985	324,137	320,501
Culture and recreation	107,617	121,141	129,551	123,270	107,138	117,433	113,228	147,784
Health and welfare	2,999	2,840	18,940	40,593	34,339	29,416	28,969	23,385
Operating grants and contributions	682,455	577,555	540,073	920,680	932,309	568,915	3,245,413	1,427,757
Capital grants and contributions	4,484,478	234,110	48,010	791,576	406,067	180,797	851,939	272,007
Total governmental activities program revenues	<u>5,837,133</u>	<u>1,582,464</u>	<u>1,354,678</u>	<u>2,608,375</u>	<u>2,247,175</u>	<u>1,579,476</u>	<u>4,688,649</u>	<u>2,299,402</u>

(continued)

CITY OF ATHENS, TENNESSEE
CHANGES IN NET ASSETS
LAST EIGHT FISCAL YEARS
June 30, 2010
(Accrual Basis of Accounting)
(continued)

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
PROGRAM REVENUES								
Business-type activities:								
Charges for services:								
Conference center	\$ 17,712	\$ 13,622	\$ 16,085	\$ 18,250	\$ 14,303	\$ 12,676	\$ 17,752	\$ 13,735
Sanitation	<u>806,638</u>	<u>822,569</u>	<u>798,349</u>	<u>790,056</u>	<u>782,040</u>	<u>740,626</u>	<u>742,961</u>	<u>739,929</u>
Total business-type activities program revenues	<u>824,350</u>	<u>836,191</u>	<u>814,434</u>	<u>808,306</u>	<u>796,343</u>	<u>753,302</u>	<u>760,713</u>	<u>753,664</u>
Total primary government program revenues	<u>\$ 6,661,483</u>	<u>\$ 2,418,655</u>	<u>\$ 2,169,112</u>	<u>\$ 3,416,681</u>	<u>\$ 3,043,518</u>	<u>\$ 2,332,778</u>	<u>\$ 5,449,362</u>	<u>\$ 3,053,066</u>
NET (EXPENSES)/REVENUES								
Governmental activities	\$ (8,655,194)	\$(10,183,606)	\$(10,580,324)	\$(10,127,228)	\$ (9,732,884)	\$(12,547,914)	\$ (8,629,814)	\$ (8,001,660)
Business-type activities	<u>(264,661)</u>	<u>17,511</u>	<u>(37,267)</u>	<u>(15,209)</u>	<u>8,223</u>	<u>(142,178)</u>	<u>(184,880)</u>	<u>(57,634)</u>
Total primary government net expenses	<u>\$ (8,919,855)</u>	<u>\$ (10,166,095)</u>	<u>\$ (10,617,591)</u>	<u>\$ (10,142,437)</u>	<u>\$ (9,724,661)</u>	<u>\$ (12,690,092)</u>	<u>\$ (8,814,694)</u>	<u>\$ (8,059,294)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS								
Governmental activities:								
Property taxes	\$ 4,433,632	\$ 4,334,558	\$ 4,184,673	\$ 4,379,275	\$ 4,216,453	\$ 4,120,554	\$ 4,106,766	\$ 4,074,004
Other taxes	5,731,900	5,994,169	6,140,651	6,124,469	5,922,972	5,463,756	5,191,945	4,880,830
Intergovernmental revenues not restricted to specific programs	1,110,439	1,219,896	1,368,407	1,340,060	1,200,623	981,944	976,987	1,053,087
Insurance proceeds	35,539	107,703	-	-	-	-	15,900	-
Investment income	91,129	309,719	552,007	622,830	412,700	169,953	84,706	126,519
Gain (loss) on disposal of capital assets	(4,264)	12,804	-	-	31,007	24,967	31,959	22,951
Miscellaneous	49,260	89,024	79,103	67,911	72,368	79,639	104,314	65,042
Transfers	<u>(195,000)</u>	<u>-</u>	<u>(251,090)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(36,604)</u>
Total governmental activities	<u>11,252,635</u>	<u>12,067,873</u>	<u>12,073,751</u>	<u>12,534,545</u>	<u>11,856,123</u>	<u>10,840,813</u>	<u>10,512,577</u>	<u>10,185,829</u>

(continued)

CITY OF ATHENS, TENNESSEE
CHANGES IN NET ASSETS
LAST EIGHT FISCAL YEARS
June 30, 2010
(Accrual Basis of Accounting)
(continued)

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
GENERAL REVENUES AND OTHER								
CHANGES IN NET ASSETS								
Business-type activities:								
Investment income	\$ 4,763	\$ 21,611	\$ 32,461	\$ 28,199	\$ 19,327	\$ 12,015	\$ 5,449	\$ 7,317
Gain on disposal of capital assets	34,040	1,111	5,033	-	-	13,433	-	-
Miscellaneous	5,985	4,466	6,798	7,740	4,957	5,116	3,607	9,887
Transfers	195,000	-	251,090	-	-	-	-	36,604
Total business-type activities	<u>239,788</u>	<u>27,188</u>	<u>295,382</u>	<u>35,939</u>	<u>24,284</u>	<u>30,564</u>	<u>9,056</u>	<u>53,808</u>
Total primary government	<u>\$ 11,492,423</u>	<u>\$ 12,095,061</u>	<u>\$ 12,369,133</u>	<u>\$ 12,570,484</u>	<u>\$ 11,880,407</u>	<u>\$ 10,871,377</u>	<u>\$ 10,521,633</u>	<u>\$ 10,239,637</u>
GOVERNMENTAL ACTIVITIES								
Prior period adjustments and restatements	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,147</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,911,050)</u>	<u>\$ 266,024</u>	<u>\$ -</u>
CHANGES IN NET ASSETS								
Governmental activities	\$ 2,597,441	\$ 1,884,267	\$ 1,504,574	\$ 2,407,317	\$ 2,123,239	\$ (3,618,151)	\$ 2,148,787	\$ 2,184,169
Business-type activities	<u>(24,873)</u>	<u>44,699</u>	<u>258,115</u>	<u>20,730</u>	<u>32,507</u>	<u>(111,614)</u>	<u>(175,824)</u>	<u>(3,826)</u>
Total primary government	<u>\$ 2,572,568</u>	<u>\$ 1,928,966</u>	<u>\$ 1,762,689</u>	<u>\$ 2,428,047</u>	<u>\$ 2,155,746</u>	<u>\$ (3,729,765)</u>	<u>\$ 1,972,963</u>	<u>\$ 2,180,343</u>

NOTE: The City adopted GASB 34 in fiscal year 2003 and ten years of data is not available but will be accumulated over time.

Source: Comprehensive Annual Financial Reports

CITY OF ATHENS, TENNESSEE
FUND BALANCES, GOVERNMENTAL FUNDS
LAST EIGHT FISCAL YEARS
June 30, 2010
(Modified Accrual Basis of Accounting)

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
GENERAL FUND								
Reserved	\$ 288,287	\$ 324,773	\$ 388,372	\$ 468,185	\$ 320,513	\$ 208,339	\$ 153,069	\$ 361,522
Unreserved	<u>7,645,767</u>	<u>7,686,117</u>	<u>7,018,754</u>	<u>6,932,976</u>	<u>6,842,952</u>	<u>5,218,295</u>	<u>4,104,411</u>	<u>3,455,501</u>
Total general fund	<u>\$ 7,934,054</u>	<u>\$ 8,010,890</u>	<u>\$ 7,407,126</u>	<u>\$ 7,401,161</u>	<u>\$ 7,163,465</u>	<u>\$ 5,426,634</u>	<u>\$ 4,257,480</u>	<u>\$ 3,817,023</u>
ALL OTHER GOVERNMENTAL FUNDS								
Reserved	\$ 3,544,712	\$ 3,247,796	\$ 2,892,696	\$ 2,491,767	\$ 2,067,667	\$ 1,685,639	\$ 1,312,627	\$ 1,276,029
Unreserved, reported in:								
Special revenue funds	182,621	190,307	216,477	165,776	106,900	84,185	96,109	125,948
Capital projects funds	<u>4,197,480</u>	<u>3,260,483</u>	<u>3,473,105</u>	<u>2,412,439</u>	<u>1,150,478</u>	<u>1,236,770</u>	<u>2,501,295</u>	<u>2,746,052</u>
Total all other governmental funds	<u>\$ 7,924,813</u>	<u>\$ 6,698,586</u>	<u>\$ 6,582,278</u>	<u>\$ 5,069,982</u>	<u>\$ 3,325,045</u>	<u>\$ 3,006,594</u>	<u>\$ 3,910,031</u>	<u>\$ 4,148,029</u>

NOTE: The City adopted GASB 34 in fiscal year 2003 and ten years of data is not consistent or available but will be accumulated over time.

Source: Comprehensive Annual Financial Reports

CITY OF ATHENS, TENNESSEE
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST EIGHT FISCAL YEARS
June 30, 2010
(Modified Accrual Basis of Accounting)

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
REVENUES								
Property taxes	\$ 4,374,413	\$ 4,255,543	\$ 4,390,787	\$ 4,356,454	\$ 4,133,726	\$ 4,049,947	\$ 4,136,932	\$ 3,713,629
Other local taxes	5,731,900	5,994,169	6,140,653	6,124,469	5,922,972	5,463,757	5,191,945	4,880,830
Intergovernmental	6,459,025	2,247,698	2,281,491	3,380,451	2,586,240	1,792,575	3,789,949	2,752,751
Charges for services and tuition	179,586	247,268	275,138	288,732	284,489	291,779	267,159	279,137
Fines and forfeitures	490,613	517,846	456,715	607,385	624,310	537,985	324,137	320,501
Contributions	-	-	-	-	82,550	-	-	-
Investment and interest income	80,737	266,346	444,168	526,025	347,647	140,539	70,785	107,460
Miscellaneous	<u>84,799</u>	<u>194,768</u>	<u>79,103</u>	<u>68,180</u>	<u>109,842</u>	<u>120,649</u>	<u>104,313</u>	<u>64,289</u>
Total revenues	<u>17,401,073</u>	<u>13,723,638</u>	<u>14,068,055</u>	<u>15,351,696</u>	<u>14,091,776</u>	<u>12,397,231</u>	<u>13,885,220</u>	<u>12,118,597</u>
EXPENDITURES								
General government	2,339,869	2,849,019	2,767,617	3,059,784	2,831,550	2,582,941	3,683,843	2,724,436
Public safety	4,310,585	4,339,356	3,967,996	3,850,012	3,438,595	3,432,724	3,210,617	3,415,071
Highways and streets	1,669,242	1,852,398	2,181,401	1,775,508	1,936,248	1,699,759	1,859,132	1,617,956
Culture and recreation	776,659	877,987	878,867	809,515	847,650	823,538	803,238	839,221
Education	1,825,000	1,685,054	1,808,646	2,680,133	2,359,781	4,393,735	3,452,952	1,437,643
Health and welfare	100,491	97,033	93,074	99,383	89,069	84,158	79,462	82,706
Capital outlay	4,564,530	601,723	71,521	1,109,198	482,024	1,387,070	1,816,498	995,226
Debt service:								
Debt issue costs	-	-	-	-	-	-	31,500	-
Principal	605,300	581,200	558,300	536,500	415,700	395,900	712,600	669,900
Interest and fiscal charges	<u>63,175</u>	<u>124,260</u>	<u>254,003</u>	<u>326,030</u>	<u>259,020</u>	<u>148,652</u>	<u>62,167</u>	<u>104,269</u>
Total expenditures	<u>16,254,851</u>	<u>13,008,030</u>	<u>12,581,425</u>	<u>14,246,063</u>	<u>12,659,637</u>	<u>14,948,477</u>	<u>15,712,009</u>	<u>11,886,428</u>
REVENUES OVER (UNDER)								
EXPENDITURES	<u>1,146,222</u>	<u>715,608</u>	<u>1,486,630</u>	<u>1,105,633</u>	<u>1,432,139</u>	<u>(2,551,246)</u>	<u>(1,826,789)</u>	<u>232,169</u>

(continued)

CITY OF ATHENS, TENNESSEE
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST EIGHT FISCAL YEARS
June 30, 2010
 (Modified Accrual Basis of Accounting)
 (continued)

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
OTHER FINANCING SOURCES (USES)								
Proceeds from issuance of debt	\$ -	\$ -	\$ -	\$ 877,000	\$ 606,000	\$ 2,814,500	\$ 2,002,500	\$ -
Proceeds from the sale of capital assets	3,169	4,464	20,484	-	17,143	2,463	26,748	70,018
Transfers	-	-	-	-	-	-	-	(36,604)
	<u>3,169</u>	<u>4,464</u>	<u>20,484</u>	<u>877,000</u>	<u>623,143</u>	<u>2,816,963</u>	<u>2,029,248</u>	<u>33,414</u>
NET CHANGE IN FUND BALANCES	<u>\$ 1,149,391</u>	<u>\$ 720,072</u>	<u>\$ 1,507,114</u>	<u>\$ 1,982,633</u>	<u>\$ 2,055,282</u>	<u>\$ 265,717</u>	<u>\$ 202,459</u>	<u>\$ 265,583</u>
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	5.72%	5.79%	6.71%	6.57%	5.54%	4.02%	5.58%	7.11%

NOTE: The City adopted GASB 34 in fiscal year 2003 and ten years of data is not consistent or available but will be accumulated over time.

Source: Comprehensive Annual Financial Reports

CITY OF ATHENS, TENNESSEE
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
June 30, 2010
(Unaudited)

<u>Fiscal Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Public Utility Property</u>	<u>Less Tax Exempt Property</u>	<u>Total Taxable Assessed Value</u>	<u>Estimated Market Value</u>	<u>City Property Tax Rate</u>
2001	\$ 180,866,984	\$ 87,102,270	\$ 7,265,321	\$ 10,560,049	\$ 264,674,526	\$ 837,756,475	1.4500
2002	177,694,878	84,493,381	6,328,788	10,302,315	258,214,732	852,941,016	1.4500
2003 (1)	231,552,089	91,337,810	7,210,349	12,665,105	317,435,143	1,005,090,291	1.2900
2004	234,482,438	90,276,371	7,765,595	12,758,114	319,766,290	1,010,933,001	1.2900
2005	232,808,860	92,600,618	7,613,415	12,777,240	320,245,653	1,051,808,986	1.2900
2006	239,201,033	98,373,977	7,202,231	13,228,224	331,549,017	1,088,679,712	1.2900
2007	249,442,106	82,069,030	6,498,177	13,409,451	324,599,862	1,088,471,535	1.2900
2008 (1)	288,844,328	101,817,455	8,195,180	14,718,263	384,138,700	1,222,784,857	1.1147
2009	303,546,686	106,163,376	7,321,785	16,000,449	401,031,398	1,251,838,522	1.1147
2010	312,367,428	103,168,031	7,124,829	16,216,398	406,443,890	1,281,162,243	1.1147

Data Source: McMinn County Tax Assessor's Office

(1) Reappraisal

**CITY OF ATHENS, TENNESSEE
DIRECT AND OVERLAPPING
PROPERTY TAX RATES
(PER \$100 OF ASSESSED VALUE)
LAST TEN FISCAL YEARS
June 30, 2010
(Unaudited)**

<u>Tax Year</u>	<u>City (Direct Rate)</u>	<u>County (Overlapping Rate)</u>	<u>Total</u>
2001	1.4500	2.2300	3.6800
2002	1.4500	2.2300	3.6800
2003 (1)	1.2900	1.9000	3.1900
2004	1.2900	1.9000	3.1900
2005	1.2900	1.9000	3.1900
2006	1.2900	1.9000	3.1900
2007	1.2900	1.9000	3.1900
2008	1.1147	1.5553	2.6700
2009	1.1147	1.5553	2.6700
2010	1.1147	1.5553	2.6700

(1) Reappraisal

Sources: Minutes of City Council and County Commission meetings

**CITY OF ATHENS, TENNESSEE
PRINCIPAL PROPERTY TAXPAYERS
CURRENT FISCAL YEAR AND NINE YEARS AGO
June 30, 2010
(Unaudited)**

2010				2001			
Taxpayer	Type of Business	Taxable Assessed Value	Percentage of Total Taxable Assessed Value	Taxpayer	Type of Business	Taxable Assessed Value	Percentage of Total Taxable Assessed Value
Denso Tennessee, Inc.	Automotive parts manufacturer	\$ 57,100,017	14.0	Denso Tennessee, Inc.	Automotive parts manufacturer	\$ 35,024,877	13.2
Johnson Controls, Inc.	Automotive seating	18,571,053	4.6	Davidson Textron, Inc.	Automotive parts manufacturer	10,160,312	3.8
Mayfield Dairy Farms, Inc.	Dairy products	9,112,605	2.2	Mayfield Dairy Farms, Inc.	Dairy products	8,483,950	3.2
Athens Regional Medical Center	Healthcare	8,568,388	2.1	Johnson Controls, Inc.	Automotive seating	8,382,159	3.2
Walmart	Retail	6,081,203	1.5	Thomas & Betts	Electrical component manufacturer	5,478,132	2.1
Plastic Industries, Inc.	Plastic component manufacturer	4,447,442	1.1	BellSouth	Telephone company	4,653,063	1.8
Thomas & Betts	Electrical component manufacturer	4,161,547	1.0	WCI	Appliance manufacturer	4,247,576	1.6
E & E Manufacturing	Automotive parts manufacturer	3,972,611	1.0	Columbia Regional Medical Center	Healthcare	4,022,967	1.5
Centro New Plan of Tennessee	Real estate investment	3,749,080	0.9	Athens Furniture	Furniture manufacturer	3,058,002	1.2
Heil Trailer, International	Trailer manufacturer	3,524,244	0.9	New Plan of Tennessee	Real estate investment	2,939,480	1.1

NOTE: Total assessed valuations for 2010 and 2001 are \$406,443,890 and \$264,674,526, respectively.

Source: Official records of the Department of Finance

CITY OF ATHENS, TENNESSEE
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
June 30, 2010
(Modified Accrual Basis of Accounting)

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2001	\$ 3,967,737	\$ 3,507,205	88.39	\$ 459,590	\$ 3,966,795	99.99
2002	3,841,806	3,652,247	95.07	189,344	3,841,591	99.99
2003	3,878,286	3,549,421	91.52	327,132	3,876,553	99.96
2004	4,207,118	3,897,907	92.65	305,583	4,203,490	99.91
2005	4,146,728	3,838,801	92.57	304,707	4,143,508	99.92
2006	4,238,560	3,996,467	94.29	237,813	4,234,280	99.90
2007	4,382,400	4,181,838	95.42	174,721	4,356,559	99.41
2008	4,176,407	4,007,842	95.96	151,100	4,158,942	99.58
2009	4,344,661	4,097,097	94.30	170,607	4,267,704	98.23
2010	4,440,776	4,179,963	94.13	-	4,179,963	94.13

Source: Official records of Department of Finance

CITY OF ATHENS, TENNESSEE
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
June 30, 2010

Fiscal Year	General Obligation Bonds	Notes Payable	Total Primary Government	Percentage of Personal Income	Per Capita
2001	\$ 1,835,000	\$ 2,857,700	\$ 4,692,700	2.12%	\$ 355
2002	1,270,000	2,805,400	4,075,400	1.84	308
2003	655,000	2,750,500	3,405,500	1.53	256
2004	-	4,695,400	4,695,400	2.11	353
2005	-	7,114,000	7,114,000	3.19	534
2006	-	7,304,300	7,304,300	3.25	548
2007	-	7,644,800	7,644,800	2.83	564
2008	-	7,086,500	7,086,500	2.62	522
2009	-	6,505,300	6,505,300	2.27	462
2010	-	5,900,000	5,900,000	2.06	420

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Source: Official records of Department of Finance

Source: Percentage of personal income and per capita data from Table 14

CITY OF ATHENS, TENNESSEE
RATIO OF GENERAL DEBT OUTSTANDING
LAST TEN FISCAL YEARS
June 30, 2010

Fiscal Year	General Debt Outstanding			Less General Obligation Debt Service Fund	Net General Debt	Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Notes Payable	Total				
2001	\$ 1,835,000	\$ 2,857,700	\$ 4,692,700	\$ 1,102,921	\$ 3,589,779	1.77%	\$ 355
2002	1,270,000	2,805,400	4,075,400	1,151,989	2,923,411	1.58	308
2003	655,000	2,750,500	3,405,500	1,180,621	2,224,879	1.07	256
2004	-	4,695,400	4,695,400	1,210,045	3,485,355	1.47	353
2005	-	7,114,000	7,114,000	1,574,454	5,539,546	2.22	534
2006	-	7,304,300	7,304,300	1,951,458	5,352,842	2.20	548
2007	-	7,644,800	7,644,800	2,363,791	5,281,009	2.36	564
2008	-	7,086,500	7,086,500	2,761,301	4,325,199	1.84	522
2009	-	6,505,300	6,505,300	3,114,728	3,390,572	1.62	462
2010	-	5,900,000	5,900,000	3,400,116	2,499,884	1.45	420

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Source: Official records of Department of Finance

Source: Percentage of personal income and per capita data from Table 14

Source: Actual taxable value of property data from Table 5

CITY OF ATHENS, TENNESSEE
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
June 30, 2010

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
McMinn County (debt repaid with property taxes)	\$ -	- %	\$ -
City of Athens (direct debt)	6,152,081	100	<u>6,152,081</u>
Total direct and overlapping debt			<u><u>\$ 6,152,081</u></u>

Source: Official records of McMinn County and the Department of Finance

**CITY OF ATHENS, TENNESSEE
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
June 30, 2010**

The State of Tennessee imposes no legal debt margin on municipalities. The City of Athens has not established a legal debt margin; therefore, this schedule is inapplicable.

**CITY OF ATHENS, TENNESSEE
PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS
June 30, 2010**

All debt for the City of Athens is general obligation debt; therefore, this schedule is inapplicable.

**CITY OF ATHENS, TENNESSEE
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
June 30, 2010**

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Median Age</u>	<u>School Enrollment</u>	<u>Civilian Labor Force</u>	<u>Unemployment Rate</u>
2001	13,220	221,104,500	16,725	36.5	1,833	10,333	8.30
2002	13,220	221,104,500	16,725	36.5	1,709	9,818	8.00
2003	13,334	223,011,150	16,725	36.5	1,700	9,979	7.40
2004	13,334	223,011,150	16,725	36.5	1,661	9,997	5.90
2005	13,334	223,011,150	16,725	36.5	1,670	9,998	6.50
2006	13,334	225,037,918	16,877	36.5	1,638	10,238	6.30
2007	13,553	270,192,608	19,936	37.2	1,717	10,152	4.90
2008	13,553	270,192,608	19,936	38.5	1,744	10,160	8.30
2009	14,073	286,779,594	20,378	37.9	1,703	10,550	14.90
2010	14,275	286,779,594	20,378	37.9	1,673	9,825	12.70

Source: U.S. Census, U.S. Bureau of Economic Analysis, Tennessee Department of Labor and Athens City Schools

**CITY OF ATHENS, TENNESSEE
PRINCIPAL EMPLOYERS
CURRENT FISCAL YEAR AND NINE YEARS AGO
June 30, 2010**

2010			2001		
Employer	Taxable Employees	Percentage of Total City Employment	Employer	Taxable Employees	Percentage of Total City Employment
Denso Tennessee, Inc.	890	9.06	Mayfield Dairy Farms, Inc.	985	9.62
Johnson Controls, Inc.	700	7.12	Textron Automotive	910	8.88
McMinn Co. Board of Education	678	6.90	Athens Furniture	640	6.25
Mayfield Dairy Farms, Inc.	385	3.92	Johnson Controls, Inc.	560	5.47
Athens City Schools	350	3.56	Denso Tennessee, Inc.	515	4.98
Athens Regional Medical Center	304	3.09	McMinn Co. Board of Education	510	5.03
Walmart	300	3.05	Thomas & Betts	500	4.88
Dynasty Spas	295	3.00	Plastic Industries, Inc.	376	3.67
Thomas & Betts	285	2.90	Heil Trailer, International	355	3.42
Heil Trailer, International	220	2.24	Athens Products	350	3.47
	<u>4,407</u>	<u>44.84</u>		<u>5,701</u>	<u>55.67</u>

Source: McMinn County Economic Development Authority, McMinn County School System, Athens City Schools and local businesses.

CITY OF ATHENS, TENNESSEE
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES
BY FUNCTION/PROGRAM
LAST EIGHT FISCAL YEARS
June 30, 2010

Function/Program	Full-Time Equivalent Employees as of June 30							
	2003	2004	2005	2006	2007	2008	2009	2010
City Manager	2	2	2	2	2	2	2	2
Finance	5	5	5	5	5	5	5	5
Human Resources	2	2	2	2	2	2	2	2
Purchasing	2	2	2	2	2	2	2	1
Emergency Preparedness	1	-	-	-	-	-	-	-
Communications	13	8	8	8	8	7	8	8
Community Development	4	4	4	4	4	4	4	4
Police	34	34	34	34	35	33	33	33
Fire	22	21	21	22	21	22	22	23
Parks and Recreation	10	10	10	10	10	10	10	10
Public Works	36	36	36	36	36	36	34	32
	<u>131</u>	<u>124</u>	<u>124</u>	<u>125</u>	<u>125</u>	<u>123</u>	<u>122</u>	<u>120</u>

Source: City Finance Department

Note: Ten years of data is not available but will be accumulated over time.

**CITY OF ATHENS, TENNESSEE
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST EIGHT FISCAL YEARS
June 30, 2010**

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010
Governmental Activities:								
Community Development								
Number of building permits	561	627	585	517	507	501	389	49
Police								
Number of arrests	1,168	895	1,155	1,180	1,133	1,040	1,341	1,422
Number of traffic citations issued	3,416	6,061	6,852	5,815	5,399	5,177	6,026	6,281
Fire								
Total calls	403	431	430	379	414	369	432	510
Inspections	397	401	403	281	279	270	490	795
Business-type Activities:								
Conference Center								
Rentals	81	78	79	111	92	147	133	112

Source: Various City Departments

Note: Ten years of data is not available but will be accumulated over time.

**CITY OF ATHENS, TENNESSEE
INFRASTRUCTURE STATISTICS BY FUNCTION
LAST EIGHT FISCAL YEARS
June 30, 2010**

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010
Police:								
Stations	1	1	1	1	1	1	1	1
Patrol units	13	13	14	14	14	15	15	14
Fire:								
Stations	2	2	2	2	2	2	2	2
Fire trucks	6	6	6	6	6	6	6	6
Parks and recreation:								
Parks	10	10	10	10	10	10	10	10
Park acreage	233	233	233	233	233	233	233	233
Tennis courts	13	13	13	13	13	13	13	13
Softball fields	5	5	5	5	5	5	5	5
Baseball fields	3	3	3	3	3	3	3	3
Conference center	1	1	1	1	1	1	1	1
Soccer fields	3	3	3	3	3	3	3	3
Public works:								
Streets (miles)	125	125	125	126	126	126	126	126
Square feet of sidewalks	693,077	693,077	693,077	693,077	693,077	699,630	735,240	824,360
New traffic signals	-	-	2	1	2	-	3	1

Source: Various City Departments

Note: Ten years of data is not available but will be accumulated over time.

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**SINGLE AUDIT
SECTION**

CITY OF ATHENS, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2010

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Accrued (Deferred) Grant Revenues July 1, 2009	Grant Revenues Received	Expenditures	Miscellaneous Revenues, Refunds, and Adjustments	Accrued (Deferred) Grant Revenues June 30, 2010
PRIMARY GOVERNMENT:							
FEDERAL AWARDS:							
U.S. DEPARTMENT OF TRANSPORTATION							
Passed through TN Department of Transportation:							
Highway Planning and Construction Cluster:							
Pedestrian Enhancement (Phase I)	20.205	STP-EN-9201(10)	\$ 189,471	\$ 408,459	\$ 232,528	\$ (13,540)	\$ -
Pedestrian Enhancement - Recovery Act (Phase II)	20.205	ARRA-STP-EN-9201(11)	-	94,989	622,663	13,540	541,214
Roadscapes Project - I-75 Exit 49 Interchange Beautification	20.205	STP-EN-IE-75-1(125)	448	-	16,242	-	16,690
Capital Assistance to States - Intercity Passenger Rail Service Grant	20.317	CRR-070029	-	-	19,519	-	19,519
Safe Roads for Athens	20.607	Z-09-214579-00	8,662	14,753	6,091	-	-
			<u>198,581</u>	<u>518,201</u>	<u>897,043</u>	<u>-</u>	<u>577,423</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT							
Passed through the Tennessee Housing Development Authority:							
HOME Grant	14.239	HM-06-05	-	65,666	65,666	-	-
U.S. DEPARTMENT OF JUSTICE							
Byrne Justice Assistance Grant	16.592	2007-DJ-BX-0995	-	4,301	4,301	-	-
Byrne Justice Assistance Grant	16.592	2009-DJ-BX-0554	-	21,468	21,468	-	-
Byrne Justice Assistance Grant - Recovery Act	16.804	2009-SB-B9-2200	-	88,248	88,248	-	-
			<u>-</u>	<u>114,017</u>	<u>114,017</u>	<u>-</u>	<u>-</u>
U.S. DEPARTMENT OF HOMELAND SECURITY							
Passed through TN Emergency Management Agency:							
Disaster Grant - Public Assistance	97.036	FEMA-1839-DR-TN	-	13,692	13,692	-	-
U.S. ENVIRONMENTAL PROTECTION AGENCY							
Passed through TN Department of Agriculture:							
North Mouse Creek Restoration Grant	66.460	C9994674-09-0	-	26,514	67,309	-	40,795
Regional Wetland Program Development Grant	66.461	CD-95438710-0	-	-	34,311	-	34,311
Passed through TN Department of Environment and Conservation:							
Capitalization Grants for Clean Water State Revolving Funds **	66.458	CWA 2009-242	-	-	879,857	-	879,857
Loan (ARRA) **	66.458	CWA 2009-242	-	-	175,972	-	175,972
Principal Forgiveness (ARRA) **	66.458	CWA 2009-242	-	-	703,886	-	703,886
			<u>-</u>	<u>26,514</u>	<u>1,861,335</u>	<u>-</u>	<u>1,834,821</u>

(continued)

CITY OF ATHENS, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2010

(continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Accrued (Deferred) Grant Revenues July 1, 2009	Grant Revenues Received	Expenditures	Miscellaneous Revenues, Refunds, and Adjustments	Accrued (Deferred) Grant Revenues June 30, 2010
PRIMARY GOVERNMENT (continued):							
FEDERAL AWARDS (continued):							
U.S. DEPARTMENT OF AGRICULTURE							
Passed through TN Department of Agriculture:							
Water and Waste Disposal Systems for Rural Communities Grant *							
	10.760	N/A	\$ -	\$1,664,000	\$1,664,000	\$ -	\$ -
Total Federal Awards			<u>198,581</u>	<u>2,402,090</u>	<u>4,615,753</u>	<u>-</u>	<u>2,412,244</u>
STATE AWARDS:							
Tennessee Department of Environment and Conservation:							
Local Parks and Recreation							
	N/A	GG-09-26646-00	1,800	48,866	68,191	-	21,125
Green Development Grant							
	N/A	-	30,000	-	-	-	30,000
Tennessee Wildlife Resource Agency							
	N/A	Z-08-200971-00	(1,000)	-	1,000	-	-
Total State Awards			<u>30,800</u>	<u>48,866</u>	<u>69,191</u>	<u>-</u>	<u>51,125</u>
Total Primary Government			<u>\$ 229,381</u>	<u>\$2,450,956</u>	<u>\$ 4,684,944</u>	<u>\$ -</u>	<u>\$ 2,463,369</u>

(continued)

CITY OF ATHENS, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2010
(continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Accrued (Deferred) Grant Revenues July 1, 2009	Grant Revenues Received	Expenditures	Accrued (Deferred) Grant Revenues June 30, 2010
COMPONENT UNIT - ATHENS CITY BOARD OF EDUCATION:						
FEDERAL AWARDS						
U.S. DEPARTMENT OF AGRICULTURE						
Passed through the TN Department of Agriculture:						
Food Distribution	10.550	N/A	\$ -	\$ 73,542	\$ 73,542	\$ -
Passed through the TN Department of Human Services:						
Child and Adult Food Care Program	10.558	N/A	-	7,314	7,314	-
Child and Adult Food Care Program	10.558	N/A	-	31,987	31,987	-
Passed through the TN Department of Education:						
Child Nutrition Cluster:						
National School Lunch Program	10.555	N/A	2,225	471,079	468,854	-
School Breakfast Program	10.553	N/A	-	166,763	166,763	-
Summer Food Service Program for Children	10.559	N/A	88,083	169,923	181,782	99,942
			90,308	920,608	930,242	99,942
U.S. DEPARTMENT OF EDUCATION						
Impact Aid	84.041	N/A	-	4,663	4,663	-
Passed through the TN Department of Education:						
Special Education Cluster:						
Special Education - Grants to States	84.027	N/A	(561)	377,580	377,663	(478)
Special Education - Preschool Grants	84.173	N/A	-	39,480	39,480	-
Special Education - Grants to States - Recovery Act	84.391	N/A	-	289,345	289,345	-
Special Education - Preschool Grants - Recovery Act	84.392	N/A	-	5,116	5,116	-
Title I Cluster:						
Title I Grants to Local Educational Agencies	84.010	N/A	(28,513)	584,993	601,127	(12,379)
Title I Grants to Local Education Agencies - Recovery Act	84.389	N/A	-	204,864	204,859	(5)
Improving Teacher Quality - State Grants	84.367	N/A	(5)	51,387	51,382	(10)
Education Technology Cluster:						
Education Technology State Grants	84.318	N/A	-	8,977	8,972	(5)
Education Technology State Grants - Recovery Act	84.386	N/A	-	6,918	6,913	(5)
Safe and Drug-Free Schools and Communities - State Grants	84.186	N/A	135	7,932	7,927	130
Rural Education Achievement Program	84.358	N/A	(5)	60,253	60,248	(10)
English Language Acquisition Grants	84.162	N/A	(146)	33,549	33,544	(151)
Education for Homeless Children and Youth - Recovery Act	84.387	N/A	-	845	845	-
State Fiscal Stabilization Fund - Education State Grants - Recovery Act Cluster:						
Basic Education Program State Stabilization Grants - Recovery Act	84.394	N/A	-	318,300	318,300	-
Coordinated School Health Program Grants - Recovery Act	84.394	N/A	-	45,082	85,000	39,918
Internet Connectivity Grant - Recovery Act	84.394	N/A	-	4,816	4,816	-
Family Resource Grant - Recovery Act	84.394	09-11950	-	-	31,154	31,154
Statewide Student Management Systems Grant - Recovery Act	84.394	N/A	-	4,346	4,346	-
Career Ladder Extended Contract Grant - Recovery Act	84.394	N/A	-	-	49,000	49,000
Safe Schools Grant - Recovery Act	84.394	N/A	-	-	3,888	3,888

(continued)

CITY OF ATHENS, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2010
(continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Accrued (Deferred) Grant Revenues July 1, 2009	Grant Revenues Received	Expenditures	Accrued (Deferred) Grant Revenues June 30, 2010
U.S. DEPARTMENT OF EDUCATION (continued)						
Passed through the TN Department of Labor and Workforce Development:						
Adult Education - State Grant Program	84.002	Z-10-218485-00	\$ -	\$ 79,936	\$ 91,946	\$ 12,010
Adult Education - State Grant Program	84.002	Z-10-222133-00	-	335	335	-
Adult Education - State Grant Program	84.002	Z-09-213439-00	43,262	43,262	-	-
			<u>14,167</u>	<u>2,171,979</u>	<u>2,280,869</u>	<u>123,057</u>
U.S. DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT						
Passed through the TN Department of Labor and Workforce Development:						
Workforce Development Investment Act- Incumbent Worker	17.265	Z-08-211877-00	4,544	24,698	22,739	2,585
TOTAL FEDERAL AWARDS - ATHENS CITY BOARD OF EDUCATION			<u>109,019</u>	<u>3,117,285</u>	<u>3,233,850</u>	<u>225,584</u>
STATE AWARDS						
Adult Education - State Grant Program		Z-09-213439-00	14,421	14,421	-	-
Adult Education - State Grant Program		Z-10-218485-00	-	26,645	30,649	4,004
Adult Education - State Grant Program		Z-09-216837-00	-	219	219	-
Lottery Pre-K		N/A	235,919	463,478	616,759	389,200
Coordinated School Health Program		GZ 8/AAX9	77,532	77,532	-	-
Rural Technology Assistance Grant		GG1030053	-	-	231,885	231,885
Family Resource Grant		09-11950	33,300	33,300	-	-
Safe Schools 21st Century		N/A	49,675	208,234	206,250	47,691
Safe Schools Act 2001		N/A	9,663	9,663	-	-
TOTAL STATE AWARDS - ATHENS CITY BOARD OF EDUCATION			<u>420,510</u>	<u>833,492</u>	<u>1,085,762</u>	<u>672,780</u>
TOTAL COMPONENT UNIT			<u>\$ 529,529</u>	<u>\$ 3,950,777</u>	<u>\$ 4,319,612</u>	<u>\$ 898,364</u>
COMPONENT UNIT - ATHENS UTILITIES BOARD						
FEDERAL AWARDS:						
U.S. DEPARTMENT OF HOMELAND SECURITY						
Passed through the TN Emergency Management Agency:						
Public Assistance Grants	97.036	PA-04-TN-1839	\$ 76,988	\$ -	\$ -	\$ 76,988

(continued)

CITY OF ATHENS, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2010

(continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Accrued (Deferred) Grant Revenues July 1, 2009	Grant Revenues Received	Expenditures	Accrued (Deferred) Grant Revenues June 30, 2010
SUMMARY OF PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNITS:						
Total Federal Awards			\$ 384,588	\$ 5,519,375	\$ 7,849,603	\$ 2,714,816
Total State Awards			451,310	882,358	1,154,953	723,905
TOTAL AWARDS			<u>\$ 835,898</u>	<u>\$ 6,401,733</u>	<u>\$ 9,004,556</u>	<u>\$ 3,438,721</u>

Note 1: The City received federal awards which made it subject to audit under OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations" for the year ended June 30, 2010. The Schedule of Expenditures of Federal and State Awards includes the federal and state grant activity of the City of Athens and its component units 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. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

Note 2: The Board of Education, component unit of the City, received federal awards which made it subject to audit under OMB Circular A-133 "Audits of States, Local Governments, and Non-Profit Organizations" for the year ended June 30, 2010. The Board of Education awards have been reported on in the separately issued financial statements of Athens City Board of Education. The Board of Education awards have been included in the Schedule of Expenditures of Federal and State Awards to reflect the entire reporting entity. See separately issued Board of Education financial report regarding the Board's Schedule of Expenditures of Federal and State Awards.

Note 3: Athens Utilities Board, component unit of the City, received federal awards which were below the level requiring the Board to have a "Single Audit" in accordance with OMB Circular A-133, "Audits of States, Local Government, and Non-Profit Organizations" for the year ended June 30, 2010. The Athens Utilities Board awards have been included in the Schedule of Expenditures of Federal and State Awards to reflect the entire reporting entity. See separately issued Athens Utilities Board financial report regarding the Board's Schedule of Expenditures of Federal and State Awards.

Note 4: Expenditures under the U.S. Department of Agriculture Food Distribution grant received by the Board of Education represent receipt and expenditures of noncash commodities as valued based on equivalent purchased product.

* Of the amounts listed on the schedule for this award, \$1,414,000 represents loan proceeds that have been provided.

** Of the amounts listed on the schedule for this award, the \$879,857 and \$175,972 represent loan proceeds that are to be repaid while the \$703,886 represents amounts that do not require repayment.

NEAL, SCOUTEN & McCONNELL, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
633 Chestnut Street
Suite 1440 Republic Centre
Chattanooga, Tennessee 37450-1440

Report of Independent Certified Public Accountants on
Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
the Financial Statements Performed in Accordance
with Government Auditing Standards

To the City Council
City of Athens
Athens, Tennessee

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Athens, Tennessee, as of and for the year ended June 30, 2010, which collectively comprise the City of Athens, Tennessee's basic financial statements and have issued our report thereon dated December 22, 2010. 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 of Athens, Tennessee'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 of Athens, Tennessee's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Athens, Tennessee's internal control over financial reporting.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Athens, Tennessee'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.

COMPONENT UNIT – ATHENS UTILITIES BOARD

Internal Control Over Financial Reporting

Our separate component unit report dated December 3, 2010, did not disclose any matters involving the internal control over financial reporting and its operations that were considered to be a material weakness.

Compliance and Other Matters

Our separate component unit report dated December 3, 2010, disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

COMPONENT UNIT – ATHENS CITY BOARD OF EDUCATION

Internal Control Over Financial Reporting

Our separate component unit report dated December 15, 2010, did not disclose any matters involving the internal control over financial reporting and its operations that were considered to be a material weakness.

Compliance and Other Matters

Our separate component unit report dated December 15, 2010, disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the City Council, management, the State of Tennessee, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Neal, Scouten & McConnell, P.C.

Chattanooga, Tennessee
December 22, 2010

NEAL, SCOUTEN & McCONNELL, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
633 Chestnut Street
Suite 1440 Republic Centre
Chattanooga, Tennessee 37450-1440

Report of Independent Certified Public Accountants
on Compliance with Requirements That Could Have a Direct and
Material Effect on Each Major Program and on Internal Control Over
Compliance in Accordance with OMB Circular A-133

To the City Council
City of Athens
Athens, Tennessee

Compliance

We have audited the City of Athens, Tennessee's compliance with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The City of Athens, Tennessee's major federal programs are identified in the summary of auditor's 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 Athens, Tennessee's management. Our responsibility is to express an opinion on the City of Athens, 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. 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 Athens, 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 City of Athens, Tennessee's compliance with those requirements.

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

Internal Control Over Compliance

The management of the City of Athens, 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 Athens, Tennessee's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our

opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

COMPONENT UNIT – ATHENS CITY BOARD OF EDUCATION

Compliance

Our separate component unit report dated December 15, 2010 stated that in our opinion, the Athens City Board of Education complied in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Our separate component unit report dated December 15, 2010 did not identify any deficiencies in internal control over compliance that were considered to be a material weakness.

This report is intended solely for the information and use of the City Council, management, the State of Tennessee, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Neal, Scouter & McConnell, P.C.

Chattanooga, Tennessee
December 22, 2010

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

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:
 Material weakness(es) identified? yes X no
 Significant deficiency identified
 not considered to be material weakness? yes X no None reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:
 Material weakness(es) identified? yes X no
 Significant deficiency identified
 not considered to be material
 weakness? yes X no None reported

Type of auditor's report issued on compliance for major
 programs: Unqualified

Any audit findings disclosed that are required to be
 reported in accordance with OMB Circular A-133,
 Section .510(a)? yes X no

Identification of major programs:	<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
	20.205	Highway Planning and Construction Cluster
	66.458	Capitalization Grants for Clean Water State Revolving Funds
	10.760	Water and Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish between
 Type A and Type B programs: \$300,000

Auditee qualified as low risk auditee? yes X no

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

Questioned
Costs

SECTION II - FINANCIAL STATEMENT FINDINGS

NONE REPORTED

SECTION III - FEDERAL AWARDS

NONE REPORTED

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