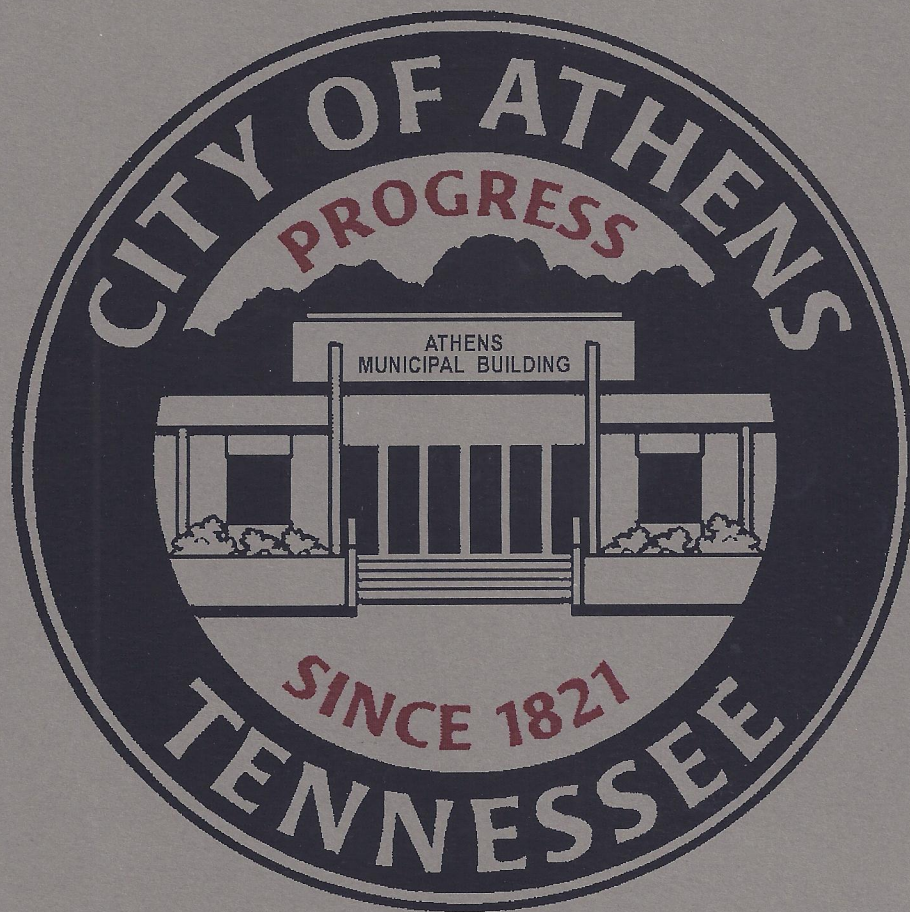


*City of Athens, Tennessee*



*Comprehensive Annual  
Financial Report*

*For The Year Ended June 30, 2011*

**CITY OF ATHENS, TENNESSEE**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**FOR THE YEAR ENDED  
JUNE 30, 2011**

**Prepared by:  
Department of Finance**



## CONTENTS

	<u>Page No.</u>
<b>INTRODUCTORY SECTION</b>	
Letter of Transmittal	A-1 - A-4
GFOA Certificate of Achievement	A-5
Organizational Chart	A-6
List of Principal Officials	A-7
<b>FINANCIAL SECTION</b>	
<b>REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON FINANCIAL STATEMENTS</b>	1-2
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	B-1 - B-9
<b>BASIC FINANCIAL STATEMENTS</b>	
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	18-49
<b>REQUIRED SUPPLEMENTAL INFORMATION</b>	
Schedule of funding progress and schedule of employer contributions - pension plan	50

Page No.

**SUPPLEMENTAL INFORMATION**

Combining balance sheet - nonmajor governmental funds	51
Combining statement of revenues, expenditures and changes in fund balance - nonmajor governmental funds	52
Budgetary comparison schedule - Debt Service Fund	53
Budgetary comparison schedule - Drug Fund	54

Schedule No.

**FINANCIAL SCHEDULES**

Schedule of uncollected delinquent taxes filed - last ten years	1	55
Schedule of changes in property taxes receivable	2	56
Schedule of investments	3	57-66
Schedule of debt service requirements	4	67

Table No.

**STATISTICAL SECTION**

Net assets by component - last nine fiscal years	1	68
Changes in net assets - last nine fiscal years	2	69-71
Fund balances, governmental funds - last nine fiscal years	3	72
Changes in fund balances, governmental funds - last nine fiscal years	4	73-74
Assessed and estimated actual value of taxable property - last ten fiscal years	5	75
Direct and overlapping property tax rates - last ten fiscal years	6	76
Principal property taxpayers - current fiscal year and nine years ago	7	77
Property tax levies and collections - last ten fiscal years	8	78
Ratio of outstanding debt by type - last ten fiscal years	9	79
Ratio of general debt outstanding - last ten fiscal years	10	80
Direct and overlapping governmental activities debt	11	81
Legal debt margin information - last ten fiscal years	12	82
Pledged revenue coverage - last ten fiscal years	13	83
Demographic and economic statistics - last ten fiscal years	14	84
Principal employers - current fiscal year and nine years ago	15	85
Full-time equivalent city government employees by function/program - last nine fiscal years	16	86
Operating indicators by function/program - last nine fiscal years	17	87
Infrastructure statistics by function - last nine fiscal years	18	88

**SINGLE AUDIT**

Schedule of expenditures of federal and state awards	89-93
--	-------

**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**

94-95

**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**

96-97

Schedule of findings and questioned costs

98-99



## **INTRODUCTORY SECTION**



815 North Jackson Street  
P.O. Box 849  
Athens, Tennessee 37371-0849  
www.cityofathensn.com

423-744-2712  
Fax 423-744-8866  
bharris@cityofathensn.com  
purchasing@cityofathensn.com



## 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 accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America 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, 2011.

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, 2011, 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, 2011, 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 13,458 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 make 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 2001, the rate was 8.30 percent, with the highest rate being 14.9 percent in 2009 and the lowest rate being 4.9 percent in 2007. During the past ten years, Denso Manufacturing has grown from a vacant parcel of land to an employer of approximately 900 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, and the City now accounts for approximately 79 percent of sales tax collections within McMinn County. Intergovernmental increases this fiscal year are primarily a result of increased grant revenues.

## **Long-Term Financial Planning**

Unassigned fund balance in the general fund (66.7 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, 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 three to four 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 2010-2011 budget reduced expenditures by 4.5 percent, while the 2011-2012 budget increased expenditures by 2.4 percent. Also, a detailed multi-year revenue trend analysis is utilized to assist in the budget process. The City typically balances its budget annually without using reserves, and budgets conservatively in the process. For the 2011-2012 budget, the City used \$232,200 of its general fund reserves primarily due to increased public education expenditures.

## **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 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 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.

## **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, 2010. This was the nineteenth 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 27, 2011

# 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, 2010

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

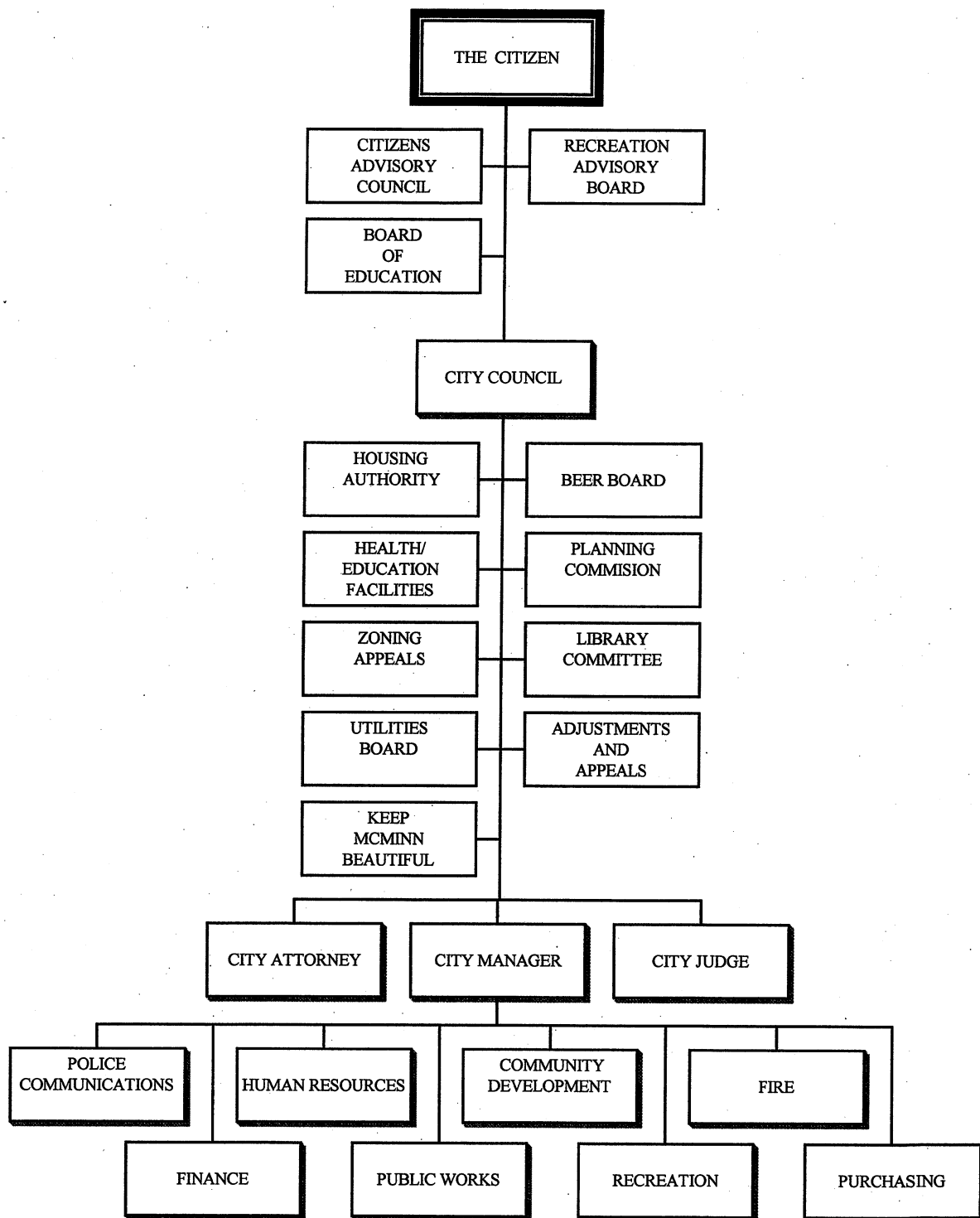


*Linda C. Davidson*

President

*Jeffrey R. Emer*

Executive Director



**CITY OF ATHENS, TENNESSEE**  
**LIST OF PRINCIPAL OFFICIALS**  
**June 30, 2011**

City of Athens

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

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

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

Mayor  
Vice-Mayor  
Council Member  
Council Member  
Council Member

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

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  
Chris Adams  
Brian Heatherly  
Dr. Amy Sullins  
Dr. Preston Brown

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

Chairman  
Vice-Chairman  
Secretary  
Treasurer  
Board Member  
Board Member

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

Lou Pascarella  
Stan Harrison  
William Bo Perkinson  
Bob Sevigny  
Tom Hughes

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

Chairman  
Vice-Chairman  
Board Member  
Board Member  
Board Member

General Manager  
Superintendent of Accounting  
Superintendent of Power  
Superintendent of Gas  
Superintendent of Water/Wastewater  
Assistant General Manager  
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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City 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, 2011, 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 27, 2011, 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 50 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 51-52, the budgetary comparison schedules on pages 53-54, 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, Souter, & McConnell, P.C.*

Chattanooga, Tennessee  
December 27, 2011

**City of Athens, Tennessee**  
**Management's Discussion and Analysis**  
**June 30, 2011**

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, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found 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, 2011 by \$29,775,940 (net assets). Of this amount, \$14,221,719 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- Net assets increased by \$1,362,214, an increase of 4.9% compared to fiscal year 2010. The City of Athens' changes in net assets is detailed in the chart on page B-5 of this report. Total revenues decreased \$897,193 primarily due to a decrease in grant revenues, including pass-through grants. Expenses increased \$313,161 primarily due to grant-related activities.
- As of the close of the current fiscal year, the City of Athens' governmental funds reported combined ending fund balances of \$15,516,337. Approximately 54.7% is available for spending at the City's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$8,487,832 or 78.5% of total general fund expenditures. Expenditures do not include transfers to other funds, which totaled \$790,000 in the City's general fund. This demonstrates the City's fiscal discipline and places the City in a financial position to meet unexpected emergencies, uncertainties at the state level or the current slowdown in the economy.

**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, 2011**

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, 2011**

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 page 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, 2011**

**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 \$29,775,940 at the close of this fiscal year.

The largest portion of the City of Athens net assets (50 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 48 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 2 percent of net assets. These resources are subject to external restrictions on how they may be used.

At June 30, 2011, 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>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Current and other assets	\$26,055,267	\$26,387,320	\$ 1,221,274	\$ 967,079	\$27,276,541	\$27,354,399
Capital assets	<u>13,619,954</u>	<u>12,210,372</u>	<u>1,394,936</u>	<u>1,548,913</u>	<u>15,014,890</u>	<u>13,759,285</u>
Total assets	<u>39,675,221</u>	<u>38,597,692</u>	<u>2,616,210</u>	<u>2,515,992</u>	<u>42,291,431</u>	<u>41,113,684</u>
Long-term liabilities	5,499,466	6,152,081	—	—	5,499,466	6,152,081
Other liabilities	<u>6,988,234</u>	<u>7,211,109</u>	<u>27,791</u>	<u>28,150</u>	<u>7,016,025</u>	<u>7,239,259</u>
Total liabilities	<u>12,487,700</u>	<u>13,363,190</u>	<u>27,791</u>	<u>28,150</u>	<u>12,515,491</u>	<u>13,391,340</u>
Invested in capital assets, net of related debt	13,619,954	12,210,372	1,394,936	1,548,913	15,014,890	13,759,285
Restricted	539,331	3,544,712	—	—	539,331	3,544,712
Unrestricted	<u>13,028,236</u>	<u>9,479,418</u>	<u>1,193,483</u>	<u>938,929</u>	<u>14,221,719</u>	<u>10,418,347</u>
Net assets	<u>\$27,187,521</u>	<u>\$25,234,502</u>	<u>\$ 2,588,419</u>	<u>\$ 2,487,842</u>	<u>\$29,775,940</u>	<u>\$27,722,344</u>

**Governmental activities.** Governmental activities increased the City of Athens' net assets by \$1,261,637 which accounts for the majority of the increase in the net assets of the City of Athens. The primary factors underlying the increase included decreased public safety expenses, and the City's ongoing effort to cut costs. The 2011 financial statements include a prior period adjustment of \$691,382 related to net capital assets. Additional information on the prior period adjustment can be found in Note 12 on page 49 of this report.

**City of Athens, Tennessee**  
**Management's Discussion and Analysis**  
**June 30, 2011**

**Business-type activities.** Business-type activities increased the City of Athens' net assets by \$100,577. This increase was primarily the result of a decrease in expenditures related to the automation of residential refuse collection.

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

<b>City of Athens</b>						
<b>Changes in Net Assets</b>						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues:						
Program revenues:						
Charges for services	\$ 660,688	\$ 670,200	\$ 814,950	\$ 824,350	\$ 1,475,638	\$ 1,494,550
Operating grants and contributions	549,773	682,455	—	—	549,773	682,455
Capital grants and contributions	3,752,321	4,484,478	—	—	3,752,321	4,484,478
General revenues:						
Property taxes	4,470,852	4,433,632	—	—	4,470,852	4,433,632
Other taxes	5,893,612	5,731,900	—	—	5,893,612	5,731,900
Intergovernmental revenues not restricted to specific programs	1,109,583	1,110,439	—	—	1,109,583	1,110,439
Transfers	—	—	—	195,000	—	195,000
Other	181,605	171,664	18,329	44,788	199,934	216,452
Total revenues	<u>16,618,434</u>	<u>17,284,768</u>	<u>833,279</u>	<u>1,064,138</u>	<u>17,451,713</u>	<u>18,348,906</u>
Expenses:						
General government	3,775,355	2,504,213	—	—	3,775,355	2,504,213
Public safety	3,980,447	4,224,580	—	—	3,980,447	4,224,580
Highways and streets	2,076,682	1,644,740	—	—	2,076,682	1,644,740
Culture and recreation	546,683	709,813	—	—	546,683	709,813
Education	1,841,940	1,825,000	—	—	1,841,940	1,825,000
Health and welfare	93,479	97,091	—	—	93,479	97,091
Interest on long-term debt	61,531	63,175	—	—	61,531	63,175
Transfers	—	195,000	—	—	—	195,000
Passthrough grants	2,980,680	3,423,715	—	—	2,980,680	3,423,715
Conference center	—	—	71,984	64,782	71,984	64,782
Sanitation	—	—	660,718	1,024,229	660,718	1,024,229
Total expenses	<u>15,356,797</u>	<u>14,687,327</u>	<u>732,702</u>	<u>1,089,011</u>	<u>16,089,499</u>	<u>15,776,338</u>
Change in net assets	1,261,637	2,597,441	100,577	(24,873)	1,362,214	2,572,568
Net assets, beginning of year (1)	<u>25,925,884</u>	<u>22,637,061</u>	<u>2,487,842</u>	<u>2,512,715</u>	<u>28,413,726</u>	<u>25,149,776</u>
Net assets, end of year	<u><u>\$27,187,521</u></u>	<u><u>\$25,234,502</u></u>	<u><u>\$ 2,588,419</u></u>	<u><u>\$ 2,487,842</u></u>	<u><u>\$29,775,940</u></u>	<u><u>\$27,722,344</u></u>

(1) Includes a restatement of net assets of \$691,382, as described in Note 12. The restatement changes net assets at July 1, 2010 from \$25,234,502 to \$25,925,884.

**City of Athens, Tennessee**  
**Management's Discussion and Analysis**  
**June 30, 2011**

**Financial Analysis of the City's Funds**

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 unassigned 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 \$15,516,337, a decrease of \$342,530 in comparison to the prior year. Approximately 54.7 percent of this total amount (\$8,487,832) constitutes unassigned fund balance, which is available for spending at the government's discretion. Pursuant to GASB Statement No. 54, the remainder of fund balance is classified as to: nonspendable -\$448,853; restricted for a specific purpose by external constraint or enabling legislation -\$492,048 (law enforcement - \$154,782; cemetery perpetual care - \$115,160; drug fund - \$222,106); committed for a specific purpose per action of the City Council - \$2,611,544 (law enforcement - \$17,491; capital projects - \$2,593,635; drug fund - \$418); or assigned – intended by the City to be used for a specific purpose - \$3,476,060 (equipment - \$2,175; debt service - \$3,473,885). In researching fund balance information to implement GASB No. 54, it was determined that the debt service fund did not have a legal or debt covenant provision prescribing or restricting its funding. Therefore, amounts related to fund balance in the debt service fund are classified as assigned in the year ended June 30, 2011.

The general fund is the chief operating fund of the City of Athens. At the end of the current fiscal year, unassigned fund balance of the general fund was \$8,487,832. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total general fund expenditures. Unassigned fund balance represents 78.5% of total fund expenditures, but represents 73.2% when compared to total fund expenditures and transfers to other funds (debt service fund).

The fund balance of the City of Athens' general fund increased by \$1,119,796 during the current fiscal year. Revenues increased by approximately \$75,000 while expenditures decreased approximately \$121,700 before transfers to other funds. These transfers decreased in this fiscal year by \$1,000,000 compared to the previous year, accounting for most of the overall increase in the general fund.

The debt service fund has a total fund balance of \$3,473,885. The net increase was \$73,769, due to a transfer from the general fund that was greater than principal payments and interest expense. The capital projects fund has a total fund balance of \$2,584,455. The net decrease was \$1,593,876, due to capital outlay expenditures, including a large sewer extension project and several other grant-related projects. The City continued to transfer \$790,000 to the debt service fund in the current year, but did not make a transfer to the capital projects fund as had been done in several subsequent years.

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

**City of Athens, Tennessee**  
**Management's Discussion and Analysis**  
**June 30, 2011**

Unrestricted net assets at the end of the year amounted to \$571 for the conference center fund, \$1,192,912 for the sanitation fund and \$2,135,814 for the fleet management fund.

**General Fund Budgetary Highlights.**

Differences between the original budget and the final amended budgeted expenditures were approximately \$121,800 and are summarized below:

\$24,000 in increases in general government activities, related primarily to legal and other professional services, travel, utilities and retirement expenditures

\$82,500 in increases in public safety, related primarily to State fees, salaries and fuel

\$1,300 in increases in culture and recreation, related primarily to uniform costs

\$14,000 in increases in public works, related primarily to supplies and fuel

Final actual revenues exceeded amended budgeted revenues by \$426,221 and are summarized below:

\$439,326 increase in property taxes and other local taxes

\$64,545 decrease in intergovernmental revenues

\$ 5,198 decrease in interest income

\$2,663 increase in fines and forfeitures

\$53,975 increase in miscellaneous revenues and charges for services

Final amended budgeted expenditures exceeded actual expenditures by approximately \$697,000 with the following representing the primary differences:

\$108,000 in general government expenditures, related primarily to administrative services, finance and city hall expenditures

\$294,000 in public safety expenditures including police (\$80,000), fire (\$116,000) and communications (\$98,000)

\$193,000 in highways and streets primarily due to street maintenance and construction and traffic control

\$113,000 in parks and recreation primarily due to maintenance and program planning

**City of Athens, Tennessee**  
**Management's Discussion and Analysis**  
**June 30, 2011**

**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, 2011, amounts to \$15,014,890 (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 \$68,100.

New telephone system to City buildings added approximately \$50,600.

Police department activities added approximately \$68,400 in vehicles.

Parks and recreation projects added approximately \$297,500 for a new pavilion at Market Park.

Public works and sanitation added approximately \$221,900 in equipment, vehicles and infrastructure projects.

The City completed a sidewalk project costing approximately \$1,243,600.

**City of Athens**  
**Capital Assets**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Buildings and improvements	\$ 5,422,474	\$ 5,199,617	\$ 1,517,930	\$ 1,517,930	\$ 6,940,404	\$ 6,717,547
Infrastructure	8,696,550	7,452,975	—	—	8,696,550	7,452,975
Furniture and office equipment	1,062,688	1,065,657	29,864	29,864	1,092,552	1,095,521
Machinery and equipment	5,913,785	5,929,406	1,473,083	1,473,083	7,386,868	7,402,489
Land	2,563,167	2,563,167	34,500	34,500	2,597,667	2,597,667
Construction in progress	<u>382,166</u>	<u>774,033</u>	<u>—</u>	<u>—</u>	<u>382,166</u>	<u>774,033</u>
	<u>\$24,040,830</u>	<u>\$22,984,855</u>	<u>\$ 3,055,377</u>	<u>\$ 3,055,377</u>	<u>\$27,096,207</u>	<u>\$26,040,232</u>

Additional information on the City of Athens' capital assets can be found in Note 2 on pages 32-33 of this report.

**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 \$5,238,000. 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 page 36 of this report

**City of Athens, Tennessee**  
**Management's Discussion and Analysis**  
**June 30, 2011**

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 10.5 percent, which is a decrease from the rate of 11.5 percent a year ago. Athens' rate is higher than the federal rate and the state rate.

Revenues were expected to decrease by approximately 0.04 percent due to decreases related to fines and forfeits and investment income. Management has been conservative in estimating all revenues for 2011-2012 and expenditures increased by 2.4 percent. Budgeted expenditures were to increase primarily due to salaries and fringe benefits, and public education expenditures. The property tax rate remained the same for 2011-2012.

**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.

**This page intentionally left blank.**

## **BASIC FINANCIAL STATEMENTS**



**CITY OF ATHENS, TENNESSEE**  
**STATEMENT OF NET ASSETS**  
**June 30, 2011**

				Component Units	
	Primary Government			Governmental	Proprietary
				Athens	Athens
	Governmental	Business-Type		Board of	Utilities
	Activities	Activities	Total	Education	Board
<b>ASSETS</b>					
Cash and cash equivalents	\$ 578,763	\$ 262,451	\$ 841,214	\$ 3,970,095	\$ 20,384,353
Investments	17,376,701	1,208,119	18,584,820	-	-
Receivables:					
Customers, net	-	24,294	24,294	-	5,349,458
Other	61,808	-	61,808	-	281,964
Property taxes, net	4,816,568	-	4,816,568	1,648,470	-
Other governments	1,737,028	-	1,737,028	1,046,839	1,191,601
Component units/primary government	-	66,853	66,853	305,940	1,431,968
Internal balances	340,443	(340,443)	-	-	-
Prepaid expenses	10,000	-	10,000	-	597,244
Inventories	108,086	-	108,086	26,989	2,286,414
Customer loans receivable	-	-	-	-	114,120
Debt issue costs, net	15,925	-	15,925	-	135,275
Prepaid pension obligation	1,009,945	-	1,009,945	-	147,852
Capital assets, net of depreciation	10,674,621	1,360,436	12,035,057	5,872,665	81,189,096
Nondepreciable capital assets	2,945,333	34,500	2,979,833	356,171	14,225,143
Total assets	<u>\$ 39,675,221</u>	<u>\$2,616,210</u>	<u>\$ 42,291,431</u>	<u>\$13,227,169</u>	<u>\$127,334,488</u>
<b>LIABILITIES AND NET ASSETS</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 621,445	\$ 22,218	\$ 643,663	\$ 503,537	\$ 5,379,180
Accrued payroll and withholdings	162,400	5,573	167,973	901,133	-
Due to component units/primary government	1,737,908	-	1,737,908	-	66,853
Other current liabilities	-	-	-	-	635,971
Unearned revenues	4,466,481	-	4,466,481	1,615,714	11,050
Customer deposits	-	-	-	-	380,560
Long-term liabilities:					
Due within one year	857,319	-	857,319	-	1,177,388
Due in more than one year	4,642,147	-	4,642,147	-	29,186,654
OPEB liability	-	-	-	97,681	-
Sick leave liability	-	-	-	116,346	-
Total liabilities	<u>12,487,700</u>	<u>27,791</u>	<u>12,515,491</u>	<u>3,234,411</u>	<u>36,837,656</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	13,619,954	1,394,936	15,014,890	6,228,836	65,295,778
Restricted for:					
Police	154,782	-	154,782	-	-
Cemetery perpetual care	162,443	-	162,443	-	-
Drug	222,106	-	222,106	-	-
Education	-	-	-	525,636	-
Unrestricted	13,028,236	1,193,483	14,221,719	3,238,286	25,201,054
Total net assets	<u>27,187,521</u>	<u>2,588,419</u>	<u>29,775,940</u>	<u>9,992,758</u>	<u>90,496,832</u>
Total liabilities and net assets	<u>\$ 39,675,221</u>	<u>\$2,616,210</u>	<u>\$ 42,291,431</u>	<u>\$13,227,169</u>	<u>\$127,334,488</u>

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

**This page intentionally left blank.**

**CITY OF ATHENS, TENNESSEE**  
**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2011**

Functions/Programs	Net Revenues (Expenses) and Changes in Net Assets								
	Program Revenues			Primary Government		Component Units			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Govern-mental Activities	Business-type Activities	Total	Athens Board of Education	Athens Utilities Board
<b>Primary government:</b>									
<b>Governmental activities:</b>									
General government	\$ 3,775,355	\$ 70,957	\$ 33,654	\$ -	\$ (3,670,744)	\$ -	\$ (3,670,744)	\$ -	\$ -
Public safety	3,980,447	476,019	103,246	-	(3,401,182)	-	(3,401,182)	-	-
Highways and streets	2,076,682	-	392,073	84,101	(1,600,508)	-	(1,600,508)	-	-
Culture and recreation	546,683	111,125	1,000	687,540	252,982	-	252,982	-	-
Education	1,841,940	-	-	-	(1,841,940)	-	(1,841,940)	-	-
Health and welfare	93,479	2,587	19,800	-	(71,092)	-	(71,092)	-	-
Interest on long-term debt	61,531	-	-	-	(61,531)	-	(61,531)	-	-
Passthrough grants	2,980,680	-	-	2,980,680	-	-	-	-	-
Total governmental activities	15,356,797	660,688	549,773	3,752,321	(10,394,015)	-	(10,394,015)	-	-
<b>Business-type activities:</b>									
Conference center	71,984	18,508	-	-	(53,476)	(53,476)	(53,476)	-	-
Sanitation	660,718	796,442	-	-	135,724	135,724	135,724	-	-
Total business-type activities	732,702	814,950	-	-	82,248	82,248	82,248	-	-
<b>Total primary government</b>	<b>\$ 16,089,499</b>	<b>\$ 1,475,638</b>	<b>\$ 549,773</b>	<b>\$ 3,752,321</b>	<b>(10,394,015)</b>	<b>\$ 82,248</b>	<b>(10,311,767)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Component units:</b>									
School system	\$ 16,601,708	\$ 530,476	\$ 4,843,010	\$ -				\$ (11,228,222)	\$ -
Public utilities	60,925,219	64,169,420	-	3,778,029				-	7,022,230
<b>Total component units</b>	<b>\$ 77,526,927</b>	<b>\$ 64,699,896</b>	<b>\$ 4,843,010</b>	<b>\$ 3,778,029</b>				<b>(11,228,222)</b>	<b>7,022,230</b>
<b>General revenues:</b>									
Property taxes					4,470,852	-	4,470,852	1,755,809	-
Local sales tax					3,783,265	-	3,783,265	-	-
In lieu of taxes					998,026	-	998,026	-	-
Gross receipts tax					3,779	-	3,779	-	-
Wholesale beer tax					498,443	-	498,443	-	-
Other local taxes					610,099	-	610,099	-	-
Intergovernmental revenues not restricted to specific programs					1,109,583	-	1,109,583	9,158,946	-
Investment income					59,713	2,489	62,202	58,379	182,411
Gain (loss) on disposal of capital assets					23,255	-	23,255	(7,648)	-
Insurance proceeds					2,250	-	2,250	-	-
Miscellaneous					96,387	15,840	112,227	40,033	-
Total general revenues					11,655,652	18,329	11,673,981	11,005,519	182,411
Change in net assets					1,261,637	100,577	1,362,214	(222,703)	7,204,641
Net assets, beginning of year					25,234,502	2,487,842	27,722,344	10,215,461	83,292,191
Prior period adjustment					691,382	-	691,382	-	-
<b>Net assets, beginning of year, as restated</b>					<b>25,925,884</b>	<b>2,487,842</b>	<b>28,413,726</b>	<b>10,215,461</b>	<b>83,292,191</b>
<b>Net assets, end of year</b>					<b>\$ 27,187,521</b>	<b>\$ 2,588,419</b>	<b>\$ 29,775,940</b>	<b>\$ 9,992,758</b>	<b>\$ 90,496,832</b>

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

**CITY OF ATHENS, TENNESSEE**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2011**

	General	Debt Service	Capital Projects Fund Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 401,235	\$ 34,616	\$ 13,338	\$ 128,000	\$ 577,189
Investments	7,897,545	3,439,269	3,639,538	266,109	15,242,461
Property taxes receivable, less allowance of \$86,141	4,816,568	-	-	-	4,816,568
Due from other governments	1,226,880	-	500,110	10,038	1,737,028
Interfund receivables	340,443	-	-	-	340,443
Other receivables	61,808	-	-	-	61,808
Inventories	108,086	-	-	-	108,086
Prepaid expenses	-	-	10,000	-	10,000
Total assets	<u>\$14,852,565</u>	<u>\$3,473,885</u>	<u>\$4,162,986</u>	<u>\$ 404,147</u>	<u>\$22,893,583</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 416,515	\$ -	\$ 204,930	\$ -	\$ 621,445
Accrued payroll and withholdings	162,400	-	-	-	162,400
Due to component units	364,307	-	1,373,601	-	1,737,908
Deferred revenues	<u>4,855,493</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,855,493</u>
Total liabilities	<u>5,798,715</u>	<u>-</u>	<u>1,578,531</u>	<u>-</u>	<u>7,377,246</u>
<b>FUND BALANCES</b>					
Nonspendable	391,570	-	10,000	47,283	448,853
Restricted	154,782	-	-	337,266	492,048
Committed	17,491	-	2,574,455	19,598	2,611,544
Assigned	2,175	3,473,885	-	-	3,476,060
Unassigned	<u>8,487,832</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,487,832</u>
Total fund balances	<u>9,053,850</u>	<u>3,473,885</u>	<u>2,584,455</u>	<u>404,147</u>	<u>15,516,337</u>
Total liabilities and fund balances	<u>\$14,852,565</u>	<u>\$3,473,885</u>	<u>\$4,162,986</u>	<u>\$ 404,147</u>	<u>\$22,893,583</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, 2011**

Total fund balances \$ 15,516,337

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	\$ 20,152,852	
Accumulated depreciation	<u>(8,233,248)</u>	11,919,604

Certain property taxes and intergovernmental revenues are not available to pay for current period expenditures and therefore are deferred in the funds.

Property taxes	330,312	
Intergovernmental revenue	<u>58,700</u>	389,012

Prepaid pension obligations are not current financial resources and are not reported in the funds. 1,009,945

Certain liabilities are not considered a use of current financial resources in the funds.

Bonds and notes payable	5,238,000	
Compensated absences	<u>261,466</u>	(5,499,466)

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>(15,575)</u>	15,925

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	1,574	
Investments	2,134,240	
Capital assets	3,887,978	
Accumulated depreciation	<u>(2,187,628)</u>	3,836,164

Net assets		<u><u>\$ 27,187,521</u></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, 2011**

	General	Debt Service	Capital Projects Fund Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Property taxes	\$4,462,814	\$ -	\$ -	\$ -	\$ 4,462,814
Other local taxes	5,893,612	-	-	-	5,893,612
Intergovernmental	1,658,155	-	3,752,321	-	5,410,476
Charges for services	182,190	-	-	2,480	184,670
Fines and forfeitures	422,663	-	-	53,356	476,019
Investment and interest income	24,802	7,300	7,691	15,581	55,374
Miscellaneous	69,785	-	3,217	235	73,237
Total revenues	<u>12,714,021</u>	<u>7,300</u>	<u>3,763,229</u>	<u>71,652</u>	<u>16,556,202</u>
<b>EXPENDITURES</b>					
Current:					
General government	2,145,657	-	-	-	2,145,657
Public safety	4,009,602	-	-	13,871	4,023,473
Highways and streets	1,937,882	-	-	-	1,937,882
Culture and recreation	775,601	-	-	-	775,601
Education	1,841,940	-	-	-	1,841,940
Health and welfare	96,879	-	-	-	96,879
Debt service:					
Principal	-	662,000	-	-	662,000
Interest	-	61,531	-	-	61,531
Capital outlay	-	-	5,380,256	-	5,380,256
Total expenditures	<u>10,807,561</u>	<u>723,531</u>	<u>5,380,256</u>	<u>13,871</u>	<u>16,925,219</u>
<b>REVENUES OVER (UNDER)</b>					
<b>EXPENDITURES</b>	<u>1,906,460</u>	<u>(716,231)</u>	<u>(1,617,027)</u>	<u>57,781</u>	<u>(369,017)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Capital contributions	-	-	23,151	-	23,151
Transfers	(790,000)	790,000	-	-	-
Insurance proceeds	2,250	-	-	-	2,250
Sale of capital assets	1,086	-	-	-	1,086
Total other financing sources (uses)	<u>(786,664)</u>	<u>790,000</u>	<u>23,151</u>	<u>-</u>	<u>26,487</u>
<b>NET CHANGE IN FUND BALANCES</b>	1,119,796	73,769	(1,593,876)	57,781	(342,530)
<b>FUND BALANCES, beginning of year</b>	<u>7,934,054</u>	<u>3,400,116</u>	<u>4,178,331</u>	<u>346,366</u>	<u>15,858,867</u>
<b>FUND BALANCES, end of year</b>	<u>\$9,053,850</u>	<u>\$3,473,885</u>	<u>\$2,584,455</u>	<u>\$ 404,147</u>	<u>\$15,516,337</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, 2011**

Net change in fund balances		\$ (342,530)
-----------------------------	--	--------------

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	\$ 4,470,852	
Fund revenue recognized	<u>(4,462,814)</u>	8,038

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

State beer tax-full accrual	7,156	
State income tax-full accrual	114,341	
Collected fund revenue	<u>(120,297)</u>	1,200

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	1,287,136	
Less current year depreciation	<u>(596,381)</u>	690,755

The change in value of the net pension obligation is recorded as an expense in the statement of activities.	56,874
---	--------

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.	196,785
---	---------

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	662,000	
Net change in compensated absences	<u>(9,385)</u>	652,615

Debt issue costs are amortized over the life of the debt in the statement of activities and expended when incurred in the funds.	<u>(2,100)</u>
--	----------------

Change in net assets	<u><u>\$ 1,261,637</u></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 BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**Year Ended June 30, 2011**

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
<b>PROPERTY TAXES</b>				
Property taxes-current	\$ 3,900,000	\$ 4,017,600	\$ 4,139,952	\$ 122,352
Property taxes-prior	175,000	175,000	182,341	7,341
Property taxes-delinquent	80,000	80,000	57,956	(22,044)
Public utilities taxes	85,000	85,000	82,565	(2,435)
Total property taxes	4,240,000	4,357,600	4,462,814	105,214
<b>OTHER LOCAL TAXES</b>				
Penalty and interest on property tax-prior	20,000	20,000	29,072	9,072
Penalty and interest on property tax-current	26,000	26,000	16,135	(9,865)
In lieu of taxes	942,000	942,000	998,026	56,026
TVA impact	38,000	38,000	38,668	668
Local sales tax	3,600,000	3,600,000	3,783,265	183,265
Wholesale beer tax	470,000	470,000	498,443	28,443
Minimum business tax	13,000	13,000	390	(12,610)
Cable TV franchise tax	140,000	140,000	151,724	11,724
Gross receipts tax	9,000	9,000	3,779	(5,221)
Business license fee	1,000	1,000	1,800	800
Business tax - state clerk fee	-	-	38,809	38,809
Business tax - state collected	300,000	300,000	333,359	33,359
Transient fees	500	500	142	(358)
Total other local taxes	5,559,500	5,559,500	5,893,612	334,112
<b>INTERGOVERNMENTAL</b>				
State sales tax	840,000	840,000	884,124	44,124
State beer tax	7,000	7,000	6,956	(44)
State income tax	130,000	130,000	113,341	(16,659)
State gas and motor fuel tax	360,000	360,000	363,493	3,493
State gasoline inspection tax	29,000	29,000	28,620	(380)
State mixed drink tax	40,000	40,000	52,592	12,592
State excise tax	100,000	100,000	22,750	(77,250)
State law/fire grants	31,700	31,700	26,400	(5,300)
Reimbursement-other government agencies	50,000	50,000	69,098	19,098
Highway maintenance reimbursement	15,000	15,000	19,646	4,646
Police grants	60,000	60,000	39,594	(20,406)
Other grant funds	60,000	60,000	31,541	(28,459)
Total intergovernmental	1,722,700	1,722,700	1,658,155	(64,545)

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, 2011**  
(continued)

	Budget		Actual	Variance
	Original	Final		With Final Budget
<b>CHARGES FOR SERVICES</b>				
Utility damage reimbursement	\$ 16,000	\$ 16,000	\$ 32,239	\$ 16,239
Animal control	2,500	2,500	2,587	87
Recreation fees	68,000	68,000	75,345	7,345
Building permits	20,000	20,000	36,058	16,058
Clerks fees	5,000	5,000	180	(4,820)
Recreation concessions	40,000	40,000	35,781	(4,219)
Total charges for services	151,500	151,500	182,190	30,690
<b>FINES AND FORFEITURES</b>				
Court fines	420,000	420,000	409,986	(10,014)
Law enforcement forfeitures	-	-	12,677	12,677
Total fines and forfeitures	420,000	420,000	422,663	2,663
<b>INTEREST</b>	30,000	30,000	24,802	(5,198)
<b>MISCELLANEOUS</b>	46,500	46,500	69,785	23,285
Total revenues	12,170,200	12,287,800	12,714,021	426,221
<b>EXPENDITURES</b>				
<b>GENERAL GOVERNMENT</b>				
Administrative:				
City Manager's Office	250,900	250,900	237,546	13,354
City Council	46,800	52,800	48,906	3,894
City Judge	12,900	13,000	12,918	82
City Attorney	17,500	22,500	13,533	8,967
Special appropriations	312,500	312,500	312,500	-
Athens Utilities Board	500,000	505,000	505,043	(43)
Finance	392,000	393,900	357,719	36,181
Personnel	170,100	170,100	161,327	8,773
Administrative services:				
Administration	59,300	65,300	62,279	3,021
City Hall	164,900	164,900	145,387	19,513
Community development:				
Administration	124,200	124,200	119,518	4,682
Codes enforcement	144,800	144,800	139,952	4,848
Cemeteries	33,600	33,600	29,029	4,571
Total general government	2,229,500	2,253,500	2,145,657	107,843

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, 2011**  
(continued)

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>PUBLIC SAFETY</b>				
Police:				
Administration	\$ 284,500	\$ 296,500	\$ 275,195	\$ 21,305
Patrol	1,673,900	1,726,400	1,681,121	45,279
Detective	207,650	214,650	200,820	13,830
Fire:				
Administration	106,500	107,500	103,702	3,798
Prevention	96,900	96,900	60,314	36,586
Suppression	1,458,000	1,468,000	1,392,473	75,527
Administrative services:				
Communications	393,550	393,550	295,977	97,573
Total public safety	<u>4,221,000</u>	<u>4,303,500</u>	<u>4,009,602</u>	<u>293,898</u>
<b>HIGHWAYS AND STREETS</b>				
Public Works:				
Administration	184,950	184,950	167,396	17,554
Traffic control	178,600	179,614	137,347	42,267
Street maintenance	550,550	550,550	507,402	43,148
Street construction	319,500	319,500	270,354	49,146
Street cleaning	635,500	648,500	627,672	20,828
City garage	248,000	248,000	227,711	20,289
Total highways and streets	<u>2,117,100</u>	<u>2,131,114</u>	<u>1,937,882</u>	<u>193,232</u>
<b>CULTURE AND RECREATION</b>				
Parks and Recreation:				
Administration	168,500	168,500	159,833	8,667
Maintenance	449,800	451,100	379,375	71,725
Swimming pools	33,000	33,000	32,415	585
Program planning	236,000	236,000	203,978	32,022
Total culture and recreation	<u>887,300</u>	<u>888,600</u>	<u>775,601</u>	<u>112,999</u>
<b>EDUCATION</b>				
Athens City Schools	<u>1,825,000</u>	<u>1,825,000</u>	<u>1,841,940</u>	<u>(16,940)</u>
<b>HEALTH AND WELFARE</b>				
Public Works:				
Animal control	<u>103,300</u>	<u>103,300</u>	<u>96,879</u>	<u>6,421</u>
Total expenditures	<u>11,383,200</u>	<u>11,505,014</u>	<u>10,807,561</u>	<u>697,453</u>
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<u>787,000</u>	<u>782,786</u>	<u>1,906,460</u>	<u>1,123,674</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, 2011**  
(continued)

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>OTHER FINANCING SOURCES (USES)</b>				
Insurance proceeds	\$ 3,000	\$ 3,000	\$ 2,250	\$ (750)
Transfer to debt service fund	(790,000)	(790,000)	(790,000)	-
Sale of capital assets	-	-	1,086	1,086
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total other financing sources (uses)	(787,000)	(787,000)	(786,664)	336
Net change in fund balance	-	(4,214)	1,119,796	1,124,010
<b>FUND BALANCE, beginning of year</b>	<u>7,934,054</u>	<u>7,934,054</u>	<u>7,934,054</u>	<u>-</u>
<b>FUND BALANCE, end of year</b>	<u>\$ 7,934,054</u>	<u>\$ 7,929,840</u>	<u>\$ 9,053,850</u>	<u>\$ 1,124,010</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, 2011**

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Conference	Sanitation	Total	Internal Service Fund
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 174	\$ 262,277	\$ 262,451	\$ 1,574
Investments	620	1,207,499	1,208,119	2,134,240
Accounts receivable	825	23,469	24,294	-
Due from component units	-	66,853	66,853	-
Total current assets	<u>1,619</u>	<u>1,560,098</u>	<u>1,561,717</u>	<u>2,135,814</u>
Capital assets:				
Land	34,500	-	34,500	-
Other capital assets, net	<u>1,012,796</u>	<u>347,640</u>	<u>1,360,436</u>	<u>1,700,350</u>
Total capital assets	<u>1,047,296</u>	<u>347,640</u>	<u>1,394,936</u>	<u>1,700,350</u>
Total assets	<u><u>\$ 1,048,915</u></u>	<u><u>\$ 1,907,738</u></u>	<u><u>\$ 2,956,653</u></u>	<u><u>\$ 3,836,164</u></u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 808	\$ 21,410	\$ 22,218	\$ -
Accrued payroll and withholdings	240	5,333	5,573	-
Interfund payable	-	340,443	340,443	-
Total current liabilities	<u>1,048</u>	<u>367,186</u>	<u>368,234</u>	<u>-</u>
<b>NET ASSETS</b>				
Invested in capital assets	1,047,296	347,640	1,394,936	1,700,350
Unrestricted	<u>571</u>	<u>1,192,912</u>	<u>1,193,483</u>	<u>2,135,814</u>
Total net assets	<u>1,047,867</u>	<u>1,540,552</u>	<u>2,588,419</u>	<u>3,836,164</u>
Total liabilities and net assets	<u><u>\$ 1,048,915</u></u>	<u><u>\$ 1,907,738</u></u>	<u><u>\$ 2,956,653</u></u>	<u><u>\$ 3,836,164</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, 2011**

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Conference Center	Sanitation	Total	Internal Service Fund
<b>OPERATING REVENUES</b>				
Charges for services	\$ -	\$ 796,442	\$ 796,442	\$ 403,000
Rental income	18,508	-	18,508	-
Miscellaneous	200	15,640	15,840	-
Total operating revenues	<u>18,708</u>	<u>812,082</u>	<u>830,790</u>	<u>403,000</u>
<b>OPERATING EXPENSES</b>				
Salaries and employee benefits	5,210	231,645	236,855	-
Operation	15,832	167,700	183,532	-
Maintenance	362	3,751	4,113	-
Depreciation	50,580	103,397	153,977	232,722
Landfill services	-	154,225	154,225	-
Total operating expenses	<u>71,984</u>	<u>660,718</u>	<u>732,702</u>	<u>232,722</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(53,276)</u>	<u>151,364</u>	<u>98,088</u>	<u>170,278</u>
<b>NONOPERATING REVENUES</b>				
Interest income	2	2,487	2,489	4,339
Gain on sale of capital assets	-	-	-	22,168
Total nonoperating revenues	<u>2</u>	<u>2,487</u>	<u>2,489</u>	<u>26,507</u>
<b>CHANGE IN NET ASSETS</b>	<u>(53,274)</u>	<u>153,851</u>	<u>100,577</u>	<u>196,785</u>
<b>NET ASSETS, beginning of year</b>	<u>1,101,141</u>	<u>1,386,701</u>	<u>2,487,842</u>	<u>3,639,379</u>
<b>NET ASSETS, end of year</b>	<u>\$ 1,047,867</u>	<u>\$ 1,540,552</u>	<u>\$ 2,588,419</u>	<u>\$ 3,836,164</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, 2011**

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Conference Center	Sanitation	Total	Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 18,858	\$ 800,487	\$ 819,345	\$ 403,000
Payments to employees	(5,008)	(165,523)	(170,531)	-
Payments to suppliers and vendors	(15,590)	(392,963)	(408,553)	(2,760)
Other receipts	-	11,512	11,512	-
Net cash provided by (used in) operating activities	(1,740)	253,513	251,773	400,240
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	-	-	-	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Repayments of interfund loan	-	(55,300)	(55,300)	-
Proceeds from the sale of capital assets	-	-	-	33,106
Purchase of capital assets	-	-	-	(271,105)
Net cash used in capital and related financing activities	-	(55,300)	(55,300)	(237,999)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment and interest earnings	2	2,487	2,489	4,339
Sale (purchase) of investments	679	(283,848)	(283,169)	(244,671)
Net cash provided by (used in) investing activities	681	(281,361)	(280,680)	(240,332)
Net decrease in cash and cash equivalents	(1,059)	(83,148)	(84,207)	(78,091)
Cash and cash equivalents, beginning of year	1,233	345,425	346,658	79,665
Cash and cash equivalents, end of year	\$ 174	\$ 262,277	\$ 262,451	\$ 1,574
<b>Reconciliation of operating income to net cash provided by (used in) operating activities:</b>				
Operating income (loss)	\$ (53,276)	\$ 151,364	\$ 98,088	\$ 170,278
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	50,580	103,397	153,977	232,722
Changes in assets and liabilities:				
Accounts receivable	150	(83)	67	-
Accounts payable and accrued liabilities	806	(1,165)	(359)	(2,760)
Net cash provided by (used in) operating activities	\$ (1,740)	\$ 253,513	\$ 251,773	\$ 400,240

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, 2011**

**ASSETS**

Interest receivable	\$ 16,501
Investments, at fair value:	
U.S. government and agency securities	1,059,082
Foreign stock	1,303,865
Foreign bonds and notes	96,566
Corporate bonds	707,360
Common stock	3,128,356
Mutual funds	1,746,744
Money market funds	<u>151,890</u>
Total investments	<u>8,193,863</u>
Total assets	<u><u>\$ 8,210,364</u></u>

**NET ASSETS**

Net assets held in trust for pension benefits	<u><u>\$ 8,210,364</u></u>
---	----------------------------

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, 2011**

**ADDITIONS**

Employer contributions	\$ 610,000
Net investment income:	
Interest and dividend income	269,674
Net appreciation in the fair value of investments	<u>900,140</u>
Total additions	<u>1,779,814</u>

**DEDUCTIONS**

Benefits paid	524,761
Administrative expenses	<u>41,204</u>
Total deductions	<u>565,965</u>

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

	1,213,849
<b>NET ASSETS</b> , held in trust for pension benefits, beginning of year	<u>6,996,515</u>
<b>NET ASSETS</b> , held in trust for pension benefits, end of year	<u><u>\$ 8,210,364</u></u>

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

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**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, 2011**

**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, 2011**

**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, 2011**

**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, 2011**

**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, 2011**

**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.

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.

**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.

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**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)**

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:

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.

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**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)**

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.

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.

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**Note 1. Summary of Significant Accounting Policies (continued)**

***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.

***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.

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**Note 1. Summary of Significant Accounting Policies (continued)**

***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

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

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**Note 1. Summary of Significant Accounting Policies (continued)**

***H. Capital Assets (continued)***

**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 2.9 to 3.3 percent in 2011. 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, 2011**

**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, 2011**

**Note 1. Summary of Significant Accounting Policies (continued)**

***L. Net Assets and Fund Balances (continued)***

The City implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" in the current year. GASB No. 54 establishes standards for fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported.

Fund balance in the fund financial statements is reported in five classifications of fund balances based on the constraints imposed on the use of these resources.

Nonspendable fund balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form such as prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned and unassigned.

Restricted fund balance – This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolution of the City. Those committed amounts cannot be used for any other purpose unless the City removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance – This classification reflects the amounts constrained by the City's "intent" to be used for specific purposes, but are neither restricted nor committed. The City has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance – This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other funds.

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**Note 1. Summary of Significant Accounting Policies (continued)**

***L. Net Assets and Fund Balances (continued)***

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

When committed, assigned, and unassigned funds are available for expenditure, committed funds should be spent first, then assigned funds, and unassigned funds last.

***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	

The assessed value for the list of January 1, 2010, was \$406,443,890 based upon a reappraisal completed for the list of January 1, 2010. The estimated actual was \$1,281,162,243 making the total assessed value 31.72 percent of the total actual value.

Taxes were levied at a rate of \$1.1147 per \$100 of assessed value. Current tax collections of \$4,223,936 for the fiscal year ended June 30, 2011, were 94 percent of the 2010 tax levy. An allowance has been established for delinquent taxes to the extent that their collectability is improbable. The allowance at June 30, 2011, for the 2010 tax levy was \$46,141.

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**Note 1. Summary of Significant Accounting Policies (continued)**

***M. Property Taxes (continued)***

The 2011 taxes were levied at a rate of \$1.1147 per \$100 of assessed value and have been recorded as a receivable at June 30, 2011. An allowance for doubtful collection of \$40,000 has been estimated and established for this levy at June 30, 2011. There are no current tax collections related to the 2011 levy.

**Note 2. Capital Assets**

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

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
<b><u>Governmental Activities</u></b>				
Capital assets being depreciated:				
Buildings and improvements	\$ 5,199,617	\$ 297,500	\$ 74,643	\$ 5,422,474
Infrastructure	7,452,975	1,243,575	—	8,696,550
Furniture and office equipment	1,065,657	96,738	99,707	1,062,688
Machinery and equipment	<u>5,929,406</u>	<u>312,296</u>	<u>327,917</u>	<u>5,913,785</u>
Total capital assets depreciated	<u>19,647,655</u>	<u>1,950,109</u>	<u>502,267</u>	<u>21,095,497</u>
Accumulated depreciation:				
Buildings and improvements	3,365,474	157,572	74,643	3,448,403
Infrastructure	2,296,025	209,330	—	2,505,355
Furniture and office equipment	531,550	102,030	99,707	533,873
Machinery and equipment	<u>3,890,052</u>	<u>360,171</u>	<u>316,978</u>	<u>3,933,245</u>
Total accumulated depreciation	<u>10,083,101</u>	<u>829,103</u>	<u>491,328</u>	<u>10,420,876</u>
Net capital assets being depreciated	<u>9,564,554</u>	<u>1,121,006</u>	<u>10,939</u>	<u>10,674,621</u>
Capital assets not being depreciated:				
Land	2,563,167	—	—	2,563,167
Construction in progress	<u>774,033</u>	<u>382,166</u>	<u>774,033</u>	<u>382,166</u>
Total capital assets not depreciated	<u>3,337,200</u>	<u>382,166</u>	<u>774,033</u>	<u>2,945,333</u>
Net capital assets	<u>\$ 12,901,754</u>	<u>\$ 1,503,172</u>	<u>\$ 784,972</u>	<u>\$ 13,619,954</u>

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**Note 2. Capital Assets (continued)**

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
<b><u>Business-Type Activities</u></b>				
Capital assets being depreciated:				
Buildings and improvements	\$ 1,517,930	\$ —	\$ —	\$ 1,517,930
Furniture and office equipment	29,864	—	—	29,864
Machinery and equipment	1,473,083	—	—	1,473,083
Total capital assets depreciated	3,020,877	—	—	3,020,877
Accumulated depreciation:				
Buildings and improvements	454,553	50,580	—	505,133
Furniture and office equipment	29,864	—	—	29,864
Machinery and equipment	1,022,047	103,397	—	1,125,444
Total accumulated depreciation	1,506,464	153,977	—	1,660,441
Net capital assets being depreciated	1,514,413	(153,977)	—	1,360,436
Capital assets not being depreciated:				
Land	34,500	—	—	34,500
Net capital assets	<u>\$ 1,548,913</u>	<u>\$ (153,977)</u>	<u>\$ —</u>	<u>\$ 1,394,936</u>

Depreciation expense was charged to functions as follows:

<u>Governmental Activities</u>	
General government	\$ 183,195
Public safety	240,480
Highways and streets	313,538
Culture and recreation	91,890
	<u>\$ 829,103</u>

<u>Business-Type Activities</u>	
Conference Center	\$ 50,580
Sanitation	103,397
	<u>\$ 153,977</u>

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**Note 2. Capital Assets (continued)**

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

**Utilities Board:**

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Capital assets being depreciated:				
Plant in service	\$ 118,858,919	\$ 2,986,852	\$ 552,446	\$ 121,293,325
Equipment and furniture	4,604,530	135,196	4,513	4,735,213
Transportation equipment	2,864,853	3,275	—	2,868,128
Total depreciable capital assets	<u>126,328,302</u>	<u>3,125,323</u>	<u>556,959</u>	<u>128,896,666</u>
Accumulated depreciation:				
Plant in service	39,045,343	3,621,114	620,251	42,046,206
Equipment and furniture	2,999,647	357,809	4,513	3,352,943
Transportation equipment	2,139,877	168,544	—	2,308,421
Total accumulated depreciation	<u>44,184,867</u>	<u>4,147,467</u>	<u>624,764</u>	<u>47,707,570</u>
Net depreciable capital assets	<u>82,143,435</u>	<u>(1,022,144)</u>	<u>(67,805)</u>	<u>81,189,096</u>
Capital assets not being depreciated:				
Land	700,402	3,225	—	703,627
Construction in progress	7,706,610	9,050,484	3,235,578	13,521,516
Nondepreciable capital assets	<u>8,407,012</u>	<u>9,053,709</u>	<u>3,235,578</u>	<u>14,225,143</u>
Net capital assets	<u>\$ 90,550,447</u>	<u>\$ 8,031,565</u>	<u>\$ 3,167,773</u>	<u>\$ 95,414,239</u>

Depreciation was charged as follows:

	Charged to Depreciation and Amortization	Charged to Other Accounts	Total Depreciation and Amortization
Power Division	\$ 1,550,136	\$ 60,656	\$ 1,610,792
Water Division	672,757	39,376	712,133
Gas Division	426,535	30,801	457,336
Department of Sewer	<u>1,273,225</u>	<u>46,248</u>	<u>1,319,473</u>
	<u>\$ 3,922,653</u>	<u>\$ 177,081</u>	<u>\$ 4,099,734</u>

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**Note 2. Capital Assets (continued)**

**Board of Education:**

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Capital assets being depreciated:				
Buildings and improvements	\$ 13,658,344	\$ —	\$ —	\$ 13,658,344
Infrastructure	19,350	—	—	19,350
Furniture, equipment, and vehicles	<u>2,468,163</u>	<u>180,180</u>	<u>57,014</u>	<u>2,591,329</u>
Total depreciable capital assets	<u>16,145,857</u>	<u>180,180</u>	<u>57,014</u>	<u>16,269,023</u>
Accumulated depreciation:				
Buildings and improvements	8,271,323	273,945	—	8,545,268
Infrastructure	12,154	967	—	13,121
Furniture, equipment, and vehicles	<u>1,704,207</u>	<u>183,128</u>	<u>49,366</u>	<u>1,837,969</u>
Total accumulated depreciation	<u>9,987,684</u>	<u>458,040</u>	<u>49,366</u>	<u>10,396,358</u>
Net depreciable capital assets	<u>6,158,173</u>	<u>(277,860)</u>	<u>7,648</u>	<u>5,872,665</u>
Capital assets not being depreciated:				
Land	213,486	—	—	213,486
Construction in progress	<u>—</u>	<u>142,685</u>	<u>—</u>	<u>142,685</u>
Nondepreciable capital assets	<u>213,486</u>	<u>142,685</u>	<u>—</u>	<u>356,171</u>
Net capital assets	<u>\$ 6,371,659</u>	<u>\$ (135,175)</u>	<u>\$ 7,648</u>	<u>\$ 6,228,836</u>

Depreciation expense was charged to functions as follows:

Regular instruction	\$ 86,491
Administration	14,945
Operation and maintenance	4,608
Transportation	35,303
Food services	41,780
Unallocated depreciation	<u>274,913</u>
	<u>\$ 458,040</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, 2011**

**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:

	Balance 6/30/10	Additions	Payments	Balance 6/30/11	Due within one year
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	\$ 5,900,000	\$ —	\$ 662,000	\$ 5,238,000	\$ 683,000
Compensated absences	<u>252,081</u>	<u>234,112</u>	<u>224,727</u>	<u>261,466</u>	<u>174,319</u>
Total long-term debt	<u>\$ 6,152,081</u>	<u>\$ 234,112</u>	<u>\$ 886,727</u>	<u>\$ 5,499,466</u>	<u>\$ 857,319</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 0.27 percent at June 30, 2011.

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

June 30	Principal	Interest	Total
2012	\$ 683,000	\$ 14,160	\$ 697,160
2013	703,000	12,314	715,314
2014	725,000	10,413	735,413
2015	747,000	8,453	755,453
2016	770,000	6,434	776,434
2017-2018	<u>1,610,000</u>	<u>6,561</u>	<u>1,616,561</u>
Total	<u>\$ 5,238,000</u>	<u>\$ 58,335</u>	<u>\$ 5,296,335</u>

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

**Utilities Board:**

	Balance 6/30/10	Additions	Payments	Balance 6/30/11	Due within one year
Revenue and tax bonds	\$ 3,185,316	\$ —	\$ 286,638	\$ 2,898,678	\$ 298,361
Notes payable	26,367,037	1,788,408	800,387	27,355,058	840,113
TVA advances	<u>256,656</u>	<u>—</u>	<u>146,350</u>	<u>110,306</u>	<u>38,914</u>
Total	<u>\$ 29,809,009</u>	<u>\$ 1,788,408</u>	<u>\$ 1,233,375</u>	<u>\$ 30,364,042</u>	<u>\$ 1,177,388</u>

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**Note 3. Long-Term Debt (continued)**

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 principal and interest payments on all long-term debt were current as of June 30, 2011.

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.

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.

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, 2011, at 0.27 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, 2011, set at 0.27 percent.

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**Note 3. Long-Term Debt (continued)**

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>
2012	\$ 1,138,474	\$ 255,961	\$ 1,394,435
2013	1,180,734	236,776	1,417,510
2014	1,188,365	213,661	1,402,026
2015	1,194,195	190,064	1,384,259
2016	1,286,153	166,901	1,453,054
2017-2021	6,236,939	685,793	6,922,732
2022-2026	7,460,867	495,231	7,956,098
2027-2031	7,688,887	285,025	7,973,912
2032-2036	2,094,277	131,294	2,225,571
2037-2041	395,948	84,430	480,378
2042-2046	283,611	41,349	324,960
2047-2048	105,286	3,034	108,320
	<u>\$ 30,253,736</u>	<u>\$ 2,789,519</u>	<u>\$ 33,043,255</u>

**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, 2011, all the City's deposits were insured or collateralized.

**Component units**

At June 30, 2011, 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, 2011, 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.

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**Note 4. Cash Deposits and Investments (continued)**

**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 Poor's (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).

As of June 30, 2011, the City had \$18,422,377 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, 2011. At June 30, 2011, 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, 2011, the Cemetery Perpetual Care Fund's investments consisted of the following:

	<u>Fair Value</u>
Money market funds	\$ 171
Mutual funds	<u>162,272</u>
	<u>\$ 162,443</u>

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

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**Note 4. Cash Deposits and Investments (continued)**

**Athens Pension Trust Fund:**

As of June 30, 2011, 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	2.41 years	\$ 1,059,082
Foreign stocks	N/A	1,303,865
Foreign bonds and notes	6.36 years	96,566
Corporate bonds	6.04 years	707,360
Common stock	N/A	3,128,356
Mutual funds	N/A	1,746,744
Money market fund	N/A	151,890
		<u>\$ 8,193,863</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. 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. Interfund transactions were for the purpose of funding debt service requirements. Interfund activity is netted in the government-wide statements within the governmental activities column.

**Interfund Payable/Receivable:**

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 of \$340,443 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 2010.

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**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.

**Board of Education:**

During 2011, the City appropriated \$1,841,940, 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 \$305,940 for appropriations to be remitted.

**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	\$ 24,040,830	\$ 3,055,377	\$ 27,096,207
Accumulated depreciation	(10,420,876)	(1,660,441)	(12,081,317)
Invested in capital assets, net of related debt	13,619,954	1,394,936	15,014,890
Restricted	539,331	—	539,331
Unrestricted	13,028,236	1,193,483	14,221,719
Total net assets	<u>\$ 27,187,521</u>	<u>\$ 2,588,419</u>	<u>\$ 29,775,940</u>

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

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

**Fund Balances:**

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

Nonspendable	
General Fund	
Inventory	\$ 108,085
Long-term note receivable	283,485
Prepaid-Capital Improvement Fund	10,000
Nonexpendable-Cemetery Perpetual Care Fund	<u>47,283</u>
	<u>448,853</u>
Restricted	
Nonrecurring law enforcement-General Fund	154,782
Expendable-Cemetery Perpetual Care Fund	115,160
Drug Fund	<u>222,106</u>
Total restricted fund balance	<u>492,048</u>
Committed	
Police benefit-General Fund	17,491
Capital projects-Capital Improvement Fund	2,574,455
Capital projects-General Obligation Fund	19,180
Drug Fund	<u>418</u>
Total committed fund balances	<u>2,611,544</u>
Assigned	
Emergency equipment-General Fund	2,175
Debt service-Debt Service Fund	<u>3,473,885</u>
Total assigned fund balances	<u>3,476,060</u>
Unassigned	
General Fund	<u>8,487,832</u>
Total fund balances	<u><u>\$ 15,516,337</u></u>

Included in the fund balance classifications are the following encumbrances:

General Fund	\$ 2,175
Capital Improvement Fund	203,031
Drug Fund	<u>5,058</u>
	<u><u>\$ 210,264</u></u>

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

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

**Utilities Board**

Net assets of the Utilities Board consist of the following:

Invested in capital assets, net of related debt	\$ 65,295,778
Unrestricted	<u>25,201,054</u>
	<u><u>\$ 90,496,832</u></u>

**Board of Education**

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

Invested in capital assets, net of related debt	\$ 6,228,836
Restricted for education	525,636
Unrestricted	<u>3,238,286</u>
	<u><u>\$ 9,992,758</u></u>

**Note 8. Pension Plans**

**Primary Government:**

**Plan description- Defined Benefit Plan**

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 95 active and 23 terminated participants, as well as 45 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. The Plan was frozen to new participants as of June 30, 2010. 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:

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**Note 8. Pension Plans (continued)**

**Primary Government: (continued)**

Plan description (continued)

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.

<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.

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**Note 8. Pension Plans (continued)**

**Primary Government: (continued)**

Plan description (continued)

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.

The Plan has been frozen and no new participants may enter, if not hired by June 30, 2010.

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.

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**Note 8. Pension Plans (continued)**

**Primary Government: (continued)**

Contributions and reserves (continued)

- 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.

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, 2011	\$ 549,538
Interest on net pension obligation	(71,480)
Adjustment to annual required contribution	<u>75,068</u>
Annual pension cost	553,126
Employer contributions made	<u>610,000</u>
Change in net pension benefit	56,874
Net pension benefit at June 30, 2010	<u>(953,071)</u>
Net pension benefit at June 30, 2011	<u><u>\$ (1,009,945)</u></u>

The annual required contribution for the 2011 year was determined as part of the annual actuarial valuation on January 1, 2011 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>
6/30/11	\$ 553,126	102.8 %	\$ (1,009,945)
6/30/10	535,342	130.8	(953,071)
6/30/09	484,399	179.6	(788,413)

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**Note 8. Pension Plans (continued)**

***Funded Status and Funding Progress:***

As of January 1, 2011, the most recent actuarial valuation date, the plan was 71.77 percent funded. The actuarial accrued liability for benefits was \$11.90 million, and the actuarial value of assets was \$8.54 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$3.36 million. The covered payroll (annual payroll of active employees covered by the plan) was \$4.13 million, and the ratio of the UAAL to the covered payroll was 81.31 percent.

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

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	Percentage of Covered Payroll
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
01/01/11	8,542,340	11,901,603	3,359,263	71.77	4,131,277	81.31

**Plan Description – 401(a) Retirement Plan**

The City of Athens established a Money Purchase Plan and Trust, The City of Athens 401(a) Retirement Plan, on July 1, 2010. Full-time employees hired on or after July 1, 2010 are eligible to participate on the first day of the month after 60 days of employment. Participants are required to make a pretax contribution of 3% of their regular earnings, which is matched by the City. Participants may make an additional after tax contribution of up to 4% of their regular earnings, which the City also matches. The after tax contribution percentage can be adjusted annually by the City. Participants' interest in the contributions of the City vest at 100% upon 5 years of completed service. The Plan is established with ICMA Retirement Corporation as the Plan administrator. The City made Plan contributions of \$2,316 during 2011.

**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.

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**Note 8. Pension Plans (continued)**

**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 (SETHEPP), a cost-sharing multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries.

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](http://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.

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2011**

**Note 10. Contingencies**

The Athens Utilities Board has debt issues with outstanding balances totaling \$28,183,488, 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.

**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.

**Note 12. Prior Period Adjustment**

In the financial statements for June 30, 2010, and prior, the City did not correctly report depreciation expense in the Governmental Activities on Government-wide reporting. The effect of this overstatement of depreciation impacted Government-wide reporting. Accordingly, the Governmental Activities net assets and Governmental Activities net capital assets (accumulated depreciation) have been restated as of July 1, 2010, as follows:

	Governmental Activities <u>Net Capital Assets</u>	Governmental Activities <u>Net Assets</u>
Beginning of year, as previously reported	\$ 12,210,372	\$ 25,234,502
Correction of prior year reported depreciation	<u>691,382</u>	<u>691,382</u>
Beginning of year, as restated	<u>\$ 12,901,754</u>	<u>\$ 25,925,884</u>

**CITY OF ATHENS, TENNESSEE**  
**SCHEDULE OF FUNDING PROGRESS**  
**AND SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**PENSION PLAN**  
**June 30, 2011**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
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
01/01/11	8,542,340	11,901,603	3,359,263	71.77	4,131,277	81.31

Schedule of Employer Contributions

Plan Year Ending	Contributions by the City	Annual Required Contribution	Percentage Contributed
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
06/30/11	610,000	549,538	111.0

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.

**This page intentionally left blank.**

# **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, 2011**

	Special Revenue Fund	Capital Projects Fund	Permanent Fund	Total Nonmajor Governmental Funds
	Drug	General Obligation Bond	Cemetery Perpetual Care	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 124,219	\$ 3,781	\$ -	\$ 128,000
Investments	88,267	15,399	162,443	266,109
Due from other governments	10,038	-	-	10,038
Total assets	<u>\$ 222,524</u>	<u>\$ 19,180</u>	<u>\$ 162,443</u>	<u>\$ 404,147</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>FUND BALANCES</b>				
Nonspendable	-	-	47,283	47,283
Restricted	222,106	-	115,160	337,266
Committed	418	19,180	-	19,598
Total fund balances	<u>222,524</u>	<u>19,180</u>	<u>162,443</u>	<u>\$ 404,147</u>
Total liabilities and fund balances	<u>\$ 222,524</u>	<u>\$ 19,180</u>	<u>\$ 162,443</u>	<u>\$ 404,147</u>

**CITY OF ATHENS, TENNESSEE**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2011**

	Special Revenue Fund	Capital Projects Fund	Permanent Fund	Total Nonmajor Governmental Funds
	Drug	General Obligation Bond	Cemetery Perpetual Care	
<b>REVENUES</b>				
Fines and forfeitures	\$ 53,356	\$ -	\$ -	\$ 53,356
Investment and interest income	183	31	15,367	15,581
Charges for services	-	-	2,480	2,480
Miscellaneous	235	-	-	235
Total revenues	53,774	31	17,847	71,652
<b>EXPENDITURES</b>				
Current:				
Public safety	13,871	-	-	13,871
Total expenditures	13,871	-	-	13,871
<b>REVENUES OVER EXPENDITURES</b>	39,903	31	17,847	57,781
<b>FUND BALANCES, beginning of year</b>	182,621	19,149	144,596	346,366
<b>FUND BALANCES, end of year</b>	\$ 222,524	\$ 19,180	\$ 162,443	\$ 404,147

**CITY OF ATHENS, TENNESSEE**  
**BUDGETARY COMPARISON SCHEDULE**  
**DEBT SERVICE FUND**  
**Year Ended June 30, 2011**

	Budget			Variance With Final Budget
	Original	Final	Actual	
<b>REVENUES</b>				
Interest	\$ 15,000	\$ 15,000	\$ 7,300	\$ (7,700)
Total revenues	<u>15,000</u>	<u>15,000</u>	<u>7,300</u>	<u>(7,700)</u>
<b>EXPENDITURES</b>				
Debt service:				
Principal	662,000	662,000	662,000	-
Interest	100,000	100,000	51,035	48,965
General government	<u>7,000</u>	<u>7,000</u>	<u>10,496</u>	<u>(3,496)</u>
Total expenditures	<u>769,000</u>	<u>769,000</u>	<u>723,531</u>	<u>45,469</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(754,000)	(754,000)	(716,231)	37,769
<b>OTHER FINANCING SOURCES</b>				
Transfer from general fund	<u>790,000</u>	<u>790,000</u>	<u>790,000</u>	<u>-</u>
Net change in fund balance	36,000	36,000	73,769	37,769
<b>FUND BALANCE, beginning of year</b>	<u>3,400,116</u>	<u>3,400,116</u>	<u>3,400,116</u>	<u>-</u>
<b>FUND BALANCE, end of year</b>	<u>\$ 3,436,116</u>	<u>\$ 3,436,116</u>	<u>\$ 3,473,885</u>	<u>\$ 37,769</u>

**CITY OF ATHENS, TENNESSEE**  
**BUDGETARY COMPARISON SCHEDULE**  
**DRUG FUND**  
**Year Ended June 30, 2011**

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Drug fines and forfeitures	\$ 33,300	\$ 33,300	\$ 53,356	\$ 20,056
Investment and interest income	500	500	183	(317)
Miscellaneous	-	-	235	235
Total revenues	<u>33,800</u>	<u>33,800</u>	<u>53,774</u>	<u>19,974</u>
<b>EXPENDITURES</b>				
Drug investigation	12,000	12,000	4,290	7,710
Supplies	5,000	5,000	1,423	3,577
Fixed assets	-	-	4,766	(4,766)
Education and training	4,800	4,800	3,392	1,408
Lab fees	<u>12,000</u>	<u>12,000</u>	<u>-</u>	<u>12,000</u>
Total expenditures	<u>33,800</u>	<u>33,800</u>	<u>13,871</u>	<u>19,929</u>
<b>REVENUES OVER EXPENDITURES</b>	-	-	39,903	39,903
<b>FUND BALANCE, beginning of year</b>	<u>182,621</u>	<u>182,621</u>	<u>182,621</u>	<u>-</u>
<b>FUND BALANCE, end of year</b>	<u>\$ 182,621</u>	<u>\$ 182,621</u>	<u>\$ 222,524</u>	<u>\$ 39,903</u>

**OTHER**



**CITY OF ATHENS, TENNESSEE**  
**SCHEDULE OF UNCOLLECTED DELINQUENT TAXES FILED**  
**LAST TEN YEARS**  
**June 30, 2011**

<u>Tax Year</u>	<u>Delinquent Taxes Filed</u>	<u>July 1, 2010 Delinquent Taxes Receivable</u>	<u>Current Collections and Adjustment</u>	<u>June 30, 2011 Delinquent Taxes Receivable</u>
2000 and Prior	\$ *	\$ 3,612	\$ -	\$ 3,612
2001	53,445	305	-	305
2002	37,540	1,734	-	1,734
2003	54,164	3,628	-	3,628
2004	42,110	3,220	-	3,220
2005	45,102	2,079	-	2,079
2006	55,813	5,203	403	4,800
2007	69,042	23,542	13,120	10,422
2008	80,293	72,112	35,969	36,143
2009	69,472	261,164	186,132	75,032

\* Not available.

**CITY OF ATHENS, TENNESSEE**  
**SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE**  
**Year Ended June 30, 2011**

	<u>Total</u>	<u>2011 Assessment</u>	<u>2010 Assessment</u>	<u>Prior Years</u>
PROPERTY TAXES RECEIVABLE				
July 1, 2010	<u>\$ 4,922,599</u>	<u>\$ -</u>	<u>\$ 4,546,000</u>	<u>\$ 376,599</u>
Add -				
Taxes assessed	4,485,000	4,485,000	-	-
Late listings	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>4,485,000</u>	<u>4,485,000</u>	<u>-</u>	<u>-</u>
Deduct -				
Collections	4,445,620	-	4,223,936	221,684
Adjustments and abatements	<u>59,270</u>	<u>-</u>	<u>45,330</u>	<u>13,940</u>
	<u>4,504,890</u>	<u>-</u>	<u>4,269,266</u>	<u>235,624</u>
PROPERTY TAXES RECEIVABLE				
June 30, 2011	<u><u>\$ 4,902,709</u></u>	<u><u>\$4,485,000</u></u>	<u><u>\$ 276,734</u></u>	<u><u>\$ 140,975</u></u>

**CITY OF ATHENS, TENNESSEE**  
**SCHEDULE OF INVESTMENTS**  
**June 30, 2011**

	Interest Rate	Maturity Date	Cost	Market Value
<b><u>FUNDS GOVERNED BY THE CITY COUNCIL</u></b>				
Cemetery Perpetual Care Fund:				
BB&T US Treasury Money Market Fund	-	-	\$ 171	\$ 171
American Century Diversified Bond Fund	-	-	17,935	17,503
Cohen & Steers Realty Shares	-	-	1,924	2,134
Credit Suisse Commodity Return	-	-	1,924	1,956
DWS Capital Growth Fund Institutional Class Fund	-	-	5,664	6,329
Eaton Vance Large Cap Value Fund	-	-	4,240	4,727
Federated High Yield Bond Institutional Class Fund	-	-	2,093	2,223
Federated Intermediate Corporate Bond Fund	-	-	5,587	5,516
Federated Mdt Small Cap Growth Fund	-	-	1,005	995
Fidelity Advisor Strategic, Income Fund	-	-	5,248	5,458
Forward International Small Company Institutional Class	-	-	106	117
Goldman Sachs Growth Opportunity	-	-	3,124	3,525
Harbor International Fund	-	-	3,423	4,604
Harding Loevner International	-	-	2,970	3,281
Lazard Emerging Markets Portfolio Institutional Class Fund	-	-	2,985	3,461
Metropolitan West Total Return	-	-	30,170	29,442
Oppenheimer Developing Markets	-	-	240	245
Pimco Total Return Class I	-	-	26	25
Principal Preferred Securities	-	-	5,844	5,810
Sterling Capital Equity, Income Class I Fund	-	-	4,248	4,648
Sterling Capital Intermediate U.S. Government Fund	-	-	22,803	23,630
Sterling Capital Special Opportunities Fund	-	-	2,327	2,738
Sterling Capital Total Return Bond Fund	-	-	17,934	17,300
Sterling Capital Midcap Growth Fund	-	-	4,694	5,404
T Rowe Price Institutional Emerging Markets Bond Fund	-	-	3,409	3,550
T Rowe Price Tax Free, Income	-	-	5,726	5,902
Virtus Quality Small Cap Fund	-	-	1,319	1,749
Total			<u>\$ 157,139</u>	<u>\$ 162,443</u>
Athens Pension Trust Fund:				
Federal Home Loan Mortgage Corporation	4.750	11/15/15	\$ 107,923	\$ 112,549
Federal National Mortgage Association	4.750	02/21/13	98,720	106,974
Federal National Mortgage Association	5.000	05/11/17	108,358	114,386
U.S. Treasury Bill	-	12/22/11	434,847	434,818
U.S. Treasury Bond	4.000	02/15/15	83,118	82,664
U.S. Treasury Note	3.750	11/15/18	54,737	54,164
U.S. Treasury Note	2.000	11/30/13	77,593	77,496
U.S. Treasury Note	1.375	10/15/12	76,102	76,031
ABB Limited	-	-	26,989	29,583
Ace Limited	-	-	8,639	9,215
Adidas Group	-	-	9,183	11,103
Admiral Group	-	-	4,206	4,267
Allianz Group	-	-	9,378	10,195
America Movil	-	-	16,067	15,086
ArcelorMittal	-	-	8,065	8,342

(continued)

CITY OF ATHENS, TENNESSEE  
SCHEDULE OF INVESTMENTS

June 30, 2011

(continued)

	Interest Rate	Maturity Date	Cost	Market Value
Athens Pension Trust Fund: (continued)				
Arm Holdings	-	-	\$ 21,410	\$ 23,028
Asahi Glass Company	-	-	5,170	4,868
Aspen Insurance Holdings	-	-	23,508	21,099
Assured Guaranty Limited	-	-	8,281	7,176
Atlas Copco Group	-	-	6,360	6,597
Baidu.com, Inc.	-	-	7,823	9,809
Banco Bradesco	-	-	7,066	7,172
Banco Santander Group	-	-	6,947	6,906
Bank of Nova Scotia	-	-	6,343	6,619
Bank of Yokohama	-	-	5,471	5,462
Barclays PLC	-	-	8,736	7,394
Bayer AG	-	-	6,088	6,430
Belle International Holdings	-	-	5,460	6,323
BG Group	-	-	7,372	7,945
BHP Billiton Limited	-	-	6,377	13,437
BNP Paribas	-	-	8,593	9,261
Brookefield Properties	-	-	1,720	1,735
Bunge Limited	-	-	4,133	4,137
Canadian National RY Company	-	-	17,721	19,975
Canon, Inc.	-	-	15,556	14,753
Cenovus Energy, Inc.	-	-	50,720	57,620
China Resources Enterprise	-	-	3,450	3,678
Cochlear Limited	-	-	5,980	5,781
Companhia Energetica	-	-	5,917	6,811
Core Laboratories N.V.	-	-	11,285	13,385
Covidien PLC	-	-	16,097	18,364
Credit Suisse Group	-	-	7,627	6,633
CSL Limited	-	-	4,145	4,070
CTRIIP.com International Limited	-	-	7,964	8,228
Dassault Systems S.A.	-	-	12,719	14,470
DBS Group Holdings Limited	-	-	12,239	12,897
Encana Corporation	-	-	5,186	4,946
Endurance Specialty Holdings	-	-	26,839	24,798
Eni S.P.A.	-	-	7,177	7,133
Erste Bank Der Oester Spar	-	-	11,555	12,317
Fanuc Limited	-	-	21,709	23,518
Fresenius USA, Inc.	-	-	8,896	10,458
Gafisa S.A.	-	-	7,789	5,487
Gazprom	-	-	10,537	11,685
GDF Suez S.A.	-	-	5,675	5,488
Gildan Activewear, Inc.	-	-	6,302	7,386
Glaxo Smith Kline PLC	-	-	8,872	9,009
Grupo Fin Banorte S.A.	-	-	9,794	9,746
Henkel AG & Company	-	-	5,713	6,246
Hoya Corporation	-	-	6,880	6,150
HSBC Holdings PLC	-	-	15,710	13,894
ICAP PLC	-	-	6,604	5,619
ICICI Bank Limited	-	-	12,582	13,311
Imperial Oil Limited	-	-	5,800	6,057
Industrial and Commercial Bank of China	-	-	5,138	5,013

(continued)

CITY OF ATHENS, TENNESSEE  
SCHEDULE OF INVESTMENTS

June 30, 2011

(continued)

	Interest Rate	Maturity Date	Cost	Market Value
Athens Pension Trust Fund: (continued)				
Ishares FTSE/Xinhua China 25 Index Fund	-	-	\$ 10,546	\$ 10,738
Itau Unibanco Banco Multiplo S.A.	-	-	5,552	5,888
JGC Corporation	-	-	4,090	4,349
Jupiter Telecommunications Company	-	-	4,834	5,227
KB Financial Group	-	-	6,644	6,214
Kingfisher PLC	-	-	11,236	11,497
L'Air Liquide S.A.	-	-	13,274	15,190
Li & Fung Limited	-	-	8,573	5,617
Lloyds TBS Group	-	-	6,065	4,898
Lonza Group	-	-	3,542	3,204
L'Oreal S.A.	-	-	7,418	8,570
Lukoil	-	-	7,594	7,640
LVMH Moet-Hennessey-Louis Vintton S.A.	-	-	4,776	5,398
Marui Limited	-	-	7,685	6,926
Mechel OAO	-	-	5,354	4,300
MI Developments, Inc.	-	-	18,136	20,388
Mining and Metallurgical Company	-	-	11,328	12,021
Mitsui & Company	-	-	8,667	8,569
MTN Group	-	-	18,260	19,741
Nestle S.A.	-	-	21,432	26,249
Nidec Corporation	-	-	6,623	6,074
Nintendo Limited	-	-	9,402	6,298
Novartis International	-	-	29,648	31,655
Novo-Nordisk	-	-	3,460	3,758
PetroChina Company Limited AG	-	-	5,559	5,841
Petroleo Brasileir Preference	-	-	7,367	6,750
Petroleo Brasileiro S.A.	-	-	7,071	6,433
Ping an Insurance Company of China Limited	-	-	5,525	5,370
Publicis Groupe	-	-	5,241	5,853
Qiagen N.V	-	-	5,392	5,326
Roche Holding Limited	-	-	16,588	19,217
Sandvik AB	-	-	11,983	11,072
SAP Aktiengesellschaft	-	-	18,824	21,228
Sasol Limited	-	-	4,250	4,231
Schneider Electric S.A.	-	-	9,614	10,188
Siemens AG	-	-	14,729	16,504
Sonova Holding AG	-	-	3,868	3,729
Sterlite Industries Limited	-	-	5,062	5,117
Subsea 7 S.A.	-	-	7,820	8,230
Sumitomo Corporation	-	-	10,430	9,574
Sumitomo Mitsui Trust Holdings, Inc.	-	-	6,439	6,323
Suncor Energy, Inc.	-	-	52,398	51,221
Swatch Group AG	-	-	6,422	7,550
Taiwan Semiconductor Manufacturing Company	-	-	12,403	11,475
TE Connectivity/Tyco Electronics	-	-	53,718	54,405
Teck Corporation	-	-	12,998	11,163
Tesco PLC	-	-	15,179	15,102
Total S.A.	-	-	6,825	6,941
Turkiye Garanti Bankasi A.S.	-	-	8,941	8,067
Unicharm Corporation	-	-	6,333	7,388

(continued)

CITY OF ATHENS, TENNESSEE  
SCHEDULE OF INVESTMENTS

June 30, 2011

(continued)

	Interest Rate	Maturity Date	Cost	Market Value
Athens Pension Trust Fund: (continued)				
Unilever N.V.	-	-	\$ 11,836	\$ 12,811
Unilever PLC	-	-	3,612	3,887
Vale S.A.	-	-	12,347	11,874
Vestas Wind Systems	-	-	7,407	4,950
Vodafone Group PLC	-	-	7,381	7,401
Wal-Mart - De Mexico	-	-	7,437	7,705
Weatherford International	-	-	10,956	9,187
Westpac Banking	-	-	12,668	13,218
Willis Group Holdings	-	-	25,742	29,188
WPP PLC	-	-	10,506	10,668
Yamana Gold, Inc.	-	-	5,165	5,001
Youku.com, Inc.	-	-	6,886	5,153
ArcelorMittal	9.850	06/01/19	25,725	25,355
Bank of Nova Scotia	2.900	03/29/16	25,752	25,536
BP Capital Markets	3.200	03/11/16	25,525	25,427
Credit Suisse New York	5.400	01/14/20	21,023	20,248
Aflac, Inc.	8.500	05/15/19	24,707	24,460
Altria Group, Inc.	9.250	08/06/19	32,897	32,599
American Express Credit Company	5.875	05/02/13	32,462	32,296
Anheuser-Busch	4.125	01/15/15	32,582	32,264
Caterpillar Financial	7.630	02/15/19	31,203	30,845
Cellco Part/Verizon Wireless	5.550	02/01/14	27,633	27,556
Citigroup, Inc.	8.500	05/22/19	25,030	24,793
DOW Chemical Company	5.900	02/15/15	28,412	28,083
Energy Transfer Partners	9.000	04/15/19	25,746	24,868
Fiserv, Inc.	4.625	10/01/20	30,079	29,811
General Electric Capital Corporation	5.300	02/11/21	26,199	26,014
Goldman Sachs Group, Inc.	6.250	09/01/17	22,219	22,068
HSBC Finance Corporation	5.500	01/19/16	22,259	21,868
Jefferies Group, Inc.	8.500	07/15/19	30,372	29,567
JP Morgan Chase & Company	6.000	01/15/18	22,574	22,243
Keycorp	3.750	08/13/15	31,364	30,971
Kraft Foods, Inc.	6.500	08/11/17	29,571	29,389
Medco Health Solutions, Inc.	4.125	09/15/20	24,506	24,102
Merrill Lynch & Co.	6.875	04/25/18	22,385	22,128
Morgan Stanley	4.750	04/01/14	20,939	20,848
Prudential Financial, Inc.	5.100	09/20/14	32,972	32,615
Thermo Fisher Scientific, Inc.	3.200	03/01/16	25,929	25,745
Time Warner, Inc.	5.875	11/15/16	28,778	28,576
Tyco International Financial	3.375	10/15/15	26,070	25,710
Ventas Realty	4.750	06/01/21	29,726	29,285
Xerox Corporate	6.350	05/15/18	28,819	28,656
Abbott Laboratories	-	-	19,984	21,995
Activision Blizzard, Inc.	-	-	9,690	9,578
Adobe System, Inc.	-	-	8,658	8,649
Aerovironment, Inc.	-	-	6,866	8,484
Alcoa, Inc.	-	-	67,224	66,136

(continued)

CITY OF ATHENS, TENNESSEE  
SCHEDULE OF INVESTMENTS

June 30, 2011

(continued)

	Interest Rate	Maturity Date	Cost	Market Value
Athens Pension Trust Fund: (continued)				
Alexandria Real Estate	-	-	\$ 3,050	\$ 3,097
Allscripts Healthcare Solutions	-	-	12,994	12,235
American Assets Trust, Inc.	-	-	1,314	1,347
American Campus Communities	-	-	2,467	2,486
American Express Company	-	-	13,648	17,371
Amgen, Inc.	-	-	29,748	30,926
Annaly Capital Management	-	-	14,365	14,612
Ansys, Inc.	-	-	3,903	3,827
Aon Corporation	-	-	31,006	35,397
Apache Corporation	-	-	8,996	9,871
Apple, Inc.	-	-	32,703	58,742
Aruba Networks, Inc.	-	-	6,519	7,388
Assurant, Inc.	-	-	9,790	9,068
AT&T, Inc.	-	-	29,276	28,049
Athenahealth, Inc.	-	-	8,335	7,809
Atwood Oceanics, Inc.	-	-	9,139	10,591
Avalonbay, Inc.	-	-	4,426	11,171
Bancfirst Corporation	-	-	4,451	3,860
Bank of America Corporation	-	-	20,330	17,152
Becton Dickinson & Company	-	-	16,419	17,234
Benchmark Electronics	-	-	7,728	6,600
Berkshire Hathaway, Inc.	-	-	14,589	13,930
Bill Barrett Corporation	-	-	7,382	8,343
BioMed Realty Trust, Inc.	-	-	3,695	3,848
Boston Properties, Inc.	-	-	6,958	10,828
Brigham Exploration Company	-	-	3,821	3,891
Broadcom Corporation	-	-	8,350	8,746
C.H Robinson Worldwide, Inc.	-	-	7,931	7,884
CA, Inc.	-	-	29,262	26,951
Calgon Carobn Corporation	-	-	9,870	11,390
Camden Propety Trust	-	-	4,957	5,726
Campus Crest Communities, Inc.	-	-	1,158	1,165
Capella Education Company	-	-	5,638	4,185
Carbo Ceramics, Inc.	-	-	5,944	8,148
Carmax, Inc.	-	-	8,422	8,598
Carnival Corporation	-	-	29,974	29,878
Cavium, Inc.	-	-	8,236	7,846
CF Industries Holdings, Inc.	-	-	7,270	7,084
Chart Industries, Inc.	-	-	10,387	14,035
Chevron Corp.	-	-	21,324	23,653
Chico's FAS, Inc.	-	-	10,255	12,489
Cisco Systems, Inc.	-	-	67,756	55,228
CME Group, Inc.	-	-	2,913	2,916
Coca Cola Company	-	-	23,663	24,224
Comcast	-	-	41,909	45,865
Computer Sciences Corporation	-	-	10,438	7,972
ConocoPhillips	-	-	13,174	16,767
Corning, Inc.	-	-	14,217	14,248
Corporate Office Properties	-	-	679	622
Corsite Realty Corporation	-	-	1,226	1,148

(continued)  
- 61 -

CITY OF ATHENS, TENNESSEE  
SCHEDULE OF INVESTMENTS

June 30, 2011

(continued)

	Interest Rate	Maturity Date	Cost	Market Value
Athens Pension Trust Fund: (continued)				
DCT Industrial Trust, Inc.	-	-	\$ 1,719	\$ 1,569
Dell, Inc.	-	-	8,149	9,669
Dendreon Corporation	-	-	7,366	8,282
Developers Diversified	-	-	3,353	3,243
Digital Realty Trust, Inc.	-	-	1,601	1,853
Dole Food Company	-	-	8,270	7,842
DST Systems, Inc.	-	-	15,704	17,424
DuPont Fabros Technology, Inc.	-	-	3,484	4,032
E Trade Financial Corporation	-	-	14,314	12,006
Earthlink, Inc.	-	-	9,246	8,388
Ebay, Inc.	-	-	27,016	30,011
Energizer Holdings, Inc.	-	-	8,421	8,683
Entertainment Properties Trust	-	-	3,703	3,736
EOG Resources, Inc.	-	-	8,320	8,782
Equity Lifestyles Properties	-	-	2,770	3,122
Equity Residential	-	-	12,698	15,000
Essex Property Trust	-	-	1,366	1,353
Exco Resources, Inc.	-	-	13,558	12,179
Expeditors International of Washington, Inc.	-	-	9,758	9,214
Extra Space Storage, Inc.	-	-	4,209	4,906
ExxonMobil Corporation	-	-	23,260	24,821
F5 Network, Inc.	-	-	6,370	6,615
Fair Isaac, Inc.	-	-	13,556	16,610
Federal Realty Investors Common	-	-	5,354	5,963
Fedex Corporation	-	-	31,810	33,198
Fidelity National Information Services, Inc.	-	-	11,240	11,392
First Energy Corporation	-	-	12,224	13,951
First Potomac Realty Trust	-	-	3,246	3,062
FMC Technologies, Inc.	-	-	8,294	8,510
Forest Oil Corporation	-	-	15,798	11,485
Forward Air Corporation	-	-	9,516	10,813
Fossil, Inc.	-	-	7,652	10,595
Fuel Systems Solutions, Inc.	-	-	7,336	6,238
Gannett Company, Inc.	-	-	2,337	2,434
General Dynamics	-	-	17,099	16,692
General Electric Corporation	-	-	46,793	49,602
Gilead Sciences, Inc.	-	-	8,867	9,524
Google, Inc.	-	-	32,276	27,851
Green Dot Corporation	-	-	10,257	6,456
Green Mountain Coffee Roasters, Inc.	-	-	10,660	21,422
Halliburton Company	-	-	7,262	9,180
Hancock Holding Company	-	-	6,245	5,957
Harman International Industries	-	-	7,860	7,747
Harmonic, Inc.	-	-	9,039	7,881
Harris Corporation	-	-	9,254	8,561
HCP, Inc.	-	-	8,309	8,439
Health Care REIT, Inc.	-	-	1,909	2,097
Hecla Mining	-	-	5,255	4,383
Hewlett Packard Company	-	-	35,711	29,593
Host Marriott Corporation	-	-	7,307	6,950

(continued)

CITY OF ATHENS, TENNESSEE  
SCHEDULE OF INVESTMENTS

June 30, 2011

(continued)

	Interest Rate	Maturity Date	Cost	Market Value
Athens Pension Trust Fund: (continued)				
Human Genome Sciences, Inc.	-	-	\$ 7,917	\$ 7,117
IHS, Inc.	-	-	7,995	7,508
Intel Corporation	-	-	18,168	19,346
Interdigital, Inc.	-	-	9,351	8,170
International Business Machines	-	-	16,976	19,900
International Paper Company	-	-	19,827	21,172
Interpublic Group	-	-	15,054	16,625
International Speedway Corporation	-	-	8,314	8,523
Intuit, Inc.	-	-	7,084	7,779
Intuitive Surgical, Inc.	-	-	9,687	11,163
Investment Tech Group, Inc.	-	-	5,139	4,066
Ironwood Pharmaceuticals, Inc.	-	-	2,555	2,672
Itron, Inc.	-	-	17,640	14,930
Johnson & Johnson Services, Inc.	-	-	25,506	27,805
JP Morgan Chase & Company	-	-	38,623	44,747
Kilroy Realty Corporation	-	-	5,231	5,529
Kite Realty Group Trust	-	-	1,638	1,594
Kraft Foods, Inc.	-	-	34,302	38,577
L-3 Communications Holdings, Inc.	-	-	8,339	9,620
Lakeland Financial Corporation	-	-	5,327	5,120
Layne Christensen Company	-	-	8,973	8,799
Leucadia National Corporation	-	-	26,952	28,303
Lexmark International, Inc.	-	-	18,062	14,923
Liberty Property Trust, Inc.	-	-	5,547	5,539
Lowe's Companies, Inc.	-	-	23,350	22,378
Macerich Company	-	-	6,726	7,490
McKesson Corporation	-	-	5,490	5,856
Medtronic, Inc.	-	-	34,407	35,448
Merck & Company, Inc.	-	-	36,750	38,396
Merit Medical System, Inc.	-	-	7,272	10,333
Metlife, Inc.	-	-	53,591	54,223
Microsoft Corp Company	-	-	73,490	71,734
Morgan Stanley	-	-	25,235	20,249
MSCI, Inc.	-	-	8,042	8,290
MVC Capital, Inc.	-	-	2,668	2,646
Mylan Laboratories, Inc.	-	-	7,562	8,141
National Retail Properties, Inc.	-	-	1,734	1,716
Nationwide Health Properties, Inc.	-	-	6,437	7,454
Navigators Group, Inc.	-	-	7,582	7,050
Nextera Energy, Inc.	-	-	8,651	9,194
Oceaneering International, Inc.	-	-	8,217	8,910
Omega Healthcare Services	-	-	4,193	3,992
Omnicare, Inc.	-	-	13,068	15,626
Omnicom Group	-	-	15,317	16,374
Omnivision Technologies, Inc.	-	-	6,448	6,614
Oracle Systems Corporation	-	-	16,059	19,614
Parexel International	-	-	9,711	11,073
Pebblebrook Hotel Trust	-	-	1,852	1,817
PepsiCo, Inc.	-	-	46,086	52,118
Piedmont Office Realty Trust, Inc.	-	-	1,844	1,835

(continued)

CITY OF ATHENS, TENNESSEE  
SCHEDULE OF INVESTMENTS

June 30, 2011

(continued)

	Interest Rate	Maturity Date	Cost	Market Value
Athens Pension Trust Fund: (continued)				
Portfolio Recovery Association, Inc.	-	-	\$ 7,575	\$ 8,479
Prestige Brands Holdings, Inc.	-	-	5,852	6,420
Procter and Gamble Company	-	-	24,095	26,382
Prologis, Inc.	-	-	5,767	6,093
Public Storage, Inc.	-	-	9,301	10,261
QLIK Technologies, Inc.	-	-	7,557	10,899
Ramco-Gershenson Properties	-	-	1,712	1,609
Regency Centers Corporation	-	-	4,979	5,276
Resources Connection, Inc.	-	-	9,883	5,779
Retail Opportunity Investments	-	-	1,741	1,722
Rex Energy Corporation	-	-	8,660	8,113
RLJ Lodging Trust	-	-	1,819	1,737
Robert Half International, Inc.	-	-	8,694	7,568
Rockwell Automation, Inc.	-	-	6,265	6,941
Rue21, Inc.	-	-	9,229	9,100
SAIC, Inc.	-	-	7,773	7,905
Salesforce.com, Inc.	-	-	7,378	12,663
Sally Beauty Company, Inc.	-	-	13,018	16,416
Sanofi-Aventis	-	-	353	361
Schlumberger Limited	-	-	61,540	64,800
Schnitzer Steel Industries, Inc.	-	-	6,487	6,336
SEI Investments Company	-	-	8,270	7,653
Select Comfort Corporation	-	-	7,667	12,766
Semtech Corporation	-	-	10,353	12,030
Simon Property Group, Inc.	-	-	18,728	22,084
Southwest Airlines	-	-	58,494	51,276
Southwest Bancorp, Inc.	-	-	4,722	3,720
St Jude Medical, Inc.	-	-	35,372	33,853
Stancorp Financial Group, Inc.	-	-	10,436	9,282
Staples, Inc.	-	-	51,835	50,191
Starwood Hotels & Resorts Worldwide, Inc.	-	-	3,137	2,802
State Street Corporation	-	-	4,542	4,509
Steris Corporation	-	-	9,045	8,745
Strayer Education, Inc.	-	-	6,362	6,319
Successfactors, Inc.	-	-	5,994	5,586
Sun Hydraulics Corporation	-	-	6,722	8,604
Superior Energy Services, Inc.	-	-	8,139	8,542
Synaptics, Inc.	-	-	6,557	5,405
Synopsys, Inc.	-	-	15,800	15,169
T Rowe Price Group	-	-	8,836	7,844
Target Corporation	-	-	36,374	34,526
Teva Pharmaceutical Industries Limited	-	-	14,990	13,984
Texas Instruments, Inc.	-	-	24,039	25,246
The Travelers Companies, Inc.	-	-	15,752	16,930
Thermo Fisher Scientific, Inc.	-	-	22,971	28,331
Thomson Microelectronics, Inc.	-	-	8,297	6,872
Thoratec Corporation	-	-	6,325	7,220
Toro Company	-	-	11,506	10,890
TTM Technologies, Inc.	-	-	11,668	10,893
Tyco International, Inc.	-	-	22,063	24,962

(continued)

CITY OF ATHENS, TENNESSEE  
SCHEDULE OF INVESTMENTS

June 30, 2011

(continued)

	Interest Rate	Maturity Date	Cost	Market Value
Athens Pension Trust Fund: (continued)				
Ultra Petroleum Corporation	-	-	\$ 6,047	\$ 5,954
United Health Group, Inc.	-	-	5,713	9,800
United Natural Foods, Inc.	-	-	9,228	10,241
Universal Technical Institute, Inc.	-	-	7,198	7,315
Vertex Pharmaceuticals, Inc.	-	-	6,806	8,838
Viacomm, Inc.	-	-	26,688	31,620
Virginia Commerce Bancorp, Inc.	-	-	4,289	4,137
VMWare, Inc.	-	-	11,567	12,028
Volcano Corporation	-	-	6,523	7,427
Vornado Realty Trust	-	-	8,362	10,529
Wal-Mart Stores, Inc.	-	-	17,321	17,377
Walt Disney Company	-	-	36,818	36,229
Wellpoint, Inc.	-	-	18,754	22,843
Wells Fargo & Company	-	-	24,063	28,818
Weyerhaeuser Company	-	-	33,760	32,571
WMS Industries, Inc.	-	-	9,451	6,144
Xerox Corporation	-	-	16,950	15,927
Yum Brands, Inc.	-	-	8,381	9,391
Zimmer Holdings, Inc.	-	-	10,284	11,376
Aberdeen Equity Long Short Fund Fund	-	-	28,464	28,046
AQR Managed Futures Strategy Fund	-	-	41,795	40,282
Credit Suisse Commodity Return Strategy Fund	-	-	200,578	198,105
Driehaus Active, Inc.ome Fund	-	-	62,546	61,796
Forward International Small Companies Fund	-	-	157,562	162,752
Highland Long/Short Equity Fund	-	-	47,632	46,420
Lazard Emerging MKTS Portfolio	-	-	304,180	324,996
Managers AMG FQ Global Alternative Fund Class A	-	-	59,611	57,058
Marketfield Fund Institutional Class Fund	-	-	37,098	37,061
Nakoma Absolute Return Fund	-	-	9,576	9,328
Oppenheimer Developing Markets Fund	-	-	213,429	216,399
Pimco Foreign Bond	-	-	412,893	417,807
The Merger Fund	-	-	65,369	65,997
Turner Spectrum Fund Institutional Class Fund	-	-	36,921	37,294
Utilities Select Sector SPDR Fund	-	-	15,112	15,735
Wasatch 1st Source Long/Short Fund	-	-	26,884	27,668
Sterling Capital Prime Money Market Fund	-	-	151,890	151,890
			<u>\$ 7,993,434</u>	<u>\$ 8,193,863</u>

CITY OF ATHENS, TENNESSEE  
SCHEDULE OF INVESTMENTS

June 30, 2011

(continued)

	Interest Rate	Maturity Date	Cost	Market Value
Participation in the State of Tennessee Local Government Investment Pool:				
General Fund	-	-	<u>\$ 7,897,545</u>	<u>\$ 7,897,545</u>
Debt Service Fund	-	-	<u>\$ 3,439,269</u>	<u>\$ 3,439,269</u>
Sanitation Fund	-	-	<u>\$ 1,207,499</u>	<u>\$ 1,207,499</u>
Drug Fund	-	-	<u>\$ 88,267</u>	<u>\$ 88,267</u>
Capital Improvement Fund	-	-	<u>\$ 3,639,538</u>	<u>\$ 3,639,538</u>
Fleet Management Fund	-	-	<u>\$ 2,134,240</u>	<u>\$ 2,134,240</u>
General Obligation Bond Fund	-	-	<u>\$ 15,399</u>	<u>\$ 15,399</u>
Conference Center Fund	-	-	<u>\$ 620</u>	<u>\$ 620</u>

**CITY OF ATHENS, TENNESSEE**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS**  
**June 30, 2011**

Fiscal Year Ending 6/30	Public Building Authority of the City of Clarksville, Tennessee, Pooled Loan Program, Series 2003		
	Principal	Interest	Total
2012	\$ 683,000	\$ 14,160	\$ 697,160
2013	703,000	12,314	715,314
2014	725,000	10,413	735,413
2015	747,000	8,453	755,453
2016	770,000	6,434	776,434
2017	793,000	4,352	797,352
2018	817,000	2,209	819,209
	<u>\$5,238,000</u>	<u>\$ 58,335</u>	<u>\$5,296,335</u>

**This page intentionally left blank.**

## **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 NINE FISCAL YEARS**  
**June 30, 2011**

(Accrual Basis of Accounting)

	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>GOVERNMENTAL ACTIVITIES</b>									
Invested in capital assets, net of related debt	\$ 13,619,954	\$ 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	539,331	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	13,028,236	9,479,418	8,333,430	7,246,032	5,855,845	5,699,906	4,770,721	11,561,939	11,983,773
Total governmental activities net assets	<u>\$ 27,187,521</u>	<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>
<b>BUSINESS-TYPE ACTIVITIES</b>									
Invested in capital assets, net of related debt	\$ 1,394,936	\$ 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	1,193,483	938,929	1,139,298	983,005	863,382	733,135	569,531	582,291	654,479
Total business-type activities net assets	<u>\$ 2,588,419</u>	<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>
<b>PRIMARY GOVERNMENT</b>									
Invested in capital assets, net of related debt	\$ 15,014,890	\$ 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	539,331	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	14,221,719	10,418,347	9,472,728	8,229,037	6,719,227	6,433,041	5,340,252	12,144,230	12,638,252
Total primary government net assets	<u>\$ 29,775,940</u>	<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 NINE FISCAL YEARS**  
**June 30, 2011**  
 (Accrual Basis of Accounting)

	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>EXPENSES</b>									
Governmental activities:									
General government	\$ 3,775,355	\$ 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	3,980,447	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	2,076,682	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	546,683	709,813	911,898	825,652	878,552	588,744	870,846	847,670	894,206
Education	1,841,940	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	93,479	97,091	93,733	89,773	96,383	86,069	81,158	76,462	79,706
Interest on long-term debt	61,531	63,175	124,260	254,003	326,030	259,020	148,652	56,436	99,015
Passthrough grants	2,980,680	3,423,715	-	-	-	-	-	-	-
Total governmental activities	15,356,797	14,492,327	11,766,070	11,935,002	12,735,603	11,980,059	14,127,390	13,318,463	10,301,062
Business-type activities:									
Conference center	71,984	64,782	74,287	78,630	73,475	74,533	74,332	71,182	73,638
Sanitation	660,718	1,024,229	744,393	773,071	750,040	713,587	821,148	874,411	737,660
Total business-type activities	732,702	1,089,011	818,680	851,701	823,515	788,120	895,480	945,593	811,298
Total primary government									
expenses	\$ 16,089,499	\$ 15,581,338	\$ 12,584,750	\$ 12,786,703	\$ 13,559,118	\$ 12,768,179	\$ 15,022,870	\$ 14,264,056	\$ 11,112,360
<b>PROGRAM REVENUES</b>									
Governmental activities:									
Charges for services:									
General government	\$ 70,957	\$ 68,970	\$ 128,972	\$ 161,389	\$ 124,870	\$ 143,012	\$ 144,930	\$ 124,963	\$ 107,968
Public safety	476,019	490,614	517,846	456,715	607,386	624,310	537,985	324,137	320,501
Culture and recreation	111,125	107,617	121,141	129,551	123,270	107,138	117,433	113,228	147,784
Health and welfare	2,587	2,999	2,840	18,940	40,593	34,339	29,416	28,969	23,385
Operating grants and contributions	549,773	682,455	577,555	540,073	920,680	932,309	568,915	3,245,413	1,427,757
Capital grants and contributions	3,752,321	4,484,478	234,110	48,010	791,576	406,067	180,797	851,939	272,007
Total governmental activities									
program revenues	4,962,782	5,837,133	1,582,464	1,354,678	2,608,375	2,247,175	1,579,476	4,688,649	2,299,402

(continued)

**CITY OF ATHENS, TENNESSEE**  
**CHANGES IN NET ASSETS**  
**LAST NINE FISCAL YEARS**  
**June 30, 2011**

(Accrual Basis of Accounting)  
(continued)

	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>PROGRAM REVENUES</b>									
Business-type activities:									
Charges for services:									
Conference center	\$ 18,508	\$ 17,712	\$ 13,622	\$ 16,085	\$ 18,250	\$ 14,303	\$ 12,676	\$ 17,752	\$ 13,735
Sanitation	796,442	806,638	822,569	798,349	790,056	782,040	740,626	742,961	739,929
Total business-type activities	814,950	824,350	836,191	814,434	808,306	796,343	753,302	760,713	753,664
Program revenues									
Total primary government									
program revenues	\$ 5,777,732	\$ 6,661,483	\$ 2,418,655	\$ 2,169,112	\$ 3,416,681	\$ 3,043,518	\$ 2,332,778	\$ 5,449,362	\$ 3,053,066
<b>NET (EXPENSES)/REVENUES</b>									
Governmental activities	\$ (10,394,015)	\$ (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	82,248	(264,661)	17,511	(37,267)	(15,209)	8,223	(142,178)	(184,880)	(57,634)
Total primary government net	\$ (10,311,767)	\$ (8,919,855)	\$ (10,166,095)	\$ (10,617,591)	\$ (10,142,437)	\$ (9,724,661)	\$ (12,690,092)	\$ (8,814,694)	\$ (8,059,294)
expenses									
<b>GENERAL REVENUES AND OTHER</b>									
<b>CHANGES IN NET ASSETS</b>									
Governmental activities:									
Property taxes	\$ 4,470,852	\$ 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	5,893,612	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	1,109,583	1,110,439	1,219,896	1,368,407	1,340,060	1,200,623	981,944	976,987	1,053,087
restricted to specific programs	-	35,539	107,703	-	-	-	-	15,900	-
Insurance proceeds	59,713	91,129	309,719	552,007	622,830	412,700	169,953	84,706	126,519
Investment income	23,255	(4,264)	12,804	-	-	31,007	24,967	31,959	22,951
Gain (loss) on disposal of capital asset	98,637	49,260	89,024	79,103	67,911	72,368	79,639	104,314	65,042
Miscellaneous	-	(195,000)	-	(251,090)	-	-	-	-	(36,604)
Transfers									
Total governmental activities	11,655,652	11,252,635	12,067,873	12,073,751	12,534,545	11,856,123	10,840,813	10,512,577	10,185,829

(continued)

**CITY OF ATHENS, TENNESSEE**  
**CHANGES IN NET ASSETS**  
**LAST NINE FISCAL YEARS**  
**June 30, 2011**  
 (Accrual Basis of Accounting)  
 (continued)

	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>GENERAL REVENUES AND OTHER</b>									
<b>CHANGES IN NET ASSETS</b>									
Business-type activities:									
Investment income	\$ 2,489	\$ 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	15,840	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	18,329	239,788	27,188	295,382	35,939	24,284	30,564	9,056	53,808
Total primary government	\$ 11,673,981	\$ 11,492,423	\$ 12,095,061	\$ 12,369,133	\$ 12,570,484	\$ 11,880,407	\$ 10,871,377	\$ 10,521,633	\$ 10,239,637
<b>GOVERNMENTAL ACTIVITIES</b>									
Prior period adjustments and restatements	\$ 691,382	\$ -	\$ -	\$ 11,147	\$ -	\$ -	\$ (1,911,050)	\$ 266,024	\$ -
<b>CHANGES IN NET ASSETS</b>									
Governmental activities	\$ 1,261,637	\$ 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	100,577	(24,873)	44,699	258,115	20,730	32,507	(111,614)	(175,824)	(3,826)
Total primary government	\$ 1,362,214	\$ 2,572,568	\$ 1,928,966	\$ 1,762,689	\$ 2,428,047	\$ 2,155,746	\$ (3,729,765)	\$ 1,972,963	\$ 2,180,343

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 NINE FISCAL YEARS**  
**June 30, 2011**  
 (Modified Accrual Basis of Accounting)

	(Note 1) 2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>GENERAL FUND</b>									
Nonspendable	\$ 391,570	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reserved	-	288,287	324,773	388,372	468,185	320,513	208,339	153,069	361,522
Restricted	154,782	-	-	-	-	-	-	-	-
Committed	17,491	-	-	-	-	-	-	-	-
Assigned	2,175	-	-	-	-	-	-	-	-
Unassigned	8,487,832	-	-	-	-	-	-	-	-
Unreserved	-	7,645,767	7,686,117	7,018,754	6,932,976	6,842,952	5,218,295	4,104,411	3,455,501
Total General Fund	\$ 9,053,850	\$ 7,934,054	\$ 8,010,890	\$ 7,407,126	\$ 7,401,161	\$ 7,163,465	\$ 5,426,634	\$ 4,257,480	\$ 3,817,023

**ALL OTHER GOVERNMENTAL FUNDS**

Nonspendable	\$ 57,283	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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
Restricted	337,266	-	-	-	-	-	-	-	-
Committed	2,594,053	-	-	-	-	-	-	-	-
Assigned	3,473,885	-	-	-	-	-	-	-	-
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	-	4,197,480	3,260,483	3,473,105	2,412,439	1,150,478	1,236,770	2,501,295	2,746,052
Total all other governmental funds	\$ 6,462,487	\$ 7,924,813	\$ 6,698,586	\$ 6,582,278	\$ 5,069,982	\$ 3,325,045	\$ 3,006,594	\$ 3,910,031	\$ 4,148,029

NOTE 1: GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" was effective and implemented for the fiscal year ended June 30, 2011. Restricted Fund Balances were reported as Reserved Fund Balances in prior fiscal periods. Committed, Assigned and Unassigned Fund Balances were reported as Unreserved Fund Balances in prior periods.

NOTE 2: 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 NINE FISCAL YEARS**

**June 30, 2011**

(Modified Accrual Basis of Accounting)

	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>REVENUES</b>									
Property taxes	\$ 4,462,814	\$ 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	5,893,612	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	5,410,476	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	184,670	179,586	247,268	275,138	288,732	284,489	291,779	267,159	279,137
Fines and forfeitures	476,019	490,613	517,846	456,715	607,385	624,310	537,985	324,137	320,501
Contributions	23,151	-	-	-	-	82,550	-	-	-
Investment and interest income	55,374	80,737	266,346	444,168	526,025	347,647	140,539	70,785	107,460
Miscellaneous	75,487	84,799	194,768	79,103	68,180	109,842	120,649	104,313	64,289
Total revenues	16,581,603	17,401,073	13,723,638	14,068,055	15,351,696	14,091,776	12,397,231	13,885,220	12,118,597
<b>EXPENDITURES</b>									
General government	2,145,657	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	4,023,473	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	1,937,882	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	775,601	776,659	877,987	878,867	809,515	847,650	823,538	803,238	839,221
Education	1,841,940	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	96,879	100,491	97,033	93,074	99,383	89,069	84,158	79,462	82,706
Capital outlay	5,380,256	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	662,000	605,300	581,200	558,300	536,500	415,700	395,900	712,600	669,900
Interest and fiscal charges	61,531	63,175	124,260	254,003	326,030	259,020	148,652	62,167	104,269
Total expenditures	16,925,219	16,254,851	13,008,030	12,581,425	14,246,063	12,659,637	14,948,477	15,712,009	11,886,428
<b>REVENUES OVER (UNDER)</b>									
<b>EXPENDITURES</b>	(343,616)	1,146,222	715,608	1,486,630	1,105,633	1,432,139	(2,551,246)	(1,826,789)	232,169

(continued)

**CITY OF ATHENS, TENNESSEE**  
**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS**  
**LAST NINE FISCAL YEARS**  
**June 30, 2011**  
 (Modified Accrual Basis of Accounting)  
 (continued)

	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>OTHER FINANCING SOURCES (USES)</b>									
Proceeds from issuance of debt	\$ -	\$ -	\$ -	\$ -	\$ 877,000	\$ 606,000	\$ 2,814,500	\$ 2,002,500	\$ -
Proceeds from the sale of capital assets	1,086	3,169	4,464	20,484	-	17,143	2,463	26,748	70,018
Transfers	-	-	-	-	-	-	-	-	(36,604)
Total other financing resources	1,086	3,169	4,464	20,484	877,000	623,143	2,816,963	2,029,248	33,414
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ (342,530)</b>	<b>\$ 1,149,391</b>	<b>\$ 720,072</b>	<b>\$ 1,507,114</b>	<b>\$ 1,982,633</b>	<b>\$ 2,055,282</b>	<b>\$ 265,717</b>	<b>\$ 202,459</b>	<b>\$ 265,583</b>
<b>DEBT SERVICE AS A PERCENTAGE</b>									
<b>OF NONCAPITAL EXPENDITURES</b>	6.27%	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, 2011**  
**(Unaudited)**

Fiscal Year	Real Property	Personal Property	Public Utility Property	Less Tax Exempt Property	Total Taxable Assessed Value	Estimated Market Value	City Property Tax Rate
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
2011	307,346,960	97,604,734	7,867,087	15,838,799	396,979,982	1,263,211,877	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, 2011  
(Unaudited)**

<u>Tax Year</u>	<u>City (Direct Rate)</u>	<u>County (Overlapping Rate)</u>	<u>Total</u>
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
2011	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, 2011**  
**(Unaudited)**

2011				2002			
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	\$ 52,776,553	13.3	Denso Tennessee, Inc.	Automotive parts manufacturer	\$ 34,191,205	13.2
Johnson Controls, Inc.	Automotive seating	9,571,318	2.4	Davidson Texttron, Inc.	Automotive parts manufacturer	9,131,148	3.5
Dean Foods/Mayfield Dairy Farms, Inc.	Dairy products	8,886,265	2.2	Johnson Controls, Inc.	Automotive seating manufacturer	8,928,841	3.5
Athens Regional Medical Center/LifePoint	Healthcare	8,488,840	2.1	Mayfield Dairy Farms, Inc.	Dairy products	8,081,600	3.1
Plastic Industries, Inc.	Plastic component manufacturer	8,486,763	2.1	WCI	Appliance manufacturer	6,366,511	2.5
Walmart	Retail	5,711,940	1.4	Thomas & Betts	Electrical component	5,287,787	2.0
Manufacturers Industrial Group	Automotive seating	4,756,283	1.2	BellSouth	Telephone company	4,256,518	1.6
Thomas & Betts	Electrical component	3,922,144	1.0	Columbia Regional Medical Center	Healthcare	3,188,920	1.2
Centro New Plan of Tennessee	Real estate investment	3,749,080	0.9	Plastic Industries, Inc.	Plastic products manufacturer	3,034,748	1.2
E & E Manufacturing	Automotive parts	3,637,857	0.9	New Plan of Tennessee	Real estate investment	2,873,680	1.1

NOTE: Total assessed valuations for 2011 and 2002 are \$396,979,982 and \$258,214,732, respectively.

Source: Official records of the Department of Finance

**CITY OF ATHENS, TENNESSEE**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
**LAST TEN FISCAL YEARS**  
**June 30, 2011**  
 (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
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	185,781	4,365,744	98.31
2011	4,500,601	4,223,936	93.85	-	4,223,936	93.85

Source: Official records of Department of Finance

**CITY OF ATHENS, TENNESSEE**  
**RATIO OF OUTSTANDING DEBT BY TYPE**  
**LAST TEN FISCAL YEARS**  
**June 30, 2011**

Fiscal Year	General Obligation Bonds	Notes Payable	Total Primary Government	Percentage of Personal Income	Per Capita
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
2011	-	5,238,000	5,238,000	1.80	389

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, 2011**

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				
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
2011	-	5,238,000	5,238,000	3,473,885	1,764,115	1.32	389

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, 2011**

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
McMinn County (debt repaid with property taxes )	\$ -	- %	\$ -
City of Athens (direct debt)	5,499,466	100	5,499,466
Total direct and overlapping debt			<u>\$ 5,499,466</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, 2011**

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, 2011**

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, 2011**

Fiscal Year	Population	Per Capita		Median Age	School Enrollment	Civilian Labor Force	Unemployment Rate
		Personal Income	Personal Income				
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
2011	13,458	290,706,258	21,601	39.1	1,574	10,175	12.30

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, 2011**

2011			2002		
Employer	Taxable Employees	Percentage of Total City Employment	Employer	Taxable Employees	Percentage of Total City Employment
Denso Tennessee, Inc.	900	8.85	Denso Tennessee, Inc.	790	8.05
Manufacturers Industrial Group	885	8.70	Johnson Controls, Inc.	750	7.64
McMinn Co. Board of Education	686	6.74	Collins & Aikman	600	6.11
Dean Foods/Mayfield Dairy Farms, Inc.	400	3.93	Mayfield Dairy Farms, Inc.	550	5.60
Walmart	357	3.51	McMinn Co. Board of Education	510	5.19
Athens City Schools	344	3.38	Athens Products	350	3.56
Heil Trailer, International	320	3.14	Thomas & Betts	325	3.31
Athens Regional Medical Center	305	3.00	Plastic Industries, Inc.	290	2.95
Thomas & Betts	295	2.90	Heil Trailer, International	275	2.80
Dynasty Spas	250	2.46	PFC	225	2.29
	<u>4,742</u>	<u>46.61</u>		<u>4,665</u>	<u>47.50</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 NINE FISCAL YEARS**  
**June 30, 2011**

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011
Full-Time Equivalent Employees as of June 30									
City Manager	2	2	2	2	2	2	2	2	2
Finance	5	5	5	5	5	5	5	5	5
Human Resources	2	2	2	2	2	2	2	2	2
Purchasing	2	2	2	2	2	2	2	1	1
Emergency Preparedness	1	-	-	-	-	-	-	-	-
Communications	13	8	8	8	8	7	8	8	6
Community Development	4	4	4	4	4	4	4	4	4
Police	34	34	34	34	35	33	33	33	33
Fire	22	21	21	22	21	22	22	23	22
Parks and Recreation	10	10	10	10	10	10	10	10	10
Public Works	36	36	36	36	36	36	34	32	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>	<u>117</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 NINE FISCAL YEARS**  
**June 30, 2011**

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental Activities:									
Community Development									
Number of building permits	561	627	585	517	507	501	389	49	59
Police									
Number of arrests	1,168	895	1,155	1,180	1,133	1,040	1,341	1,422	1,497
Number of traffic citations issued	3,416	6,061	6,852	5,815	5,399	5,177	6,026	6,281	5,808
Fire									
Total calls	403	431	430	379	414	369	432	510	528
Inspections	397	401	403	281	279	270	490	795	764
Business-type Activities:									
Conference Center									
Rentals	81	78	79	111	92	147	133	112	86

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 NINE FISCAL YEARS**  
**June 30, 2011**

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011
Police:									
Stations	1	1	1	1	1	1	1	1	1
Patrol units	13	13	14	14	14	15	15	14	15
Fire:									
Stations	2	2	2	2	2	2	2	2	2
Fire trucks	6	6	6	6	6	6	6	6	6
Parks and recreation:									
Parks	10	10	10	10	10	10	10	10	10
Park acreage	233	233	233	233	233	233	233	233	233
Tennis courts	13	13	13	13	13	13	13	13	13
Softball fields	5	5	5	5	5	5	5	5	5
Baseball fields	3	3	3	3	3	3	3	3	3
Conference center	1	1	1	1	1	1	1	1	1
Soccer fields	3	3	3	3	3	3	3	3	3
Public works:									
Streets (miles)	125	125	125	126	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	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.

This page intentionally left blank.

**SINGLE AUDIT  
SECTION**



**CITY OF ATHENS, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**Year Ended June 30, 2011**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title		Federal CFDA Number	Pass-Through Grantor's Number	Accrued (Deferred) Grant Revenues July 1, 2010	Grant Revenues Received	Expenditures	Miscellaneous Revenues, Refunds, and Adjustments	Accrued (Deferred) Grant Revenues June 30, 2011
<b>PRIMARY GOVERNMENT:</b>								
<b>FEDERAL AWARDS:</b>								
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>								
Passed through TN Department of Transportation:								
Governor's Highway Safety Office:								
High Visibility Law Enforcement Campaigns								
Safe Roads for Athens		20.601	K8-10-68	\$ -	\$ 5,000	\$ 5,000	\$ -	\$ -
Highway Planning and Construction Cluster:		20.607	Z-09-214579-00	-	-	15,102	-	15,102
Pedestrian Enhancement - Recovery Act (Phase II)		20.205	ARRA-STP-EN-9201(11)	541,214	1,033,726	407,093	(85,419)	-
Roadscapes Project - I-75 Exit 49 Interchange		20.205	STP-EN-IE-75-1(125)	16,690	-	47,501	16,690	47,501
Beautification		20.317	CRR-070029	19,519	19,519	-	-	-
Capital Assistance to States - Intercity				577,423	1,058,245	474,696	(68,729)	62,603
Passenger Rail Service Grant				-	31,664	53,289	-	21,625
<b>U.S. DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT</b>								
EECBG Energy Efficiency Grant - Recovery Act		81.128	GG-11-33997-00	-	-	-	-	-
<b>U.S. DEPARTMENT OF JUSTICE</b>								
Byrne Justice Assistance Grant		16.592	2010-DJ-BX-0820	-	19,492	19,492	-	-
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>								
Passed through TN Emergency Management Agency:								
Disaster Grants - Public Assistance		97.036	FEMA-1839-DR-TN	-	7,606	7,606	-	-
Disaster Grants - Public Assistance		97.036	FEMA-1974-DR-TN	-	-	21,091	-	21,091
				-	7,606	28,697	-	21,091
<b>U.S. ENVIRONMENTAL PROTECTION AGENCY</b>								
Passed through TN Department of Agriculture:								
North Mouse Creek Restoration Grant		66.460	C9994674-09-0	40,795	56,189	41,760	-	26,366
Regional Wetland Program Development Grant		66.461	CD-95438710-0	34,311	112,500	78,189	-	-
Passed through TN Department of Environment and Conservation:								
Capitalization Grants for Clean Water State Revolving Funds *		66.458	CWA 2009-242	879,857	2,245,897	1,490,340	-	124,300
Loan (ARRA) *		66.458	CWA 2009-242	175,972	449,180	298,068	-	24,860
Principal Forgiveness (ARRA) *		66.458	CWA 2009-242	703,886	1,796,717	1,192,272	-	99,441
				1,834,821	4,660,483	3,100,629	-	274,967

(continued)

**CITY OF ATHENS, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**Year Ended June 30, 2011**

(continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Accrued (Deferred) Grant Revenues July 1, 2010	Grant Revenues Received	Expenditures	Miscellaneous Revenues, Refunds, and Adjustments	Accrued (Deferred) Grant Revenues June 30, 2011
<b>PRIMARY GOVERNMENT (continued):</b>							
<b>FEDERAL AWARDS (continued):</b>							
U.S. DEPARTMENT OF AGRICULTURE							
Passed through TN Department of Agriculture:							
Rural Development Rural Business Grant							
Athens Farmers Market Phase I	10.769	N/A	\$ -	\$ -	\$ 50,000	\$ -	\$ 50,000
Total Federal Awards			<u>2,412,244</u>	<u>5,777,490</u>	<u>3,726,803</u>	<u>(68,729)</u>	<u>430,286</u>
<b>STATE AWARDS:</b>							
Tennessee Department of Agriculture							
Tennessee Agricultural Enhancement Program							
Farmers Market Capital Development Grant	N/A	DG-08-22849-00	-	-	100,000	-	100,000
Farmers Market Promotion and Retail Grant	N/A	DG-08-22849-00	-	2,500	2,500	-	-
Tennessee Department of Environment and Conservation:							
Local Parks and Recreation	N/A	GG-09-26646-00	21,125	21,135	-	(10)	-
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>51,125</u>	<u>53,635</u>	<u>103,500</u>	<u>(10)</u>	<u>101,000</u>
Total Primary Government			<u>\$ 2,463,369</u>	<u>\$ 5,831,125</u>	<u>\$ 3,830,303</u>	<u>\$ (68,739)</u>	<u>\$ 531,286</u>

(continued)

**CITY OF ATHENS, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**Year Ended June 30, 2011**  
(continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Accrued (Deferred) Grant Revenues July 1, 2010	Grant Revenues Received	Expenditures	Accrued (Deferred) Grant Revenues June 30, 2011
<b>COMPONENT UNIT - ATHENS CITY BOARD OF EDUCATION:</b>						
<b>FEDERAL AWARDS</b>						
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
Passed through the TN Department of Agriculture:						
Food Distribution	10.550	N/A	\$ -	\$ 74,185	\$ 74,185	\$ -
Equipment Grant - Recovery Act	10.579	N/A	-	3,679	3,679	-
Passed through the TN Department of Human Services:						
Child and Adult Food Care Program	10.558	N/A	-	9,911	9,911	-
Child and Adult Food Care Program	10.558	N/A	-	38,807	38,807	-
Passed through the TN Department of Education:						
Child Nutrition Cluster:						
National School Lunch Program	10.555	N/A	-	463,307	463,307	-
School Breakfast Program	10.553	N/A	-	166,468	166,468	-
Summer Food Service Program for Children	10.559	N/A	99,942	134,182	190,785	156,545
			99,942	890,539	947,142	156,545
<b>U.S. DEPARTMENT OF EDUCATION</b>						
Impact Aid	84.041	N/A	-	4,778	4,778	-
Passed through the TN Department of Education:						
Special Education Cluster:						
Special Education - Grants to States	84.027	N/A	(478)	440,823	440,823	(478)
Special Education - Preschool Grants	84.173	N/A	-	100,684	100,684	-
Special Education - Grants to States - Recovery Act	84.391	N/A	-	19,114	19,114	-
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	(12,379)	738,705	748,459	(2,625)
Title I Grants to Local Educational Agencies - Recovery Act	84.389	N/A	(5)	209,212	206,324	(2,893)
Improving Teacher Quality - State Grants	84.367	N/A	(10)	188,905	178,900	(10,015)
Education Technology Cluster:						
Education Technology State Grants	84.318	N/A	(5)	6,274	6,200	(79)
Education Technology State Grants - Recovery Act	84.386	N/A	(5)	7,691	7,636	(60)
Safe and Drug-Free Schools and Communities - State Grants	84.186	N/A	130	-	-	130
Rural Education Achievement Program	84.358	N/A	(10)	42,290	42,040	(260)
English Language Acquisition Grants	84.162	N/A	(151)	29,145	29,007	(289)
Education for Homeless Children and Youth - Recovery Act	84.387	N/A	-	3,615	3,410	(205)
State Fiscal Stabilization Fund - Education State Grants - Recovery Act Cluster:						
Basic Education Program State Stabilization Grants - Recovery Act	84.394	N/A	-	669,869	669,869	-
Coordinated School Health Program Grants - Recovery Act	84.394	N/A	39,918	86,450	85,000	38,468
Internet Connectivity Grant - Recovery Act	84.394	N/A	-	5,018	5,018	-
Family Resource Grant - Recovery Act	84.394	09-11950	31,154	31,154	35,446	35,446
Statewide Student Management Systems Grant - Recovery Act	84.394	N/A	-	4,447	4,447	-
Career Ladder Extended Contract Grant - Recovery Act	84.394	N/A	49,000	53,941	6,108	1,167
Safe Schools Grant - Recovery Act	84.394	N/A	3,888	3,888	8,500	8,500

**CITY OF ATHENS, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**Year Ended June 30, 2011**  
(continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Accrued (Deferred) Grant Revenues July 1, 2010	Grant Revenues Received	Expenditures	Accrued (Deferred) Grant Revenues June 30, 2011
<b>U.S. DEPARTMENT OF EDUCATION (continued)</b>						
Education Jobs Fund	84.410	N/A	-	220,633	238,206	17,573
Race to the Top Early Learning Challenge	84.412	N/A	-	112,733	113,752	1,019
Passed through the TN Department of Labor and Workforce Development:						
Adult Education - State Grant Program	84.002	Z-10-218485-00	12,010	12,010	-	-
			123,057	2,996,495	2,958,837	85,399
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						
Passed through the TN Department of Education:						
Temporary Assistance for Needy Families - Recovery Act	93.558	N/A	-	16,741	16,741	-
<b>U.S. DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT</b>						
Passed through the TN Department of Labor and Workforce Development:						
Workforce Development Investment Act - Incumbent Worker	17.265	Z-08-211877-00	2,585	2,585	-	-
			225,584	3,906,360	3,922,720	241,944
<b>TOTAL FEDERAL AWARDS - ATHENS BOARD OF EDUCATION</b>						
<b>STATE AWARDS</b>						
Adult Education - State Grant Program		Z-10-218485-00	4,004	4,004	-	-
Early Childhood Education - Lottery		N/A	389,200	767,464	628,166	249,902
Rural Technology Assistance Grant		GG1030053	231,885	231,885	17,738	17,738
Safe Schools 21st Century		N/A	47,691	205,508	206,250	48,433
			672,780	1,208,861	852,154	316,073
<b>TOTAL STATE AWARDS - ATHENS BOARD OF EDUCATION</b>			<b>\$ 898,364</b>	<b>\$ 5,115,221</b>	<b>\$ 4,774,874</b>	<b>\$ 558,017</b>
<b>COMPONENT UNIT - ATHENS UTILITIES BOARD</b>						
<b>FEDERAL AWARDS:</b>						
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>						
Passed through TN Emergency Management Agency:						
Disaster Grants - Public Assistance	97.036	FEMA-1839-DR-TN	\$ 76,988	\$ 49,211	\$ -	\$ 27,777
Disaster Grants - Public Assistance	97.036	FEMA-1974-DR-TN	-	-	59,414	59,414
			\$ 76,988	\$ 49,211	\$ 59,414	\$ 87,191
<b>TOTAL FEDERAL AWARDS - ATHENS UTILITIES BOARD</b>						

(continued)

**CITY OF ATHENS, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**Year Ended June 30, 2011**

(continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Accrued (Deferred) Grant Revenues July 1, 2010	Grant Revenues Received	Expenditures	Miscellaneous Revenues, Refunds, and Adjustments	Accrued (Deferred) Grant Revenues June 30, 2011
<b>SUMMARY OF PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNITS:</b>							
Total Federal Awards			\$ 2,714,816	\$ 9,733,061	\$ 7,708,937	\$ (68,729)	\$ 759,421
Total State Awards			723,905	1,262,496	955,654	(10)	417,073
TOTAL AWARDS			\$ 3,438,721	\$ 10,995,557	\$ 8,664,591	\$ (68,739)	\$ 1,176,494

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, 2011. 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, 2011. 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, 2011. 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, the \$2,245,897 and \$449,180 represent loan proceeds that are to be repaid while the \$1,796,717 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, 2011, which collectively comprise the City of Athens, Tennessee's basic financial statements and have issued our report thereon dated December 27, 2011. 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 6, 2011, 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 6, 2011, 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, 2011, 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, 2011, 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, S. C. & McConnell, P. C.*

Chattanooga, Tennessee  
December 27, 2011

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, 2011. 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, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of 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, 2011.

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, 2011 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, 2011.

### Internal Control Over Compliance

Our separate component unit report dated December 15, 2011 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, Souter & McConnell, P.C.*

Chattanooga, Tennessee  
December 27, 2011

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

**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

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, 2011**

Questioned  
Costs

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**NONE REPORTED**

**SECTION III - FEDERAL AWARDS**

**NONE REPORTED**

**This page intentionally left blank.**

