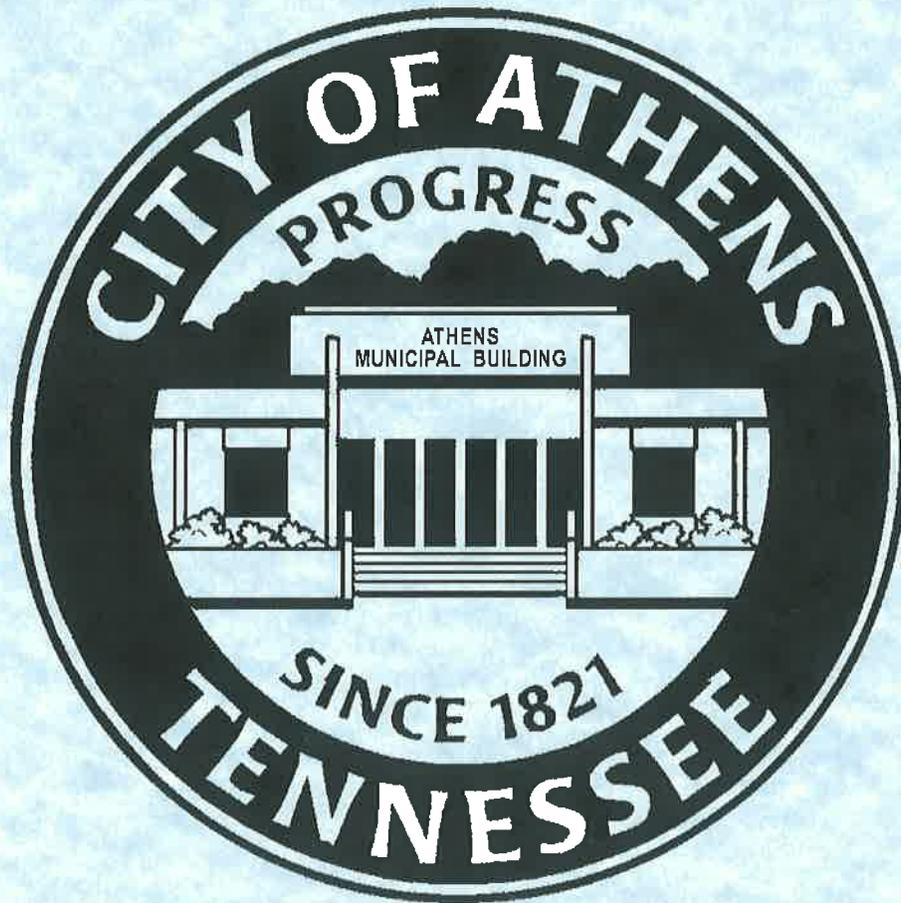


*City of Athens, Tennessee*



*Comprehensive Annual  
Financial Report*

*For The Year Ended June 30, 2014*

**CITY OF ATHENS, TENNESSEE**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**FOR THE YEAR ENDED  
JUNE 30, 2014**

**Prepared by:  
Department of Finance**

## CONTENTS

	<u>Page No.</u>
<b>INTRODUCTORY SECTION</b>	
Letter of Transmittal	A-1 - A-4
GFOA Certificate of Achievement	A-5
Organizational Chart	A-6
List of Principal Officials	A-7
<b>FINANCIAL SECTION</b>	
<b>REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON FINANCIAL STATEMENTS</b>	1-3
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	B-1 - B-9
<b>BASIC FINANCIAL STATEMENTS</b>	
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	20-59

**REQUIRED SUPPLEMENTAL INFORMATION**

Schedule of funding progress and schedule of employer contributions - pension plan	60
Schedule of changes in the net pension liability and related ratios - pension plan	61
Schedule of contributions and schedule of investment returns - pension plan	62
Schedule of funding progress Board of Education Employee Retirement Plan	63
Schedule of funding progress Board of Education Teacher Group Plan	64

**SUPPLEMENTAL INFORMATION**

Combining balance sheet - nonmajor governmental funds	65
Combining statement of revenues, expenditures and changes in fund balance - nonmajor governmental funds	66
Budgetary comparison schedule - Debt Service Fund	67
Budgetary comparison schedule - Drug Fund	68
Budgetary comparison schedule - Federal Projects Fund	69
Budgetary comparison schedule - Centralized Cafeteria Fund	70
Combining statement of net position - Internal Service Funds	71
Combining statement of revenues, expenditures and changes in fund net position - Internal Service Funds	72
Combining statement of cash flows - Internal Service Funds	73

Schedule No.**FINANCIAL SCHEDULES**

Schedule of uncollected delinquent taxes filed - last ten years	1	74
Schedule of changes in property taxes receivable	2	75
Schedule of investments	3	76-83
Schedule of debt service requirements	4	84

Table No.**STATISTICAL SECTION**

Net position by component - last ten fiscal years	1	85
Changes in net position - last ten fiscal years	2	86-89
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

	<u>Table No.</u>	<u>Page No.</u>
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

## **SINGLE AUDIT**

Schedule of expenditures of federal and state awards	108-111
<b>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</b>	112-113
<b>REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133</b>	114-115
Schedule of findings and questioned costs	116-117
Schedule of prior year findings and questioned costs	118

## **INTRODUCTORY SECTION**

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

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



## CITY OF ATHENS

**Michael L. Keith, CPA**  
Director of Finance

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

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Athens for the fiscal year ended June 30, 2014.

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, 2014, 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, 2014, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

## **PROFILE OF THE CITY OF ATHENS**

The City of Athens, incorporated in 1891, is located in the southeastern part of the state, midway between the metropolitan cities of Knoxville and Chattanooga. This unique location affords the citizens of the City of Athens the ability to quickly access the amenities of two metropolitan areas. In addition, its proximity to the mountains of East Tennessee, the Tennessee River, and whitewater rafting makes it attractive to a wide range of individuals. The City of Athens serves a population of 13,458 and occupies a land area of approximately 14 square miles.

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

The City provides a full range of services which include police and fire protection; sanitation services; the construction and maintenance of highways, streets, and infrastructure; recreational activities and cultural events. In addition to general government activities, the governing body 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. Denso, the City's largest employer, completed one \$50 million expansion which will add 200 jobs and subsequently announced a second expansion of similar size. HP Pelzer Automotive Systems completed construction of a facility to produce insulators and molded carpet products for the automobile industry and will ultimately add 200 new jobs.

The unemployment rate has varied over the past decade. In 2005, the rate was 6.5 percent, with the highest rate being 14.9 percent in 2009 and the lowest rate being 4.9 percent in 2007. The rate was 8.2 percent for June 2014.

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) has continued to grow for nine of the past ten years. 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 designated 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 began the construction of a new road at the Athens Regional Park to open up more area for development and participated with McMinn County for the purchase of several miles of abandoned rail line from CSX. The City and County contributed \$30,000 toward the purchase and grant funds provided the remaining amount (\$240,000) needed for the purchase. The City completed the installation of solar panels in January 2013 which generate electricity to be sold. This is producing approximately \$60,000 annually toward capital projects. 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 suffered significantly since 2008. This economic downturn has also affected municipalities, with the City of Athens being no exception. The City's revenue decreased to the amount received in 2005 at one point during this period, but has slowly increased to the amount received in 2009. The City has responded by consistently looking for ways to trim expenditures, but increases in funding for education have made this task difficult. 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, the 2013-2014 budget increased expenditures by 3 percent and the 2014-2015 budget increased 3.5 percent. Much of the increases have been to fund education, provide

additional funding for the defined benefit pension plan and provide funding for capital needs that were delayed when the revenues began to decrease. 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 2014-2015 budget, the City used \$606,000 of its general fund reserves, primarily due to 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 City will also use \$600,000 of capital funds to pave other streets in the coming year. 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, 2013. This was the twenty-second 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, in addition to the City's independent certified public accountants. Credit must also be given to the mayor, city council, and the city manager for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Athens' finances.

Respectfully submitted,



Michael L. Keith, CPA  
Director of Finance

December 23, 2014



Government Finance Officers Association

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

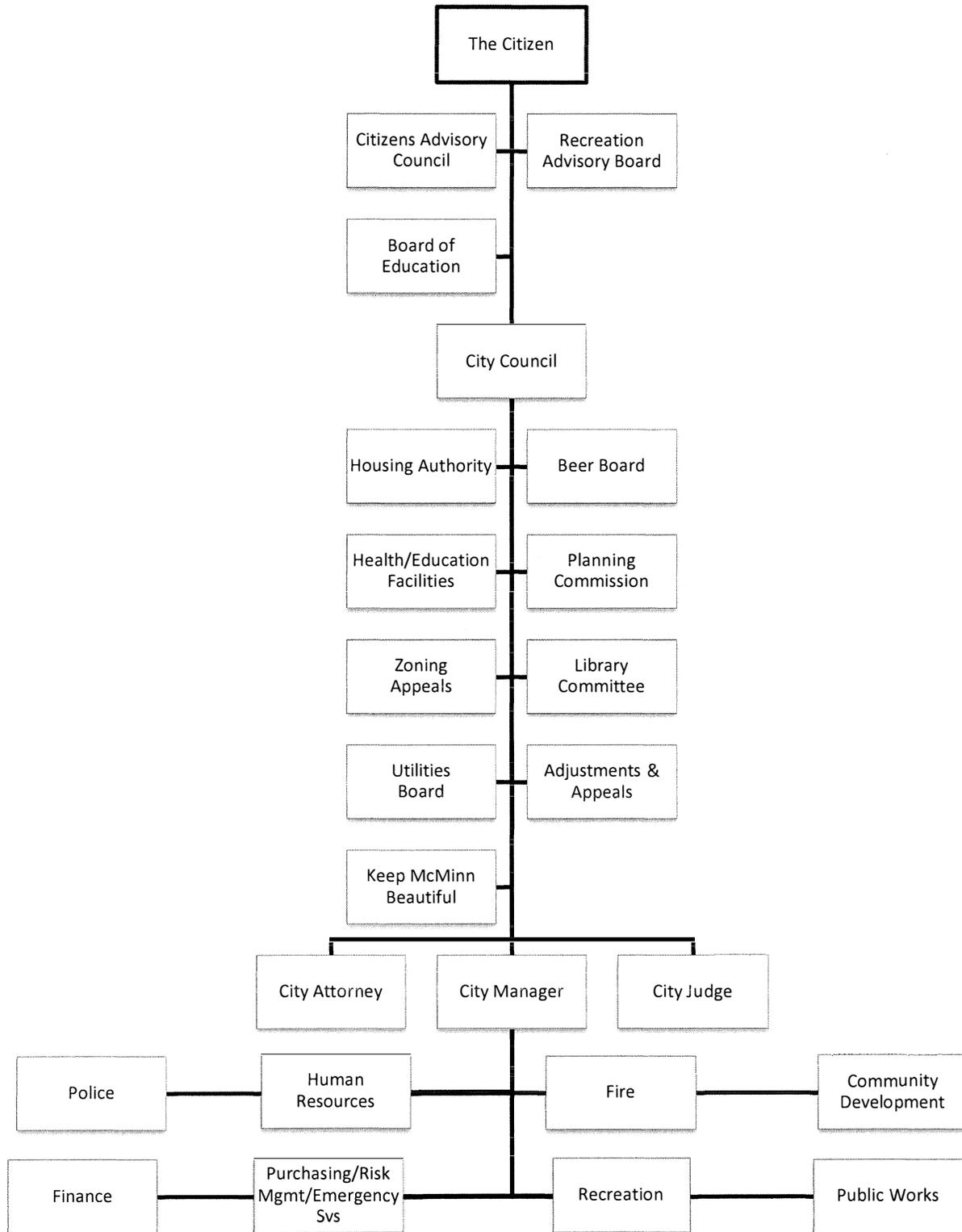
Presented to

**City of Athens  
Tennessee**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2013**

Executive Director/CEO



**CITY OF ATHENS, TENNESSEE  
LIST OF PRINCIPAL OFFICIALS  
June 30, 2014**

City of Athens

R. Hal Buttram	Mayor
Ann Davis	Vice-Mayor
William Bo Perkinson	Council Member
Dick Pelley	Council Member
Chuck Burris	Council Member
Mitchell B. Moore	City Manager
H. Chris Trew	City Attorney
Donald E. (Trey) Winder	City Judge
Rita C. Brown	Director of Human Resources
Anthony Casteel	Director of Community Development
Jim Dyer	Fire Chief
Austin Fesmire	Director of Parks & Recreation
Michael L. Keith, CPA	Director of Finance
Shawn Lindsey	Director of Public Works
Charles T. Zeigler	Police Chief

Athens City Board of Education

Michael L. Bevins	Chairman
Chris Liner	Vice-Chairman
Chris Adams	Secretary
Dr. Preston Brown	Treasurer
Dr. Amy Sullins	Board Member
Alf Hacker	Board Member
Robert Greene	Director of Schools
Becky Simpson	Supervisor of Instruction
Ray Grant	Supervisor of Transportation
Janey Morris	Supervisor of Exceptional Learning
Yvonne Raper	Supervisor of Food Services
Eddie Arnold	Supervisor of Maintenance
Susan Freeman	Finance Administrator

Athens Utilities Board

Lou Pascarella	Chairman
Stan Harrison	Vice-Chairman
William Bo Perkinson	Board Member
Bob Sevigny	Board Member
Tom Hughes	Board Member
Eric Newberry	General Manager
Doug Rodgers	Superintendent of Accounting
Larry Monteen	Superintendent of Power
Sherree Reed	Superintendent of Gas
Jill Davis	Superintendent of Water/Wastewater
Wayne Scarbrough	Assistant General Manager
Phil Graves	Director of Management Service

This page intentionally left blank.

## **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, 2014, 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, 2014, 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.

## 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 60-64 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 65-66, the budgetary comparison schedules on pages 67-70, combining and individual internal service fund financial statements on pages 71-73, 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 schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the schedule of expenditures of federal and state awards, 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 December 23, 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 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, Scouter & McConnell, P.C.*

Chattanooga, Tennessee  
December 23, 2014

This page intentionally left blank.

**City of Athens, Tennessee**  
**Management's Discussion and Analysis**  
**June 30, 2014**

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, 2014. 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, 2014 by \$44,106,240 (net position). Of this amount, \$24,219,981 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- Net position increased by \$1,508,967, an increase of 3.5% compared to fiscal year 2013. The City of Athens' changes in net position is detailed in the chart on page B-5 of this report. Total revenues increased \$1,648,023, primarily due to an increase in operating and capital grants and contributions. Expenses increased \$931,126 primarily due to education and grant expenses.
- Reappraisal increased the City's property tax rate to \$1.1328 per hundred dollars of assessment.
- The City's residential sanitation fee remained at \$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 \$18,870,406.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$7,881,265 or 82.1% of total General Fund expenditures. Expenditures do not include transfers to other funds, which totaled \$3,216,863 in the City's General Fund. The percentage drops to 61.5% 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 slowdowns in the economy.
- The City implemented Governmental Accounting Standards Board (GASB) Statement 65 and 67. 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, 2014**

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, 2014**

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 65.

The City of Athens adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the governmental funds 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 71.

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 20-59 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 60-64 of this report.

**City of Athens, Tennessee**  
**Management's Discussion and Analysis**  
**June 30, 2014**

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 are found on pages 65-70 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 \$44,106,240 at the close of this fiscal year.

The largest portion of the City of Athens net position (54.9%) 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% 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, 2014, 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**

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$32,886,453	\$31,710,583	\$1,743,404	\$1,466,216	\$34,629,857	\$33,176,799
Capital assets	20,626,292	20,856,556	1,051,952	1,250,026	21,678,244	22,106,582
Total assets	53,512,745	52,567,139	2,795,356	2,716,242	56,308,101	55,283,381
Long-term liabilities	3,842,587	4,476,951	—	—	3,842,587	4,476,951
Other liabilities	8,337,880	8,170,443	21,394	26,989	8,359,274	8,197,432
Total liabilities	12,180,467	12,647,394	21,394	26,989	12,201,861	12,674,383
Invested in capital assets, net of related debt	17,489,334	17,004,556	1,051,952	1,250,026	18,541,286	18,254,582
Restricted	1,344,973	1,329,154	—	—	1,344,973	1,329,154
Unrestricted	22,497,971	21,586,035	1,722,010	1,439,227	24,219,981	23,025,262
Total net position	\$41,332,278	\$39,919,745	\$2,773,962	\$2,689,253	\$44,106,240	\$42,608,998

**City of Athens, Tennessee**  
**Management's Discussion and Analysis**  
**June 30, 2014**

**Governmental activities.** Governmental activities increased the City of Athens' net position by \$1,424,258 which accounts for the majority of the increase in the net position for the City of Athens. This increase is more than the prior year and results from an increase in operating grants for education and a decrease in the transfer to the employee medical benefit fund.

**Business-type activities.** Business-type activities increased the City of Athens' net position by \$84,709. 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**

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$ 1,133,891	\$ 1,432,191	\$ 892,354	\$ 891,419	\$ 2,026,245	\$ 2,323,610
Operating grants and contributions	4,532,151	4,045,399	—	—	4,532,151	4,045,399
Capital grants and contributions	1,289,952	483,264	—	—	1,289,952	483,264
General revenues:						
Property taxes	5,830,296	5,650,152	—	—	5,830,296	5,650,152
Other taxes	6,273,962	6,178,134	—	—	6,273,962	6,178,134
Intergovernmental revenues not restricted to specific programs	9,544,232	9,223,315	—	—	9,544,232	9,223,315
Other	310,171	255,900	13,748	12,960	323,919	268,860
Total revenues	28,914,655	27,268,355	906,102	904,379	29,820,757	28,172,734
Expenses:						
General government	2,039,765	3,140,398	—	—	2,039,765	3,140,398
Public safety	4,290,714	4,348,906	—	—	4,290,714	4,348,906
Highways and streets	2,148,218	1,709,642	—	—	2,148,218	1,709,642
Culture and recreation	960,444	913,856	—	—	960,444	913,856
Education	16,819,026	16,269,383	—	—	16,819,026	16,269,383
Health and welfare	106,926	111,079	—	—	106,926	111,079
Interest on long-term debt	28,568	33,823	—	—	28,568	33,823
Passthrough grants	1,096,736	—	—	—	1,096,736	—
Conference center	—	—	70,788	65,074	70,788	65,074
Sanitation	—	—	750,605	788,503	750,605	788,503
Total expenses	27,490,397	26,527,087	821,393	853,577	28,311,790	27,380,664
Change in net position	1,424,258	741,268	84,709	50,802	1,508,967	792,070
Net position, beginning of year (1)	39,908,020	39,178,477	2,689,253	2,638,451	42,597,273	41,816,928
Net position, end of year	\$41,332,278	\$39,919,745	\$2,773,962	\$2,689,253	\$44,106,240	\$42,608,998

(1) Includes a restatement of net assets of \$11,725, as described in Note 11. The restatement changes net assets at July 1, 2013

**City of Athens, Tennessee**  
**Management's Discussion and Analysis**  
**June 30, 2014**

**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 \$18,870,406, an increase of \$198,452 in comparison to the prior year. Approximately 41.8% of this total amount (\$7,881,265) 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 -\$352,553; restricted for a specific purpose by external constraint or enabling legislation -\$1,297,690 (law enforcement - \$111,363; basic education - \$794,386; cemetery perpetual care - \$154,431; Drug Fund - \$237,510); committed for a specific purpose per action of the City Council - \$1,627,314 (law enforcement - \$20,079; capital projects - \$1,594,752; Drug Fund - \$12,483); or assigned – intended by the City to be used for a specific purpose - \$7,711,584 (education - \$3,729,985; debt service - \$3,644,375; cafeteria operations - \$337,224).

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 \$7,881,265. 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 82.1% of total fund expenditures, but represents 61.5% 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 \$103,734 during the current fiscal year. Revenues decreased by approximately \$65,000 while expenditures decreased approximately \$500,000 before transfers to other funds. The transfer to the Athens City Schools increased approximately \$100,000. The City continued to make the annual transfer of \$790,000 to the Debt Service Fund. Other financing sources decreased by \$50,000 due to insurance proceeds received in the prior year for property damaged by storms.

The fund balance of the General Purpose School Fund increased by \$382,196. Revenues from McMinn County and the state were higher than expected and some capital outlay expenditures were less than budgeted.

The Debt Service Fund has a total fund balance of \$3,644,375. The net increase was \$36,171, 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 \$1,594,752. The net decrease was \$274,803 due to a number of capital outlay items. The larger items were stream mitigation and restoration, expenditures for improving the Exit 52 Industrial Park, matching funds for a road at Athens Regional Park, fixed asset purchases for all departments and paving.

**City of Athens, Tennessee**  
**Management's Discussion and Analysis**  
**June 30, 2014**

**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 \$14,098 for the Conference Center Fund, \$1,707,912 for the Sanitation Fund, \$2,475,975 for the Fleet Management Fund and \$300,375 for the Employee Medical Benefits Fund.

**General Fund Budgetary Highlights**

Differences in the original budget and the final amended budget for revenues were \$56,000 and consisted of increases in recreation revenues and building permits. Differences between the original budget and the final amended budgeted expenditures, including transfers, were approximately \$527,000 and are summarized below:

\$450,000 in additional funding for the retirement plan was contributed and was allocated to all departments and divisions, resulting in increased expenditures.

\$77,000 for various increases in expenditures for recreation concessions and programs, legal fees, health insurance and replacing capital items damaged by storms at Athens Regional Park.

Final actual revenues exceeded amended budgeted revenues by approximately \$252,000 and significant variances are summarized below:

\$66,000 less in property taxes.

\$229,000 more in other local taxes primarily because of in lieu of taxes, local sales tax and business taxes.

\$77,000 more in intergovernmental revenues due to state sales tax, reimbursements from other governments and funding from police grants.

\$12,000 less in charges for services.

\$20,000 more in fines and forfeitures.

\$3,000 less in interest.

\$7,000 more in miscellaneous revenues.

Final amended budgeted expenditures exceeded actual expenditures by approximately \$772,000 and are summarized below:

\$113,000 more in general government expenditures, related primarily to city manager, finance, personnel expenditures and building maintenance costs.

**City of Athens, Tennessee**  
**Management's Discussion and Analysis**  
**June 30, 2014**

\$289,000 more in public safety expenditures, primarily in police (\$215,000) due to vacancies in employees and fire (\$70,000).

\$242,000 more in highways and streets due to traffic signal loops repairs and materials for maintaining the streets being less than anticipated.

\$122,000 more in parks and recreation primarily due to maintenance and program costs.

\$6,000 more in health due to animal control.

**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, 2014, is to \$21,678,244 (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 all departments added approximately \$105,000.

Vehicles and equipment for all departments added \$300,000.

Miscellaneous equipment for all departments added \$95,000.

Public works added \$80,000 for a building at the recycle center.

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

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Buildings and improvements	\$20,321,069	\$20,020,890	\$1,517,930	\$1,517,930	\$21,838,999	\$21,538,820
Infrastructure	8,918,279	8,918,279	-	-	8,918,279	8,918,279
Furniture and office equipment	3,924,423	4,063,969	29,864	29,864	3,954,287	4,093,833
Machinery and equipment	6,781,282	6,658,676	1,524,150	1,534,400	8,305,432	8,193,076
Land	3,221,556	3,191,556	34,500	34,500	3,256,056	3,226,056
Construction in progress	997,078	778,679	-	-	997,078	778,679
	<u>\$44,163,687</u>	<u>\$43,632,049</u>	<u>\$3,106,444</u>	<u>\$3,116,694</u>	<u>\$47,270,131</u>	<u>\$46,748,743</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, 2014**

**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 \$3,127,000. It is backed by the full faith and credit of the City. The Athens Utilities Board has debt outstanding totaling \$26,770,788 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 8.2%, which is a decrease from the rate of 9.9% a year ago. Athens' rate is higher than the federal rate and the state rate.

Revenues are expected to increase by approximately 2.5% due to increases related to sales taxes, in lieu of taxes and state sales taxes. Management has been conservative in estimating all revenues for 2014-2015 and expenditures increased by 3.5%. Budgeted expenditures are to increase due to purchases of capital assets, health insurance and salary increases. The property tax rate remained at \$1.1328. The residential refuse fee increased to \$9.00 per month due to rate increases at the landfill.

**Requests for Information**

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

This page intentionally left blank.

**BASIC FINANCIAL  
STATEMENTS**

**CITY OF ATHENS, TENNESSEE**  
**STATEMENT OF NET POSITION**  
**June 30, 2014**

	Primary Government			Component Unit
				Proprietary
	Governmental	Business-Type	Athens	
Activities	Activities	Total	Utilities	
			Board	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 5,864,625	\$ 145,907	\$ 6,010,532	\$ 24,676,470
Investments	15,135,184	1,479,990	16,615,174	-
Receivables:				
Customers, net	-	27,373	27,373	5,655,941
Other	46,363	-	46,363	144,724
Property taxes, net	6,255,692	-	6,255,692	-
Other governments	2,727,952	-	2,727,952	736,902
Component unit/primary government	-	90,134	90,134	58,049
Prepaid items	178,597	-	178,597	629,684
Inventories	126,673	-	126,673	2,249,431
Customer loans receivable	-	-	-	8,637
Prepaid pension obligation	2,551,367	-	2,551,367	833,343
Capital assets, net of depreciation	16,407,658	1,017,452	17,425,110	88,575,492
Nondepreciable capital assets	4,218,634	34,500	4,253,134	15,008,921
Total assets	<u>\$ 53,512,745</u>	<u>\$ 2,795,356</u>	<u>\$ 56,308,101</u>	<u>\$ 138,577,594</u>
<b>LIABILITIES AND NET POSITION</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 783,770	\$ 17,558	\$ 801,328	\$ 5,525,540
Retainage payable	9,958	-	9,958	63,330
Accrued payroll and withholdings	1,149,837	3,836	1,153,673	-
Due to component unit/primary government	58,049	-	58,049	90,134
Other current liabilities	-	-	-	704,149
Unearned revenues	6,336,266	-	6,336,266	52,200
Customer deposits	-	-	-	464,300
Long-term liabilities:				
Due within one year	919,561	-	919,561	1,217,435
Due in more than one year	2,923,026	-	2,923,026	26,414,634
Total liabilities	<u>12,180,467</u>	<u>21,394</u>	<u>12,201,861</u>	<u>34,531,722</u>
<b>NET POSITION</b>				
Net investment in capital assets	17,489,334	1,051,952	18,541,286	75,898,884
Restricted for:				
Police	111,363	-	111,363	-
Drug	237,510	-	237,510	-
Education	794,386	-	794,386	-
Cemetery perpetual care:				
Expendable	47,283	-	47,283	-
Nonexpendable	154,431	-	154,431	-
Unrestricted	<u>22,497,971</u>	<u>1,722,010</u>	<u>24,219,981</u>	<u>28,146,988</u>
Total net position	<u>41,332,278</u>	<u>2,773,962</u>	<u>44,106,240</u>	<u>104,045,872</u>
Total liabilities and net position	<u>\$ 53,512,745</u>	<u>\$ 2,795,356</u>	<u>\$ 56,308,101</u>	<u>\$ 138,577,594</u>

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

This page intentionally left blank.

**CITY OF ATHENS, TENNESSEE**  
**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2014**

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		Total	
					Govern- mental Activities	Business- type Activities		
<b>Primary government:</b>								
<b>Governmental activities:</b>								
General government	\$ 2,039,765	\$ 91,301	\$ 1,542	\$ -	\$ (1,946,922)	\$ -	\$ (1,946,922)	\$ -
Public safety	4,290,714	483,831	101,556	-	(3,705,327)	-	(3,705,327)	-
Highways and streets	2,148,218	-	365,179	-	(1,783,039)	-	(1,783,039)	-
Culture and recreation	960,444	136,431	-	193,216	(630,797)	-	(630,797)	-
Education:								
Instructional	9,309,345	52,635	1,744,737	-	(7,511,973)	-	(7,511,973)	-
Support services	5,927,266	164,763	1,270,726	-	(4,491,777)	-	(4,491,777)	-
Non-instructional	1,287,497	201,660	1,022,859	-	(62,978)	-	(62,978)	-
Unallocated depreciation	294,918	-	-	-	(294,918)	-	(294,918)	-
Health and welfare	106,926	3,270	25,552	-	(78,104)	-	(78,104)	-
Interest on long-term debt	28,568	-	-	-	(28,568)	-	(28,568)	-
Passthrough grants	1,096,736	-	-	1,096,736	-	-	-	-
Total governmental activities	<u>27,490,397</u>	<u>1,133,891</u>	<u>4,532,151</u>	<u>1,289,952</u>	<u>(20,534,403)</u>	<u>-</u>	<u>(20,534,403)</u>	<u>-</u>
<b>Business-type activities:</b>								
Conference center	70,788	24,024	-	-	-	(46,764)	(46,764)	-
Sanitation	750,605	868,330	-	-	-	117,725	117,725	-
Total business-type activities	<u>821,393</u>	<u>892,354</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>70,961</u>	<u>70,961</u>	<u>-</u>
<b>Total primary government</b>	<u>\$ 28,311,790</u>	<u>\$ 2,026,245</u>	<u>\$ 4,532,151</u>	<u>\$ 1,289,952</u>	<u>(20,534,403)</u>	<u>70,961</u>	<u>(20,463,442)</u>	<u>\$ -</u>
<b>Component unit:</b>								
Public utilities	62,199,084	65,904,591	-	1,271,151	-	-	-	4,976,658
<b>Total component unit</b>	<u>\$ 62,199,084</u>	<u>\$ 65,904,591</u>	<u>\$ -</u>	<u>\$ 1,271,151</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,976,658</u>
<b>General revenues:</b>								
Property taxes					5,830,296	-	5,830,296	-
Local sales tax					4,009,132	-	4,009,132	-
In lieu of taxes					1,073,663	-	1,073,663	-
Wholesale beer tax					500,748	-	500,748	-
Other local taxes					690,419	-	690,419	-
Intergovernmental revenues not restricted to specific programs					9,544,232	-	9,544,232	-
Investment income					77,599	1,229	78,828	53,229
Gain (loss) on disposal of capital assets					44,158	4,045	48,203	(208,323)
Insurance proceeds					2,479	-	2,479	-
Miscellaneous					185,935	8,474	194,409	-
Total general revenues					<u>21,958,661</u>	<u>13,748</u>	<u>21,972,409</u>	<u>(155,094)</u>
Change in net position					1,424,258	84,709	1,508,967	4,821,564
Net position, beginning of year, as restated					39,908,020	2,689,253	42,597,273	99,224,308
Net position, end of year					<u>\$ 41,332,278</u>	<u>\$ 2,773,962</u>	<u>\$ 44,106,240</u>	<u>\$ 104,045,872</u>

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

**CITY OF ATHENS, TENNESSEE  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2014**

	General	General Purpose School	Debt Service	Capital Projects Fund Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 867,378	\$ 4,412,282	\$ 37,850	\$ 118,261	\$ 409,976	\$ 5,845,747
Investments	6,707,641	-	3,606,525	1,647,371	416,175	12,377,712
Receivables:						
Property taxes, net	4,737,033	1,518,659	-	-	-	6,255,692
Other governments	1,257,233	707,031	-	311,466	452,222	2,727,952
Interfund	-	589,839	-	-	-	589,839
Other	46,363	-	-	-	-	46,363
Prepaid items	76,096	102,501	-	-	-	178,597
Inventories	107,821	-	-	-	18,852	126,673
Total assets	<u>\$ 13,799,565</u>	<u>\$ 7,330,312</u>	<u>\$ 3,644,375</u>	<u>\$ 2,077,098</u>	<u>\$ 1,297,225</u>	<u>\$ 28,148,575</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ 251,282	\$ 385,635	\$ -	\$ 116,010	\$ 30,843	\$ 783,770
Retainage payable	-	-	-	9,958	-	9,958
Interfund payable	315,400	-	-	-	274,439	589,839
Accrued payroll and withholdings	219,541	799,146	-	-	131,150	1,149,837
Due to component unit	58,049	-	-	-	-	58,049
Unearned revenues	4,758,669	1,518,659	-	356,378	53,010	6,686,716
Total liabilities	<u>5,602,941</u>	<u>2,703,440</u>	<u>-</u>	<u>482,346</u>	<u>489,442</u>	<u>9,278,169</u>
<b>FUND BALANCES</b>						
Nonspendable	183,917	102,501	-	-	66,135	352,553
Restricted	111,363	794,386	-	-	391,941	1,297,690
Committed	20,079	-	-	1,594,752	12,483	1,627,314
Assigned	-	3,729,985	3,644,375	-	337,224	7,711,584
Unassigned	7,881,265	-	-	-	-	7,881,265
Total fund balances	<u>8,196,624</u>	<u>4,626,872</u>	<u>3,644,375</u>	<u>1,594,752</u>	<u>807,783</u>	<u>18,870,406</u>
Total liabilities and fund balances	<u>\$ 13,799,565</u>	<u>\$ 7,330,312</u>	<u>\$ 3,644,375</u>	<u>\$ 2,077,098</u>	<u>\$ 1,297,225</u>	<u>\$ 28,148,575</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, 2014**

Total fund balances		\$ 18,870,406
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	\$ 39,658,421	
Accumulated depreciation	<u>(21,201,793)</u>	18,456,628
Certain property taxes and intergovernmental revenues are not available to pay for current period expenditures and therefore are deferred in the funds.		
Property taxes	297,950	
Intergovernmental revenue	<u>52,500</u>	350,450
Prepaid pension obligations are not current financial resources and are not reported in the funds.		
		2,551,367
Certain liabilities are not considered a use of current financial resources in the funds.		
Bonds and notes payable	(3,127,000)	
Compensated absences	(258,829)	
OPEB liability	(375,938)	
Sick leave liability	<u>(80,820)</u>	(3,842,587)
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	18,878	
Investments	2,757,472	
Capital assets	4,505,266	
Accumulated depreciation	<u>(2,335,602)</u>	<u>4,946,014</u>
Net position		<u>\$ 41,332,278</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, 2014**

	General	General Purpose School	Debt Service	Capital Projects Fund Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Property taxes	\$4,233,970	\$1,614,785	\$ -	\$ -	\$ -	\$ 5,848,755
Other local taxes	6,273,962	1,108,784	-	-	-	7,382,746
Intergovernmental	1,659,163	8,438,852	-	1,373,102	2,786,004	14,257,121
Charges for services	229,047	217,398	-	-	203,615	650,060
Fines and forfeitures	461,442	-	-	-	22,389	483,831
Investment and interest income	6,423	21,078	3,492	1,637	20,025	52,655
Miscellaneous	47,067	42,091	-	58,762	57,123	205,043
Total revenues	<u>12,911,074</u>	<u>11,442,988</u>	<u>3,492</u>	<u>1,433,501</u>	<u>3,089,156</u>	<u>28,880,211</u>
<b>EXPENDITURES</b>						
Current:						
General government	2,277,606	-	3,753	-	-	2,281,359
Public safety	4,377,941	-	-	-	51,556	4,429,497
Highways and streets	1,957,727	-	-	-	19,198	1,976,925
Culture and recreation	875,887	-	-	-	-	875,887
Education	-	13,487,655	-	-	3,067,248	16,554,903
Health and welfare	110,326	-	-	-	-	110,326
Debt service:						
Principal	-	-	725,000	-	-	725,000
Interest	-	-	28,568	-	-	28,568
Capital outlay	-	-	-	1,667,273	-	1,667,273
Total expenditures	<u>9,599,487</u>	<u>13,487,655</u>	<u>757,321</u>	<u>1,667,273</u>	<u>3,138,002</u>	<u>28,649,738</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>3,311,587</u>	<u>(2,044,667)</u>	<u>(753,829)</u>	<u>(233,772)</u>	<u>(48,846)</u>	<u>230,473</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers	(3,216,863)	2,426,863	790,000	(41,031)	-	(41,031)
Insurance proceeds	2,479	-	-	-	-	2,479
Sale of capital assets	6,531	-	-	-	-	6,531
Total other financing sources (uses)	<u>(3,207,853)</u>	<u>2,426,863</u>	<u>790,000</u>	<u>(41,031)</u>	<u>-</u>	<u>(32,021)</u>
<b>NET CHANGE IN FUND BALANCES</b>	103,734	382,196	36,171	(274,803)	(48,846)	198,452
<b>FUND BALANCES, beginning of year</b>	<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>
<b>FUND BALANCES, end of year</b>	<u>\$8,196,624</u>	<u>\$4,626,872</u>	<u>\$3,644,375</u>	<u>\$1,594,752</u>	<u>\$ 807,783</u>	<u>\$18,870,406</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, 2014**

Net change in fund balances		\$ 198,452
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	\$ 5,830,296	
Fund revenue recognized	<u>(5,848,755)</u>	(18,459)
Intergovernmental revenues that do not provide current financial resources are not reported as revenue in the funds.		
State income tax-full accrual	75,605	
State beer tax-full accrual	6,368	
Collected fund revenue	<u>(77,973)</u>	4,000
Funds report capital outlays as expenditures. Asset cost is capitalized and allocated over the estimated useful lives as depreciation expense in the statement of activities.		
Capital asset expenditures in the current period	884,765	
Net book value of capital assets retired	(638)	
Less current year depreciation	<u>(1,066,801)</u>	(182,674)
The change in value of the net pension obligation is recorded as an expense in the statement of activities.		496,641
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.		291,934
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	725,000	
Net change in compensated absences	2,743	
Net change in OPEB liability	(111,343)	
Net change in sick leave liability	<u>17,964</u>	<u>634,364</u>
Change in net position		<u>\$ 1,424,258</u>

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

**CITY OF ATHENS, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**Year Ended June 30, 2014**

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
<b>PROPERTY TAXES</b>				
Property taxes-current	\$ 4,025,000	\$ 4,025,000	\$ 4,049,575	\$ 24,575
Property taxes-prior	140,000	140,000	32,799	(107,201)
Property taxes-delinquent	60,000	60,000	75,760	15,760
Public utilities taxes	75,000	75,000	75,836	836
Total property taxes	<u>4,300,000</u>	<u>4,300,000</u>	<u>4,233,970</u>	<u>(66,030)</u>
<b>OTHER LOCAL TAXES</b>				
Penalty and interest on property tax-prior	20,000	20,000	23,391	3,391
Penalty and interest on property tax-current	18,000	18,000	21,448	3,448
In lieu of taxes	1,034,000	1,034,000	1,073,663	39,663
TVA impact	-	-	38,873	38,873
Local sales tax	3,900,000	3,900,000	4,009,132	109,132
Wholesale beer tax	510,000	510,000	500,748	(9,252)
Cable TV franchise tax	151,000	151,000	172,510	21,510
Business license fee	1,500	1,500	1,743	243
Business tax - state clerk fee	40,000	40,000	42,965	2,965
Business tax - state collected	370,000	370,000	389,489	19,489
Total other local taxes	<u>6,044,500</u>	<u>6,044,500</u>	<u>6,273,962</u>	<u>229,462</u>
<b>INTERGOVERNMENTAL</b>				
State sales tax	930,000	930,000	960,092	30,092
State beer tax	6,000	6,000	6,368	368
State income tax	100,000	100,000	71,605	(28,395)
State gas and motor fuel tax	340,000	340,000	349,060	9,060
State gasoline inspection tax	27,000	27,000	27,651	651
State mixed drink tax	50,000	50,000	48,545	(1,455)
State excise tax	22,000	22,000	50,464	28,464
Reimbursement-other government agencies	106,800	106,800	107,863	1,063
Grants	-	-	37,515	37,515
Total intergovernmental	<u>1,581,800</u>	<u>1,581,800</u>	<u>1,659,163</u>	<u>77,363</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, 2014**  
(continued)

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>CHARGES FOR SERVICES</b>				
Utility damage reimbursement	\$ 25,000	\$ 25,000	\$ 25,672	\$ 672
Animal control	3,000	3,000	3,270	270
Recreation fees	67,200	97,200	88,853	(8,347)
Building permits	50,000	66,000	63,674	(2,326)
Recreation concessions	40,000	50,000	47,578	(2,422)
Total charges for services	<u>185,200</u>	<u>241,200</u>	<u>229,047</u>	<u>(12,153)</u>
<b>FINES AND FORFEITURES</b>				
Court fines	440,000	440,000	434,778	(5,222)
Law enforcement forfeitures	1,000	1,000	26,664	25,664
Total fines and forfeitures	<u>441,000</u>	<u>441,000</u>	<u>461,442</u>	<u>20,442</u>
<b>INTEREST</b>	<u>10,000</u>	<u>10,000</u>	<u>6,423</u>	<u>(3,577)</u>
<b>MISCELLANEOUS</b>	<u>40,500</u>	<u>40,500</u>	<u>47,067</u>	<u>6,567</u>
Total revenues	<u>12,603,000</u>	<u>12,659,000</u>	<u>12,911,074</u>	<u>252,074</u>
<b>EXPENDITURES</b>				
<b>GENERAL GOVERNMENT</b>				
Administrative:				
City Manager's Office	270,100	287,100	269,438	17,662
City Council	53,650	53,650	46,743	6,907
City Judge	13,000	13,000	12,918	82
City Attorney	16,000	22,000	23,093	(1,093)
Special appropriations	310,950	310,950	310,950	-
Athens Utilities Board	515,000	515,000	497,986	17,014
Finance	387,700	409,900	385,686	24,214
Personnel	174,200	193,300	185,406	7,894
Administrative services:				
Administration	70,900	70,900	66,713	4,187
City Hall	178,200	178,200	152,776	25,424
Community development:				
Administration	128,600	138,800	136,615	2,185
Codes enforcement	155,400	167,200	160,152	7,048
Cemeteries	30,200	30,200	29,130	1,070
Total general government	<u>2,303,900</u>	<u>2,390,200</u>	<u>2,277,606</u>	<u>112,594</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, 2014**  
(continued)

	Budget		Actual	Variance
	Original	Final		With Final Budget
<b>PUBLIC SAFETY</b>				
Police:				
Administration	\$ 343,200	\$ 357,500	\$ 331,875	\$ 25,625
Patrol	1,917,400	2,033,400	1,880,414	152,986
Detective	217,800	233,900	197,061	36,839
Fire:				
Administration	105,500	114,100	114,288	(188)
Prevention	11,100	11,100	9,228	1,872
Suppression	1,601,000	1,688,000	1,619,199	68,801
Administrative services:				
Communications	229,000	229,000	225,876	3,124
Total public safety	<u>4,425,000</u>	<u>4,667,000</u>	<u>4,377,941</u>	<u>289,059</u>
<b>HIGHWAYS AND STREETS</b>				
Public Works:				
Administration	187,600	200,500	193,566	6,934
Traffic control	171,000	177,500	146,616	30,884
Street maintenance	397,300	413,400	377,733	35,667
Street construction	349,300	362,000	299,247	62,753
Street cleaning	728,500	767,000	701,008	65,992
City garage	264,200	279,400	239,557	39,843
Total highways and streets	<u>2,097,900</u>	<u>2,199,800</u>	<u>1,957,727</u>	<u>242,073</u>
<b>CULTURE AND RECREATION</b>				
Parks and Recreation:				
Administration	168,100	177,600	166,881	10,719
Maintenance	452,700	491,600	434,262	57,338
Swimming pools	37,500	37,500	26,186	11,314
Program planning	247,200	291,200	248,558	42,642
Total culture and recreation	<u>905,500</u>	<u>997,900</u>	<u>875,887</u>	<u>122,013</u>
<b>HEALTH AND WELFARE</b>				
Public Works:				
Animal control	111,700	116,300	110,326	5,974
Total expenditures	<u>9,844,000</u>	<u>10,371,200</u>	<u>9,599,487</u>	<u>771,713</u>
<b>REVENUES OVER EXPENDITURES</b>	<u>2,759,000</u>	<u>2,287,800</u>	<u>3,311,587</u>	<u>1,023,787</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, 2014**  
(continued)

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer to Athens City Schools	\$ (2,431,900)	\$ (2,431,900)	\$ (2,426,863)	\$ 5,037
Transfer to debt service fund	(790,000)	(790,000)	(790,000)	-
Insurance proceeds	-	-	2,479	2,479
Sale of capital assets	-	-	6,531	6,531
	<u>(3,221,900)</u>	<u>(3,221,900)</u>	<u>(3,207,853)</u>	<u>14,047</u>
Total other financing sources (uses)				
Net change in fund balance	(462,900)	(934,100)	103,734	1,037,834
<b>FUND BALANCE, beginning of year</b>	<u>7,569,660</u>	<u>8,092,890</u>	<u>8,092,890</u>	<u>-</u>
<b>FUND BALANCE, end of year</b>	<u>\$ 7,106,760</u>	<u>\$ 7,158,790</u>	<u>\$ 8,196,624</u>	<u>\$ 1,037,834</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, 2014**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 1,499,000	\$ 1,529,000	\$ 1,614,785	\$ 85,785
County revenue	1,038,000	1,073,000	1,108,784	35,784
State funds	7,901,811	8,022,830	8,196,239	173,409
Federal funds received through state	235,937	235,937	236,511	574
Direct federal funds	3,500	3,500	6,102	2,602
Tuition	285,000	285,000	217,398	(67,602)
Interest	32,000	32,000	21,078	(10,922)
Other	44,144	44,144	42,091	(2,053)
Total revenues	<u>11,039,392</u>	<u>11,225,411</u>	<u>11,442,988</u>	<u>217,577</u>
<b>EXPENDITURES</b>				
Current:				
Instruction				
Regular instruction	7,143,192	7,282,392	7,105,095	177,297
Special education	642,282	642,282	598,248	44,034
Early childhood education	649,611	649,611	649,011	600
Other instruction	11,500	11,500	14,274	(2,774)
	<u>8,446,585</u>	<u>8,585,785</u>	<u>8,366,628</u>	<u>219,157</u>
Support services				
Instructional support	927,306	962,806	892,371	70,435
Student support	396,449	406,449	387,857	18,592
Administration	1,328,121	1,328,121	1,284,986	43,135
Operation and maintenance of plant	1,203,204	1,203,204	1,118,376	84,828
Transportation	361,581	361,581	326,101	35,480
Other support services	871,946	873,265	806,356	66,909
	<u>5,088,607</u>	<u>5,135,426</u>	<u>4,816,047</u>	<u>319,379</u>
Non-instructional services				
Capital outlay	220,000	515,000	304,980	210,020
Total expenditures	<u>13,755,192</u>	<u>14,236,211</u>	<u>13,487,655</u>	<u>748,556</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(2,715,800)	(3,010,800)	(2,044,667)	966,133
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer from general fund	2,431,900	2,431,900	2,426,863	5,037
Transfer to federal projects fund	(47,508)	(47,508)	-	(47,508)
Total other financing sources (uses)	2,384,392	2,384,392	2,426,863	(42,471)
<b>NET CHANGE IN FUND BALANCES</b>	(331,408)	(626,408)	382,196	1,008,604
<b>FUND BALANCES, beginning of year</b>	<u>4,244,676</u>	<u>4,244,676</u>	<u>4,244,676</u>	<u>-</u>
<b>FUND BALANCES, end of year</b>	<u>\$ 3,913,268</u>	<u>\$ 3,618,268</u>	<u>\$ 4,626,872</u>	<u>\$1,008,604</u>

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

**CITY OF ATHENS, TENNESSEE  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
June 30, 2014**

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Conference			Internal Service Funds
	Center	Sanitation	Total	Funds
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 14,225	\$ 131,682	\$ 145,907	\$ 18,878
Investments	-	1,479,990	1,479,990	2,757,472
Accounts receivable	550	26,823	27,373	-
Due from component units	-	90,134	90,134	-
Total current assets	<u>14,775</u>	<u>1,728,629</u>	<u>1,743,404</u>	<u>2,776,350</u>
Capital assets:				
Land	34,500	-	34,500	-
Other capital assets, net	<u>861,057</u>	<u>156,395</u>	<u>1,017,452</u>	<u>2,169,664</u>
Total capital assets	<u>895,557</u>	<u>156,395</u>	<u>1,051,952</u>	<u>2,169,664</u>
Total assets	<u>\$ 910,332</u>	<u>\$1,885,024</u>	<u>\$ 2,795,356</u>	<u>\$ 4,946,014</u>
<b>LIABILITIES AND NET POSITION</b>				
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 677	\$ 16,881	\$ 17,558	\$ -
Accrued payroll and withholdings	<u>-</u>	<u>3,836</u>	<u>3,836</u>	<u>-</u>
Total current liabilities	<u>677</u>	<u>20,717</u>	<u>21,394</u>	<u>-</u>
<b>NET POSITION</b>				
Net investment in capital assets	895,557	156,395	1,051,952	2,169,664
Unrestricted	<u>14,098</u>	<u>1,707,912</u>	<u>1,722,010</u>	<u>2,776,350</u>
Total net position	<u>909,655</u>	<u>1,864,307</u>	<u>2,773,962</u>	<u>4,946,014</u>
Total liabilities and net position	<u>\$ 910,332</u>	<u>\$1,885,024</u>	<u>\$ 2,795,356</u>	<u>\$ 4,946,014</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, 2014**

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Conference Center	Sanitation	Total	Internal Service Funds
	Center	Sanitation	Total	Funds
<b>OPERATING REVENUES</b>				
Charges for services	\$ -	\$ 868,330	\$ 868,330	\$ 514,400
Rental income	24,024	-	24,024	-
Miscellaneous	-	8,474	8,474	-
Total operating revenues	<u>24,024</u>	<u>876,804</u>	<u>900,828</u>	<u>514,400</u>
<b>OPERATING EXPENSES</b>				
Salaries and employee benefits	6,575	232,301	238,876	-
Operation	12,488	181,607	194,095	-
Maintenance	1,145	14,556	15,701	-
Depreciation	50,580	147,494	198,074	304,026
Landfill services	-	174,647	174,647	-
Total operating expenses	<u>70,788</u>	<u>750,605</u>	<u>821,393</u>	<u>304,026</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(46,764)</u>	<u>126,199</u>	<u>79,435</u>	<u>210,374</u>
<b>NONOPERATING REVENUES</b>				
Interest income	-	1,229	1,229	2,263
Gain on sale of capital assets	-	4,045	4,045	38,266
Capital contribution	-	-	-	41,031
Total nonoperating revenues	<u>-</u>	<u>5,274</u>	<u>5,274</u>	<u>81,560</u>
<b>CHANGE IN NET POSITION</b>	<u>(46,764)</u>	<u>131,473</u>	<u>84,709</u>	<u>291,934</u>
<b>NET POSITION, beginning of year</b>	<u>956,419</u>	<u>1,732,834</u>	<u>2,689,253</u>	<u>4,654,080</u>
<b>NET POSITION, end of year</b>	<u>\$ 909,655</u>	<u>\$1,864,307</u>	<u>\$ 2,773,962</u>	<u>\$ 4,946,014</u>

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

**CITY OF ATHENS, TENNESSEE  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2014**

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Conference Center	Sanitation	Total	Internal Service Funds
	Center	Sanitation	Total	Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 23,474	\$ 857,696	\$ 881,170	\$ 514,400
Payments to employees	(6,107)	(160,580)	(166,687)	-
Payments to suppliers and vendors	(13,620)	(448,607)	(462,227)	-
Other receipts	-	8,474	8,474	-
Net cash provided by operating activities	<u>3,747</u>	<u>256,983</u>	<u>260,730</u>	<u>514,400</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Net cash flows used in noncapital financing activities	-	-	-	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from the sale of capital assets	-	4,045	4,045	45,035
Purchase of capital assets	-	-	-	(222,175)
Capital contributions	-	-	-	-
Net cash provided by (used in) capital and related financing activities	<u>-</u>	<u>4,045</u>	<u>4,045</u>	<u>(177,140)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment and interest earnings	-	1,229	1,229	2,263
Purchase of investments	-	(302,619)	(302,619)	(326,663)
Net cash used in investing activities	<u>-</u>	<u>(301,390)</u>	<u>(301,390)</u>	<u>(324,400)</u>
Net increase (decrease) in cash and cash equivalents	3,747	(40,362)	(36,615)	12,860
Cash and cash equivalents, beginning of year	<u>10,478</u>	<u>172,044</u>	<u>182,522</u>	<u>6,018</u>
Cash and cash equivalents, end of year	<u>\$ 14,225</u>	<u>\$ 131,682</u>	<u>\$ 145,907</u>	<u>\$ 18,878</u>
<b>Reconciliation of operating income to net cash provided by (used in) operating activities:</b>				
Operating income (loss)	\$ (46,764)	\$ 126,199	\$ 79,435	\$ 210,374
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	50,580	147,494	198,074	304,026
Changes in assets and liabilities:				
Accounts receivable	(550)	(10,634)	(11,184)	-
Accounts payable and accrued liabilities	481	(6,076)	(5,595)	-
Net cash provided by operating activities	<u>\$ 3,747</u>	<u>\$ 256,983</u>	<u>\$ 260,730</u>	<u>\$ 514,400</u>
<b>SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>				
Capital assets contributed	\$ -	\$ -	\$ -	\$ 41,031

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, 2014**

<b>ASSETS</b>	
Cash	\$ 1,299
Interest receivable	20,762
	<hr/>
	22,061
	<hr/>
Investments, at fair value:	
U.S. government and agency securities	631,901
Foreign stock	3,015,799
Foreign bonds and notes	250,341
Corporate bonds	978,449
Common stock	2,521,715
Mutual funds	4,385,728
Money market funds	225,031
Municipal bonds	294,830
	<hr/>
Total investments	12,303,794
	<hr/>
Total assets	\$ 12,325,855
	<hr/>
<b>NET POSITION</b>	
Net position held in trust for pension benefits	\$ 12,325,855
	<hr/>

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, 2014**

**ADDITIONS**

Employer contributions	\$ 1,010,000
Net investment income:	
Interest and dividend income	330,451
Net appreciation in the fair value of investments	<u>1,317,542</u>
Total additions	<u>2,657,993</u>

**DEDUCTIONS**

Benefits paid	634,539
Administrative expenses	<u>76,739</u>
Total deductions	<u>711,278</u>

<b>CHANGE IN NET POSITION HELD IN TRUST FOR PENSION BENEFITS</b>	1,946,715
<b>NET POSITION</b> , held in trust for pension benefits, beginning of year	<u>10,379,140</u>
<b>NET POSITION</b> , held in trust for pension benefits, end of year	<u>\$ 12,325,855</u>

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

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**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. The Board of Education is considered a blended component unit since the City is responsible for approving and issuing debt for the Board of Education and the debt will be repaid with the resources of the City. 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. The Athens City Board of Education issues separate financial

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

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

**A. Financial Reporting Entity (continued)**

**Blended Component Unit: (continued)**

Athens City Board of Education (continued)

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, 2014**

**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, 2014

**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, 2014**

**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 two internal service funds 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, 2014

**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, 2014**

**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)**

Special Revenue 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, 2014

**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, 2014**

**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, 2014**

**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, 2014**

**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:

Assets at the City		Assets at Board of Education	
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 2.58 to 3.03 percent in 2014. 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, 2014**

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

***I. Debt Issue Costs***

Debt issue costs are accounted for as expenditures in both the governmental fund financial statements and government-wide 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, 2014**

**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, 2014**

**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 – Assigned fund balance includes amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by formal action (approval of resolution) of the City Council.

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.

When an expenditure is incurred for purposes of which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City council has approved otherwise in its commitment or assignment actions.

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

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

*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, 2013, was \$384,371,789 based upon a reappraisal completed for the list of January 1, 2013. The estimated actual was \$1,205,548,537, making the total assessed value 31.88 percent of the total actual value.

Taxes were levied at a rate of \$1.1328 per \$100 of assessed value. Current tax collections of \$4,161,945 for the fiscal year ended June 30, 2014, were 94 percent of the 2013 tax levy. An allowance has been established for delinquent taxes to the extent that their collectability is improbable. The allowance at June 30, 2014, for the 2013 tax levy was \$76,347.

The 2014 taxes were levied at a rate of \$1.1328 per \$100 of assessed value and have been recorded as a receivable at June 30, 2014. An allowance for doubtful collection of \$40,000 has been estimated and established for this levy at June 30, 2014. There are no current tax collections related to the 2014 levy.

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

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

*N. Allowances for Doubtful Property Taxes*

The following allowances have been established for uncollectible property taxes at June 30, 2014:

General Fund	\$ 116,347
General Purpose School Fund	114,308

**Note 2. Capital Assets**

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

	At City of Athens			Balance June 30, 2014
	Balance July 1, 2013	Additions	Deletions	
Capital assets being depreciated:				
Buildings and improvements	\$ 6,220,811	\$ 85,168	\$ 4,128	\$ 6,301,851
Infrastructure	8,895,079	-	-	8,895,079
Furniture and office equipment	1,146,407	105,827	315,093	937,141
Machinery and equipment	6,658,676	389,718	267,112	6,781,282
Total depreciable capital assets	<u>22,920,973</u>	<u>580,713</u>	<u>586,333</u>	<u>22,915,353</u>
Accumulated depreciation:				
Buildings and improvements	3,698,994	148,431	4,128	3,843,297
Infrastructure	2,980,839	240,093	-	3,220,932
Furniture and office equipment	708,703	69,904	315,093	463,514
Machinery and equipment	4,132,374	422,797	260,342	4,294,829
Total accumulated depreciation	<u>11,520,910</u>	<u>881,225</u>	<u>579,563</u>	<u>11,822,572</u>
Net depreciable capital assets	<u>11,400,063</u>	<u>(300,512)</u>	<u>6,770</u>	<u>11,092,781</u>
Capital assets not being depreciated:				
Land	2,978,070	30,000	-	3,008,070
Construction in progress	778,679	331,191	112,792	997,078
Nondepreciable capital assets	<u>3,756,749</u>	<u>361,191</u>	<u>112,792</u>	<u>4,005,148</u>
Net capital assets	<u>\$ 15,156,812</u>	<u>\$ 60,679</u>	<u>\$ 119,562</u>	<u>\$ 15,097,929</u>

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

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

	<u>At Board of Education</u>			<u>Balance June 30, 2014</u>
	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	
Capital assets being depreciated:				
Buildings and improvements	\$ 13,800,079	\$ 219,139	\$ —	\$ 14,019,218
Infrastructure	23,200	—	—	23,200
Furniture, equipment, and vehicles	2,917,562	99,720	30,000	2,987,282
Total depreciable capital assets	<u>16,740,841</u>	<u>318,859</u>	<u>30,000</u>	<u>17,029,700</u>
Accumulated depreciation:				
Buildings and improvements	8,975,567	291,361	—	9,266,928
Infrastructure	15,565	1,876	—	17,441
Furniture, equipment, and vehicles	2,263,451	196,365	29,362	2,430,454
Total accumulated depreciation	<u>11,254,583</u>	<u>489,602</u>	<u>29,362</u>	<u>11,714,823</u>
Net depreciable capital assets	<u>5,486,258</u>	<u>(170,743)</u>	<u>638</u>	<u>5,314,877</u>
Capital assets not being depreciated:				
Land	213,486	—	—	213,486
Net capital assets	<u>\$ 5,699,744</u>	<u>\$ (170,743)</u>	<u>\$ 638</u>	<u>\$ 5,528,363</u>
	<u>Total Governmental Activities Capital Assets</u>			
	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 20,020,890	\$ 304,307	\$ 4,128	\$ 20,321,069
Infrastructure	8,918,279	—	—	8,918,279
Furniture and office equipment	4,063,969	205,547	345,093	3,924,423
Machinery and equipment	6,658,676	389,718	267,112	6,781,282
Total depreciable capital assets	<u>39,661,814</u>	<u>899,572</u>	<u>616,333</u>	<u>39,945,053</u>
Accumulated depreciation:				
Buildings and improvements	12,674,561	439,792	4,128	13,110,225
Infrastructure	2,996,404	241,969	—	3,238,373
Furniture and office equipment	2,972,154	266,269	344,455	2,893,968
Machinery and equipment	4,132,374	422,797	260,342	4,294,829
Total accumulated depreciation	<u>22,775,493</u>	<u>1,370,827</u>	<u>608,925</u>	<u>23,537,395</u>
Net depreciable capital assets	<u>16,886,321</u>	<u>(471,255)</u>	<u>7,408</u>	<u>16,407,658</u>
Capital assets not being depreciated:				
Land	3,191,556	30,000	—	3,221,556
Construction in progress	778,679	331,191	112,792	997,078
Nondepreciable capital assets	<u>3,970,235</u>	<u>361,191</u>	<u>112,792</u>	<u>4,218,634</u>
Net capital assets	<u>\$ 20,856,556</u>	<u>\$ (110,064)</u>	<u>\$ 120,200</u>	<u>\$ 20,626,292</u>

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

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

	Total Business-Type Activities Capital Assets			
	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
<b><u>Business-Type Activities</u></b>				
Capital assets being depreciated:				
Buildings and improvements	\$ 1,517,930	\$ -	\$ -	\$ 1,517,930
Furniture and office equipment	29,864	-	-	29,864
Machinery and equipment	<u>1,534,400</u>	<u>-</u>	<u>10,250</u>	<u>1,524,150</u>
Total depreciable capital assets	<u>3,082,194</u>	<u>-</u>	<u>10,250</u>	<u>3,071,944</u>
Accumulated depreciation:				
Buildings and improvements	606,293	50,580	-	656,873
Furniture and office equipment	29,864	-	-	29,864
Machinery and equipment	<u>1,230,511</u>	<u>147,494</u>	<u>10,250</u>	<u>1,367,755</u>
Total accumulated depreciation	<u>1,866,668</u>	<u>198,074</u>	<u>10,250</u>	<u>2,054,492</u>
Net depreciable capital assets	1,215,526	(198,074)	-	1,017,452
Capital assets not being depreciated:				
Land	<u>34,500</u>	<u>-</u>	<u>-</u>	<u>34,500</u>
Net capital assets	<u>\$ 1,250,026</u>	<u>\$ (198,074)</u>	<u>\$ -</u>	<u>\$ 1,051,952</u>

Depreciation expense was charged to functions as follows:

Governmental Activities	
General government	\$ 92,373
Public safety	289,592
Highways and streets	372,964
Culture and recreation	126,296
Schools:	
Regular instruction	99,458
Administration	28,015
Operation and maintenance	5,385
Transportation	23,849
Food services	37,977
Unallocated depreciation	<u>294,918</u>
	<u>\$ 1,370,827</u>

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

Business-Type Activities	
Conference Center	\$ 50,580
Sanitation	<u>147,494</u>
	<u>\$ 198,074</u>

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

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

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

**Utilities Board:**

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2014</u>
Capital assets being depreciated:				
Plant in service	\$ 133,271,330	\$ 3,938,590	\$ 1,000,547	\$ 136,209,373
Equipment and furniture	5,394,158	951,796	49,547	6,296,407
Transportation equipment	<u>3,225,935</u>	<u>189,540</u>	<u>97,874</u>	<u>3,317,601</u>
Total depreciable capital assets	<u>141,891,423</u>	<u>5,079,926</u>	<u>1,147,968</u>	<u>145,823,381</u>
Accumulated depreciation:				
Plant in service	47,901,256	3,921,492	968,740	50,854,008
Equipment and furniture	3,769,039	284,291	49,547	4,003,783
Transportation equipment	<u>2,260,214</u>	<u>227,758</u>	<u>97,874</u>	<u>2,390,098</u>
Total accumulated depreciation	<u>53,930,509</u>	<u>4,433,541</u>	<u>1,116,161</u>	<u>57,247,889</u>
Net depreciable capital assets	<u>87,960,914</u>	<u>646,385</u>	<u>31,807</u>	<u>88,575,492</u>
Capital assets not being depreciated:				
Land	794,579	4,674	-	799,253
Construction in progress	<u>13,193,617</u>	<u>6,459,159</u>	<u>5,443,108</u>	<u>14,209,668</u>
Nondepreciable capital assets	<u>13,988,196</u>	<u>6,463,833</u>	<u>5,443,108</u>	<u>15,008,921</u>
Net capital assets	<u>\$ 101,949,110</u>	<u>\$ 7,110,218</u>	<u>\$ 5,474,915</u>	<u>\$ 103,584,413</u>

Depreciation was charged as follows:

	<u>Charged to</u> <u>Depreciation</u> <u>and</u> <u>Amortization</u>	<u>Charged to</u> <u>Other</u> <u>Accounts</u>	<u>Total</u> <u>Depreciation</u> <u>and</u> <u>Amortization</u>
Power Division	\$ 1,534,329	\$ 91,412	\$ 1,625,741
Water Division	649,054	50,043	699,097
Gas Division	431,742	18,524	450,266
Department of Sewer	<u>1,586,461</u>	<u>76,317</u>	<u>1,662,778</u>
	<u>\$ 4,201,586</u>	<u>\$ 236,296</u>	<u>\$ 4,437,882</u>

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**Note 3. Long-Term Debt**

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

	<u>Balance</u> <u>6/30/13</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/14</u>	<u>Due</u> <u>within</u> <u>one year</u>
<b>City of Athens:</b>					
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	\$ 3,852,000	\$ -	\$ 725,000	\$ 3,127,000	\$ 747,000
Compensated absences	<u>261,572</u>	<u>223,228</u>	<u>225,971</u>	<u>258,829</u>	<u>172,561</u>
	<u>\$ 4,113,572</u>	<u>\$ 223,228</u>	<u>\$ 950,971</u>	<u>\$ 3,385,829</u>	<u>\$ 919,561</u>
<b>Board of Education:</b>					
OPEB	\$ 264,595	\$ 111,343	\$ -	\$ 375,938	\$ -
Sick leave	<u>98,784</u>	<u>-</u>	<u>17,964</u>	<u>80,820</u>	<u>-</u>
	<u>363,379</u>	<u>111,343</u>	<u>17,964</u>	<u>456,758</u>	<u>-</u>
Total	<u>\$ 4,476,951</u>	<u>\$ 334,571</u>	<u>\$ 968,935</u>	<u>\$ 3,842,587</u>	<u>\$ 919,561</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 0.28 percent at June 30, 2014.

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

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 747,000	\$ 8,767	\$ 755,767
2016	770,000	6,673	776,673
2017	793,000	4,514	797,514
2018	<u>817,000</u>	<u>2,290</u>	<u>819,290</u>
Total	<u>\$ 3,127,000</u>	<u>\$ 22,244</u>	<u>\$ 3,149,244</u>

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

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

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

**Utilities Board:**

	Balance <u>6/30/13</u>	<u>Additions</u>	<u>Payments</u>	Balance <u>6/30/14</u>	Due within <u>one year</u>
Revenue and tax bonds	\$ 2,289,894	\$ -	\$ 316,208	\$ 1,973,686	\$ 335,912
Notes payable	25,648,854	870,616	870,957	25,648,513	873,987
TVA advances	<u>29,319</u>	<u>-</u>	<u>20,682</u>	<u>8,637</u>	<u>7,536</u>
Total	<u>\$ 27,968,067</u>	<u>\$ 870,616</u>	<u>\$ 1,207,847</u>	<u>\$ 27,630,836</u>	<u>\$ 1,217,435</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, 2014.

The Athens Utilities Board has debt issues with outstanding balances totaling \$26,770,788, 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>
2015	\$ 1,209,899	\$ 219,416	\$ 1,429,315
2016	1,324,210	195,440	1,519,650
2017	1,007,222	177,975	1,185,197
2018	916,615	170,630	1,087,245
2019	1,488,170	163,505	1,651,675
2020-2024	7,573,445	682,281	8,255,726
2025-2029	7,821,914	441,774	8,263,688
2030-2034	5,090,259	200,866	5,291,125
2035-2039	699,655	102,019	801,674
2040-2044	265,707	59,253	324,960
2045-2048	<u>225,103</u>	<u>13,998</u>	<u>239,101</u>
	<u>\$ 27,622,199</u>	<u>\$ 2,427,157</u>	<u>\$ 30,049,356</u>

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**Note 4. Cash Deposits and Investments**

**Cash Deposits:**

**Primary government**

City of Athens:

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, 2014, all the City's deposits were insured or collateralized.

Board of Education:

At June 30, 2014, a particular financial institution did not have \$3,194,983 of collateral in place leaving Board deposits of \$3,042,841 uninsured and uncollateralized. All other deposit amounts of the Board were insured or collateralized in accordance with state statutes at June 30, 2014.

**Component unit**

At June 30, 2014, 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).

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

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

**Investments: (continued)**

**Primary government (continued)**

As of June 30, 2014, the City had \$16,413,460 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, 2014. At June 30, 2014, the investments of the LGIP had a weighted average maturity of 113 days. The fair value of the position of the LGIP is the same as the value of the pool shares. Regulatory oversight for the LGIP is provided by the State legislature, the State Comptroller and the State Funding Board.

**Cemetery Perpetual Fund:**

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

As of June 30, 2014, the Cemetery Perpetual Care Fund's investments consisted of the following:

	<u>Fair Value</u>
Money market funds	\$ 523
Mutual funds	<u>201,191</u>
	<u>\$ 201,714</u>

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

**Athens Pension Trust Fund:**

As of June 30, 2014, 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	2.53 years	\$ 631,901
Foreign stocks	N/A	3,015,799
Foreign bonds and notes	4.04 years	250,341
Corporate bonds	4.38 years	978,449
Common stock	N/A	2,521,715
Mutual funds	N/A	4,385,728
Money market fund	N/A	225,031
Municipal bonds	6.18 years	<u>294,830</u>
		<u>\$ 12,303,794</u>

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

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

**Athens Pension Trust Fund: (continued)**

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 40/60 government and corporate bonds/equities ratio. U.S. government and agency securities carry the explicit guarantee of the U.S. government. The City does not have any additional formal policy to limit its credit risk exposure.

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

**Note 5. Interfund Transactions**

**Interfund Balances:**

At June 30, 2014, the General Purpose School Fund had interfund receivables that consist of \$274,439 due from the Federal Projects Fund and \$315,400 due from the General Fund.

**Interfund Transfers:**

Interfund transfers during the year consisted of the General Fund transferring \$2,426,863 to the Board of Education General Purpose Fund and \$790,000 to the Debt Service Fund and the Capital Projects Fund transferring \$41,031 to the Fleet Fund. Interfund transactions were for the purpose of funding annual appropriations, debt service requirements and capital outlay. 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, 2014, the Utilities Board has a due from the primary government of \$58,049 and a due to the primary government of \$90,134.

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**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	\$ 44,163,687	\$ 3,106,444	\$ 47,270,131
Accumulated depreciation	(23,537,395)	(2,054,492)	(25,591,887)
Debt and retainage payable related to acquisition and construction of capital assets	<u>(3,136,958)</u>	<u>—</u>	<u>(3,136,958)</u>
Net investment in capital assets	17,489,334	1,051,952	18,541,286
Restricted	1,344,973	—	1,344,973
Unrestricted	<u>22,497,971</u>	<u>1,722,010</u>	<u>24,219,981</u>
Total net position	<u>\$ 41,332,278</u>	<u>\$ 2,773,962</u>	<u>\$ 44,106,240</u>

**Fund Balances:**

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

Nonspendable	
General Fund-Inventory	\$ 107,821
Prepaid items	76,096
Centralized Cafeteria Fund-Inventory	18,852
General Purpose School Fund-Prepaid items	102,501
Cemetery Perpetual Care Fund-Nonexpendable	<u>47,283</u>
Total nonspendable fund balances	<u>352,553</u>
Restricted	
General Fund-Nonrecurring law enforcement	111,363
General Purpose School Fund-Basic Education	794,386
Cemetery Perpetual Care Fund-Expendable	154,431
Drug Fund	<u>237,510</u>
Total restricted fund balances	<u>1,297,690</u>
Committed	
General Fund-Police benefit	20,079
Capital Improvement Fund-Capital projects	1,594,752
Drug Fund	<u>12,483</u>
Total committed fund balances	<u>1,627,314</u>
Assigned	
General Purpose School Fund-Education	3,729,985
Debt Service Fund-Debt service	3,644,375
Centralized Cafeteria Fund	<u>337,224</u>
Total assigned fund balances	<u>7,711,584</u>
Unassigned	
General Fund	<u>7,881,265</u>
Total fund balances	<u>\$ 18,870,406</u>

**CITY OF ATHENS, TENNESSEE  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2014**

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

**Fund Balances: (continued)**

Included in the fund balance classifications are the following encumbrances:

General Purpose School Fund	\$	178,614
-----------------------------	----	---------

**Utilities Board**

Net position of the Utilities Board consist of the following:

Net investment in capital assets	\$	75,898,884
Unrestricted		<u>28,146,988</u>
		<u>\$104,045,872</u>

**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 82 active and 28 terminated participants, as well as 52 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.

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**Note 8. Employee Retirement Plans (continued)**

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

Plan description – Defined Benefit Plan (continued)

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

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

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

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

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

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

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**Note 8. Employee Retirement Plans (continued)**

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

Summary of significant accounting policies

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

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

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

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

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

Contributions and reserves

- a. The authority under which the obligation to contribute to the Plan of the City is established through Section 3.02 of the Plan Document and a Trust Agreement between the employer and the Trust Division of Branch Banking & Trust Company.
- b. The funding policy is to contribute annually the normal cost with interest as determined through an actuarial valuation utilizing the individual entry age normal, level percentage of pay 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.

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**Note 8. Employee Retirement Plans (continued)**

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

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 dollar payroll amortization method, and (e) 30 years open amortization period. The actuarial value of assets was the market value. Assumptions regarding mortality rates were based on IRS 2014 static mortality table. The expected long-term rate of return utilized a modified building blocks methodology because being able to identify historical return premiums of asset classes in the context of varying market environments provides a reasonable basis to estimate the performance of asset classes going forward.

Development of the net pension obligation (benefit)

Annual required contribution for year ending June 30, 2014	\$ 555,625
Interest on net pension obligation	(154,104)
Adjustment to annual required contribution	<u>161,838</u>
Annual pension cost	563,359
Employer contributions made	<u>1,060,000</u>
Change in net pension benefit	(496,641)
Net pension benefit at June 30, 2013	<u>(2,054,726)</u>
Net pension benefit at June 30, 2014	<u><u>\$ (2,551,367)</u></u>

The annual required contribution for the 2014 year was determined as part of the annual actuarial valuation on January 1, 2014, using the individual entry age normal, level percentage of pay 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>
6/30/14	\$ 563,359	188.2%	\$ (2,551,367)
6/30/13	563,532	98.7	(2,054,726)
6/30/12	547,687	292.1	(2,062,258)

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**Note 8. Employee Retirement Plans (continued)**

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

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

As of January 1, 2014, the most recent actuarial valuation date, the plan was 83.11 percent funded. The actuarial accrued liability for benefits was \$13.72 million, and the actuarial value of assets was \$11.40 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$2.32 million. The covered payroll (annual payroll of active employees covered by the plan) was \$3.75 million, and the ratio of the UAAL to the covered payroll was 61.81 percent.

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

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Percentage of Covered Payroll</u>
01/01/14	\$11,404,987	\$ 13,723,343	\$ 2,318,356	83.11%	\$ 3,750,914	61.81%
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

***Pension Plan Disclosures Related to GASB No. 67:***

Governmental Accounting Standards Board Statement Number 67 became effective for the year ended June 30, 2014. The statement requires additional disclosures related to the total and net pension liabilities and various components utilized in determining these amounts.

Net Pension Liability of the City

The components of the net pension liability of the City at June 30, 2014, were as follows:

Total pension liability	\$ 14,700,213
Plan's fiduciary net position	12,325,855
Net pension liability	2,374,358
Plan's fiduciary net position as a percentage of the total pension liability	83.85%

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**Note 8. Employee Retirement Plans (continued)**

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

*Pension Plan Disclosures Related to GASB No. 67: (continued)*

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2014, with a measurement date of June 30, 2014, using the following assumptions:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic equity	8.55%
International equity	9.00
Municipal bonds	3.10
Taxable bonds	5.15
International bonds	2.75
Diversifying assets	5.70
Real estate	8.50
Cash	N/A

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumes that the Plan contributions will be made according to their established funding policy to contribute the actuarially determined contribution. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Rate of Return

For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 15.41%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**Note 8. Employee Retirement Plans (continued)**

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

***Pension Plan Disclosures Related to GASB No. 67: (continued)***

Actuarial Assumptions (continued)

Asset Allocation

The assumed asset allocation of the Plan's portfolio is:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	44.00%
International equity	14.00
Municipal and taxable bonds	24.00
International bonds	6.00
Diversifying assets	7.00
Cash	2.00
Real estate	3.00

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City calculated using the discount rate of 7.5%, as well as what the city's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's net pension liability	\$ 4,023,133	\$ 2,374,358	\$ 969,890

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 \$19,907 during 2014.

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**Note 8. Employee Retirement Plans (continued)**

**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, Chapters 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General 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, 2014, 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, 2014, the Board's annual pension cost of \$156,714 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

**CITY OF ATHENS, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2014**

**Note 8. Employee Retirement Plans (continued)**

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

***Annual pension cost: (continued)***

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

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/14	\$ 156,714	100%	\$ -
6/30/13	159,836	100	-
6/30/12	162,295	100	-

***Funded status and funding progress:***

As of July 1, 2013, the most recent actuarial valuation date, the plan was 93.69 percent funded. The actuarial accrued liability for benefits was \$6,180,000 and the actuarial value of assets was \$5,790,000, resulting in an unfunded actuarial accrued liability (UAAL) of \$390,000. The covered payroll (annual payroll of active employees covered by the plan) was \$1,867,000, and the ratio of the UAAL to the covered payroll was 20.90 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 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)
7/01/13	\$ 5,790	\$ 6,180	\$ 390	93.69%	\$ 1,867	20.90%
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

(Dollar amounts in thousands)

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**Note 8. Employee Retirement Plans (continued)**

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

***Instructional employees - plan description:***

The Board contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. 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 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, 2014, 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, 2014, 2013, and 2012 were \$658,397, \$615,201, and \$588,304, 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, 10<sup>th</sup> 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/>.

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**Note 8. Employee Retirement Plans (continued)**

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

**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.

**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 2014 was \$278,000. The Board contributed \$166,930 in 2014.

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**Note 9. Postemployment Healthcare Plan (continued)**

***Annual OPEB cost and net OPEB obligation:***

	<u>Teacher Group Plan</u>
Annual Required Contribution (ARC)	\$ 278,000
Interest on the Net OPEB Obligation (NOO)	10,584
Adjustment to the ARC	<u>(10,311)</u>
Annual OPEB cost	278,273
Amount of contribution	<u>(166,930)</u>
Increase in NOO	111,343
Net OPEB obligation, beginning of year	<u>264,595</u>
Net OPEB obligation, end of year	<u><u>\$ 375,938</u></u>

<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>
6/30/12	Teacher Group	\$243,759	60.0 %	\$ 195,297
6/30/13	Teacher Group	246,520	71.9	264,595
6/30/14	Teacher Group	278,273	60.0	375,938

***Funded status and funding progress:***

The funded status of the plan as of July 1, 2013, was as follows:

	<u>Teacher Group Plan</u>
Actuarial valuation date	7/01/13
Actuarial accrued liability (AAL)	\$ 206,073
Actuarial value of plan assets	<u>—</u>
Unfunded actuarial accrued liability (UAAL)	<u><u>\$ 206,073</u></u>
Actuarial value of assets as a percentage of the AAL	—
Covered payroll (active plan members)	\$ 8,270,233
UAAL as a percentage of covered payroll	2.49%

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.

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**Note 9. Postemployment Healthcare Plan (continued)**

*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, 2013, 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 7.5 initially. The rate decreases to 7.0 percent in fiscal year 2015 and then will be reduced by decrements to an ultimate rate of 4.7 percent by fiscal year 2044. 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. Payroll is assumed to grow at a rate of 3 percent.

**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 No. 24 requires that on-behalf payments be recognized in the Board's financial statements. During the year ended June 30, 2014, the State of Tennessee made contributions to healthcare plans on behalf of the Board as follows:

Plan	Amount
Teacher Group Plan	\$ 65,771
Medicare Supplement Plan	30,254

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 2013, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 65 "Items Previously Reported as Assets and Liabilities". This pronouncement requires certain items previously reported as assets and liabilities to be reported as deferred inflows or outflows of resources and other items to be expensed as incurred rather than capitalized.

Under this standard, bond issuance costs are to be expensed as incurred and are no longer a component of the statement of net position. In accordance with the standard, the City

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

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

retroactively restated its government-wide net position at July 1, 2013, to remove bond issue costs which were previously being amortized. The effect of this restatement is as follows for the government-wide statements:

Governmental Activities

Net position, beginning of year, as previously reported	\$ 39,919,745
Restatement for bond issue costs	<u>(11,725)</u>
Net position, beginning of year, as restated	<u>\$ 39,908,020</u>

As of July 2013, the City adopted GASB No. 67 “Financial Reporting for Pension Plans”. The City has a single employer defined benefit pension plan and has reported required information through the Pension Trust Fund. The statement effects how pension plans are reported. GASB No. 68 “Accounting and Financial Reporting for Pensions” which is not yet effective, dictates how employers report pension plans. Because the City has a single employer defined benefit pension plan and the Pension Trust Fund the City has included additional disclosure in the June 30, 2014 financial report to comply with the requirements of GASB No. 67.

**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 \$26,770,788, 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.

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**Note 13. Contingencies (continued)**

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

**Note 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, 2014**

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
01/01/05	\$ 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
01/01/14	11,404,987	13,723,343	2,318,356	83.11	3,750,914	61.81

Schedule of Employer Contributions

<u>Plan Year Ending</u>	<u>Contributions by the City</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
06/30/05	\$ 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
06/30/14	1,060,000	555,625	190.8

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 CHANGES IN THE NET PENSION LIABILITY**  
**AND RELATED RATIOS**  
**PENSION PLAN**  
**June 30, 2014**

	<b>2014</b>
<b>TOTAL PENSION LIABILITY</b>	
Service cost	\$ 269,654
Interest	1,045,529
Changes of benefit terms	-
Differences between expected and actual experience	(287,115)
Changes of assumptions	55,344
Benefit payments, including refunds of employee contributions	(635,679)
NET CHANGE IN TOTAL PENSION LIABILITY	447,733
TOTAL PENSION LIABILITY, beginning of year	14,252,480
TOTAL PENSION LIABILITY, end of year	\$ 14,700,213
 <b>PLAN FIDUCIARY NET POSITION</b>	
Contributions - employer	\$ 1,010,000
Contributions - employee	-
Net investment income	1,636,838
Benefit payments, including refunds of employee contributions	(635,679)
Administrative expense	(63,367)
Other	-
NET CHANGE IN PLAN FIDUCIARY NET POSITION	1,947,792
PLAN FIDUCIARY NET POSITION, beginning of year	10,378,063
PLAN FIDUCIARY NET POSITION, end of year	\$ 12,325,855
 NET PENSION LIABILITY, end of year	\$ 2,374,358
 Plan fiduciary net position as a percentage of the total pension liability	83.85%
 Covered employee payroll	3,655,893
 Net pension liability as a percentage of covered employee payroll	64.95%

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

**CITY OF ATHENS, TENNESSEE  
SCHEDULE OF CONTRIBUTIONS AND  
SCHEDULE OF INVESTMENT RETURNS  
PENSION PLAN  
June 30, 2014**

Schedule of Contributions

	<b>2014</b>
Actuarially determined contribution	\$ 555,625
Contributions in relation to the actuarially determined contribution	<u>1,010,000</u>
Contribution deficiency (excess)	<u>\$ (454,375)</u>
Covered employee payroll	<u>\$3,655,893</u>
Contributions as a percentage of covered employee payroll	<u>27.63 %</u>

**Notes:**

**Actuarial Methods Assumptions**

Actuarial cost method:	Projected Unit Credit
Amortization method:	Leval Dollar amortization, open
Remaining amortization period:	30 years
Asset valuation method:	Five-year asset average spreading investment gains and losses
Salary increases:	3.50%
Investment rate of return:	7.50%
Retirement age:	5% at age 55-61, 75% at age 62, 50% at age 63-64, 100% at age 65
Mortality:	2012 IRS Combined Static Mortality Table

Actuarially determined contributions are calculated as of January 1, six months prior to the fiscal year in which contributions are reported.

Schedule of Investment Returns

	<b>2014</b>
Annual money-weighted rate of return, net of investment expense	<u>15.41 %</u>

NOTE: Ten years of data is not available but will be accumulated over time for the above schedules.

**CITY OF ATHENS, TENNESSEE  
SCHEDULE OF FUNDING PROGRESS  
BOARD OF EDUCATION EMPLOYEE RETIREMENT PLAN  
June 30, 2014**

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
7/01/13	\$ 5,790	\$ 6,180	\$ 390	93.69 %	\$ 1,867	20.90 %
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

(Dollar amounts in thousands)

**CITY OF ATHENS, TENNESSEE  
SCHEDULE OF FUNDING PROGRESS  
BOARD OF EDUCATION TEACHER GROUP PLAN  
June 30, 2014**

<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>
7/01/13	\$ -	\$ 206	\$ 206	0.00 %	\$ 8,270	2.49 %
7/01/11	-	422	422	0.00	9,237	4.57
7/01/10	-	349	349	0.00	8,844	3.95

(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, 2014**

	Special Revenue Funds			Capital Projects Fund	Permanent Fund	Total Nonmajor Governmental Funds
	Drug	Federal Projects	Centralized Cafeteria	General Obligation Bond	Cemetery Perpetual Care	
<b>ASSETS</b>						
Cash and cash equivalents	\$ 38,030	\$ 104,869	\$267,077	\$ -	\$ -	\$ 409,976
Investments	214,461	-	-	-	201,714	416,175
Due from other governments	2,159	335,036	115,027	-	-	452,222
Inventories	-	-	18,852	-	-	18,852
Total assets	<u>\$ 254,650</u>	<u>\$ 439,905</u>	<u>\$400,956</u>	<u>\$ -</u>	<u>\$ 201,714</u>	<u>\$ 1,297,225</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Accounts payable	\$ 4,657	\$ 8,591	\$ 17,595	\$ -	\$ -	\$ 30,843
Interfund payable	-	274,439	-	-	-	274,439
Accrued payroll and withholdings	-	103,865	27,285	-	-	131,150
Unearned revenues	-	53,010	-	-	-	53,010
<b>LIABILITIES</b>	<u>4,657</u>	<u>439,905</u>	<u>44,880</u>	<u>-</u>	<u>-</u>	<u>489,442</u>
<b>FUND BALANCES</b>						
Nonspendable	-	-	18,852	-	47,283	66,135
Restricted	237,510	-	-	-	154,431	391,941
Committed	12,483	-	-	-	-	12,483
Assigned	-	-	337,224	-	-	337,224
Total fund balances	<u>249,993</u>	<u>-</u>	<u>356,076</u>	<u>-</u>	<u>201,714</u>	<u>807,783</u>
Total liabilities and fund balances	<u>\$ 254,650</u>	<u>\$ 439,905</u>	<u>\$400,956</u>	<u>\$ -</u>	<u>\$ 201,714</u>	<u>\$ 1,297,225</u>

**CITY OF ATHENS, TENNESSEE**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2014**

	Special Revenue Funds			Capital Projects Fund	Permanent Fund	Total Nonmajor Governmental Funds
	Drug	Federal Projects	Centralized Cafeteria	General Obligation Bond	Cemetery Perpetual Care	
<b>REVENUES</b>						
Intergovernmental	\$ -	\$1,817,728	\$ 968,276	\$ -	\$ -	\$ 2,786,004
Fines and forfeitures	22,389	-	-	-	-	22,389
Investment and interest income	222	-	1,603	-	18,200	20,025
Charges for services	-	-	201,660	-	1,955	203,615
Miscellaneous	2,540	-	54,583	-	-	57,123
Total revenues	<u>25,151</u>	<u>1,817,728</u>	<u>1,226,122</u>	<u>-</u>	<u>20,155</u>	<u>3,089,156</u>
<b>EXPENDITURES</b>						
Current:						
Public safety	51,556	-	-	-	-	51,556
Education	-	1,817,728	1,249,520	-	-	3,067,248
Highways and streets	-	-	-	19,198	-	19,198
Total expenditures	<u>51,556</u>	<u>1,817,728</u>	<u>1,249,520</u>	<u>19,198</u>	<u>-</u>	<u>3,138,002</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(26,405)	-	(23,398)	(19,198)	20,155	(48,846)
<b>FUND BALANCES, beginning of year</b>	<u>276,398</u>	<u>-</u>	<u>379,474</u>	<u>19,198</u>	<u>181,559</u>	<u>856,629</u>
<b>FUND BALANCES, end of year</b>	<u>\$ 249,993</u>	<u>\$ -</u>	<u>\$ 356,076</u>	<u>\$ -</u>	<u>\$ 201,714</u>	<u>\$ 807,783</u>

**CITY OF ATHENS, TENNESSEE  
BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
Year Ended June 30, 2014**

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Interest	\$ 5,000	\$ 5,000	\$ 3,492	\$ (1,508)
Total revenues	<u>5,000</u>	<u>5,000</u>	<u>3,492</u>	<u>(1,508)</u>
<b>EXPENDITURES</b>				
Debt service:				
Principal	725,000	725,000	725,000	-
Interest	65,000	65,000	28,568	36,432
General government	<u>5,000</u>	<u>5,000</u>	<u>3,753</u>	<u>1,247</u>
Total expenditures	<u>795,000</u>	<u>795,000</u>	<u>757,321</u>	<u>37,679</u>
<b>REVENUES UNDER EXPENDITURES</b>	(790,000)	(790,000)	(753,829)	36,171
<b>OTHER FINANCING SOURCES</b>				
Transfer from general fund	<u>790,000</u>	<u>790,000</u>	<u>790,000</u>	<u>-</u>
Net change in fund balance	-	-	36,171	36,171
<b>FUND BALANCE, beginning of year</b>	<u>3,608,204</u>	<u>3,608,204</u>	<u>3,608,204</u>	<u>-</u>
<b>FUND BALANCE, end of year</b>	<u>\$ 3,608,204</u>	<u>\$ 3,608,204</u>	<u>\$ 3,644,375</u>	<u>\$ 36,171</u>

**CITY OF ATHENS, TENNESSEE**  
**BUDGETARY COMPARISON SCHEDULE**  
**DRUG FUND**  
**Year Ended June 30, 2014**

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Drug fines and forfeitures	\$ 22,000	\$ 22,000	\$ 22,389	\$ 389
Investment and interest income	-	-	222	222
Other	-	-	2,540	2,540
Total revenues	<u>22,000</u>	<u>22,000</u>	<u>25,151</u>	<u>3,151</u>
<b>EXPENDITURES</b>				
Drug investigation	12,000	12,000	2,000	10,000
Supplies	5,000	5,000	10,985	(5,985)
Capital outlay	-	36,000	38,571	(2,571)
Education and training	5,000	5,000	-	5,000
Total expenditures	<u>22,000</u>	<u>58,000</u>	<u>51,556</u>	<u>6,444</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	-	(36,000)	(26,405)	9,595
<b>FUND BALANCE, beginning of year</b>	<u>276,398</u>	<u>276,398</u>	<u>276,398</u>	<u>-</u>
<b>FUND BALANCE, end of year</b>	<u>\$ 276,398</u>	<u>\$ 240,398</u>	<u>\$ 249,993</u>	<u>\$ 9,595</u>

**CITY OF ATHENS, TENNESSEE  
BUDGETARY COMPARISON SCHEDULE  
FEDERAL PROJECTS FUND  
Year Ended June 30, 2014**

	Budget		Actual	Variance
	Original	Final		With Final Budget
<b>REVENUES</b>				
Federal funds received through state	\$1,108,564	\$1,445,732	\$1,119,253	\$ (326,479)
Direct federal funds	881,155	899,179	698,475	(200,704)
Total revenues	<u>1,989,719</u>	<u>2,344,911</u>	<u>1,817,728</u>	<u>(527,183)</u>
<b>EXPENDITURES</b>				
Current:				
Instruction				
Regular instruction	1,120,044	524,897	380,600	144,297
Special education	315,837	422,244	374,000	48,244
	<u>1,435,881</u>	<u>947,141</u>	<u>754,600</u>	<u>192,541</u>
Support services				
Instructional support	478,116	1,263,415	936,253	327,162
Student support	123,230	181,863	126,875	54,988
	<u>601,346</u>	<u>1,445,278</u>	<u>1,063,128</u>	<u>382,150</u>
Total expenditures	<u>2,037,227</u>	<u>2,392,419</u>	<u>1,817,728</u>	<u>574,691</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(47,508)	(47,508)	-	(47,508)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers	47,508	47,508	-	(47,508)
Net change in fund balance	-	-	-	-
<b>FUND BALANCE, beginning of year</b>	-	-	-	-
<b>FUND BALANCE, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF ATHENS, TENNESSEE  
BUDGETARY COMPARISON SCHEDULE  
CENTRALIZED CAFETERIA FUND  
Year Ended June 30, 2014**

	Budget		Actual	Variance
	Original	Final		With Final Budget
<b>REVENUES</b>				
State funds	\$ 11,547	\$ 11,547	\$ 10,057	\$ (1,490)
Federal funds received through state	910,649	910,649	958,219	47,570
Charges for services	296,278	296,278	201,660	(94,618)
Interest	2,500	2,500	1,603	(897)
Other	<u>57,703</u>	<u>57,703</u>	<u>54,583</u>	<u>(3,120)</u>
Total revenues	1,278,677	1,278,677	1,226,122	(52,555)
<b>EXPENDITURES</b>				
Food services	<u>1,278,677</u>	<u>1,278,677</u>	<u>1,249,520</u>	<u>29,157</u>
<b>REVENUES UNDER EXPENDITURES</b>	-	-	(23,398)	(23,398)
<b>FUND BALANCE, beginning of year</b>	<u>379,474</u>	<u>379,474</u>	<u>379,474</u>	<u>-</u>
<b>FUND BALANCE, end of year</b>	<u>\$ 379,474</u>	<u>\$ 379,474</u>	<u>\$ 356,076</u>	<u>\$ (23,398)</u>

**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, 2014**

	Fleet Fund	Employee Medical Benefits Fund	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 18,878	\$ -	\$ 18,878
Investments	2,457,097	300,375	2,757,472
Total current assets	2,475,975	300,375	2,776,350
Capital assets:			
Capital assets, net	2,169,664	-	2,169,664
Total assets	\$ 4,645,639	\$ 300,375	\$ 4,946,014
<b>LIABILITIES AND NET POSITION</b>			
<b>LIABILITIES</b>	\$ -	\$ -	\$ -
<b>NET POSITION</b>			
Net investment in capital assets	2,169,664	-	2,169,664
Unrestricted	2,475,975	300,375	2,776,350
Total net position	4,645,639	300,375	4,946,014
Total liabilities and net position	\$ 4,645,639	\$ 300,375	\$ 4,946,014

**CITY OF ATHENS, TENNESSEE**  
**COMBINING STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**Year Ended June 30, 2014**

	<u>Fleet Fund</u>	<u>Employee Medical Benefits Fund</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 514,400	\$ -	\$ 514,400
<b>OPERATING EXPENSES</b>			
Depreciation	304,026	-	304,026
<b>OPERATING INCOME</b>	<u>210,374</u>	<u>-</u>	<u>210,374</u>
<b>NONOPERATING REVENUES</b>			
Interest income	1,987	276	2,263
Gain on sale of capital assets	38,266	-	38,266
Capital contribution	41,031	-	41,031
Total nonoperating revenues	<u>81,284</u>	<u>276</u>	<u>81,560</u>
<b>CHANGE IN NET POSITION</b>	291,658	276	291,934
<b>NET POSITION, beginning of year</b>	<u>4,353,981</u>	<u>300,099</u>	<u>4,654,080</u>
<b>NET POSITION, end of year</b>	<u>\$ 4,645,639</u>	<u>\$ 300,375</u>	<u>\$ 4,946,014</u>

**CITY OF ATHENS, TENNESSEE**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**Year Ended June 30, 2014**

	Fleet Fund	Employee Medical Benefits Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 514,400	\$ -	\$ 514,400
Payments to suppliers and vendors	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided by operating activities	<u>514,400</u>	<u>-</u>	<u>514,400</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
	<u>-</u>	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Proceeds from the sale of capital assets	45,035	-	45,035
Purchase of capital assets	(222,175)	-	(222,175)
Capital contributions	<u>-</u>	<u>-</u>	<u>-</u>
Net cash used in capital and related financing activities	<u>(177,140)</u>	<u>-</u>	<u>(177,140)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment and interest earnings	1,987	276	2,263
Purchase of investments	<u>(326,387)</u>	<u>(276)</u>	<u>(326,663)</u>
Net cash used in investing activities	<u>(324,400)</u>	<u>-</u>	<u>(324,400)</u>
Net decrease in cash and cash equivalents	12,860	-	12,860
Cash and cash equivalents, beginning of year	<u>6,018</u>	<u>-</u>	<u>6,018</u>
Cash and cash equivalents, end of year	<u>\$ 18,878</u>	<u>\$ -</u>	<u>\$ 18,878</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>			
Operating income	\$ 210,374	\$ -	\$ 210,374
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	304,026	-	304,026
Changes in assets and liabilities:			
Accounts payable and accrued liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ 514,400</u>	<u>\$ -</u>	<u>\$ 514,400</u>
<b>SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>			
Capital assets contributed	<u>\$ 41,031</u>	<u>\$ -</u>	<u>\$ 41,031</u>

This page intentionally left blank.

**OTHER**

**CITY OF ATHENS, TENNESSEE**  
**SCHEDULE OF UNCOLLECTED DELINQUENT TAXES FILED**  
**LAST TEN YEARS**  
**June 30, 2014**

<u>Tax Year</u>	<u>Delinquent Taxes Filed</u>	<u>July 1, 2013 Delinquent Taxes Receivable</u>	<u>Current Collections and Adjustments</u>	<u>June 30, 2014 Delinquent Taxes Receivable</u>
2003 and Prior	\$ *	\$ 1,388	\$ -	\$ 1,388
2004	42,110	275	-	275
2005	45,102	1,560	-	1,560
2006	55,813	1,600	-	1,600
2007	69,042	986	647	339
2008	80,293	8,615	2,479	6,136
2009	69,472	17,099	4,560	12,539
2010	77,158	80,417	14,013	66,404
2011	97,583	89,562	43,227	46,335
2012	78,451	233,393	154,716	78,677

\* Not available.

**CITY OF ATHENS, TENNESSEE**  
**SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE**  
**Year Ended June 30, 2014**

	Total	2014 Assessment	2013 Assessment	Prior Years
<b>PROPERTY TAXES RECEIVABLE</b>				
July 1, 2013	<u>\$ 4,871,895</u>	<u>\$ -</u>	<u>\$ 4,437,000</u>	<u>\$ 434,895</u>
Add -				
Taxes assessed	4,437,000	4,437,000	-	-
Late listings	-	-	-	-
	<u>4,437,000</u>	<u>4,437,000</u>	<u>-</u>	<u>-</u>
Deduct -				
Collections	4,378,179	-	4,161,945	216,234
Adjustments and abatements	77,336	-	73,928	3,408
	<u>4,455,515</u>	<u>-</u>	<u>4,235,873</u>	<u>219,642</u>
<b>PROPERTY TAXES RECEIVABLE</b>				
June 30, 2014	<u><u>\$ 4,853,380</u></u>	<u><u>\$ 4,437,000</u></u>	<u><u>\$ 201,127</u></u>	<u><u>\$ 215,253</u></u>

**CITY OF ATHENS, TENNESSEE**  
**SCHEDULE OF INVESTMENTS**  
**June 30, 2014**

	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	-	-	\$ 523	\$ 523
Causeway International Value Fund	-	-	8,366	8,533
Cohen & Steers Realty Shares Fund	-	-	1,924	2,410
Credit Suisse Commodity Return Strategy Fund	-	-	2,387	2,106
Doubleline Total Return Bond Fund	-	-	28,831	28,558
Eaton Vance Atlanta Capital Focused Growth Fund	-	-	5,383	6,960
Federated MDT Small Cap Growth Fund	-	-	1,005	1,461
Forward International Small Company Institutional Class I Fund	-	-	1,797	2,446
Goldman Sachs Growth Opportunities Fund	-	-	3,117	4,427
Harding Loevner International Equity Institutional Fund	-	-	6,837	8,567
Hotchkis & Wiley High Yield Fund	-	-	7,049	7,217
Lazard Emerging Markets Equity Portfolio Institutional Class Fund	-	-	2,985	3,248
Metropolitan West Total Return Fund	-	-	21,050	21,184
Neuberger Berman Strategic Income Fund	-	-	10,187	10,214
Oppenheimer Developing Markets Fund	-	-	2,654	3,325
PIMCO Foreign Bond Fund	-	-	13,812	13,917
PIMCO Real Return Fund	-	-	7,233	7,495
Sterling Capital Corporate Fund	-	-	7,072	7,344
Sterling Capital Equity Income Fund	-	-	4,983	6,879
Sterling Capital Special Opportunities Fund	-	-	1,587	2,473
Sterling Capital Total Return Bond Fund	-	-	48,508	47,275
Sterling Capital Mid Cap Value Fund	-	-	2,603	4,205
Virtus Quality Small Cap Fund	-	-	528	947
Total			<u>\$ 190,421</u>	<u>\$ 201,714</u>
Athens Pension Trust Fund:				
Federal Home Loan Mortgage Corporation	4.750	11/17/15	\$ 125,538	\$ 122,008
Federal Home Loan Mortgage Corporation	0.162	07/25/16	114,965	115,039
Federal National Mortgage Association	5.000	05/11/17	127,247	128,333
US Treasury Note	0.625	07/15/14	55,241	55,009
US Treasury Note	3.125	05/15/21	84,021	80,069
US Treasury Note	3.750	11/15/18	50,377	49,496
US Treasury Bond	4.000	02/15/15	87,885	81,947
Aercap Holdings NV	-	-	26,886	26,677
AIA Group	-	-	27,900	35,983
L'Air Liquide Air Liquide S.A.	-	-	36,784	43,713
Akzo N V Sponsored ADR	-	-	33,334	50,474
Allianz Group	-	-	31,023	40,324
Anheuser-Busch InBev NV SPN ADR	-	-	17,662	24,137
Arm Holdings	-	-	20,088	32,573
Aspen Insurance Holdings	-	-	14,578	23,164
Assured Guaranty Limited	-	-	5,540	9,065
Atlas Copco Group	-	-	19,071	21,952
Aviva PLC	-	-	10,276	19,536
ADR Axa-Uap F/K/A Axa	-	-	6,477	12,666

(continued)

CITY OF ATHENS, TENNESSEE  
SCHEDULE OF INVESTMENTS

June 30, 2014

(continued)

	Interest Rate	Maturity Date	Cost	Market Value
Athens Pension Trust Fund: (continued)				
Baidu.com, Inc.	-	-	\$ 8,310	\$ 14,945
Balfour Beatty PLC	-	-	17,069	13,894
Banco Bilbao Vizcaya SP ADR	-	-	29,786	35,884
Barclays PLC	-	-	36,368	30,827
Bayer AG	-	-	13,973	24,009
Bayerische Motoren Werke Unspns ADR	-	-	30,236	35,930
BG Group	-	-	42,690	47,724
BNP Paribas	-	-	22,295	27,134
British American Tobacco	-	-	36,167	42,869
Bunge Limited	-	-	23,973	24,961
Canadian National RY Company	-	-	19,959	29,909
Carnival Corporation PLC	-	-	13,373	14,421
Checkpoint Software Technology	-	-	9,280	13,406
Clariant AG-Unsponsored ADR	-	-	15,691	15,465
CNOOC LTD	-	-	27,699	26,894
Cochlear Limited	-	-	10,833	9,900
Covidien PLC	-	-	7,923	16,683
Credit Agricole S.A. ADR	-	-	6,510	5,923
Credit Suisse Group ADR	-	-	13,804	13,334
CSL Limited	-	-	16,659	24,497
DBS Group Holdings Limited	-	-	15,697	18,273
Dassault Systems S.A.	-	-	33,728	47,599
Deutsche Lufthansa AG	-	-	16,144	13,095
Diamler AG	-	-	18,754	33,714
Eaton Corporation PLC	-	-	25,129	26,241
Endurance Specialty Holdings	-	-	16,192	19,604
Enn Energy Holdings - UNSP ADR	-	-	11,338	12,577
Enstar Group	-	-	5,558	9,044
Enso International PLC	-	-	30,227	33,342
Fanuc Limited	-	-	41,877	42,251
Fresenius USA Inc	-	-	30,288	29,806
Fuchs Petrolu Se-Pref ADR	-	-	4,930	4,747
GDF Suez Spons ADR	-	-	15,034	18,168
Givaudan SA Unspn ADR	-	-	14,066	24,683
Hitachi Limited	-	-	23,058	25,635
Hong Kong Exchanges & Clearing	-	-	15,798	18,271
HSBC Holdings PLC	-	-	29,336	28,956
ICICI Bank Limited	-	-	24,578	31,936
Imperial Oil Limited	-	-	46,188	56,840
International Consolidated Airlines Group	-	-	25,200	31,358
Itau Unibanco Banco Multiplo S. A.	-	-	35,457	38,517
JGC Corporation	-	-	44,321	44,360
Kamatsu Limited	-	-	14,490	15,323
KBC Group NV UNSP ADR	-	-	12,474	11,973
KDDI Corporation Unspn ADR	-	-	25,257	41,630
Korea Electric Power Corporation	-	-	17,803	19,688
Linde AG Spon ADR	-	-	16,458	23,177
L'Oreal S. A.	-	-	26,658	34,462
LVMH Moet-Hennessey-Louis-Vuitton S.A.	-	-	14,753	16,964

(continued)

**CITY OF ATHENS, TENNESSEE**  
**SCHEDULE OF INVESTMENTS**  
**June 30, 2014**  
(continued)

	Interest Rate	Maturity Date	Cost	Market Value
Athens Pension Trust Fund: (continued)				
Lloyds TBS Group	-	-	\$ 24,056	\$ 31,405
Michael Kors Holding	-	-	11,276	11,525
Mitsubishi Estate Company Limited	-	-	20,237	17,034
Monotaro Company Limited UNSP ADR	-	-	4,293	5,528
MTN Group	-	-	24,204	25,475
Nestle S.A.	-	-	41,182	52,912
Nielsen Holdings N.V.	-	-	5,124	7,262
Nikon Corporation PLC UNSPON ADR	-	-	31,952	27,239
Novartis	-	-	52,390	84,012
Novo-Nordisk	-	-	21,056	27,252
Pearson PLC	-	-	24,519	24,763
Perrigo Company PLC	-	-	19,949	18,949
Peugeot Citroen A	-	-	6,722	8,967
Peugeot SA-UNSP ADR	-	-	7,257	6,208
PostNL NV ADR	-	-	9,822	12,707
Reed Elsevier NV	-	-	29,315	53,750
Rexam PLC	-	-	15,074	16,862
Rio Tinto PLC ADR	-	-	17,321	18,998
Roche Holding Limited	-	-	52,876	82,768
Royal Dutch Shell PLC ADR Class A	-	-	23,686	28,830
Ryanair Holdings PLC	-	-	6,756	12,276
Sands China	-	-	21,984	23,419
Sanofi Synthelabo S.A.	-	-	39,147	48,991
SAP Aktiengesellschaft	-	-	59,260	70,070
Sasol Ltd	-	-	10,787	12,415
Schneider Electric S.A.	-	-	44,752	52,713
Siemens AG	-	-	32,778	40,979
Shin-Etsu Chemical Co., Ltd.	-	-	27,277	29,026
SK Telecom Co., Ltd.	-	-	25,128	30,609
Sonova Holding AG	-	-	9,518	14,341
Sumitomo Mitsui Trust Holdings, Inc.	-	-	25,953	24,309
Svenska Handelsb-A	-	-	12,214	13,944
Swatch Group AG	-	-	12,965	16,304
Sysmex Corp	-	-	16,711	25,165
Taiwan Semiconductor Manufacturing Company	-	-	43,921	58,181
Technip-Coflexip SA ADR	-	-	31,409	35,549
Tesco PLC	-	-	27,902	24,054
Total SA	-	-	22,970	33,934
Toyota Motor Corporation	-	-	24,866	37,095
Turkiye Garanti Bankasi A.S.	-	-	22,757	21,153
UBS AG	-	-	35,399	40,854
Unicharm Corporation	-	-	20,716	23,957
Unilever PLC	-	-	36,526	49,841
Unilever N V NY	-	-	14,414	15,754
Vodafone Group PLC	-	-	28,439	20,101

(continued)

CITY OF ATHENS, TENNESSEE  
SCHEDULE OF INVESTMENTS

June 30, 2014

(continued)

	Interest Rate	Maturity Date	Cost	Market Value
Athens Pension Trust Fund: (continued)				
WPP PLC	-	-	\$ 28,945	\$ 42,506
Willis Group Holdings	-	-	17,290	20,784
Xinyi Glass Holdings LTD	-	-	7,932	7,397
Zurich Insurance Group ADR	-	-	20,526	26,525
BNP Paribas	1.250	12/12/16	35,055	35,045
Lloyds Bank PLC	2.300	11/27/18	35,192	35,536
Bank of Nova Scotia	2.900	03/29/16	31,023	31,191
Shell International Finance	4.300	09/22/19	39,353	38,899
Petrobras International Finance Company	3.500	02/06/17	36,526	35,928
Royal Bank of Scotland	5.625	08/24/20	35,264	34,377
Vale Overseas Limited	5.625	09/15/19	39,571	39,365
Aetna Inc.	2.200	03/15/19	34,965	35,092
Aflac, Inc.	8.500	05/15/19	36,943	38,681
AT&T, Inc.	5.800	02/15/19	35,351	34,905
Altria Group, Inc.	4.750	05/05/21	39,774	38,605
American International Group	5.850	01/16/18	35,189	34,247
Capital One Financial Company	6.750	09/15/17	36,166	34,871
Caterpillar Financial SE	7.150	02/15/19	37,676	36,934
Citigroup, Inc.	8.500	05/22/19	37,184	38,346
Comcast Corporation	5.700	05/15/18	35,414	34,561
Energy Transfer Partners	4.650	06/01/21	38,434	37,702
General Electric Capital Corporation	5.300	02/11/21	37,144	39,799
George Washington University	3.576	09/15/21	25,397	25,574
Goldman Sachs Group, Inc.	6.250	09/01/17	39,178	39,846
JP Morgan Chase & Company	6.000	01/15/18	34,040	34,354
KeyCorp	3.750	08/13/15	35,214	35,408
Kinder Morgan Energy	3.950	09/01/22	36,895	35,798
Kraft Foods, Inc.	6.500	08/11/17	35,608	34,464
Merrill Lynch & Company	6.875	04/25/18	39,382	41,235
Metlife, Inc.	6.750	06/01/16	35,647	33,338
Morgan Stanley	5.375	10/15/15	35,477	35,392
Charles Schwab Corporation	4.450	07/22/20	38,340	39,053
Simon Property Group	2.150	09/15/17	40,710	41,143
Southern Company	2.450	09/01/18	35,020	35,866
Time Warner, Inc.	5.875	11/15/16	34,585	33,405
Verizon Communications	1.761	09/15/16	35,601	35,964
Wachovia Corporation	5.750	06/15/17	39,951	39,578
Williams Partners LP	7.250	02/01/17	36,386	34,288
Abbott Laboratories	-	-	17,681	23,722
AbbVie, Inc.	-	-	12,752	22,576
AGCO Corporation	-	-	6,520	6,746
Agilent Technologies	-	-	6,949	9,765
Akamai Technologies	-	-	6,339	9,770
Amazon.com, Inc.	-	-	16,566	25,982
American Campus Communities	-	-	6,083	6,883

(continued)

CITY OF ATHENS, TENNESSEE  
SCHEDULE OF INVESTMENTS

June 30, 2014

(continued)

	Interest Rate	Maturity Date	Cost	Market Value
Athens Pension Trust Fund: (continued)				
Annaly Capital Management	-	-	\$ 18,166	\$ 13,945
Apache Corporation	-	-	10,362	10,062
Apple, Inc.	-	-	33,601	74,809
Ascena Retail Group	-	-	14,974	14,364
Badger Meter, Inc.	-	-	4,048	5,792
Balchem Corporation	-	-	3,813	5,356
Bank of Hawaii Corporation	-	-	5,076	5,282
Baxter International, Inc.	-	-	27,418	33,258
Becton Dickinson & Company	-	-	11,493	16,562
Bristol-Myers Squibb Company	-	-	21,620	20,374
Cabot Microelectronics Corporation	-	-	3,616	5,805
Capital One Financial Corporation	-	-	6,590	8,260
CARBO Ceramics, Inc	-	-	5,126	10,788
CBRE Group, Inc.	-	-	6,595	8,010
Chevron Corporation	-	-	26,596	35,249
Cisco Systems, Inc.	-	-	7,268	9,443
Citrix Systems Inc.	-	-	8,556	8,757
Clarcor	-	-	3,948	4,948
The Coca-Cola Company	-	-	18,091	18,638
Cognex	-	-	3,303	8,448
Comcast Corporation	-	-	10,789	17,178
Corporate Executive Board Company	-	-	5,164	8,869
Costco Wholesale Corporation	-	-	32,415	38,003
Danaher Corporation	-	-	28,548	41,727
Dice Holdings, Inc.	-	-	8,852	7,686
DirecTV Group, Inc.	-	-	7,092	11,901
DST Systems, Inc.	-	-	6,847	12,904
ETrade Financial Corporation	-	-	13,676	21,473
EarthLink, Inc.	-	-	7,973	3,497
Eaton Vance Corporation	-	-	5,136	7,558
EBay, Inc.	-	-	24,632	28,034
EOG Resources Inc.	-	-	5,334	11,452
Equifax, Inc.	-	-	5,251	8,705
Expeditors International Wash Inc.	-	-	4,996	4,858
Express Scripts	-	-	26,721	28,425
Fidelity National Information Services, Inc.	-	-	9,510	16,969
First Cash Financial Services	-	-	5,582	7,487
Ford Motor Company	-	-	6,086	10,689
General Mills, Inc.	-	-	24,669	33,100
Genesco, Inc.	-	-	12,335	13,650
Gilead Sciences, Inc.	-	-	17,557	57,208
Global Payments, Inc.	-	-	12,940	21,855
Google, Inc. Class A	-	-	17,773	27,479
Google, Inc. Class C	-	-	17,729	27,038
Graco, Inc.	-	-	6,319	9,370
Halliburton Company	-	-	8,407	16,332
Hertz Global Holdings Inc.	-	-	8,526	8,970

(continued)

**CITY OF ATHENS, TENNESSEE**  
**SCHEDULE OF INVESTMENTS**  
**June 30, 2014**  
(continued)

	Interest Rate	Maturity Date	Cost	Market Value
Athens Pension Trust Fund: (continued)				
II-VI, Inc.	-	-	\$ 5,606	\$ 6,218
Informatica Corporation	-	-	11,357	8,556
IntercontinentalExchange Group, Inc.	-	-	21,318	26,446
Interpublic Group	-	-	12,885	23,607
Interval Leisure Group	-	-	7,318	5,704
Intuit, Inc.	-	-	8,969	12,885
Jack Henry & Associates, Inc.	-	-	6,527	11,292
Juniper Networks, Inc.	-	-	18,524	21,350
Kinder Morgan Management LLC	-	-	38,726	36,985
Knowles Corporation	-	-	7,774	8,300
Kohl's Corporation	-	-	14,413	14,750
Laboratory Corporation of America Holdings	-	-	14,441	16,384
Landstar System, Inc.	-	-	8,665	9,600
Leucadia National Corporation	-	-	22,406	21,500
Lincoln National Corporation	-	-	8,835	18,518
Lowe's Companies Inc.	-	-	22,378	22,075
Markel Corporation	-	-	18,871	22,947
Mattel Inc.	-	-	34,651	35,073
Maxim Integrated Products	-	-	26,425	30,767
McDonald's Corporation	-	-	31,211	32,237
MetLife, Inc.	-	-	24,771	38,892
Micro Systems, Inc.	-	-	13,060	20,370
Microsoft Corporation	-	-	21,977	32,901
MicroStrategy, Inc.	-	-	7,520	11,250
Mondelez International, Inc.	-	-	7,154	9,403
Monotype Imaging Holdings Inc.	-	-	4,912	4,225
Monsanto Company	-	-	48,038	73,597
Myriad Genetics, Inc.	-	-	9,582	12,454
NCR Corporation	-	-	17,621	17,896
Neustar Inc.	-	-	4,838	4,684
News Corporation	-	-	5,433	5,933
Occidental Petroleum	-	-	28,981	37,973
Omnicom Group	-	-	38,643	56,976
Owens & Minor, Inc.	-	-	7,239	8,155
Patterson Companies Inc.	-	-	4,945	4,741
PepsiCo, Inc.	-	-	25,224	35,736
Pfizer, Inc.	-	-	23,618	34,132
Philip Morris International, Inc.	-	-	74,264	68,291
Praxair Inc.	-	-	12,010	11,956
Priceline.com, Inc.	-	-	11,003	16,842
Qualcomm, Inc.	-	-	64,762	83,952
Questar Corporation	-	-	4,600	4,960
RLI Corporation	-	-	5,074	6,409
Ryman Hospitality Properties Inc.	-	-	15,875	17,815
Schlumberger Limited	-	-	58,723	88,462
Spectra Energy	-	-	28,618	44,604
Starbucks Corporation	-	-	22,784	33,273
Symantec Corporation	-	-	6,424	10,076
Syntel, Inc.	-	-	6,056	9,456

(continued)

CITY OF ATHENS, TENNESSEE  
SCHEDULE OF INVESTMENTS

June 30, 2014

(continued)

	Interest Rate	Maturity Date	Cost	Market Value
Athens Pension Trust Fund: (continued)				
T Rowe Price Group	-	-	\$ 17,794	\$ 25,323
Texas Instruments	-	-	18,144	29,104
Time Warner, Inc.	-	-	14,652	25,041
The Travelers Companies, Inc.	-	-	20,207	33,865
Thor Industries, Inc.	-	-	4,570	5,687
United Health Group, Inc.	-	-	7,976	13,080
United Parcel Service, Inc.	-	-	19,480	26,692
United Therapeutics Corporation	-	-	3,857	3,521
UTi Worldwide, Inc.	-	-	8,216	6,101
Verizon Communications	-	-	32,435	32,685
Viacom, Inc.	-	-	9,702	19,081
Visa Inc.	-	-	21,160	21,071
VMware, Inc.	-	-	12,854	17,426
Walt Disney Company	-	-	23,557	30,009
WD-40 Company	-	-	6,369	10,531
WellPoint, Inc.	-	-	31,025	47,348
Westamerica Bancorporation Company	-	-	5,023	5,751
Western Union Company	-	-	11,041	11,271
Wolverine World Wide, Inc.	-	-	6,453	7,818
Xerox Corporation	-	-	18,225	22,267
Zimmer Holdings, Inc.	-	-	6,285	11,424
Altegris Macro Strategy Fund	-	-	222,460	196,354
AQR Managed Futures Strategy Fund	-	-	65,724	65,219
Avenue Credit Strategies Fund	-	-	73,557	78,221
Cohen & Steers International Realty Fund	-	-	182,457	217,794
Credit Suisse Commodity Return Strategy Fund	-	-	211,996	213,941
Driehaus Select Credit Fund	-	-	55,092	55,556
Federated MDT Small Cap Growth Fund Class I	-	-	135,636	142,700
Forward International Small Companies Fund	-	-	380,286	470,498
Goldman Sachs Growth Opportunities Fund Class I	-	-	402,175	489,336
Lazard Emerging Markets Equity Institutional Class Fund	-	-	427,924	447,083
Oppenheimer Developing Markets Fund	-	-	363,172	421,540
Pimco Foreign Bond Fund (US Dollar Hedged)	-	-	728,425	735,881
Sterling Capital L/S Equity-Ins Fund	-	-	307,586	337,520
Sterling Capital Securitized Opportunities Fund	-	-	476,564	479,384
Touchstone Merger Arbitrage Fund	-	-	35,024	34,701
Sterling Capital Prime Money Market Fund	-	-	225,031	225,031
Clarkston County MI Bond	1.650	05/01/18	50,000	49,591
Dallas County TX Bond	4.948	08/15/20	59,648	56,447
Frisco TX Bond	2.750	02/15/20	51,973	51,152
Illinois ST Build America Bonds	6.125	07/01/21	43,350	46,076
Michigan ST Bond	3.450	05/15/23	40,816	40,840
Union Elementary School District CA Bond	2.564	09/01/20	50,468	50,724
			<u>\$ 10,840,937</u>	<u>\$ 12,303,794</u>

(continued)

CITY OF ATHENS, TENNESSEE  
SCHEDULE OF INVESTMENTS

June 30, 2014

(continued)

	Interest Rate	Maturity Date	Cost	Market Value
Participation in the State of Tennessee Local Government Investment Pool:				
General Fund	-	-	<u>\$ 6,707,641</u>	<u>\$ 6,707,641</u>
Debt Service Fund	-	-	<u>\$ 3,606,525</u>	<u>\$ 3,606,525</u>
Drug Fund	-	-	<u>\$ 214,461</u>	<u>\$ 214,461</u>
Capital Improvement Fund	-	-	<u>\$ 1,647,371</u>	<u>\$ 1,647,371</u>
Sanitation Fund	-	-	<u>\$ 1,479,990</u>	<u>\$ 1,479,990</u>
Fleet Fund	-	-	<u>\$ 2,457,097</u>	<u>\$ 2,457,097</u>
Employee Medical Benefits Fund	-	-	<u>\$ 300,375</u>	<u>\$ 300,375</u>

**CITY OF ATHENS, TENNESSEE**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS**  
**June 30, 2014**

<u>Fiscal Year Ending 6/30</u>	<u>Public Building Authority of the City of Clarksville, Tennessee, Pooled Loan Program, Series 2003</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 747,000	\$ 8,767	\$ 755,767
2016	770,000	6,673	776,673
2017	793,000	4,514	797,514
2018	<u>817,000</u>	<u>2,290</u>	<u>819,290</u>
	<u>\$3,127,000</u>	<u>\$ 22,244</u>	<u>\$3,149,244</u>

This page intentionally left blank.

**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, 2014**  
(Accrual Basis of Accounting)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>GOVERNMENTAL ACTIVITIES</b>										
Net investment in capital assets	\$ 17,489,334	\$ 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
Restricted	1,344,973	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
Unrestricted	<u>22,497,971</u>	<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>
Total governmental activities net position	<u>\$ 41,332,278</u>	<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>
<b>BUSINESS-TYPE ACTIVITIES</b>										
Net investment in capital assets	\$ 1,051,952	\$ 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
Unrestricted	<u>1,722,010</u>	<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>
Total business-type activities net position	<u>\$ 2,773,962</u>	<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>
<b>PRIMARY GOVERNMENT</b>										
Net investment in capital assets	\$ 18,541,286	\$ 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
Restricted	1,344,973	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
Unrestricted	<u>24,219,981</u>	<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>
Total primary government net position	<u>\$ 44,106,240</u>	<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>

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, 2014**  
(Accrual Basis of Accounting)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>EXPENSES</b>										
Governmental activities:										
General government	\$ 2,039,765	\$ 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
Public safety	4,290,714	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
Highways and streets	2,148,218	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
Culture and recreation	960,444	913,856	1,112,979	546,683	709,813	911,898	825,652	878,552	588,744	870,846
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
Instructional	9,309,345	9,653,532	-	-	-	-	-	-	-	-
Support services	5,927,266	5,077,403	-	-	-	-	-	-	-	-
Non-instructional	1,287,497	1,260,999	-	-	-	-	-	-	-	-
Unallocated depreciation	294,918	277,449	-	-	-	-	-	-	-	-
Health and welfare	106,926	111,079	105,949	93,479	97,091	93,733	89,773	96,383	86,069	81,158
Interest on long-term debt	28,568	33,823	33,938	61,531	63,175	124,260	254,003	326,030	259,020	148,652
Passthrough grants	1,096,736	-	500,000	2,980,680	3,423,715	-	-	-	-	-
Total governmental activities expenses	<u>27,490,397</u>	<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>
Business-type activities:										
Conference center	70,788	65,074	64,483	71,984	64,782	74,287	78,630	73,475	74,533	74,332
Sanitation	750,605	788,503	754,868	660,718	1,024,229	744,393	773,071	750,040	713,587	821,148
Total business-type activities expenses	<u>821,393</u>	<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>
Total primary government expenses	<u>\$ 28,311,790</u>	<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>
<b>PROGRAM REVENUES</b>										
Governmental activities:										
Charges for services:										
General government	\$ 91,301	\$ 133,031	\$ 106,902	\$ 70,957	\$ 68,970	\$ 128,972	\$ 161,389	\$ 124,870	\$ 143,012	\$ 144,930
Public safety	483,831	691,534	458,959	476,019	490,614	517,846	456,715	607,386	624,310	537,985
Culture and recreation	136,431	137,282	141,374	111,125	107,617	121,141	129,551	123,270	107,138	117,433
Education	419,058	467,264	-	-	-	-	-	-	-	-
Health and welfare	3,270	3,080	3,244	2,587	2,999	2,840	18,940	40,593	34,339	29,416

(continued)

**CITY OF ATHENS, TENNESSEE**  
**CHANGES IN NET POSITION**  
**LAST TEN FISCAL YEARS**  
**June 30, 2014**  
 (Accrual Basis of Accounting)  
 (continued)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>PROGRAM REVENUES</b>										
Governmental activities: (continued)										
Operating grants and contributions	\$ 4,532,151	\$ 4,045,399	\$ 495,710	\$ 549,773	\$ 682,455	\$ 577,555	\$ 540,073	\$ 920,680	\$ 932,309	\$ 568,915
Capital grants and contributions	<u>1,289,952</u>	<u>483,264</u>	<u>704,762</u>	<u>3,752,321</u>	<u>4,484,478</u>	<u>234,110</u>	<u>48,010</u>	<u>791,576</u>	<u>406,067</u>	<u>180,797</u>
Total governmental activities program revenues	<u>6,955,994</u>	<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>
Business-type activities:										
Charges for services:										
Conference center	24,024	20,503	17,606	18,508	17,712	13,622	16,085	18,250	14,303	12,676
Sanitation	<u>868,330</u>	<u>870,916</u>	<u>795,608</u>	<u>796,442</u>	<u>806,638</u>	<u>822,569</u>	<u>798,349</u>	<u>790,056</u>	<u>782,040</u>	<u>740,626</u>
Total business-type activities program revenues	<u>892,354</u>	<u>891,419</u>	<u>813,214</u>	<u>814,950</u>	<u>824,350</u>	<u>836,191</u>	<u>814,434</u>	<u>808,306</u>	<u>796,343</u>	<u>753,302</u>
Total primary government program revenues	<u>\$ 7,848,348</u>	<u>\$ 6,852,273</u>	<u>\$ 2,724,165</u>	<u>\$ 5,777,732</u>	<u>\$ 6,661,483</u>	<u>\$ 2,418,655</u>	<u>\$ 2,169,112</u>	<u>\$ 3,416,681</u>	<u>\$ 3,043,518</u>	<u>\$ 2,332,778</u>
<b>NET (EXPENSES)/REVENUES</b>										
Governmental activities	\$ (20,534,403)	\$ (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)
Business-type activities	<u>70,961</u>	<u>37,842</u>	<u>(6,137)</u>	<u>82,248</u>	<u>(264,661)</u>	<u>17,511</u>	<u>(37,267)</u>	<u>(15,209)</u>	<u>8,223</u>	<u>(142,178)</u>
Total primary government net expenses	<u>\$ (20,463,442)</u>	<u>\$ (20,528,391)</u>	<u>\$ (10,208,474)</u>	<u>\$ (10,311,767)</u>	<u>\$ (8,919,855)</u>	<u>\$ (10,166,095)</u>	<u>\$ (10,617,591)</u>	<u>\$ (10,142,437)</u>	<u>\$ (9,724,661)</u>	<u>\$ (12,690,092)</u>

(continued)

**CITY OF ATHENS, TENNESSEE**  
**CHANGES IN NET POSITION**  
**LAST TEN FISCAL YEARS**  
**June 30, 2014**  
 (Accrual Basis of Accounting)  
 (continued)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>GENERAL REVENUES AND OTHER</b>										
<b>CHANGES IN NET POSITION</b>										
Governmental activities:										
Property taxes	\$ 5,830,296	\$ 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
Local sales tax	4,009,132	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
In lieu of taxes	1,073,663	1,046,664	1,007,421	998,026	985,411	966,521	865,380	859,276	798,491	790,124
Wholesale beer tax	500,748	515,558	510,549	498,443	489,083	476,121	478,869	470,952	448,861	441,654
Business tax	432,454	423,898	392,867	378,279	406,089	642,757	670,214	672,843	677,798	616,521
Franchise tax	172,510	145,434	154,429	151,724	144,908	140,271	138,113	131,983	121,968	118,597
Other local taxes	85,455	82,858	87,076	83,875	106,587	75,488	33,870	34,451	32,649	35,633
Intergovernmental revenues not restricted to specific programs	9,544,232	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
Insurance proceeds	2,479	58,280	8,330	-	35,539	107,703	-	-	-	-
Investment income	77,599	62,608	85,889	59,713	91,129	309,719	552,007	622,830	412,700	169,953
Gain (loss) on disposal of capital assets	44,158	16,378	-	23,255	(4,264)	12,804	-	-	31,007	24,967
Miscellaneous	185,935	118,634	65,286	98,637	49,260	89,024	79,103	67,911	72,368	79,639
Transfers	-	-	-	-	(195,000)	-	(251,090)	-	-	-
Total governmental activities	<u>21,958,661</u>	<u>21,307,501</u>	<u>11,739,346</u>	<u>11,655,652</u>	<u>11,252,635</u>	<u>12,067,873</u>	<u>12,073,751</u>	<u>12,534,545</u>	<u>11,856,123</u>	<u>10,840,813</u>
Business-type activities:										
Investment income	1,229	1,723	6,524	2,489	4,763	21,611	32,461	28,199	19,327	12,015
Gain on disposal of capital assets	4,045	-	25,000	-	34,040	1,111	5,033	-	-	13,433
Miscellaneous	8,474	11,237	24,645	15,840	5,985	4,466	6,798	7,740	4,957	5,116
Transfers	-	-	-	-	195,000	-	251,090	-	-	-
Total business-type activities	<u>13,748</u>	<u>12,960</u>	<u>56,169</u>	<u>18,329</u>	<u>239,788</u>	<u>27,188</u>	<u>295,382</u>	<u>35,939</u>	<u>24,284</u>	<u>30,564</u>
Total primary government	<u>\$ 21,972,409</u>	<u>\$ 21,320,461</u>	<u>\$ 11,795,515</u>	<u>\$ 11,673,981</u>	<u>\$ 11,492,423</u>	<u>\$ 12,095,061</u>	<u>\$ 12,369,133</u>	<u>\$ 12,570,484</u>	<u>\$ 11,880,407</u>	<u>\$ 10,871,377</u>

(continued)

**CITY OF ATHENS, TENNESSEE**  
**CHANGES IN NET POSITION**  
**LAST TEN FISCAL YEARS**  
**June 30, 2014**  
 (Accrual Basis of Accounting)  
 (continued)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>GOVERNMENTAL ACTIVITIES</b>										
Prior period adjustments and restatements	<u>\$ 11,725</u>	<u>\$ 10,453,947</u>	<u>\$ -</u>	<u>\$ 691,382</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,147</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,911,050)</u>
<b>CHANGES IN NET POSITION</b>										
Governmental activities	\$ 1,424,258	\$ 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)
Business-type activities	<u>84,709</u>	<u>50,802</u>	<u>50,032</u>	<u>100,577</u>	<u>(24,873)</u>	<u>44,699</u>	<u>258,115</u>	<u>20,730</u>	<u>32,507</u>	<u>(111,614)</u>
Total primary government	<u>\$ 1,508,967</u>	<u>\$ 792,070</u>	<u>\$ 1,587,041</u>	<u>\$ 1,362,214</u>	<u>\$ 2,572,568</u>	<u>\$ 1,928,966</u>	<u>\$ 1,762,689</u>	<u>\$ 2,428,047</u>	<u>\$ 2,155,746</u>	<u>\$ (3,729,765)</u>

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, 2014**  
(Modified Accrual Basis of Accounting)

	<u>2014</u>	<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>
<b>GENERAL FUND</b>										
Nonspendable	\$ 183,917	\$ 107,345	\$ 391,001	\$ 391,570	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reserved	-	-	-	-	288,287	324,773	388,372	468,185	320,513	208,339
Restricted	111,363	111,386	152,520	154,782	-	-	-	-	-	-
Committed	20,079	19,278	18,317	17,491	-	-	-	-	-	-
Assigned	-	-	32,000	2,175	-	-	-	-	-	-
Unassigned	7,881,265	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
Total General Fund	<u>\$ 8,196,624</u>	<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>
<b>ALL OTHER GOVERNMENTAL FUNDS</b>										
Nonspendable	\$ 168,636	\$ 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
Restricted	1,186,327	1,170,485	364,155	337,266	-	-	-	-	-	-
Committed	1,607,235	1,898,474	2,590,360	2,594,053	-	-	-	-	-	-
Assigned	7,711,584	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
Capital projects funds	-	-	-	-	4,197,480	3,260,483	3,473,105	2,412,439	1,150,478	1,236,770
Total all other governmental funds	<u>\$10,673,782</u>	<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>

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, 2014**

(Modified Accrual Basis of Accounting)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>REVENUES</b>										
Property taxes	\$ 5,848,755	\$ 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
Other local taxes	7,382,746	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
Intergovernmental	14,257,121	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
Charges for services and tuition	650,060	740,657	251,520	184,670	179,586	247,268	275,138	288,732	284,489	291,779
Fines and forfeitures	483,831	691,534	458,960	476,019	490,613	517,846	456,715	607,385	624,310	537,985
Investment and interest income	52,655	59,830	74,728	55,374	80,737	266,346	444,168	526,025	347,647	140,539
Miscellaneous	205,043	160,425	71,692	98,638	84,799	194,768	79,103	68,180	109,842	120,649
Total revenues	<u>28,880,211</u>	<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>
<b>EXPENDITURES</b>										
General government	2,281,359	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
Public safety	4,429,497	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
Highways and streets	1,976,925	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
Culture and recreation	875,887	914,958	891,780	775,601	776,659	877,987	878,867	809,515	847,650	823,538
Education	16,554,903	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
Health and welfare	110,326	114,479	109,349	96,879	100,491	97,033	93,074	99,383	89,069	84,158
Capital outlay	1,667,273	1,406,633	1,451,621	5,380,256	4,564,530	601,723	71,521	1,109,198	482,024	1,387,070
Debt service:										
Debt issue costs	-	-	-	-	-	-	-	-	-	-
Principal	725,000	703,000	683,000	662,000	605,300	581,200	558,300	536,500	415,700	395,900
Interest and fiscal charges	28,568	33,823	33,938	61,531	63,175	124,260	254,003	326,030	259,020	148,652
Total expenditures	<u>28,649,738</u>	<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>
<b>REVENUES OVER (UNDER)</b>										
<b>EXPENDITURES</b>	<u>230,473</u>	<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>

(continued)

**CITY OF ATHENS, TENNESSEE**  
**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**June 30, 2014**  
 (Modified Accrual Basis of Accounting)  
 (continued)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>OTHER FINANCING SOURCES</b>										
<b>(USES)</b>										
Capital contributions	\$ -	\$ 10,080	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers	(41,031)	-	-	-	-	-	-	-	-	-
Proceeds from issuance of debt	-	-	-	-	-	-	-	877,000	606,000	2,814,500
Proceeds from the sale of capital assets	6,531	680	439	1,086	3,169	4,464	20,484	-	17,143	2,463
Insurance proceeds	<u>2,479</u>	<u>58,280</u>	<u>8,330</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing resources	<u>(32,021)</u>	<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>
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ 198,452</u>	<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>
<b>DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES</b>	2.68%	2.76%	5.56%	5.90%	5.72%	5.69%	6.49%	6.57%	5.54%	4.02%

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, 2014**

Fiscal Year	Real Property	Personal Property	Public Utility Property	Total Taxable Assessed Value	Estimated Market Value	City Property Tax Rate	Taxable Assessed Value as a % of Actual Taxable Value
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
2014	290,338,620	85,473,263	7,053,398	382,865,281	1,204,540,874	1.1328	31.8

Data Source: McMinn County Tax Assessor's Office

(1) Reappraisal

**CITY OF ATHENS, TENNESSEE  
DIRECT AND OVERLAPPING  
PROPERTY TAX RATES  
(PER \$100 OF ASSESSED VALUE)  
LAST TEN FISCAL YEARS  
June 30, 2014**

<u>Tax Year</u>	<u>City (Direct Rate)</u>	<u>County (Overlapping Rate)</u>	<u>Total</u>
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
2014	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, 2014**

2014				2005			
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	\$ 45,095,604	11.8	Denso Tennessee, Inc.	Automotive parts manufacturer	\$ 41,244,567	12.9
MIG Enterprises/Johnson Controls, Inc.	Automotive seating manufacturer	12,235,699	3.2	Johnson Controls, Inc.	Automotive seating manufacturer	12,046,669	3.8
Dean Foods/Mayfield Dairy Farms, Inc.	Dairy products	9,946,063	2.6	Collins & Aikman	Automotive parts manufacturer	10,560,822	3.3
Athens Regional Medical Center/Lifepoint	Healthcare	9,850,636	2.6	Mayfield Dairy Farms, Inc.	Dairy products	10,164,207	3.2
MCR Acquisition	Electrical component manufacturer	6,095,516	1.6	Athens Regional Medical Center	Healthcare	5,667,181	1.8
Walmart	Retail	5,904,661	1.5	Thomas & Betts	Electrical component manufacturer	5,630,581	1.8
Heil Trailer, International	Trailer tanks	3,762,800	1.0	Bell South	Telephone company	4,562,481	1.4
Plastic Industries, Inc.	Plastic component manufacturer	3,709,040	1.0	Plastic Industries, Inc.	Plastic products manufacturer	3,547,450	1.1
Lowe's	Home improvement retailer	3,160,487	0.8	New Plan of Tennessee	Real estate investment	3,025,440	0.9
BRE Retail	Real estate investment	3,157,040	0.8	Heil Trailer, International	Trailer tanks	2,853,053	0.9

NOTE: Total assessed valuations for 2014 and 2005 are \$382,865,281 and \$320,245,653, respectively.

Source: Official records of the Department of Finance

**CITY OF ATHENS, TENNESSEE**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
**LAST TEN FISCAL YEARS**  
**June 30, 2014**  
(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
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	190,929	4,288,026	98.70
2010	4,440,776	4,179,963	94.13	248,579	4,428,542	99.72
2011	4,500,601	4,223,936	93.85	198,922	4,422,858	98.27
2012	4,399,152	4,149,785	94.33	200,009	4,349,794	98.88
2013	4,316,647	4,083,062	94.59	154,223	4,237,285	98.16
2014	4,359,762	4,161,945	95.46	-	4,161,945	95.46

Source: Official records of Department of Finance

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

Fiscal Year	General Obligation Bonds	Notes Payable	Total Primary Government	Percentage of Personal Income	Per Capita
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
2014	-	3,127,000	3,127,000	1.22	232

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, 2014**

Fiscal Year	General Debt Outstanding			Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Notes Payable	Total		
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
2014	-	3,127,000	3,127,000	0.82	232

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.  
The notes payable shown above are backed by a pledge of the City property taxes.

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, 2014**

<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)	3,127,000	100	<u>3,127,000</u>
Total direct and overlapping debt			<u><u>\$ 3,127,000</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, 2014**

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, 2014**

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, 2014**

<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>
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
2014	13,458	255,527,046	18,987	39.1	1,592	10,691	8.20

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, 2014**

2014			2005		
Employer	Taxable Employees	Percentage of Total City Employment	Employer	Taxable Employees	Percentage of Total City Employment
Denso Tennessee, Inc.	1,300	12.78	Denso Tennessee, Inc.	1,010	10.29
Manufacturers Industrial Group	995	9.78	Johnson Controls, Inc.	730	7.44
McMinn Co. Board of Education	650	6.39	Collins & Aikman	600	6.11
Heil Trailer, International	443	4.35	McMinn Co. Board of Education	535	5.45
Dean Foods/Mayfield Dairy Farms, Inc.	330	3.24	Mayfield Dairy Farms, Inc.	500	5.09
Walmart	325	3.19	Thomas & Betts	375	3.82
Athens Regional Medical Center/Lifepoint	290	2.85	Heil Trailer, International	300	3.06
Thomas & Betts	287	2.82	Plastic Industries, Inc.	230	2.34
Dynasty Spas	246	2.42	Dynasty Spas	200	2.04
E & E Manufacturing	187	1.84	Texas Hydraulics	190	1.94
	<u>5,053</u>	<u>49.66</u>		<u>4,670</u>	<u>47.58</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, 2014**

Full-Time Equivalent Employees as of June 30

Function/Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
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	1	1	1	1	1
Communications	8	8	8	7	8	8	6	-	-	-
Community Development	4	4	4	4	4	4	4	4	4	4
Police	34	34	35	33	33	33	33	33	33	33
Fire	21	22	21	22	22	23	22	22	22	22
Parks and Recreation	10	10	10	10	10	10	10	10	9	9
Public Works	36	36	36	36	34	32	32	32	31	31
	<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>	<u>109</u>

Source: City Finance Department

**CITY OF ATHENS, TENNESSEE  
OPERATING INDICATORS BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS  
June 30, 2014**

Function/Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental Activities:										
Community Development										
Number of building permits	585	517	507	501	389	49	353	382	360	347
Police										
Number of arrests	1,155	1,180	1,133	1,040	1,341	1,422	1,497	1,488	1,113	1,097
Number of traffic citations issued	6,852	5,815	5,399	5,177	6,026	6,281	5,808	7,431	10,953	7,729
Fire										
Total calls	430	379	414	369	432	510	528	520	418	515
Inspections	403	281	279	270	490	795	764	924	650	773
Business-type Activities:										
Conference Center										
Rentals	79	111	92	147	133	112	86	115	108	125

Source: Various City Departments

**CITY OF ATHENS, TENNESSEE  
INFRASTRUCTURE STATISTICS BY FUNCTION  
LAST TEN FISCAL YEARS  
June 30, 2014**

<u>Function/Program</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	14	14	14	15	15	14	15	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	126	126	126	126	126	126	126	126	126
Square feet of sidewalks	693,077	693,077	693,077	699,630	735,240	824,360	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, 2014**

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**

Michael Bevins	Chairman	150,000
Chris Liner	Vice-Chairman	150,000
Chris Adams	Secretary	150,000
Preston Brown	Treasurer	365,200
Amy Sullins	Member	150,000
Alf Hacker	Member	150,000

**ADMINISTRATIVE STAFF**

Robert W. Greene	Director of Schools	150,000
Becky Simpson	Supervisor of Instruction	150,000
Ray Grant	Supervisor of Transportation	150,000
Janey Morris	Supervisor of Exceptional Learning and Federal Projects	150,000
Yvonne Raper	Supervisor of Food Services	150,000
Eddie Arnold	Supervisor of Maintenance	150,000
Susan Freeman	Finance Administrator	150,000

This page intentionally left blank.

**SINGLE AUDIT  
SECTION**

**CITY OF ATHENS, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**Year Ended June 30, 2014**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Accrued (Unearned) Grant Revenues July 1, 2013	Grant Revenues Received	Expenditures	Accrued (Unearned) Grant Revenues June 30, 2014
<b>PRIMARY GOVERNMENT:</b>						
<b>CITY OF ATHENS</b>						
<b>FEDERAL AWARDS:</b>						
<b>U.S. DEPARTMENT OF JUSTICE</b>						
Byrne-Justice Assistance Grant	16.738	2012-DJ-BX-1212	\$ -	\$ 6,850	\$ 6,850	\$ -
Bulletproof Vest Partnership	16.607	N/A	-	3,777	3,777	-
			<u>-</u>	<u>10,627</u>	<u>10,627</u>	<u>-</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>						
Passed through TN Department of Environment and Conservation:						
Recreational Trails Program Grant for McMinn County Rails to Trails Project						
	20.219	GG-12-36555-00	17,124	19,547	2,423	-
Recreational Trails Program Grant for Mouse Creek Trail High Priority Project Grant for Athens - Overlook Road Project						
	20.219	35658	-	10,020	11,585	1,565
	20.205	32701-01471	10,023	10,023	151,129	151,129
Passed through TN Department of Transportation: Governor's Highway Safety Office:						
Safe Roads for Athens	20.607	Z-14-GHS0-14	-	20,913	24,541	3,628
Safe Roads for Athens	20.607	Z-13-GHS0-14	21,367	23,839	2,472	-
			<u>48,514</u>	<u>84,342</u>	<u>192,150</u>	<u>156,322</u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>						
Passed through TN Department of Economic and Community Development:						
2013 CDBG Athens Sewer System Improvements						
	14.228	33004-14914	-	-	8,465	8,465
<b>U.S. ENVIRONMENTAL PROTECTION AGENCY</b>						
Passed through TN Department of Agriculture:						
North Mouse Creek Restoration Grant						
	66.460	C9994674-09-0	147,297	-	-	147,297
Passed through TN Department of Environment & Conservation:						
Capitalization Grants for Drinking Water State Revolving Funds - Recovery						
Loan	66.468	DGO-2011-2013	-	870,617	870,617	-
Principal Forgiveness	66.468	DGO-2011-2013	-	217,654	217,654	-
			<u>147,297</u>	<u>1,088,271</u>	<u>1,088,271</u>	<u>147,297</u>
Total Federal Awards - Government City of Athens			<u>195,811</u>	<u>1,183,240</u>	<u>1,299,513</u>	<u>312,084</u>

(continued)

**CITY OF ATHENS, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**Year Ended June 30, 2014**

(continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Accrued (Unearned) Grant Revenues July 1, 2013	Grant Revenues Received	Expenditures	Accrued (Unearned) Grant Revenues June 30, 2014
<b>PRIMARY GOVERNMENT:</b>						
<b>CITY OF ATHENS</b>						
<b>STATE AWARDS:</b>						
Tennessee Department of Environment and Conservation:						
Clean Tennessee Energy Grant	N/A	DG-13-38940-00	\$ 250,000	\$ 250,000	\$ -	\$ -
Used Oil Grant	N/A	34559	16,591	16,591	-	-
Total State Awards Primary Government - City of Athens			266,591	266,591	-	-
Total Primary - Government City of Athens			<u>\$ 462,402</u>	<u>\$ 1,449,831</u>	<u>\$ 1,299,513</u>	<u>\$ 312,084</u>
<b>PRIMARY GOVERNMENT:</b>						
<b>ATHENS CITY BOARD OF EDUCATION</b>						
<b>FEDERAL AWARDS:</b>						
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
Passed through the TN Department of Human Services:						
Child and Adult Food Care Program	10.558	N/A	\$ -	\$ 4,447	\$ 4,447	\$ -
Child and Adult Food Care Program	10.558	N/A	-	50,136	50,136	-
Passed through the TN Department of Education:						
Child Nutrition Cluster:						
National School Lunch Program	10.555	N/A	40,265	553,255	512,990	-
School Breakfast Program	10.553	N/A	16,392	206,994	190,602	-
Summer Food Service Program for Children	10.559	N/A	88,487	156,556	183,096	115,027
Passed through the TN Department of Agriculture:						
Food Distribution	10.555	N/A	-	71,531	71,531	-
			<u>145,144</u>	<u>1,042,919</u>	<u>1,012,802</u>	<u>115,027</u>
<b>NATIONAL ENDOWMENT FOR THE HUMANITIES</b>						
Innovative Approaches to Literacy Grant	45.169	N/A	-	8,000	7,008	(992)
<b>U.S. DEPARTMENT OF EDUCATION</b>						
Impact Aid	84.041	N/A	-	5,678	5,678	-
Teacher Incentive Fund	84.374	N/A	51,834	460,271	691,467	283,030
Passed through the TN Department of Education:						
Special Education Cluster:						
Special Education - Grants to States	84.027	N/A	70,688	448,787	377,620	(479)
Special Education - Preschool Grants	84.173	N/A	4,303	50,957	46,654	-
Title I Grants to Local Educational Agencies	84.010	N/A	120,089	623,091	554,878	51,876
Twenty-First Century Community Learning Centers	84.287	N/A	85,128	241,010	236,000	80,118

(continued)

**CITY OF ATHENS, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**Year Ended June 30, 2014**

(continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Accrued (Unearned) Grant Revenues July 1, 2013	Grant Revenues Received	Expenditures	Accrued (Unearned) Grant Revenues June 30, 2014
<b>PRIMARY GOVERNMENT:</b>						
<b>ATHENS CITY BOARD OF EDUCATION</b>						
<b>FEDERAL AWARDS:</b>						
<b>U.S. DEPARTMENT OF EDUCATION (continued)</b>						
Passed through the TN Department of Education (continued):						
Improving Teacher Quality - State Grants	84.367	N/A	\$ (25,318)	\$ 84,447	\$ 65,496	\$ (44,269)
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	(2,916)	24,487	21,598	(5,805)
English Language Acquisition Grants	84.162	N/A	1,995	22,675	19,299	(1,381)
Race to the Top Early Learning Challenge	84.412	N/A	13,882	47,590	33,708	-
			<u>319,731</u>	<u>2,008,993</u>	<u>2,052,398</u>	<u>363,136</u>
Total Federal Awards Primary Government - Athens Board of Education			<u>464,875</u>	<u>3,059,912</u>	<u>3,072,208</u>	<u>477,171</u>
<b>STATE AWARDS</b>						
Early Childhood Education - Lottery		N/A	278,012	656,773	649,611	270,850
Coordinated School Health		N/A	-	52,045	85,000	32,955
Safe Schools		N/A	7,500	7,500	8,500	8,500
Total State Awards Primary Government - Athens Board of Education			<u>285,512</u>	<u>716,318</u>	<u>743,111</u>	<u>312,305</u>
Total Primary Government - Athens Board of Education			<u>\$ 750,387</u>	<u>\$ 3,776,230</u>	<u>\$ 3,815,319</u>	<u>\$ 789,476</u>

(continued)

**CITY OF ATHENS, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**Year Ended June 30, 2014**  
(continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Accrued (Unearned) Grant Revenues July 1, 2013	Grant Revenues Received	Expenditures	Accrued (Unearned) Grant Revenues June 30, 2014
<b>PRIMARY GOVERNMENT:</b>						
Total Federal Awards			\$ 660,686	\$ 4,243,152	\$ 4,371,721	\$ 789,255
Total State Awards			<u>552,103</u>	<u>982,909</u>	<u>743,111</u>	<u>312,305</u>
<b>TOTAL AWARDS</b>			<u><u>\$ 1,212,789</u></u>	<u><u>\$ 5,226,061</u></u>	<u><u>\$ 5,114,832</u></u>	<u><u>\$ 1,101,560</u></u>

Note 1: The City received federal awards which made it subject to audit under OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations" for the year ended June 30, 2014. 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, 2014. 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: Expenditures under the U.S. Department of Agriculture Food Distribution grant received by the Board of Education represent receipt and expenditures of noncash commodities as valued based on equivalent purchased product.

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

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

To the City Council  
City of Athens  
Athens, Tennessee

We have audited, 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, 2014, 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 December 23, 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 an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and is described in the accompanying schedule of findings and questioned costs as item 2014-001.

### City of Athens, Tennessee's Response to Finding

City of Athens, Tennessee's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Athens, Tennessee's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### 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, Scooter & McConnell, P.C.*

Chattanooga, Tennessee  
December 23, 2014

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

Report of Independent Certified Public Accountants  
on Compliance for Each Major Program and on Internal  
Control Over Compliance Required by OMB Circular A-133

To the City Council  
City of Athens  
Athens, Tennessee

**Report on Compliance for Each Major Federal Program**

We have audited the City of Athens, Tennessee's compliance with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014. The City of Athens, Tennessee's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of City of Athens, Tennessee's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133 Audit of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Athens, Tennessee's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Athens, Tennessee's compliance.

## Opinion on Each Major Federal Program

In our opinion, the City of Athens, Tennessee complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

## Report on Internal Control Over Compliance

Management of the City of Athens, Tennessee is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Athens, Tennessee's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Neal, Scouter & McConnell, P.C.*

Chattanooga, Tennessee  
December 23, 2014

**CITY OF ATHENS, TENNESSEE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**June 30, 2014**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued: Unmodified

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

Noncompliance material to financial statements  
 noted?        yes   X   no

Noncompliance and other matters required  
 to be reported?   X   yes        no See 2014-001

**Federal Awards**

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

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

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

Identification of major programs:	<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
	66.468	Capitalization Grants for Drinking Water State Revolving Funds – Recovery

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

Auditee qualified as low risk auditee?        yes   X   no

**CITY OF ATHENS, TENNESSEE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**June 30, 2014**

Questioned  
Costs

**SECTION II - FINANCIAL STATEMENT FINDINGS**

2014-001 Collateralization of Deposits – Athens City Board of Education

The Governmental Accounting Standards Board requires financial statement disclosure of uninsured or uncollateralized amounts. In addition, amounts not insured or collateralized are not in compliance with state statutes for collateralization of cash amounts which require collateral at 105 percent of cash balances. At June 30, 2014, a financial institution did not have collateral on all the uninsured amounts it held for the Athens City Board of Education. Collateral of \$3,194,983 was not in place leaving cash of \$3,042,841 uninsured and uncollateralized. To comply with state statutes, we recommend that appropriate steps be taken to ensure that all funds are fully collateralized at 105 percent with securities held as collateral in the Board of Education's name by the third party bank.

\$ - 0 -

*Management Response:*

Management has reviewed and discussed this finding with our banker. The banker has taken steps to fully collateralize all funds as required by state statutes.

**SECTION III - FEDERAL AWARDS**

**NONE REPORTED**

**CITY OF ATHENS, TENNESSEE  
SCHEDULE OF PRIOR YEAR FINDINGS  
AND QUESTIONED COSTS  
June 30, 2014**

Questioned  
Costs

**FINANCIAL STATEMENT FINDINGS PRIOR YEAR – NONE REPORTED**

**FEDERAL AWARDS FINDINGS PRIOR YEAR – NONE REPORTED**

This page intentionally left blank.

