

City of Athens, Tennessee



*Comprehensive Annual
Financial Report*

For The Year Ended June 30, 2012

CITY OF ATHENS, TENNESSEE

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**FOR THE YEAR ENDED
JUNE 30, 2012**

**Prepared by:
Department of Finance**

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INTRODUCTORY SECTION

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

423-744-2712
Fax 423-744-2708
mkeith@cityofathensstn.com



CITY OF ATHENS

Michael L. Keith, 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, 2012.

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, 2012, 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, 2012, 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. Creative Foam has announced an expansion of its local plant and Dunham's Sports has announced that it will open a new retail store before the end of the year.

The unemployment rate has varied over the past decade. In 2002, the rate was 8 percent, with the highest rate being 14.9 percent in 2009 and the lowest rate being 4.9 percent in 2007. The rate was 10 percent for June 2012.

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, an increase in sales tax collections and increases designed to meet the maintenance of effort as required by the state.

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.

Long-Term Financial Planning

Unassigned fund balance in the general fund (60 percent of total general fund revenues) had continued to grow for nine consecutive years, but decreased in the current year. The decrease was a result of a transfer to the capital improvement fund and additional funding provided for retirement. 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 restrooms at Market Park and installing solar panels to generate electricity to sell to TVA. The total cost is estimated to be \$1,100,000 and is funded primarily by federal and state grants and local matching funds.

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. The 2012-2013 budget increased expenditures by 3.2 percent. 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 2012-2013 budget, the City used \$695,600 of its general fund reserves primarily due to increased public education funding for Athens City Schools.

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 began 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, 2011. This was the twentieth 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,

Michael L. Keith, CPA
Director of Finance

December 19, 2012

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, 2011

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.

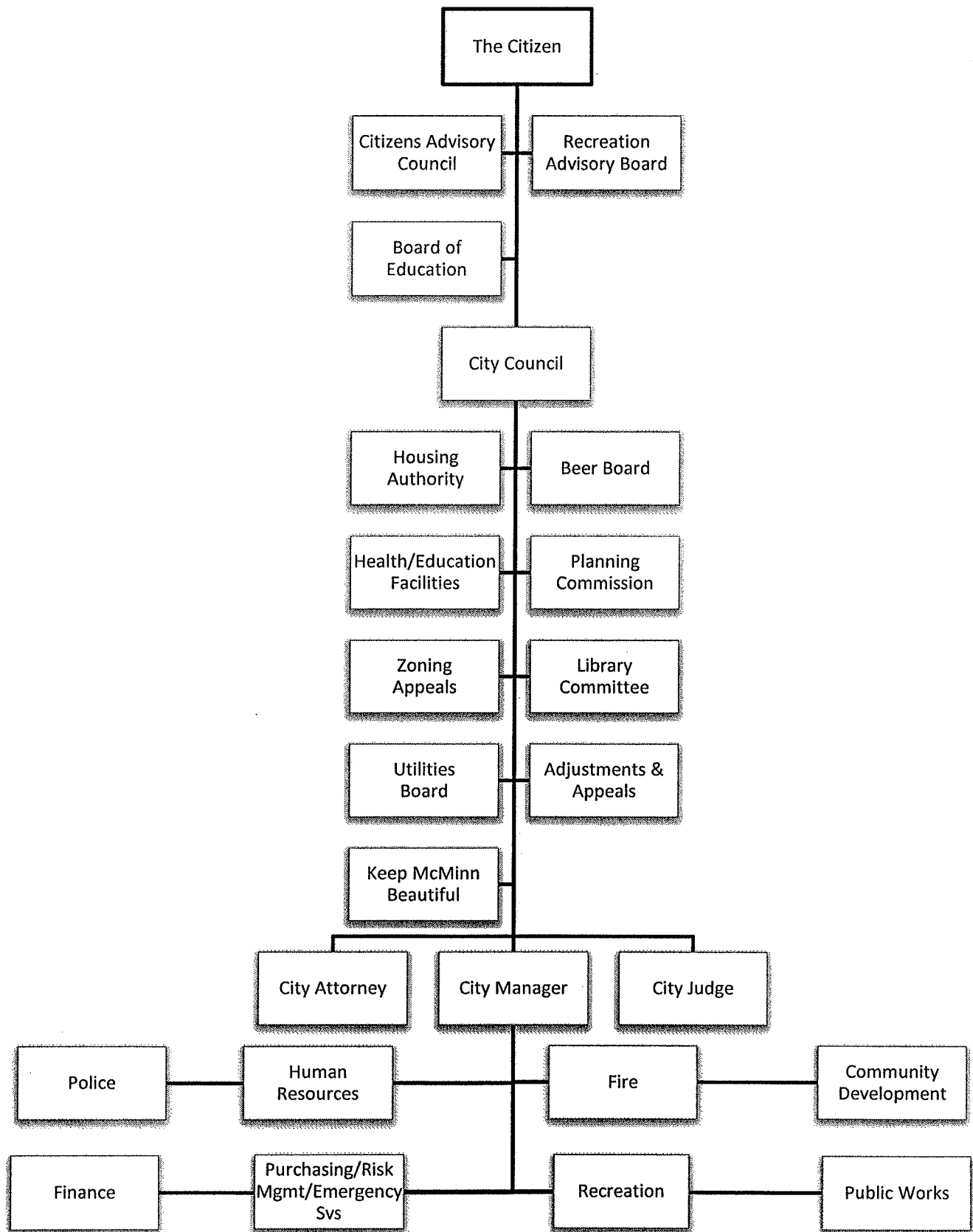


Linda C. Davidson

President

Jeffrey R. Enen

Executive Director



CITY OF ATHENS, TENNESSEE
LIST OF PRINCIPAL OFFICIALS
June 30, 2012

City of Athens

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

Mayor
Vice-Mayor
Council Member
Council Member
Council Member

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

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

Jim Dyer
Austin Fesmire
Michael L. Keith, CPA
Shawn Lindsay
Charles T. Zeigler

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

Athens City Board of Education

Michael L. Bevins
Chris Liner
Chris Adams
Brian Heatherly
Dr. Amy Sullins
Dr. Preston Brown

Chairman
Vice-Chairman
Secretary
Treasurer
Board Member
Board Member

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

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

Athens Utilities Board

Lou Pascarella
Stan Harrison
William Bo Perkinson
Bob Sevigny
Tom Hughes

Chairman
Vice-Chairman
Board Member
Board Member
Board Member

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

General Manager
Superintendent of Accounting
Superintendent of Power
Superintendent of Gas
Superintendent of Water/Wastewater
Assistant General Manager
Director of Management Service

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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, 2012, 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, 2012, and the respective changes in financial position, and where applicable, cash flows 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 19, 2012, 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 them.

Neal, Scotter, & McConnell, P. C.

Chattanooga, Tennessee
December 19, 2012

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, 2012. 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, 2012 by \$31,362,981 (net assets). Of this amount, \$14,915,899 (unrestricted net assets) may be used to meet the city's ongoing obligations to citizens and creditors.
- Net assets increased by \$1,587,041, an increase of 5.3 percent compared to fiscal year 2011. The City of Athens' changes in net assets is detailed in the chart on page B-5 of this report. Total revenues decreased \$2,932,033, primarily due to a decrease in grant revenues, including pass-through grants. Expenses decreased \$3,156,860 primarily due to grant-related activities.
- The city's property tax rate remained the same at \$1.1147 per hundred dollars of assessment.
- The city's residential sanitation fee remained at \$7.50 per month.
- As of the close of the current fiscal year, the City of Athens' governmental funds reported combined ending fund balances of \$14,821,525.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$7,671,422 or 63.3 percent of total general fund expenditures. Expenditures do not include transfers to other funds, which totaled \$1,490,000 in the city's general fund. This demonstrates the City's fiscal discipline and places the City in a strong 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. Athens Pension Trust Fund is the one fiduciary maintained by the City and is shown on pages 16 and 17 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 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 \$31,362,981 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, 2012, 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

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$25,409,852	\$26,055,267	\$ 1,215,035	\$ 1,221,274	\$26,624,887	\$27,276,541
Capital assets	<u>14,435,026</u>	<u>13,619,954</u>	<u>1,448,098</u>	<u>1,394,936</u>	<u>15,883,124</u>	<u>15,014,890</u>
Total assets	<u>39,844,878</u>	<u>39,675,221</u>	<u>2,663,133</u>	<u>2,616,210</u>	<u>42,508,011</u>	<u>42,291,431</u>
Long-term liabilities	4,815,116	5,499,466	—	—	4,815,116	5,499,466
Other liabilities	<u>6,305,232</u>	<u>6,988,234</u>	<u>24,682</u>	<u>27,791</u>	<u>6,329,914</u>	<u>7,016,025</u>
Total liabilities	<u>11,120,348</u>	<u>12,487,700</u>	<u>24,682</u>	<u>27,791</u>	<u>11,145,030</u>	<u>12,515,491</u>
Invested in capital assets, net of related debt	14,435,026	13,619,954	1,448,098	1,394,936	15,883,124	15,014,890
Restricted	563,958	539,331	—	—	563,958	539,331
Unrestricted	<u>13,725,546</u>	<u>13,028,236</u>	<u>1,190,353</u>	<u>1,193,483</u>	<u>14,915,899</u>	<u>14,221,719</u>
Net assets	<u>\$28,724,530</u>	<u>\$27,187,521</u>	<u>\$ 2,638,451</u>	<u>\$ 2,588,419</u>	<u>\$31,362,981</u>	<u>\$29,775,940</u>

Governmental activities. Governmental activities increased the City of Athens' net assets by \$1,537,009 which accounts for the majority of the increase in the net assets of the City of Athens. The primary factors underlying the increase included a decrease in the capital grants and contributions offset by a reduction in pass-through grants, increases in public safety, recreation and education expenses, and decreases in general government expenses. The reduction in expenses can be attributed to the decrease in expenses in the Capital Projects Fund.

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 \$50,032. This increase was due primarily to the operations in the Sanitation Fund.

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

City of Athens						
Changes in Net Assets						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues:						
Program revenues:						
Charges for services	\$ 710,479	\$ 660,688	\$ 813,214	\$ 814,950	\$ 1,523,693	\$ 1,475,638
Operating grants and contributions	594,710	549,773	—	—	495,710	549,773
Capital grants and contributions	704,762	3,752,321	—	—	704,762	3,752,321
General revenues:						
Property taxes	4,374,135	4,470,852	—	—	4,374,135	4,470,852
Other taxes	6,065,505	5,893,612	—	—	6,065,505	5,893,612
Intergovernmental revenues not restricted to specific programs	1,140,201	1,109,583	—	—	1,140,201	1,109,583
Other	<u>159,505</u>	<u>181,605</u>	<u>56,169</u>	<u>18,329</u>	<u>215,674</u>	<u>199,934</u>
Total revenues	<u>13,650,297</u>	<u>16,618,434</u>	<u>869,383</u>	<u>833,279</u>	<u>14,519,680</u>	<u>17,451,713</u>
Expenses:						
General government	1,588,651	3,775,355	—	—	1,588,651	3,775,355
Public safety	4,534,214	3,980,447	—	—	4,534,214	3,980,447
Highways and streets	2,129,289	2,076,682	—	—	2,129,289	2,076,682
Culture and recreation	1,112,979	546,683	—	—	1,112,979	546,683
Education	2,108,268	1,841,940	—	—	2,108,268	1,841,940
Health and welfare	105,949	93,479	—	—	105,949	93,479
Interest on long-term debt	33,938	61,531	—	—	33,938	61,531
Pass-through grants	500,000	2,980,680	—	—	500,000	2,980,680
Conference center	—	—	64,483	71,984	64,483	71,984
Sanitation	<u>—</u>	<u>—</u>	<u>754,868</u>	<u>660,718</u>	<u>754,868</u>	<u>660,718</u>
Total expenses	<u>12,113,288</u>	<u>15,356,797</u>	<u>819,351</u>	<u>732,702</u>	<u>12,932,639</u>	<u>16,089,499</u>
Change in net assets	1,537,009	1,261,637	50,032	100,577	1,587,041	1,362,214
Net assets, beginning of year	<u>27,187,521</u>	<u>25,925,884</u>	<u>2,588,419</u>	<u>2,487,842</u>	<u>29,775,940</u>	<u>28,413,726</u>
Net assets, end of year	<u>\$28,724,530</u>	<u>\$27,187,521</u>	<u>\$ 2,638,451</u>	<u>\$ 2,588,419</u>	<u>\$31,362,981</u>	<u>\$29,775,940</u>

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.

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

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 \$14,821,525, a decrease of \$694,812 in comparison to the prior year. Approximately 51.7 percent of this total amount (\$7,671,422) 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 -\$438,284; restricted for a specific purpose by external constraint or enabling legislation -\$516,675 (law enforcement - \$152,520; cemetery perpetual care - \$123,688; drug fund - \$240,467); committed for a specific purpose per action of the City Council - \$2,608,677 (law enforcement - \$18,317; capital projects - \$2,580,934; drug fund - \$9,426); or assigned – intended by the City to be used for a specific purpose - \$3,586,467 (sidewalks - \$32,000; debt service - \$3,554,467).

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 \$7,671,422. 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 63.3 percent of total fund expenditures, but represents 56.4 percent when compared to total fund expenditures and transfers to other funds (debt service fund).

The fund balance of the City of Athens' general fund decreased by \$788,590 during the current fiscal year. Revenues increased by approximately \$85,000 while expenditures increased approximately \$1,300,000 before transfers to other funds. The increase in expenditures is due to a \$1,000,000 additional payment for retirement and approximately \$270,000 additional funding for Athens City Schools. The City continued to make the annual transfer of \$790,000 to the debt service fund but also made a transfer of \$700,000 to the capital improvement fund.

The debt service fund has a total fund balance of \$3,554,467. The net increase was \$80,582, due to a transfer from the general fund that was greater than principal payments and interest expense. The capital improvements fund has a total fund balance of \$2,561,736. The net decrease was \$22,719, due to a number of capital outlay expenditures exceeding the amount of grant funds and the transfer from the General Fund. The largest of these items was the purchase of property to be held for industrial development.

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

Unrestricted net assets at the end of the year amounted to \$4,273 for the conference center fund, \$1,186,080 for the sanitation fund and \$1,813,562 for the fleet management fund.

General Fund Budgetary Highlights.

Differences in the original budget and the final amended budget for revenues consisted solely of the increase of \$420,600 in grant revenues for creek bank cleanup.

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

Differences between the original budget and the final amended budgeted expenditures, including transfers, were approximately \$2,138,000 and are summarized below:

\$1,000,000 in additional funding for the retirement plan was contributed and was allocated to all departments and divisions, resulting in increased expenditures.

\$420,000 in increased expenditures in highways and streets for public works related to a grant for restoring creek banks.

\$700,000 in transfers to the Capital Improvement Fund.

Final actual revenues exceeded amended budgeted revenues by \$192,628 and are summarized below:

\$21,304 less in property taxes.

\$445,006 more in other local taxes primarily because of in lieu of taxes, local sales tax, wholesale beer tax and business taxes.

\$322,390 less in intergovernmental revenues due to anticipated grant funding not being received due to a delay in beginning the project.

\$ 98,975 more in charges for services.

\$27,671 decrease in fines and forfeitures.

Final amended budgeted expenditures exceeded actual expenditures by \$993,059 and are summarized below:

\$129,182 in general government expenditures, related primarily to administrative services, city manager, finance and city hall expenditures.

\$148,679 in public safety expenditures including police (\$70,940), fire (\$56,564) and communications (\$21,175).

\$641,381 in highways and streets primarily due to public works administration as a result of a grant project being delayed in beginning work.

\$88,055 in parks and recreation primarily due to maintenance.

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, 2012, amounts to \$15,883,124 (net of accumulated depreciation). This investment in capital assets includes land, buildings, other improvements, equipment, and infrastructure.

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

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

Equipment purchased for broadcasting information on Channel 95 and sound equipment for the Council room added approximately \$17,900.

Permitting software for community development added \$8,100.

Land purchased for industrial development added \$415,000.

Vehicles and equipment for police added \$142,000.

A new fire truck purchased for \$518,000 and an additional \$36,000 in equipment were added in the fire department.

Parks and recreation projects added \$44,000 for a new slope mower.

Public works and sanitation added approximately \$359,000 in equipment, vehicles and traffic signals.

City of Athens
Capital Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Buildings and improvements	\$ 5,343,790	\$ 5,422,474	\$ 1,517,930	\$ 1,517,930	\$ 6,861,720	\$ 6,940,404
Infrastructure	8,696,550	8,696,550	—	—	8,696,550	8,696,550
Furniture and office equipment	1,092,410	1,062,688	29,864	29,864	1,122,274	1,092,552
Machinery and equipment	6,535,700	5,913,785	1,534,400	1,473,083	8,070,100	7,386,868
Land	2,978,070	2,563,167	34,500	34,500	3,012,570	2,597,667
Construction in progress	<u>702,912</u>	<u>382,166</u>	<u>—</u>	<u>—</u>	<u>702,912</u>	<u>382,166</u>
	<u>\$25,349,432</u>	<u>\$24,040,830</u>	<u>\$ 3,116,694</u>	<u>\$ 3,055,377</u>	<u>\$28,466,126</u>	<u>\$27,096,207</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 \$4,555,000. 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.

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

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

Economic Factors and Next Year's Budgets and Rates

The unemployment rate for the City of Athens is currently 10 percent, which is a decrease from the rate of 10.5 percent a year ago. Athens' rate is higher than the federal rate and the state rate.

Revenues were expected to decrease by approximately 0.8 percent due to decreases related to fines and forfeits and TVA impact fees. Management has been conservative in estimating all revenues for 2012-2013 and expenditures increased by 2.7 percent. Budgeted expenditures were to increase due to public education expenditures. The property tax rate remained the same for 2012-2013. The residential refuse fee increased from \$7.50 to \$8.50 per month to cover increases in landfill fees.

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

CITY OF ATHENS, TENNESSEE
STATEMENT OF NET ASSETS
June 30, 2012

				Component Units	
				Governmental	Proprietary
	Primary Government			Athens	Athens
	Governmental	Business-Type		Board of	Utilities
	Activities	Activities	Total	Education	Board
ASSETS					
Cash and cash equivalents	\$ 14,699,162	\$1,404,857	\$ 16,104,019	\$ 4,006,279	\$ 22,805,257
Investments	1,587,213	-	1,587,213	-	-
Receivables:					
Customers, net	-	22,137	22,137	-	5,088,931
Other	11,498	-	11,498	-	136,010
Property taxes, net	4,709,177	-	4,709,177	1,584,094	-
Other governments	1,913,784	-	1,913,784	999,974	94,490
Component units/primary government	21,934	71,526	93,460	773,426	560,330
Internal balances	283,485	(283,485)	-	-	-
Prepaid items	-	-	-	111,249	600,294
Inventories	107,516	-	107,516	18,612	2,456,585
Customer loans receivable	-	-	-	-	62,519
Debt issue costs, net	13,825	-	13,825	-	124,823
Prepaid pension obligation	2,062,258	-	2,062,258	-	383,204
Capital assets, net of depreciation	10,754,044	1,413,598	12,167,642	5,720,352	88,871,173
Nondepreciable capital assets	3,680,982	34,500	3,715,482	213,486	9,538,239
Total assets	<u>\$ 39,844,878</u>	<u>\$2,663,133</u>	<u>\$ 42,508,011</u>	<u>\$13,427,472</u>	<u>\$130,721,855</u>
LIABILITIES AND NET ASSETS					
LIABILITIES					
Accounts payable	\$ 455,109	\$ 17,415	\$ 472,524	\$ 330,695	\$ 5,186,221
Accrued payroll and withholdings	176,477	7,267	183,744	859,514	-
Due to component units/primary government	1,333,756	-	1,333,756	-	93,460
Other current liabilities	-	-	-	-	654,242
Unearned revenues	4,339,890	-	4,339,890	1,485,257	39,550
Customer deposits	-	-	-	-	406,120
Long-term liabilities:					
Due within one year	876,419	-	876,419	37,711	1,208,486
Due in more than one year	3,938,697	-	3,938,697	260,348	27,969,820
Total liabilities	<u>11,120,348</u>	<u>24,682</u>	<u>11,145,030</u>	<u>2,973,525</u>	<u>35,557,899</u>
NET ASSETS					
Invested in capital assets, net of related debt	14,435,026	1,448,098	15,883,124	5,933,838	69,143,118
Restricted for:					
Police	152,520	-	152,520	-	-
Cemetery perpetual care	170,971	-	170,971	-	-
Drug	240,467	-	240,467	-	-
Education	-	-	-	772,939	-
Unrestricted	13,725,546	1,190,353	14,915,899	3,747,170	26,020,838
Total net assets	<u>28,724,530</u>	<u>2,638,451</u>	<u>31,362,981</u>	<u>10,453,947</u>	<u>95,163,956</u>
Total liabilities and net assets	<u>\$ 39,844,878</u>	<u>\$2,663,133</u>	<u>\$ 42,508,011</u>	<u>\$13,427,472</u>	<u>\$130,721,855</u>

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

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CITY OF ATHENS, TENNESSEE
STATEMENT OF ACTIVITIES
Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues			Net Revenues (Expenses) and Changes in Net Assets				
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Govern-mental Activities	Business-type Activities	Total	Athens Board of Education	Athens Utilities Board
Primary government:									
Governmental activities:									
General government	\$ 1,588,651	\$ 106,902	\$ 6,482	\$ -	\$ (1,475,267)	\$ -	\$ (1,475,267)	\$ -	\$ -
Public safety	4,534,214	458,959	84,063	-	(3,991,192)	-	(3,991,192)	-	-
Highways and streets	2,129,289	-	384,975	35,617	(1,708,697)	-	(1,708,697)	-	-
Culture and recreation	1,112,979	141,374	-	169,145	(802,460)	-	(802,460)	-	-
Education	2,108,268	-	-	-	(2,108,268)	-	(2,108,268)	-	-
Health and welfare	105,949	3,244	20,190	-	(82,515)	-	(82,515)	-	-
Interest on long-term debt	33,938	-	-	-	(33,938)	-	(33,938)	-	-
Passthrough grants	500,000	-	-	500,000	-	-	-	-	-
Total governmental activities	12,113,288	710,479	495,710	704,762	(10,202,337)	-	(10,202,337)	-	-
Business-type activities:									
Conference center	64,483	17,606	-	-	-	(46,877)	(46,877)	-	-
Sanitation	754,868	795,608	-	-	-	40,740	40,740	-	-
Total business-type activities	819,351	813,214	-	-	-	(6,137)	(6,137)	-	-
Total primary government	<u>\$ 12,932,639</u>	<u>\$ 1,523,693</u>	<u>\$ 495,710</u>	<u>\$ 704,762</u>	<u>(10,202,337)</u>	<u>(6,137)</u>	<u>(10,208,474)</u>	<u>\$ -</u>	<u>\$ -</u>
Component units:									
School system	\$ 15,331,327	\$ 476,939	\$ 3,526,051	\$ -				\$ (11,328,337)	\$ -
Public utilities	59,657,727	63,457,898	-	739,540				-	4,539,711
Total component units	<u>\$ 74,989,054</u>	<u>\$ 63,934,837</u>	<u>\$ 3,526,051</u>	<u>\$ 739,540</u>				<u>(11,328,337)</u>	<u>4,539,711</u>
General revenues:									
Property taxes					4,374,135	-	4,374,135	1,598,810	-
Local sales tax					3,913,163	-	3,913,163	-	-
In lieu of taxes					1,007,421	-	1,007,421	-	-
Wholesale beer tax					510,549	-	510,549	-	-
Other local taxes					634,372	-	634,372	-	-
Intergovernmental revenues not restricted to specific programs					1,140,201	-	1,140,201	10,089,256	-
Investment income					85,889	6,524	92,413	39,553	127,413
Gain (loss) on disposal of capital assets					-	25,000	25,000	2,521	-
Insurance proceeds					8,330	-	8,330	-	-
Miscellaneous					65,286	24,645	89,931	59,386	-
Total general revenues					11,739,346	56,169	11,795,515	11,789,526	127,413
Change in net assets					1,537,009	50,032	1,587,041	461,189	4,667,124
Net assets, beginning of year					27,187,521	2,588,419	29,775,940	9,992,758	90,496,832
Net assets, end of year					<u>\$ 28,724,530</u>	<u>\$ 2,638,451</u>	<u>\$ 31,362,981</u>	<u>10,453,947</u>	<u>\$ 95,163,956</u>

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

CITY OF ATHENS, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	General	Debt Service	Capital Projects Fund Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 7,664,642	\$ 2,667,192	\$ 2,377,924	\$ 78,776	\$ 12,788,534
Investments	280,184	887,275	62,449	357,305	1,587,213
Property taxes receivable, less allowance of \$75,423	4,709,177	-	-	-	4,709,177
Due from other governments	1,227,292	-	682,511	3,981	1,913,784
Due from component units	21,934	-	-	-	21,934
Interfund receivables	283,485	-	-	-	283,485
Other receivables	11,498	-	-	-	11,498
Inventories	107,516	-	-	-	107,516
Total assets	<u>\$ 14,305,728</u>	<u>\$ 3,554,467</u>	<u>\$ 3,122,884</u>	<u>\$ 440,062</u>	<u>\$ 21,423,141</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 296,895	\$ -	\$ 61,148	\$ -	\$ 358,043
Accrued payroll and withholdings	176,477	-	-	-	176,477
Due to component units	833,756	-	500,000	-	1,333,756
Deferred revenues	4,733,340	-	-	-	4,733,340
Total liabilities	<u>6,040,468</u>	<u>-</u>	<u>561,148</u>	<u>-</u>	<u>6,601,616</u>
FUND BALANCES					
Nonspendable	391,001	-	-	47,283	438,284
Restricted	152,520	-	-	364,155	516,675
Committed	18,317	-	2,561,736	28,624	2,608,677
Assigned	32,000	3,554,467	-	-	3,586,467
Unassigned	7,671,422	-	-	-	7,671,422
Total fund balances	<u>8,265,260</u>	<u>3,554,467</u>	<u>2,561,736</u>	<u>440,062</u>	<u>14,821,525</u>
Total liabilities and fund balances	<u>\$ 14,305,728</u>	<u>\$ 3,554,467</u>	<u>\$ 3,122,884</u>	<u>\$ 440,062</u>	<u>\$ 21,423,141</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, 2012

Total fund balances \$ 14,821,525

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	\$ 20,845,793	
Accumulated depreciation	<u>(8,654,906)</u>	12,190,887

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

Property taxes	335,750	
Intergovernmental revenue	<u>57,700</u>	393,450

Prepaid pension obligations are not current financial resources and are not reported in the funds. 2,062,258

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

Bonds and notes payable	4,555,000	
Compensated absences	<u>260,116</u>	(4,815,116)

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>(17,675)</u>	13,825

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	1,910,628	
Capital assets	4,503,639	
Accumulated depreciation	(2,259,500)	
Accounts payable	<u>(97,066)</u>	<u>4,057,701</u>

Net assets \$ 28,724,530

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, 2012

	General	Debt Service	Capital Projects Fund Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$4,368,696	\$ -	\$ -	\$ -	\$ 4,368,696
Other local taxes	6,065,506	-	-	-	6,065,506
Intergovernmental	1,636,910	-	704,763	-	2,341,673
Charges for services	249,475	-	-	2,045	251,520
Fines and forfeitures	392,329	-	-	66,631	458,960
Investment and interest income	42,572	16,261	9,127	6,768	74,728
Miscellaneous	47,940	-	15,012	8,740	71,692
Total revenues	<u>12,803,428</u>	<u>16,261</u>	<u>728,902</u>	<u>84,184</u>	<u>13,632,775</u>
EXPENDITURES					
Current:					
General government	2,322,927	8,741	-	-	2,331,668
Public safety	4,560,261	-	-	48,269	4,608,530
Highways and streets	2,118,202	-	-	-	2,118,202
Culture and recreation	891,780	-	-	-	891,780
Education	2,108,268	-	-	-	2,108,268
Health and welfare	109,349	-	-	-	109,349
Debt service:					
Principal	-	683,000	-	-	683,000
Interest	-	33,938	-	-	33,938
Capital outlay	-	-	1,451,621	-	1,451,621
Total expenditures	<u>12,110,787</u>	<u>725,679</u>	<u>1,451,621</u>	<u>48,269</u>	<u>14,336,356</u>
REVENUES OVER (UNDER)					
EXPENDITURES	<u>692,641</u>	<u>(709,418)</u>	<u>(722,719)</u>	<u>35,915</u>	<u>(703,581)</u>
OTHER FINANCING SOURCES (USES)					
Transfers	(1,490,000)	790,000	700,000	-	-
Insurance proceeds	8,330	-	-	-	8,330
Sale of capital assets	439	-	-	-	439
Total other financing sources (uses)	<u>(1,481,231)</u>	<u>790,000</u>	<u>700,000</u>	<u>-</u>	<u>8,769</u>
NET CHANGE IN FUND BALANCES	<u>(788,590)</u>	<u>80,582</u>	<u>(22,719)</u>	<u>35,915</u>	<u>(694,812)</u>
FUND BALANCES, beginning of year	<u>9,053,850</u>	<u>3,473,885</u>	<u>2,584,455</u>	<u>404,147</u>	<u>15,516,337</u>
FUND BALANCES, end of year	<u><u>\$8,265,260</u></u>	<u><u>\$3,554,467</u></u>	<u><u>\$2,561,736</u></u>	<u><u>\$ 440,062</u></u>	<u><u>\$14,821,525</u></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, 2012

Net change in fund balances		\$ (694,812)
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	\$ 4,374,135	
Fund revenue recognized	<u>(4,368,696)</u>	5,439
Intergovernmental revenues that do not provide current financial resources are not reported as revenue in the funds.		
State beer tax-full accrual	6,606	
State income tax-full accrual	112,354	
Collected fund revenue	<u>(119,960)</u>	(1,000)
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	902,509	
Less current year depreciation	<u>(631,227)</u>	271,282
The change in value of the net pension obligation is recorded as an expense in the statement of activities.		1,052,313
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.		221,537
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	683,000	
Net change in compensated absences	<u>1,350</u>	684,350
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>\$ 1,537,009</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, 2012

	Budget			Variance
	Original	Final	Actual	With Final Budget
REVENUES				
PROPERTY TAXES				
Property taxes-current	\$ 4,050,000	\$ 4,050,000	\$ 4,078,006	\$ 28,006
Property taxes-prior	180,000	180,000	144,336	(35,664)
Property taxes-delinquent	80,000	80,000	74,295	(5,705)
Public utilities taxes	80,000	80,000	72,059	(7,941)
Total property taxes	4,390,000	4,390,000	4,368,696	(21,304)
OTHER LOCAL TAXES				
Penalty and interest on property tax-prior	20,000	20,000	27,473	7,473
Penalty and interest on property tax-current	23,000	23,000	19,316	(3,684)
In lieu of taxes	949,000	949,000	1,007,421	58,421
TVA impact	38,000	38,000	40,288	2,288
Local sales tax	3,650,000	3,650,000	3,913,163	263,163
Wholesale beer tax	470,000	470,000	510,549	40,549
Minimum business tax	-	-	120	120
Cable TV franchise tax	145,500	145,500	154,429	8,929
Gross receipts tax	1,000	1,000	8	(992)
Business license fee	1,500	1,500	1,693	193
Business tax - state clerk fee	22,000	22,000	38,280	16,280
Business tax - state collected	300,000	300,000	352,720	52,720
Transient fees	500	500	46	(454)
Total other local taxes	5,620,500	5,620,500	6,065,506	445,006
INTERGOVERNMENTAL				
State sales tax	850,000	850,000	909,563	59,563
State beer tax	6,000	6,000	6,606	606
State income tax	110,000	110,000	113,354	3,354
State gas and motor fuel tax	350,000	350,000	347,973	(2,027)
State gasoline inspection tax	28,000	28,000	25,407	(2,593)
State mixed drink tax	45,000	45,000	59,336	14,336
State excise tax	23,000	23,000	26,935	3,935
State law/fire grants	31,700	31,700	30,000	(1,700)
Reimbursement-other government agencies	50,000	470,600	77,564	(393,036)
Highway maintenance reimbursement	15,000	15,000	21,791	6,791
Police grants	30,000	30,000	18,381	(11,619)
Total intergovernmental	1,538,700	1,959,300	1,636,910	(322,390)

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, 2012
(continued)

	Budget		Actual	Variance
	Original	Final		With Final Budget
CHARGES FOR SERVICES				
Utility damage reimbursement	\$ 20,000	\$ 20,000	\$ 53,329	\$ 33,329
Animal control	2,500	2,500	3,244	744
Recreation fees	68,000	68,000	82,522	14,522
Building permits	30,000	30,000	51,483	21,483
Clerks fees	-	-	45	45
Recreation concessions	30,000	30,000	58,852	28,852
Total charges for services	150,500	150,500	249,475	98,975
FINES AND FORFEITURES				
Court fines	420,000	420,000	391,929	(28,071)
Law enforcement forfeitures	-	-	400	400
Total fines and forfeitures	420,000	420,000	392,329	(27,671)
INTEREST	22,000	22,000	42,572	20,572
MISCELLANEOUS	48,500	48,500	47,940	(560)
Total revenues	12,190,200	12,610,800	12,803,428	192,628
EXPENDITURES				
GENERAL GOVERNMENT				
Administrative:				
City Manager's Office	274,700	308,216	281,103	27,113
City Council	50,000	50,000	39,366	10,634
City Judge	13,000	13,000	12,918	82
City Attorney	17,000	17,000	8,998	8,002
Special appropriations	311,500	311,500	311,500	-
Athens Utilities Board	510,000	510,000	503,986	6,014
Finance	392,800	445,877	428,416	17,461
Personnel	175,100	199,211	192,675	6,536
Administrative services:				
Administration	84,900	84,900	60,200	24,700
City Hall	163,400	163,400	146,349	17,051
Community development:				
Administration	127,200	147,549	141,504	6,045
Codes enforcement	145,200	168,456	164,723	3,733
Cemeteries	33,000	33,000	31,189	1,811
Total general government	2,297,800	2,452,109	2,322,927	129,182

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, 2012
(continued)

	Budget		Actual	Variance With Final Budget
	Original	Final		
PUBLIC SAFETY				
Police:				
Administration	\$ 285,800	\$ 320,000	\$ 302,771	\$ 17,229
Patrol	1,794,300	2,056,712	2,012,889	43,823
Detective	215,000	245,951	236,063	9,888
Fire:				
Administration	109,300	126,400	120,652	5,748
Prevention	15,000	15,000	11,158	3,842
Suppression	1,448,700	1,644,577	1,597,603	46,974
Administrative services:				
Communications	300,300	300,300	279,125	21,175
Total public safety	<u>4,168,400</u>	<u>4,708,940</u>	<u>4,560,261</u>	<u>148,679</u>
HIGHWAYS AND STREETS				
Public Works:				
Administration	187,300	633,550	203,364	430,186
Traffic control	238,900	251,896	198,043	53,853
Street maintenance	398,300	446,604	418,578	28,026
Street construction	361,900	399,864	330,296	69,568
Street cleaning	669,800	745,723	702,952	42,771
City garage	244,400	281,946	264,969	16,977
Total highways and streets	<u>2,100,600</u>	<u>2,759,583</u>	<u>2,118,202</u>	<u>641,381</u>
CULTURE AND RECREATION				
Parks and Recreation:				
Administration	173,000	198,821	186,052	12,769
Maintenance	470,600	502,064	428,706	73,358
Swimming pools	33,500	33,500	31,490	2,010
Program planning	226,900	245,450	245,532	(82)
Total culture and recreation	<u>904,000</u>	<u>979,835</u>	<u>891,780</u>	<u>88,055</u>
EDUCATION				
Athens City Schools	<u>2,090,600</u>	<u>2,090,600</u>	<u>2,108,268</u>	<u>(17,668)</u>
HEALTH AND WELFARE				
Public Works:				
Animal control	<u>104,400</u>	<u>112,779</u>	<u>109,349</u>	<u>3,430</u>
Total expenditures	<u>11,665,800</u>	<u>13,103,846</u>	<u>12,110,787</u>	<u>993,059</u>
REVENUES OVER (UNDER)				
EXPENDITURES	<u>524,400</u>	<u>(493,046)</u>	<u>692,641</u>	<u>1,185,687</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, 2012
(continued)

	Budget		Actual	Variance With Final Budget
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Insurance proceeds	\$ -	\$ -	\$ 8,330	\$ 8,330
Transfer to debt service fund	(790,000)	(790,000)	(790,000)	-
Transfer to capital improvement fund	-	(700,000)	(700,000)	-
Sale of capital assets	-	-	439	439
	<u>(790,000)</u>	<u>(1,490,000)</u>	<u>(1,481,231)</u>	<u>8,769</u>
Total other financing sources (uses)	(790,000)	(1,490,000)	(1,481,231)	8,769
Net change in fund balance	(265,600)	(1,983,046)	(788,590)	1,194,456
FUND BALANCE, beginning of year	<u>9,053,850</u>	<u>9,053,850</u>	<u>9,053,850</u>	<u>-</u>
FUND BALANCE, end of year	<u><u>\$ 8,788,250</u></u>	<u><u>\$ 7,070,804</u></u>	<u><u>\$ 8,265,260</u></u>	<u><u>\$ 1,194,456</u></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, 2012

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Conference Center	Sanitation	Total	Internal Service Fund
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 4,849	\$1,400,008	\$ 1,404,857	\$ 1,910,628
Accounts receivable	-	22,137	22,137	-
Due from component units	-	71,526	71,526	-
Total current assets	<u>4,849</u>	<u>1,493,671</u>	<u>1,498,520</u>	<u>1,910,628</u>
Capital assets:				
Land	34,500	-	34,500	-
Other capital assets, net	<u>962,217</u>	<u>451,381</u>	<u>1,413,598</u>	<u>2,244,139</u>
Total capital assets	<u>996,717</u>	<u>451,381</u>	<u>1,448,098</u>	<u>2,244,139</u>
Total assets	<u><u>\$ 1,001,566</u></u>	<u><u>\$1,945,052</u></u>	<u><u>\$ 2,946,618</u></u>	<u><u>\$ 4,154,767</u></u>
LIABILITIES AND NET ASSETS				
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 233	\$ 17,182	\$ 17,415	\$ 97,066
Accrued payroll and withholdings	343	6,924	7,267	-
Interfund payable	-	283,485	283,485	-
Total current liabilities	<u>576</u>	<u>307,591</u>	<u>308,167</u>	<u>97,066</u>
NET ASSETS				
Invested in capital assets	996,717	451,381	1,448,098	2,244,139
Unrestricted	<u>4,273</u>	<u>1,186,080</u>	<u>1,190,353</u>	<u>1,813,562</u>
Total net assets	<u>1,000,990</u>	<u>1,637,461</u>	<u>2,638,451</u>	<u>4,057,701</u>
Total liabilities and net assets	<u><u>\$ 1,001,566</u></u>	<u><u>\$1,945,052</u></u>	<u><u>\$ 2,946,618</u></u>	<u><u>\$ 4,154,767</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, 2012

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Conference Center	Sanitation	Total	Internal Service Fund
OPERATING REVENUES				
Charges for services	\$ -	\$ 795,608	\$ 795,608	\$ 411,800
Rental income	17,606	-	17,606	-
Miscellaneous	-	24,645	24,645	-
Total operating revenues	17,606	820,253	837,859	411,800
OPERATING EXPENSES				
Salaries and employee benefits	5,678	274,142	279,820	-
Operation	7,771	185,588	193,359	2,704
Maintenance	454	3,055	3,509	-
Depreciation	50,580	100,652	151,232	210,479
Landfill services	-	181,218	181,218	-
Total operating expenses	64,483	744,655	809,138	213,183
OPERATING INCOME (LOSS)	(46,877)	75,598	28,721	198,617
NONOPERATING REVENUES (EXPENSES)				
Interest income	-	6,524	6,524	11,161
Interest expense	-	(10,213)	(10,213)	-
Gain on sale of capital assets	-	25,000	25,000	11,759
Total nonoperating revenues	-	21,311	21,311	22,920
CHANGE IN NET ASSETS	(46,877)	96,909	50,032	221,537
NET ASSETS, beginning of year	1,047,867	1,540,552	2,588,419	3,836,164
NET ASSETS, end of year	\$ 1,000,990	\$1,637,461	\$ 2,638,451	\$ 4,057,701

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, 2012

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Conference Center	Sanitation	Total	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 18,431	\$ 795,973	\$ 814,404	\$ 411,800
Payments to employees	(4,710)	(170,890)	(175,600)	-
Payments to suppliers and vendors	(9,666)	(475,749)	(485,415)	(2,704)
Other receipts	-	20,938	20,938	-
Net cash provided by operating activities	<u>4,055</u>	<u>170,272</u>	<u>174,327</u>	<u>409,096</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Interest expense on interfund loan	-	(10,213)	(10,213)	-
Repayments of interfund loan	-	(56,958)	(56,958)	-
Net cash flows from noncapital financing activities	<u>-</u>	<u>(67,171)</u>	<u>(67,171)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from the sale of capital assets	-	25,000	25,000	18,035
Purchase of capital assets	-	(204,393)	(204,393)	(663,337)
Net cash used in capital and related financing activities	<u>-</u>	<u>(179,393)</u>	<u>(179,393)</u>	<u>(645,302)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment and interest earnings	-	6,524	6,524	11,161
Sale of investments	<u>620</u>	<u>1,207,499</u>	<u>1,208,119</u>	<u>2,134,099</u>
Net cash provided by investing activities	<u>620</u>	<u>1,214,023</u>	<u>1,214,643</u>	<u>2,145,260</u>
Net increase in cash and cash equivalents	4,675	1,204,902	1,209,577	1,909,054
Cash and cash equivalents, beginning of year	<u>174</u>	<u>262,277</u>	<u>262,451</u>	<u>1,574</u>
Cash and cash equivalents, end of year	<u>\$ 4,849</u>	<u>\$ 1,467,179</u>	<u>\$ 1,472,028</u>	<u>\$ 1,910,628</u>
Reconciliation of operating income to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (46,877)	\$ 75,598	\$ 28,721	\$ 198,617
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	50,580	100,652	151,232	210,479
Changes in assets and liabilities:				
Accounts receivable	825	(3,341)	(2,516)	-
Accounts payable and accrued liabilities	<u>(473)</u>	<u>(2,637)</u>	<u>(3,110)</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ 4,055</u>	<u>\$ 170,272</u>	<u>\$ 174,327</u>	<u>\$ 409,096</u>

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

**CITY OF ATHENS, TENNESSEE
STATEMENT OF FIDUCIARY NET ASSETS
ATHENS PENSION TRUST FUND
FIDUCIARY FUND
June 30, 2012**

ASSETS

Cash	\$ 26,551
Interest receivable	25,000
	<u>51,551</u>
Investments, at fair value:	
U.S. government and agency securities	929,331
Foreign stock	1,653,141
Foreign bonds and notes	114,478
Corporate bonds	1,050,748
Common stock	2,681,269
Mutual funds	2,212,953
Money market funds	23,306
Municipal bonds	207,872
	<u>8,873,098</u>
Total investments	<u>8,873,098</u>
Total assets	<u>\$ 8,924,649</u>
 NET ASSETS	
Net assets held in trust for pension benefits	<u>\$ 8,924,649</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, 2012

ADDITIONS

Employer contributions	\$ 1,600,000
Net investment income:	
Interest and dividend income	222,390
Net depreciation in the fair value of investments	<u>(494,764)</u>
Total additions	<u>1,327,626</u>

DEDUCTIONS

Benefits paid	560,941
Administrative expenses	<u>52,400</u>
Total deductions	<u>613,341</u>

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

	714,285
NET ASSETS , held in trust for pension benefits, beginning of year	<u>8,210,364</u>
NET ASSETS , held in trust for pension benefits, end of year	<u><u>\$ 8,924,649</u></u>

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

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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, 2012

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, 2012

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, 2012

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, 2012

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, 2012

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 is 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, 2012

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, 2012

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, 2012

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, 2012

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, 2012

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 2.76 to 3.15 percent in 2012. 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, 2012

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, 2012

Note 1. Summary of Significant Accounting Policies (continued)

L. Net Assets and Fund Balances (continued)

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 formal 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 Council 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, 2012

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, 2011, was \$396,979,982 based upon a reappraisal completed for the list of January 1, 2011. The estimated actual was \$1,263,211,877 making the total assessed value 31.43 percent of the total actual value.

Taxes were levied at a rate of \$1.1147 per \$100 of assessed value. Current tax collections of \$4,149,785 for the fiscal year ended June 30, 2012, were 94 percent of the 2011 tax levy. An allowance has been established for delinquent taxes to the extent that their collectability is improbable. The allowance at June 30, 2012, for the 2011 tax levy was \$35,423.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

M. Property Taxes (continued)

The 2012 taxes were levied at a rate of \$1.1147 per \$100 of assessed value and have been recorded as a receivable at June 30, 2012. An allowance for doubtful collection of \$40,000 has been estimated and established for this levy at June 30, 2012. There are no current tax collections related to the 2012 levy.

Note 2. Capital Assets

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

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
<u>Governmental Activities</u>				
Capital assets being depreciated:				
Buildings and improvements	\$ 5,422,474	\$ —	\$ 78,684	\$ 5,343,790
Infrastructure	8,696,550	—	—	8,696,550
Furniture and office equipment	1,062,688	66,741	37,019	1,092,410
Machinery and equipment	<u>5,913,785</u>	<u>861,268</u>	<u>239,353</u>	<u>6,535,700</u>
Total capital assets depreciated	<u>21,095,497</u>	<u>928,009</u>	<u>355,056</u>	<u>21,668,450</u>
Accumulated depreciation:				
Buildings and improvements	3,448,403	172,750	78,684	3,542,469
Infrastructure	2,505,355	235,260	—	2,740,615
Furniture and office equipment	533,873	105,945	36,415	603,403
Machinery and equipment	<u>3,933,245</u>	<u>327,751</u>	<u>233,077</u>	<u>4,027,919</u>
Total accumulated depreciation	<u>10,420,876</u>	<u>841,706</u>	<u>348,176</u>	<u>10,914,406</u>
Net capital assets being depreciated	<u>10,674,621</u>	<u>86,303</u>	<u>6,880</u>	<u>10,754,044</u>
Capital assets not being depreciated:				
Land	2,563,167	414,903	—	2,978,070
Construction in progress	<u>382,166</u>	<u>338,746</u>	<u>18,000</u>	<u>702,912</u>
Total capital assets not depreciated	<u>2,945,333</u>	<u>753,649</u>	<u>18,000</u>	<u>3,680,982</u>
Net capital assets	<u>\$ 13,619,954</u>	<u>\$ 839,952</u>	<u>\$ 24,880</u>	<u>\$ 14,435,026</u>

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 2. Capital Assets (continued)

	Balance <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2012</u>
<u>Business-Type Activities</u>				
Capital assets being depreciated:				
Buildings and improvements	\$ 1,517,930	\$ —	\$ —	\$ 1,517,930
Furniture and office equipment	29,864	—	—	29,864
Machinery and equipment	<u>1,473,083</u>	<u>204,394</u>	<u>143,077</u>	<u>1,534,400</u>
Total capital assets depreciated	<u>3,020,877</u>	<u>204,394</u>	<u>143,077</u>	<u>3,082,194</u>
Accumulated depreciation:				
Buildings and improvements	505,133	50,580	—	555,713
Furniture and office equipment	29,864	—	—	29,864
Machinery and equipment	<u>1,125,444</u>	<u>100,652</u>	<u>143,077</u>	<u>1,083,019</u>
Total accumulated depreciation	<u>1,660,441</u>	<u>151,232</u>	<u>143,077</u>	<u>1,668,596</u>
Net capital assets being depreciated	<u>1,360,436</u>	<u>53,162</u>	<u>—</u>	<u>1,413,598</u>
Capital assets not being depreciated:				
Land	<u>34,500</u>	<u>—</u>	<u>—</u>	<u>34,500</u>
Net capital assets	<u>\$ 1,394,936</u>	<u>\$ 53,162</u>	<u>\$ —</u>	<u>\$ 1,448,098</u>

Depreciation expense was charged to functions as follows:

<u>Governmental Activities</u>	
General government	\$ 140,298
Public safety	214,691
Highways and streets	248,423
Culture and recreation	<u>238,294</u>
	<u>\$ 841,706</u>

<u>Business-Type Activities</u>	
Conference Center	\$ 50,580
Sanitation	<u>100,652</u>
	<u>\$ 151,232</u>

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 2. Capital Assets (continued)

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

Utilities Board:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Capital assets being depreciated:				
Plant in service	\$ 121,293,325	\$10,809,300	\$ 949,028	\$ 131,153,597
Equipment and furniture	4,735,213	578,094	912	5,312,395
Transportation equipment	2,868,128	393,333	290,963	2,970,498
Total depreciable capital assets	<u>128,896,666</u>	<u>11,780,727</u>	<u>1,240,903</u>	<u>139,436,490</u>
Accumulated depreciation:				
Plant in service	42,046,206	3,637,168	1,014,818	44,668,556
Equipment and furniture	3,352,943	345,770	912	3,697,801
Transportation equipment	2,308,421	181,502	290,963	2,198,960
Total accumulated depreciation	<u>47,707,570</u>	<u>4,164,440</u>	<u>1,306,693</u>	<u>50,565,317</u>
Net depreciable capital assets	<u>81,189,096</u>	<u>7,616,287</u>	<u>(65,790)</u>	<u>88,871,173</u>
Capital assets not being depreciated:				
Land	703,627	90,952	—	794,579
Construction in progress	13,521,516	7,430,806	12,208,662	8,743,660
Nondepreciable capital assets	<u>14,225,143</u>	<u>7,521,758</u>	<u>12,208,662</u>	<u>9,538,239</u>
Net capital assets	<u>\$ 95,414,239</u>	<u>\$15,138,045</u>	<u>\$12,142,872</u>	<u>\$ 98,409,412</u>

Depreciation was charged as follows:

	Charged to Depreciation and <u>Amortization</u>	Charged to Other <u>Accounts</u>	Total Depreciation and <u>Amortization</u>
Power Division	\$ 1,557,562	\$ 65,327	\$ 1,622,889
Water Division	705,198	42,686	747,884
Gas Division	435,505	27,462	462,967
Department of Sewer	<u>1,317,158</u>	<u>54,563</u>	<u>1,371,721</u>
	<u>\$ 4,015,423</u>	<u>\$ 190,038</u>	<u>\$ 4,205,461</u>

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 2. Capital Assets (continued)

Board of Education:

	Balance <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2012</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 13,658,344	\$ 136,985	\$ —	\$ 13,795,329
Infrastructure	19,350	3,850	—	23,200
Furniture, equipment, and vehicles	<u>2,591,329</u>	<u>164,088</u>	<u>43,039</u>	<u>2,712,378</u>
Total depreciable capital assets	<u>16,269,023</u>	<u>304,923</u>	<u>43,039</u>	<u>16,530,907</u>
Accumulated depreciation:				
Buildings and improvements	8,545,268	215,444	—	8,760,712
Infrastructure	13,121	768	—	13,889
Furniture, equipment, and vehicles	<u>1,837,969</u>	<u>240,772</u>	<u>42,787</u>	<u>2,035,954</u>
Total accumulated depreciation	<u>10,396,358</u>	<u>456,984</u>	<u>42,787</u>	<u>10,810,555</u>
Net depreciable capital assets	<u>5,872,665</u>	<u>(152,061)</u>	<u>252</u>	<u>5,720,352</u>
Capital assets not being depreciated:				
Land	213,486	—	—	213,486
Construction in progress	<u>142,685</u>	<u>—</u>	<u>142,685</u>	<u>—</u>
Nondepreciable capital assets	<u>356,171</u>	<u>—</u>	<u>142,685</u>	<u>213,486</u>
Net capital assets	<u>\$ 6,228,836</u>	<u>\$ (152,061)</u>	<u>\$ 142,937</u>	<u>\$ 5,933,838</u>

Depreciation expense was charged to functions as follows:

Regular instruction	\$ 89,896
Administration	21,805
Operation and maintenance	3,529
Transportation	27,577
Food services	36,329
Unallocated depreciation	<u>277,848</u>
	<u>\$ 456,984</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, 2012

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 6/30/11	Additions	Payments	Balance 6/30/12	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	\$ 5,238,000	\$ —	\$ 683,000	\$ 4,555,000	\$ 703,000
Compensated absences	<u>261,466</u>	<u>234,512</u>	<u>235,862</u>	<u>260,116</u>	<u>173,419</u>
Total long-term debt	<u>\$ 5,499,466</u>	<u>\$ 234,512</u>	<u>\$ 918,862</u>	<u>\$ 4,815,116</u>	<u>\$ 876,419</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 0.49 percent at June 30, 2012.

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

June 30	Principal	Interest	Total
2013	\$ 703,000	\$ 22,370	\$ 725,370
2014	725,000	18,917	743,917
2015	747,000	15,357	762,357
2016	770,000	11,688	781,688
2017	793,000	7,907	800,907
2018	<u>817,000</u>	<u>4,012</u>	<u>821,012</u>
Total	<u>\$ 4,555,000</u>	<u>\$ 80,251</u>	<u>\$ 4,635,251</u>

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

Utilities Board:

	Balance 6/30/11	Additions	Payments	Balance 6/30/12	Due within one year
Revenue and tax bonds	\$ 2,898,678	\$ —	\$ 298,361	\$ 2,600,317	\$ 310,422
Notes payable	27,355,058	—	840,237	26,514,821	870,313
TVA advances	<u>110,306</u>	<u>—</u>	<u>47,138</u>	<u>63,168</u>	<u>27,751</u>
Total	<u>\$ 30,364,042</u>	<u>\$ —</u>	<u>\$ 1,185,736</u>	<u>\$ 29,178,306</u>	<u>\$ 1,208,486</u>

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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, 2012.

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 was 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; 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, 2012, at 0.49 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, 2012, set at 0.49 percent.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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>
2013	\$ 1,180,735	\$ 283,080	\$ 1,463,815
2014	1,188,365	262,599	1,450,964
2015	1,194,195	238,001	1,432,196
2016	1,286,159	213,826	1,499,985
2017	974,017	195,909	1,169,926
2018-2022	6,738,012	846,689	7,584,701
2023-2027	7,503,841	580,013	8,083,854
2028-2032	7,541,581	295,064	7,836,645
2033-2037	923,488	124,271	1,047,759
2038-2042	248,933	76,027	324,960
2043-2047	293,010	31,950	324,960
2048	42,802	526	43,328
	<u>\$ 29,115,138</u>	<u>\$ 3,147,955</u>	<u>\$ 32,263,093</u>

Board of Education:

	<u>Balance</u> <u>6/30/12</u>	<u>Due</u> <u>within</u> <u>one year</u>
OPEB	\$ 195,297	\$ 17,323
Sick leave	102,762	20,388
Total	<u>\$ 298,059</u>	<u>\$ 37,711</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, 2012, all the City's deposits were insured or collateralized.

Component units

At June 30, 2012, 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, 2012

Note 4. Cash Deposits and Investments (continued)

Component units (continued)

At June 30, 2012, 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.

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, 2012, the City had \$1,416,242 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, 2012. At June 30, 2012, 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, 2012, the Cemetery Perpetual Care Fund's investments consisted of the following:

	<u>Fair Value</u>
Money market funds	\$ 82
Mutual funds	<u>170,889</u>
	<u>\$ 170,971</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, 2012

Note 4. Cash Deposits and Investments (continued)

Athens Pension Trust Fund:

As of June 30, 2012, the Pension Trust Fund's investments consisted of the following:

	Weighted Average <u>Maturity</u>	<u>Fair Value</u>
U.S. government and agency securities	3.67 years	\$ 929,331
Foreign stocks	N/A	1,653,141
Foreign bonds and notes	4.97 years	114,478
Corporate bonds	5.23 years	1,050,748
Common stock	N/A	2,681,269
Mutual funds	N/A	2,212,953
Money market fund	N/A	23,306
Municipal bonds	9.01 years	<u>207,872</u>
		<u><u>\$ 8,873,098</u></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 and \$700,000 to the Capital Improvement Fund. Interfund transactions were for the purpose of funding debt service requirements and for capital projects. Interfund activity is netted in the government-wide statements within the governmental activities column.

Interfund Payable/Receivable:

In 2010, the General Fund loaned the Sanitation Fund \$418,500 to help finance costs associated with Sanitation's purchase of vehicles and refuse containers. The outstanding amounts are reflected as interfund payable and receivable of \$283,485 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, 2012

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 2012, the City appropriated \$2,108,268, 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 \$773,426 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	\$ 25,349,432	\$ 3,116,694	\$ 28,466,126
Accumulated depreciation	<u>(10,914,406)</u>	<u>(1,668,596)</u>	<u>(12,583,002)</u>
Invested in capital assets, net of related debt	14,435,026	1,448,098	15,883,124
Restricted	563,958	—	563,958
Unrestricted	<u>13,725,546</u>	<u>1,190,353</u>	<u>14,915,899</u>
Total net assets	<u><u>\$ 28,724,530</u></u>	<u><u>\$ 2,638,451</u></u>	<u><u>\$ 31,362,981</u></u>

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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	\$ 107,516
Long-term note receivable	283,485
Nonexpendable-Cemetery Perpetual Care Fund	<u>47,283</u>
	<u>438,284</u>
Restricted	
Nonrecurring law enforcement-General Fund	152,520
Expendable-Cemetery Perpetual Care Fund	123,688
Drug Fund	<u>240,467</u>
Total restricted fund balance	<u>516,675</u>
Committed	
Police benefit-General Fund	18,317
Capital projects-Capital Improvement Fund	2,561,736
Capital projects-General Obligation Fund	19,198
Drug Fund	<u>9,426</u>
Total committed fund balances	<u>2,608,677</u>
Assigned	
Sidewalk projects-General Fund	32,000
Debt service-Debt Service Fund	<u>3,554,467</u>
Total assigned fund balances	<u>3,586,467</u>
Unassigned	
General Fund	<u>7,671,422</u>
Total fund balances	<u><u>\$ 14,821,525</u></u>

Included in the fund balance classifications are the following encumbrances:

General Fund	\$ 32,000
Capital Improvement Fund	18,667
Drug Fund	<u>588</u>
	<u><u>\$ 51,255</u></u>

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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	\$ 69,143,118
Unrestricted	<u>26,020,838</u>
	<u>\$ 95,163,956</u>

Board of Education

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

Invested in capital assets, net of related debt	\$ 5,933,838
Restricted for education	772,939
Unrestricted	<u>3,747,170</u>
	<u>\$ 10,453,947</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 100 active and 25 terminated participants, as well as 46 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, 2012

Note 8. Pension Plans (continued)

Primary Government: (continued)

Plan description – Defined Benefit Plan (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, 2012

Note 8. Pension Plans (continued)

Primary Government: (continued)

Plan description – Defined Benefit Plan (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, 2012

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, 2012	\$ 543,886
Interest on net pension obligation	(75,746)
Adjustment to annual required contribution	<u>79,547</u>
Annual pension cost	547,687
Employer contributions made	<u>1,600,000</u>
Change in net pension benefit	(1,052,313)
Net pension benefit at June 30, 2011	<u>(1,009,945)</u>
Net pension benefit at June 30, 2012	<u><u>\$ (2,062,258)</u></u>

The annual required contribution for the 2012 year was determined as part of the annual actuarial valuation on January 1, 2012 using the service prorated unit credit actuarial cost method.

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Benefit)
6/30/12	\$ 547,687	292.1 %	\$ (2,062,258)
6/30/11	553,126	102.8	(1,009,945)
6/30/10	535,342	130.8	(953,071)

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 8. Pension Plans (continued)

Funded Status and Funding Progress:

As of January 1, 2012, the most recent actuarial valuation date, the plan was 76.22 percent funded. The actuarial accrued liability for benefits was \$12.81 million, and the actuarial value of assets was \$9.76 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$3.05 million. The covered payroll (annual payroll of active employees covered by the plan) was \$4.30 million, and the ratio of the UAAL to the covered payroll was 70.92 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
01/01/12	\$ 9,763,682	\$ 12,809,787	\$ 3,046,105	76.22 %	\$ 4,295,297	70.92 %
01/01/11	8,542,340	11,901,603	3,359,263	71.77	4,131,277	81.31
01/01/10	8,157,164	11,095,133	2,937,969	73.52	4,498,821	65.31

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 \$10,160 during 2012.

Component Units

Utilities Board:

Plan descriptions

The Utilities Board has a single-employer, noncontributory defined benefit pension plan covering substantially all employees in all divisions. This plan is frozen and no new participants may enter if not employed by June 30, 2010. Individuals hired after June 30, 2010 are eligible to participate in the AUB Defined Contribution Plan.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

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

Report availability

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

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

Note 9. Deferred Compensation

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

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 10. Contingencies

The Athens Utilities Board has debt issues with outstanding balances totaling \$27,470,842, 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.

**CITY OF ATHENS, TENNESSEE
SCHEDULE OF FUNDING PROGRESS
AND SCHEDULE OF EMPLOYER CONTRIBUTIONS
PENSION PLAN
June 30, 2012**

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
01/01/03	\$ 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
01/01/12	9,763,682	12,809,787	3,046,105	76.22	4,295,297	70.92

Schedule of Employer Contributions

<u>Plan Year Ending</u>	<u>Contributions by the City</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
06/30/03	\$ 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
06/30/12	1,600,000	543,886	294.2

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

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NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Fund

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

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

Capital Projects Fund

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

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

Permanent Fund

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

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

**CITY OF ATHENS, TENNESSEE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2012**

	Special Revenue Fund	Capital Projects Fund	Permanent Fund	Total Nonmajor Governmental Funds
	Drug	General Obligation Bond	Cemetery Perpetual Care	
ASSETS				
Cash and cash equivalents	\$ 59,578	\$ 19,198	\$ -	\$ 78,776
Investments	186,334	-	170,971	357,305
Due from other governments	3,981	-	-	3,981
Total assets	<u>\$ 249,893</u>	<u>\$ 19,198</u>	<u>\$ 170,971</u>	<u>\$ 440,062</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FUND BALANCES				
Nonspendable	-	-	47,283	47,283
Restricted	240,467	-	123,688	364,155
Committed	9,426	19,198	-	28,624
Total fund balances	<u>249,893</u>	<u>19,198</u>	<u>170,971</u>	<u>\$ 440,062</u>
Total liabilities and fund balances	<u>\$ 249,893</u>	<u>\$ 19,198</u>	<u>\$ 170,971</u>	<u>\$ 440,062</u>

CITY OF ATHENS, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2012

	Special Revenue Fund	Capital Projects Fund	Permanent Fund	Total Nonmajor Governmental Funds
	Drug	General Obligation Bond	Cemetery Perpetual Care	
REVENUES				
Fines and forfeitures	\$ 66,631	\$ -	\$ -	\$ 66,631
Investment and interest income	267	18	6,483	6,768
Charges for services	-	-	2,045	2,045
Miscellaneous	8,740	-	-	8,740
Total revenues	75,638	18	8,528	84,184
EXPENDITURES				
Current:				
Public safety	48,269	-	-	48,269
Total expenditures	48,269	-	-	48,269
REVENUES OVER EXPENDITURES	27,369	18	8,528	35,915
FUND BALANCES, beginning of year	222,524	19,180	162,443	404,147
FUND BALANCES, end of year	\$ 249,893	\$ 19,198	\$ 170,971	\$ 440,062

CITY OF ATHENS, TENNESSEE
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
Year Ended June 30, 2012

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Interest	\$ 10,000	\$ 10,000	\$ 16,261	\$ 6,261
Total revenues	<u>10,000</u>	<u>10,000</u>	<u>16,261</u>	<u>6,261</u>
EXPENDITURES				
Debt service:				
Principal	683,000	683,000	683,000	-
Interest	80,000	80,000	33,938	46,062
General government	<u>7,000</u>	<u>7,000</u>	<u>8,740</u>	<u>(1,740)</u>
Total expenditures	<u>770,000</u>	<u>770,000</u>	<u>725,678</u>	<u>44,322</u>
REVENUES OVER (UNDER) EXPENDITURES	(760,000)	(760,000)	(709,417)	50,583
OTHER FINANCING SOURCES				
Transfer from general fund	<u>790,000</u>	<u>790,000</u>	<u>790,000</u>	<u>-</u>
Net change in fund balance	30,000	30,000	80,583	50,583
FUND BALANCE, beginning of year	<u>3,473,885</u>	<u>3,473,885</u>	<u>3,473,885</u>	<u>-</u>
FUND BALANCE, end of year	<u><u>\$ 3,503,885</u></u>	<u><u>\$ 3,503,885</u></u>	<u><u>\$ 3,554,468</u></u>	<u><u>\$ 50,583</u></u>

CITY OF ATHENS, TENNESSEE
BUDGETARY COMPARISON SCHEDULE
DRUG FUND
Year Ended June 30, 2012

	Budget		Actual	Variance
	Original	Final		With Final Budget
REVENUES				
Drug fines and forfeitures	\$ 28,200	\$ 50,000	\$ 66,631	\$ 16,631
Investment and interest income	200	200	267	67
Miscellaneous	-	6,500	8,740	2,240
Total revenues	<u>28,400</u>	<u>56,700</u>	<u>75,638</u>	<u>18,938</u>
EXPENDITURES				
Drug investigation	12,000	12,000	4,000	8,000
Supplies	5,000	42,000	40,650	1,350
Fixed assets	-	2,200	2,118	82
Education and training	5,000	5,000	1,501	3,499
Total expenditures	<u>22,000</u>	<u>61,200</u>	<u>48,269</u>	<u>12,931</u>
REVENUES OVER (UNDER) EXPENDITURES	6,400	(4,500)	27,369	31,869
FUND BALANCE, beginning of year	<u>222,524</u>	<u>222,524</u>	<u>222,524</u>	<u>-</u>
FUND BALANCE, end of year	<u>\$ 228,924</u>	<u>\$ 218,024</u>	<u>\$ 249,893</u>	<u>\$ 31,869</u>

OTHER

CITY OF ATHENS, TENNESSEE
SCHEDULE OF UNCOLLECTED DELINQUENT TAXES FILED
LAST TEN YEARS
June 30, 2012

<u>Tax Year</u>	<u>Delinquent Taxes Filed</u>	<u>July 1, 2011 Delinquent Taxes Receivable</u>	<u>Current Collections and Adjustment</u>	<u>June 30, 2012 Delinquent Taxes Receivable</u>
2001 and Prior	\$ *	\$ 3,917	\$ 3,772	\$ 145
2002	37,540	1,734	1,655	79
2003	54,164	3,628	2,464	1,164
2004	42,110	3,220	2,945	275
2005	45,102	2,079	430	1,649
2006	55,813	4,800	3,085	1,715
2007	69,042	10,422	8,720	1,702
2008	80,293	36,143	22,432	13,711
2009	69,472	75,032	41,269	33,763
2010	77,158	276,734	167,704	109,030

* Not available.

CITY OF ATHENS, TENNESSEE
SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE
Year Ended June 30, 2012

	Total	2012 Assessment	2011 Assessment	Prior Years
PROPERTY TAXES RECEIVABLE				
July 1, 2011	<u>\$ 4,902,709</u>	<u>\$ -</u>	<u>\$ 4,485,000</u>	<u>\$ 417,709</u>
Add -				
Taxes assessed	4,372,000	4,372,000	-	-
Late listings	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>4,372,000</u>	<u>4,372,000</u>	<u>-</u>	<u>-</u>
Deduct -				
Collections	4,368,784	-	4,149,785	218,999
Adjustments and abatements	<u>121,325</u>	<u>-</u>	<u>85,848</u>	<u>35,477</u>
	<u>4,490,109</u>	<u>-</u>	<u>4,235,633</u>	<u>254,476</u>
PROPERTY TAXES RECEIVABLE				
June 30, 2012	<u><u>\$ 4,784,600</u></u>	<u><u>\$4,372,000</u></u>	<u><u>\$ 249,367</u></u>	<u><u>\$ 163,233</u></u>

CITY OF ATHENS, TENNESSEE
SCHEDULE OF INVESTMENTS
June 30, 2012

	Interest Rate	Maturity Date	Cost	Market Value
<u>FUNDS GOVERNED BY THE CITY COUNCIL</u>				
Cemetery Perpetual Care Fund:				
Sterling Capital US Treasury Money Market Fund	-	-	\$ 82	\$ 82
American Century Diversified Bond Fund	-	-	24,754	24,967
Doubleline Total Return Bond Fund	-	-	31,039	31,234
Cohen & Steers Realty Shares Fund	-	-	1,924	2,257
Credit Suisse Commodity Return Strategy Fund	-	-	2,192	1,937
Eaton Vance Atlanta Capital Focused Growth Fund	-	-	7,035	6,669
Federated MDT Small Cap Growth Fund	-	-	1,005	944
Forward International Small Company Institutional Class I Fund	-	-	1,600	1,511
Goldman Sachs Growth Opportunity Fund	-	-	3,124	3,430
Harbor International Fund	-	-	3,789	4,332
Harding Loevner International Equity Institutional Fund	-	-	4,570	4,446
Lazard Emerging Markets Equity Institutional Class Fund	-	-	2,985	2,899
Metropolitan West Total Return Fund	-	-	12,620	12,551
Oppenheimer Developing Markets Fund	-	-	1,788	1,827
Sterling Capital Corporate Fund	-	-	18,082	18,792
Sterling Capital Securitized Opportunities Fund	-	-	18,743	18,743
Sterling Capital Equity Income Fund	-	-	6,142	6,762
Sterling Capital Special Opportunities Fund	-	-	1,587	1,829
Sterling Capital Total Return Bond Fund	-	-	19,526	18,993
Sterling Capital Mid Cap Value Fund	-	-	4,643	5,090
Virtus Quality Small Cap Fund	-	-	1,319	1,676
Total			<u>\$ 168,549</u>	<u>\$ 170,971</u>
Athens Pension Trust Fund:				
Federal Home Loan Mortgage Corporation	4.750	11/17/15	\$ 130,881	\$ 136,920
Federal Home Loan Mortgage Corporation	4.500	01/15/14	131,062	127,611
Federal National Mortgage Association	4.750	02/21/13	119,726	123,390
Federal National Mortgage Association	5.000	05/11/17	132,155	142,938
US Treasury Note	2.000	11/30/13	93,113	92,162
US Treasury Note	3.125	05/15/21	99,345	102,460
US Treasury Note	3.750	11/15/18	100,823	105,420
US Treasury Bond	4.000	02/15/15	99,815	98,430
ABB Limited	-	-	14,089	10,608
Ace Limited	-	-	11,239	12,602
Adidas Group	-	-	11,628	11,106
AIA Group	-	-	8,189	8,062
Air Liquide S.A.	-	-	22,439	20,342
Allianz Group	-	-	12,032	10,341
America Movil SAB de CV	-	-	14,872	14,333
Arco Dorados Holding, Inc.	-	-	9,708	6,799
Arm Holdings	-	-	32,153	28,310
Asahi Glass Company	-	-	8,854	6,479
Aspen Insurance Holdings	-	-	20,580	20,808
Assured Guaranty Limited	-	-	6,737	6,345

(continued)

CITY OF ATHENS, TENNESSEE
SCHEDULE OF INVESTMENTS
June 30, 2012
(continued)

	Interest Rate	Maturity Date	Cost	Market Value
Athens Pension Trust Fund: (continued)				
Atlas Copco Group	-	-	\$ 13,713	\$ 12,040
Avago Technologies Limited	-	-	6,653	6,462
Baidu.com, Inc.	-	-	9,093	9,198
Banco Bradesco	-	-	12,158	9,517
Bank of Nova Scotia	-	-	12,544	11,912
Bank of Yokohama	-	-	9,225	8,835
Barclays PLC	-	-	13,380	9,991
Bayer AG	-	-	6,268	6,485
Belle International Holdings	-	-	15,660	14,377
BG Group	-	-	5,218	4,486
BHP Billiton Limited	-	-	11,720	13,843
BNP Paribas	-	-	8,390	5,389
British American Tobacco	-	-	8,560	9,191
Bunge Limited	-	-	10,641	10,038
Canadian National RY Company	-	-	24,011	27,845
Canon, Inc.	-	-	31,590	25,961
Cochlear Limited	-	-	7,899	7,761
Compagnie Financiere Richemont	-	-	5,539	5,204
Companhia Energetica Minas Gerais	-	-	6,332	7,129
Core Laboratories N.V.	-	-	18,657	20,862
Covidien PLC	-	-	11,519	13,108
CSL Limited	-	-	5,168	6,869
CTrip.com International Limited	-	-	15,482	8,564
DBS Group Holdings Limited	-	-	22,182	21,460
Dassault Systems S.A.	-	-	15,994	19,700
Diageo PLC	-	-	21,775	22,675
Endurance Specialty Holdings	-	-	24,084	21,076
Eni Spa	-	-	5,947	5,953
Enstar Group	-	-	5,426	5,936
Erste Group Bank AG	-	-	18,541	10,526
ENSCO PLC	-	-	18,048	17,379
Fanuc Limited	-	-	34,858	34,895
Fresenius USA, Inc.	-	-	16,821	17,648
Gazprom	-	-	16,208	12,041
Gildan Activewear, Inc.	-	-	9,220	9,082
GlaxoSmithKline PLC	-	-	8,872	9,570
Granite Real Estate	-	-	17,865	21,024
Henkel AG & Co KGaA	-	-	12,117	12,627
Hoya Corporation	-	-	14,079	13,137
HSBC Holdings PLC	-	-	21,506	18,976
ICAP PLC	-	-	10,513	8,046
ICICI Bank Limited	-	-	23,562	19,770
Imperial Oil Limited	-	-	12,437	11,682
Industrial and Commercial Bank of China	-	-	10,118	7,964
Infosys Technologies	-	-	10,834	9,012
Itau Unibanco Banco Multiplo S.A.	-	-	11,737	8,630
JGC Corporation	-	-	21,112	22,435
Jupiter Telecommunications Company	-	-	6,148	6,129
KB Financial Group	-	-	7,108	4,577

(continued)

CITY OF ATHENS, TENNESSEE
SCHEDULE OF INVESTMENTS
June 30, 2012

(continued)

	Interest Rate	Maturity Date	Cost	Market Value
Athens Pension Trust Fund: (continued)				
Kingfisher PLC	-	-	\$ 12,124	\$ 12,803
Li & Fung Limited	-	-	25,588	22,735
L'Oreal S.A.	-	-	14,513	14,983
LVMH Moët-Hennessy-Louis-Vuitton S.A.	-	-	11,199	10,342
Lonza Group	-	-	11,809	8,239
Lukoil	-	-	7,594	6,665
Michael Kors Holding	-	-	5,384	5,439
Mining and Metallurgical Company	-	-	13,327	10,110
Mitsui & Company	-	-	13,704	11,771
MTN Group	-	-	24,297	22,054
Nestle S.A.	-	-	39,821	43,794
Nidec Corporation	-	-	12,009	9,595
Nintendo Limited	-	-	8,036	4,492
Nokian Renkaat OYJ	-	-	9,992	7,768
Novartis International	-	-	48,123	50,757
Pacific Drilling S.A.	-	-	11,670	11,063
Pearson PLC	-	-	31,233	31,562
PetroChina Company Limited AG	-	-	5,457	5,166
Petroleo Brasileiro Preference	-	-	13,731	8,526
Petroleo Brasileiro S.A.	-	-	7,191	4,317
Ping An Insurance Company of China Limited	-	-	10,350	10,022
Potash Corporation of Saskatchewan	-	-	11,745	11,359
Prudential PLC	-	-	6,128	6,264
Qiagen N.V.	-	-	10,022	10,855
Roche Holding Limited	-	-	22,330	25,495
Rogers Communications Inc.	-	-	36,325	32,589
Sandvik AB	-	-	15,579	11,648
Sanofi Synthelabo S.A.	-	-	10,610	11,334
SAP Aktiengesellschaft	-	-	30,729	31,461
Sasol Limited	-	-	9,456	7,641
Sberbank of Russia	-	-	4,913	4,155
Schneider Electric S.A.	-	-	16,407	12,875
Shin-Etsu Chemical Company Limited	-	-	7,245	7,787
Siemens AG	-	-	17,378	12,611
SINA Corporation	-	-	5,379	4,145
Sonova Holding AG	-	-	9,518	9,082
Subsea 7 S.A.	-	-	4,215	3,743
Sumitomo Mitsui Trust Holdings, Inc.	-	-	6,298	5,295
Suncor Energy, Inc.	-	-	56,980	43,715
Swatch Group AG	-	-	9,394	8,287
Taiwan Semiconductor Manufacturing Company	-	-	51,126	47,743
Teck Corporation	-	-	12,998	6,807
Tesco PLC	-	-	24,390	19,549
Teva Pharmaceutical Industries Limited	-	-	10,670	8,677
Total SA	-	-	6,825	5,394
Toyota Motor Corporation	-	-	6,954	6,438
Türkiye Garanti Bankası A.Ş.	-	-	14,655	12,717
Unicharm Corporation	-	-	22,790	26,203
Unilever PLC	-	-	40,658	41,825

(continued)

CITY OF ATHENS, TENNESSEE
SCHEDULE OF INVESTMENTS
June 30, 2012

(continued)

	Interest Rate	Maturity Date	Cost	Market Value
Athens Pension Trust Fund: (continued)				
Unilever N V	-	-	\$ 13,919	\$ 14,674
Vale S.A.	-	-	17,485	12,486
Vodafone Group PLC	-	-	12,385	12,878
Volkswagan	-	-	11,110	10,558
WPP PLC	-	-	15,345	15,215
Westpac Banking	-	-	18,327	17,410
Willis Group Holdings	-	-	19,451	19,705
Yamana Gold, Inc.	-	-	11,705	12,012
Youku.com, Inc.	-	-	11,458	7,154
Bank of Nova Scotia	2.900	03/29/16	36,193	36,641
BP Capital Markets	3.200	03/11/16	36,199	37,226
Shell International Finance	4.300	09/22/19	39,398	40,611
Aflac, Inc.	8.500	05/15/19	43,100	45,689
AT&T, Inc.	5.800	02/15/19	41,243	42,688
Altria Group, Inc.	9.250	08/06/19	39,617	41,679
Anheuser-Busch	4.125	01/15/15	37,988	37,720
CVS Caremark Corporation	5.750	06/01/17	40,588	41,335
Caterpillar Financial SE	7.150	02/15/19	44,053	45,680
Citigroup, Inc.	8.500	05/22/19	37,103	37,051
Comcast Corporation	5.700	05/15/18	41,317	41,277
DOW Chemical Company	5.900	02/15/15	39,642	39,030
General Electric Capital Corporation	5.300	02/11/21	36,956	39,283
Gilead Sciences, Inc.	4.340	12/01/21	35,643	38,632
Goldman Sachs Group, Inc.	6.250	09/01/17	33,002	32,618
Home Depot, Inc.	5.400	03/01/16	40,178	40,349
Intel Corporation	1.950	10/01/16	35,476	36,272
JP Morgan Chase & Company	6.000	01/15/18	39,714	40,175
Keycorp	3.750	08/13/15	36,562	37,058
Kraft Foods, Inc.	6.500	08/11/17	41,542	42,465
Merrill Lynch & Company	6.875	04/25/18	32,824	33,568
Morgan Stanley	5.375	10/15/15	30,556	30,667
Occidental Petroleum	1.750	02/15/17	35,696	35,590
Pepsico, Inc.	3.000	08/25/21	35,172	36,218
Prudential Financial, Inc.	5.100	09/20/14	38,335	37,515
Suntrust Banks, Inc.	3.500	01/20/17	35,720	36,233
Time Warner, Inc.	5.875	11/15/16	40,349	40,986
Cellco Part/Verizon Wireless	5.550	02/01/14	38,564	37,469
Wal-Mart Stores, Inc.	5.375	04/05/17	41,163	41,564
Williams Partners LP	7.250	02/01/17	42,451	41,937
Abbott Laboratories	-	-	37,994	39,971
Acme Packet, Inc.	-	-	12,926	8,579
Activision Blizzard, Inc.	-	-	11,927	11,750
Adobe System, Inc.	-	-	8,658	8,902
Adtran, Inc.	-	-	6,221	6,038
Aerovironment, Inc.	-	-	6,719	6,051
Allergan, Inc.	-	-	36,160	35,177

(continued)

CITY OF ATHENS, TENNESSEE
SCHEDULE OF INVESTMENTS
June 30, 2012

(continued)

	Interest Rate	Maturity Date	Cost	Market Value
Athens Pension Trust Fund: (continued)				
Allegheny Technologies	-	-	\$ 14,686	\$ 10,205
Amazon, Inc.	-	-	35,816	41,103
Annaly Capital Management	-	-	7,803	7,383
Ansys, Inc.	-	-	5,613	5,680
Apache Corporation	-	-	14,085	11,426
Apple, Inc.	-	-	30,898	75,920
Archer-Daniels-Midland Company	-	-	24,035	21,845
Aruba Networks, Inc.	-	-	11,684	7,676
Assurant, Inc.	-	-	8,615	7,665
AthenaHealth, Inc.	-	-	7,940	13,459
Badger Meter, Inc.	-	-	5,151	5,257
Balchem Corporation	-	-	5,293	5,544
Baxter International, Inc.	-	-	39,096	34,548
Becton Dickinson & Company	-	-	13,135	11,960
Blackrock, Inc.	-	-	26,770	22,077
Borgwarner Automotive	-	-	40,845	32,795
Broadcom Corporation	-	-	41,153	37,136
CA, Inc.	-	-	16,621	17,609
Carmax, Inc.	-	-	42,720	32,425
Catalyst Health Solutions	-	-	5,221	5,606
Cavium, Inc.	-	-	10,876	8,680
Cerner Corporation	-	-	13,051	14,052
Chevron Corporation	-	-	32,056	34,815
Chico's Fas, Inc.	-	-	12,730	15,730
C.H Robinson Worldwide, Inc.	-	-	9,923	7,609
Cisco Systems, Inc.	-	-	8,607	7,727
Clarcor	-	-	7,896	7,706
Cliffs Natural Resources	-	-	7,499	5,422
CME Group, Inc.	-	-	5,258	5,362
Cognizant Technology Solutions	-	-	43,204	33,600
Coherent, Inc.	-	-	5,136	4,743
Comcast	-	-	7,085	9,591
ConocoPhillips	-	-	24,966	23,470
Costco Wholesale Corporation	-	-	14,315	16,150
Computer Sciences Corporation	-	-	8,450	4,219
Cymer Common	-	-	5,331	5,895
Danaher Corporation	-	-	22,536	20,832
Dell, Inc.	-	-	9,799	8,006
Devon Energy Corporation	-	-	5,764	4,639
Dick's Sporting Goods, Inc.	-	-	11,732	14,880
Dole Food Company	-	-	14,472	10,536
DST Systems, Inc.	-	-	18,096	20,095
E Trade Financial Corporation	-	-	21,123	12,542
Earthlink, Inc.	-	-	7,973	6,984
Ebay, Inc.	-	-	14,556	21,005
Emerson Electric Company	-	-	32,717	28,880
Energizer Holdings, Inc.	-	-	9,267	9,783
EOG Resources, Inc.	-	-	8,320	7,569
Equifax, Inc.	-	-	8,314	8,854

(continued)

CITY OF ATHENS, TENNESSEE
SCHEDULE OF INVESTMENTS
June 30, 2012

(continued)

	Interest Rate	Maturity Date	Cost	Market Value
Athens Pension Trust Fund: (continued)				
Exco Resources, Inc.	-	-	\$ 13,083	\$ 6,072
Expeditors International Wash, Inc.	-	-	44,723	36,038
Fair Isaac, Inc.	-	-	12,285	17,335
Fastenal Company	-	-	8,851	8,062
Federated Investors, Inc.	-	-	6,243	5,900
Fedex Corporation	-	-	10,725	10,993
F5 Network, Inc.	-	-	8,301	8,960
Fidelity National Information Services, Inc.	-	-	11,261	12,950
First Cash Financial Services	-	-	9,017	8,436
Ford Motor Company	-	-	7,413	7,097
Forest Oil Corporation	-	-	13,691	5,424
Fortinet, Inc.	-	-	5,113	5,108
FMC Technologies, Inc.	-	-	10,048	9,023
Fusion-IO, Inc.	-	-	6,069	4,387
General Dynamics	-	-	11,663	10,158
General Electric Company	-	-	16,321	17,714
General Mills, Inc.	-	-	22,842	22,353
Genesco, Inc.	-	-	5,690	4,812
Gilead Sciences, Inc.	-	-	40,364	43,588
Global Payments, Inc.	-	-	8,511	8,646
Graco, Inc.	-	-	7,899	6,912
Green Dot Corporation	-	-	15,393	8,406
Halliburton Company	-	-	11,025	8,801
Harman International Industries	-	-	10,612	8,712
Harris Corporation	-	-	10,318	10,044
Hillenbrand, Inc.	-	-	7,848	6,249
IHS, Inc.	-	-	9,663	12,928
Illinois Tool Works, Inc.	-	-	25,854	23,801
Informatica Corporation	-	-	8,061	6,354
Intel Corporation	-	-	29,910	31,793
Interpublic Group	-	-	19,827	20,507
Intuit, Inc.	-	-	7,084	8,903
International Speedway Corporation	-	-	6,928	6,545
Intuitive Surgical, Inc.	-	-	9,687	16,614
Ironwood Pharmaceuticals, Inc.	-	-	7,874	8,406
Jack Henry & Associates, Inc.	-	-	9,276	9,320
Juniper Networks, Inc.	-	-	19,443	13,864
Kinder Morgan Management LLC	-	-	35,245	35,021
Kohls Corporation	-	-	22,086	19,561
Landstar System, Inc.	-	-	12,131	10,861
Lender Processing Services, Inc.	-	-	7,508	10,618
Leucadia National Corporation	-	-	26,952	17,654
Lexmark International, Inc.	-	-	18,127	13,822
Life Technologies Corporation	-	-	11,838	13,497
Lincoln Electric Holdings, Inc.	-	-	8,963	8,758
Lincoln National Corporation	-	-	13,006	11,591
LinkedIn Corporation	-	-	11,144	11,690
Lufkin Industries, Inc.	-	-	17,887	14,123
McDonald's Corporation	-	-	33,453	30,100

(continued)

CITY OF ATHENS, TENNESSEE
SCHEDULE OF INVESTMENTS
June 30, 2012

(continued)

	Interest Rate	Maturity Date	Cost	Market Value
Athens Pension Trust Fund: (continued)				
Medidata Solutions, Inc.	-	-	\$ 6,582	\$ 7,514
Mercadolibre, Inc.	-	-	31,410	24,256
Merck & Company, Inc.	-	-	9,113	11,189
Microsoft Corporation	-	-	29,371	33,924
Monsanto Company	-	-	62,686	63,741
Monster Worldwide, Inc.	-	-	5,056	4,737
MSC Industrial Direct, Inc.	-	-	6,512	5,900
Mylan Laboratories	-	-	10,087	10,044
Northwest Pipe Company	-	-	5,079	5,822
Oasis Petroleum, Inc.	-	-	5,276	4,836
Oceaneering International, Inc.	-	-	11,698	14,358
Omnicare, Inc.	-	-	13,068	15,303
Omnicom Group	-	-	48,303	48,600
Oracle Systems Corporation	-	-	22,631	24,532
Owens & Minor, Inc.	-	-	7,239	7,351
Paychex, Inc.	-	-	27,921	27,955
Pepsico, Inc.	-	-	29,300	33,210
Pfizer, Inc.	-	-	33,681	37,720
Phillip Morris International, Inc.	-	-	18,764	18,325
Priceline.com, Inc.	-	-	45,033	41,200
QLIK Technologies, Inc.	-	-	16,584	12,166
Qualcomm, Inc.	-	-	61,738	56,794
Quality Systems, Inc.	-	-	5,046	4,677
Rex Energy Corporation	-	-	3,179	3,251
RLI Corporation	-	-	8,698	8,184
Robert Half International, Inc.	-	-	13,068	12,857
Rockwell Automation, Inc.	-	-	9,083	9,248
RTI International Metals, Inc.	-	-	5,243	4,979
Ryder Systems, Inc.	-	-	5,247	3,601
SAIC, Inc.	-	-	6,402	5,090
Salesforce.com, Inc.	-	-	30,221	31,109
Sanofi-Aventis	-	-	353	212
Schlumberger Limited	-	-	80,979	68,156
Charles Schwab	-	-	8,593	9,310
Shuffle Master, Inc.	-	-	5,099	4,554
Sirona Dental Systems, Inc.	-	-	5,272	5,401
Splunk, Inc.	-	-	9,647	7,587
Stancorp Financial Group, Inc.	-	-	8,538	6,689
Stifel Financial Corporation	-	-	5,202	4,944
Syntel, Inc.	-	-	7,157	7,891
T Rowe Price Group	-	-	36,648	39,035
Target Corporation	-	-	31,345	35,845
Tempur-Pedic International, Inc.	-	-	6,680	1,871
Teradyne, Inc.	-	-	6,462	6,046
Terex Corporation	-	-	5,396	5,349
Texas Instruments, Inc.	-	-	17,119	16,038
Tibco Software, Inc.	-	-	5,060	5,086
The Travelers Companies, Inc.	-	-	32,555	37,027
Triumph Group, Inc.	-	-	6,824	6,190

(continued)

CITY OF ATHENS, TENNESSEE
SCHEDULE OF INVESTMENTS
June 30, 2012

(continued)

	Interest Rate	Maturity Date	Cost	Market Value
Athens Pension Trust Fund: (continued)				
TripAdvisor, Inc.	-	-	\$ 5,167	\$ 8,044
UMB Financial Corporation	-	-	5,438	6,148
Union Pacific Corporation	-	-	21,654	25,055
United Health Group, Inc.	-	-	7,976	9,360
United Natural Foods, Inc.	-	-	5,492	6,035
Universal Technical Institute, Inc.	-	-	5,017	5,539
Veco Instruments, Inc.	-	-	5,106	5,154
Vertex Pharmaceuticals, Inc.	-	-	5,326	7,270
Viacomm, Inc.	-	-	22,050	23,510
Vitamin Shoppe, Inc.	-	-	16,016	17,578
VMWare, Inc.	-	-	19,059	16,387
Volcano Corporation	-	-	8,038	8,022
Wabco Holdings, Inc.	-	-	5,221	5,293
WD40 Company	-	-	9,554	10,460
Waste Management, Inc.	-	-	35,330	33,400
Wellpoint, Inc.	-	-	16,983	15,948
Western Union Company	-	-	6,527	6,399
John Wiley & Sons, Inc.	-	-	5,218	5,389
World Fuel Service Corporation	-	-	9,112	8,367
Wolverine World Wide, Inc.	-	-	5,428	5,041
Xerox Corporation	-	-	21,585	16,684
Yum Brands, Inc.	-	-	4,437	5,798
Zimmer Holdings, Inc.	-	-	7,999	9,010
Aberdeen Equity Long Short Fund	-	-	28,734	27,425
Altergris Macro Strategy Fund	-	-	72,226	72,000
AQR Managed Futures Strategy Fund	-	-	42,097	39,621
Cohen & Steers International Realty Fund	-	-	183,402	212,579
Credit Suisse Commodity Return Strategy Fund	-	-	246,299	210,907
Driehaus Active Income Fund	-	-	59,190	56,098
Forward International Small Company Institutional Class I Fund	-	-	232,008	201,728
Highland Long/Short Equity Fund	-	-	47,896	47,607
Lazard Emerging Markets Equity Institutional Class Fund	-	-	303,453	275,423
Managers AMG FQ Global Alternative Fund	-	-	51,347	46,170
Marketfield Fund Institutional Class Fund	-	-	36,441	40,326
Oppenheimer Developing Markets Fund	-	-	315,692	289,103
Sterling Capital Securitized Opportunities Fund	-	-	576,633	591,776
The Merger Fund	-	-	29,292	29,072
Turner Spectrum Fund Institutional Class Fund	-	-	44,621	42,172
Wasatch 1st Source Long/Short Fund	-	-	30,899	30,946
Sterling Capital Prime Money Market Fund	-	-	23,306	23,306
Cook County Bond	2.820	12/01/21	75,000	74,880
Dallas County TX Bond	4.948	08/15/20	59,649	59,056
Michigan ST Bond	3.450	05/15/23	40,816	40,901
Mississippi ST Bond	3.581	11/01/19	32,995	33,035
			<u>\$ 9,126,440</u>	<u>\$ 8,873,098</u>

(continued)

CITY OF ATHENS, TENNESSEE
SCHEDULE OF INVESTMENTS
June 30, 2012
(continued)

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Cost</u>	<u>Market Value</u>
Participation in the State of Tennessee Local Government Investment Pool:				
General Fund	-	-	<u>\$ 280,184</u>	<u>\$ 280,184</u>
Debt Service Fund	-	-	<u>\$ 887,275</u>	<u>\$ 887,275</u>
Drug Fund	-	-	<u>\$ 186,334</u>	<u>\$ 186,334</u>
Capital Improvement Fund	-	-	<u>\$ 62,449</u>	<u>\$ 62,449</u>

CITY OF ATHENS, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS
June 30, 2012

Fiscal Year Ending 6/30	Public Building Authority of the City of Clarksville, Tennessee, Pooled Loan Program, Series 2003		
	Principal	Interest	Total
2013	\$ 703,000	\$ 22,370	\$ 725,370
2014	725,000	18,917	743,917
2015	747,000	15,357	762,357
2016	770,000	11,688	781,688
2017	793,000	7,907	800,907
2018	817,000	4,012	821,012
	<u>\$4,555,000</u>	<u>\$ 80,251</u>	<u>\$4,635,251</u>

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.

Operating 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 TEN FISCAL YEARS
June 30, 2012
 (Accrual Basis of Accounting)

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
GOVERNMENTAL ACTIVITIES										
Invested in capital assets, net of related debt	\$ 14,435,026	\$ 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	563,958	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	<u>13,725,546</u>	<u>13,028,236</u>	<u>9,479,418</u>	<u>8,333,430</u>	<u>7,246,032</u>	<u>5,855,845</u>	<u>5,699,906</u>	<u>4,770,721</u>	<u>11,561,939</u>	<u>11,983,773</u>
Total governmental activities net assets	<u>\$ 28,724,530</u>	<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>
BUSINESS-TYPE ACTIVITIES										
Invested in capital assets, net of related debt	\$ 1,448,098	\$ 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	<u>1,190,353</u>	<u>1,193,483</u>	<u>938,929</u>	<u>1,139,298</u>	<u>983,005</u>	<u>863,382</u>	<u>733,135</u>	<u>569,531</u>	<u>582,291</u>	<u>654,479</u>
Total business-type activities net assets	<u>\$ 2,638,451</u>	<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>
PRIMARY GOVERNMENT										
Invested in capital assets, net of related debt	\$ 15,883,124	\$ 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	563,958	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	<u>14,915,899</u>	<u>14,221,719</u>	<u>10,418,347</u>	<u>9,472,728</u>	<u>8,229,037</u>	<u>6,719,227</u>	<u>6,433,041</u>	<u>5,340,252</u>	<u>12,144,230</u>	<u>12,638,252</u>
Total primary government net assets	<u>\$ 31,362,981</u>	<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 TEN FISCAL YEARS
June 30, 2012
 (Accrual Basis of Accounting)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
EXPENSES										
Governmental activities:										
General government	\$ 1,588,651	\$ 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	4,534,214	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	2,129,289	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	1,112,979	546,683	709,813	911,898	825,652	878,552	588,744	870,846	847,670	894,206
Education	2,108,268	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	105,949	93,479	97,091	93,733	89,773	96,383	86,069	81,158	76,462	79,706
Interest on long-term debt	33,938	61,531	63,175	124,260	254,003	326,030	259,020	148,652	56,436	99,015
Passthrough grants	500,000	2,980,680	3,423,715	-	-	-	-	-	-	-
Total governmental activities expenses	<u>12,113,288</u>	<u>15,356,797</u>	<u>14,492,327</u>	<u>11,766,070</u>	<u>11,935,002</u>	<u>12,735,603</u>	<u>11,980,059</u>	<u>14,127,390</u>	<u>13,318,463</u>	<u>10,301,062</u>
Business-type activities:										
Conference center	64,483	71,984	64,782	74,287	78,630	73,475	74,533	74,332	71,182	73,638
Sanitation	754,868	660,718	1,024,229	744,393	773,071	750,040	713,587	821,148	874,411	737,660
Total business-type activities expenses	<u>819,351</u>	<u>732,702</u>	<u>1,089,011</u>	<u>818,680</u>	<u>851,701</u>	<u>823,515</u>	<u>788,120</u>	<u>895,480</u>	<u>945,593</u>	<u>811,298</u>
Total primary government expenses	<u>\$ 12,932,639</u>	<u>\$ 16,089,499</u>	<u>\$ 15,581,338</u>	<u>\$ 12,584,750</u>	<u>\$ 12,786,703</u>	<u>\$ 13,559,118</u>	<u>\$ 12,768,179</u>	<u>\$ 15,022,870</u>	<u>\$ 14,264,056</u>	<u>\$ 11,112,360</u>
PROGRAM REVENUES										
Governmental activities:										
Charges for services:										
General government	\$ 106,902	\$ 70,957	\$ 68,970	\$ 128,972	\$ 161,389	\$ 124,870	\$ 143,012	\$ 144,930	\$ 124,963	\$ 107,968
Public safety	458,959	476,019	490,614	517,846	456,715	607,386	624,310	537,985	324,137	320,501
Culture and recreation	141,374	111,125	107,617	121,141	129,551	123,270	107,138	117,433	113,228	147,784
Health and welfare	3,244	2,587	2,999	2,840	18,940	40,593	34,339	29,416	28,969	23,385
Operating grants and contributions	495,710	549,773	682,455	577,555	540,073	920,680	932,309	568,915	3,245,413	1,427,757
Capital grants and contributions	704,762	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	<u>1,910,951</u>	<u>4,962,782</u>	<u>5,837,133</u>	<u>1,582,464</u>	<u>1,354,678</u>	<u>2,608,375</u>	<u>2,247,175</u>	<u>1,579,476</u>	<u>4,688,649</u>	<u>2,299,402</u>

(continued)

Table 2
(continued)

CITY OF ATHENS, TENNESSEE
CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS
June 30, 2012
(Accrual Basis of Accounting)
(continued)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
PROGRAM REVENUES										
Business-type activities:										
Charges for services:										
Conference center	\$ 17,606	\$ 18,508	\$ 17,712	\$ 13,622	\$ 16,085	\$ 18,250	\$ 14,303	\$ 12,676	\$ 17,752	\$ 13,735
Sanitation	795,608	796,442	806,638	822,569	798,349	790,056	782,040	740,626	742,961	739,929
Total business-type activities program revenues	813,214	814,950	824,350	836,191	814,434	808,306	796,343	753,302	760,713	753,664
Total primary government program revenues	<u>\$ 2,724,165</u>	<u>\$ 5,777,732</u>	<u>\$ 6,661,483</u>	<u>\$ 2,418,655</u>	<u>\$ 2,169,112</u>	<u>\$ 3,416,681</u>	<u>\$ 3,043,518</u>	<u>\$ 2,332,778</u>	<u>\$ 5,449,362</u>	<u>\$ 3,053,066</u>
NET (EXPENSES)/REVENUES										
Governmental activities	\$(10,202,337)	\$(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	(6,137)	82,248	(264,661)	17,511	(37,267)	(15,209)	8,223	(142,178)	(184,880)	(57,634)
Total primary government net expenses	<u>\$(10,208,474)</u>	<u>\$(10,311,767)</u>	<u>\$(8,919,855)</u>	<u>\$(10,166,095)</u>	<u>\$(10,617,591)</u>	<u>\$(10,142,437)</u>	<u>\$(9,724,661)</u>	<u>\$(12,690,092)</u>	<u>\$(8,814,694)</u>	<u>\$(8,059,294)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS										
Governmental activities:										
Property taxes	\$ 4,374,135	\$ 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
Local sales tax	3,913,163	3,783,265	3,599,822	3,693,011	3,954,205	3,954,964	3,843,205	3,461,227	3,258,229	3,155,823
In lieu of taxes	1,007,421	998,026	985,411	966,521	865,380	859,276	798,491	790,124	781,919	758,546
Wholesale beer tax	510,549	498,443	489,083	476,121	478,869	470,952	448,861	441,654	417,443	398,986
Business tax	392,867	378,279	406,089	642,757	670,214	672,843	677,798	616,521	586,813	430,836
Franchise tax	154,429	151,724	144,908	140,271	138,113	131,983	121,968	118,597	105,298	97,884
Other local taxes	87,076	83,875	106,587	75,488	33,870	34,451	32,649	35,633	42,243	38,755
Intergovernmental revenues not restricted to specific programs	1,140,201	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
Insurance proceeds	8,330	-	35,539	107,703	-	-	-	-	15,900	-
Investment income	85,889	59,713	91,129	309,719	552,007	622,830	412,700	169,953	84,706	126,519
Gain (loss) on disposal of capital assets	-	23,255	(4,264)	12,804	-	-	31,007	24,967	31,959	22,951
Miscellaneous	65,286	98,637	49,260	89,024	79,103	67,911	72,368	79,639	104,314	65,042
Transfers	-	-	(195,000)	-	(251,090)	-	-	-	-	(36,604)
Total governmental activities	<u>11,739,346</u>	<u>11,655,652</u>	<u>11,252,635</u>	<u>12,067,873</u>	<u>12,073,751</u>	<u>12,534,545</u>	<u>11,856,123</u>	<u>10,840,813</u>	<u>10,512,577</u>	<u>10,185,829</u>

(continued)

Table 2
(continued)

CITY OF ATHENS, TENNESSEE
CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS
June 30, 2012
(Accrual Basis of Accounting)
(continued)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
GENERAL REVENUES AND OTHER										
CHANGES IN NET ASSETS										
Business-type activities:										
Investment income	\$ 6,524	\$ 2,489	\$ 4,763	\$ 21,611	\$ 32,461	\$ 28,199	\$ 19,327	\$ 12,015	\$ 5,449	\$ 7,317
Gain on disposal of capital assets	25,000	-	34,040	1,111	5,033	-	-	13,433	-	-
Miscellaneous	24,645	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	56,169	18,329	239,788	27,188	295,382	35,939	24,284	30,564	9,056	53,808
Total primary government	<u>\$ 11,795,515</u>	<u>\$ 11,673,981</u>	<u>\$ 11,492,423</u>	<u>\$ 12,095,061</u>	<u>\$ 12,369,133</u>	<u>\$ 12,570,484</u>	<u>\$ 11,880,407</u>	<u>\$ 10,871,377</u>	<u>\$ 10,521,633</u>	<u>\$ 10,239,637</u>
GOVERNMENTAL ACTIVITIES										
Prior period adjustments and restatements	<u>\$ -</u>	<u>\$ 691,382</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,147</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,911,050)</u>	<u>\$ 266,024</u>	<u>\$ -</u>
CHANGES IN NET ASSETS										
Governmental activities	\$ 1,537,009	\$ 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	50,032	100,577	(24,873)	44,699	258,115	20,730	32,507	(111,614)	(175,824)	(3,826)
Total primary government	<u>\$ 1,587,041</u>	<u>\$ 1,362,214</u>	<u>\$ 2,572,568</u>	<u>\$ 1,928,966</u>	<u>\$ 1,762,689</u>	<u>\$ 2,428,047</u>	<u>\$ 2,155,746</u>	<u>\$ (3,729,765)</u>	<u>\$ 1,972,963</u>	<u>\$ 2,180,343</u>

Source: Comprehensive Annual Financial Reports

CITY OF ATHENS, TENNESSEE
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
June 30, 2012
(Modified Accrual Basis of Accounting)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
GENERAL FUND										
Nonspendable	\$ 391,001	\$ 391,570	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reserved	-	-	288,287	324,773	388,372	468,185	320,513	208,339	153,069	361,522
Restricted	152,520	154,782	-	-	-	-	-	-	-	-
Committed	18,317	17,491	-	-	-	-	-	-	-	-
Assigned	32,000	2,175	-	-	-	-	-	-	-	-
Unassigned	7,671,422	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	<u>\$8,265,260</u>	<u>\$ 9,053,850</u>	<u>\$ 7,934,054</u>	<u>\$ 8,010,890</u>	<u>\$ 7,407,126</u>	<u>\$ 7,401,161</u>	<u>\$ 7,163,465</u>	<u>\$ 5,426,634</u>	<u>\$ 4,257,480</u>	<u>\$3,817,023</u>
ALL OTHER GOVERNMENTAL FUNDS										
Nonspendable	\$ 47,283	\$ 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	364,155	337,266	-	-	-	-	-	-	-	-
Committed	2,590,360	2,594,053	-	-	-	-	-	-	-	-
Assigned	3,554,467	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	<u>\$6,556,265</u>	<u>\$ 6,462,487</u>	<u>\$ 7,924,813</u>	<u>\$ 6,698,586</u>	<u>\$ 6,582,278</u>	<u>\$ 5,069,982</u>	<u>\$ 3,325,045</u>	<u>\$ 3,006,594</u>	<u>\$ 3,910,031</u>	<u>\$4,148,029</u>

NOTE 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.

Source: Comprehensive Annual Financial Reports

CITY OF ATHENS, TENNESSEE
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
June 30, 2012
(Modified Accrual Basis of Accounting)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
REVENUES										
Property taxes	\$ 4,368,696	\$ 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	6,065,506	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	2,341,673	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	251,520	184,670	179,586	247,268	275,138	288,732	284,489	291,779	267,159	279,137
Fines and forfeitures	458,960	476,019	490,613	517,846	456,715	607,385	624,310	537,985	324,137	320,501
Investment and interest income	74,728	55,374	80,737	266,346	444,168	526,025	347,647	140,539	70,785	107,460
Miscellaneous	71,692	98,638	84,799	194,768	79,103	68,180	109,842	120,649	104,313	64,289
Total revenues	<u>13,632,775</u>	<u>16,581,603</u>	<u>17,401,073</u>	<u>13,723,638</u>	<u>14,068,055</u>	<u>15,351,696</u>	<u>14,009,226</u>	<u>12,397,231</u>	<u>13,885,220</u>	<u>12,118,597</u>
EXPENDITURES										
General government	2,331,668	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	4,608,530	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	2,118,202	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	891,780	775,601	776,659	877,987	878,867	809,515	847,650	823,538	803,238	839,221
Education	2,108,268	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	109,349	96,879	100,491	97,033	93,074	99,383	89,069	84,158	79,462	82,706
Capital outlay	1,451,621	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	683,000	662,000	605,300	581,200	558,300	536,500	415,700	395,900	712,600	669,900
Interest and fiscal charges	33,938	61,531	63,175	124,260	254,003	326,030	259,020	148,652	62,167	104,269
Total expenditures	<u>14,336,356</u>	<u>16,925,219</u>	<u>16,254,851</u>	<u>13,008,030</u>	<u>12,581,425</u>	<u>14,246,063</u>	<u>12,659,637</u>	<u>14,948,477</u>	<u>15,712,009</u>	<u>11,886,428</u>
REVENUES OVER (UNDER)										
EXPENDITURES	<u>(703,581)</u>	<u>(343,616)</u>	<u>1,146,222</u>	<u>715,608</u>	<u>1,486,630</u>	<u>1,105,633</u>	<u>1,349,589</u>	<u>(2,551,246)</u>	<u>(1,826,789)</u>	<u>232,169</u>

(continued)

CITY OF ATHENS, TENNESSEE
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
June 30, 2012
(Modified Accrual Basis of Accounting)
(continued)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
OTHER FINANCING SOURCES (USES)										
Proceeds from issuance of debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 877,000	\$ 606,000	\$ 2,814,500	\$ 2,002,500	\$ -
Proceeds from the sale of capital assets	439	1,086	3,169	4,464	20,484	-	17,143	2,463	26,748	70,018
Insurance proceeds	8,330	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	(36,604)
Total other financing resources	8,769	1,086	3,169	4,464	20,484	877,000	623,143	2,816,963	2,029,248	33,414
NET CHANGE IN FUND BALANCES	<u>\$ (694,812)</u>	<u>\$ (342,530)</u>	<u>\$ 1,149,391</u>	<u>\$ 720,072</u>	<u>\$ 1,507,114</u>	<u>\$ 1,982,633</u>	<u>\$ 1,972,732</u>	<u>\$ 265,717</u>	<u>\$ 202,459</u>	<u>\$ 265,583</u>
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	5.56%	5.90%	5.72%	5.69%	6.49%	6.57%	5.54%	4.02%	5.58%	7.11%

Source: Comprehensive Annual Financial Reports

CITY OF ATHENS, TENNESSEE
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
June 30, 2012

Fiscal Year	Real Property	Personal Property	Public Utility Property	Total Taxable Assessed Value	Estimated Market Value	City Property Tax Rate	Taxable Assessed Value as a % of Actual Taxable Value
2003 (1)	\$ 218,886,984	\$ 91,337,810	\$ 7,210,349	\$317,435,143	\$ 1,005,090,291	1.2900	31.6
2004	221,724,324	90,276,371	7,765,595	319,766,290	1,010,933,001	1.2900	31.6
2005	220,031,620	92,600,618	7,613,415	320,245,653	1,051,808,986	1.2900	30.4
2006	225,972,809	98,373,977	7,202,231	331,549,017	1,088,679,712	1.2900	30.5
2007	236,032,655	82,069,030	6,498,177	324,599,862	1,088,471,535	1.2900	29.8
2008 (1)	274,126,065	101,817,455	8,195,180	384,138,700	1,222,784,857	1.1147	31.4
2009	287,546,237	106,163,376	7,321,785	401,031,398	1,251,838,522	1.1147	32.0
2010	296,151,030	103,168,031	7,124,829	406,443,890	1,281,162,243	1.1147	31.7
2011	291,508,161	97,604,734	7,867,087	396,979,982	1,263,211,877	1.1147	31.4
2012	297,938,950	88,125,866	6,984,848	393,049,664	1,237,942,071	1.1147	31.8

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, 2012**

<u>Tax Year</u>	<u>City (Direct Rate)</u>	<u>County (Overlapping Rate)</u>	<u>Total</u>
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)	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
2012	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, 2012**

2012				2003			
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	\$ 50,407,713	12.7	Denso Tennessee, Inc.	Automotive parts manufacturer	\$ 41,782,120	13.2
Johnson Controls, Inc.	Automotive seating manufacturer	9,835,904	2.5	Johnson Controls, Inc.	Automotive seating manufacturer	10,456,491	3.3
Dean Foods/Mayfield Dairy Farms, Inc.	Dairy products	9,021,500	2.3	Collins and Aikman	Automotive parts manufacturer	9,933,894	3.1
Plastic Industries, Inc.	Plastic component manufacturer	8,524,163	2.1	Mayfield Dairy Farms, Inc.	Dairy products	8,487,015	2.7
Athens Regional Medical Center/Lifepoint	Healthcare	8,255,642	2.1	Thomas & Betts	Electrical component	6,131,230	1.9
Thomas & Betts	Electrical component	5,811,344	1.5	Columbia Regional Medical Center	Healthcare	5,351,822	1.7
Walmart	Retail	4,471,500	1.1	Bell South	Telephone company	4,630,566	1.5
E & E Manufacturing	Automotive parts	3,637,857	0.9	Plastic Industries, Inc.	Plastic products manufacturer	3,597,391	1.1
Centro New Plan of Tennessee	Real estate investment	3,115,280	0.8	New Plan of Tennessee	Real estate investment	3,025,440	1.0
Bell South	Telephone company	3,002,990	0.8	A.O. Smith Corporation	Appliance manufacturer	2,891,177	0.9

NOTE: Total assessed valuations for 2012 and 2003 are \$393,049,664 and \$317,435,143, respectively.

Source: Official records of the Department of Finance

Table 8

CITY OF ATHENS, TENNESSEE
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
June 30, 2012
(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
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	153,307	4,161,149	99.63
2009	4,344,661	4,097,097	94.30	185,958	4,283,055	98.58
2010	4,440,776	4,179,963	94.13	228,203	4,408,166	99.27
2011	4,500,601	4,223,936	93.85	158,884	4,382,820	97.38
2012	4,399,152	4,149,785	94.33	-	4,149,785	94.33

Source: Official records of Department of Finance

CITY OF ATHENS, TENNESSEE
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
June 30, 2012

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Notes Payable</u>	<u>Total Primary Government</u>	<u>Percentage of Personal Income</u>	<u>Per Capita</u>
2003	\$ 655,000	\$ 2,750,500	\$ 3,405,500	1.53	\$ 255
2004	-	4,695,400	4,695,400	2.11	352
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	523
2009	-	6,505,300	6,505,300	2.27	462
2010	-	5,900,000	5,900,000	2.06	413
2011	-	5,238,000	5,238,000	1.80	389
2012	-	4,555,000	4,555,000	1.85	338

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, 2012

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				
2003	\$ 655,000	\$ 2,750,500	\$ 3,405,500	\$ 1,180,621	\$ 2,224,879	1.07	\$ 225
2004	-	4,695,400	4,695,400	1,210,045	3,485,355	1.47	352
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	523
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	413
2011	-	5,238,000	5,238,000	3,473,885	1,764,115	1.32	389
2012	-	4,555,000	4,555,000	3,554,467	1,000,533	1.16	338

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, 2012

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
McMinn County (debt repaid with property taxes)	\$ -	- %	\$ -
City of Athens (direct debt)	4,815,116	100	4,815,116
Total direct and overlapping debt			<u>\$ 4,815,116</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, 2012**

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, 2012**

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, 2012

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Median Age</u>	<u>School Enrollment</u>	<u>Civilian Labor Force</u>	<u>Unemployment Rate</u>
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
2012	13,458	245,729,622	18,259	39.1	1,494	10,419	10.00

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

**CITY OF ATHENS, TENNESSEE
PRINCIPAL EMPLOYERS
CURRENT FISCAL YEAR AND NINE YEARS AGO
June 30, 2012**

2012			2003		
Employer	Taxable Employees	Percentage of Total City Employment	Employer	Taxable Employees	Percentage of Total City Employment
Manufacturers Industrial Group	992	9.75	Denso Tennessee, Inc.	800	8.15
Denso Tennessee, Inc.	900	8.85	Johnson Controls, Inc.	730	7.44
McMinn Co. Board of Education	689	6.77	Collins & Aikman	595	6.06
Heil Trailer, International	475	4.67	McMinn Co. Board of Education	510	5.19
Dean Foods/Mayfield Dairy Farms, Inc.	390	3.83	Mayfield Dairy Farms, Inc.	500	5.09
Walmart	359	3.53	Athens Products	300	3.06
Athens Regional Medical Center	305	3.00	Thomas & Betts	300	3.06
Thomas & Betts	295	2.90	Heil Trailer, International	280	2.85
Dynasty Spas	220	2.16	Plastic Industries, Inc.	250	2.55
Mills Products	175	1.72	Texas Hydraulics	175	1.78
	<u>4,800</u>	<u>47.18</u>		<u>4,440</u>	<u>45.23</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 TEN FISCAL YEARS
June 30, 2012

Function/Program	Full-Time Equivalent Employees as of June 30									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
City Manager	2	2	2	2	2	2	2	2	2	2
Finance	5	5	5	5	5	5	5	5	5	5
Human Resources	2	2	2	2	2	2	2	2	2	2
Purchasing	2	2	2	2	2	2	2	1	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	4
Police	34	34	34	34	35	33	33	33	33	33
Fire	22	21	21	22	21	22	22	23	22	22
Parks and Recreation	10	10	10	10	10	10	10	10	10	10
Public Works	36	36	36	36	36	36	34	32	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>	<u>111</u>

Source: City Finance Department

CITY OF ATHENS, TENNESSEE
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
June 30, 2012

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental Activities:										
Community Development										
Number of building permits	561	627	585	517	507	501	389	49	353	382
Police										
Number of arrests	1,168	895	1,155	1,180	1,133	1,040	1,341	1,422	1,497	1,488
Number of traffic citations issued	3,416	6,061	6,852	5,815	5,399	5,177	6,026	6,281	5,808	7,431
Fire										
Total calls	403	431	430	379	414	369	432	510	528	520
Inspections	397	401	403	281	279	270	490	795	764	924
Business-type Activities:										
Conference Center										
Rentals	81	78	79	111	92	147	133	112	86	115

Source: Various City Departments

Table 18

CITY OF ATHENS, TENNESSEE
INFRASTRUCTURE STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS
June 30, 2012

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	13	13	14	14	14	15	15	14	15	15
Fire:										
Stations	2	2	2	2	2	2	2	2	2	2
Fire trucks	6	6	6	6	6	6	6	6	6	6
Parks and recreation:										
Parks	10	10	10	10	10	10	10	10	10	10
Park acreage	233	233	233	233	233	233	233	233	233	233
Tennis courts	13	13	13	13	13	13	13	13	13	13
Softball fields	5	5	5	5	5	5	5	5	5	5
Baseball fields	3	3	3	3	3	3	3	3	3	3
Conference center	1	1	1	1	1	1	1	1	1	1
Soccer fields	3	3	3	3	3	3	3	3	3	3
Public works:										
Streets (miles)	125	125	125	126	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	824,360
New traffic signals	-	-	2	1	2	-	3	1	-	-

Source: Various City Departments

CITY OF ATHENS, TENNESSEE
SCHEDULE OF BONDS OF PRINCIPAL OFFICIALS
June 30, 2012

Name	Office	Amount of Bond
R. Hal Buttram	Mayor	\$ 150,000
William Bo Perkinson	Vice-Mayor	150,000
Ann Davis	Council Member	150,000
Shane Jackson	Council Member	150,000
Dick Pelley	Council Member	150,000
Mitchell B. Moore	City Manager	150,000
Michael L. Keith, CPA	Finance Director/CMFO designee	250,000

SINGLE AUDIT SECTION

CITY OF ATHENS, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Accrued (Deferred) Grant Revenues July 1, 2011	Grant Revenues Received	Expenditures	Miscellaneous Revenues, Refunds, and Adjustments	Accrued (Deferred) Grant Revenues June 30, 2012
PRIMARY GOVERNMENT:							
<u>FEDERAL AWARDS:</u>							
U.S. DEPARTMENT OF TRANSPORTATION							
Passed through TN Department of Transportation:							
Governor's Highway Safety Office:							
Safe Roads for Athens	20.607	Z-12-GHS0-13	\$ -	\$ 6,102	\$ 8,024	\$ -	\$ 1,922
Safe Roads for Athens	20.607	Z-09-214579-00	15,102	14,079	-	1,023	-
Highway Planning and Construction Cluster:							
Roadscapes Project - I-75 Exit 49 Interchange							
Beautification	20.205	STP-EN-IE-75-1(125)	47,501	42,832	-	4,669	-
			62,603	63,013	8,024	5,692	1,922
U.S. DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT							
EECBG Energy Efficiency Grant - Recovery Act	81.128	GG-11-33997-00	21,625	61,912	40,287	-	-
U.S. DEPARTMENT OF JUSTICE							
Byrne Justice Assistance Grant	16.738	2011-DJ-BX-3269	-	11,380	11,380	-	-
U.S. DEPARTMENT OF HOMELAND SECURITY							
Passed through TN Emergency Management Agency:							
Disaster Grants - Public Assistance	97.036	FEMA-1974-DR-TN	21,091	21,091	-	-	-
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT							
Passed through TN Department of Economic and							
Community Development:							
2009 CDBG Athens Sewer System Improvements	14.218	GG-10-31413-00	-	-	500,000	-	500,000
U.S. ENVIRONMENTAL PROTECTION AGENCY							
Passed through TN Department of Agriculture:							
North Mouse Creek Restoration Grant	66.460	C9994674-09-0	26,366	-	113,050	-	139,416
Passed through TN Department of Environment and							
Conservation:							
Capitalization Grants for Clean Water State Revolving Funds	66.458	CWA 2009-242	124,300	124,300	-	-	-
Loan (ARRA)	66.458	CWA 2009-242	24,860	24,860	-	-	-
Principal Forgiveness (ARRA)	66.458	CWA 2009-242	99,441	99,441	-	-	-
			274,967	248,601	113,050	-	139,416

(continued)

CITY OF ATHENS, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2012

(continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Accrued (Deferred) Grant Revenues July 1, 2011	Grant Revenues Received	Expenditures	Miscellaneous Revenues, Refunds, and Adjustments	Accrued (Deferred) Grant Revenues June 30, 2012
PRIMARY GOVERNMENT (continued):							
<u>FEDERAL AWARDS (continued):</u>							
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>430,286</u>	<u>455,997</u>	<u>672,741</u>	<u>5,692</u>	<u>641,338</u>
 <u>STATE AWARDS:</u>							
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-12-35548-00	-	1,000	1,000	-	-
Tennessee Department of Environment and Conservation:							
Local Park and Recreation Fund Grant	N/A	GG-11-3469-00	-	12,000	55,095	-	43,095
Tennessee Wildlife Resource Agency	N/A	Z-08-200971-00	1,000	1,000	-	-	-
Total State Awards			<u>101,000</u>	<u>114,000</u>	<u>56,095</u>	<u>-</u>	<u>43,095</u>
Total Primary Government			<u>\$ 531,286</u>	<u>\$ 569,997</u>	<u>\$ 728,836</u>	<u>\$ 5,692</u>	<u>\$ 684,433</u>

(continued)

CITY OF ATHENS, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2012
(continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Accrued (Deferred) Grant Revenues July 1, 2011	Grant Revenues Received	Expenditures	Other	Accrued (Deferred) Grant Revenues June 30, 2012
COMPONENT UNIT - ATHENS CITY BOARD OF EDUCATION:							
<u>FEDERAL AWARDS</u>							
U.S. DEPARTMENT OF AGRICULTURE							
Passed through the TN Department of Agriculture:							
Food Distribution	10.555	N/A	\$ -	\$ 55,456	\$ 55,456	\$ -	\$ -
Passed through the TN Department of Human Services:							
Child and Adult Food Care Program	10.558	N/A	-	3,684	3,684	-	-
Child and Adult Food Care Program	10.558	N/A	-	48,692	48,692	-	-
Passed through the TN Department of Education:							
Child Nutrition Cluster:							
National School Lunch Program	10.555	N/A	-	476,002	476,002	-	-
School Breakfast Program	10.553	N/A	-	177,938	177,938	-	-
Summer Food Service Program for Children	10.559	N/A	156,545	155,035	180,819	-	182,329
			<u>156,545</u>	<u>916,807</u>	<u>942,591</u>	<u>-</u>	<u>182,329</u>
U.S. DEPARTMENT OF EDUCATION							
Impact Aid	84.041	N/A	-	3,755	3,755	-	-
Passed through the TN Department of Education:							
Special Education Cluster:							
Special Education - Grants to States	84.027	N/A	(478)	305,129	348,376	-	42,769
Special Education - Preschool Grants	84.173	N/A	-	15,033	19,190	-	4,157
Title I Cluster:							
Title I Grants to Local Educational Agencies	84.010	N/A	(2,625)	457,695	540,463	3,165	76,978
Title I Grants to Local Educational Agencies - Recovery Act	84.389	N/A	(2,893)	-	-	(2,893)	-
Improving Teacher Quality - State Grants	84.367	N/A	(10,015)	104,643	116,090	-	1,432
Education Technology Cluster:							
Education Technology State Grants	84.318	N/A	(79)	501	496	-	(84)
Education Technology State Grants - Recovery Act	84.386	N/A	(60)	706	699	(67)	-
Safe and Drug-Free Schools and Communities - State Grants	84.186	N/A	130	-	-	-	130
Rural Education Achievement Program	84.358	N/A	(260)	30,113	34,538	-	4,165
English Language Acquisition Grants	84.162	N/A	(289)	24,330	27,037	-	2,418
Education for Homeless Children and Youth - Recovery Act	84.387	N/A	(205)	-	-	(205)	-
Career Ladder Extended Contract		N/A	-	47,757	47,757	-	-
State Fiscal Stabilization Fund - Education State Grants -							
Recovery Act Cluster:							
Coordinated School Health Program Grants - Recovery Act	84.394	N/A	38,468	38,468	-	-	-
Family Resource Grant - Recovery Act	84.394	09-11950	35,446	35,446	-	-	-
Career Ladder Extended Contract Grant - Recovery Act	84.394	N/A	1,167	1,167	-	-	-
Safe Schools Grant - Recovery Act	84.394	N/A	8,500	8,500	-	-	-

(continued)

CITY OF ATHENS, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2012
(continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Accrued (Deferred) Grant Revenues July 1, 2011	Grant Revenues Received	Expenditures	Other	Accrued (Deferred) Grant Revenues June 30, 2012
U.S. DEPARTMENT OF EDUCATION (continued)							
Passed through the TN Department of Education: (continued)							
Education Jobs Fund	84.410	N/A	\$ 17,573	\$ 147,389	\$ 129,816	\$ -	\$ -
Race to the Top Early Learning Challenge	84.412	N/A	1,019	218,916	222,701	-	4,804
			85,399	1,439,548	1,490,918	-	136,769
TOTAL FEDERAL AWARDS - ATHENS BOARD OF EDUCATION			<u>241,944</u>	<u>2,356,355</u>	<u>2,433,509</u>	<u>-</u>	<u>319,098</u>
STATE AWARDS							
Early Childhood Education - Lottery		N/A	249,902	627,463	636,032	-	258,471
Rural Technology Assistance Grant		GG1030053	17,738	17,738	-	-	-
Safe Schools 21st Century		N/A	48,433	204,515	235,937	-	79,855
TOTAL STATE AWARDS - ATHENS BOARD OF EDUCATION			<u>316,073</u>	<u>849,716</u>	<u>871,969</u>	<u>-</u>	<u>338,326</u>
TOTAL COMPONENT UNIT			<u>\$ 558,017</u>	<u>\$ 3,206,071</u>	<u>\$ 3,305,478</u>	<u>\$ -</u>	<u>\$ 657,424</u>
COMPONENT UNIT - ATHENS UTILITIES BOARD							
FEDERAL AWARDS:							
U.S. DEPARTMENT OF ENVIRONMENT AND CONSERVATION							
Passed through TN Department of Environment and Conservation							
Oostanaula Creek Stream Enhancement Planning Study	66.454	N/A	\$ -	\$ -	\$ 70,500	\$ -	\$ 70,500
U.S. DEPARTMENT OF HOMELAND SECURITY							
Passed through TN Emergency Management Agency:							
Disaster Grants - Public Assistance	97.036	FEMA-1839-DR-TN	27,777	12,515	-	15,262	-
Disaster Grants - Public Assistance	97.036	FEMA-1974-DR-TN	59,414	-	-	832	58,582
			87,191	12,515	-	16,094	58,582
TOTAL FEDERAL AWARDS - ATHENS UTILITIES BOARD			<u>\$ 87,191</u>	<u>\$ 12,515</u>	<u>\$ 70,500</u>	<u>\$ 16,094</u>	<u>\$ 129,082</u>

CITY OF ATHENS, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2012

(continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Accrued (Deferred) Grant Revenues July 1, 2011	Grant Revenues Received	Expenditures	Miscellaneous Revenues, Refunds, and Adjustments	Accrued (Deferred) Grant Revenues June 30, 2012
SUMMARY OF PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNITS:							
Total Federal Awards			\$ 759,421	\$ 2,824,867	\$ 3,176,750	\$ 21,786	\$ 1,089,518
Total State Awards			417,073	963,716	928,064	-	381,421
TOTAL AWARDS			<u><u>\$ 1,176,494</u></u>	<u><u>\$ 3,788,583</u></u>	<u><u>\$ 4,104,814</u></u>	<u><u>\$ 21,786</u></u>	<u><u>\$ 1,470,939</u></u>

Note 1: The City received federal awards which made it subject to audit under OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations" for the year ended June 30, 2012. 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, 2012. 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, 2012. 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.

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, 2012, which collectively comprise the City of Athens, Tennessee's basic financial statements and have issued our report thereon dated December 19, 2012. 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

Management of the City of Athens, Tennessee, is responsible for establishing and maintaining effective 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 October 19, 2012, 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 October 19, 2012, 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 7, 2012, 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 7, 2012, 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, Souter, & McConnell, P.C.

Chattanooga, Tennessee
December 19, 2012

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, 2012. 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, 2012.

Internal Control Over Compliance

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 7, 2012, 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, 2012.

Internal Control Over Compliance

Our separate component unit report dated December 7, 2012, 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 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.

Neil, S. Conter, i McConnell, P.C.

Chattanooga, Tennessee
December 19, 2012

CITY OF ATHENS, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2012

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>
	14.218	2009 CDBG Athens Sewer System Improvements

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

Auditee qualified as low risk auditee? X yes no

(continued)

CITY OF ATHENS, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2012
(continued)

Questioned
Costs

SECTION II - FINANCIAL STATEMENT FINDINGS

NONE REPORTED

SECTION III - FEDERAL AWARDS

NONE REPORTED

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