

City of Athens, Tennessee



*Comprehensive Annual
Financial Report*

For The Year Ended June 30, 2013

CITY OF ATHENS, TENNESSEE

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**FOR THE YEAR ENDED
JUNE 30, 2013**

**Prepared by:
Department of Finance**

CONTENTS

| | <u>Page No.</u> |
|--|-----------------|
| INTRODUCTORY SECTION | |
| Letter of Transmittal | A-1 - A-4 |
| GFOA Certificate of Achievement | A-5 |
| Organizational Chart | A-6 |
| List of Principal Officials | A-7 |
| FINANCIAL SECTION | |
| REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON FINANCIAL STATEMENTS | 1-3 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS | B-1 - B-9 |
| BASIC FINANCIAL STATEMENTS | |
| Government-wide Financial Statements: | |
| Statement of net position | 4 |
| Statement of activities | 5 |
| Fund Financial Statements: | |
| Balance sheet - governmental funds | 6 |
| Reconciliation of the governmental funds balance sheet to the statement of net position | 7 |
| Statement of revenues, expenditures and changes in fund balances - governmental funds | 8 |
| Reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities | 9 |
| Statement of revenues, expenditures and changes in fund balance - budget and actual - General Fund | 10-13 |
| Statement of revenues, expenditures and changes in fund balance – budget and actual - General Purpose School Fund | 14 |
| Statement of net position - proprietary funds | 15 |
| Statement of revenues, expenses and changes in fund net position - proprietary funds | 16 |
| Statement of cash flows - proprietary funds | 17 |
| Statement of fiduciary net position - Athens Pension Trust Fund - fiduciary fund | 18 |
| Statement of changes in fiduciary net position - Athens Pension Trust Fund - fiduciary fund | 19 |
| Notes to financial statements | 20-57 |

REQUIRED SUPPLEMENTAL INFORMATION

| | |
|---|----|
| Schedule of funding progress and schedule of employer contributions - pension plan | 58 |
| Schedule of funding progress Board of Education Employee Retirement Plan | 59 |
| Schedule of funding progress Board of Education Teacher Group Plan | 60 |

SUPPLEMENTAL INFORMATION

| | |
|--|----|
| Combining balance sheet - nonmajor governmental funds | 61 |
| Combining statement of revenues, expenditures and changes in fund balance - nonmajor governmental funds | 62 |
| Budgetary comparison schedule - Debt Service Fund | 63 |
| Budgetary comparison schedule - Drug Fund | 64 |
| Budgetary comparison schedule - Federal Projects Fund | 65 |
| Budgetary comparison schedule - Centralized Cafeteria Fund | 66 |
| Combining statement of net position - Internal Service Funds | 67 |
| Combining statement of revenues, expenditures and changes in fund net position - Internal Service Funds | 68 |
| Combining statement of cash flows - Internal Service Funds | 69 |

Schedule No.**FINANCIAL SCHEDULES**

| | | |
|---|---|-------|
| Schedule of uncollected delinquent taxes filed - last ten years | 1 | 70 |
| Schedule of changes in property taxes receivable | 2 | 71 |
| Schedule of investments | 3 | 72-80 |
| Schedule of debt service requirements | 4 | 81 |
| Schedule of expenditures of federal and state awards | 5 | 82-85 |

Table No.**STATISTICAL SECTION**

| | | |
|---|----|-------|
| Net position by component - last ten fiscal years | 1 | 86 |
| Changes in net position - last ten fiscal years | 2 | 87-89 |
| Fund balances, governmental funds - last ten fiscal years | 3 | 90 |
| Changes in fund balances, governmental funds - last ten fiscal years | 4 | 91-92 |
| Assessed and estimated actual value of taxable property - last ten fiscal years | 5 | 93 |
| Direct and overlapping property tax rates - last ten fiscal years | 6 | 94 |
| Principal property taxpayers - current fiscal year and nine years ago | 7 | 95 |
| Property tax levies and collections - last ten fiscal years | 8 | 96 |
| Ratio of outstanding debt by type - last ten fiscal years | 9 | 97 |
| Ratio of general debt outstanding - last ten fiscal years | 10 | 98 |
| Direct and overlapping governmental activities debt | 11 | 99 |

| | | |
|---|----|-----|
| Legal debt margin information - last ten fiscal years | 12 | 100 |
| Pledged revenue coverage - last ten fiscal years | 13 | 101 |
| Demographic and economic statistics - last ten fiscal years | 14 | 102 |
| Principal employers - current fiscal year and nine years ago | 15 | 103 |
| Full-time equivalent city government employees by function/program - last ten fiscal years | 16 | 104 |
| Operating indicators by function/program - last ten fiscal years | 17 | 105 |
| Infrastructure statistics by function - last ten fiscal years | 18 | 106 |
| Schedule of bonds of principal officials | 19 | 107 |

OTHER REPORTS SECTION

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

108-109

INTRODUCTORY SECTION

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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, 2013.

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, 2013, 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, 2013, 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.

The City was not required to undergo a single audit for the year ended June 30, 2013 as prescribed by the provisions of U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments and Non-Profit Organizations*.

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 approves the annual budget, debt issues and provides significant funding for the Athens City Schools, which requires the inclusion of these activities in the financial statements. The governing body appoints the Athens Utilities Board and 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.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Athens operates.

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 completed an expansion of its local plant and Dunham's Sports opened a new retail store during the current year. Denso began an expansion of its local plant and HP Pelzer Automotive Systems began construction on a facility to produce insulators and molded carpet products for the automobile industry. These two additions will result in approximately 300 new jobs.

The unemployment rate has varied over the past decade. In 2004, the rate was 5.9 percent, with the highest rate being 14.9 percent in 2009 and the lowest rate being 4.9 percent in 2007. The rate was 9.9 percent for June 2013.

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 year ended June 30, 2012. The current year resulted in an increase in the unassigned fund balance. 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 and participating with McMinn County for the purchase of several miles of abandoned rail line from CSX. The City and County will each contribute \$30,000 toward the purchase and grant funds will provide the remaining amount (\$240,000) needed for the purchase. The City completed the installation of solar panels in January 2013 which will generate electricity to be sold. This will produce \$60,000 annually and repay the City its investment within five years. The funds will be used to pay for energy efficient projects, reducing the future energy costs and providing a recurring source of revenue for a minimum of twenty years so that City buildings will be maintained properly.

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 and the 2013-2014 budget increased expenditures by 3 percent. Much of the increases have been to fund education. 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 2013-2014 budget, the City used approximately \$460,000 of its general fund reserves primarily due to increased public education funding for Athens City Schools.

Major Initiatives

Several transportation-related projects are expected to begin or continue during the next several years. The state will be using federal highway funds and matching city dollars to pave many of the arterial collector streets. The state is in the process of widening Highway 30 between Athens and Etowah to a four lane highway. 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.

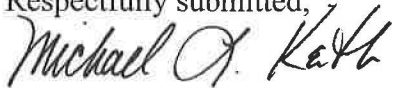
Awards and Acknowledgements

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, 2012. This was the twenty-first 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

January 3, 2014



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

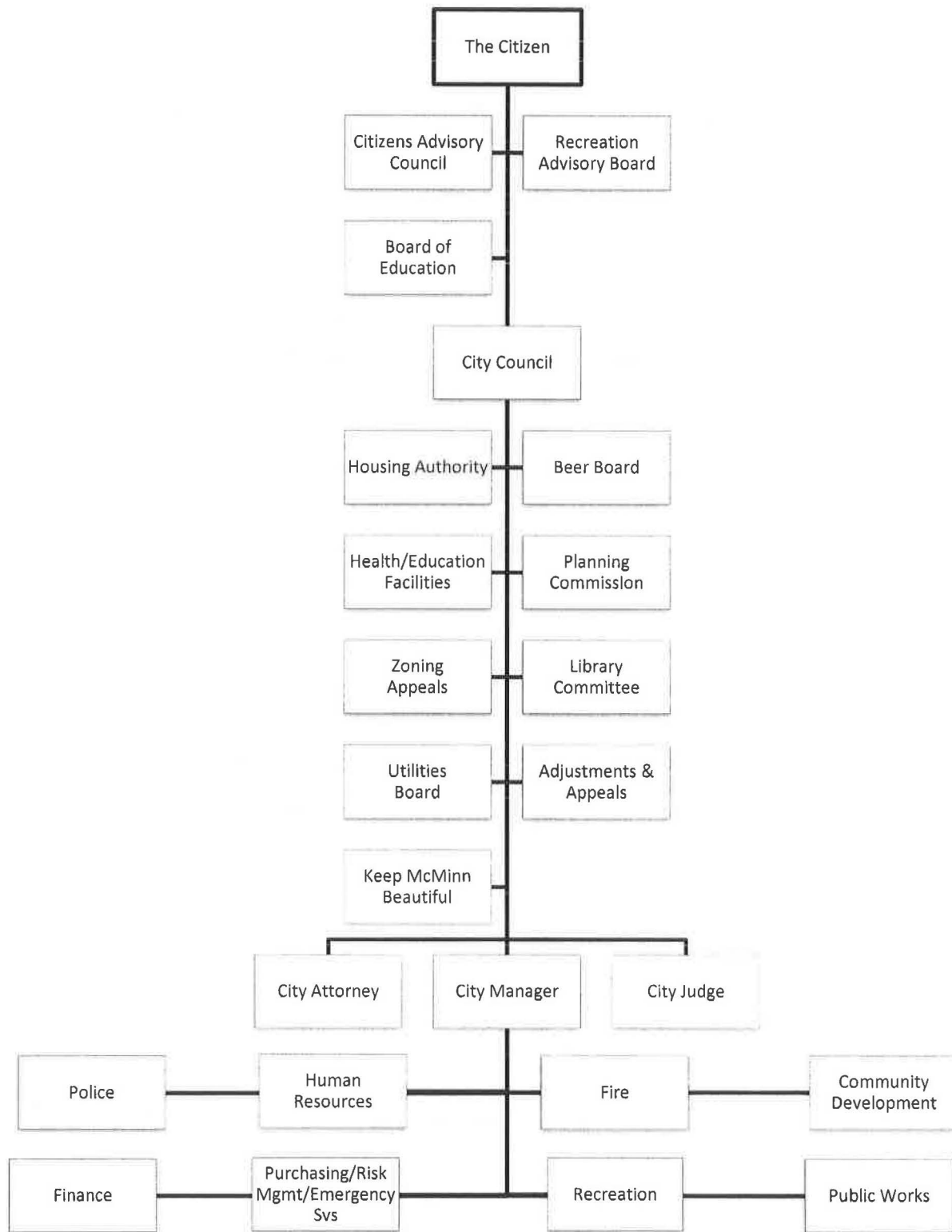
Presented to

**City of Athens
Tennessee**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO



CITY OF ATHENS, TENNESSEE
LIST OF PRINCIPAL OFFICIALS
June 30, 2013

City of Athens

R. Hal Buttram
Ann Davis
William Bo Perkinson
Dick Pelley
Chuck Burris

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 Lindsey
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
Dr. Preston Brown
Dr. Amy Sullins
Alf Hacker

Chairman
Vice-Chairman
Secretary
Treasurer
Board Member
Board Member

Robert Greene
Becky Simpson
Ray Grant
Janey Morris
Yvonne Raper
Eddie Arnold
Dawn Zollner

Director of Schools
Supervisor of Instruction
Supervisor of Transportation
Supervisor of Exceptional Learning
Supervisor of Food Services
Supervisor of Maintenance
Financial Administrator

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Athens, Tennessee, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 unit, each major fund, and the aggregate remaining fund information of the City of Athens, Tennessee, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the General Purpose School Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 11 to the financial statements, in 2013, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 61 "The Financial Reporting Entity: OMNIBUS". Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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 pages 58-60 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Athens, Tennessee's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements on pages 61-62, the budgetary comparison schedules on pages 63-66, combining and individual internal service fund financial statements on pages 67-69, the statistical section and the financial schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the budgetary comparison schedules, combining and individual internal service fund financial statements, and the financial schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 3, 2014, 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 in considering the City of Athens, Tennessee's internal control over financial reporting and compliance.

Neal, Scouten ; McConnell, P.C.

Chattanooga, Tennessee
January 3, 2014

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City of Athens, Tennessee
Management's Discussion and Analysis
June 30, 2013

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, 2013. 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, 2013 by \$42,608,998 (net position). Of this amount, \$23,025,262 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- Net position increased by \$792,070, an increase of 2% compared to fiscal year 2012. The City of Athens' changes in net position is detailed in the chart on page B-5 of this report. Total revenues decreased \$31,194, primarily due to a decrease in property taxes. Expenses increased \$1,224,966 primarily due to education expenses.
- The City's property tax rate remained the same at \$1.1147 per hundred dollars of assessment.
- The City's residential sanitation fee increased to \$8.50 per month.
- As of the close of the current fiscal year, the City of Athens' governmental funds reported combined ending fund balances of \$18,671,954.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$7,854,881 or 77.8% of total General Fund expenditures. Expenditures do not include transfers to other funds, which totaled \$3,118,869 in the City's General Fund. The percentage drops to 59.4% if transfers are included with the total expenditures. 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.
- The City implemented Governmental Accounting Standards Board (GASB) Statements 61 and 63. This is described in more detail in Note 11 of the financial statements.

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

City of Athens, Tennessee
Management's Discussion and Analysis
June 30, 2013

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes 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) and the Athens Board of Education, but also the legally separate entity 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 4-5 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 nine 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 General Purpose School Fund, the Capital

City of Athens, Tennessee
Management's Discussion and Analysis
June 30, 2013

Improvement Fund and the Debt Service Fund, which are considered to be major funds. Data from the other five governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining and individual statements later in this report beginning on page 61.

The City of Athens adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the General Fund and the General Purpose School Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 6-9 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 one internal service fund to account for its fleet of vehicles and another for employee medical benefits. Because these services predominantly benefit governmental rather than business-type functions, they have 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 the Sanitation Fund, both of which are considered to be major funds of the City of Athens. The internal service funds are presented in the proprietary fund financial statement. Individual data for each of the internal service funds is provided in the form of combining statements later in this report beginning on page 67.

The basic proprietary fund financial statements can be found on pages 15-17 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 18 and 19 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 20-57 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Athens' progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 58-60 of this report.

City of Athens, Tennessee
Management's Discussion and Analysis
June 30, 2013

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 nonmajor governmental fund statements and schedules can be found on pages 61-66 of this report.

Government-wide Financial Analysis

As noted earlier, net position 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 \$42,608,998 at the close of this fiscal year.

The largest portion of the City of Athens net position (54.0%) is unrestricted net position and may be used to meet the government's ongoing obligations to its citizens and creditors. The City has also accumulated funds for capital project needs as approved by Council and debt service. The net investment in capital assets (42.8% of net position) 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. Restricted net position comprises 3.1% of net position. These resources are subject to external restrictions on how they may be used.

At June 30, 2013, the City of Athens is able to report positive balances in all categories of net position, 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 Position

| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | | <u>Total</u> | |
|--|--------------------------------|---------------------|---------------------------------|---------------------|---------------------|---------------------|
| | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> |
| Current and other assets | \$31,710,583 | \$32,903,486 | \$ 1,466,216 | \$ 1,215,035 | \$33,176,799 | \$34,118,521 |
| Capital assets | <u>20,856,556</u> | <u>20,368,864</u> | <u>1,250,026</u> | <u>1,448,098</u> | <u>22,106,582</u> | <u>21,816,962</u> |
| Total assets | <u>52,567,139</u> | <u>53,272,350</u> | <u>2,716,242</u> | <u>2,663,133</u> | <u>55,283,381</u> | <u>55,935,483</u> |
| Long-term liabilities | 4,476,951 | 4,815,116 | — | — | 4,476,951 | 4,815,116 |
| Other liabilities | <u>8,170,443</u> | <u>9,278,757</u> | <u>26,989</u> | <u>24,682</u> | <u>8,197,432</u> | <u>9,303,439</u> |
| Total liabilities | <u>12,647,394</u> | <u>14,093,873</u> | <u>26,989</u> | <u>24,682</u> | <u>12,674,383</u> | <u>14,118,555</u> |
| Invested in capital assets, net of related debt | 17,004,556 | 15,813,864 | 1,250,026 | 1,448,098 | 18,254,582 | 17,261,962 |
| Restricted | <u>1,329,154</u> | <u>1,336,897</u> | — | — | <u>1,329,154</u> | <u>1,336,897</u> |
| Unrestricted | <u>21,586,035</u> | <u>22,827,716</u> | <u>1,439,227</u> | <u>1,190,353</u> | <u>23,025,262</u> | <u>23,218,069</u> |
| Net position | <u>\$39,919,745</u> | <u>\$39,178,477</u> | <u>\$ 2,689,253</u> | <u>\$ 2,638,451</u> | <u>\$42,608,998</u> | <u>\$41,816,928</u> |

City of Athens, Tennessee
Management's Discussion and Analysis
June 30, 2013

Governmental activities. Governmental activities increased the City of Athens' net position by \$741,268 which accounts for the majority of the increase in the net position of the City of Athens. This increase is less than the prior year and results from a minor decrease in revenues due to a decrease in property tax collections and an increase in education expenses.

Business-type activities. Business-type activities increased the City of Athens' net position by \$50,802. This increase was due primarily to the operations in the Sanitation Fund.

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

City of Athens
Changes in Net Position

| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | | <u>Total</u> | |
|--|--------------------------------|---------------------|---------------------------------|---------------------|---------------------|---------------------|
| | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 1,432,191 | \$ 1,187,418 | \$ 891,419 | \$ 813,214 | \$ 2,323,610 | \$ 2,000,632 |
| Operating grants and contributions | 4,045,399 | 4,021,761 | — | — | 4,045,399 | 4,021,761 |
| Capital grants and contributions | 483,264 | 704,762 | — | — | 483,264 | 704,762 |
| General revenues: | | | | | | |
| Property taxes | 5,650,152 | 5,972,945 | — | — | 5,650,152 | 5,972,945 |
| Other taxes | 6,178,134 | 6,065,505 | — | — | 6,178,134 | 6,065,505 |
| Intergovernmental revenues not restricted to specific programs | 9,223,315 | 9,121,189 | — | — | 9,223,315 | 9,121,189 |
| Other | <u>255,900</u> | <u>260,965</u> | <u>12,960</u> | <u>56,169</u> | <u>268,860</u> | <u>317,134</u> |
| Total revenues | <u>27,268,355</u> | <u>27,334,545</u> | <u>904,379</u> | <u>869,383</u> | <u>28,172,734</u> | <u>28,203,928</u> |
| Expenses: | | | | | | |
| General government | 3,140,398 | 1,588,651 | — | — | 3,140,398 | 1,588,651 |
| Public safety | 4,348,906 | 4,534,214 | — | — | 4,348,906 | 4,534,214 |
| Highways and streets | 1,709,642 | 2,129,289 | — | — | 1,709,642 | 2,129,289 |
| Culture and recreation | 913,856 | 1,112,979 | — | — | 913,856 | 1,112,979 |
| Education | 16,269,383 | 15,331,327 | — | — | 16,269,383 | 15,331,327 |
| Health and welfare | 111,079 | 105,949 | — | — | 111,079 | 105,949 |
| Interest on long-term debt | 33,823 | 33,938 | — | — | 33,823 | 33,938 |
| Pass-through grants | — | 500,000 | — | — | — | 500,000 |
| Conference center | — | — | 65,074 | 64,483 | 65,074 | 64,483 |
| Sanitation | <u>—</u> | <u>—</u> | <u>788,503</u> | <u>754,868</u> | <u>788,503</u> | <u>754,868</u> |
| Total expenses | <u>20,527,087</u> | <u>25,336,347</u> | <u>853,577</u> | <u>819,351</u> | <u>27,380,664</u> | <u>26,155,698</u> |
| Change in net position | 741,268 | 1,998,198 | 50,802 | 50,032 | 792,070 | 2,048,230 |
| Net position, beginning of year | <u>39,178,477</u> | <u>37,180,279</u> | <u>2,638,451</u> | <u>2,588,419</u> | <u>41,816,928</u> | <u>39,768,698</u> |
| Net position, end of year | <u>\$39,919,745</u> | <u>\$39,178,477</u> | <u>\$ 2,689,253</u> | <u>\$ 2,638,451</u> | <u>\$42,608,998</u> | <u>\$41,816,928</u> |

City of Athens, Tennessee
Management's Discussion and Analysis
June 30, 2013

Financial Analysis of the City's Funds

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

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

As of the end of the current fiscal year, the City of Athens' governmental funds reported combined ending fund balances of \$18,671,954, a decrease of \$849,607 in comparison to the prior year. Approximately 42.1% of this total amount (\$7,854,881) 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 - \$295,278; restricted for a specific purpose by external constraint or enabling legislation - \$1,281,871 (law enforcement - \$111,386; basic education - \$769,532; cemetery perpetual care - \$134,276; Drug Fund - \$266,677); committed for a specific purpose per action of the City Council - \$1,917,752 (law enforcement - \$19,278; capital projects - \$1,888,753; Drug Fund - \$9,721); or assigned – intended by the City to be used for a specific purpose - \$7,322,172 (education - \$3,356,047; debt service - \$3,608,204; cafeteria operations - \$357,921).

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 \$7,854,881. 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 77.8% of total fund expenditures, but represents 59.4% when compared to total fund expenditures and transfers to other funds (General Purpose School Fund and Debt Service Fund).

The fund balance of the City of Athens' General Fund decreased by \$172,370 during the current fiscal year. Revenues increased by approximately \$173,000 while expenditures increased approximately \$96,000 before transfers to other funds. The transfer to the Athens City Schools increased approximately \$220,000. The City continued to make the annual transfer of \$790,000 to the Debt Service Fund, but did not make an additional transfer of \$700,000 in the current year to the Capital Improvement Fund. Other financing sources increased by \$60,000 due to insurance proceeds for property damaged by storms.

The fund balance of the General Purpose School Fund decreased by \$62,847. This was less than the \$703,141 budgeted decrease. Revenues from McMinn County and the state were higher than expected. Student support and capital outlay expenditures were less than budgeted.

The Debt Service Fund has a total fund balance of \$3,608,204. The net increase was \$53,737, due to a transfer from the General Fund that was greater than principal payments and interest expense. The Capital Improvement Fund has a total fund balance of \$1,869,555. The net decrease was \$692,181, due to a number of capital outlay items. The larger items were stream mitigation and restoration, matching funds for a solar energy grant, matching funds for Market Park restrooms and paving.

City of Athens, Tennessee
Management's Discussion and Analysis
June 30, 2013

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 position at the end of the year amounted to \$10,282 for the Conference Center Fund, \$1,428,945 for the Sanitation Fund, \$2,136,728 for the Fleet Management Fund and \$300,099 for the Employee Medical Benefits Fund.

General Fund Budgetary Highlights

Differences in the original budget and the final amended budget for revenues were \$162,500 and consisted of increases for in lieu of taxes, grants, court fines, recreation revenues and building permits. Differences between the original budget and the final amended budgeted expenditures, including transfers, were approximately \$975,800 and are summarized below:

\$510,000 in additional funding for the retirement plan was contributed and was allocated to all departments and divisions, resulting in increased expenditures.

\$300,000 in increased expenditures for funding the Employee Medical Benefits Fund.

\$165,800 for various increases in expenditures, primarily for sidewalks, a police department training building, downtown beautification and buildings and grounds repairs.

Final actual revenues exceeded amended budgeted revenues by \$717,530 and significant variances are summarized below:

\$119,000 less in property taxes.

\$445,000 more in other local taxes primarily because of in lieu of taxes, local tax, wholesale beer tax and business taxes.

\$114,000 more in intergovernmental revenues due to state sales tax, reimbursements from other governments and funding from police grants.

\$46,000 more in charges for services.

\$241,000 increase in fines and forfeitures.

Final amended budgeted expenditures exceeded actual expenditures by \$552,829 and are summarized below:

\$85,000 in general government expenditures, related primarily to city manager, finance and personnel expenditures.

\$155,000 in public safety expenditures including police (\$79,461), fire (\$65,512) and communications (\$9,836).

City of Athens, Tennessee
Management's Discussion and Analysis
June 30, 2013

\$151,000 in highways and streets primarily due to traffic control (\$30,504), street maintenance (\$36,881) and street construction (\$38,795). Traffic signal loops repairs and materials for maintaining the streets were less than anticipated.

\$162,000 in parks and recreation primarily due to maintenance and program costs.

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, 2013, is to \$22,106,582 (net of accumulated depreciation). This investment in capital assets includes land, buildings, other improvements, equipment, and infrastructure.

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

Computer equipment purchased for finance added approximately \$46,500.

Vehicles and equipment for police added \$113,000.

The fire department added \$77,000 in equipment.

Parks and recreation projects added \$390,000 for the Market Park restrooms and equipment.

Public works added approximately \$92,000 in equipment and traffic signals, as well as approximately \$600,000 for solar panels and stream mitigation improvements.

City of Athens
Capital Assets

| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | | <u>Total</u> | |
|--------------------------------|--------------------------------|----------------------|---------------------------------|---------------------|----------------------|----------------------|
| | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> |
| Buildings and improvements | \$ 20,020,890 | \$ 19,139,119 | \$ 1,517,930 | \$ 1,517,930 | \$ 21,538,820 | \$ 20,657,049 |
| Infrastructure | 8,918,279 | 8,719,750 | — | — | 8,918,279 | 8,719,750 |
| Furniture and office Equipment | 4,063,969 | 3,804,788 | 29,864 | 29,864 | 4,093,833 | 3,834,652 |
| Machinery and equipment | 6,658,676 | 6,535,700 | 1,534,400 | 1,534,400 | 8,193,076 | 8,070,100 |
| Land | 3,191,556 | 3,191,556 | 34,500 | 34,500 | 3,226,056 | 3,226,056 |
| Construction in progress | <u>778,679</u> | <u>702,912</u> | <u>—</u> | <u>—</u> | <u>778,679</u> | <u>702,912</u> |
| | <u>\$ 43,632,049</u> | <u>\$ 42,093,825</u> | <u>\$ 3,116,694</u> | <u>\$ 3,116,694</u> | <u>\$ 46,748,743</u> | <u>\$ 45,210,519</u> |

Additional information on the City of Athens' capital assets can be found in Note 2 on pages 35-38 of this report.

City of Athens, Tennessee
Management's Discussion and Analysis
June 30, 2013

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 \$3,852,000. It is backed by the full faith and credit of the City. The Athens Utilities Board has debt outstanding totaling \$26,690,160 to be repaid by user fees and Board funds. In the event of default, the City is required to establish ad valorem taxes to repay the debt. Detailed information on long-term debt activity can be found in Note 3 on pages 39-40 of this report.

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

Economic Factors and Next Year's Budgets and Rates

The unemployment rate for the City of Athens is currently 9.9%, which is a decrease from the rate of 10% a year ago. Athens' rate is higher than the federal rate and the state rate.

Revenues were expected to increase by approximately 4.2% due to increases related to sales taxes, in lieu of taxes and state sales taxes. Management has been conservative in estimating all revenues for 2013-2014 and expenditures increased by 3.0%. Budgeted expenditures were to increase due to public education expenditures and salary increases. The property tax rate increased from \$1.1147 to \$1.1328 due to the new certified tax rate because of the property reappraisal. The residential refuse fee remained at \$8.50 per month.

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 POSITION
June 30, 2013

| | Primary Government | | | Component Unit |
|---|----------------------|---------------------|----------------------|------------------------------|
| | Governmental | Business-Type | Total | Proprietary |
| | | | | Athens Utilities Board |
| ASSETS | Activities | Activities | Total | |
| Cash and cash equivalents | \$ 5,128,028 | \$ 182,522 | \$ 5,310,550 | \$ 22,846,230 |
| Investments | 15,161,380 | 1,177,371 | 16,338,751 | - |
| Receivables: | | | | |
| Customers, net | - | 23,771 | 23,771 | 5,390,891 |
| Other | 42,074 | - | 42,074 | 130,967 |
| Property taxes, net | 6,264,077 | - | 6,264,077 | - |
| Other governments | 2,800,578 | - | 2,800,578 | 198,912 |
| Component units/primary government | - | 82,552 | 82,552 | 60,185 |
| Prepaid items | 119,097 | - | 119,097 | 39,222 |
| Inventories | 128,898 | - | 128,898 | 2,112,164 |
| Customer loans receivable | - | - | - | 27,793 |
| Debt issue costs, net | 11,725 | - | 11,725 | 114,371 |
| Prepaid pension obligation | 2,054,726 | - | 2,054,726 | 611,332 |
| Capital assets, net of depreciation | 16,886,321 | 1,215,526 | 18,101,847 | 87,960,914 |
| Nondepreciable capital assets | 3,970,235 | 34,500 | 4,004,735 | 13,988,196 |
| Total assets | <u>\$ 52,567,139</u> | <u>\$ 2,716,242</u> | <u>\$ 55,283,381</u> | <u>\$ 133,481,177</u> |
| LIABILITIES AND NET POSITION | | | | |
| LIABILITIES | | | | |
| Accounts payable | \$ 688,652 | \$ 20,465 | \$ 709,117 | \$ 4,948,304 |
| Accrued payroll and withholdings | 1,037,002 | 6,524 | 1,043,526 | - |
| Due to component units/primary government | 60,185 | - | 60,185 | 82,552 |
| Other current liabilities | - | - | - | 679,375 |
| Unearned revenues | 6,384,604 | - | 6,384,604 | 31,650 |
| Customer deposits | - | - | - | 432,550 |
| Long-term liabilities: | | | | |
| Due within one year | 928,550 | - | 928,550 | 1,207,067 |
| Due in more than one year | 3,548,401 | - | 3,548,401 | 26,761,000 |
| Total liabilities | <u>12,647,394</u> | <u>26,989</u> | <u>12,674,383</u> | <u>34,142,498</u> |
| NET POSITION | | | | |
| Net investment in capital assets | 17,004,556 | 1,250,026 | 18,254,582 | 74,120,765 |
| Restricted for: | | | | |
| Police | 111,386 | - | 111,386 | - |
| Drug | 266,677 | - | 266,677 | - |
| Education | 769,532 | - | 769,532 | - |
| Cemetery perpetual care: | | | | |
| Expendable | 134,276 | - | 134,276 | - |
| Nonexpendable | 47,283 | - | 47,283 | - |
| Unrestricted | <u>21,586,035</u> | <u>1,439,227</u> | <u>23,025,262</u> | <u>25,217,914</u> |
| Total net position | <u>39,919,745</u> | <u>2,689,253</u> | <u>42,608,998</u> | <u>99,338,679</u> |
| Total liabilities and net position | <u>\$ 52,567,139</u> | <u>\$ 2,716,242</u> | <u>\$ 55,283,381</u> | <u>\$ 133,481,177</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, 2013

| Functions/Programs | Expenses | Program Revenues | | | Net Revenues (Expenses) and Changes in Net Position | | | Component Unit Athens Utilities Board |
|--|---------------|-------------------------|--|--|---|---------------------------------|----------------|--|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | | |
| | | | | | Govern- mental Activities | Business- type Activities | Total | |
| Primary government: | | | | | | | | |
| Governmental activities: | | | | | | | | |
| General government | \$ 3,140,398 | \$ 133,031 | \$ 379 | \$ 267,526 | \$ (2,739,462) | \$ - | \$ (2,739,462) | \$ - |
| Public safety | 4,348,906 | 691,534 | 93,858 | 69,270 | (3,494,244) | - | (3,494,244) | - |
| Highways and streets | 1,709,642 | - | 355,737 | - | (1,353,905) | - | (1,353,905) | - |
| Culture and recreation | 913,856 | 137,282 | - | 146,468 | (630,106) | - | (630,106) | - |
| Education: | | | | | | | | |
| Instructional | 9,653,532 | 41,977 | 1,946,171 | - | (7,665,384) | - | (7,665,384) | - |
| Support services | 5,077,403 | 190,827 | 622,934 | - | (4,263,642) | - | (4,263,642) | - |
| Non-instructional | 1,260,999 | 234,460 | 1,005,726 | - | (20,813) | - | (20,813) | - |
| Unallocated depreciation | 277,449 | - | - | - | (277,449) | - | (277,449) | - |
| Health and welfare | 111,079 | 3,080 | 20,594 | - | (87,405) | - | (87,405) | - |
| Interest on long-term debt | 33,823 | - | - | - | (33,823) | - | (33,823) | - |
| Total governmental activities | 26,527,087 | 1,432,191 | 4,045,399 | 483,264 | (20,566,233) | - | (20,566,233) | - |
| Business-type activities: | | | | | | | | |
| Conference center | 65,074 | 20,503 | - | - | - | (44,571) | (44,571) | - |
| Sanitation | 788,503 | 870,916 | - | - | - | 82,413 | 82,413 | - |
| Total business-type activities | 853,577 | 891,419 | - | - | - | 37,842 | 37,842 | - |
| Total primary government | \$ 27,380,664 | \$ 2,323,610 | \$ 4,045,399 | \$ 483,264 | (20,566,233) | 37,842 | (20,528,391) | \$ - |
| Component unit: | | | | | | | | |
| Public utilities | 61,377,624 | 64,863,531 | - | 622,633 | | | | 4,108,540 |
| Total component unit | \$ 61,377,624 | \$ 64,863,531 | \$ - | \$ 622,633 | | | | 4,108,540 |
| General revenues: | | | | | | | | |
| Property taxes | | | | | 5,650,152 | - | 5,650,152 | - |
| Local sales tax | | | | | 3,963,722 | - | 3,963,722 | - |
| In lieu of taxes | | | | | 1,046,664 | - | 1,046,664 | - |
| Wholesale beer tax | | | | | 515,558 | - | 515,558 | - |
| Other local taxes | | | | | 652,190 | - | 652,190 | - |
| Intergovernmental revenues not restricted to specific programs | | | | | 9,223,315 | - | 9,223,315 | - |
| Investment income | | | | | 62,608 | 1,723 | 64,331 | 66,183 |
| Gain (loss) on disposal of capital assets | | | | | 16,378 | - | 16,378 | - |
| Insurance proceeds | | | | | 58,280 | - | 58,280 | - |
| Miscellaneous | | | | | 118,634 | 11,237 | 129,871 | - |
| Total general revenues | | | | | 21,307,501 | 12,960 | 21,320,461 | 66,183 |
| Change in net position | | | | | 741,268 | 50,802 | 792,070 | 4,174,723 |
| Net position, beginning of year, as restated | | | | | 39,178,477 | 2,638,451 | 41,816,928 | 95,163,956 |
| Net position, end of year | | | | | \$ 39,919,745 | \$ 2,689,253 | \$ 42,608,998 | \$ 99,338,679 |

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

CITY OF ATHENS, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

| | General | General Purpose School | Debt Service | Capital Projects Fund Capital Improvement | Nonmajor Governmental Funds | Total Governmental Funds |
|--|----------------------|------------------------------|---------------------|--|-----------------------------------|--------------------------------|
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 1,254,903 | \$ 3,352,202 | \$ 34,673 | \$ 117,713 | \$ 362,519 | \$ 5,122,010 |
| Investments | 6,936,747 | - | 3,573,531 | 1,792,105 | 428,188 | 12,730,571 |
| Receivables: | | | | | | |
| Property taxes, net | 4,747,669 | 1,516,408 | - | - | - | 6,264,077 |
| Other governments | 1,227,708 | 685,238 | - | 443,934 | 443,698 | 2,800,578 |
| Interfund | - | 1,212,619 | - | - | - | 1,212,619 |
| Other | 42,074 | - | - | - | - | 42,074 |
| Prepaid items | - | 119,097 | - | - | - | 119,097 |
| Inventories | 107,345 | - | - | - | 21,553 | 128,898 |
| Total assets | <u>\$ 14,316,446</u> | <u>\$ 6,885,564</u> | <u>\$ 3,608,204</u> | <u>\$2,353,752</u> | <u>\$ 1,255,958</u> | <u>\$28,419,924</u> |
| LIABILITIES AND FUND BALANCES | | | | | | |
| LIABILITIES | | | | | | |
| Accounts payable | \$ 255,467 | \$ 350,232 | \$ - | \$ 67,993 | \$ 14,960 | \$ 688,652 |
| Interfund payable | 978,016 | - | - | - | 234,603 | 1,212,619 |
| Accrued payroll and withholdings | 167,805 | 774,248 | - | - | 94,949 | 1,037,002 |
| Due to component unit | 60,185 | - | - | - | - | 60,185 |
| Unearned revenues | 4,762,083 | 1,516,408 | - | 416,204 | 54,817 | 6,749,512 |
| Total liabilities | <u>6,223,556</u> | <u>2,640,888</u> | <u>-</u> | <u>484,197</u> | <u>399,329</u> | <u>9,747,970</u> |
| FUND BALANCES | | | | | | |
| Nonspendable | 107,345 | 119,097 | - | - | 68,836 | 295,278 |
| Restricted | 111,386 | 769,532 | - | - | 400,953 | 1,281,871 |
| Committed | 19,278 | - | - | 1,869,555 | 28,919 | 1,917,752 |
| Assigned | - | 3,356,047 | 3,608,204 | - | 357,921 | 7,322,172 |
| Unassigned | 7,854,881 | - | - | - | - | 7,854,881 |
| Total fund balances | <u>8,092,890</u> | <u>4,244,676</u> | <u>3,608,204</u> | <u>1,869,555</u> | <u>856,629</u> | <u>18,671,954</u> |
| Total liabilities and fund balances | <u>\$ 14,316,446</u> | <u>\$ 6,885,564</u> | <u>\$ 3,608,204</u> | <u>\$2,353,752</u> | <u>\$ 1,255,958</u> | <u>\$28,419,924</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 POSITION
June 30, 2013

Total fund balances \$ 18,671,954

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

Capital assets and related accumulated depreciation are not financial resources or uses and not reported in the funds.

| | | |
|--------------------------|---------------------|------------|
| Capital assets | \$ 39,134,393 | |
| Accumulated depreciation | <u>(20,495,090)</u> | 18,639,303 |

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

| | | |
|---------------------------|---------------|---------|
| Property taxes | 316,408 | |
| Intergovernmental revenue | <u>48,500</u> | 364,908 |

Prepaid pension obligations are not current financial resources and are not reported in the funds.

2,054,726

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

| | | |
|-------------------------|-----------------|-------------|
| Bonds and notes payable | (3,852,000) | |
| Compensated absences | (261,572) | |
| OPEB liability | (264,595) | |
| Sick leave liability | <u>(98,784)</u> | (4,476,951) |

Debt issue costs are amortized in the statement of net position but are considered a current financial use in the funds.

| | | |
|--------------------------|-----------------|--------|
| Debt issue costs | 31,500 | |
| Accumulated amortization | <u>(19,775)</u> | 11,725 |

Internal service funds are used by management to charge the cost of internal services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.

| | | |
|--------------------------|--------------------|-----------|
| Cash | 6,018 | |
| Investments | 2,430,809 | |
| Capital assets | 4,497,656 | |
| Accumulated depreciation | <u>(2,280,403)</u> | 4,654,080 |

| | | |
|--------------|--|----------------------|
| Net position | | <u>\$ 39,919,745</u> |
|--------------|--|----------------------|

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

CITY OF ATHENS, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2013

| | General | General Purpose School | Debt Service | Capital Projects Fund Capital Improvement | Nonmajor Governmental Funds | Total Governmental Funds |
|---|--------------------|------------------------|--------------------|--|-----------------------------|--------------------------|
| REVENUES | | | | | | |
| Property taxes | \$4,210,990 | \$1,576,636 | \$ - | \$ - | \$ - | \$ 5,787,626 |
| Other local taxes | 6,178,135 | 3,415,906 | - | - | - | 9,594,041 |
| Intergovernmental | 1,620,412 | 5,589,257 | - | 687,326 | 2,396,404 | 10,293,399 |
| Charges for services | 271,503 | 232,804 | - | - | 236,350 | 740,657 |
| Fines and forfeitures | 636,680 | - | - | - | 54,854 | 691,534 |
| Investment and interest income | 17,120 | 24,039 | 4,877 | 2,922 | 10,872 | 59,830 |
| Miscellaneous | 41,890 | 40,095 | - | 24,204 | 54,236 | 160,425 |
| Total revenues | <u>12,976,730</u> | <u>10,878,737</u> | <u>4,877</u> | <u>714,452</u> | <u>2,752,716</u> | <u>27,327,512</u> |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General government | 2,594,686 | - | 4,317 | - | - | 2,599,003 |
| Public safety | 4,467,991 | - | - | - | 28,644 | 4,496,635 |
| Highways and streets | 2,007,157 | - | - | - | - | 2,007,157 |
| Culture and recreation | 914,958 | - | - | - | - | 914,958 |
| Education | - | 13,270,453 | - | - | 2,700,018 | 15,970,471 |
| Health and welfare | 114,479 | - | - | - | - | 114,479 |
| Debt service: | | | | | | |
| Principal | - | - | 703,000 | - | - | 703,000 |
| Interest | - | - | 33,823 | - | - | 33,823 |
| Capital outlay | - | - | - | 1,406,633 | - | 1,406,633 |
| Total expenditures | <u>10,099,271</u> | <u>13,270,453</u> | <u>741,140</u> | <u>1,406,633</u> | <u>2,728,662</u> | <u>28,246,159</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>2,877,459</u> | <u>(2,391,716)</u> | <u>(736,263)</u> | <u>(692,181)</u> | <u>24,054</u> | <u>(918,647)</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers | (3,118,869) | 2,328,869 | 790,000 | - | - | - |
| Insurance proceeds | 58,280 | - | - | - | - | 58,280 |
| Sale of capital assets | 680 | - | - | - | - | 680 |
| Capital contributions | 10,080 | - | - | - | - | 10,080 |
| Total other financing sources (uses) | <u>(3,049,829)</u> | <u>2,328,869</u> | <u>790,000</u> | <u>-</u> | <u>-</u> | <u>69,040</u> |
| NET CHANGE IN FUND BALANCES | <u>(172,370)</u> | <u>(62,847)</u> | <u>53,737</u> | <u>(692,181)</u> | <u>24,054</u> | <u>(849,607)</u> |
| FUND BALANCES, beginning of year | <u>8,265,260</u> | <u>4,307,523</u> | <u>3,554,467</u> | <u>2,561,736</u> | <u>832,575</u> | <u>19,521,561</u> |
| FUND BALANCES, end of year | <u>\$8,092,890</u> | <u>\$4,244,676</u> | <u>\$3,608,204</u> | <u>\$1,869,555</u> | <u>\$ 856,629</u> | <u>\$18,671,954</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, 2013

Net change in fund balances \$ (849,607)

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 | \$ 5,650,150 | |
| Fund revenue recognized | <u>(5,787,626)</u> | (137,476) |

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

| | | |
|-------------------------------|-----------------|---------|
| State beer tax-full accrual | 68,305 | |
| State income tax-full accrual | 6,454 | |
| Collected fund revenue | <u>(83,958)</u> | (9,199) |

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

| | | |
|--|--------------------|---------|
| Capital asset expenditures in the current period | 1,567,036 | |
| Net book value of capital assets retired | (502) | |
| Less current year depreciation | <u>(1,051,955)</u> | 514,579 |

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

(7,532)

Internal service funds are used by management to charge the cost of internal services to individual funds. The change in net position of the internal service funds is reported with governmental activities.

596,379

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 position.

| | | |
|------------------------------------|--------------|---------|
| Bonds and notes payable payments | 703,000 | |
| Net change in compensated absences | (1,456) | |
| Net change in OPEB liability | (69,298) | |
| Net change in sick leave liability | <u>3,978</u> | 636,224 |

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

(2,100)

Change in net position

\$ 741,268

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, 2013

| | Budget | | Actual | Variance With Final Budget |
|---|--------------|--------------|--------------|----------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| PROPERTY TAXES | | | | |
| Property taxes-current | \$ 4,025,000 | \$ 4,025,000 | \$ 4,006,082 | \$ (18,918) |
| Property taxes-prior | 170,000 | 170,000 | 71,420 | (98,580) |
| Property taxes-delinquent | 60,000 | 60,000 | 56,118 | (3,882) |
| Public utilities taxes | 75,000 | 75,000 | 77,370 | 2,370 |
| Total property taxes | 4,330,000 | 4,330,000 | 4,210,990 | (119,010) |
| OTHER LOCAL TAXES | | | | |
| Penalty and interest on property tax-prior | 20,000 | 20,000 | 25,787 | 5,787 |
| Penalty and interest on property tax-current | 18,000 | 18,000 | 17,268 | (732) |
| In lieu of taxes | 964,000 | 976,500 | 1,046,664 | 70,164 |
| TVA impact | - | - | 39,774 | 39,774 |
| Local sales tax | 3,750,000 | 3,750,000 | 3,963,723 | 213,723 |
| Wholesale beer tax | 480,000 | 480,000 | 515,558 | 35,558 |
| Minimum business tax | - | - | 30 | 30 |
| Cable TV franchise tax | 152,000 | 152,000 | 145,434 | (6,566) |
| Gross receipts tax | - | - | 14 | 14 |
| Business license fee | 1,500 | 1,500 | 1,718 | 218 |
| Business tax - state clerk fee | 25,000 | 25,000 | 41,261 | 16,261 |
| Business tax - state collected | 310,000 | 310,000 | 380,654 | 70,654 |
| Transient fees | - | - | 250 | 250 |
| Total other local taxes | 5,720,500 | 5,733,000 | 6,178,135 | 445,135 |
| INTERGOVERNMENTAL | | | | |
| State sales tax | 860,000 | 860,000 | 933,297 | 73,297 |
| State beer tax | 6,000 | 6,000 | 6,654 | 654 |
| State income tax | 110,000 | 110,000 | 77,305 | (32,695) |
| State gas and motor fuel tax | 350,000 | 350,000 | 344,346 | (5,654) |
| State gasoline inspection tax | 28,000 | 28,000 | 27,081 | (919) |
| State mixed drink tax | 50,000 | 50,000 | 55,618 | 5,618 |
| State excise tax | 22,000 | 22,000 | 34,955 | 12,955 |
| Reimbursement-other government agencies | 50,000 | 50,000 | 90,189 | 40,189 |
| Highway maintenance reimbursement | 15,000 | 15,000 | 11,391 | (3,609) |
| Grants | - | 15,000 | 39,576 | 24,576 |
| Total intergovernmental | 1,491,000 | 1,506,000 | 1,620,412 | 114,412 |

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, 2013
(continued)

| | Budget | | | Variance With Final Budget |
|------------------------------|-------------------|-------------------|-------------------|----------------------------------|
| | Original | Final | Actual | |
| CHARGES FOR SERVICES | | | | |
| Utility damage reimbursement | \$ 25,000 | \$ 25,000 | \$ 25,096 | \$ 96 |
| Animal control | 2,500 | 2,500 | 3,080 | 580 |
| Recreation fees | 68,200 | 108,200 | 95,988 | (12,212) |
| Building permits | 35,000 | 47,000 | 105,980 | 58,980 |
| Clerks fees | - | - | 65 | 65 |
| Recreation concessions | 30,000 | 43,000 | 41,294 | (1,706) |
| Total charges for services | <u>160,700</u> | <u>225,700</u> | <u>271,503</u> | <u>45,803</u> |
| FINES AND FORFEITURES | | | | |
| Court fines | 325,000 | 395,000 | 628,830 | 233,830 |
| Law enforcement forfeitures | 1,000 | 1,000 | 7,850 | 6,850 |
| Total fines and forfeitures | <u>326,000</u> | <u>396,000</u> | <u>636,680</u> | <u>240,680</u> |
| INTEREST | <u>24,000</u> | <u>24,000</u> | <u>17,120</u> | <u>(6,880)</u> |
| MISCELLANEOUS | <u>44,500</u> | <u>44,500</u> | <u>41,890</u> | <u>(2,610)</u> |
| Total revenues | <u>12,096,700</u> | <u>12,259,200</u> | <u>12,976,730</u> | <u>717,530</u> |
| EXPENDITURES | | | | |
| GENERAL GOVERNMENT | | | | |
| Administrative: | | | | |
| City Manager's Office | 257,100 | 275,400 | 257,134 | 18,266 |
| City Council | 49,600 | 54,600 | 48,175 | 6,425 |
| City Judge | 13,000 | 13,000 | 12,918 | 82 |
| City Attorney | 16,000 | 16,000 | 13,125 | 2,875 |
| Special appropriations | 325,050 | 325,050 | 325,050 | - |
| Healthcare | - | 300,000 | 300,000 | - |
| Athens Utilities Board | 510,000 | 510,000 | 504,592 | 5,408 |
| Finance | 400,700 | 418,700 | 403,010 | 15,690 |
| Personnel | 174,900 | 188,000 | 168,712 | 19,288 |
| Administrative services: | | | | |
| Administration | 70,500 | 70,500 | 69,637 | 863 |
| City Hall | 166,800 | 166,800 | 163,130 | 3,670 |
| Community development: | | | | |
| Administration | 130,600 | 141,700 | 133,903 | 7,797 |
| Codes enforcement | 147,600 | 169,300 | 166,820 | 2,480 |
| Cemeteries | 30,200 | 30,200 | 28,480 | 1,720 |
| Total general government | <u>2,292,050</u> | <u>2,679,250</u> | <u>2,594,686</u> | <u>84,564</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, 2013
(continued)

| | Budget | | | Variance |
|-----------------------------------|------------------|-------------------|-------------------|------------------|
| | Original | Final | Actual | With Final |
| | | | | Budget |
| PUBLIC SAFETY | | | | |
| Police: | | | | |
| Administration | \$ 288,200 | \$ 358,700 | \$ 344,221 | \$ 14,479 |
| Patrol | 1,850,900 | 2,029,300 | 1,980,158 | 49,142 |
| Detective | 221,900 | 238,400 | 222,560 | 15,840 |
| Fire: | | | | |
| Administration | 105,200 | 114,600 | 112,634 | 1,966 |
| Prevention | 10,700 | 10,700 | 10,176 | 524 |
| Suppression | 1,518,600 | 1,618,600 | 1,555,578 | 63,022 |
| Administrative services: | | | | |
| Communications | 252,500 | 252,500 | 242,664 | 9,836 |
| Total public safety | <u>4,248,000</u> | <u>4,622,800</u> | <u>4,467,991</u> | <u>154,809</u> |
| HIGHWAYS AND STREETS | | | | |
| Public Works: | | | | |
| Administration | 186,600 | 200,500 | 187,395 | 13,105 |
| Traffic control | 162,400 | 169,500 | 138,996 | 30,504 |
| Street maintenance | 437,800 | 455,200 | 418,319 | 36,881 |
| Street construction | 300,450 | 346,250 | 307,455 | 38,795 |
| Street cleaning | 692,600 | 704,000 | 690,579 | 13,421 |
| City garage | 251,900 | 282,300 | 264,413 | 17,887 |
| Total highways and streets | <u>2,031,750</u> | <u>2,157,750</u> | <u>2,007,157</u> | <u>150,593</u> |
| CULTURE AND RECREATION | | | | |
| Parks and Recreation: | | | | |
| Administration | 176,900 | 190,900 | 175,572 | 15,328 |
| Maintenance | 444,400 | 539,600 | 448,609 | 90,991 |
| Swimming pools | 34,700 | 45,600 | 39,645 | 5,955 |
| Program planning | 235,500 | 300,500 | 251,132 | 49,368 |
| Total culture and recreation | <u>891,500</u> | <u>1,076,600</u> | <u>914,958</u> | <u>161,642</u> |
| HEALTH AND WELFARE | | | | |
| Public Works: | | | | |
| Animal control | 107,100 | 115,700 | 114,479 | 1,221 |
| Total expenditures | <u>9,570,400</u> | <u>10,652,100</u> | <u>10,099,271</u> | <u>552,829</u> |
| REVENUES OVER EXPENDITURES | <u>2,526,300</u> | <u>1,607,100</u> | <u>2,877,459</u> | <u>1,270,359</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, 2013
(continued)

| | Budget | | Actual | Variance With Final Budget |
|--|----------------------------|----------------------------|----------------------------|----------------------------------|
| | Original | Final | | |
| OTHER FINANCING SOURCES (USES) | | | | |
| Insurance proceeds | \$ - | \$ 41,000 | \$ 58,280 | \$ 17,280 |
| Transfer to Athens City Schools | (2,431,900) | (2,326,000) | (2,328,869) | (2,869) |
| Transfer to debt service fund | (790,000) | (790,000) | (790,000) | - |
| Sale of capital assets | - | - | 680 | 680 |
| Capital contribution | - | 12,000 | 10,080 | (1,920) |
| | <u>(3,221,900)</u> | <u>(3,063,000)</u> | <u>(3,049,829)</u> | <u>13,171</u> |
| Total other financing sources (uses) | | | | |
| Net change in fund balance | (695,600) | (1,455,900) | (172,370) | 1,283,530 |
| FUND BALANCE, beginning of year | <u>8,265,260</u> | <u>8,265,260</u> | <u>8,265,260</u> | <u>-</u> |
| FUND BALANCE, end of year | <u><u>\$ 7,569,660</u></u> | <u><u>\$ 6,809,360</u></u> | <u><u>\$ 8,092,890</u></u> | <u><u>\$ 1,283,530</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 PURPOSE SCHOOL FUND
Year Ended June 30, 2013

| | Budget | | Actual | Variance with Final Budget |
|---|---------------------|---------------------|---------------------|----------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Property taxes | \$ 1,506,637 | \$ 1,506,637 | \$ 1,576,636 | \$ 69,999 |
| County revenue | 931,866 | 931,866 | 1,087,037 | 155,171 |
| State funds | 7,585,460 | 7,621,039 | 7,679,030 | 57,991 |
| Federal funds received through state | 209,900 | 239,587 | 236,451 | (3,136) |
| Direct federal funds | 4,000 | 4,000 | 2,645 | (1,355) |
| Tuition | 331,172 | 331,172 | 232,804 | (98,368) |
| Interest | 45,000 | 45,000 | 24,039 | (20,961) |
| Other | 42,631 | 44,631 | 40,095 | (4,536) |
| Total revenues | <u>10,656,666</u> | <u>10,723,932</u> | <u>10,878,737</u> | <u>154,805</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Instruction | | | | |
| Regular instruction | 7,046,278 | 7,217,417 | 7,152,292 | 65,125 |
| Special education | 728,931 | 600,931 | 587,041 | 13,890 |
| Early childhood education | 636,032 | 649,611 | 649,741 | (130) |
| Other instruction | 24,167 | 24,167 | 14,383 | 9,784 |
| | <u>8,435,408</u> | <u>8,492,126</u> | <u>8,403,457</u> | <u>88,669</u> |
| Support services | | | | |
| Instructional support | 931,868 | 916,868 | 827,687 | 89,181 |
| Student support | 396,047 | 404,347 | 388,347 | 16,000 |
| Administration | 1,279,877 | 1,316,777 | 1,251,197 | 65,580 |
| Operation and maintenance of plant | 1,185,624 | 1,187,924 | 1,113,764 | 74,160 |
| Transportation | 345,932 | 353,932 | 313,782 | 40,150 |
| Other support services | 774,510 | 843,499 | 692,569 | 150,930 |
| | <u>4,913,858</u> | <u>5,023,347</u> | <u>4,587,346</u> | <u>436,001</u> |
| Non-instructional services | | | | |
| Capital outlay | 250,000 | 343,500 | 279,650 | 63,850 |
| Total expenditures | <u>13,599,266</u> | <u>13,858,973</u> | <u>13,270,453</u> | <u>588,520</u> |
| REVENUES OVER (UNDER) EXPENDITURES | <u>(2,942,600)</u> | <u>(3,135,041)</u> | <u>(2,391,716)</u> | <u>743,325</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfer from general fund | 2,431,900 | 2,431,900 | 2,328,869 | (103,031) |
| NET CHANGE IN FUND BALANCES | <u>(510,700)</u> | <u>(703,141)</u> | <u>(62,847)</u> | <u>640,294</u> |
| FUND BALANCES, beginning of year | <u>3,641,678</u> | <u>3,641,678</u> | <u>4,307,523</u> | <u>665,845</u> |
| FUND BALANCES, end of year | <u>\$ 3,130,978</u> | <u>\$ 2,938,537</u> | <u>\$ 4,244,676</u> | <u>\$1,306,139</u> |

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

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2013

| | Business-Type Activities - Enterprise Funds | | | Governmental Activities |
|-------------------------------------|---|--------------------|---------------------|------------------------------|
| | Conference Center | Sanitation | Total | Internal Service Funds |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 10,478 | \$ 172,044 | \$ 182,522 | \$ 6,018 |
| Investments | - | 1,177,371 | 1,177,371 | 2,430,809 |
| Accounts receivable | - | 23,771 | 23,771 | - |
| Due from component units | - | 82,552 | 82,552 | - |
| Total current assets | <u>10,478</u> | <u>1,455,738</u> | <u>1,466,216</u> | <u>2,436,827</u> |
| Capital assets: | | | | |
| Land | 34,500 | - | 34,500 | - |
| Other capital assets, net | <u>911,637</u> | <u>303,889</u> | <u>1,215,526</u> | <u>2,217,253</u> |
| Total capital assets | <u>946,137</u> | <u>303,889</u> | <u>1,250,026</u> | <u>2,217,253</u> |
| Total assets | <u>\$ 956,615</u> | <u>\$1,759,627</u> | <u>\$ 2,716,242</u> | <u>\$ 4,654,080</u> |
| LIABILITIES AND NET POSITION | | | | |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable | \$ 196 | \$ 20,269 | \$ 20,465 | \$ - |
| Accrued payroll and withholdings | <u>-</u> | <u>6,524</u> | <u>6,524</u> | <u>-</u> |
| Total current liabilities | <u>196</u> | <u>26,793</u> | <u>26,989</u> | <u>-</u> |
| NET POSITION | | | | |
| Net investment in capital assets | 946,137 | 303,889 | 1,250,026 | 2,217,253 |
| Unrestricted | <u>10,282</u> | <u>1,428,945</u> | <u>1,439,227</u> | <u>2,436,827</u> |
| Total net position | <u>956,419</u> | <u>1,732,834</u> | <u>2,689,253</u> | <u>4,654,080</u> |
| Total liabilities and net position | <u>\$ 956,615</u> | <u>\$1,759,627</u> | <u>\$ 2,716,242</u> | <u>\$ 4,654,080</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 POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2013

| | Business-Type Activities - Enterprise Funds | | | Governmental Activities |
|---|---|-------------|--------------|------------------------------|
| | Conference Center | Sanitation | Total | Internal Service Funds |
| OPERATING REVENUES | | | | |
| Charges for services | \$ - | \$ 870,916 | \$ 870,916 | \$ 747,400 |
| Rental income | 20,503 | - | 20,503 | - |
| Miscellaneous | - | 11,237 | 11,237 | - |
| Total operating revenues | 20,503 | 882,153 | 902,656 | 747,400 |
| OPERATING EXPENSES | | | | |
| Salaries and employee benefits | 4,318 | 274,404 | 278,722 | - |
| Operation | 9,494 | 166,685 | 176,179 | - |
| Maintenance | 682 | 5,465 | 6,147 | - |
| Depreciation | 50,580 | 147,492 | 198,072 | 224,257 |
| Landfill services | - | 185,952 | 185,952 | - |
| Total operating expenses | 65,074 | 779,998 | 845,072 | 224,257 |
| OPERATING INCOME (LOSS) | (44,571) | 102,155 | 57,584 | 523,143 |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| Interest income | - | 1,723 | 1,723 | 2,779 |
| Interest expense | - | (8,505) | (8,505) | - |
| Gain on sale of capital assets | - | - | - | 16,200 |
| Capital contribution | - | - | - | 54,257 |
| Total nonoperating revenues | - | (6,782) | (6,782) | 73,236 |
| CHANGE IN NET POSITION | (44,571) | 95,373 | 50,802 | 596,379 |
| NET POSITION, beginning of year | 1,000,990 | 1,637,461 | 2,638,451 | 4,057,701 |
| NET POSITION, end of year | \$ 956,419 | \$1,732,834 | \$ 2,689,253 | \$ 4,654,080 |

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, 2013

| | Business-Type Activities - Enterprise Funds | | | Governmental Activities |
|---|---|--------------------|--------------------|------------------------------|
| | Conference Center | Sanitation | Total | Internal Service Funds |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Receipts from customers | \$ 20,503 | \$ 862,184 | \$ 882,687 | \$ 747,400 |
| Payments to employees | (4,069) | (192,325) | (196,394) | - |
| Payments to suppliers and vendors | (10,805) | (437,494) | (448,299) | (97,066) |
| Other receipts | - | 7,309 | 7,309 | - |
| Net cash provided by operating activities | <u>5,629</u> | <u>239,674</u> | <u>245,303</u> | <u>650,334</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | |
| Interest expense on interfund loan | - | (8,505) | (8,505) | - |
| Repayments of interfund loan | - | (283,485) | (283,485) | - |
| Net cash flows used in noncapital financing activities | <u>-</u> | <u>(291,990)</u> | <u>(291,990)</u> | <u>-</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | |
| Proceeds from the sale of capital assets | - | - | - | 16,200 |
| Purchase of capital assets | - | - | - | (164,853) |
| Capital contributions | - | - | - | 21,739 |
| Net cash used in capital and related financing activities | <u>-</u> | <u>-</u> | <u>-</u> | <u>(126,914)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Investment and interest earnings | - | 1,723 | 1,723 | 2,779 |
| Purchase of investments | - | (1,177,371) | (1,177,371) | (2,430,809) |
| Net cash used in investing activities | <u>-</u> | <u>(1,175,648)</u> | <u>(1,175,648)</u> | <u>(2,428,030)</u> |
| Net increase (decrease) in cash and cash equivalents | 5,629 | (1,227,964) | (1,222,335) | (1,904,610) |
| Cash and cash equivalents, beginning of year | <u>4,849</u> | <u>1,400,008</u> | <u>1,404,857</u> | <u>1,910,628</u> |
| Cash and cash equivalents, end of year | <u>\$ 10,478</u> | <u>\$ 172,044</u> | <u>\$ 182,522</u> | <u>\$ 6,018</u> |
| Reconciliation of operating income to net cash provided by (used in) operating activities: | | | | |
| Operating income (loss) | \$ (44,571) | \$ 102,155 | \$ 57,584 | \$ 523,143 |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | | | | |
| Depreciation | 50,580 | 147,492 | 198,072 | 224,257 |
| Changes in assets and liabilities: | | | | |
| Accounts receivable | - | (12,660) | (12,660) | - |
| Accounts payable and accrued liabilities | (380) | 2,687 | 2,307 | (97,066) |
| Net cash provided by operating activities | <u>\$ 5,629</u> | <u>\$ 239,674</u> | <u>\$ 245,303</u> | <u>\$ 650,334</u> |
| SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES | | | | |
| Capital assets contributed | \$ - | \$ - | \$ - | \$ 32,518 |

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

CITY OF ATHENS, TENNESSEE
STATEMENT OF FIDUCIARY NET POSITION
ATHENS PENSION TRUST FUND
FIDUCIARY FUND
June 30, 2013

ASSETS

| | |
|---------------------------------------|----------------------|
| Cash | \$ 52 |
| Interest receivable | 20,982 |
| | <u>21,034</u> |
| Investments, at fair value: | |
| U.S. government and agency securities | 674,714 |
| Foreign stock | 2,055,341 |
| Foreign bonds and notes | 195,827 |
| Corporate bonds | 829,732 |
| Common stock | 2,507,965 |
| Mutual funds | 3,704,898 |
| Money market funds | 112,880 |
| Municipal bonds | 276,749 |
| | <u>10,358,106</u> |
| Total investments | <u>10,358,106</u> |
| Total assets | <u>\$ 10,379,140</u> |

NET POSITION

| | |
|---|----------------------|
| Net position held in trust for pension benefits | <u>\$ 10,379,140</u> |
|---|----------------------|

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

CITY OF ATHENS, TENNESSEE
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
ATHENS PENSION TRUST FUND
FIDUCIARY FUND
Year Ended June 30, 2013

ADDITIONS

| | |
|---|------------------|
| Employer contributions | \$ 1,056,000 |
| Net investment income: | |
| Interest and dividend income | 281,777 |
| Net depreciation in the fair value of investments | <u>762,274</u> |
| Total additions | <u>2,100,051</u> |

DEDUCTIONS

| | |
|-------------------------|----------------|
| Benefits paid | 585,403 |
| Administrative expenses | <u>60,157</u> |
| Total deductions | <u>645,560</u> |

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

1,454,491

NET POSITION, held in trust for pension benefits, beginning of year

8,924,649

NET POSITION, held in trust for pension benefits, end of year

\$ 10,379,140

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

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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 Position 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 discretely presented component unit is 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 as follows:

Blended Component Unit:

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 financial position and results of operations of the Board of Education are reported in the General Purpose School Fund, Federal Projects Fund, and Centralized Cafeteria Fund as governmental funds, and included as part of the primary government due to the fact that it is not considered to be

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity (continued)

Blended Component Unit: (continued)

Athens City Board of Education (continued)

legally separate. The Athens City Board of Education issues separate financial statements that may be obtained at the Board of Education's administrative office at Athens City Schools, 943 Crestway Drive, Athens, Tennessee 37303.

Discretely Presented Component Unit:

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 37303.

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.

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.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity (continued)

Other Related Organizations: (continued)

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 position 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.

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.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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)

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 unearned 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.

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.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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 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, unearned revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned 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 unearned 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 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.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

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

Fund Financial Statements: (continued)

Fiduciary funds 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 position and changes in net position 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 Funds: The Special Revenue Funds are 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.

General Purpose School Fund: This fund is used to account for the financial resources of the Board of Education, which are not accounted for in other Board of Education funds. The primary sources of revenues are taxes and state-shared revenue. Primary expenditures are for regular and special instruction, staff, and maintenance and operation of schools.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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)

Federal Projects Fund: This fund is used to account for federal awards received by Board of Education.

Centralized Cafeteria Fund: This fund is used to account for the Board of Education's food services provided to preschool and school children. A substantial portion of the Centralized Cafeteria Fund's resources are derived from federal and state funding for child nutrition.

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.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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:

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

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

Employee Medical Benefits Fund: This fund was established to account for the potential health insurance changes required under the Affordable Health Care Act. Funds may be used for premiums paid for fully-insured health care coverage or to provide initial funding for claims paid through a self-insured plan, should the City be required to make plan changes due to the new legislation.

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.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

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

Fund Financial Statements: (continued)

Fiduciary Funds:

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, Debt Service Fund, and General Purpose School Fund. The City's major proprietary funds are the Conference Center Fund and Sanitation Fund.

C. Budgets and Budgetary Accounting

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

1. The City holds budget hearings in April of each year with all department heads submitting requests. The operating budget includes proposed expenditures and the means of financing them.
2. In early May, the City Manager and/or the Director of Finance makes a formal presentation to the City Council.
3. Prior to July 1, the Council will pass on second reading an ordinance to adopt the budget and set the tax rate.
4. Management may transfer budgeted amounts between line items within a department; however, any revision that alters the total expenditures of any department and/or fund must be approved by the City Council.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

C. Budgets and Budgetary Accounting (continued)

5. Formal budgets are adopted for the General Fund, the General Purpose School Fund, the Debt Service Fund and the Special Revenue Funds 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.

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.

Inventory recorded in the Centralized Cafeteria Fund consists of commodities granted by the United States Department of Agriculture (USDA), nonperishable food and nonfood supplies. All purchased inventory items are recorded at the lower of cost (first-in, first-out method) or market. Commodities are assigned values based on information provided by the USDA.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

G. Inventories (continued)

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:

| <u>Assets at the City</u> | | <u>Assets at Board of Education</u> | |
|------------------------------------|-------------|-------------------------------------|------------|
| Vehicles, machinery, and equipment | 5-15 years | Furniture and equipment | 6-20 years |
| Furniture and office equipment | 5 years | Computer equipment | 6 years |
| Buildings and improvements | 15-40 years | Buildings | 50 years |
| Infrastructure | 40 years | Infrastructure | 20 years |

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

Component Unit - Athens Utilities Board:

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

The composite straight-line depreciation rate, expressed as a percentage of average depreciable plant, property and equipment, ranged from 2.59 to 3.06 percent in 2013. The depreciation and amortization in the Utilities Board's statement of revenues, expenses and changes in net position does not include depreciation on certain transportation equipment, which is allocated to other expense classifications based on relative usage.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

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.

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.

Vacation Pay and Sick Leave:

Board of Education employees are paid for vacation and absence due to sickness by prescribed formulas based on length of service with all unused vacation days expiring annually. Vacation and sick leave for employees are recorded as expenditures in the period used and considered payable from current financial resources.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

K. Long-Term Debt (continued)

Vacation Pay and Sick Leave (continued):

Upon retirement, the Board will pay monetary compensation for unused sick days as follows:

- \$12 per day
 - Professional personnel with 5 full years with Athens City Schools and a total of 25 years of teaching or administrative service.
 - Support staff with 25 years of service with Athens City Schools.
- \$24 per day
 - Professional personnel with 5 full years with Athens City Schools and a total of 30 years of teaching or administrative service.
 - Support staff with 30 years of service with Athens City Schools.

An estimated liability for this unpaid sick leave is recorded in the government-wide financial statements.

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 Position and Fund Balances

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

- a. Net investment in capital assets – 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 net investment in capital assets.
- b. Restricted net position – Consists of 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 position – Consists of all other 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, 2013

Note 1. Summary of Significant Accounting Policies (continued)

L. Net Position 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, 2013

Note 1. Summary of Significant Accounting Policies (continued)

L. Net Position 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 unearned 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, 2012, was \$393,049,664 based upon a reappraisal completed for the list of January 1, 2012. The estimated actual was \$1,237,942,071, making the total assessed value 31.75 percent of the total actual value.

Taxes were levied at a rate of \$1.1147 per \$100 of assessed value. Current tax collections of \$4,083,062 for the fiscal year ended June 30, 2013, were 93 percent of the 2012 tax levy. An allowance has been established for delinquent taxes to the extent that their collectability is improbable. The allowance at June 30, 2013, for the 2012 tax levy was \$84,226.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 1. Summary of Significant Accounting Policies (continued)

M. Property Taxes (continued)

The 2013 taxes were levied at a rate of \$1.1328 per \$100 of assessed value and have been recorded as a receivable at June 30, 2013. An allowance for doubtful collection of \$40,000 has been estimated and established for this levy at June 30, 2013. There are no current tax collections related to the 2013 levy.

N. Allowances for Doubtful Property Taxes

The following allowances have been established for uncollectible property taxes at June 30, 2013:

| | |
|-----------------------------|------------|
| General Fund | \$ 124,226 |
| General Purpose School Fund | 113,577 |

Note 2. Capital Assets

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

| | At City of Athens | | | |
|---------------------------------------|-------------------------|--------------|------------|--------------------------|
| | Balance July 1, 2012 | Additions | Deletions | Balance June 30, 2013 |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | \$ 5,343,790 | \$ 877,021 | \$ — | \$ 6,220,811 |
| Infrastructure | 8,696,550 | 198,529 | — | 8,895,079 |
| Furniture and office equipment | 1,092,410 | 53,997 | — | 1,146,407 |
| Machinery and equipment | 6,535,700 | 326,874 | 203,898 | 6,658,676 |
| Total depreciable capital assets | 21,668,450 | 1,456,421 | 203,898 | 22,920,973 |
| Accumulated depreciation: | | | | |
| Buildings and improvements | 3,542,469 | 156,525 | — | 3,698,994 |
| Infrastructure | 2,740,615 | 240,224 | — | 2,980,839 |
| Furniture and office equipment | 603,403 | 105,300 | — | 708,703 |
| Machinery and equipment | 4,027,919 | 308,353 | 203,898 | 4,132,374 |
| Total accumulated depreciation | 10,914,406 | 810,402 | 203,898 | 11,520,910 |
| Net depreciable capital assets | 10,754,044 | 646,019 | — | 11,400,063 |
| Capital assets not being depreciated: | | | | |
| Land | 2,978,070 | — | — | 2,978,070 |
| Construction in progress | 702,912 | 631,734 | 555,967 | 778,679 |
| Nondepreciable capital assets | 3,680,982 | 631,734 | 555,967 | 3,756,749 |
| Net capital assets | \$ 14,435,026 | \$ 1,277,753 | \$ 555,967 | \$ 15,156,812 |

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 2. Capital Assets (continued)

| | At Board of Education | | | Balance June 30, 2013 |
|---------------------------------------|-------------------------|--------------|-----------|--------------------------|
| | Balance July 1, 2012 | Additions | Deletions | |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | \$ 13,795,329 | \$ 4,750 | \$ — | \$ 13,800,079 |
| Infrastructure | 23,200 | — | — | 23,200 |
| Furniture, equipment, and vehicles | 2,712,378 | 227,468 | 22,284 | 2,917,562 |
| Total depreciable capital assets | 16,530,907 | 232,218 | 22,284 | 16,740,841 |
| Accumulated depreciation: | | | | |
| Buildings and improvements | 8,760,712 | 214,855 | — | 8,975,567 |
| Infrastructure | 13,889 | 1,676 | — | 15,565 |
| Furniture, equipment, and vehicles | 2,035,954 | 249,279 | 21,782 | 2,263,451 |
| Total accumulated depreciation | 10,810,555 | 465,810 | 21,782 | 11,254,583 |
| Net depreciable capital assets | 5,720,352 | (233,592) | 502 | 5,486,258 |
| Capital assets not being depreciated: | | | | |
| Land | 213,486 | — | — | 213,486 |
| Net capital assets | \$ 5,933,838 | \$ (233,592) | \$ 502 | \$ 5,699,744 |

| | Total Governmental Activities Capital Assets | | | Balance June 30, 2013 |
|---------------------------------------|--|--------------|------------|--------------------------|
| | Balance July 1, 2012 | Additions | Deletions | |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | \$ 19,139,119 | \$ 881,771 | \$ — | \$ 20,020,890 |
| Infrastructure | 8,719,750 | 198,529 | — | 8,918,279 |
| Furniture and office equipment | 3,804,788 | 281,465 | 22,284 | 4,063,969 |
| Machinery and equipment | 6,535,700 | 326,874 | 203,898 | 6,658,676 |
| Total depreciable capital assets | 38,199,357 | 1,688,639 | 226,182 | 39,661,814 |
| Accumulated depreciation: | | | | |
| Buildings and improvements | 12,303,181 | 371,380 | — | 12,674,561 |
| Infrastructure | 2,754,504 | 241,900 | — | 2,996,404 |
| Furniture and office equipment | 2,639,357 | 354,579 | 21,782 | 2,972,154 |
| Machinery and equipment | 4,027,919 | 308,353 | 203,898 | 4,132,374 |
| Total accumulated depreciation | 21,724,961 | 1,276,212 | 225,680 | 22,775,493 |
| Net depreciable capital assets | 16,474,396 | 412,427 | 502 | 16,886,321 |
| Capital assets not being depreciated: | | | | |
| Land | 3,191,556 | — | — | 3,191,556 |
| Construction in progress | 702,912 | 631,734 | 555,967 | 778,679 |
| Nondepreciable capital assets | 3,894,468 | 631,734 | 555,967 | 3,970,235 |
| Net capital assets | \$ 20,368,864 | \$ 1,044,161 | \$ 556,469 | \$ 20,856,556 |

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 2. Capital Assets (continued)

| | <u>Total Business-Type Activities Capital Assets</u> | | |
|--|--|---------------------|----------------------|
| | <u>Balance</u> | | <u>Balance</u> |
| | <u>July 1, 2012</u> | <u>Additions</u> | <u>June 30, 2013</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 | 1,534,400 | — | 1,534,400 |
| Total depreciable capital assets | <u>3,082,194</u> | <u>—</u> | <u>3,082,194</u> |
| Accumulated depreciation: | | | |
| Buildings and improvements | 555,713 | 50,580 | 606,293 |
| Furniture and office equipment | 29,864 | — | 29,864 |
| Machinery and equipment | 1,083,019 | 147,492 | 1,230,511 |
| Total accumulated depreciation | <u>1,668,596</u> | <u>198,072</u> | <u>1,866,668</u> |
| Net depreciable capital assets | 1,413,598 | (198,072) | 1,215,526 |
| Capital assets not being depreciated: | | | |
| Land | 34,500 | — | 34,500 |
| Net capital assets | <u>\$ 1,448,098</u> | <u>\$ (198,072)</u> | <u>\$ 1,250,026</u> |

Depreciation expense was charged to functions as follows:

| <u>Governmental Activities</u> | |
|--------------------------------|---------------------|
| General government | \$ 155,535 |
| Public safety | 268,015 |
| Highways and streets | 341,149 |
| Culture and recreation | 45,703 |
| Regular instruction | 97,899 |
| Administration | 25,632 |
| Operation and maintenance | 4,467 |
| Transportation | 25,211 |
| Food services | 35,152 |
| Unallocated depreciation | 277,449 |
| | <u>\$ 1,276,212</u> |

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

| <u>Business-Type Activities</u> | |
|---------------------------------|-------------------|
| Conference Center | \$ 50,580 |
| Sanitation | 147,492 |
| | <u>\$ 198,072</u> |

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 2. Capital Assets (continued)

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

Utilities Board:

| | Balance July 1, 2012 | Additions | Deletions | Balance June 30, 2013 |
|---------------------------------------|-------------------------|---------------------|---------------------|--------------------------|
| Capital assets being depreciated: | | | | |
| Plant in service | \$ 131,153,597 | \$ 2,592,851 | \$ 475,118 | \$ 133,271,330 |
| Equipment and furniture | 5,312,395 | 335,493 | 253,730 | 5,394,158 |
| Transportation equipment | 2,970,498 | 420,755 | 165,318 | 3,225,935 |
| Total depreciable capital assets | <u>139,436,490</u> | <u>3,349,099</u> | <u>894,166</u> | <u>141,891,423</u> |
| Accumulated depreciation: | | | | |
| Plant in service | 44,668,556 | 3,760,606 | 527,906 | 47,901,256 |
| Equipment and furniture | 3,697,801 | 325,196 | 253,958 | 3,769,039 |
| Transportation equipment | 2,198,960 | 226,572 | 165,318 | 2,260,214 |
| Total accumulated depreciation | <u>50,565,317</u> | <u>4,312,374</u> | <u>947,182</u> | <u>53,930,509</u> |
| Net depreciable capital assets | <u>88,871,173</u> | <u>(963,275)</u> | <u>(53,016)</u> | <u>87,960,914</u> |
| Capital assets not being depreciated: | | | | |
| Land | 794,579 | — | — | 794,579 |
| Construction in progress | 8,743,660 | 7,701,960 | 3,252,003 | 13,193,617 |
| Nondepreciable capital assets | <u>9,538,239</u> | <u>7,701,960</u> | <u>3,252,003</u> | <u>13,988,196</u> |
| Net capital assets | <u>\$ 98,409,412</u> | <u>\$ 6,738,685</u> | <u>\$ 3,198,987</u> | <u>\$ 101,949,110</u> |

Depreciation was charged as follows:

| | Charged to Depreciation and Amortization | Charged to Other Accounts | Total Depreciation and Amortization |
|---------------------|---|---------------------------------|--|
| Power Division | \$ 1,573,511 | \$ 85,822 | \$ 1,659,333 |
| Water Division | 641,077 | 56,757 | 697,834 |
| Gas Division | 416,560 | 22,131 | 438,691 |
| Department of Sewer | <u>1,463,030</u> | <u>70,400</u> | <u>1,533,430</u> |
| | <u>\$ 4,094,178</u> | <u>\$ 235,110</u> | <u>\$ 4,329,288</u> |

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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:

City of Athens:

| | Balance 6/30/12 | Additions | Payments | Balance 6/30/13 | 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 | \$ 4,555,000 | \$ — | \$ 703,000 | \$ 3,852,000 | \$ 725,000 |
| Compensated absences | <u>260,116</u> | <u>219,183</u> | <u>217,727</u> | <u>261,572</u> | <u>174,390</u> |
| | <u>\$ 4,815,116</u> | <u>\$ 219,183</u> | <u>\$ 920,727</u> | <u>4,113,572</u> | <u>899,390</u> |

Board of Education:

| | | |
|------------|---------------------|-------------------|
| OPEB | 264,595 | 23,470 |
| Sick leave | <u>98,784</u> | <u>5,690</u> |
| | <u>363,379</u> | <u>29,160</u> |
| Total | <u>\$ 4,476,951</u> | <u>\$ 928,550</u> |

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

The OPEB and sick leave liabilities are typically liquidated in the General Purpose School 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 0.40 percent at June 30, 2013.

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

| June 30 | Principal | Interest | Total |
|---------|---------------------|------------------|---------------------|
| 2014 | \$ 725,000 | \$ 15,436 | \$ 740,436 |
| 2015 | 747,000 | 12,531 | 759,531 |
| 2016 | 770,000 | 9,537 | 779,537 |
| 2017 | 793,000 | 6,452 | 799,452 |
| 2018 | <u>817,000</u> | <u>3,274</u> | <u>820,274</u> |
| Total | <u>\$ 3,852,000</u> | <u>\$ 47,230</u> | <u>\$ 3,899,230</u> |

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 3. Long-Term Debt (continued)

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

Utilities Board:

| | Balance 6/30/12 | Additions | Payments | Balance 6/30/13 | Due within one year |
|-----------------------|----------------------|-----------------|---------------------|----------------------|---------------------------|
| Revenue and tax bonds | \$ 2,600,317 | \$ — | \$ 310,423 | \$ 2,289,894 | \$ 322,906 |
| Notes payable | 26,514,821 | — | 865,967 | 25,648,854 | 865,459 |
| TVA advances | 63,168 | 3,070 | 36,919 | 29,319 | 18,702 |
| Total | <u>\$ 29,178,306</u> | <u>\$ 3,070</u> | <u>\$ 1,213,309</u> | <u>\$ 27,968,067</u> | <u>\$ 1,207,607</u> |

The Power Division and the Department of Sewer have revenue bonds that 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, 2013.

The Athens Utilities Board has debt issues with outstanding balances totaling \$26,690,160, 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 Utilities Board funds. If Utilities Board funds are not sufficient to service the debt, the City is required to establish ad valorem taxes under each debt issue.

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> |
|----------------|----------------------|---------------------|----------------------|
| 2014 | \$ 1,188,365 | \$ 223,733 | \$ 1,412,098 |
| 2015 | 1,194,195 | 202,736 | 1,396,931 |
| 2016 | 1,291,637 | 179,394 | 1,471,031 |
| 2017 | 974,017 | 162,637 | 1,136,654 |
| 2018 | 882,339 | 155,985 | 1,038,324 |
| 2019-2023 | 7,339,385 | 663,719 | 8,003,104 |
| 2024-2028 | 7,548,413 | 443,510 | 7,991,923 |
| 2029-2033 | 6,183,006 | 214,575 | 6,397,581 |
| 2034-2038 | 799,241 | 111,361 | 910,602 |
| 2039-2043 | 257,183 | 67,777 | 324,960 |
| 2044-2048 | 280,967 | 22,328 | 303,295 |
| | <u>\$ 27,938,748</u> | <u>\$ 2,447,755</u> | <u>\$ 30,386,503</u> |

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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, 2013, all the City's deposits were insured or collateralized.

Component unit

At June 30, 2013, all cash deposits of the Athens Utilities Board were covered by state or federal depository insurance or collateralized with securities held by the Board's agents in the Board's name.

Investments:

Primary government

The City's investment policy states that investments shall only be made in debt instruments of commercial banks or other investment institutions or other obligors having a Standard and 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, 2013, the City had \$16,157,192 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, 2013. At June 30, 2013, the investments of the LGIP had a weighted average maturity of 104 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.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 4. Cash Deposits and Investments (continued)

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, 2013, the Cemetery Perpetual Care Fund's investments consisted of the following:

| | <u>Fair Value</u> |
|--------------------|-------------------|
| Money market funds | \$ 63 |
| Mutual funds | <u>181,496</u> |
| | <u>\$ 181,559</u> |

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

Athens Pension Trust Fund:

As of June 30, 2013, the Pension Trust Fund's investments consisted of the following:

| | <u>Weighted Average Maturity</u> | <u>Fair Value</u> |
|---------------------------------------|--|----------------------|
| U.S. government and agency securities | 2.51 years | \$ 674,714 |
| Foreign stocks | N/A | 2,055,338 |
| Foreign bonds and notes | 4.79 years | 195,827 |
| Corporate bonds | 4.90 years | 829,731 |
| Common stock | N/A | 2,507,973 |
| Mutual funds | N/A | 3,704,894 |
| Money market fund | N/A | 112,880 |
| Municipal bonds | 6.95 years | <u>276,749</u> |
| | | <u>\$ 10,358,106</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.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 5. Interfund Transactions

Interfund Balances:

At June 30, 2013, the General Purpose School Fund had an interfund receivable of \$234,603 due from the Federal Projects Fund and \$978,016 due from the General Fund.

Interfund Transfers:

Interfund transfers during the year consisted of the General Fund transferring \$2,328,869 to the Board of Education General Purpose Fund and \$790,000 to the Debt Service Fund. Interfund transactions were for the purpose of funding annual appropriations, debt service requirements and for employee benefits. Interfund activity is netted in the government-wide statements within the governmental activities column.

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. At June 30, 2013, the Utilities Board has a due from the primary government of \$60,185 and a due to the primary government of \$82,552.

Note 7. Detail of Net Position and Fund Balances

Net Position:

Net position reported on the government-wide Statement of Net Position include the following:

| | Governmental Activities | Business- Type Activities | Total |
|---|----------------------------|---------------------------------|----------------------|
| Capital assets | \$ 43,632,049 | \$ 3,116,694 | \$ 46,748,743 |
| Accumulated depreciation | (22,775,493) | (1,866,668) | (24,642,161) |
| Debt related to acquisition and construction of capital assets | (3,852,000) | — | (3,852,000) |
| Net investment in capital assets | 17,004,556 | 1,250,026 | 18,254,582 |
| Restricted | 1,329,154 | — | 1,329,154 |
| Unrestricted | 21,586,035 | 1,439,227 | 23,025,262 |
| Total net position | <u>\$ 39,919,745</u> | <u>\$ 2,689,253</u> | <u>\$ 42,608,998</u> |

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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

Fund Balances:

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

| | |
|---|----------------------|
| Nonspendable | |
| General Fund-Inventory | \$ 107,345 |
| Centralized Cafeteria Fund-Inventory | 21,553 |
| General Purpose School Fund-Prepaid items | 119,097 |
| Nonexpendable-Cemetery Perpetual Care Fund | 47,283 |
| Total nonspendable fund balances | <u>295,278</u> |
| Restricted | |
| Nonrecurring law enforcement-General Fund | 111,386 |
| General Purpose School Fund-Basic Education | 769,532 |
| Expendable-Cemetery Perpetual Care Fund | 134,276 |
| Drug Fund | 266,677 |
| Total restricted fund balances | <u>1,281,871</u> |
| Committed | |
| Police benefit-General Fund | 19,278 |
| Capital projects-Capital Improvement Fund | 1,869,555 |
| Capital projects-General Obligation Fund | 19,198 |
| Drug Fund | 9,721 |
| Total committed fund balances | <u>1,917,752</u> |
| Assigned | |
| Education-General Purpose School Fund | 3,356,047 |
| Debt service-Debt Service Fund | 3,608,204 |
| Centralized Cafeteria Fund | 357,921 |
| Total assigned fund balances | <u>7,322,172</u> |
| Unassigned | |
| General Fund | 7,854,881 |
| Total fund balances | <u>\$ 18,671,954</u> |

Included in the fund balance classifications are the following encumbrances:

| | |
|-----------------------------|------------|
| General Purpose School Fund | \$ 278,862 |
|-----------------------------|------------|

Utilities Board

Net position of the Utilities Board consist of the following:

| | |
|----------------------------------|----------------------|
| Net investment in capital assets | \$ 74,120,765 |
| Unrestricted | <u>25,217,914</u> |
| | <u>\$ 99,338,679</u> |

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 8. Employee Retirement Plans

Primary Government (excluding employees of the Board of Education):

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 94 active and 25 terminated participants, as well as 47 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:

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 |

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 8. Employee Retirement Plans (continued)

Primary Government (excluding employees of the Board of Education): (continued)

Plan description – Defined Benefit Plan (continued)

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

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

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

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

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.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 8. Employee Retirement Plans (continued)

Primary Government (excluding employees of the Board of Education): (continued)

Summary of significant accounting policies (continued)

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

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

Contributions and reserves

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

Annual pension cost and net pension obligation (benefit):

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

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 3.5 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.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 8. Employee Retirement Plans (continued)

Primary Government (excluding employees of the Board of Education): (continued)

Development of the net pension obligation (benefit)

| | |
|--|-----------------------|
| Annual required contribution for year ending June 30, 2013 | \$ 555,769 |
| Interest on net pension obligation | (154,669) |
| Adjustment to annual required contribution | <u>162,432</u> |
| Annual pension cost | 563,532 |
| Employer contributions made | <u>556,000</u> |
| Change in net pension benefit | 7,532 |
| Net pension benefit at June 30, 2012 | <u>(2,062,258)</u> |
| Net pension benefit at June 30, 2013 | <u>\$ (2,054,726)</u> |

The annual required contribution for the 2013 year was determined as part of the annual actuarial valuation on January 1, 2013 using the service prorated unit credit actuarial cost method.

Trend Information

| <u>Fiscal Year Ending</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation (Benefit)</u> |
|-----------------------------------|--|--|---|
| 6/30/13 | \$ 563,532 | 98.7 % | \$ (2,054,726) |
| 6/30/12 | 547,687 | 292.1 | (2,062,258) |
| 6/30/11 | 553,126 | 102.8 | (1,009,945) |

Funded Status and Funding Progress:

As of January 1, 2013, the most recent actuarial valuation date, the plan was 75.89 percent funded. The actuarial accrued liability for benefits was \$13.23 million, and the actuarial value of assets was \$10.04 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$3.19 million. The covered payroll (annual payroll of active employees covered by the plan) was \$4.12 million, and the ratio of the UAAL to the covered payroll was 77.39 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.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 8. Employee Retirement Plans (continued)

Primary Government (excluding employees of the Board of Education): (continued)

Funded Status and Funding Progress: (continued)

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 |
|--------------------------------|---------------------------------|---------------------------------|---------------------------|-----------------|--------------------|-------------------------------------|
| 01/01/13 | \$10,044,196 | \$ 13,235,667 | \$ 3,191,471 | 75.89 % | \$ 4,123,744 | 77.39 % |
| 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 |

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 \$18,706 during 2013.

Primary Government (Board of Education employees):

Non-instructional employees - plan description:

Employees of the Board are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high 5-year average salary and years of service. Members become eligible to retire at the age of 60 with 5 years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at age 55. Disability benefits are available to active members with 5 years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after 5 years of service and members joining prior to July 1, 1979, were vested after 4 years of service. Benefit provisions are established in state statutes found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 8. Employee Retirement Plans (continued)

Primary Government (Board of Education employees): (continued)

Non-instructional employees - plan description: (continued)

Assembly. Political subdivisions such as the Board participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable unless approved by the Athens City Board of Education's Board.

Funding policy:

The Board requires employees to contribute 5 percent of earnable compensation.

The Board is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2013, was 8.30 percent of annual covered payroll. The contribution requirements of plan members are set by state statute. Contribution requirements for the Board are established and may be amended by the TCRS Board of Trustees.

Annual pension cost:

For the year ended June 30, 2013, the Board's annual pension cost of \$159,836 to TCRS was equal to the Board's required and actual contributions. The required contribution was determined as part of the July 1, 2011 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, (d) projected post retirement increases of 2.5 percent annually, and (e) projected 3 percent annual rate of inflation. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a 10-year period. The Board's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011, was 6 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

| <u>Fiscal Year Ending</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
|-----------------------------------|--|--|---------------------------------------|
| 6/30/13 | \$ 159,836 | 100 % | \$ — |
| 6/30/12 | 162,295 | 100 | — |
| 6/30/11 | 173,768 | 100 | — |

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 8. Employee Retirement Plans (continued)

Primary Government (Board of Education employees): (continued)

Funded status and funding progress:

As of July 1, 2011, the most recent actuarial valuation date, the plan was 87.96 percent funded. The actuarial accrued liability for benefits was \$5,873,000 and the actuarial value of assets was \$5,165,000, resulting in an unfunded actuarial accrued liability (UAAL) of \$708,000. The covered payroll (annual payroll of active employees covered by the plan) was \$1,998,000, and the ratio of the UAAL to the covered payroll was 35.40 percent.

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

| Actuarial Valuation Date | Actuarial Value of Plan Assets (a) | Actuarial Accrued Liability (AAL) -Entry Age (b) | Unfunded AAL (UAAL) (b) - (a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|--------------------------------|---|---|--|--------------------------|---------------------------|---|
| 7/01/11 | \$ 5,165 | \$ 5,873 | \$ 708 | 87.96 % | \$ 1,998 | 35.40 % |
| 7/01/09 | 4,017 | 4,760 | 743 | 84.39 | 1,750 | 42.46 |
| 7/01/07 | 3,809 | 4,193 | 384 | 90.84 | 1,757 | 21.86 |

(Dollar amounts in thousands)

Instructional employees - plan description:

The Board contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEP), a cost-sharing multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high 5-year average salary and years of service. Members become eligible to retire at the age of 60 with 5 years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with 5 years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979, are vested after 5 years of service. Members joining prior to

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 8. Employee Retirement Plans (continued)

Primary Government (Board of Education employees): (continued)

Instructional employees - plan description: (continued)

July 1, 1979, are vested after 4 years of service. Benefit provisions are established in state statutes found in Title 8, Chapters 34-37 of the Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. Cost of living adjustments (COLA) are provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than ½ percent. The maximum annual COLA is capped at 3 percent.

Funding policy:

Most teachers are required by state statute to contribute 5 percent of salary to the plan. The Board is required to contribute at an actuarially determined rate. The rate for the fiscal year ended June 30, 2013, was 8.88 percent of annual covered payroll. The employer contribution requirement is established and may be amended by the TCRS Board of Trustees. The Board's contributions to TCRS for the years ended June 30, 2013, 2012, and 2011 were \$615,201, \$588,304, and \$642,378, respectively, which equaled the required contributions for each year.

Report availability:

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEEPP and the PSPP. 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 <http://www.tn.gov/treasury/tcrs/Schools> or <http://www.tn.gov/treasury/tcrs/PS/>.

Component Unit

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, 2013

Note 9. Postemployment Healthcare Plan

Plan description:

The Athens City Board of Education participates in the state-administered Teacher Group Insurance Plan for healthcare benefits. For accounting purposes, the plan is an agent multiple-employer defined benefit OPEB plan. Benefits are established and amended by an insurance committee created by Tennessee Code Annotated (TCA) 8-27-302. Prior to reaching the age of 65, all members have the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state-administered Medicare Supplement Plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <http://tennessee.gov/finance/act/cafr.shtml>.

Funding policy:

The premium requirements of plan members are established and may be amended by the insurance committee. The plan is self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop their own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state provides a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. See Note 10 for additional details regarding on-behalf payments. The Board's required contribution for 2013 was \$247,000. The Board contributed \$177,222 in 2013.

Annual OPEB cost and net OPEB obligation:

| | <u>Teacher Group Plan</u> |
|---|---------------------------|
| Annual Required Contribution (ARC) | \$ 247,000 |
| Interest on the Net OPEB Obligation (NOO) | 7,812 |
| Adjustment to the ARC | <u>(8,292)</u> |
| Annual OPEB cost | 246,520 |
| Amount of contribution | <u>(177,222)</u> |
| Increase in NOO | 69,298 |
| Net OPEB obligation, beginning of year | <u>195,297</u> |
| Net OPEB obligation, end of year | <u>\$ 264,595</u> |

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 9. Postemployment Healthcare Plan (continued)

Annual OPEB cost and net OPEB obligation: (continued)

| <u>Year End</u> | <u>Plan</u> | <u>Annual OPEB Cost</u> | <u>Percentage of Annual OPEB Cost Contributed</u> | <u>Net OPEB Obligation at Year End</u> |
|-----------------|---------------|-----------------------------|---|--|
| 6/30/11 | Teacher Group | \$193,104 | 72.1 % | \$ 97,681 |
| 6/30/12 | Teacher Group | 243,759 | 60.0 | 195,297 |
| 6/30/13 | Teacher Group | 246,520 | 71.9 | 264,595 |

Funded status and funding progress:

The funded status of the plan as of July 1, 2011, was as follows:

| | <u>Teacher Group Plan</u> |
|--|---------------------------|
| Actuarial valuation date | 7/01/11 |
| Actuarial accrued liability (AAL) | \$ 421,731 |
| Actuarial value of plan assets | — |
| Unfunded actuarial accrued liability (UAAL) | <u>\$ 421,731</u> |
| Actuarial value of assets as a percentage of the AAL | — |
| Covered payroll (active plan members) | \$ 9,237,081 |
| UAAL as a percentage of covered payroll | 4.57% |

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial methods and assumptions:

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with the perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2011, actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 4 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 9.25 initially. The rate decreased to 8.75 percent in fiscal year 2013 and then will be reduced by decrements to an ultimate rate of 5

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 9. Postemployment Healthcare Plan (continued)

Actuarial methods and assumptions: (continued)

percent by fiscal year 2021. Both rates include a 2.5 percent inflation assumption, which also represent projected salary increase. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30 year period beginning July 1, 2007.

Note 10. On-Behalf Payments

The State of Tennessee makes on-behalf payments to the State's Medicare Supplement Plan and the Teacher Group Plan for retired teachers of Athens City Board of Education. GASB Statement #24 requires that on-behalf payments be recognized in the Board's financial statements. During the year ended June 30, 2013, the State of Tennessee made contributions to healthcare plans on behalf of the Board as follows:

| <u>Plan</u> | <u>Amount</u> |
|--------------------------|---------------|
| Teacher Group Plan | \$ 73,790 |
| Medicare Supplement Plan | 30,380 |

These amounts were recognized as revenue and expenditure/expense in the General Purpose School Fund and in Governmental Activities on the government-wide financial statements.

Note 11. Implementation of Governmental Accounting Standards Board Pronouncements

As of July 2012, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 63 "Financial Reporting of Deferred Outflow of Resources, Deferred Inflows of Resources, and Net Position". The accompanying financial statements reflect the implementation of this pronouncement. This pronouncement establishes deferred inflows and outflows of resources, presentation of a statement of net position rather than a balance sheet, and reporting net position rather than net assets.

As of July 1, 2012, the City adopted GASB Statement No. 61 "The Financial Reporting Entity: OMNIBUS". This statement modified existing requirements for assessment of potential component units in determining what should be included in the financial reporting entity and financial reporting entity display and disclosure requirements. Under this pronouncement, the Athens City Board of Education now qualifies to be reported as a blended component unit rather than a discretely presented component unit. Thus, the Athens City Board of Education is

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 11. Implementation of Governmental Accounting Standards Board Pronouncements (continued)

reported as part of the primary government with inclusion of its funds and related disclosures. In the government-wide statements, the City's net position has been restated as follows:

Governmental Activities

| | |
|---|----------------------|
| Net position, beginning of year, as previously reported | \$ 28,724,530 |
| Restatement for inclusion of Board net position | <u>10,453,947</u> |
| Net position, beginning of year, as restated | <u>\$ 39,178,477</u> |

Note 12. Deferred Compensation

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

Note 13. Contingencies

The Athens Utilities Board has debt issues with outstanding balances totaling \$26,690,160, representing debt issued by the City where the Utilities Board has assumed all responsibility through resolution. This long-term debt is reported in the Athens Utilities Board financial statements. The debt service is to be paid through user fees and Board funds, but the City is required to establish ad valorem taxes under each debt issue if Utilities Board funds are not sufficient to service the debts.

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

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

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 14. 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, 2013

Schedule of Funding Progress

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded AAL (UAAL) | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|--------------------------------|---------------------------------|--|---------------------------|-----------------|--------------------|--|
| 01/01/04 | \$ 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 |
| 01/01/13 | 10,044,196 | 13,235,667 | 3,191,471 | 75.89 | 4,123,744 | 77.39 |

Schedule of Employer Contributions

| Plan Year Ending | Contributions by the City | Annual Required Contribution | Percentage Contributed |
|---------------------|------------------------------|---------------------------------|---------------------------|
| 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 |
| 06/30/13 | 556,000 | 555,769 | 100.0 |

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

CITY OF ATHENS, TENNESSEE
SCHEDULE OF FUNDING PROGRESS
BOARD OF EDUCATION EMPLOYEE RETIREMENT PLAN
June 30, 2013

| <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> |
|---|--|--|------------------------------------|-------------------------|----------------------------|--|
| 7/01/11 | \$ 5,165 | \$ 5,873 | \$ 708 | 87.96 % | \$ 1,998 | 35.40 % |
| 7/01/09 | 4,017 | 4,760 | 743 | 84.39 | 1,750 | 42.46 |
| 7/01/07 | 3,809 | 4,193 | 384 | 90.84 | 1,757 | 21.86 |

(Dollar amounts in thousands)

**CITY OF ATHENS, TENNESSEE
SCHEDULE OF FUNDING PROGRESS
BOARD OF EDUCATION TEACHER GROUP PLAN
June 30, 2013**

| <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> |
|---|--|--|------------------------------------|-------------------------|----------------------------|--|
| 7/01/11 | \$ - | \$ 422 | \$ 422 | 0.00 % | \$ 9,237 | 4.57 % |
| 7/01/10 | - | 349 | 349 | 0.00 | 8,844 | 3.95 |
| 7/01/09 | - | 335 | 335 | 0.00 | 8,844 | 3.79 |

(Dollar amounts in thousands)

**NONMAJOR
GOVERNMENTAL FUNDS**

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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 for drug enforcement, education and treatment.

Federal Projects Fund: This fund accounts for federal projects funds received from the Federal government and for the disbursement of those funds for federal programs of the Athens City Schools.

Centralized Cafeteria Fund: This fund is used to account for the revenues and expenditures of the Athens City Schools cafeterias.

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, 2013**

| | Special Revenue Funds | | | Capital Projects Fund | Permanent Fund | Total Nonmajor Governmental Funds |
|--------------------------------------|-----------------------|---------------------|--------------------------|-------------------------------|-------------------------------|--|
| | Drug | Federal Projects | Centralized Cafeteria | General Obligation Bond | Cemetery Perpetual Care | |
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 21,035 | \$ 67,240 | \$ 255,046 | \$ 19,198 | \$ - | \$ 362,519 |
| Investments | 246,629 | - | - | - | 181,559 | 428,188 |
| Due from other governments | 9,134 | 289,420 | 145,144 | - | - | 443,698 |
| Inventories | - | - | 21,553 | - | - | 21,553 |
| Total assets | <u>\$ 276,798</u> | <u>\$ 356,660</u> | <u>\$ 421,743</u> | <u>\$ 19,198</u> | <u>\$ 181,559</u> | <u>\$ 1,255,958</u> |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Accounts payable | \$ 400 | \$ - | \$ 14,560 | \$ - | \$ - | \$ 14,960 |
| Interfund payable | - | 234,603 | - | - | - | 234,603 |
| Accrued payroll and withholdings | - | 67,240 | 27,709 | - | - | 94,949 |
| Unearned revenues | - | 54,817 | - | - | - | 54,817 |
| LIABILITIES | <u>400</u> | <u>356,660</u> | <u>42,269</u> | <u>-</u> | <u>-</u> | <u>399,329</u> |
| FUND BALANCES | | | | | | |
| Nonspendable | - | - | 21,553 | - | 47,283 | 68,836 |
| Restricted | 266,677 | - | - | - | 134,276 | 400,953 |
| Committed | 9,721 | - | - | 19,198 | - | 28,919 |
| Assigned | - | - | 357,921 | - | - | 357,921 |
| Total fund balances | <u>276,398</u> | <u>-</u> | <u>379,474</u> | <u>19,198</u> | <u>181,559</u> | <u>856,629</u> |
| Total liabilities and fund balances | <u>\$ 276,798</u> | <u>\$ 356,660</u> | <u>\$ 421,743</u> | <u>\$ 19,198</u> | <u>\$ 181,559</u> | <u>\$ 1,255,958</u> |

CITY OF ATHENS, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2013

| | Special Revenue Funds | | | Capital Projects Fund | Permanent Fund | Total Nonmajor Governmental Funds |
|---|-----------------------|---------------------|--------------------------|-------------------------------|-------------------------------|--|
| | Drug | Federal Projects | Centralized Cafeteria | General Obligation Bond | Cemetery Perpetual Care | |
| REVENUES | | | | | | |
| Intergovernmental | \$ - | \$1,444,914 | \$ 951,490 | \$ - | \$ - | \$ 2,396,404 |
| Fines and forfeitures | 54,854 | - | - | - | - | 54,854 |
| Investment and interest income | 295 | - | 1,879 | - | 8,698 | 10,872 |
| Charges for services | - | - | 234,460 | - | 1,890 | 236,350 |
| Miscellaneous | - | - | 54,236 | - | - | 54,236 |
| Total revenues | <u>55,149</u> | <u>1,444,914</u> | <u>1,242,065</u> | <u>-</u> | <u>10,588</u> | <u>2,752,716</u> |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| Public safety | 28,644 | - | - | - | - | 28,644 |
| Education | - | 1,444,914 | 1,255,104 | - | - | 2,700,018 |
| Total expenditures | <u>28,644</u> | <u>1,444,914</u> | <u>1,255,104</u> | <u>-</u> | <u>-</u> | <u>2,728,662</u> |
| REVENUES OVER (UNDER) | | | | | | |
| EXPENDITURES | 26,505 | - | (13,039) | - | 10,588 | 24,054 |
| FUND BALANCES, beginning of year | <u>249,893</u> | <u>-</u> | <u>392,513</u> | <u>19,198</u> | <u>170,971</u> | <u>832,575</u> |
| FUND BALANCES, end of year | <u>\$ 276,398</u> | <u>\$ -</u> | <u>\$ 379,474</u> | <u>\$ 19,198</u> | <u>\$ 181,559</u> | <u>\$ 856,629</u> |

CITY OF ATHENS, TENNESSEE
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
Year Ended June 30, 2013

| | Budget | | Actual | Variance With Final Budget |
|--|--------------|--------------|--------------|----------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Interest | \$ 16,000 | \$ 16,000 | \$ 4,877 | \$ (11,123) |
| Total revenues | 16,000 | 16,000 | 4,877 | (11,123) |
| EXPENDITURES | | | | |
| Debt service: | | | | |
| Principal | 703,000 | 703,000 | 703,000 | - |
| Interest | 40,000 | 40,000 | 33,823 | 6,177 |
| General government | 6,000 | 6,000 | 4,317 | 1,683 |
| Total expenditures | 749,000 | 749,000 | 741,140 | 7,860 |
| REVENUES UNDER EXPENDITURES | (733,000) | (733,000) | (736,263) | (3,263) |
| OTHER FINANCING SOURCES | | | | |
| Transfer from general fund | 790,000 | 790,000 | 790,000 | - |
| Net change in fund balance | 57,000 | 57,000 | 53,737 | (3,263) |
| FUND BALANCE, beginning of year | 3,554,467 | 3,554,467 | 3,554,467 | - |
| FUND BALANCE, end of year | \$ 3,611,467 | \$ 3,611,467 | \$ 3,608,204 | \$ (3,263) |

CITY OF ATHENS, TENNESSEE
BUDGETARY COMPARISON SCHEDULE
DRUG FUND
Year Ended June 30, 2013

| | Budget | | Actual | Variance With Final Budget |
|--|------------|------------|------------|----------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Drug fines and forfeitures | \$ 61,000 | \$ 61,000 | \$ 54,854 | \$ (6,146) |
| Investment and interest income | 200 | 200 | 295 | 95 |
| Total revenues | 61,200 | 61,200 | 55,149 | (6,051) |
| EXPENDITURES | | | | |
| Drug investigation | 12,000 | 12,000 | 2,000 | 10,000 |
| Supplies | 20,000 | 20,000 | 13,819 | 6,181 |
| Fixed assets | 24,000 | 24,000 | 11,310 | 12,690 |
| Education and training | 5,000 | 5,000 | 1,515 | 3,485 |
| Total expenditures | 61,000 | 61,000 | 28,644 | 32,356 |
| REVENUES OVER EXPENDITURES | 200 | 200 | 26,505 | 26,305 |
| FUND BALANCE, beginning of year | 249,893 | 249,893 | 249,893 | - |
| FUND BALANCE, end of year | \$ 250,093 | \$ 250,093 | \$ 276,398 | \$ 26,305 |

CITY OF ATHENS, TENNESSEE
BUDGETARY COMPARISON SCHEDULE
FEDERAL PROJECTS FUND
Year Ended June 30, 2013

| | Budget | | Actual | Variance With Final Budget |
|---|--------------------|--------------------|--------------------|----------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Federal funds received through state | <u>\$1,368,624</u> | <u>\$1,786,116</u> | <u>\$1,444,914</u> | <u>\$ (341,202)</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Instruction | | | | |
| Regular instruction | 368,365 | 600,751 | 590,634 | 10,117 |
| Special education | <u>429,133</u> | <u>421,397</u> | <u>358,319</u> | <u>63,078</u> |
| | <u>797,498</u> | <u>1,022,148</u> | <u>948,953</u> | <u>73,195</u> |
| Support services | | | | |
| Instructional support | 440,967 | 490,894 | 382,957 | 107,937 |
| Student support | <u>130,159</u> | <u>273,074</u> | <u>113,004</u> | <u>160,070</u> |
| | <u>571,126</u> | <u>763,968</u> | <u>495,961</u> | <u>268,007</u> |
| Total expenditures | <u>1,368,624</u> | <u>1,786,116</u> | <u>1,444,914</u> | <u>341,202</u> |
| REVENUES OVER (UNDER) EXPENDITURES | - | - | - | - |
| FUND BALANCES, beginning of year | - | - | - | - |
| FUND BALANCES, end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

CITY OF ATHENS, TENNESSEE
BUDGETARY COMPARISON SCHEDULE
CENTRALIZED CAFETERIA FUND
Year Ended June 30, 2013

| | Budget | | | Variance With Final Budget |
|---|------------|------------|------------|----------------------------------|
| | Original | Final | Actual | |
| REVENUES | | | | |
| State funds | \$ 12,131 | \$ 12,131 | \$ 11,547 | \$ (584) |
| Federal funds received through state | 892,987 | 899,875 | 939,943 | 40,068 |
| Charges for services | 294,939 | 294,939 | 234,460 | (60,479) |
| Interest | - | - | 1,879 | 1,879 |
| Other | 56,350 | 56,350 | 54,236 | (2,114) |
| Total revenues | 1,256,407 | 1,263,295 | 1,242,065 | (21,230) |
| EXPENDITURES | | | | |
| Food services | 1,256,407 | 1,263,295 | 1,255,104 | 8,191 |
| REVENUES UNDER EXPENDITURES | - | - | (13,039) | (13,039) |
| FUND BALANCES, beginning of year | 392,513 | 392,513 | 392,513 | - |
| FUND BALANCES, end of year | \$ 392,513 | \$ 392,513 | \$ 379,474 | \$ (13,039) |

INTERNAL SERVICE FUNDS

INTERNAL SERVICE FUNDS

The Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

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

Employee Medical Benefits Fund: This fund was established to account for the potential health insurance changes required under the Affordable Health Care Act. Funds may be used for premiums paid for fully-insured health care coverage or to provide initial funding for claims paid through a self-insured plan, should the City be required to make plan changes due to the new legislation.

CITY OF ATHENS, TENNESSEE
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2013

| | Fleet Fund | Employee Medical Benefits Fund | Total |
|-------------------------------------|---------------|-----------------------------------|--------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 6,018 | \$ - | \$ 6,018 |
| Investments | 2,130,710 | 300,099 | 2,430,809 |
| Total current assets | 2,136,728 | 300,099 | 2,436,827 |
| Capital assets: | | | |
| Capital assets, net | 2,217,253 | - | 2,217,253 |
| Total assets | \$ 4,353,981 | \$ 300,099 | \$ 4,654,080 |
| LIABILITIES AND NET POSITION | | | |
| LIABILITIES | \$ - | \$ - | \$ - |
| NET POSITION | | | |
| Net investment in capital assets | 2,217,253 | - | 2,217,253 |
| Unrestricted | 2,136,728 | 300,099 | 2,436,827 |
| Total net position | 4,353,981 | 300,099 | 4,654,080 |
| Total liabilities and net position | \$ 4,353,981 | \$ 300,099 | \$ 4,654,080 |

CITY OF ATHENS, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
Year Ended June 30, 2013

| | <u>Fleet Fund</u> | <u>Employee Medical Benefits Fund</u> | <u>Total</u> |
|--|-----------------------|---|--------------|
| OPERATING REVENUES | | | |
| Charges for services | \$ 447,400 | \$ 300,000 | \$ 747,400 |
| OPERATING EXPENSES | | | |
| Depreciation | 224,257 | - | 224,257 |
| OPERATING INCOME | 223,143 | 300,000 | 523,143 |
| NONOPERATING REVENUES | | | |
| Interest income | 2,680 | 99 | 2,779 |
| Gain on sale of capital assets | 16,200 | - | 16,200 |
| Capital contribution | 54,257 | - | 54,257 |
| Total nonoperating revenues | 73,137 | 99 | 73,236 |
| CHANGE IN NET POSITION | 296,280 | 300,099 | 596,379 |
| NET POSITION, beginning of year | 4,057,701 | - | 4,057,701 |
| NET POSITION, end of year | \$ 4,353,981 | \$ 300,099 | \$ 4,654,080 |

CITY OF ATHENS, TENNESSEE
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
Year Ended June 30, 2013

| | Fleet Fund | Employee Medical Benefits Fund | Total |
|---|--------------------|-----------------------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | \$ 447,400 | \$ 300,000 | \$ 747,400 |
| Payments to suppliers and vendors | (97,066) | - | (97,066) |
| Net cash provided by operating activities | <u>350,334</u> | <u>300,000</u> | <u>650,334</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | <u>-</u> | <u>-</u> | <u>-</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Proceeds from the sale of capital assets | 16,200 | - | 16,200 |
| Purchase of capital assets | (164,853) | - | (164,853) |
| Capital contributions | <u>21,739</u> | <u>-</u> | <u>21,739</u> |
| Net cash used in capital and related financing activities | <u>(126,914)</u> | <u>-</u> | <u>(126,914)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Investment and interest earnings | 2,680 | 99 | 2,779 |
| Purchase of investments | (2,130,710) | (300,099) | (2,430,809) |
| Net cash used in investing activities | <u>(2,128,030)</u> | <u>(300,000)</u> | <u>(2,428,030)</u> |
| Net decrease in cash and cash equivalents | (1,904,610) | - | (1,904,610) |
| Cash and cash equivalents, beginning of year | <u>1,910,628</u> | <u>-</u> | <u>1,910,628</u> |
| Cash and cash equivalents, end of year | <u>\$ 6,018</u> | <u>\$ -</u> | <u>\$ 6,018</u> |
| Reconciliation of operating income to net cash provided by operating activities: | | | |
| Operating income | \$ 223,143 | \$ 300,000 | \$ 523,143 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | |
| Depreciation | 224,257 | - | 224,257 |
| Changes in assets and liabilities: | | | |
| Accounts payable and accrued liabilities | <u>(97,066)</u> | <u>-</u> | <u>(97,066)</u> |
| Net cash provided by operating activities | <u>\$ 350,334</u> | <u>\$ 300,000</u> | <u>\$ 650,334</u> |
| SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES | | | |
| Capital assets contributed | \$ 32,518 | \$ - | \$ 32,518 |

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OTHER

CITY OF ATHENS, TENNESSEE
SCHEDULE OF UNCOLLECTED DELINQUENT TAXES FILED
LAST TEN YEARS
June 30, 2013

| <u>Tax Year</u> | <u>Delinquent Taxes Filed</u> | <u>July 1, 2012 Delinquent Taxes Receivable</u> | <u>Current Collections and Adjustments</u> | <u>June 30, 2013 Delinquent Taxes Receivable</u> |
|---------------------|-----------------------------------|---|--|--|
| 2002 and Prior | \$ * | \$ 224 | \$ - | \$ 224 |
| 2003 | 54,164 | 1,164 | - | 1,164 |
| 2004 | 42,110 | 275 | - | 275 |
| 2005 | 45,102 | 1,649 | 89 | 1,560 |
| 2006 | 55,813 | 1,715 | 115 | 1,600 |
| 2007 | 69,042 | 1,702 | 716 | 986 |
| 2008 | 80,293 | 13,711 | 5,096 | 8,615 |
| 2009 | 69,472 | 33,763 | 16,664 | 17,099 |
| 2010 | 77,158 | 109,030 | 28,613 | 80,417 |
| 2011 | 97,583 | 249,367 | 159,805 | 89,562 |

* Not available.

CITY OF ATHENS, TENNESSEE
SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE
Year Ended June 30, 2013

| | <u>Total</u> | <u>2013 Assessment</u> | <u>2012 Assessment</u> | <u>Prior Years</u> |
|----------------------------|---------------------|----------------------------|----------------------------|------------------------|
| PROPERTY TAXES RECEIVABLE | | | | |
| July 1, 2012 | \$ 4,784,600 | \$ - | \$ 4,372,000 | \$ 412,600 |
| Add - | | | | |
| Taxes assessed | 4,437,000 | 4,437,000 | - | - |
| Late listings | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | 4,437,000 | 4,437,000 | - | - |
| Deduct - | | | | |
| Collections | 4,286,979 | - | 4,083,062 | 203,917 |
| Adjustments and abatements | <u>62,726</u> | <u>-</u> | <u>55,545</u> | <u>7,181</u> |
| | <u>4,349,705</u> | <u>-</u> | <u>4,138,607</u> | <u>211,098</u> |
| PROPERTY TAXES RECEIVABLE | | | | |
| June 30, 2013 | <u>\$ 4,871,895</u> | <u>\$ 4,437,000</u> | <u>\$ 233,393</u> | <u>\$ 201,502</u> |

CITY OF ATHENS, TENNESSEE
SCHEDULE OF INVESTMENTS
June 30, 2013

| | Interest Rate | Maturity Date | Cost | Market Value |
|--|------------------|------------------|-------------------|-------------------|
| <u>FUNDS GOVERNED BY THE CITY COUNCIL</u> | | | | |
| Cemetery Perpetual Care Fund: | | | | |
| BB&T US Treasury Money Market Fund | - | - | \$ 63 | \$ 63 |
| Doubleline Total Return Bond Fund | - | - | 26,670 | 26,475 |
| Cohen & Steers Realty Shares Fund | - | - | 1,924 | 2,247 |
| Credit Suisse Commodity Return Strategy Fund | - | - | 2,387 | 1,953 |
| Eaton Vance Atlanta Capital Focused Growth Fund | - | - | 5,625 | 5,990 |
| Federated MDT Small Cap Growth Fund | - | - | 1,005 | 1,181 |
| Forward International Small Company Institutional Class I Fund | - | - | 1,797 | 2,007 |
| Goldman Sachs Growth Opportunities Fund | - | - | 3,447 | 4,168 |
| Harbor International Fund | - | - | 4,867 | 5,984 |
| Harding Loevner International Equity Institutional Fund | - | - | 5,516 | 5,982 |
| Lazard Emerging Markets Equity Portfolio Institutional Class Fund | - | - | 2,985 | 2,851 |
| Metropolitan West Total Return Fund | - | - | 20,220 | 19,848 |
| Neuberger Berman Strategic Income Fund | - | - | 10,187 | 9,830 |
| Oppenheimer Developing Markets Fund | - | - | 2,654 | 2,803 |
| PIMCO Foreign Bond Fund | - | - | 13,576 | 13,200 |
| Sterling Capital Corporate Fund | - | - | 12,914 | 13,129 |
| Sterling Capital Equity Income Fund | - | - | 4,983 | 6,354 |
| Sterling Capital Securitized Opportunities Fund | - | - | 6,838 | 6,603 |
| Sterling Capital Special Opportunities Fund | - | - | 1,587 | 2,127 |
| Sterling Capital Total Return Bond Fund | - | - | 45,353 | 43,246 |
| Sterling Capital Mid Cap Value Fund | - | - | 2,603 | 3,643 |
| Virtus Quality Small Cap Fund | - | - | 1,290 | 1,875 |
| Total | | | <u>\$ 178,491</u> | <u>\$ 181,559</u> |
| Athens Pension Trust Fund: | | | | |
| Federal Home Loan Mortgage Corporation | 4.750 | 11/17/15 | \$ 109,068 | \$ 109,884 |
| Federal Home Loan Mortgage Corporation | 4.500 | 01/15/14 | 108,932 | 102,315 |
| Federal National Mortgage Association | 5.000 | 05/11/17 | 110,130 | 114,127 |
| US Treasury Note | 2.000 | 11/30/13 | 167,876 | 166,289 |
| US Treasury Note | 3.125 | 05/15/21 | 84,021 | 80,537 |
| US Treasury Note | 3.750 | 11/15/18 | 17,040 | 16,768 |
| US Treasury Bond | 4.000 | 02/15/15 | 87,885 | 84,794 |
| Aercap Holdings NV | - | - | 2,779 | 4,190 |
| AIA Group | - | - | 21,662 | 24,903 |
| L'Air Liquide Air Liquide S.A. | - | - | 31,579 | 34,997 |
| Akzo N V Sponsored ADR | - | - | 27,408 | 32,844 |
| Allianz Group | - | - | 24,642 | 29,766 |
| Anheuser-Busch InBev NV SPN ADR | - | - | 17,662 | 18,955 |
| Arm Holdings | - | - | 24,552 | 31,882 |
| Aspen Insurance Holdings | - | - | 14,578 | 18,916 |
| Assured Guaranty Limited | - | - | 5,540 | 8,162 |
| Atlas Copco Group | - | - | 15,263 | 14,881 |
| Aviva PLC | - | - | 10,276 | 11,555 |
| ADR Axa-Uap F/K/A Axa | - | - | 6,477 | 10,399 |

(continued)

CITY OF ATHENS, TENNESSEE
SCHEDULE OF INVESTMENTS
June 30, 2013
(continued)

| | Interest Rate | Maturity Date | Cost | Market Value |
|---|------------------|------------------|----------|-----------------|
| Athens Pension Trust Fund: (continued) | | | | |
| Baidu.com, Inc. | - | - | \$ 9,760 | \$ 9,460 |
| Balfour Beatty PLC | - | - | 17,069 | 12,584 |
| Banco Bilbao Vizcaya SP ADR | - | - | 10,217 | 9,167 |
| Bank of Yokohama | - | - | 4,833 | 5,154 |
| Barclays PLC | - | - | 16,963 | 16,778 |
| Bayer AG | - | - | 9,776 | 14,910 |
| Bayerische Motoren Werke Unspens ADR | - | - | 10,734 | 10,188 |
| BG Group | - | - | 37,209 | 33,589 |
| BNP Paribas | - | - | 19,730 | 19,915 |
| British American Tobacco | - | - | 28,623 | 29,853 |
| Bunge Limited | - | - | 19,047 | 19,108 |
| Canadian National RY Company | - | - | 13,898 | 17,509 |
| Carnival Corporation PLC | - | - | 9,697 | 10,167 |
| Checkpoint Software Technology | - | - | 9,280 | 9,936 |
| CNOOC LTD | - | - | 21,791 | 18,423 |
| Cochlear Limited | - | - | 10,833 | 9,603 |
| Covidien PLC | - | - | 8,698 | 11,625 |
| CSL Limited | - | - | 11,127 | 16,910 |
| DBS Group Holdings Limited | - | - | 14,164 | 15,154 |
| Dassault Systems S.A. | - | - | 23,920 | 35,426 |
| Deutsche Boerse AG ADR | - | - | 8,998 | 11,437 |
| Deutsche Post AG Spon ADR | - | - | 6,439 | 9,680 |
| Diamler AG | - | - | 18,754 | 21,753 |
| Electricidade De Portugal S. A. | - | - | 4,087 | 4,182 |
| Endurance Specialty Holdings | - | - | 16,192 | 19,551 |
| Enstar Group | - | - | 5,558 | 7,979 |
| EnSCO International PLC | - | - | 29,077 | 33,710 |
| Fanuc Limited | - | - | 26,601 | 23,162 |
| Fresenius USA Inc | - | - | 30,288 | 31,390 |
| Gazprom | - | - | 12,905 | 8,043 |
| Givaudan SA Unspen ADR | - | - | 14,066 | 19,068 |
| Hitachi LTD | - | - | 9,817 | 10,901 |
| Hong Kong Exchanges & Clearing | - | - | 10,118 | 9,511 |
| HSBC Holdings PLC | - | - | 27,145 | 27,507 |
| ICICI Bank Limited | - | - | 19,573 | 19,125 |
| Imperial Oil Limited | - | - | 29,474 | 26,747 |
| International Consolidated Airlines Group | - | - | 9,720 | 9,206 |
| Itau Unibanco Banco Multiplo S. A. | - | - | 22,880 | 19,057 |
| JGC Corporation | - | - | 39,921 | 48,158 |
| KDDI Corporation Unspen ADR | - | - | 22,342 | 32,725 |
| Linde AG Spon ADR | - | - | 17,968 | 22,173 |
| L'Oreal S. A. | - | - | 20,064 | 26,585 |
| LVMH Moet-Hennessy-Louis-Vuitton S.A. | - | - | 12,254 | 11,975 |
| Lloyds TBS Group | - | - | 7,539 | 9,408 |
| Lonza Group | - | - | 14,621 | 17,597 |
| MTN Group | - | - | 10,068 | 9,824 |
| Muenchener Rueck-Gesell AG ADR | - | - | 7,231 | 9,925 |
| Nestle S.A. | - | - | 31,468 | 36,208 |
| Nice Systems | - | - | 3,937 | 4,058 |

(continued)

CITY OF ATHENS, TENNESSEE
SCHEDULE OF INVESTMENTS
June 30, 2013
(continued)

| | Interest Rate | Maturity Date | Cost | Market Value |
|--|------------------|------------------|----------|-----------------|
| Athens Pension Trust Fund: (continued) | | | | |
| Nielsen Holdings N.V. | - | - | \$ 5,124 | \$ 5,039 |
| Nokian Renkaat OYJ | - | - | 14,249 | 12,820 |
| Novartis | - | - | 43,855 | 57,841 |
| Novo-Nordisk | - | - | 11,737 | 10,848 |
| Pacific Drilling S.A. | - | - | 3,770 | 4,108 |
| Pearson PLC | - | - | 24,519 | 22,388 |
| Petrofac Limited | - | - | 13,004 | 10,448 |
| Petroleo Brasileiro S.A. | - | - | 10,600 | 6,973 |
| PostNL NV ADR | - | - | 9,823 | 7,497 |
| Potash Corporation of Saskatchewan | - | - | 39,326 | 36,986 |
| Reed Elsevier NV | - | - | 22,088 | 33,120 |
| Rexam PLC | - | - | 13,705 | 13,796 |
| Rio Tinto PLC ADR | - | - | 21,520 | 18,075 |
| Roche Holding Limited | - | - | 32,957 | 51,538 |
| Rolls Royce PLC ADR | - | - | 10,604 | 13,759 |
| Royal Dutch Shell PLC ADR Class A | - | - | 18,937 | 17,864 |
| Ryanair Holdings PLC | - | - | 6,756 | 11,337 |
| Sanofi Synthelabo S.A. | - | - | 20,375 | 29,361 |
| SAP Aktiengesellschaft | - | - | 41,507 | 50,253 |
| Sasol Ltd | - | - | 10,788 | 9,095 |
| Schneider Electric S.A. | - | - | 21,397 | 22,022 |
| Siemens AG | - | - | 29,214 | 28,367 |
| Shin-Etsu Chemical Co., Ltd. | - | - | 17,461 | 20,534 |
| SK Telecom Co., Ltd. | - | - | 16,155 | 16,061 |
| Sonova Holding AG | - | - | 9,518 | 9,955 |
| Snam S.P.A. | - | - | 17,136 | 17,470 |
| Sumitomo Mitsui Trust Holdings, Inc. | - | - | 8,544 | 9,128 |
| Svenska Handelsb-A | - | - | 4,558 | 4,986 |
| Swatch Group AG | - | - | 10,571 | 12,568 |
| Sysmex Corp | - | - | 16,711 | 21,887 |
| Taiwan Semiconductor Manufacturing Company | - | - | 20,749 | 25,648 |
| Technip-Coflexip SA ADR | - | - | 12,922 | 13,182 |
| Tesco PLC | - | - | 42,688 | 37,848 |
| Teva Pharmaceutical Industries Limited | - | - | 10,670 | 8,624 |
| Total SA | - | - | 22,016 | 21,915 |
| Toyota Motor Corporation | - | - | 24,866 | 37,405 |
| Turkiye Garanti Bankasi A.S. | - | - | 18,956 | 17,936 |
| UBS AG | - | - | 18,932 | 23,391 |
| Unicharm Corporation | - | - | 20,716 | 22,703 |
| Unilever PLC | - | - | 34,490 | 42,473 |
| Vodafone Group PLC | - | - | 21,682 | 23,197 |
| WPP PLC | - | - | 21,379 | 27,325 |
| Willis Group Holdings | - | - | 17,290 | 19,574 |
| Xinyi Glass Holdings LTD | - | - | 6,816 | 8,707 |
| Yamana Gold, Inc. | - | - | 9,003 | 5,706 |
| Yue Yuen Industrial Unspns ADR | - | - | 7,704 | 6,608 |
| Zurich Insurance Group ADR | - | - | 16,654 | 19,421 |
| BP Capital Markets | 3.200 | 03/11/16 | 31,027 | 31,522 |

(continued)

CITY OF ATHENS, TENNESSEE
SCHEDULE OF INVESTMENTS

June 30, 2013

(continued)

| | Interest Rate | Maturity Date | Cost | Market Value |
|---|------------------|------------------|-----------|-----------------|
| Athens Pension Trust Fund: (continued) | | | | |
| Bank of Nova Scotia | 2.900 | 03/29/16 | \$ 31,023 | \$ 31,308 |
| Shell International Finance | 4.300 | 09/22/19 | 33,770 | 33,291 |
| Petrobras International Finance Company | 3.500 | 02/06/17 | 36,526 | 34,844 |
| Royal Bank of Scotland | 5.625 | 08/24/20 | 35,264 | 32,539 |
| Vale Overseas Limited | 5.625 | 09/15/19 | 34,170 | 32,323 |
| | | | | |
| Aflac, Inc. | 8.500 | 05/15/19 | 36,943 | 38,344 |
| AT&T, Inc. | 5.800 | 02/15/19 | 35,351 | 34,794 |
| Altria Group, Inc. | 4.750 | 05/05/21 | 34,396 | 32,129 |
| American International Group | 5.850 | 01/16/18 | 35,189 | 33,732 |
| Capital One Financial Company | 6.750 | 09/15/17 | 36,166 | 35,337 |
| Caterpillar Financial SE | 7.150 | 02/15/19 | 31,467 | 31,185 |
| Citigroup, Inc. | 8.500 | 05/22/19 | 37,184 | 37,801 |
| Comcast Corporation | 5.700 | 05/15/18 | 35,414 | 34,967 |
| Conagra Foods, Inc. | 1.900 | 01/25/18 | 35,273 | 34,408 |
| Energy Transfer Partners | 4.650 | 06/01/21 | 33,212 | 31,046 |
| General Electric Capital Corporation | 5.300 | 02/11/21 | 31,677 | 32,909 |
| Goldman Sachs Group, Inc. | 6.250 | 09/01/17 | 33,402 | 33,996 |
| JP Morgan Chase & Company | 6.000 | 01/15/18 | 34,040 | 34,235 |
| KeyCorp | 3.750 | 08/13/15 | 31,465 | 31,595 |
| Kinder Morgan Energy | 3.950 | 09/01/22 | 31,884 | 29,594 |
| Kraft Foods, Inc. | 6.500 | 08/11/17 | 35,608 | 34,880 |
| Merrill Lynch & Company | 6.875 | 04/25/18 | 33,417 | 34,528 |
| Metlife, Inc. | 6.750 | 06/01/16 | 35,647 | 34,336 |
| Morgan Stanley | 5.375 | 10/15/15 | 30,929 | 32,114 |
| Newmont Mining Corporation | 3.500 | 03/15/22 | 30,528 | 25,672 |
| Prudential Financial, Inc. | 5.100 | 09/20/14 | 32,712 | 31,524 |
| Simon Property Group | 2.150 | 09/15/17 | 30,559 | 30,099 |
| SunTrust Banks, Inc. | 3.500 | 01/20/17 | 30,617 | 31,394 |
| Time Warner, Inc. | 5.875 | 11/15/16 | 34,585 | 34,246 |
| Williams Partners LP | 7.250 | 02/01/17 | 36,386 | 34,867 |
| | | | | |
| Abbott Laboratories | - | - | 15,288 | 18,138 |
| AbbVie, Inc. | - | - | 12,752 | 16,536 |
| ADT Corporation | - | - | 4,842 | 4,782 |
| ADTRAN, Inc. | - | - | 6,221 | 4,924 |
| Agilent Technologies | - | - | 6,949 | 7,269 |
| Akamai Technologies | - | - | 4,150 | 5,106 |
| Alexander & Baldwin Inc. | - | - | 3,963 | 4,373 |
| Allergan, Inc. | - | - | 16,103 | 14,321 |
| Amazon.com, Inc. | - | - | 26,134 | 36,100 |
| Annaly Capital Management | - | - | 17,112 | 14,204 |
| Apache Corporation | - | - | 10,362 | 8,383 |
| Apple, Inc. | - | - | 43,955 | 63,445 |
| Ascena Retail Group | - | - | 9,710 | 9,249 |
| Assurant, Inc. | - | - | 6,657 | 8,655 |
| Atwood Oceanics, Inc. | - | - | 4,237 | 4,164 |
| Badger Meter, Inc. | - | - | 4,048 | 4,901 |
| Balchem Corporation | - | - | 3,813 | 4,475 |

(continued)

CITY OF ATHENS, TENNESSEE
SCHEDULE OF INVESTMENTS
June 30, 2013
(continued)

| | Interest Rate | Maturity Date | Cost | Market Value |
|--|------------------|------------------|----------|-----------------|
| Athens Pension Trust Fund: (continued) | | | | |
| Bally Technologies, Inc. | - | - | \$ 3,668 | \$ 4,514 |
| Baxter International, Inc. | - | - | 27,418 | 31,864 |
| Becton Dickinson & Company | - | - | 11,493 | 13,836 |
| BJ's Restaurants, Inc. | - | - | 4,295 | 4,823 |
| Blackrock, Inc. | - | - | 13,859 | 17,980 |
| Broadcom Corporation | - | - | 37,289 | 34,471 |
| Cabot Microelectronics Corporation | - | - | 3,616 | 4,291 |
| Cameron International Corporation | - | - | 27,478 | 27,522 |
| CARBO Ceramics, Inc. | - | - | 5,126 | 4,720 |
| Cash American Investment, Inc. | - | - | 3,519 | 4,091 |
| Cavium, Inc. | - | - | 3,479 | 3,891 |
| Chevron Corporation | - | - | 25,397 | 30,768 |
| Cisco Systems, Inc. | - | - | 7,268 | 9,247 |
| Clarcor | - | - | 3,948 | 4,177 |
| CME Group, Inc. | - | - | 5,750 | 8,355 |
| Coach, Inc. | - | - | 32,473 | 31,970 |
| Cognex | - | - | 3,303 | 4,974 |
| Coherent, Inc. | - | - | 3,436 | 3,855 |
| Colfax Corporation | - | - | 4,523 | 4,690 |
| Comcast Corporation | - | - | 21,359 | 26,720 |
| Corporate Executive Board Company | - | - | 5,164 | 8,219 |
| Costco Wholesale Corporation | - | - | 19,817 | 24,325 |
| Danaher Corporation | - | - | 30,164 | 35,448 |
| Dice Holdings, Inc. | - | - | 7,651 | 8,105 |
| DirectTV Group, Inc. | - | - | 7,092 | 8,630 |
| DST Systems, Inc. | - | - | 6,847 | 9,146 |
| ETrade Financial Corporation | - | - | 15,030 | 14,053 |
| EarthLink, Inc. | - | - | 7,973 | 5,837 |
| Eaton Vance Corporation | - | - | 5,136 | 7,518 |
| EBay, Inc. | - | - | 23,109 | 27,412 |
| Emerson Electric Company | - | - | 30,017 | 32,179 |
| EOG Resources, Inc. | - | - | 6,665 | 8,428 |
| EPR Properties | - | - | 3,311 | 4,022 |
| Equifax, Inc. | - | - | 5,251 | 7,072 |
| Express Scripts | - | - | 18,195 | 17,905 |
| FedEx Corporation | - | - | 6,256 | 6,901 |
| Fidelity National Information Services, Inc. | - | - | 9,510 | 13,280 |
| First Cash Financial Services | - | - | 6,870 | 7,874 |
| Ford Motor Company | - | - | 6,086 | 9,591 |
| Forest Oil Corporation | - | - | 13,691 | 3,027 |
| Fusion-io, Inc. | - | - | 6,069 | 2,990 |
| General Dynamics | - | - | 7,119 | 7,363 |
| General Electric Company | - | - | 20,159 | 24,118 |
| General Mills, Inc. | - | - | 24,669 | 30,574 |
| Genesco, Inc. | - | - | 5,690 | 5,359 |
| The GEO Group | - | - | 3,737 | 4,414 |
| Geospace Technologies Corporation | - | - | 2,456 | 4,145 |
| Gilead Sciences, Inc. | - | - | 16,858 | 36,402 |
| Glimcher Realty Trust | - | - | 3,715 | 3,931 |

(continued)

CITY OF ATHENS, TENNESSEE
SCHEDULE OF INVESTMENTS

June 30, 2013

(continued)

| | Interest Rate | Maturity Date | Cost | Market Value |
|--|------------------|------------------|-----------|-----------------|
| Athens Pension Trust Fund: (continued) | | | | |
| Global Payments, Inc. | - | - | \$ 13,261 | \$ 14,359 |
| Google, Inc. | - | - | 39,915 | 48,420 |
| Graco, Inc. | - | - | 6,319 | 7,585 |
| Granite Real Estate Investment Trust | - | - | 4,318 | 3,801 |
| Gulfport Energy Corporation | - | - | 2,636 | 3,767 |
| Halliburton Company | - | - | 7,113 | 8,344 |
| Hexcel Corporation | - | - | 3,109 | 4,086 |
| Hillenbrand, Inc. | - | - | 3,924 | 4,031 |
| Huntsman Corporation | - | - | 3,214 | 4,306 |
| Informatica Corporation | - | - | 11,357 | 8,395 |
| Intel Corporation | - | - | 32,976 | 31,814 |
| IntercontinentalExchange Group, Inc. | - | - | 17,903 | 23,109 |
| Interpublic Group | - | - | 16,399 | 22,407 |
| Intuit, Inc. | - | - | 8,969 | 9,766 |
| IPG Photonics Corporation | - | - | 2,613 | 3,644 |
| Jack Henry & Associates, Inc. | - | - | 6,527 | 8,955 |
| JetBlue Airways | - | - | 3,275 | 3,711 |
| Juniper Networks, Inc. | - | - | 22,570 | 20,469 |
| Kinder Morgan Management LLC | - | - | 32,941 | 32,809 |
| Kohl's Corporation | - | - | 7,348 | 7,577 |
| Laboratory Corporation of America Holdings | - | - | 13,441 | 15,015 |
| Landstar System, Inc. | - | - | 8,665 | 7,725 |
| Lender Processing Services, Inc. | - | - | 7,508 | 13,587 |
| Leucadia National Corporation | - | - | 20,737 | 19,141 |
| Lexmark International, Inc. | - | - | 11,852 | 10,394 |
| Lincoln Electric Holdings, Inc. | - | - | 4,033 | 5,154 |
| Lincoln National Corporation | - | - | 8,835 | 13,129 |
| Louisiana Pacific Corporation | - | - | 2,623 | 3,698 |
| Steven Madden LTD | - | - | 3,659 | 4,354 |
| Markel Corporation | - | - | 7,376 | 7,904 |
| Maxim Integrated Products | - | - | 22,943 | 22,224 |
| McDonald's Corporation | - | - | 31,211 | 31,680 |
| MedAssets, Inc. | - | - | 3,554 | 3,548 |
| Medidata Solutions, Inc. | - | - | 2,576 | 6,971 |
| Merck & Company, Inc. | - | - | 3,672 | 5,017 |
| MetLife, Inc. | - | - | 24,771 | 32,032 |
| Micro Systems, Inc. | - | - | 13,060 | 12,945 |
| Microsoft Corporation | - | - | 57,474 | 71,819 |
| MicroStrategy, Inc. | - | - | 4,489 | 4,348 |
| Mondelez International, Inc. | - | - | 7,154 | 7,133 |
| Monsanto Company | - | - | 48,853 | 59,280 |
| Monster Worldwide, Inc. | - | - | 3,608 | 2,111 |
| Myriad Genetics, Inc. | - | - | 6,515 | 5,643 |
| Northwest Pipe Company | - | - | 4,036 | 4,185 |
| Nuance Communications, Inc. | - | - | 8,817 | 7,544 |
| Oasis Petroleum, Inc. | - | - | 2,602 | 4,276 |
| Occidental Petroleum | - | - | 27,160 | 31,231 |
| Omnicare, Inc. | - | - | 10,134 | 18,130 |
| Omnicom Group | - | - | 39,609 | 51,553 |

(continued)

CITY OF ATHENS, TENNESSEE
SCHEDULE OF INVESTMENTS
June 30, 2013
(continued)

| | Interest Rate | Maturity Date | Cost | Market Value |
|--|------------------|------------------|----------|-----------------|
| Athens Pension Trust Fund: (continued) | | | | |
| Owens & Minor, Inc. | - | - | \$ 7,239 | \$ 8,119 |
| PepsiCo, Inc. | - | - | 25,224 | 32,716 |
| Pfizer, Inc. | - | - | 23,618 | 32,212 |
| Philip Morris International, Inc. | - | - | 63,734 | 59,748 |
| Priceline.com, Inc. | - | - | 25,449 | 29,760 |
| Qlik Technologies, Inc. | - | - | 4,523 | 4,241 |
| Qualcomm, Inc. | - | - | 79,424 | 79,417 |
| Riverbed Technology, Inc. | - | - | 3,958 | 3,112 |
| RLI Corporation | - | - | 5,074 | 5,349 |
| Ryder System, Inc. | - | - | 4,001 | 6,079 |
| Ryland Group, Inc. | - | - | 3,700 | 4,411 |
| SAIC, Inc. | - | - | 5,030 | 4,597 |
| Salix Pharmaceuticals LTD | - | - | 3,442 | 4,631 |
| Sanofi-Aventis ADS | - | - | 353 | 285 |
| Schlumberger Limited | - | - | 52,834 | 49,445 |
| SHFL Entertainment, Inc. | - | - | 3,413 | 4,073 |
| Sirona Dental Systems, Inc. | - | - | 2,618 | 3,953 |
| Spectra Energy | - | - | 31,343 | 39,629 |
| Starbucks Corporation | - | - | 22,784 | 28,169 |
| Charles Schwab | - | - | 4,416 | 7,855 |
| Symantec Corporation | - | - | 6,424 | 9,891 |
| Syntel, Inc. | - | - | 6,056 | 6,916 |
| T Rowe Price Group | - | - | 17,794 | 21,960 |
| Target Corporation | - | - | 21,677 | 29,334 |
| Texas Instruments | - | - | 18,144 | 21,224 |
| TIBCO Software, Inc. | - | - | 3,280 | 2,569 |
| Time Warner, Inc. | - | - | 29,305 | 38,243 |
| The Travelers Companies, Inc. | - | - | 20,207 | 28,771 |
| Thermon Group Holdings, Inc. | - | - | 4,348 | 4,284 |
| Thor Industries, Inc. | - | - | 4,570 | 4,918 |
| Thoratec Corporation | - | - | 3,738 | 3,444 |
| Triumph Group, Inc. | - | - | 3,722 | 4,749 |
| UMB Financial Corporation | - | - | 3,625 | 4,454 |
| Union Pacific Corporation | - | - | 28,843 | 41,656 |
| United Health Group, Inc. | - | - | 7,976 | 10,477 |
| United Natural Foods, Inc. | - | - | 3,320 | 3,239 |
| United Parcel Service, Inc. | - | - | 19,480 | 22,485 |
| United Therapeutics Corporation | - | - | 3,398 | 4,607 |
| Universal Technical Institute, Inc. | - | - | 3,857 | 2,996 |
| UTi Worldwide, Inc. | - | - | 8,216 | 9,717 |
| Viacom, Inc. | - | - | 14,112 | 21,770 |
| Viropharma, Inc. | - | - | 4,124 | 4,871 |
| Vitamin Shoppe, Inc. | - | - | 5,005 | 4,484 |
| VMware, Inc. | - | - | 14,996 | 14,068 |
| Walt Disney Company | - | - | 17,542 | 17,051 |
| WD-40 Company | - | - | 6,369 | 7,627 |
| Waste Connections | - | - | 3,191 | 4,525 |
| WellPoint, Inc. | - | - | 34,550 | 40,102 |
| Westamerica Bancorporation Company | - | - | 5,023 | 5,026 |

(continued)

CITY OF ATHENS, TENNESSEE
SCHEDULE OF INVESTMENTS

June 30, 2013

(continued)

| | Interest Rate | Maturity Date | Cost | Market Value |
|---|------------------|------------------|---------------------|----------------------|
| Athens Pension Trust Fund: (continued) | | | | |
| Western Union Company | - | - | \$ 11,041 | \$ 11,122 |
| John Wiley & Sons, Inc. | - | - | 6,220 | 5,212 |
| Williams Companies | - | - | 7,216 | 6,494 |
| Wolverine World Wide, Inc. | - | - | 5,428 | 7,099 |
| World Fuel Services Corporation | - | - | 7,151 | 7,196 |
| Xerox Corporation | - | - | 18,225 | 16,235 |
| Xylem, Inc. | - | - | 6,078 | 5,927 |
| Zimmer Holdings, Inc. | - | - | 6,285 | 8,243 |
| Aberdeen Equity Long Short Fund | - | - | 44,158 | 44,902 |
| Altegris Macro Strategy Fund | - | - | 222,460 | 213,353 |
| AQR Managed Futures Strategy Fund | - | - | 58,685 | 58,645 |
| Avenue Credit Strategies Fund | - | - | 42,123 | 41,815 |
| Cohen & Steers International Realty Fund | - | - | 187,460 | 211,433 |
| Credit Suisse Commodity Return Strategy Fund | - | - | 136,839 | 108,639 |
| Driehaus Select Credit Fund | - | - | 43,116 | 42,357 |
| Forward International Small Companies Fund | - | - | 288,900 | 305,089 |
| Goldman Sachs Growth Opportunities Fund Class I | - | - | 420,562 | 459,695 |
| Highland Long/Short Equity Fund | - | - | 67,434 | 67,584 |
| Lazard Emerging Markets Equity Institutional Class Fund | - | - | 471,410 | 436,700 |
| MainStay Marketfield Fund | - | - | 45,072 | 52,068 |
| Oppenheimer Developing Markets Fund | - | - | 436,167 | 426,478 |
| Pimco Foreign Bond (US Dollar Hedged) | - | - | 648,309 | 630,200 |
| Sterling Capital Securitized Opportunities Fund | - | - | 461,957 | 452,201 |
| Touchstone Merger Arbitrage Fund | - | - | 24,292 | 25,230 |
| Turner Spectrum Institutional Class Fund | - | - | 81,095 | 78,531 |
| Wasatch 1st Source Long/Short Fund | - | - | 47,426 | 49,978 |
| Sterling Capital Prime Money Market Fund | - | - | 112,880 | 112,880 |
| Clarkston County MI Bond | 1.650 | 05/01/18 | 50,000 | 48,585 |
| Dallas County TX Bond | 4.948 | 08/15/20 | 59,649 | 56,973 |
| Frisco TX Bond | 2.750 | 02/15/20 | 51,973 | 49,969 |
| Michigan ST Bond | 3.450 | 05/15/23 | 40,816 | 39,694 |
| Mississippi ST Bond | 3.581 | 11/01/19 | 32,995 | 32,001 |
| Union Elementary School District CA Bond | 2.564 | 09/01/20 | 50,469 | 49,527 |
| | | | <u>\$ 9,899,631</u> | <u>\$ 10,358,106</u> |

(continued)

CITY OF ATHENS, TENNESSEE
SCHEDULE OF INVESTMENTS

June 30, 2013

(continued)

| | Interest Rate | Maturity Date | Cost | Market Value |
|--|------------------|------------------|---------------------|---------------------|
| Participation in the State of Tennessee Local Government Investment Pool: | | | | |
| General Fund | - | - | <u>\$ 6,936,747</u> | <u>\$ 6,936,747</u> |
| Debt Service Fund | - | - | <u>\$ 3,573,531</u> | <u>\$ 3,573,531</u> |
| Drug Fund | - | - | <u>\$ 246,629</u> | <u>\$ 246,629</u> |
| Capital Improvement Fund | - | - | <u>\$ 1,792,105</u> | <u>\$ 1,792,105</u> |
| Sanitation Fund | - | - | <u>\$ 1,177,371</u> | <u>\$ 1,177,371</u> |
| Fleet Fund | - | - | <u>\$ 2,130,710</u> | <u>\$ 2,130,710</u> |
| Employee Medical Benefits Fund | - | - | <u>\$ 300,099</u> | <u>\$ 300,099</u> |

CITY OF ATHENS, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS
June 30, 2013

| Fiscal Year Ending 6/30 | Public Building Authority of the City of Clarksville, Tennessee, Pooled Loan Program, Series 2003 | | |
|-------------------------------|---|------------------|--------------------|
| | Principal | Interest | Total |
| 2014 | \$ 725,000 | \$ 15,436 | \$ 740,436 |
| 2015 | 747,000 | 12,531 | 759,531 |
| 2016 | 770,000 | 9,537 | 779,537 |
| 2017 | 793,000 | 6,452 | 799,452 |
| 2018 | 817,000 | 3,274 | 820,274 |
| | <u>\$3,852,000</u> | <u>\$ 47,230</u> | <u>\$3,899,230</u> |

CITY OF ATHENS, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2013

| <u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u> | <u>Federal CFDA Number</u> | <u>Pass-Through Grantor's Number</u> | <u>Accrued (Unearned) Grant Revenues July 1, 2012</u> | <u>Grant Revenues Received</u> | <u>Expenditures</u> | <u>Accrued (Unearned) Grant Revenues June 30, 2013</u> |
|---|------------------------------------|--|---|--|---------------------|--|
| PRIMARY GOVERNMENT: | | | | | | |
| CITY OF ATHENS | | | | | | |
| <u>FEDERAL AWARDS:</u> | | | | | | |
| U.S. DEPARTMENT OF TRANSPORTATION | | | | | | |
| Passed through TN Department of Environment and Conservation: | | | | | | |
| Recreation Trails Program Grant for McMinn County Rails to Trails Project | 20.219 | GG-12-36555-00 | \$ - | \$ - | \$ 17,124 | \$ 17,124 |
| High Priority Project Grant for Athens - Overlook Road Project | 20.205 | 32701-01471 | - | 1,600 | 11,623 | 10,023 |
| Passed through TN Department of Transportation: Governor's Highway Safety Office: | | | | | | |
| Safe Roads for Athens | 20.607 | Z-12-GHS0-13 | 1,922 | 1,922 | - | - |
| Safe Roads for Athens | 20.607 | Z-13-GHS0-14 | - | 3,275 | 24,642 | 21,367 |
| | | | <u>1,922</u> | <u>6,797</u> | <u>53,389</u> | <u>48,514</u> |
| U.S. DEPARTMENT OF HOMELAND SECURITY | | | | | | |
| Passed through TN Emergency Management Agency: Assistance to Firefighters Grant Program | 97.036 | EMW-2011-F0-04370 | - | 67,070 | 67,070 | - |
| 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 | <u>500,000</u> | <u>500,000</u> | <u>-</u> | <u>-</u> |
| U.S. ENVIRONMENTAL PROTECTION AGENCY | | | | | | |
| Passed through TN Department of Agriculture: | | | | | | |
| North Mouse Creek Restoration Grant | 66.460 | C9994674-09-0 | <u>139,416</u> | <u>-</u> | <u>7,881</u> | <u>147,297</u> |
| Total Federal Awards | | | <u>641,338</u> | <u>573,867</u> | <u>128,340</u> | <u>195,811</u> |
| <u>STATE AWARDS:</u> | | | | | | |
| Tennessee Department of Environment and Conservation: | | | | | | |
| Local Park and Recreation Fund Grant | N/A | GG-11-3469-00 | 43,095 | 138,000 | 94,905 | - |
| Clean Tennessee Energy Grant | N/A | DG-13-38940-00 | - | - | 250,000 | 250,000 |
| Used Oil Grant | N/A | 34559 | - | - | 16,591 | 16,591 |
| Tennessee Department of Economic and Community Development: | | | | | | |
| Tennessee Downtowns Innovation Program | N/A | GG-12-37837-00 | - | 14,934 | 14,934 | - |
| Total State Awards | | | <u>43,095</u> | <u>152,934</u> | <u>376,430</u> | <u>266,591</u> |
| Total City of Athens | | | <u>\$ 684,433</u> | <u>\$ 726,801</u> | <u>\$ 504,770</u> | <u>\$ 462,402</u> |

(continued)

CITY OF ATHENS, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2013
(continued)

| Federal Grantor/Pass-Through Grantor/Program Title | Federal CFDA Number | Pass-Through Grantor's Number | Accrued (Unearned) Grant Revenues July 1, 2012 | Grant Revenues Received | Expenditures | Accrued (Unearned) Grant Revenues June 30, 2013 |
|---|---------------------------|-------------------------------------|---|-------------------------------|------------------|--|
| PRIMARY GOVERNMENT: | | | | | | |
| ATHENS CITY BOARD OF EDUCATION | | | | | | |
| FEDERAL AWARDS | | | | | | |
| U.S. DEPARTMENT OF AGRICULTURE | | | | | | |
| Passed through the TN Department of Human Services: | | | | | | |
| Child and Adult Food Care Program | 10.558 | N/A | \$ - | \$ 4,779 | \$ 4,779 | \$ - |
| Child and Adult Food Care Program | 10.558 | N/A | - | 49,457 | 49,457 | - |
| Passed through the TN Department of Education: | | | | | | |
| Child Nutrition Discretionary Grants: | | | | | | |
| Equipment Grant | 10.579 | N/A | - | 6,888 | 6,888 | - |
| Child Nutrition Cluster: | | | | | | |
| National School Lunch Program | 10.555 | N/A | - | 481,034 | 521,299 | 40,265 |
| School Breakfast Program | 10.553 | N/A | - | 172,537 | 188,929 | 16,392 |
| Summer Food Service Program for Children | 10.559 | N/A | 182,329 | 253,469 | 159,627 | 88,487 |
| Passed through the TN Department of Agriculture: | | | | | | |
| Food Distribution | 10.555 | N/A | - | 63,200 | 63,200 | - |
| | | | <u>182,329</u> | <u>1,031,364</u> | <u>994,179</u> | <u>145,144</u> |
| NATIONAL ENDOWMENT FOR THE HUMANITIES | | | | | | |
| Innovative Approaches to Literacy Grant | 45.169 | N/A | - | 8,000 | 8,000 | - |
| U.S. DEPARTMENT OF EDUCATION | | | | | | |
| Impact Aid | 84.041 | N/A | - | 2,364 | 2,364 | - |
| Passed through the TN Department of Education: | | | | | | |
| Special Education Cluster: | | | | | | |
| Special Education - Grants to States | 84.027 | N/A | 42,769 | 377,473 | 405,392 | 70,688 |
| Special Education - Preschool Grants | 84.173 | N/A | 4,157 | 17,068 | 17,214 | 4,303 |
| Title I Grants to Local Educational Agencies | 84.010 | N/A | 76,978 | 534,508 | 577,619 | 120,089 |
| Twenty-First Century Community Learning Centers | 84.287 | N/A | 79,855 | 230,664 | 235,937 | 85,128 |
| Improving Teacher Quality - State Grants | 84.367 | N/A | 1,432 | 72,952 | 46,202 | (25,318) |
| Education Technology State Grants | 84.318 | N/A | (84) | - | - | (84) |
| Safe and Drug-Free Schools and Communities - State Grants | 84.186 | N/A | 130 | - | - | 130 |
| Rural Education Achievement Program | 84.358 | N/A | 4,165 | 31,923 | 24,842 | (2,916) |
| English Language Acquisition Grants | 84.162 | N/A | 2,418 | 26,117 | 25,694 | 1,995 |
| Teacher Incentive Fund | 84.374 | N/A | - | 29,071 | 61,851 | 32,780 |
| Race to the Top Early Learning Challenge | 84.412 | N/A | 4,804 | 249,968 | 278,100 | 32,936 |
| | | | <u>216,624</u> | <u>1,572,108</u> | <u>1,675,215</u> | <u>319,731</u> |
| TOTAL FEDERAL AWARDS - ATHENS BOARD OF EDUCATION | | | <u>398,953</u> | <u>2,611,472</u> | <u>2,677,394</u> | <u>464,875</u> |

(continued)

CITY OF ATHENS, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2013
(continued)

| Federal Grantor/Pass-Through Grantor/Program Title | Federal CFDA Number | Pass-Through Grantor's Number | Accrued (Unearned) Grant Revenues July 1, 2012 | Grant Revenues Received | Expenditures | Accrued (Unearned) Grant Revenues June 30, 2013 |
|---|---------------------------|-------------------------------------|---|-------------------------------|--------------|--|
| <u>STATE AWARDS</u> | | | | | | |
| Early Childhood Education - Lottery | | N/A | \$ 258,471 | \$ 630,070 | \$ 649,611 | \$ 278,012 |
| Coordinated School Health | | N/A | - | 85,000 | 85,000 | - |
| Safe Schools | | N/A | 7,700 | 7,700 | 7,500 | 7,500 |
| TOTAL STATE AWARDS - ATHENS BOARD OF EDUCATION | | | 266,171 | 722,770 | 742,111 | 285,512 |
| TOTAL ATHENS BOARD OF EDUCATION | | | \$ 665,124 | \$ 3,334,242 | \$ 3,419,505 | \$ 750,387 |
| COMPONENT UNIT - ATHENS UTILITIES BOARD | | | | | | |
| <u>FEDERAL AWARDS</u> | | | | | | |
| 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 | \$ 77,000 | \$ 6,500 | \$ - |
| U.S. DEPARTMENT OF HOMELAND SECURITY | | | | | | |
| Passed through TN Emergency Management Agency: | | | | | | |
| Disaster Grants - Public Assistance | 97.036 | FEMA-1974-DR-TN | 49,795 | 49,795 | - | - |
| TOTAL FEDERAL AWARDS - ATHENS UTILITIES BOARD | | | 120,295 | 126,795 | 6,500 | - |
| <u>STATE AWARDS:</u> | | | | | | |
| Tennessee Emergency Management Agency: | | | | | | |
| Disaster Grants - Public Assistance | | FEMA-1974-DR-TN | 8,787 | 8,787 | - | - |
| TOTAL COMPONENT UNIT | | | \$ 129,082 | \$ 135,582 | \$ 6,500 | \$ - |

(continued)

CITY OF ATHENS, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2013
(continued)

| Federal Grantor/Pass-Through Grantor/Program or Cluster Title | Federal CFDA Number | Pass-Through Grantor's Number | Accrued (Unearned) Grant Revenues July 1, 2012 | Grant Revenues Received | Expenditures | Accrued (Unearned) Grant Revenues June 30, 2013 |
|---|---------------------------|-------------------------------------|---|-------------------------------|----------------------------|--|
| SUMMARY OF PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT: | | | | | | |
| Total Federal Awards | | | \$ 1,160,586 | \$ 3,312,134 | \$ 2,812,234 | \$ 660,686 |
| Total State Awards | | | <u>318,053</u> | <u>884,491</u> | <u>1,118,541</u> | <u>552,103</u> |
| TOTAL AWARDS | | | <u><u>\$ 1,478,639</u></u> | <u><u>\$ 4,196,625</u></u> | <u><u>\$ 3,930,775</u></u> | <u><u>\$ 1,212,789</u></u> |

Note 1: The City received federal awards which were below the level requiring the City to have a "Single Audit" in accordance with OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations" for the year ended June 30, 2013. The Schedule of Expenditures of Federal and State Awards includes the federal and state grant activity of the City of Athens and its blended and discretely presented 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, a blended 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, 2013. 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, a discretely presented 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, 2013. 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.

STATISTICAL SECTION

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operation Information

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

THE FOLLOWING TABLES ARE INAPPLICABLE

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

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

CITY OF ATHENS, TENNESSEE
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
June 30, 2013
 (Accrual Basis of Accounting)

| | <u>2013</u> | <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> |
|---|----------------------|----------------------|----------------------|----------------------|---------------------|----------------------|---------------------|---------------------|---------------------|----------------------|
| GOVERNMENTAL ACTIVITIES | | | | | | | | | | |
| Net investment in capital assets | \$ 17,004,556 | \$ 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 |
| Restricted | 1,329,154 | 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 |
| Unrestricted | <u>21,586,035</u> | <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> |
| Total governmental activities net position | <u>\$ 39,919,745</u> | <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> |
| BUSINESS-TYPE ACTIVITIES | | | | | | | | | | |
| Net investment in capital assets | \$ 1,250,026 | \$ 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 |
| Unrestricted | <u>1,439,227</u> | <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> |
| Total business-type activities net position | <u>\$ 2,689,253</u> | <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> |
| PRIMARY GOVERNMENT | | | | | | | | | | |
| Net investment in capital assets | \$ 18,254,582 | \$ 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 |
| Restricted | 1,329,154 | 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 |
| Unrestricted | <u>23,025,262</u> | <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> |
| Total primary government net position | <u>\$ 42,608,998</u> | <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> |

NOTE 1: The City adopted GASB No. 61 in fiscal year 2013, which required the inclusion of the Athens City Board of Education as a blended component unit. Information prior to fiscal 2013 is shown with the Board of Education meeting the requirements of a discretely presented component unit.

Source: Comprehensive Annual Financial Reports

CITY OF ATHENS, TENNESSEE
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
June 30, 2013
 (Accrual Basis of Accounting)

| | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| EXPENSES | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government | \$ 3,140,398 | \$ 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 |
| Public safety | 4,348,906 | 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 |
| Highways and streets | 1,709,642 | 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 |
| Culture and recreation | 913,856 | 1,112,979 | 546,683 | 709,813 | 911,898 | 825,652 | 878,552 | 588,744 | 870,846 | 847,670 |
| 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 |
| Instructional | 9,653,532 | - | - | - | - | - | - | - | - | - |
| Support services | 5,077,403 | - | - | - | - | - | - | - | - | - |
| Non-instructional | 1,260,999 | - | - | - | - | - | - | - | - | - |
| Unallocated depreciation | 277,449 | - | - | - | - | - | - | - | - | - |
| Health and welfare | 111,079 | 105,949 | 93,479 | 97,091 | 93,733 | 89,773 | 96,383 | 86,069 | 81,158 | 76,462 |
| Interest on long-term debt | 33,823 | 33,938 | 61,531 | 63,175 | 124,260 | 254,003 | 326,030 | 259,020 | 148,652 | 56,436 |
| Passthrough grants | - | 500,000 | 2,980,680 | 3,423,715 | - | - | - | - | - | - |
| Total governmental activities expenses | <u>26,527,087</u> | <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> |
| Business-type activities: | | | | | | | | | | |
| Conference center | 65,074 | 64,483 | 71,984 | 64,782 | 74,287 | 78,630 | 73,475 | 74,533 | 74,332 | 71,182 |
| Sanitation | 788,503 | 754,868 | 660,718 | 1,024,229 | 744,393 | 773,071 | 750,040 | 713,587 | 821,148 | 874,411 |
| Total business-type activities expenses | <u>853,577</u> | <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> |
| Total primary government expenses | <u>\$ 27,380,664</u> | <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> |
| PROGRAM REVENUES | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| General government | \$ 133,031 | \$ 106,902 | \$ 70,957 | \$ 68,970 | \$ 128,972 | \$ 161,389 | \$ 124,870 | \$ 143,012 | \$ 144,930 | \$ 124,963 |
| Public safety | 691,534 | 458,959 | 476,019 | 490,614 | 517,846 | 456,715 | 607,386 | 624,310 | 537,985 | 324,137 |
| Culture and recreation | 137,282 | 141,374 | 111,125 | 107,617 | 121,141 | 129,551 | 123,270 | 107,138 | 117,433 | 113,228 |
| Education | 467,264 | - | - | - | - | - | - | - | - | - |
| Health and welfare | 3,080 | 3,244 | 2,587 | 2,999 | 2,840 | 18,940 | 40,593 | 34,339 | 29,416 | 28,969 |
| Operating grants and contributions | 4,045,399 | 495,710 | 549,773 | 682,455 | 577,555 | 540,073 | 920,680 | 932,309 | 568,915 | 3,245,413 |
| Capital grants and contributions | 483,264 | 704,762 | 3,752,321 | 4,484,478 | 234,110 | 48,010 | 791,576 | 406,067 | 180,797 | 851,939 |
| Total governmental activities program revenues | <u>5,960,854</u> | <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> |

(continued)

CITY OF ATHENS, TENNESSEE
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
June 30, 2013
(Accrual Basis of Accounting)
(continued)

| | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| PROGRAM REVENUES | | | | | | | | | | |
| Business-type activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Conference center | \$ 20,503 | \$ 17,606 | \$ 18,508 | \$ 17,712 | \$ 13,622 | \$ 16,085 | \$ 18,250 | \$ 14,303 | \$ 12,676 | \$ 17,752 |
| Sanitation | 870,916 | 795,608 | 796,442 | 806,638 | 822,569 | 798,349 | 790,056 | 782,040 | 740,626 | 742,961 |
| Total business-type activities | | | | | | | | | | |
| program revenues | 891,419 | 813,214 | 814,950 | 824,350 | 836,191 | 814,434 | 808,306 | 796,343 | 753,302 | 760,713 |
| Total primary government | | | | | | | | | | |
| program revenues | \$ 6,852,273 | \$ 2,724,165 | \$ 5,777,732 | \$ 6,661,483 | \$ 2,418,655 | \$ 2,169,112 | \$ 3,416,681 | \$ 3,043,518 | \$ 2,332,778 | \$ 5,449,362 |
| NET (EXPENSES)/REVENUES | | | | | | | | | | |
| Governmental activities | \$(20,566,233) | \$(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) |
| Business-type activities | 37,842 | (6,137) | 82,248 | (264,661) | 17,511 | (37,267) | (15,209) | 8,223 | (142,178) | (184,880) |
| Total primary government net | | | | | | | | | | |
| expenses | \$(20,528,391) | \$(10,208,474) | \$(10,311,767) | \$ (8,919,855) | \$(10,166,095) | \$(10,617,591) | \$(10,142,437) | \$ (9,724,661) | \$(12,690,092) | \$ (8,814,694) |
| GENERAL REVENUES AND OTHER | | | | | | | | | | |
| CHANGES IN NET POSITION | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Property taxes | \$ 5,650,152 | \$ 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 |
| Local sales tax | 3,963,722 | 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 |
| In lieu of taxes | 1,046,664 | 1,007,421 | 998,026 | 985,411 | 966,521 | 865,380 | 859,276 | 798,491 | 790,124 | 781,919 |
| Wholesale beer tax | 515,558 | 510,549 | 498,443 | 489,083 | 476,121 | 478,869 | 470,952 | 448,861 | 441,654 | 417,443 |
| Business tax | 423,898 | 392,867 | 378,279 | 406,089 | 642,757 | 670,214 | 672,843 | 677,798 | 616,521 | 586,813 |
| Franchise tax | 145,434 | 154,429 | 151,724 | 144,908 | 140,271 | 138,113 | 131,983 | 121,968 | 118,597 | 105,298 |
| Other local taxes | 82,858 | 87,076 | 83,875 | 106,587 | 75,488 | 33,870 | 34,451 | 32,649 | 35,633 | 42,243 |
| Intergovernmental revenues not | | | | | | | | | | |
| restricted to specific programs | 9,223,315 | 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 |
| Insurance proceeds | 58,280 | 8,330 | - | 35,539 | 107,703 | - | - | - | - | 15,900 |
| Investment income | 62,608 | 85,889 | 59,713 | 91,129 | 309,719 | 552,007 | 622,830 | 412,700 | 169,953 | 84,706 |
| Gain (loss) on disposal of capital assets | 16,378 | - | 23,255 | (4,264) | 12,804 | - | - | 31,007 | 24,967 | 31,959 |
| Miscellaneous | 118,634 | 65,286 | 98,637 | 49,260 | 89,024 | 79,103 | 67,911 | 72,368 | 79,639 | 104,314 |
| Transfers | - | - | - | (195,000) | - | (251,090) | - | - | - | - |
| Total governmental activities | 21,307,501 | 11,739,346 | 11,655,652 | 11,252,635 | 12,067,873 | 12,073,751 | 12,534,545 | 11,856,123 | 10,840,813 | 10,512,577 |

(continued)

Table 2
(continued)

CITY OF ATHENS, TENNESSEE
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
June 30, 2013
(Accrual Basis of Accounting)
(continued)

| | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|---------------|
| GENERAL REVENUES AND OTHER | | | | | | | | | | |
| CHANGES IN NET POSITION | | | | | | | | | | |
| Business-type activities: | | | | | | | | | | |
| Investment income | \$ 1,723 | \$ 6,524 | \$ 2,489 | \$ 4,763 | \$ 21,611 | \$ 32,461 | \$ 28,199 | \$ 19,327 | \$ 12,015 | \$ 5,449 |
| Gain on disposal of capital assets | - | 25,000 | - | 34,040 | 1,111 | 5,033 | - | - | 13,433 | - |
| Miscellaneous | 11,237 | 24,645 | 15,840 | 5,985 | 4,466 | 6,798 | 7,740 | 4,957 | 5,116 | 3,607 |
| Transfers | - | - | - | 195,000 | - | 251,090 | - | - | - | - |
| Total business-type activities | 12,960 | 56,169 | 18,329 | 239,788 | 27,188 | 295,382 | 35,939 | 24,284 | 30,564 | 9,056 |
| Total primary government | \$ 21,320,461 | \$ 11,795,515 | \$ 11,673,981 | \$ 11,492,423 | \$ 12,095,061 | \$ 12,369,133 | \$ 12,570,484 | \$ 11,880,407 | \$ 10,871,377 | \$ 10,521,633 |
| GOVERNMENTAL ACTIVITIES | | | | | | | | | | |
| Prior period adjustments and restatements | \$ 10,453,947 | \$ - | \$ 691,382 | \$ - | \$ - | \$ 11,147 | \$ - | \$ - | \$ (1,911,050) | \$ 266,024 |
| CHANGES IN NET POSITION | | | | | | | | | | |
| Governmental activities | \$ 741,268 | \$ 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 |
| Business-type activities | 50,802 | 50,032 | 100,577 | (24,873) | 44,699 | 258,115 | 20,730 | 32,507 | (111,614) | (175,824) |
| Total primary government | \$ 792,070 | \$ 1,587,041 | \$ 1,362,214 | \$ 2,572,568 | \$ 1,928,966 | \$ 1,762,689 | \$ 2,428,047 | \$ 2,155,746 | \$ (3,729,765) | \$ 1,972,963 |

NOTE 1: The City adopted GASB No. 61 in fiscal year 2013, which required the inclusion of the Athens City Board of Education as a blended component unit. Information prior to fiscal 2013 is shown with the Board of Education meeting the requirements of a discretely presented component unit.

Source: Comprehensive Annual Financial Reports

CITY OF ATHENS, TENNESSEE
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
June 30, 2013
 (Modified Accrual Basis of Accounting)

| | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
|-------------------------------------|----------------------|--------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| GENERAL FUND | | | | | | | | | | |
| Nonspendable | \$ 107,345 | \$ 391,001 | \$ 391,570 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Reserved | - | - | - | 288,287 | 324,773 | 388,372 | 468,185 | 320,513 | 208,339 | 153,069 |
| Restricted | 111,386 | 152,520 | 154,782 | - | - | - | - | - | - | - |
| Committed | 19,278 | 18,317 | 17,491 | - | - | - | - | - | - | - |
| Assigned | - | 32,000 | 2,175 | - | - | - | - | - | - | - |
| Unassigned | 7,854,881 | 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 |
| Total General Fund | <u>\$ 8,092,890</u> | <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> |
| ALL OTHER GOVERNMENTAL FUNDS | | | | | | | | | | |
| Nonspendable | \$ 187,933 | \$ 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 |
| Restricted | 1,170,485 | 364,155 | 337,266 | - | - | - | - | - | - | - |
| Committed | 1,898,474 | 2,590,360 | 2,594,053 | - | - | - | - | - | - | - |
| Assigned | 7,322,172 | 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 |
| Capital projects funds | - | - | - | 4,197,480 | 3,260,483 | 3,473,105 | 2,412,439 | 1,150,478 | 1,236,770 | 2,501,295 |
| Total all other governmental fund | <u>\$ 10,579,064</u> | <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> |

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

NOTE 2: The City adopted GASB No. 61 in fiscal year 2013, which required the inclusion of the Athens City Board of Education as a blended component unit. Information prior to fiscal 2013 is shown with the Board of Education meeting the requirements of a discretely presented component unit.

Source: Comprehensive Annual Financial Reports

CITY OF ATHENS, TENNESSEE
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
June 30, 2013
 (Modified Accrual Basis of Accounting)

| | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
|----------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--------------------|--------------------|
| REVENUES | | | | | | | | | | |
| Property taxes | \$ 5,787,626 | \$ 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 |
| Other local taxes | 9,594,041 | 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 |
| Intergovernmental | 10,293,399 | 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 |
| Charges for services and tuition | 740,657 | 251,520 | 184,670 | 179,586 | 247,268 | 275,138 | 288,732 | 284,489 | 291,779 | 267,159 |
| Fines and forfeitures | 691,534 | 458,960 | 476,019 | 490,613 | 517,846 | 456,715 | 607,385 | 624,310 | 537,985 | 324,137 |
| Investment and interest income | 59,830 | 74,728 | 55,374 | 80,737 | 266,346 | 444,168 | 526,025 | 347,647 | 140,539 | 70,785 |
| Miscellaneous | 160,425 | 71,692 | 98,638 | 84,799 | 194,768 | 79,103 | 68,180 | 109,842 | 120,649 | 104,313 |
| Total revenues | <u>27,327,512</u> | <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> |
| EXPENDITURES | | | | | | | | | | |
| General government | 2,599,003 | 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 |
| Public safety | 4,496,635 | 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 |
| Highways and streets | 2,007,157 | 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 |
| Culture and recreation | 914,958 | 891,780 | 775,601 | 776,659 | 877,987 | 878,867 | 809,515 | 847,650 | 823,538 | 803,238 |
| Education | 15,970,471 | 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 |
| Health and welfare | 114,479 | 109,349 | 96,879 | 100,491 | 97,033 | 93,074 | 99,383 | 89,069 | 84,158 | 79,462 |
| Capital outlay | 1,406,633 | 1,451,621 | 5,380,256 | 4,564,530 | 601,723 | 71,521 | 1,109,198 | 482,024 | 1,387,070 | 1,816,498 |
| Debt service: | | | | | | | | | | |
| Debt issue costs | - | - | - | - | - | - | - | - | - | 31,500 |
| Principal | 703,000 | 683,000 | 662,000 | 605,300 | 581,200 | 558,300 | 536,500 | 415,700 | 395,900 | 712,600 |
| Interest and fiscal charges | 33,823 | 33,938 | 61,531 | 63,175 | 124,260 | 254,003 | 326,030 | 259,020 | 148,652 | 62,167 |
| Total expenditures | <u>28,246,159</u> | <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> |
| REVENUES OVER (UNDER) | | | | | | | | | | |
| EXPENDITURES | <u>(918,647)</u> | <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> |

(continued)

CITY OF ATHENS, TENNESSEE
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
June 30, 2013
 (Modified Accrual Basis of Accounting)
 (continued)

| | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
|--|---------------------|---------------------|---------------------|---------------------|-------------------|---------------------|---------------------|---------------------|-------------------|-------------------|
| OTHER FINANCING SOURCES (USES) | | | | | | | | | | |
| Capital contributions | \$ 10,080 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Proceeds from issuance of debt | - | - | - | - | - | - | 877,000 | 606,000 | 2,814,500 | 2,002,500 |
| Proceeds from the sale of capital assets | 680 | 439 | 1,086 | 3,169 | 4,464 | 20,484 | - | 17,143 | 2,463 | 26,748 |
| Insurance proceeds | 58,280 | 8,330 | - | - | - | - | - | - | - | - |
| | <u>69,040</u> | <u>8,769</u> | <u>1,086</u> | <u>3,169</u> | <u>4,464</u> | <u>20,484</u> | <u>877,000</u> | <u>623,143</u> | <u>2,816,963</u> | <u>2,029,248</u> |
| Total other financing resources | | | | | | | | | | |
| | 69,040 | 8,769 | 1,086 | 3,169 | 4,464 | 20,484 | 877,000 | 623,143 | 2,816,963 | 2,029,248 |
| NET CHANGE IN FUND BALANCES | <u>\$ (849,607)</u> | <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> |
| DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES | 2.76% | 5.56% | 5.90% | 5.72% | 5.69% | 6.49% | 6.57% | 5.54% | 4.02% | 5.58% |

NOTE 1: The City adopted GASB No. 61 in fiscal year 2013, which required the inclusion of the Athens City Board of Education as a blended component unit. Information prior to fiscal 2013 is shown with the Board of Education meeting the requirements of a discretely presented component unit.

Source: Comprehensive Annual Financial Reports

CITY OF ATHENS, TENNESSEE
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
June 30, 2013

| <u>Fiscal Year</u> | <u>Real Property</u> | <u>Personal Property</u> | <u>Public Utility Property</u> | <u>Total Taxable Assessed Value</u> | <u>Estimated Market Value</u> | <u>City Property Tax Rate</u> | <u>Taxable Assessed Value as a % of Actual Taxable Value</u> |
|------------------------|--------------------------|------------------------------|------------------------------------|---|-----------------------------------|-----------------------------------|--|
| 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 |
| 2013 (1) | 292,970,485 | 83,197,188 | 8,204,116 | 384,371,789 | 1,205,548,537 | 1.1328 | 31.9 |

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, 2013**

| <u>Tax Year</u> | <u>City (Direct Rate)</u> | <u>County (Overlapping Rate)</u> | <u>Total</u> |
|---------------------|-------------------------------|--|--------------|
| 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 |
| 2013 (1) | 1.1328 | 1.6155 | 2.7483 |

(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, 2013**

| 2013 | | | | 2004 | | | |
|--|-----------------------------------|------------------------|--|--------------------------------|-----------------------------------|------------------------|--|
| 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 | \$ 45,867,229 | 11.7 | Denso Tennessee, Inc. | Automotive parts manufacturer | \$ 41,244,567 | 12.9 |
| MIG Enterprises/Johnson Controls, Inc. | Automotive seating manufacturer | 11,706,558 | 3.0 | Johnson Controls, Inc. | Automotive seating manufacturer | 12,046,669 | 3.8 |
| Athens Regional Medical Center/Lifepoint | Healthcare | 9,921,324 | 2.5 | Collins and Aikman | Automotive parts manufacturer | 10,560,822 | 3.3 |
| Dean Foods/Mayfield Dairy Farms, Inc. | Dairy products | 8,701,175 | 2.2 | Mayfield Dairy Farms, Inc. | Dairy products | 10,164,207 | 3.2 |
| MCR Acquisition | Electrical component manufacturer | 6,606,979 | 1.7 | Athens Regional Medical Center | Healthcare | 5,667,181 | 1.8 |
| Walmart | Retail | 5,664,484 | 1.4 | Thomas & Betts | Electrical component manufacturer | 5,630,581 | 1.8 |
| Plastic Industries, Inc. | Plastic component manufacturer | 3,740,917 | 1.0 | Bell South | Telephone company | 4,562,481 | 1.4 |
| Heil Company | Trailer tanks | 3,431,417 | 0.9 | Plastic Industries, Inc. | Plastic products manufacturer | 3,547,450 | 1.1 |
| Bell South | Telephone company | 3,247,003 | 0.8 | New Plan of Tennessee | Real estate investment | 3,025,440 | 0.9 |
| BRE Retail | Real estate investment | 3,233,157 | 0.8 | Heil Company | Trailer tanks | 2,853,053 | 0.9 |

NOTE: Total assessed valuations for 2013 and 2004 are \$384,371,789 and \$319,766,290, respectively.

Source: Official records of the Department of Finance

CITY OF ATHENS, TENNESSEE
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
June 30, 2013
(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 |
| 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 | 174,724 | 4,356,562 | 99.41 |
| 2008 | 4,176,407 | 4,007,842 | 95.96 | 153,838 | 4,161,680 | 99.65 |
| 2009 | 4,344,661 | 4,097,097 | 94.30 | 189,133 | 4,286,230 | 98.66 |
| 2010 | 4,440,776 | 4,179,963 | 94.13 | 244,728 | 4,424,691 | 99.64 |
| 2011 | 4,500,601 | 4,223,936 | 93.85 | 185,384 | 4,409,320 | 97.97 |
| 2012 | 4,399,152 | 4,149,785 | 94.33 | 157,184 | 4,306,969 | 97.90 |
| 2013 | 4,316,647 | 4,083,062 | 94.59 | - | 4,083,062 | 94.59 |

Source: Official records of Department of Finance

CITY OF ATHENS, TENNESSEE
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
June 30, 2013

| <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> |
|------------------------|---|--------------------------|---|--|-----------------------|
| 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 |
| 2013 | - | 3,852,000 | 3,852,000 | 1.49 | 286 |

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, 2013

| Fiscal Year | General Debt Outstanding | | | Percentage of Actual Taxable Value of Property | Per Capita |
|----------------|--------------------------------|------------------|--------------|--|---------------|
| | General Obligation Bonds | Notes Payable | Total | | |
| 2004 | \$ - | \$ 4,695,400 | \$ 4,695,400 | 1.47 | \$ 352 |
| 2005 | - | 7,114,000 | 7,114,000 | 2.22 | 534 |
| 2006 | - | 7,304,300 | 7,304,300 | 2.20 | 548 |
| 2007 | - | 7,644,800 | 7,644,800 | 2.36 | 564 |
| 2008 | - | 7,086,500 | 7,086,500 | 1.84 | 523 |
| 2009 | - | 6,505,300 | 6,505,300 | 1.62 | 462 |
| 2010 | - | 5,900,000 | 5,900,000 | 1.45 | 413 |
| 2011 | - | 5,238,000 | 5,238,000 | 1.32 | 389 |
| 2012 | - | 4,555,000 | 4,555,000 | 1.16 | 338 |
| 2013 | - | 3,852,000 | 3,852,000 | 1.00 | 286 |

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, 2013

| <u>Governmental Unit</u> | <u>Debt Outstanding</u> | <u>Estimated Percentage Applicable</u> | <u>Estimated Share of Overlapping Debt</u> |
|---|-----------------------------|--|--|
| McMinn County (debt repaid with property taxes) | \$ - | - % | \$ - |
| City of Athens (direct debt) | 3,852,000 | 100 | <u>3,852,000</u> |
| Total direct and overlapping debt | | | <u><u>\$ 3,852,000</u></u> |

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

**CITY OF ATHENS, TENNESSEE
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
June 30, 2013**

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, 2013**

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, 2013**

| <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> |
|------------------------|-------------------|----------------------------|---|-----------------------|------------------------------|-------------------------------------|------------------------------|
| 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 | 20,090 | 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 |
| 2013 | 13,458 | 258,326,310 | 19,195 | 39.1 | 1,524 | 10,681 | 9.90 |

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, 2013**

| 2013 | | | 2004 | | |
|---------------------------------------|-------------------|-------------------------------------|-------------------------------|-------------------|-------------------------------------|
| Employer | Taxable Employees | Percentage of Total City Employment | Employer | Taxable Employees | Percentage of Total City Employment |
| Manufacturers Industrial Group | 995 | 9.78 | Denso Tennessee, Inc. | 850 | 8.66 |
| Denso Tennessee, Inc. | 995 | 9.78 | Johnson Controls, Inc. | 750 | 7.64 |
| McMinn Co. Board of Education | 650 | 6.39 | Collins & Aikman | 610 | 6.21 |
| Heil Trailer, International | 500 | 4.91 | McMinn Co. Board of Education | 525 | 5.35 |
| Dean Foods/Mayfield Dairy Farms, Inc. | 380 | 3.73 | Mayfield Dairy Farms, Inc. | 495 | 5.04 |
| Walmart | 360 | 3.54 | Athens Products | 295 | 3.00 |
| Athens Regional Medical Center | 300 | 2.95 | Thomas & Betts | 285 | 2.90 |
| Thomas & Betts | 289 | 2.84 | Heil Trailer, International | 275 | 2.80 |
| Dynasty Spas | 250 | 2.46 | Plastic Industries, Inc. | 200 | 2.04 |
| Mills Products | 160 | 1.57 | Texas Hydraulics | 175 | 1.78 |
| | <u>4,879</u> | <u>47.95</u> | | <u>4,460</u> | <u>45.42</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, 2013

| Function/Program | Full-Time Equivalent Employees as of June 30 | | | | | | | | | |
|-----------------------|--|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| 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 | 1 | 1 | 1 | 1 |
| Communications | 8 | 8 | 8 | 8 | 7 | 8 | 8 | 6 | - | - |
| Community Development | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Police | 34 | 34 | 34 | 35 | 33 | 33 | 33 | 33 | 33 | 33 |
| Fire | 21 | 21 | 22 | 21 | 22 | 22 | 23 | 22 | 22 | 22 |
| Parks and Recreation | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 9 |
| Public Works | 36 | 36 | 36 | 36 | 36 | 34 | 32 | 32 | 32 | 31 |
| | <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> | <u>109</u> |

Source: City Finance Department

**CITY OF ATHENS, TENNESSEE
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
June 30, 2013**

| Function/Program | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Governmental Activities: | | | | | | | | | | |
| Community Development | | | | | | | | | | |
| Number of building permits | 627 | 585 | 517 | 507 | 501 | 389 | 49 | 353 | 382 | 360 |
| Police | | | | | | | | | | |
| Number of arrests | 895 | 1,155 | 1,180 | 1,133 | 1,040 | 1,341 | 1,422 | 1,497 | 1,488 | 1113 |
| Number of traffic citations issued | 6,061 | 6,852 | 5,815 | 5,399 | 5,177 | 6,026 | 6,281 | 5,808 | 7,431 | 10953 |
| Fire | | | | | | | | | | |
| Total calls | 431 | 430 | 379 | 414 | 369 | 432 | 510 | 528 | 520 | 418 |
| Inspections | 401 | 403 | 281 | 279 | 270 | 490 | 795 | 764 | 924 | 650 |
| Business-type Activities: | | | | | | | | | | |
| Conference Center | | | | | | | | | | |
| Rentals | 78 | 79 | 111 | 92 | 147 | 133 | 112 | 86 | 115 | 108 |

Source: Various City Departments

CITY OF ATHENS, TENNESSEE
INFRASTRUCTURE STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS
June 30, 2013

| Function/Program | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|-----------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Police: | | | | | | | | | | |
| Stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Patrol units | 13 | 14 | 14 | 14 | 15 | 15 | 14 | 15 | 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 | 126 | 126 | 126 | 126 | 126 | 126 | 126 | 126 |
| Square feet of sidewalks | 693,077 | 693,077 | 693,077 | 693,077 | 699,630 | 735,240 | 824,360 | 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, 2013

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

BOARD OF EDUCATION - MEMBERS

| | |
|-----------------------------|----------|
| Chairman - Michael Bevins | \$ 5,000 |
| Vice-Chairman - Chris Liner | 5,000 |
| Secretary - Chris Adams | 5,000 |
| Treasurer - Preston Brown | 365,200 |
| Member - Amy Sullins | 5,000 |
| Member - Alf Hacker | 5,000 |

ADMINISTRATIVE STAFF

| | |
|---|----------|
| Director of Schools - Robert W. Greene | \$ 5,000 |
| Supervisor of Instruction - Becky Simpson | 5,000 |
| Supervisor of Transportation - Ray Grant | 5,000 |
| Supervisor of Exceptional Learning and Federal Projects - Janey Morris | 5,000 |
| Supervisor of Food Services - Yvonne Raper | 5,000 |
| Supervisor of Maintenance - Eddie Arnold | 5,000 |
| Finance Administrator - Dawn Zollner | 5,000 |

OTHER REPORTS 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
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, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Athens, Tennessee, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Athens, Tennessee's basic financial statements and have issued our report thereon dated January 3, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Athens, Tennessee's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City of Athens, Tennessee's internal control.

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Neal, Scouter & McConnell, P.C.

Chattanooga, Tennessee

January 3, 2014

