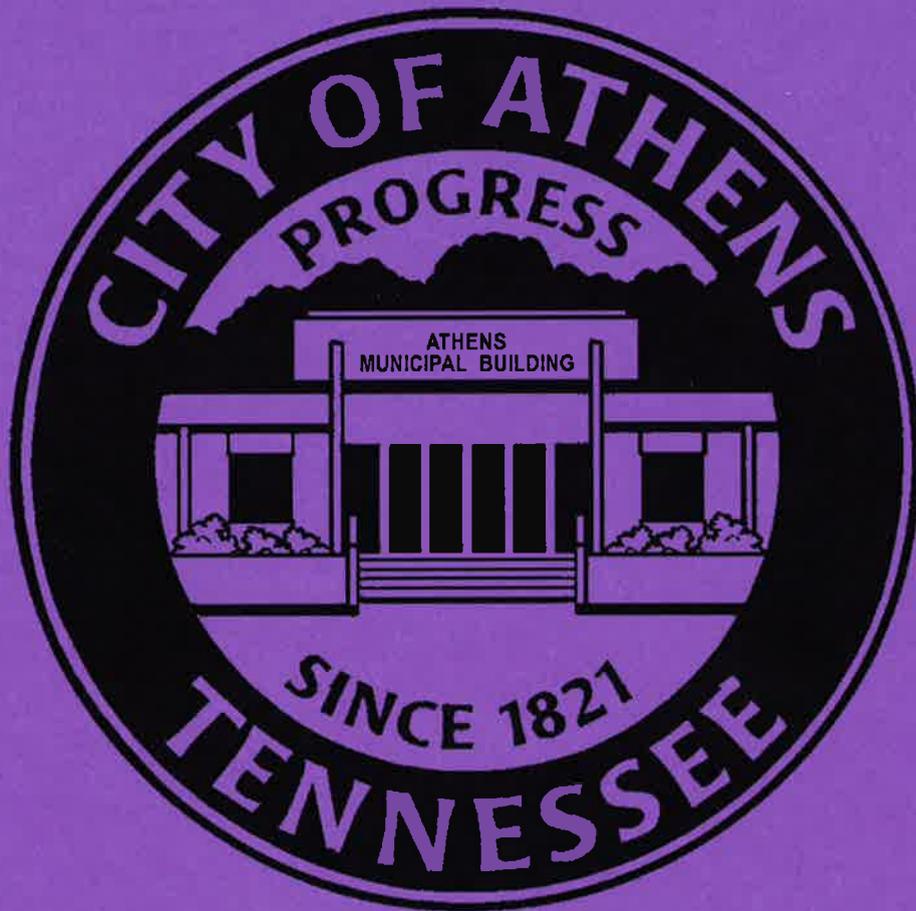


City of Athens, Tennessee



*Comprehensive Annual
Financial Report*

For The Year Ended June 30, 2016

CITY OF ATHENS, TENNESSEE

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**FOR THE YEAR ENDED
JUNE 30, 2016**

**Prepared by:
Department of Finance**

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INTRODUCTORY SECTION



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, 2016.

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, 2016, 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 unmodified opinion that the City of Athens' financial statements, for the fiscal year ended June 30, 2016, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The City is required to undergo an annual audit in conformity with the provisions of generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States. The City's level of federal financial assistance for the fiscal year is below the amount that requires an audit in conformity with the provisions of the Uniform Guidance. Thus, an audit in conformity with this provision is not required. The independent auditors' report on the internal control structure and compliance with applicable laws and regulations is included.

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, has expanded three times in the past three years. This increases employment by over 400 employees for this one industry.

The unemployment rate has varied over the past decade. In 2007, the rate was 4.9 percent, with the highest rate being 14.9 percent in 2009 and the lowest rate being 4.9 percent in 2007. The rate was 5.6 percent for June 2016.

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, personal property tax growth throughout the entire city and due to a tax rate increase for the 2015 property taxes. 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 (54 percent of total general fund revenues) has continued to grow for seven of the past ten years. The current year resulted in a decrease 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 continues to do stream mitigation work and storm water projects to improve water quality in the local creeks and streams. The City and McMinn County, with assistance from the Athens Parks Foundation, have been making improvements to the Eureka Trail, which is 4.8 miles of abandoned rail line purchased from CSX and are working on an extension of the trail to Englewood. A splash pad will also be added at the Athens Regional Park in the coming year.

The Athens City Schools are working on capital plans for all school buildings. This includes the consolidation of some facilities, additions to some facilities or the possible construction of one new school. The School Board is expected to make a decision in 2017 and submit a request to the City Council for funding.

Relevant Financial Policies

Revenue policies provide for the City to budget revenues conservatively so that the chance of a revenue shortage during the year is remote. The City will review annually all fees and charges to assure that they

maintain their inflation-adjusted purchasing power. The City will make every effort to avoid becoming too dependent on one source of revenue in order to minimize serious fluctuation in any year. The City will consider market rates and rates of comparable cities in the region when changing tax rates, fees and charges. In this regard, the City will make every effort to maintain its favorable comparative position with other Tennessee cities which has contributed to our economic development success. A detailed multi-year revenue trend analysis is utilized to assist in the budget process.

Major Initiatives

The City has increased property taxes to provide \$500,000 annually for paving of streets and to provide for additional employees for public works. 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. Workforce development has been a focus of the City, McMinn County and the Economic Development Authority to have trained workers for local employers. Plans are also being made to construct a business incubator.

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, 2015. This was the twenty-fourth 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.

City Manager Mitchell Moore, Human Resource Director Rita Brown and Police Chief Chuck Ziegler will retire on December 31, 2016, having served the City for 21, 36 and 45 years, respectively. Each one of these are the longest serving employee in their respective position and Chuck is the longest serving employee in the history of the City. Their leadership, knowledge, experience, advice and friendship will be missed by the citizens and fellow employees. You have made this city a better place and we wish you well in your retirement.

Respectfully submitted,



Michael L. Keith, CPA
Director of Finance

December 30, 2016



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

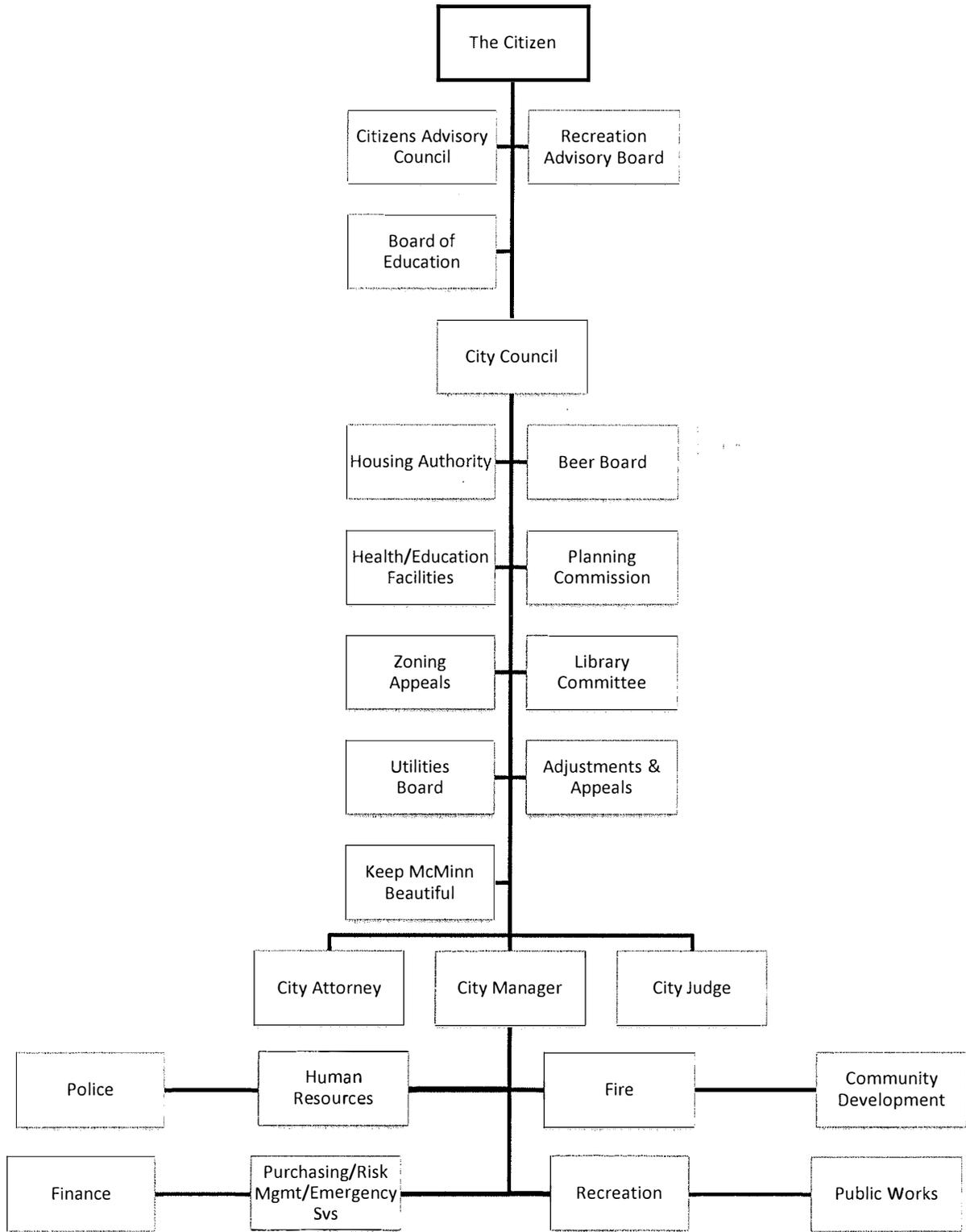
Presented to

**City of Athens
Tennessee**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO



CITY OF ATHENS, TENNESSEE
LIST OF PRINCIPAL OFFICIALS
June 30, 2016

City of Athens

Ann Davis	Mayor
William Bo Perkinson	Vice-Mayor
Dick Pelley	Council Member
Chuck Burris	Council Member
Yvonne Raper	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, CMFO	Director of Finance
Shawn Lindsey	Director of Public Works
Matthew Marshall	Director of Purchasing
Charles T. Zeigler	Police Chief

Athens City Board of Education

Michael L. Bevins	Chairman
Chris Liner	Vice-Chairman
Chris Adams	Secretary
Alf Hacker	Treasurer
Dr. Amy Sullins	Board Member
Johnny Coffinan	Board Member
Dr. Melanie Miller	Director of Schools
Melody Armstrong	Supervisor of Instruction
Ray Grant	Supervisor of Transportation
Janey Morris	Supervisor of Exceptional Learning and Federal Projects
Angie Newman	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

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FINANCIAL SECTION

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

Report of Independent Certified Public Accountants
on Financial Statements

To the City Council
City of Athens
Athens, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Athens, Tennessee, as of and for the year ended June 30, 2016, 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, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, General Purpose School Fund, and the Federal Projects 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-10 and other required supplemental information on pages 80-89 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 90-91, the budgetary comparison schedules on pages 92-94, combining and individual internal service fund financial statements on pages 95-97, the statistical section and the financial schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the budgetary comparison schedules, combining and individual internal service fund financial statements, and the financial schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 30, 2016, 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.

Neul, Scouter, & McConnell, P. C.

Chattanooga, Tennessee
December 30, 2016

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City of Athens, Tennessee
Management's Discussion and Analysis
June 30, 2016

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, 2016. 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, 2016 by \$42,544,511 (net position). Of this amount, \$21,223,250 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- Net position increased by \$4,003,045, an increase of 10.39% compared to fiscal year 2015 total net position. The City of Athens' changes in net position are detailed in the chart on page B-6 of this report. Total revenues increased \$1,633,645, primarily due to an increase in the property tax rate for the 2015 taxes. Expenses decreased \$364,388 primarily due to passthrough grants.
- The City's property tax rate increased to \$1.477 per hundred dollars of assessment.
- The City's residential sanitation fee increased to \$9.50 per month.
- As of the close of the current fiscal year, the City of Athens' governmental funds reported combined ending fund balances of \$19,644,480.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$8,495,582 or 80.8% of total General Fund expenditures. Expenditures do not include transfers to other funds, which totaled \$4,152,600 in the City's General Fund. The percentage drops to 57.9% 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 72. This is described in more detail in Note 4 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, 2016

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 Improvement

City of Athens, Tennessee
Management's Discussion and Analysis
June 30, 2016

Fund, the Debt Service Fund and the Federal Projects Fund, which are considered to be major funds. Data from the other three governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining and individual statements later in this report beginning on page 90.

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

The basic governmental fund financial statements can be found on pages 6-9 of this report.

Proprietary funds. The City of Athens maintains two different types of proprietary funds: enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Athens uses enterprise funds to account for its Southeast Tennessee Trade and Conference Center operations and sanitation services. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Athens' various functions. The City of Athens uses one internal service fund to account for its fleet of vehicles and another for employee medical benefits. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for the Southeast Tennessee Trade and Conference Center operations and the Sanitation Fund, both of which are considered to be major funds of the City of Athens. The internal service funds are presented in the proprietary fund financial statement. Individual data for each of the internal service funds is provided in the form of combining statements later in this report beginning on page 95.

The basic proprietary fund financial statements can be found on pages 16-18 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 19 and 20 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 21-79 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 80-89 of this report.

City of Athens, Tennessee
Management's Discussion and Analysis
June 30, 2016

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 90-94 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Athens, assets exceeded liabilities by \$42,544,511 at the close of this fiscal year.

The largest portion of the City of Athens net position (49.9%) 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 (47.7% 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 2.4% of net position. These resources are subject to external restrictions on how they may be used.

At June 30, 2016, 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, Tennessee
Management's Discussion and Analysis
June 30, 2016

City of Athens
Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$32,531,891	\$31,615,832	\$1,913,611	\$1,819,515	\$34,445,502	\$33,435,347
Capital assets	20,726,948	20,269,282	1,166,634	1,087,417	21,893,582	21,456,699
Total assets	<u>53,258,839</u>	<u>51,985,114</u>	<u>3,080,245</u>	<u>2,906,932</u>	<u>56,339,084</u>	<u>54,892,046</u>
Deferred outflows of resources	4,424,792	1,871,889	60,088	30,135	4,484,880	1,902,024
Long-term liabilities	4,209,417	3,099,433	-	-	2,310,226	3,099,433
Other liabilities	3,193,807	4,381,036	130,001	114,019	5,222,999	4,495,055
Total liabilities	<u>7,403,224</u>	<u>7,480,469</u>	<u>130,001</u>	<u>114,019</u>	<u>7,533,225</u>	<u>7,594,488</u>
Deferred inflows of resources	10,746,228	10,658,116	-	-	10,746,228	10,658,116
Invested in capital assets, net						
of related debt	19,116,948	17,989,282	1,166,634	1,087,417	20,283,582	19,076,699
Restricted	1,037,679	1,322,190	-	-	1,037,679	1,322,190
Unrestricted	19,379,552	16,406,946	1,843,698	1,735,631	21,223,250	18,142,577
Total net position	<u>\$39,534,179</u>	<u>\$35,718,418</u>	<u>\$3,010,332</u>	<u>\$2,823,048</u>	<u>\$42,544,511</u>	<u>\$38,541,466</u>

Governmental activities. Governmental activities increased the City of Athens' net position by \$3,815,761 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 passthrough grants.

Business-type activities. Business-type activities increased the City of Athens' net position by \$187,284. This increase was due primarily to the operations in the Sanitation Fund.

City of Athens, Tennessee
Management's Discussion and Analysis
June 30, 2016

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

City of Athens
Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 1,045,066	\$ 1,074,738	\$ 958,401	\$ 916,633	\$ 2,003,467	\$ 1,991,371
Operating grants and contributions	5,204,178	4,824,958	-	-	5,204,178	4,824,958
Capital grants and contributions	389,535	1,492,666	-	-	389,535	1,492,666
General revenues:						
Property taxes	7,580,694	6,057,188	-	-	7,580,694	6,057,188
Other taxes	6,921,873	6,339,825	-	-	6,921,873	6,339,825
Intergovernmental revenues not restricted to specific programs	10,094,663	9,915,955	-	-	10,094,663	9,915,955
Other	296,552	243,089	24,806	17,071	32,1358	260,160
Total revenues	<u>31,532,561</u>	<u>29,948,419</u>	<u>983,207</u>	<u>933,704</u>	<u>32,515,768</u>	<u>30,882,123</u>
Expenses:						
General government	3,264,019	3,383,866	-	-	3,264,019	3,383,866
Public safety	3,872,018	3,842,422	-	-	3,872,018	3,842,422
Highways and streets	2,332,120	2,115,793	-	-	2,332,120	2,115,793
Culture and recreation	943,464	932,977	-	-	943,464	932,977
Education	16,890,449	16,311,453	-	-	16,890,449	16,311,453
Health and welfare	93,581	95,333	-	-	93,581	95,333
Interest on long-term debt	17,533	21,927	-	-	17,533	21,927
Passthrough grants	303,616	1,373,723	-	-	303,616	1,373,723
Conference center	-	-	70,222	78,224	70,222	78,224
Sanitation	-	-	725,701	721,393	725,701	721,393
Total expenses	<u>27,716,800</u>	<u>28,077,494</u>	<u>795,923</u>	<u>799,617</u>	<u>28,512,723</u>	<u>28,877,111</u>
Change in net position	3,815,761	1,8770,925	187,284	134,087	4,003,045	2,005,012
Net position, beginning of year (1)	35,718,418	33,847,493	2,823,048	2,688,961	38,541,466	36,536,454
Net position, end of year	<u>\$39,534,179</u>	<u>\$35,718,418</u>	<u>\$3,010,332</u>	<u>\$2,823,048</u>	<u>\$42,544,511</u>	<u>\$38,541,466</u>

City of Athens, Tennessee
Management's Discussion and Analysis
June 30, 2016

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 \$19,644,480, a decrease of \$1,488,290 in comparison to the prior year. Approximately 43.2% of this total amount (\$8,495,582) 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 -\$369,497; restricted for a specific purpose by external constraint or enabling legislation -\$976,471 (law enforcement - \$108,395; basic education - \$509,549; cemetery perpetual care - \$166,854; Drug Fund - \$191,673); committed for a specific purpose per action of the City Council - \$3,694,338 (law enforcement - \$20,673; capital projects - \$2,636,935; education capital projects - \$1,024,247; Drug Fund - \$12,483); or assigned – intended by the City to be used for a specific purpose - \$6,108,592 (education - \$2,949,284; debt service - \$2,897,841; cafeteria operations - \$261,467).

The General Fund is the chief operating fund of the City of Athens. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$8,495,582. 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 80.8% of total fund expenditures, but represents 57.9% 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 \$962,449 during the current fiscal year. Revenues increased by \$2,203,848 while expenditures decreased by \$49,502 before transfers to other funds. Property taxes, sales taxes, wholesale liquor tax, and state shared revenues increased over the prior year. The transfer to the Debt Service Fund increased by \$425,000 to \$1,215,000 in anticipation of the schools requesting debt to be issued for capital needs and a transfer of \$500,000 was made to the Capital Projects Fund.

The fund balance of the General Purpose School Fund decreased by \$1,309,884. The Fund transferred \$1,085,389 to a capital projects fund for future capital needs.

The Debt Service Fund has a total fund balance of \$2,897,841. The net increase was \$432,401, due to a \$425,000 transfer in anticipation of issuing debt in the future for school capital needs. The Capital Improvement fund has a total fund balance of \$2,636,935. The net increase was \$424,726. Capital items consisted of sidewalk improvements, recreation projects, Denso Eco Park, fixed assets, and stream mitigation.

City of Athens, Tennessee
Management's Discussion and Analysis
June 30, 2016

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 \$15,879 for the Conference Center Fund, \$1,827,819 for the Sanitation Fund, \$2,675,844 for the Fleet Management Fund, and \$358,299 for the Employee Medical Benefits Fund.

General Fund Budgetary Highlights

Differences in the original budget and the final amended budget for revenues were \$740,000 and consisted of increases in property taxes, sales tax, wholesale liquor tax, state-shared revenues, TVA impact payments, recreation revenues, and building permits. Differences between the original budget and the final amended budgeted expenditures, including transfers, were \$1,276,500 and are summarized below:

\$675,000 in additional funding for the retirement plan was contributed and was allocated to all departments and divisions, resulting in increased expenditures.

\$500,000 transfer to the Capital Projects Fund.

\$36,500 for a digital sign at Athens Regional Park.

\$65,000 for various increases in expenditures for recreation programs, legal fees, demolition of condemned houses, contracted services, and liability insurance.

Final actual revenues exceeded amended budgeted revenues by \$362,856 and significant variances are summarized below:

\$128,752 more in property taxes.

\$76,873 more in other local taxes primarily because of local sales taxes.

\$122,177 more in intergovernmental revenues due to state income tax, state excise tax, state gas tax, reimbursements from other governments, and police grants.

\$5,449 less in charges for services due to concessions revenue.

\$17,340 more in fines and forfeitures.

\$9,892 more in interest.

\$13,271 more in miscellaneous revenues.

Final amended budgeted expenditures exceeded actual expenditures by \$1,475,471 and are summarized below:

\$179,034 in general government expenditures, related primarily to the City Manager's office, street lights, personnel, building maintenance, and code enforcement.

**City of Athens, Tennessee
Management's Discussion and Analysis
June 30, 2016**

\$330,346 in public safety expenditures, primarily due to vacancies in police and fire, related benefits and fuel costs.

\$457,677 in highways and streets due to traffic signals and loop repairs, sidewalk and paving items not completed in the current year, and storm water supplies.

\$140,056 in parks and recreation primarily due to maintenance and program costs.

\$22,102 in health due to fuel costs and health insurance in 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, 2016, was \$21,893,582 (net of accumulated depreciation). This investment in capital assets includes land, buildings, other improvements, equipment, and infrastructure.

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

Overlook Road project (\$242,892) was completed in the current year.

Vehicles and equipment for all departments added \$964,335.

School building improvements of \$773,174 were added.

**City of Athens
Capital Assets**

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Buildings and improvements	\$21,313,136	\$20,539,962	\$1,517,930	\$1,517,930	\$22,831,066	\$22,057,892
Infrastructure	9,416,889	9,173,997	-	-	9,416,889	9,173,997
Furniture and office equipment	3,780,050	3,938,147	29,864	29,864	3,809,914	3,968,011
Machinery and equipment	7,409,276	7,059,584	1,777,627	1,635,668	9,186,902	8,695,252
Land	3,221,556	3,221,556	34,500	34,500	3,256,056	3,256,056
Construction in progress	623,423	852,964	-	-	623,423	852,964
	<u>\$45,764,330</u>	<u>\$44,786,210</u>	<u>\$3,359,921</u>	<u>\$3,217,962</u>	<u>\$49,124,251</u>	<u>\$48,004,172</u>

Additional information on the City of Athens' capital assets can be found in Note 2 on pages 37-40 of this report.

Long-term debt. At the end of the current fiscal year, the City of Athens had no bonded debt outstanding. The City has financed school projects through a loan from bond proceeds issued by the Public Building Authority of the City of Clarksville, Tennessee. The balance outstanding for this 2003 note was \$1,610,000. It is backed by the full faith and credit of the City. The Athens Utilities Board has debt

City of Athens, Tennessee
Management's Discussion and Analysis
June 30, 2016

outstanding totaling \$25,965,009 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 \$25,743,729 of this debt. Detailed information on long-term debt activity can be found in Note 3 on pages 41-42 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 5.6%, which is a decrease from the rate of 7.1% a year ago. Athens' rate is higher than the federal rate and the state rate.

Revenues were expected to increase by approximately 2.3% due to increases in property and sales tax collections. Management has been conservative in estimating all revenues for 2016-2017 and expenditures increased as well. The property rate increased from \$1.477 to \$1.3628. The tax rate had been increased in the prior year to include funding for school capital needs but this increase was removed from the tax rate for 2016 as the schools have delayed making any capital funding request. The residential refuse fee remained at \$9.50 per month.

Requests for Information

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

**BASIC FINANCIAL
STATEMENTS**

CITY OF ATHENS, TENNESSEE
STATEMENT OF NET POSITION
June 30, 2016

	Primary Government			Component Unit Proprietary
	Governmental	Business-Type	Total	Athens Utilities Board
	Activities	Activities		Board
ASSETS AND DEFERRED OUTFLOWS				
ASSETS				
Cash and cash equivalents	\$ 6,343,705	\$ 89,195	\$ 6,432,900	\$ 22,937,860
Investments	15,636,525	1,689,946	17,326,471	-
Receivables:				
Customers, net	-	26,182	26,182	5,137,305
Other	76,731	-	76,731	181,015
Property taxes, net	7,571,715	-	7,571,715	-
Other governments	2,567,076	-	2,567,076	-
Component unit/primary government	-	108,288	108,288	49,860
Prepaid items	208,532	-	208,532	726,930
Inventories	113,682	-	113,682	2,294,398
Net pension asset	13,925	-	13,925	-
Capital assets, net of depreciation	16,881,969	1,132,134	18,014,103	87,347,925
Nondepreciable capital assets	3,844,979	34,500	3,879,479	21,546,632
Total assets	<u>53,258,839</u>	<u>3,080,245</u>	<u>56,339,084</u>	<u>140,221,925</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	4,424,792	60,088	4,484,880	2,338,285
Total assets and deferred outflows	<u>\$57,683,631</u>	<u>\$ 3,140,333</u>	<u>\$ 60,823,964</u>	<u>\$142,560,210</u>
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION				
LIABILITIES				
Accounts payable	\$ 734,172	\$ 22,925	\$ 757,097	\$ 4,906,162
Retainage payable	-	-	-	101,579
Accrued payroll and withholdings	1,269,190	7,700	1,276,890	-
Due to component unit/primary government	49,860	-	49,860	108,288
Other current liabilities	-	-	-	615,354
Unearned revenues	150,672	-	150,672	44,750
Customer deposits	-	-	-	565,085
Long-term liabilities:				
Due within one year	989,913	-	989,913	1,038,897
Due in more than one year	920,177	-	920,177	24,926,112
Net pension liability	2,889,104	99,376	2,988,480	3,085,624
OPEB liability	400,136	-	400,136	-
Total liabilities	<u>7,403,224</u>	<u>130,001</u>	<u>7,533,225</u>	<u>35,391,851</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to property tax	7,189,615	-	7,189,615	-
Deferred inflows related to pensions	3,556,613	-	3,556,613	796,548
Total deferred inflows	<u>10,746,228</u>	<u>-</u>	<u>10,746,228</u>	<u>796,548</u>
NET POSITION				
Net investment in capital assets	19,116,948	1,166,634	20,283,582	82,827,969
Restricted for:				
General	108,395	-	108,395	-
Drug	191,673	-	191,673	-
Education	509,549	-	509,549	-
Net pension asset	13,925	-	13,925	-
Cemetery perpetual care:				
Nonexpendable	47,283	-	47,283	-
Expendable	166,854	-	166,854	-
Unrestricted	19,379,552	1,843,698	21,223,250	23,543,842
Total net position	<u>39,534,179</u>	<u>3,010,332</u>	<u>42,544,511</u>	<u>106,371,811</u>
Total liabilities, deferred inflows, and net position	<u>\$57,683,631</u>	<u>\$ 3,140,333</u>	<u>\$ 60,823,964</u>	<u>\$142,560,210</u>

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

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CITY OF ATHENS, TENNESSEE
STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net Revenues (Expenses) and Changes in Net Position			Component Unit Athens Utilities Board
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Govern- mental Activities	Business- type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 3,264,019	\$ 109,955	\$ 8,045	\$ -	\$ (3,146,019)	\$ -	\$ (3,146,019)	\$ -
Public safety	3,872,018	528,190	74,457	-	(3,269,371)	-	(3,269,371)	-
Highways and streets	2,332,120	-	395,744	-	(1,936,376)	-	(1,936,376)	-
Culture and recreation	943,464	130,545	-	85,919	(727,000)	-	(727,000)	-
Education:								
Instructional	8,755,499	59,592	2,020,055	-	(6,675,852)	-	(6,675,852)	-
Support services	6,599,401	158,494	1,521,976	-	(4,918,931)	-	(4,918,931)	-
Non-instructional	1,239,669	55,715	1,154,006	-	(29,948)	-	(29,948)	-
Unallocated depreciation	295,880	-	-	-	(295,880)	-	(295,880)	-
Health and welfare	93,581	2,575	29,895	-	(61,111)	-	(61,111)	-
Interest on long-term debt	17,533	-	-	-	(17,533)	-	(17,533)	-
Passthrough grants	303,616	-	-	303,616	-	-	-	-
Total governmental activities	<u>27,716,800</u>	<u>1,045,066</u>	<u>5,204,178</u>	<u>389,535</u>	<u>(21,078,021)</u>	<u>-</u>	<u>(21,078,021)</u>	<u>-</u>
Business-type activities:								
Conference center	70,222	25,785	-	-	-	(44,437)	(44,437)	-
Sanitation	725,701	932,616	-	-	-	206,915	206,915	-
Total business-type activities	<u>795,923</u>	<u>958,401</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>162,478</u>	<u>162,478</u>	<u>-</u>
Total primary government	<u>\$ 28,512,723</u>	<u>\$ 2,003,467</u>	<u>\$ 5,204,178</u>	<u>\$ 389,535</u>	<u>(21,078,021)</u>	<u>162,478</u>	<u>(20,915,543)</u>	<u>\$ -</u>
Component unit:								
Public utilities	<u>\$ 61,529,899</u>	<u>\$ 64,252,418</u>	<u>\$ -</u>	<u>\$ 113,750</u>				<u>\$ 2,836,269</u>
Total component unit	<u>\$ 61,529,899</u>	<u>\$ 64,252,418</u>	<u>\$ -</u>	<u>\$ 113,750</u>				<u>2,836,269</u>
General revenues:								
Property taxes					7,580,694	-	7,580,694	-
Local sales tax					4,391,883	-	4,391,883	-
In lieu of taxes					1,155,672	-	1,155,672	-
Wholesale beer tax					499,443	-	499,443	-
Wholesale liquor tax					148,667	-	148,667	-
Other local taxes					726,208	-	726,208	-
Intergovernmental revenues not restricted to specific programs					10,094,663	-	10,094,663	-
Investment income					70,802	6,555	77,357	77,731
Gain (loss) on disposal of capital assets					75,185	9,181	84,366	24,575
Insurance proceeds					15,593	-	15,593	-
Miscellaneous					134,972	9,070	144,042	-
Total general revenues					<u>24,893,782</u>	<u>24,806</u>	<u>24,918,588</u>	<u>102,306</u>
Change in net position					3,815,761	187,284	4,003,045	2,938,575
Net position, beginning of year					<u>35,718,418</u>	<u>2,823,048</u>	<u>38,541,466</u>	<u>103,433,236</u>
Net position, end of year					<u>\$ 39,534,179</u>	<u>\$ 3,010,332</u>	<u>\$ 42,544,511</u>	<u>\$ 106,371,811</u>

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

CITY OF ATHENS, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

	General	General Purpose School	Debt Service	Capital Projects Fund Capital Improvement	Federal Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 1,454,186	\$3,411,989	\$ 31,645	\$ 72,662	\$ 125,143	\$ 1,168,472	\$ 6,264,097
Investments	6,784,129	-	2,866,196	2,643,005	-	394,320	12,687,650
Receivables:							
Property taxes, net	5,972,100	1,599,615	-	-	-	-	7,571,715
Other governments	1,333,759	631,858	-	24,710	390,784	185,965	2,567,076
Interfund	2,943	670,766	-	-	-	-	673,709
Other	71,071	-	-	-	-	-	71,071
Prepaid items	62,077	146,455	-	-	-	-	208,532
Inventories	103,701	-	-	-	-	9,981	113,682
Total assets	<u>\$ 15,783,966</u>	<u>\$6,460,683</u>	<u>\$2,897,841</u>	<u>\$ 2,740,377</u>	<u>\$ 515,927</u>	<u>\$ 1,758,738</u>	<u>\$ 30,157,532</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES							
LIABILITIES							
Accounts payable	\$ 268,991	\$ 434,854	\$ -	\$ 12,435	\$ -	\$ 17,892	\$ 734,172
Interfund payable	332,000	2,943	-	-	338,766	-	673,709
Accrued payroll and withholdings	299,206	817,983	-	-	125,143	26,858	1,269,190
Due to component unit	49,860	-	-	-	-	-	49,860
Unearned revenues	453,481	-	-	91,007	52,018	-	596,506
Total liabilities	<u>1,403,538</u>	<u>1,255,780</u>	<u>-</u>	<u>103,442</u>	<u>515,927</u>	<u>44,750</u>	<u>3,323,437</u>
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows related to property taxes	5,590,000	1,599,615	-	-	-	-	7,189,615
	<u>6,993,538</u>	<u>2,855,395</u>	<u>-</u>	<u>103,442</u>	<u>515,927</u>	<u>44,750</u>	<u>10,513,052</u>
FUND BALANCES							
Nonspendable	165,778	146,455	-	-	-	57,264	369,497
Restricted	108,395	509,549	-	-	-	358,527	976,471
Committed	20,673	-	-	2,636,935	-	1,036,730	3,694,338
Assigned	-	2,949,284	2,897,841	-	-	261,467	6,108,592
Unassigned	8,495,582	-	-	-	-	-	8,495,582
Total fund balances	<u>8,790,428</u>	<u>3,605,288</u>	<u>2,897,841</u>	<u>2,636,935</u>	<u>-</u>	<u>1,713,988</u>	<u>19,644,480</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 15,783,966</u>	<u>\$6,460,683</u>	<u>\$2,897,841</u>	<u>\$ 2,740,377</u>	<u>\$ 515,927</u>	<u>\$ 1,758,738</u>	<u>\$ 30,157,532</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, 2016

Total fund balances \$19,644,480

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	\$40,790,982	
Accumulated depreciation	<u>(22,675,535)</u>	18,115,447

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

Property taxes	357,334	
Intergovernmental revenue	<u>88,500</u>	445,834

Deferred outflows related to pensions		4,424,792
Net pension asset		13,925
Net pension liability		(2,889,104)
Deferred inflows related to pensions		(3,556,613)

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

Bonds and notes payable	(1,610,000)	
Compensated absences	(237,156)	
OPEB liability	(400,136)	
Sick leave liability	<u>(62,934)</u>	(2,310,226)

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	79,608	
Account receivable	5,660	
Investments	2,948,875	
Capital assets	4,973,348	
Accumulated depreciation	<u>(2,361,847)</u>	<u>5,645,644</u>

Net position \$39,534,179

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, 2016

	General	General Purpose School	Debt Service	Capital Projects Fund Capital Improvement	Federal Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES							
Property taxes	\$ 5,913,752	\$ 1,654,845	\$ -	\$ -	\$ -	\$ -	\$ 7,568,597
Other local taxes	6,921,873	1,231,074	-	-	-	-	8,152,947
Intergovernmental	1,967,177	8,507,290	-	372,199	2,430,265	1,074,978	14,351,909
Charges for services	240,551	218,086	-	-	-	58,240	516,877
Fines and forfeitures	493,340	-	-	-	-	34,850	528,190
Investment and interest income	16,892	21,651	7,507	5,132	-	5,980	57,162
Miscellaneous	54,271	24,173	-	72,892	-	79,028	230,364
Total revenues	<u>15,607,856</u>	<u>11,657,119</u>	<u>7,507</u>	<u>450,223</u>	<u>2,430,265</u>	<u>1,253,076</u>	<u>31,406,046</u>
EXPENDITURES							
Current:							
General government	2,344,766	-	2,573	-	-	-	2,347,339
Public safety	4,612,454	-	-	-	-	64,244	4,676,698
Highways and streets	2,467,023	-	-	-	-	-	2,467,023
Culture and recreation	985,544	-	-	-	-	-	985,544
Education	-	14,249,558	-	-	2,502,122	1,295,623	18,047,303
Health and welfare	106,498	-	-	-	-	-	106,498
Debt service:							
Principal	-	-	770,000	-	-	-	770,000
Interest	-	-	17,533	-	-	-	17,533
Capital outlay	-	-	-	525,497	-	-	525,497
Total expenditures	<u>10,516,285</u>	<u>14,249,558</u>	<u>790,106</u>	<u>525,497</u>	<u>2,502,122</u>	<u>1,359,867</u>	<u>29,943,435</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>5,091,571</u>	<u>(2,592,439)</u>	<u>(782,599)</u>	<u>(75,274)</u>	<u>(71,857)</u>	<u>(106,791)</u>	<u>1,462,611</u>
OTHER FINANCING SOURCES (USES)							
Transfers	(4,152,600)	1,280,354	1,215,000	500,000	71,857	1,085,389	-
Insurance proceeds	15,593	-	-	-	-	-	15,593
Sale of capital assets	7,885	2,201	-	-	-	-	10,086
Total other financing sources (uses)	<u>(4,129,122)</u>	<u>1,282,555</u>	<u>1,215,000</u>	<u>500,000</u>	<u>71,857</u>	<u>1,085,389</u>	<u>25,679</u>
NET CHANGE IN FUND BALANCES	962,449	(1,309,884)	432,401	424,726	-	978,598	1,488,290
FUND BALANCES, beginning of year	<u>7,827,979</u>	<u>4,915,172</u>	<u>2,465,440</u>	<u>2,212,209</u>	<u>-</u>	<u>735,390</u>	<u>18,156,190</u>
FUND BALANCES, end of year	<u>\$ 8,790,428</u>	<u>\$ 3,605,288</u>	<u>\$2,897,841</u>	<u>\$ 2,636,935</u>	<u>\$ -</u>	<u>\$ 1,713,988</u>	<u>\$19,644,480</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, 2016**

Net change in fund balances		\$ 1,488,290
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	\$ 7,580,694	
Fund revenue recognized	<u>(7,568,597)</u>	12,097
Intergovernmental revenues that do not provide current financial resources are not reported as revenue in the funds.		
State income tax-full accrual	203,500	
State beer tax-full accrual	6,571	
Collected fund revenue	<u>(200,071)</u>	10,000
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	1,040,552	
Net book value of capital assets retired	(18,751)	
Less current year depreciation	<u>(1,008,232)</u>	13,569
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.		
		331,846
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	770,000	
Net change in compensated absences	17,003	
Net change in OPEB liability	(19,115)	
Net change in sick leave liability	<u>21,318</u>	789,206
Pension expense in funds not expensed in government-wide		2,106,040
Pension expense not recognized in funds		<u>(935,287)</u>
Change in net position		<u>\$ 3,815,761</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, 2016

	Budget		Actual	Variance
	Original	Final		With Final Budget
REVENUES				
PROPERTY TAXES				
Property taxes-current	\$ 5,300,000	\$ 5,500,000	\$ 5,599,695	\$ 99,695
Property taxes-prior	140,000	140,000	96,626	(43,374)
Property taxes-delinquent	60,000	60,000	93,414	33,414
Public utilities taxes	<u>85,000</u>	<u>85,000</u>	<u>124,017</u>	<u>39,017</u>
Total property taxes	<u>5,585,000</u>	<u>5,785,000</u>	<u>5,913,752</u>	<u>128,752</u>
OTHER LOCAL TAXES				
Penalty and interest on property tax-prior	20,000	20,000	24,899	4,899
Penalty and interest on property tax-current	15,000	15,000	40,894	25,894
In lieu of taxes	1,185,000	1,185,000	1,155,672	(29,328)
TVA impact	-	35,000	41,224	6,224
Local sales tax	4,100,000	4,300,000	4,391,883	91,883
Wholesale beer tax	520,000	520,000	499,443	(20,557)
Wholesale liquor tax	50,000	150,000	148,667	(1,333)
Cable TV franchise tax	167,000	167,000	192,185	25,185
Business license fee	2,000	2,000	1,846	(154)
Business tax - state clerk fee	46,000	46,000	40,911	(5,089)
Business tax - state collected	<u>405,000</u>	<u>405,000</u>	<u>384,249</u>	<u>(20,751)</u>
Total other local taxes	<u>6,510,000</u>	<u>6,845,000</u>	<u>6,921,873</u>	<u>76,873</u>
INTERGOVERNMENTAL				
State sales tax	1,015,000	1,090,000	1,089,938	(62)
State beer tax	6,000	6,000	6,571	571
State income tax	75,000	175,000	193,500	18,500
State gas and motor fuel tax	355,000	355,000	370,799	15,799
State gasoline inspection tax	28,000	28,000	27,386	(614)
State mixed drink tax	40,000	40,000	49,832	9,832
State excise tax	40,000	40,000	91,808	51,808
Reimbursement-other government agencies	111,000	111,000	125,948	14,948
Grants	<u>-</u>	<u>-</u>	<u>11,395</u>	<u>11,395</u>
Total intergovernmental	<u>1,670,000</u>	<u>1,845,000</u>	<u>1,967,177</u>	<u>122,177</u>

(continued)

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, 2016
(continued)

	Budget		Actual	Variance With Final Budget
	Original	Final		
CHARGES FOR SERVICES				
Utility damage reimbursement	\$ 25,000	\$ 25,000	\$ 30,971	\$ 5,971
Animal control	3,000	3,000	2,575	(425)
Recreation fees	83,000	103,000	101,564	(1,436)
Building permits	65,000	75,000	76,460	1,460
Recreation concessions	40,000	40,000	28,981	(11,019)
Total charges for services	<u>216,000</u>	<u>246,000</u>	<u>240,551</u>	<u>(5,449)</u>
FINES AND FORFEITURES				
Court fines	475,000	475,000	450,815	(24,185)
Law enforcement forfeitures	1,000	1,000	42,525	41,525
Total fines and forfeitures	<u>476,000</u>	<u>476,000</u>	<u>493,340</u>	<u>17,340</u>
INTEREST	<u>7,000</u>	<u>7,000</u>	<u>16,892</u>	<u>9,892</u>
MISCELLANEOUS	<u>41,000</u>	<u>41,000</u>	<u>54,271</u>	<u>13,271</u>
Total revenues	<u>14,505,000</u>	<u>15,245,000</u>	<u>15,607,856</u>	<u>362,856</u>
EXPENDITURES				
GENERAL GOVERNMENT				
Administrative:				
City Manager's Office	272,600	295,600	279,752	15,848
City Council	75,000	57,000	49,441	7,559
City Judge	13,000	13,000	12,918	82
City Attorney	20,000	25,000	26,211	(1,211)
Special appropriations	301,300	301,300	301,300	-
Athens Utilities Board	525,000	525,000	468,085	56,915
Finance	400,500	442,100	441,521	579
Personnel	204,600	221,100	201,282	19,818
Administrative services:				
Administration	86,400	94,600	94,217	383
City Hall	168,000	163,000	118,755	44,245
Community development:				
Administration	137,600	151,700	148,326	3,374
Codes enforcement	163,300	204,300	172,890	31,410
Cemeteries	30,100	30,100	30,068	32
Total general government	<u>2,397,400</u>	<u>2,523,800</u>	<u>2,344,766</u>	<u>179,034</u>

(continued)

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, 2016
(continued)

	Budget		Actual	Variance With Final Budget
	Original	Final		
PUBLIC SAFETY				
Police:				
Administration	\$ 381,000	\$ 408,500	\$ 337,362	\$ 71,138
Patrol	1,935,700	2,099,200	2,016,800	82,400
Detective	237,900	259,900	179,072	80,828
Fire:				
Administration	109,200	120,900	117,310	3,590
Prevention	11,700	11,700	10,380	1,320
Suppression	1,678,800	1,807,300	1,717,804	89,496
Administrative services:				
Communications	235,300	235,300	233,726	1,574
Total public safety	<u>4,589,600</u>	<u>4,942,800</u>	<u>4,612,454</u>	<u>330,346</u>
HIGHWAYS AND STREETS				
Public Works:				
Administration	207,400	224,900	216,346	8,554
Traffic control	180,500	189,500	158,427	31,073
Street maintenance	919,200	948,800	653,057	295,743
Street construction	439,900	466,200	424,007	42,193
Street cleaning	745,800	795,100	737,523	57,577
City garage	271,700	300,200	277,663	22,537
Total highways and streets	<u>2,764,500</u>	<u>2,924,700</u>	<u>2,467,023</u>	<u>457,677</u>
CULTURE AND RECREATION				
Parks and Recreation:				
Administration	198,800	218,800	208,653	10,147
Maintenance	501,400	580,900	497,086	83,814
Swimming pools	37,900	37,900	29,013	8,887
Program planning	256,000	288,000	250,792	37,208
Total culture and recreation	<u>994,100</u>	<u>1,125,600</u>	<u>985,544</u>	<u>140,056</u>
HEALTH AND WELFARE				
Public Works:				
Animal control	123,400	128,600	106,498	22,102
Total expenditures	<u>10,869,000</u>	<u>11,645,500</u>	<u>10,516,285</u>	<u>1,129,215</u>
REVENUES OVER EXPENDITURES	<u>3,636,000</u>	<u>3,599,500</u>	<u>5,091,571</u>	<u>1,492,071</u>

(continued)

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, 2016
(continued)

	Budget		Actual	Variance With Final Budget
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Transfer to general purpose school fund	\$ (2,421,000)	\$ (2,421,000)	\$ (2,437,600)	\$ (16,600)
Transfer to debt service fund	(1,215,000)	(1,215,000)	(1,215,000)	-
Transfer to capital improvement fund	-	(500,000)	(500,000)	-
Insurance proceeds	-	-	15,593	15,593
Sale of capital assets	-	-	7,885	7,885
	<u>(3,636,000)</u>	<u>(4,136,000)</u>	<u>(4,129,122)</u>	<u>6,878</u>
Total other financing sources (uses)				
Net change in fund balance	-	(536,500)	962,449	1,498,949
FUND BALANCE, beginning of year	<u>7,827,979</u>	<u>7,827,979</u>	<u>7,827,979</u>	<u>-</u>
FUND BALANCE, end of year	<u>\$ 7,827,979</u>	<u>\$ 7,291,479</u>	<u>\$ 8,790,428</u>	<u>\$ 1,498,949</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, 2016

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Property taxes	\$ 1,606,000	\$ 1,606,000	\$ 1,654,845	\$ 48,845
County revenue	1,096,400	1,096,400	1,231,074	134,674
State funds	8,150,411	8,150,411	8,244,379	93,968
Federal funds received through state	236,000	261,000	261,448	448
Direct federal funds	3,000	3,000	1,463	(1,537)
Tuition	274,000	274,000	218,086	(55,914)
Interest	32,000	32,000	21,651	(10,349)
Other	26,500	55,500	24,173	(31,327)
Total revenues	<u>11,424,311</u>	<u>11,478,311</u>	<u>11,657,119</u>	<u>178,808</u>
EXPENDITURES				
Current:				
Instruction				
Regular instruction	7,395,874	7,415,874	7,182,228	233,646
Special education	602,543	576,473	576,473	-
Early childhood education	649,911	649,611	649,611	-
Other instruction	11,500	11,500	6,793	4,707
	<u>8,659,828</u>	<u>8,653,458</u>	<u>8,415,105</u>	<u>238,353</u>
Support services				
Instructional support	1,030,083	1,075,478	1,026,481	48,997
Student support	310,321	365,600	348,574	17,026
Administration	1,363,860	1,399,860	1,285,646	114,214
Operation and maintenance of plant	1,223,873	1,223,873	1,104,779	119,094
Transportation	396,823	396,823	343,624	53,199
Other support services	955,523	1,076,544	967,246	109,298
	<u>5,280,483</u>	<u>5,538,178</u>	<u>5,076,350</u>	<u>461,828</u>
Non-instructional services				
Capital outlay	300,000	289,675	758,103	(468,428)
Total expenditures	<u>14,240,311</u>	<u>14,481,311</u>	<u>14,249,558</u>	<u>231,753</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(2,816,000)</u>	<u>(3,003,000)</u>	<u>(2,592,439)</u>	<u>410,561</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of property	-	-	2,201	(2,201)
Transfer from general fund	2,421,000	2,421,000	2,437,600	(16,600)
Transfer to education capital projects fund	-	(1,085,389)	(1,085,389)	-
Transfer to federal projects fund	(95,000)	(95,000)	(71,857)	(23,143)
Total other financing sources (uses)	<u>2,326,000</u>	<u>1,240,611</u>	<u>1,282,555</u>	<u>(41,944)</u>
NET CHANGE IN FUND BALANCE	(490,000)	(1,762,389)	(1,309,884)	452,505
FUND BALANCE, beginning of year	<u>4,915,172</u>	<u>4,915,172</u>	<u>4,915,172</u>	<u>-</u>
FUND BALANCE, end of year	<u>\$ 4,425,172</u>	<u>\$ 3,152,783</u>	<u>\$ 3,605,288</u>	<u>\$ 452,505</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
FEDERAL PROJECTS FUND
Year Ended June 30, 2016**

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Federal funds received through state	\$ 1,134,166	\$ 1,503,836	\$ 1,267,691	\$(236,145)
Direct federal funds	1,105,680	1,794,038	1,162,574	(631,464)
Total revenues	<u>2,239,846</u>	<u>3,297,874</u>	<u>2,430,265</u>	<u>(867,609)</u>
EXPENDITURES				
Current:				
Instruction				
Regular instruction	404,359	1,036,230	804,418	231,812
Special education	335,876	341,872	278,650	63,222
	<u>740,235</u>	<u>1,378,102</u>	<u>1,083,068</u>	<u>295,034</u>
Support services				
Instructional support	1,369,207	1,792,279	1,307,192	485,087
Student support	130,404	127,493	111,862	15,631
	<u>1,499,611</u>	<u>1,919,772</u>	<u>1,419,054</u>	<u>500,718</u>
Total expenditures	<u>2,239,846</u>	<u>3,297,874</u>	<u>2,502,122</u>	<u>795,752</u>
REVENUES OVER (UNDER) EXPENDITURES	-	-	(71,857)	(71,857)
OTHER FINANCING SOURCES (USES)				
Transfer from general purpose school fund	-	-	71,857	71,857
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE, beginning of year	-	-	-	-
FUND BALANCE, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2016

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Conference Center	Sanitation	Total	Internal Service Funds
ASSETS AND DEFERRED OUTFLOWS				
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 15,143	\$ 74,052	\$ 89,195	\$ 79,608
Investments	-	1,689,946	1,689,946	2,948,875
Accounts receivable	2,050	24,132	26,182	5,660
Due from component units	-	108,288	108,288	-
Total current assets	<u>17,193</u>	<u>1,896,418</u>	<u>1,913,611</u>	<u>3,034,143</u>
Capital assets:				
Land	34,500	-	34,500	-
Other capital assets, net	<u>759,896</u>	<u>372,238</u>	<u>1,132,134</u>	<u>2,611,501</u>
Total capital assets	<u>794,396</u>	<u>372,238</u>	<u>1,166,634</u>	<u>2,611,501</u>
Total assets	811,589	2,268,656	3,080,245	5,645,644
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	-	60,088	60,088	-
Total assets and deferred outflows	<u>\$ 811,589</u>	<u>\$ 2,328,744</u>	<u>\$ 3,140,333</u>	<u>\$ 5,645,644</u>
LIABILITIES AND NET POSITION				
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 1,314	\$ 21,611	\$ 22,925	\$ -
Accrued payroll and withholdings	-	7,700	7,700	-
Total current liabilities	1,314	29,311	30,625	-
NET PENSION LIABILITY	-	99,376	99,376	-
Total liabilities	<u>1,314</u>	<u>128,687</u>	<u>130,001</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	794,396	372,238	1,166,634	2,611,501
Unrestricted	<u>15,879</u>	<u>1,827,819</u>	<u>1,843,698</u>	<u>3,034,143</u>
Total net position	<u>810,275</u>	<u>2,200,057</u>	<u>3,010,332</u>	<u>5,645,644</u>
Total liabilities and net position	<u>\$ 811,589</u>	<u>\$ 2,328,744</u>	<u>\$ 3,140,333</u>	<u>\$ 5,645,644</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, 2016

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental</u>
				<u>Activities</u>
	<u>Conference</u>	<u>Sanitation</u>	<u>Total</u>	<u>Internal</u>
	<u>Center</u>			<u>Service</u>
				<u>Funds</u>
OPERATING REVENUES				
Charges for services	\$ -	\$ 932,616	\$ 932,616	\$ 616,100
Rental income	25,785	-	25,785	-
Miscellaneous	-	9,070	9,070	-
Total operating revenues	<u>25,785</u>	<u>941,686</u>	<u>967,471</u>	<u>616,100</u>
OPERATING EXPENSES				
Salaries and employee benefits	6,508	251,926	258,434	-
Operation	12,133	146,440	158,573	-
Maintenance	1,001	16,187	17,188	-
Depreciation	50,580	98,894	149,474	381,743
Landfill services	-	212,254	212,254	-
Total operating expenses	<u>70,222</u>	<u>725,701</u>	<u>795,923</u>	<u>381,743</u>
OPERATING INCOME (LOSS)	<u>(44,437)</u>	<u>215,985</u>	<u>171,548</u>	<u>234,357</u>
NONOPERATING REVENUES				
Interest income	-	6,555	6,555	13,639
Gain on sale of capital assets	-	9,181	9,181	83,850
Total nonoperating revenues	<u>-</u>	<u>15,736</u>	<u>15,736</u>	<u>97,489</u>
CHANGE IN NET POSITION	<u>(44,437)</u>	<u>231,721</u>	<u>187,284</u>	<u>331,846</u>
NET POSITION, beginning of year	<u>854,712</u>	<u>1,968,336</u>	<u>2,823,048</u>	<u>5,313,798</u>
NET POSITION, end of year	<u>\$ 810,275</u>	<u>\$ 2,200,057</u>	<u>\$ 3,010,332</u>	<u>\$ 5,645,644</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, 2016

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental</u>
	<u>Conference</u>	<u>Sanitation</u>	<u>Total</u>	<u>Internal</u>
	<u>Center</u>			<u>Service</u>
				<u>Funds</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 24,455	\$ 921,494	\$ 945,949	\$ 614,823
Payments to employees	(6,045)	(177,740)	(183,785)	-
Payments to suppliers and vendors	(12,407)	(417,817)	(430,224)	-
Other receipts	-	9,070	9,070	-
Net cash provided by operating activities	<u>6,003</u>	<u>335,007</u>	<u>341,010</u>	<u>614,823</u>
CASH FLOWS USED IN NONCAPITAL FINANCING ACTIVITIES				
Payment to pension plan	-	(46,410)	(46,410)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from the sale of capital assets	-	9,181	9,181	93,652
Purchase of capital assets	-	(228,692)	(228,692)	(735,644)
Net cash used in capital and related financing activities	<u>-</u>	<u>(219,511)</u>	<u>(219,511)</u>	<u>(641,992)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment and interest earnings	-	6,555	6,555	9,256
Sale (purchase) of investments	-	(17,412)	(17,412)	95,134
Net cash provided by (used in) investing activities	<u>-</u>	<u>(10,857)</u>	<u>(10,857)</u>	<u>104,390</u>
Net increase in cash and cash equivalents	6,003	58,229	64,232	77,221
Cash and cash equivalents, beginning of year	<u>9,140</u>	<u>15,823</u>	<u>24,963</u>	<u>2,387</u>
Cash and cash equivalents, end of year	<u>\$ 15,143</u>	<u>\$ 74,052</u>	<u>\$ 89,195</u>	<u>\$ 79,608</u>
Reconciliation of operating income to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (44,437)	\$ 215,985	\$ 171,548	\$ 234,357
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	50,580	98,894	149,474	381,743
Pension expense	-	33,887	33,887	-
Changes in assets and liabilities:				
Accounts receivable	(1,329)	(11,122)	(12,451)	(1,277)
Accounts payable and accrued liabilities	<u>1,189</u>	<u>(2,637)</u>	<u>(1,448)</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>\$ 6,003</u>	<u>\$ 335,007</u>	<u>\$ 341,010</u>	<u>\$ 614,823</u>

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, 2016**

ASSETS

Cash	\$ 312
Interest receivable	<u>28,698</u>
	<u>29,010</u>
Investments, at fair value:	
U.S. government and agency securities	1,518,668
Foreign stocks	1,691,213
Foreign bonds and notes	106,634
Corporate bonds	1,965,567
Common stocks	1,420,158
Mutual funds	6,495,331
Money market funds	139,949
Municipal bonds	<u>445,457</u>
Total investments	<u>13,782,977</u>
Total assets	<u>\$ 13,811,987</u>
 NET POSITION	
Net position held in trust for pension benefits	<u>\$ 13,811,987</u>

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

CITY OF ATHENS, TENNESSEE
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
ATHENS PENSION TRUST FUND
FIDUCIARY FUND
Year Ended June 30, 2016

ADDITIONS	
Employer contributions	\$ 1,300,000
Net investment income:	
Interest and dividend income	418,613
Net depreciation in the fair value of investments	<u>(533,013)</u>
Total additions	<u>1,185,600</u>
DEDUCTIONS	
Benefits paid	717,551
Administrative expenses	<u>57,638</u>
Total deductions	<u>775,189</u>
CHANGE IN NET POSITION HELD IN TRUST FOR PENSION BENEFITS	410,411
NET POSITION , held in trust for pension benefits, beginning of year	<u>13,401,576</u>
NET POSITION , held in trust for pension benefits, end of year	<u><u>\$ 13,811,987</u></u>

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

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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, Education Capital 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, 2016

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, fiber optics, 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, 2016

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, 2016

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, deferred outflows, liabilities, deferred inflows, 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, 2016

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, 2016

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, 2016

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.

Education Capital Projects Fund: This fund is used to account for the planned school renovation to accommodate school consolidation. Resources consist of amounts committed by the School Board and amounts to be provided by the City through property tax and/or sales tax.

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, 2016

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, 2016

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, General Purpose School Fund, and Federal Projects 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, 2016

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, 2016

Note 1. Summary of Significant Accounting Policies (continued)

G. Inventories (continued)

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

H. Capital Assets

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

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

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

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

Component Unit - Athens Utilities Board:

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

The composite straight-line depreciation rate, expressed as a percentage of average depreciable plant, property and equipment, ranged from 2.72 to 3.10 percent in 2016. 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, 2016

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, 2016

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, 2016

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, 2016

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, 2015, was \$402,902,878 based upon a reappraisal completed for the list as of January 1, 2015. The estimated actual value was \$1,274,027,002 making the total assessed value 31.62 percent of the total actual value.

Taxes were levied at a rate of \$1.4770 per \$100 of assessed value. Current tax collections of \$5,729,519 for the fiscal year ended June 30, 2016, were 94 percent of the 2015 tax levy. An allowance has been established for delinquent taxes to the extent that their collectability is improbable. The allowance at June 30, 2016, for the 2015 tax levy was \$58,493.

The 2016 taxes were levied at a rate of \$1.3628 per \$100 of assessed value and have been recorded as a receivable at June 30, 2016. An allowance for doubtful collection of \$50,000 has been estimated and established for this levy at June 30, 2016. There are no current tax collections related to the 2016 levy.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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, 2016:

General Fund	\$ 108,493
General Purpose School Fund	120,401

O. Employee Retirement Plans

Employee Retirement Plan. Investments are reported at fair value. Asset statements are provided by Branch Banking and Trust Company.

Public Employee Retirement Plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of Athens City Board of Education's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Athens City Board of Education's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan. Investments are reported at fair value.

Teachers Legacy Plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Teacher Legacy Pension Plan in the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the TCRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Teacher Legacy Pension Plan. Investments are reported at fair value.

Teacher Retirement Plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Teacher Retirement Plan in the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the TCRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Teacher Retirement Plan. Investments are reported at fair value.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 2. Capital Assets

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

	At City of Athens			
	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Capital assets being depreciated:				
Buildings and improvements	\$ 6,495,984	\$ -	\$ -	\$ 6,495,984
Infrastructure	9,150,797	242,892	-	9,393,689
Furniture and office equipment	958,857	28,843	6,225	981,475
Machinery and equipment	<u>7,059,584</u>	<u>921,274</u>	<u>571,582</u>	<u>7,409,276</u>
Total depreciable capital assets	<u>23,665,222</u>	<u>1,193,009</u>	<u>577,807</u>	<u>24,280,424</u>
Accumulated depreciation:				
Buildings and improvements	3,974,405	129,326	-	4,103,731
Infrastructure	3,459,597	238,664	-	3,698,261
Furniture and office equipment	493,162	71,823	5,798	559,187
Machinery and equipment	<u>4,458,166</u>	<u>493,197</u>	<u>560,127</u>	<u>4,391,236</u>
Total accumulated depreciation	<u>12,385,330</u>	<u>933,010</u>	<u>565,925</u>	<u>12,752,415</u>
Net depreciable capital assets	<u>11,279,892</u>	<u>259,999</u>	<u>11,882</u>	<u>11,528,009</u>
Capital assets not being depreciated:				
Land	3,008,070	-	-	3,008,070
Construction in progress	<u>752,378</u>	<u>136,226</u>	<u>345,011</u>	<u>543,593</u>
Nondepreciable capital assets	<u>3,760,448</u>	<u>136,226</u>	<u>345,011</u>	<u>3,551,663</u>
Net capital assets	<u>\$ 15,040,340</u>	<u>\$ 396,225</u>	<u>\$ 356,893</u>	<u>\$ 15,079,672</u>

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 2. Capital Assets (continued)

	At Board of Education			
	Balance July 1, 2015	Additions	Deletions	
Capital assets being depreciated:				
Buildings and improvements	\$ 14,043,978	\$ 773,174	\$ -	\$ 14,817,152
Infrastructure	23,200	-	-	23,200
Furniture, equipment, and vehicles	<u>2,979,290</u>	<u>26,705</u>	<u>207,420</u>	<u>2,798,575</u>
Total depreciable capital assets	<u>17,046,468</u>	<u>799,879</u>	<u>207,420</u>	<u>17,638,927</u>
Accumulated depreciation:				
Buildings and improvements	9,562,822	285,517	-	9,848,339
Infrastructure	19,118	1,681	-	20,799
Furniture, equipment, and vehicles	<u>2,449,658</u>	<u>169,767</u>	<u>203,596</u>	<u>2,415,829</u>
Total accumulated depreciation	<u>12,031,598</u>	<u>456,965</u>	<u>203,596</u>	<u>12,284,967</u>
Net depreciable capital assets	<u>5,014,870</u>	<u>342,914</u>	<u>3,824</u>	<u>5,353,960</u>
Capital assets not being depreciated:				
Land	213,486	-	-	213,486
Construction in progress	<u>100,586</u>	<u>748,166</u>	<u>768,922</u>	<u>79,830</u>
Nondepreciable capital assets	<u>314,072</u>	<u>748,166</u>	<u>768,922</u>	<u>293,316</u>
Net capital assets	<u>\$ 5,328,942</u>	<u>\$ 1,091,080</u>	<u>\$ 772,746</u>	<u>\$ 5,647,276</u>

	Total Governmental Activities Capital Assets			
	Balance July 1, 2015	Additions	Deletions	
Capital assets being depreciated:				
Buildings and improvements	\$ 20,539,962	\$ 773,174	\$ -	\$ 21,313,136
Infrastructure	9,173,997	242,892	-	9,416,889
Furniture and office equipment	3,938,147	55,548	213,645	3,780,050
Machinery and equipment	<u>7,059,584</u>	<u>921,274</u>	<u>571,582</u>	<u>7,409,276</u>
Total depreciable capital assets	<u>40,711,690</u>	<u>1,992,888</u>	<u>785,227</u>	<u>41,919,351</u>
Accumulated depreciation:				
Buildings and improvements	13,537,227	414,843	-	13,952,070
Infrastructure	3,478,715	240,345	-	3,719,060
Furniture and office equipment	2,942,820	241,590	209,394	2,975,016
Machinery and equipment	<u>4,458,166</u>	<u>493,197</u>	<u>560,127</u>	<u>4,391,236</u>
Total accumulated depreciation	<u>24,416,928</u>	<u>1,389,975</u>	<u>769,521</u>	<u>25,037,382</u>
Net depreciable capital assets	<u>16,294,762</u>	<u>602,913</u>	<u>15,706</u>	<u>16,881,969</u>
Capital assets not being depreciated:				
Land	3,221,556	-	-	3,221,556
Construction in progress	<u>852,964</u>	<u>884,392</u>	<u>1,113,933</u>	<u>623,423</u>
Nondepreciable capital assets	<u>4,074,520</u>	<u>884,392</u>	<u>1,113,933</u>	<u>3,844,979</u>
Net capital assets	<u>\$ 20,369,282</u>	<u>\$ 1,487,305</u>	<u>\$ 1,129,639</u>	<u>\$ 20,726,948</u>

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 2. Capital Assets (continued)

	Total Business-Type Activities Capital Assets			
	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
<u>Business-Type Activities</u>				
Capital assets being depreciated:				
Buildings and improvements	\$ 1,517,930	\$ -	\$ -	\$ 1,517,930
Furniture and office equipment	29,864	-	-	29,864
Machinery and equipment	<u>1,635,668</u>	<u>228,691</u>	<u>86,732</u>	<u>1,777,627</u>
Total depreciable capital assets	<u>3,183,462</u>	<u>228,691</u>	<u>86,732</u>	<u>3,325,421</u>
Accumulated depreciation:				
Buildings and improvements	707,453	50,580	-	758,033
Furniture and office equipment	29,864	-	-	29,864
Machinery and equipment	<u>1,393,228</u>	<u>98,894</u>	<u>86,732</u>	<u>1,405,390</u>
Total accumulated depreciation	<u>2,130,545</u>	<u>149,474</u>	<u>86,732</u>	<u>2,193,287</u>
Net depreciable capital assets	1,052,917	79,217	-	1,132,134
Capital assets not being depreciated:				
Land	<u>34,500</u>	<u>-</u>	<u>-</u>	<u>34,500</u>
Net capital assets	<u>\$ 1,087,417</u>	<u>\$ 79,217</u>	<u>\$ -</u>	<u>\$ 1,166,634</u>

Depreciation expense was charged to functions as follows:

Governmental Activities	
General government	\$ 60,735
Public safety	287,812
Highways and streets	444,878
Culture and recreation	139,585
Schools:	
Regular instruction	99,242
Administration	24,093
Operation and maintenance	6,523
Transportation	26,039
Food services	5,188
Unallocated depreciation	<u>295,880</u>
	<u>\$ 1,389,975</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>98,894</u>
	<u>\$ 149,474</u>

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 2. Capital Assets (continued)

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

Utilities Board:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
Capital assets being depreciated:				
Plant in service	\$ 135,466,243	\$ 3,497,016	\$ 863,786	\$ 138,099,473
Equipment and furniture	6,579,199	466,894	423,325	6,622,768
Transportation equipment	<u>3,414,201</u>	<u>872,532</u>	<u>385,494</u>	<u>3,901,239</u>
Total depreciable capital assets	<u>145,459,643</u>	<u>4,836,442</u>	<u>1,672,605</u>	<u>148,623,480</u>
Accumulated depreciation:				
Plant in service	51,972,530	4,028,767	1,114,555	54,886,742
Equipment and furniture	4,078,564	409,054	424,305	4,063,313
Transportation equipment	<u>2,390,802</u>	<u>317,804</u>	<u>383,106</u>	<u>2,325,500</u>
Total accumulated depreciation	<u>58,441,896</u>	<u>4,755,625</u>	<u>1,921,966</u>	<u>61,275,555</u>
Net depreciable capital assets	<u>87,017,747</u>	<u>80,817</u>	<u>(249,361)</u>	<u>87,347,925</u>
Capital assets not being depreciated:				
Land	799,253	-	-	799,253
Construction in progress	<u>15,795,799</u>	<u>10,449,021</u>	<u>5,497,441</u>	<u>20,747,379</u>
Nondepreciable capital assets	<u>16,595,052</u>	<u>10,449,021</u>	<u>5,497,441</u>	<u>21,546,632</u>
Net capital assets	<u>\$ 103,612,799</u>	<u>\$10,529,838</u>	<u>\$ 5,248,080</u>	<u>\$ 108,894,557</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	\$ 1,673,018	\$ 112,967	\$ 1,785,985
Water Division	712,387	64,480	776,867
Gas Division	455,106	74,213	529,319
Department of Sewer	<u>1,600,612</u>	<u>72,598</u>	<u>1,673,210</u>
	<u>\$ 4,441,123</u>	<u>\$ 324,258</u>	<u>\$ 4,765,381</u>

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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>6/30/15</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/16</u>	<u>Due</u> <u>within</u> <u>one year</u>
City of Athens:					
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, at month end	\$2,380,000	\$ -	\$ 770,000	\$ 1,610,000	\$ 793,000
Compensated absences	<u>254,160</u>	<u>226,918</u>	<u>243,922</u>	<u>237,156</u>	<u>158,112</u>
	2,634,160	226,918	1,013,922	1,847,156	951,112
Board of Education:					
Sick leave	<u>84,252</u>	<u>14,099</u>	<u>35,417</u>	<u>62,934</u>	<u>38,801</u>
Total	<u>\$2,718,412</u>	<u>\$ 241,017</u>	<u>\$1,049,339</u>	<u>\$ 1,910,090</u>	<u>\$ 989,913</u>

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

Sick leave liability is 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 0.42 percent at June 30, 2016.

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

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	793,000	4,514	797,514
2018	<u>817,000</u>	<u>2,290</u>	<u>819,290</u>
Total	<u>\$ 1,610,000</u>	<u>\$ 6,804</u>	<u>\$ 1,616,804</u>

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 3. Long-Term Debt (continued)

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

Utilities Board:

	Balance <u>6/30/15</u>	<u>Additions</u>	<u>Payments</u>	Balance <u>6/30/16</u>	Due within <u>one year</u>
Revenue and tax bonds	\$ 1,637,774	\$ -	\$ 355,242	\$ 1,282,532	\$ 23,495
Notes payable	25,438,946	239,071	995,540	24,682,477	1,015,402
TVA advances	<u>1,308</u>	<u>-</u>	<u>1,308</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 27,078,028</u>	<u>\$ 239,071</u>	<u>\$ 1,352,090</u>	<u>\$ 25,965,009</u>	<u>\$ 1,038,897</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 certain Water Division notes 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, 2016.

The Athens Utilities Board has debt issues with outstanding balances totaling \$25,743,729, 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>
2017	\$ 1,038,897	\$ 265,180	\$ 1,304,077
2018	953,111	254,325	1,207,436
2019	1,525,932	243,945	1,769,877
2020	1,535,204	230,143	1,765,347
2021	1,545,651	216,148	1,761,799
2022-2026	7,886,434	863,577	8,750,011
2027-2031	8,183,878	481,018	8,664,896
2032-2036	2,511,516	167,889	2,679,405
2037-2041	394,692	84,907	479,599
2042-2046	283,611	41,349	324,960
2047-2051	<u>106,083</u>	<u>3,034</u>	<u>109,117</u>
	<u>\$ 25,965,009</u>	<u>\$ 2,851,515</u>	<u>\$ 28,816,524</u>

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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, 2016, all the City's deposits were insured or collateralized.

Board of Education:

At June 30, 2016, all cash deposits of the Board were insured or collateralized in accordance with state statutes.

Component unit

At June 30, 2016, 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, 2016

Note 4. Cash Deposits and Investments (continued)

Investments (continued):

Primary government (continued)

As of June 30, 2016, the City had \$17,112,334 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. At June 30, 2016, the investments of the LGIP had a weighted average maturity of 92 days. Investments in the LGIP are reported at fair value. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with SEC Rule 2a7 of the Investment Company Act of 1940. Accordingly, the pool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. 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, 2016, the Cemetery Perpetual Care Fund's investments consisted of the following:

	<u>Fair Value</u>
Money market funds	\$ 47
Mutual funds	<u>214,090</u>
	<u>\$ 214,137</u>

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

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 4. Cash Deposits and Investments (continued)

Investments (continued):

Primary government (continued)

Athens Pension Trust Fund:

As of June 30, 2016, the Pension Trust Fund's investments consisted of the following:

	<u>Weighted Average Maturity</u>	<u>Fair Value</u>
U.S. government and agency securities	3.82 years	\$ 1,518,668
Foreign stocks	N/A	1,691,213
Foreign bonds and notes	4.79 years	106,634
Corporate bonds	4.81 years	1,965,567
Common stocks	N/A	1,420,158
Mutual funds	N/A	6,495,331
Money market funds	N/A	139,949
Municipal bonds	4.91 years	<u>445,457</u>
		<u>\$ 13,782,977</u>

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

GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 4. Cash Deposits and Investments (continued)

Investments (continued):

Primary government (continued)

The three levels of the fair value hierarchy under GAAP are described below:

- **Level 1** – Unadjusted quoted prices in active markets for identical assets or liabilities the City has the ability to access.
- **Level 2** – Inputs (other than quoted prices within Level 1) such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or other inputs that can be corroborated by observable market data.
- **Level 3** – Inputs which are unobservable for the asset or liability and rely on management's own assumptions that market participants would use in pricing the asset or liability.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. In determining fair value, the City utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2016.

For the City, Level 1 investments are value using prices quoted in active markets for those investments. Level 2 investments are valued based on the investments relationship to benchmark quoted prices. Level 3 investments are valued using either a discounted cash flow or market comparable entities technique.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the City believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at reporting date.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 4. Cash Deposits and Investments (continued)

Investments (continued):

Primary government (continued)

The following table sets forth the fair value hierarchy, by level, of the city's assets at fair value as of June 30, 2016:

<u>Investment type</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Athens Pension Trust Fund:				
U.S. government and agency securities	\$ 1,518,668	\$ 1,518,668	\$ -	\$ -
Foreign stocks	1,691,213	1,691,213	-	-
Foreign bonds and notes	106,634	-	106,634	-
Corporate bonds	1,965,567	-	1,965,567	-
Common stocks	1,420,158	1,420,158	-	-
Mutual funds	6,495,331	-	6,495,331	-
Municipal bonds	445,457	-	445,457	-
Money market mutual funds	139,949	-	139,949	-
	<u>13,782,977</u>	<u>4,630,039</u>	<u>9,152,938</u>	<u>-</u>
Cemetery Perpetual Fund:				
Mutual funds	214,090	-	214,090	-
Money market mutual funds	47	-	47	-
	<u>214,137</u>	<u>-</u>	<u>214,137</u>	<u>-</u>
	<u>\$ 13,997,114</u>	<u>\$ 4,630,039</u>	<u>\$ 9,367,075</u>	<u>\$ -</u>

Note 5. Interfund Transactions

Interfund Balances:

At June 30, 2016, the General Purpose School Fund had interfund receivables that consist of \$338,766 due from the Federal Projects Fund and \$332,000 due from the General Fund. In addition, the General Purpose School Fund had an interfund payable to the General Fund of \$2,943.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 5. Interfund Transactions (continued)

Interfund Transfers:

Interfund transfers during the year consisted of the General Fund transferring \$2,437,600 to the Board of Education General Purpose Fund and \$1,215,000 to the Debt Service Fund and \$500,000 to Capital Projects 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.

At June 30, 2016, the General Purpose School Fund has interfund transfers of \$1,085,389 to Education Capital Projects Fund and \$71,857 to Federal Project Fund.

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, 2016, the Utilities Board has a due from the primary government of \$49,860 and a due to the primary government of \$108,288.

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	\$ 45,764,330	\$ 3,359,921	\$ 49,124,251
Accumulated depreciation	(25,037,382)	(2,193,287)	(27,230,669)
Debt related to acquisition and construction of capital assets	<u>(1,610,000)</u>	<u>-</u>	<u>(1,610,000)</u>
Net investment in capital assets	19,116,948	1,166,634	20,283,582
Restricted	1,037,679	-	1,037,679
Unrestricted	<u>19,379,552</u>	<u>1,843,698</u>	<u>21,223,250</u>
Total net position	<u>\$ 39,534,179</u>	<u>\$ 3,010,332</u>	<u>\$ 42,544,511</u>

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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

Fund Balances:

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

Nonspendable	
General Fund-Inventory	\$ 103,701
Prepaid items	62,077
Centralized Cafeteria Fund-Inventory	9,981
General Purpose School Fund-Prepaid items	146,455
Cemetery Perpetual Care Fund-Nonexpendable	<u>47,283</u>
Total nonspendable fund balances	<u>369,497</u>
Restricted	
General Fund-Nonrecurring law enforcement	108,395
General Purpose School Fund-Education	509,549
Cemetery Perpetual Care Fund-Expendable	166,854
Drug Fund	<u>191,673</u>
Total restricted fund balances	<u>976,471</u>
Committed	
General Fund-Police benefit	20,673
Capital Improvement Fund-Capital improvements	2,636,935
Education Capital Projects Fund-Education capital projects	1,024,247
Drug Fund	<u>12,483</u>
Total committed fund balances	<u>3,694,338</u>
Assigned	
General Purpose School Fund-Education	2,949,284
Debt Service Fund-Debt service	2,897,841
Centralized Cafeteria Fund	<u>261,467</u>
Total assigned fund balances	<u>6,108,592</u>
Unassigned	
General Fund	<u>8,495,582</u>
Total fund balances	<u>\$ 19,644,480</u>

Included in the fund balance classifications are the following encumbrances:

General Purpose School Fund	\$100,344
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Utilities Board

Net position of the Utilities Board consist of the following:

Net investment in capital assets	\$ 82,827,969
Unrestricted	<u>23,543,842</u>
	<u>\$ 106,371,811</u>

**CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

Note 8. Employee Retirement Plans

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

Employee Retirement Plan

Plan Description

Plan Administration: The City of Athens, Tennessee Pension Plan is a single employer defined benefit pension plan that provides pensions to all eligible employees hired by the City prior to July 1, 2010. The City Council has the authority under the Plan to establish contribution rates, change benefit terms, or amend the Plan. A three-member committee is charged with the general administration of the Plan and carrying out the provisions of the Plan. The Committee works in conjunction with the Plan’s Trustee, Branch Banking and Trust Company (BB&T). The Committee consists of the Mayor, the City Manager, and a private city resident appointed by the City Council.

Plan Membership:

	<u>January 1, 2016</u>
Inactive Plan participants or beneficiaries currently receiving benefits	55
Inactive Plan participants entitled to deferred benefits	32
Active vested Plan participants	63
Active non-vested Plan participants	<u>-</u>
Total	<u>150</u>

The Plan does not issue a stand-alone financial report. The Plan is frozen and no new participants may enter if not hired by June 30, 2010. Individuals hired after June 30, 2010, are eligible to participate in the City of Athens 401(a) Retirement Plan, discussed later, after the probationary period.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 8. Employee Retirement Plans (continued)

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

Employee Retirement Plan (continued)

Plan Provisions: Plan provisions in effect at June 30, 2016.

Eligibility and Benefits

Requirements Minimum months of service: 12
 Entry Dates Day requirements are met. *The plan is frozen to anyone not hired by 6/30/10.*

Normal Retirement Date (NRD) First day of the month coinciding with or next following attainment of age 65 and 5 years of continuous service.

Normal Retirement Benefit

Benefit Formula The annual normal retirement benefit, based on service to normal retirement date, is equal to the sum of (a) and (b) below

- a) 30% 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 6/30/1999, plus
- b) 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.

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

The minimum annual benefit is greater of (1) \$42 per year of service not to exceed 35 years, (2) the accrued benefit under the formula as of June 30, 1976, or (3) the accrued benefit under the formula as of June 30, 1998.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 8. Employee Retirement Plans (continued)

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

Employee Retirement Plan (continued)

<u>Average Compensation</u>	Average annual compensation, including overtime and bonuses, paid during the highest five consecutive calendar years of a participant's continuous service (from January 1, 1975, on) or during all continuous service if less than five years.
<u>Continuous Service</u>	A participant's employment with the employer from the date he most recently entered such service until the date such service ends due to a participant's retirement, death, or other termination of service.
<u>Benefit Accrual Service</u>	All continuous service while an employee completed as whole years and 1/12th fraction for each completed month of continuous service.
<u>Normal Form of Benefit</u>	Single life annuity.
<u>Accrued Benefit</u>	Normal retirement benefit assuming service to NRD multiplied by the number of years of credited service at termination divided by credited service projected to NRD.
<u>Early Retirement Benefit</u>	Minimum Age: 55 Minimum Service: 15 Years Benefit Amount. Accrued benefit, reduced by 1/15 for each of the first five years and 1/30 for each of the next five years by which early retirement precedes normal retirement. Participants age 62 with 15 years of service or age 55 with 25 years of service are eligible for an unreduced benefit.
<u>Delayed Retirement</u>	Upon the death of a participant after his NRD but before his actual retirement date, it will be presumed he had retired at his NRD and elected a benefit for 120 months certain and life thereafter payable.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 8. Employee Retirement Plans (continued)

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

Employee Retirement Plan (continued)

Pre-Retirement Death Benefit Effective January 1, 2009:

Minimum Age: 45

Minimum Service: 10 Years

Prior to January 1, 2009:

Minimum Age: 55

Minimum Service: 15 Years

It will be assumed that an eligible participant who dies before his NRD, had retired on the day prior to death and elected a 50% prior to January 1, 2009, Joint & Survivor annuity.

Disability Benefit

A totally and permanently disabled participant with 10 years of continuous service may retire and receive his accrued benefit on the day of disability, reduced 1/15 for each of the first 5 and 1/30 for each of the next 5 years by which disability precedes NRD and actuarially reduce for each additional year.

Vested Termination Benefit

Upon termination after 5 or more years of service, a participant shall be 100% vested in his accrued benefit.

Vesting Service

All continuous service with the employer. If an employee who is a participant terminates employment and is re-employed by the employer after June 30, 2010, the employee's vesting service completed after June 30, 2010, may count for vesting purposes, subject to the Plan's break in service rules.

Contribution Required

The City Council established contributions based on an actuarially determined contribution calculated by an independent actuary. The actuarially determined contribution is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the actuarially determined rate.

**CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

Note 8. Employee Retirement Plans (continued)

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

Employee Retirement Plan (continued)

Actuarially determined contributions to the Plan are determined each year as part of the actuarial valuation process. These contributions are determined according to the following contribution policy:

Actuarial Cost Method:	Individual entry age normal, level percentage of pay
Asset Valuation Method:	Market value of plan assets adjusted to phase in asset gains and losses over a five-year period at a rate of 20% per year. Valuation assets are further limited to a 20% corridor around market value.
Amortization Method:	The amortization policy shall be that the Plan's normal cost plus a 30-year amortization of the unfunded liability as of January 1, 2015. The amortization period for experience gains and losses shall be 10 years from the date of the actuarial valuation.

Investments

Investment Policy: The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the City of Athens by a majority vote of its members. It is the policy of the City to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The Plan Trustee, Branch Banking and Trust Company, is responsible for implementing the investment policy. The following was the Board's adopted asset allocation as of June 30, 2016:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	44.0%
International equity	14.0
Fixed income	30.0
Diversity assets	7.0
Real estate	3.0
Cash	<u>2.0</u>
	<u>100.0%</u>

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 8. Employee Retirement Plans (continued)

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

Employee Retirement Plan (continued)

Rate of return: For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was (0.85) percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the City

The components of the net pension liability at June 30, 2016, was as follows:

Total pension liability	\$ 16,567,946
Plan fiduciary net position	13,811,987
City net pension liability	<u>\$ 2,755,959</u>
Plan fiduciary net position as a percentage of the total pension liability	83.37%
Covered payroll	\$ 3,067,660
Net pension liability as a percentage of covered payroll	89.84%

The Plan's fiduciary net position is reported in the Pension Trust Fund as of June 30, 2016. The City's net pension liability is reported in the government-wide activities and enterprise funds as of the measurement date of June 30, 2016.

Actuarial Assumptions for Calculation of the Net Pension Liability

Measurement Date – June 30, 2016

Valuation Date – January 1, 2016

Mortality – Pre-Retirement: 2014 IRS Combined Static Mortality Table

Post-Retirement: Tennessee Consolidated Retirement System Mortality Table

Discount Rate – 7.00% per annum

Inflation – 2.00% per annum

Salary Projection – 3.00% per annum

Cost of Living Increase – N/A

**CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

Note 8. Employee Retirement Plans (continued)

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

Employee Retirement Plan (continued)

Retirement age – Terminated Vested participants are assumed to retire at Age 65. Active participants are assumed to retire at the following rates:

<u>Age</u>	<u>Rate</u>
55-61	5.0%
62	75.0
63-64	50.0
65	100.0

Withdrawal rates – Crocker, Sarason, and Straight, Table T-7

Disability rates – None

Long-Term Expected Rate of Return on Pension Plan Investments

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016, (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	7.8%
International equity	8.2
Fixed income	3.6
Diversifying assets	5.9
Real estate	6.3
Cash	1.2

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 8. Employee Retirement Plans (continued)

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

Employee Retirement Plan (continued)

Discount rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumes that plan member contributions will be made at the current contribution rate and the City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those 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.

The discount rate is the single rate that reflects (1) the long-term expected rate of return on Plan investments that are expected to be used to finance the payment of benefits, to the extent that the Plan's fiduciary net position is projected to be sufficient to make projected benefit payments and Plan assets are expected to be invested using a strategy to achieve that return, and (2) a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another scale), to the extent that the conditions for use of the long-term expected rate of return are not met.

The projected cash flows are used to project the Plan's fiduciary net position at the beginning of each period. The Plan's projected fiduciary net position at the beginning of each period is compared to the amount of benefit payments projected to occur in that period. It is assumed that the Plan's fiduciary net position is expected to always be invested using a strategy to achieve the long-term expected rate of return on Plan investments. The benefit payments that are projected to occur in a period are discounted using the long-term expected rate of return on Plan investments if the amount of the Plan's beginning fiduciary net position is projected to be sufficient to make the benefit payments in that period. In periods in which the benefit payments are projected to be greater than the amount of the Plan's fiduciary net position, they are discounted using a municipal bond rate as described in the paragraph above.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

	<u>1% Decrease</u> <u>(6.00%)</u>	<u>Current Discount</u> <u>Rate (7.00%)</u>	<u>1% Increase</u> <u>(8.00%)</u>
City of Athens' Net Pension Liability - June 30, 2016	\$ 4,532,677	\$ 2,755,959	\$ 1,239,809

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 8. Employee Retirement Plans (continued)

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

Employee Retirement Plan (continued)

Additional Defined Benefit Plan disclosures for the City of Athens

The Defined Benefit Plan disclosures represent required disclosures for plans under GASB No. 67 “Financial Reporting for Pension Plans.” Certain of these disclosures also pertain to the employer. GASB No. 68 “Accounting and Financial Reporting for Pensions” requires additional employer disclosures not covered elsewhere as follows:

Additional City disclosures are made as of the measurement date, June 30, 2016, elected by the City under GASB No. 68.

The changes in the City’s net pension liability are as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
	<u>(a)</u>	<u>(b)</u>	<u>(a) - (b)</u>
Balances at June 30, 2015	\$ 15,669,311	\$ 13,401,576	\$ 2,267,735
Changes for the year:			
Service cost	202,251	-	202,251
Interest	1,086,325	-	1,086,325
Differences between expected and actual experience	327,458	-	327,458
Changes of assumptions	-	-	-
Contributions-Employer	-	1,300,000	(1,300,000)
Net investment income	-	(116,640)	116,640
Benefit payments	(717,399)	(717,399)	-
Administrative expensed	-	(55,550)	55,550
Net changes	<u>898,635</u>	<u>410,411</u>	<u>488,224</u>
Balances at June 30, 2016	<u>\$ 16,567,946</u>	<u>\$ 13,811,987</u>	<u>\$ 2,755,959</u>

The City recognized pension expense as follows under the City’s defined benefit plan.

	Governmental Activities	Sanitation	Total
	<u>(a)</u>	<u>(b)</u>	<u>(a) + (b)</u>
Pension expense	\$ 915,330	\$ 33,887	\$ 949,217

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 8. Employee Retirement Plans (continued)

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

Employee Retirement Plan (continued)

For the measurement period ended June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 239,982	\$ -
Changes of assumptions	128,695	-
Net difference between projected and actual earnings on pension plan investments	<u>1,312,084</u>	<u>-</u>
Total	<u>\$ 1,680,761</u>	<u>\$ -</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ (561,336)
2018	(537,923)
2019	(366,925)
2020	(214,577)

Defined Contribution Plan:

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 \$37,972 during 2016.

**CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

Note 8. Employee Retirement Plans (continued)

Primary Government (Board of Education employees):

Public Employee Retirement Plan

Plan description. Certain non-teacher employees of Athens City Board of Education are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapter 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits provided. Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service.

Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10% and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3%, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees covered by benefit terms. At the measurement date of June 30, 2015, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	58
Inactive employees entitled to but not yet receiving benefits	87
Active employees	<u>87</u>
	<u>232</u>

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 8. Employee Retirement Plans (continued)

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

Public Employee Retirement Plan (continued)

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5% of salary. Athens City Board of Education makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, the Actuarially Determined Contribution (ADC) for Athens City Board of Education was \$158,450 based on a rate of 8.32% of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Athens City Board of Education's state shared taxes if required employer contributions are not remitted. The employer's ADC and member contributions are expected to finance the cost of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

Athens City Board of Education's net pension liability (asset) was measured as of June 30, 2015, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total pension liability as of June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	Graded salary ranges from 8.97% to 3.71% based on age, including inflation, averaging 4.25%
Investment rate of return	7.5%, net of pension plan investment expenses, including inflation
Cost of living adjustment	2.5%

Mortality rates were based on actual experience from the June 30, 2012, actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2015, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008, through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 8. Employee Retirement Plans (continued)

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

Public Employee Retirement Plan (continued)

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012, actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3%. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	6.46 %	33.00 %
Developed market international equity	6.26	17.00
Emerging market international equity	6.40	5.00
Private equity and strategic lending	4.61	8.00
U.S. fixed income	0.98	29.00
Real estate	4.73	7.00
Short-term securities	0.00	1.00
		<u>100.00 %</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5% based on a blending of the three factors described above.

Discount rate. The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from Athens City Board of Education will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive 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.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 8. Employee Retirement Plans (continued)

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

Public Employee Retirement Plan (continued)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Assets) (a)-(b)
Balance at 6/30/14	\$ 6,228,881	\$ 6,401,447	\$ (172,566)
Changes for the year:			
Service cost	192,930	-	192,930
Interest	470,972	-	470,972
Differences between expected and actual experience	108,969	-	108,969
Contributions - Employer	-	158,450	(158,450)
Contributions - Employees	-	95,605	(95,605)
Net investment income	-	196,626	(196,626)
Benefit payments, including refunds of employee contributions	(284,381)	(284,381)	-
Administrative expense	-	(4,335)	4,335
Net changes	488,490	161,965	326,525
Balance at 6/30/15	<u>\$ 6,717,371</u>	<u>\$ 6,563,412</u>	<u>\$ 153,959</u>

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of Athens City Board of Education calculated using the discount rate of 7.5%, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.5) or one percentage point higher (8.5) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
	Athens City Board of Education's proportionate share of the net pension liability (asset)	\$ 977,764	\$ 153,959

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 8. Employee Retirement Plans (continued)

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

Public Employee Retirement Plan (continued)

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension expense. For the year ended June 30, 2016, Athens City Board of Education recognized pension expense of \$37,557.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2016, Athens City Board of Education reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 87,175	\$ 102,086
Net difference between projected and actual earnings on pension plan investments	225,746	301,405
Contributions subsequent to the measurement date of June 30, 2015	<u>164,236</u>	<u>-</u>
Total	<u>\$ 477,157</u>	<u>\$ 403,491</u>

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2015,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2017	\$ (56,266)
2018	(56,266)
2019	(56,266)
2020	78,228

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 8. Employee Retirement Plans (continued)

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

Teacher Legacy Pension Plan

Plan description. Teachers with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014, of Athens City Board of Education are provided with pensions through the Teacher Legacy Pension Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by Local Education Agencies (LEAs) after June 30, 2014. The Teachers Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits provided. Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 55 and vested. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10% and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3%, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Legacy Pension Plan, benefit terms and conditions, including COLAs, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 8. Employee Retirement Plans (continued)

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

Teacher Legacy Pension Plan (continued)

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5% of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by Athens City Board of Education for the year ended June 30, 2016, to the Teacher Legacy Pension Plan were \$656,549 which is 9.10% of covered payroll. The employer rate, when combined with member contributions, is expected to finance the cost of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Liabilities (Assets), Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension liability (asset). At June 30, 2016, the Athens City Board of Education reported a liability of \$78,562 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Athens City Board of Education's proportion of the net pension liability was based on Athens City Board of Education's employer share of contributions to the pension plan, relative to the contributions of all participating LEAs. At the June 30, 2015 measurement date, Athens City Board of Education's proportion was 0.191783%. The proportion measured as of June 30, 2014, was 0.188902%.

Pension income. For the year ended June 30, 2016, Athens City Board of Education recognized a pension income (negative pension expense) of \$35,851.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 8. Employee Retirement Plans (continued)

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

Teacher Legacy Pension Plan (continued)

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2016, Athens City Board of Education reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 63,048	\$ 1,222,812
Net difference between projected and actual earnings on pension plan investments	1,418,564	1,925,778
Changes in proportion of net pension liability (asset)	152,371	-
LEA's contributions subsequent to the measurement date of June 30, 2015	<u>656,549</u>	<u>-</u>
Total	<u>\$ 2,290,532</u>	<u>\$ 3,148,590</u>

Athens City Board of Education employer contributions of \$656,549, reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as an increase in net pension liability (asset) in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2017	\$ (488,763)
2018	(488,763)
2019	(488,763)
2020	153,162
2021	(201,480)

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

**CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

Note 8. Employee Retirement Plans (continued)

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

Teacher Legacy Pension Plan (continued)

Actuarial assumptions. The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 %
Salary increases	Graded salary ranges from 8.97% to 3.71% based on age, including inflation, averaging 4.25%
Investment rate of return	7.5%, net of pension plan investment expenses, including inflation
Cost of living adjustment	2.5%

Mortality rates are customized based on the June 30, 2012, actuarial experience study and included some adjustment for expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2015, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008, through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012, actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by target asset allocation percentage and by adding inflation of 3%. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 8. Employee Retirement Plans (continued)

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

Teacher Legacy Pension Plan (continued)

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	6.46 %	33.00 %
Developed market international equity	6.26	17.00
Emerging market international equity	6.40	5.00
Private equity and strategic lending	4.61	8.00
U.S. fixed income	0.98	29.00
Real estate	4.73	7.00
Short-term securities	0.00	1.00
		<u>100.00 %</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees at 7.5% based on a blending of the three factors described above.

Discount rate. The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the all LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive 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.

Sensitivity of the proportionate share of net pension liability (asset) to changes in the discount rate. The following presents Athens City Board of Education's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5%, as well as what Athens City Board of Education's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.5) or one percentage point higher (8.5) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Athens City Board of Education's proportionate share of the net pension liability (asset)	\$ 5,356,017	\$ 78,562	\$ 4,290,551

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 8. Employee Retirement Plans (continued)

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

Teacher Retirement Plan

Plan description. Teachers with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014, of Athens City Board of Education are provided with pensions through the Teacher Legacy Pension Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan is closed to new membership. Teachers with membership in the TCRS after June 30, 2014, are provided with pensions through a legally separate plan referred to as the Teacher Retirement Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits provided. Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Retirement Plan are eligible to retire at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 60 and vested or pursuant to the rule of 80. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10% and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3%, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLA, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 8. Employee Retirement Plans (continued)

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

Teacher Retirement Plan (continued)

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5% of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4%, except in years when the maximum funded level, as established by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2016, to the Teacher Retirement Plan were \$35,304 which is 4.04% of covered payroll. The employer rate, when combined with member contributions, is expected to finance the cost of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Liabilities (Assets), Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension liabilities. At June 30, 2016, Athens City Board of Education reported an asset of \$13,925 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015, and the total pension asset used to calculate the net pension asset was determined by an actuarial value as of that date. Athens City Board of Education's proportion of the net pension asset was based on Athens City Board of Education's share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2015, Athens City Board of Education's proportion was 0.346170%.

Pension expense. For the year ended June 30, 2016, Athens City Board of Education recognized pension expense of \$18,251.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2016, Athens City Board of Education reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 8. Employee Retirement Plans (continued)

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

Teacher Retirement Plan (continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 4,532
Net difference between projected and actual earnings on pension plan investments	1,126	-
Contributions subsequent to the measurement date of June 30, 2015	<u>35,304</u>	<u>-</u>
Total	<u>\$ 36,430</u>	<u>\$ 4,532</u>

Athens City Board of Education's employer contributions of \$35,304 reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as an increase in net pension liability (asset) in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2017	\$ (96)
2018	(96)
2019	(96)
2020	(96)
2021	(378)
Thereafter	(2,644)

In the table above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 8. Employee Retirement Plans (continued)

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

Teacher Retirement Plan (continued)

Actuarial assumptions. The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	Graded salary ranges from 8.97% to 3.71% based on age, including inflation, averaging 4.25%
Investment rate of return	7.5%, net of pension plan investment expenses, including inflation
Cost of living adjustment	2.5%

Mortality rates are customized based on the June 30, 2012, actuarial experience study and included an adjustment for expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2015, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012, actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3%. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 8. Employee Retirement Plans (continued)

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

Teacher Retirement Plan (continued)

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	6.46 %	33.00 %
Developed market international equity	6.26	17.00
Emerging market international equity	6.40	5.00
Private equity and strategic lending	4.61	8.00
U.S. fixed income	0.98	29.00
Real estate	4.73	7.00
Short-term securities	0.00	1.00
		<u>100.00 %</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5% based on a blending of the three factors described above.

Discount rate. The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the all LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive 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.

Sensitivity of the proportionate share of net pension liability (asset) to changes in the discount rate. The following presents Athens City Board of Education's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5%, as well as what Athens City Board of Education's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Athens City Board of Education's proportionate share of the net pension liability (asset)	\$ 2,469	\$ (13,925)	\$ (25,951)

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 8. Employee Retirement Plans (continued)

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

Teacher Retirement Plan (continued)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

Defined Contribution Plan

As a component of the Teacher Retirement Plan, a defined contribution plan has been established for all teachers hired on or after July 1, 2014. Athens City Board of Education is required to contribute 5% of salaries, while participants may contribute up to 2% of salary. Participants are immediately vested. The Plan is established with Great-West Financial as Plan Administrators. The Board contributed \$44,844 to the Plan in 2016.

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 descriptions

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/article/fa-accfin-cafr>.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 9. Postemployment Healthcare Plan (continued)

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 2016 was \$170,000. The Board contributed \$150,827 in 2016.

	<u>Teacher Group Plan</u>
Annual Required Contribution (ARC)	\$ 170,000
Interest on the Net OPEB Obligation (NOO)	14,288
Adjustment to the ARC	(14,346)
Annual OPEB cost	169,942
Amount of contribution	(150,827)
Increase in NOO	19,115
Net OPEB obligation, beginning of year	381,021
Net OPEB obligation, end of year	\$ 400,136

<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>
6/30/14	Teacher Group	\$ 278,273	60.0	\$ 375,938
6/30/15	Teacher Group	141,388	96.4	381,021
6/30/16	Teacher Group	169,942	88.8	400,136

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 9. Postemployment Healthcare Plan (continued)

Funded status and funding progress:

The funded status of the plan as of July 1, 2015, was as follows:

	<u>Teacher Group Plan</u>
Actuarial valuation date	7/1/2015
Actuarial accrued liability (AAL)	\$ 274,798
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 274,798</u>
Actuarial value of assets as a percentage of the AAL	-
Covered payroll (active plan members)	\$ 9,446,877
UAAL as a percentage of covered payroll	2.91%

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

Actuarial methods and assumptions:

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

In the July 1, 2015, actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 3.75% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 6.5%, initially. The rate decreased to 6.0% in fiscal year 2016, and will reduce by decrements to an ultimate rate of 4.7% by fiscal year 2050. Both rates include a 2.5% inflation assumption. 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%.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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, 2016, the State of Tennessee made contributions to healthcare plans on behalf of the Board as follows:

Plan	Amount
Teacher Group Plan	\$ 70,353
Medicare Supplement Plan	1,200

These amounts were recognized as revenue and expenditure/expense in the Board's General Fund and in Governmental Activities on the government-wide financial statements. For more information regarding the above mentioned plans, see Note 9.

Note 11. 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 12. Contingencies

The Athens Utilities Board has debt issues with outstanding balances totaling \$25,743,729, representing debt issued by the City where the Utilities Board has assumed all responsibility through resolution. This long-term debt is reported in the Athens Utilities Board financial statements. The debt service is to be paid through user fees and Board funds, but the City is required to establish ad valorem taxes under each debt issue if Utilities Board funds are not sufficient to service the debts.

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

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

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 13. 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 CHANGES IN THE NET PENSION LIABILITY
AND RELATED RATIOS
EMPLOYEE RETIREMENT PLAN
LAST THREE FISCAL YEARS
June 30, 2016

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability			
Service cost	\$ 202,251	\$ 219,376	\$ 250,841
Interest	1,086,325	1,094,369	1,064,342
Differences between expected and actual experience	327,458	45,954	(287,115)
Changes of assumptions	-	277,477	55,344
Benefit payments	<u>(717,399)</u>	<u>(668,078)</u>	<u>(635,679)</u>
Net change in total pension liability	898,635	969,098	447,733
Total pension liability - beginning	<u>15,669,311</u>	<u>14,700,213</u>	<u>14,252,480</u>
Total pension liability - ending (a)	<u>\$16,567,946</u>	<u>\$15,669,311</u>	<u>\$14,700,213</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ 1,300,000	\$ 1,610,000	\$ 1,010,000
Net investment income	(116,640)	200,379	1,636,838
Benefit payments	(717,399)	(668,078)	(635,679)
Administrative expense	<u>(55,550)</u>	<u>(66,580)</u>	<u>(63,367)</u>
Net change in plan fiduciary net position	410,411	1,075,721	1,947,792
Plan fiduciary net position - beginning	<u>13,401,576</u>	<u>12,325,855</u>	<u>10,378,063</u>
Plan fiduciary net position - ending (b)	<u>\$13,811,987</u>	<u>\$13,401,576</u>	<u>\$12,325,855</u>
Net pension liability - ending (a) - (b)	<u>\$ 2,755,959</u>	<u>\$ 2,267,735</u>	<u>\$ 2,374,358</u>
Plan fiduciary net position as a percentage of the total pension liability	83.37 %	85.53 %	83.85 %
Covered payroll	\$ 3,067,660	\$ 3,406,196	\$ 3,655,893
Net pension liability as a percentage of covered payroll	89.84 %	66.58 %	64.95 %

Notes to Schedule

Changes of Assumptions:

Effective June 30, 2015, the investment return is 7.00% per annum. Prior to June 30, 2015, the investment return was 7.50%.

NOTE: This schedule will present 10 years of information as it becomes available.

**CITY OF ATHENS, TENNESSEE
SCHEDULE OF CONTRIBUTIONS
EMPLOYEE RETIREMENT PLAN
LAST THREE FISCAL YEARS
June 30, 2016**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 359,396	\$ 465,803	\$ 555,625
Contributions in relation to the actuarially determined contribution	<u>1,300,000</u>	<u>1,610,000</u>	<u>1,010,000</u>
Contribution deficiency (excess)	<u>\$ (940,604)</u>	<u>\$ (1,144,197)</u>	<u>\$ (454,375)</u>
Covered payroll	\$ 3,067,660	\$ 3,406,196	\$ 3,655,893
Contributions as a percentage covered payroll	42.38 %	47.27 %	27.63 %

Notes to Schedule

Valuation date: January 1. Since the plan year is equal to the calendar year, contributions are determined on a calendar year basis. The amount displayed represents the contribution for the plan year ending within the fiscal year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Individual Entry Age Normal, level percentage of compensation
Amortization method	Level dollar, closed
Remaining amortization	30 years
Asset valuation method	Five-year asset average spreading
Salary increases	3% per annum
Investment rate of return	7% per annum
Retirement age	5% at Ages 55-61, 75% at Age 62, 50% at Ages 63-64, 100% at Age 65
Mortality	Pre-Retirement: 2014 IRS Combined Static Mortality Table Post-Retirement: Tennessee Consolidated Retirement System Mortality Table

NOTE: This schedule will present 10 years of information as it becomes available.

**CITY OF ATHENS, TENNESSEE
 SCHEDULE OF INVESTMENT RETURNS
 EMPLOYEE RETIREMENT PLAN
 LAST THREE FISCAL YEARS
 June 30, 2016**

	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	(0.85) %	1.57 %	15.41 %

NOTE: This schedule will present 10 years of information as it becomes available.

**CITY OF ATHENS, TENNESSEE
SCHEDULE OF CHANGES IN NET PENSION
LIABILITY (ASSET) AND RELATED RATIOS
ATHENS CITY BOARD OF EDUCATION
PUBLIC EMPLOYEE PENSION PLAN
LAST TWO FISCAL YEARS
June 30, 2016**

	2014	2015
Total Pension Liability		
Service cost	\$ 183,637	\$ 192,930
Interest	456,115	470,972
Differences between actual and expected experience	(170,142)	108,969
Benefit payments, including refunds of employee contributions	<u>(277,253)</u>	<u>(284,381)</u>
Net change in total pension liability	192,357	488,490
Total pension liability - beginning	<u>6,036,524</u>	<u>6,228,881</u>
Total pension liability - ending (a)	<u><u>\$ 6,228,881</u></u>	<u><u>\$ 6,717,371</u></u>
Plan Fiduciary Net Position		
Contributions - employer	\$ 156,714	\$ 158,450
Contributions - employee	94,521	95,605
Net investment income	914,930	196,626
Benefit payments, including refunds of employee contributions	(277,253)	(284,381)
Administrative expense	<u>(3,263)</u>	<u>(4,335)</u>
Net change in plan fiduciary net position	885,649	161,965
Plan fiduciary net position - beginning	<u>5,515,798</u>	<u>6,401,447</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 6,401,447</u></u>	<u><u>\$ 6,563,412</u></u>
Net pension liability (asset) - ending (a) - (b)	<u><u>\$ (172,566)</u></u>	<u><u>\$ 153,959</u></u>
Plan fiduciary net position as a percentage of total pension liability	102.77 %	97.71 %
Covered payroll	\$ 1,888,122	\$ 1,904,451
Net pension asset as a percentage of covered payroll	(9.14) %	8.08 %

NOTE: This schedule will present 10 years of information as it becomes available.

**CITY OF ATHENS, TENNESSEE
SCHEDULE OF CONTRIBUTIONS
ATHENS CITY BOARD OF EDUCATION
PUBLIC EMPLOYEE PENSION PLAN
LAST THREE FISCAL YEARS
June 30, 2016**

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Actuarially determined contribution	\$ 156,714	\$ 158,450	\$ 164,236
Contributions in relation to the actuarially determined contribution	<u>156,714</u>	<u>158,450</u>	<u>164,236</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Covered payroll	 \$ 1,888,122	 \$ 1,904,451	 \$ 1,965,056
 Contributions as a percentage of covered payroll	 8.30 %	 8.32 %	 8.36 %

Notes to Schedule

Valuation date: Actuarially determined contribution rates for 2016 were calculated based on the July 1, 2013, actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	6 years
Asset valuation	10-year smoothed within a 20% corridor to market value
Inflation	3.00%
Salary increases	Graded salary ranges from 8.97% to 3.71% based on age, including inflation, averaging 4.25%
Investment rate of return	7.5%, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living adjustments	2.0 percent

NOTE: This schedule will present 10 years of information as it becomes available.

**CITY OF ATHENS, TENNESSEE
SCHEDULE OF PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY (ASSET)
ATHENS CITY BOARD OF EDUCATION
TEACHER LEGACY PENSION PLAN
LAST TWO FISCAL YEARS
June 30, 2016**

	<u>2015</u>	<u>2016</u>
Athens City Board of Education's proportion of the net pension liability (asset)	(0.188902) %	0.191783 %
Athens City Board of Education's proportionate share of the net pension liability (asset)	\$ (30,696)	\$ 78,561
Athens City Board of Education's covered payroll	\$ 7,414,378	\$ 7,179,415
Athens City Board of Education's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	(0.414002) %	1.094252 %
Plan fiduciary net position as a percentage of the total pension liability	100.08 %	99.81 %

NOTE: The amounts presented on this schedule were determined as of June 30 of the prior fiscal year.

NOTE: This schedule will present 10 years of information as it becomes available.

**CITY OF ATHENS, TENNESSEE
SCHEDULE OF CONTRIBUTIONS
ATHENS CITY BOARD OF EDUCATION
TEACHER LEGACY PENSION PLAN
LAST THREE FISCAL YEARS
June 30, 2016**

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Actuarially determined contribution (ADC)	\$ 658,397	\$ 649,018	\$ 656,549
Contribution in relation to the actuarially determined contribution	<u>658,397</u>	<u>649,018</u>	<u>656,549</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Athens City Board of Education's covered payroll	\$ 7,414,378	\$ 7,179,415	\$ 7,216,287
Contributions as a percentage of Athens City Board of Education's covered payroll	8.88 %	9.04 %	9.10 %

NOTE: This schedule will present 10 years of information as it becomes available.

**CITY OF ATHENS, TENNESSEE
SCHEDULE OF PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY (ASSET)
ATHENS CITY BOARD OF EDUCATION
TEACHER RETIREMENT PLAN
June 30, 2016**

	2016
Athens City Board of Education's proportion of the net pension liability (asset)	(0.346170) %
Athens City Board of Education's proportionate share of the net pension liability (asset)	\$ (13,926)
Athens City Board of Education's covered payroll	\$ 719,244
Athens City Board of Education's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	(1.94) %
Plan fiduciary net position as a percentage of the total pension liability	127.46 %

NOTE: The amounts presented on this schedule were determined as of June 30 of the prior fiscal year.

NOTE: This schedule will present 10 years of information as it becomes available.

CITY OF ATHENS, TENNESSEE
SCHEDULE OF CONTRIBUTIONS
ATHENS CITY BOARD OF EDUCATION
TEACHER RETIREMENT PLAN
LAST TWO FISCAL YEARS
June 30, 2016

	2015	2016
Actuarially determined contribution (ADC)	\$ 17,981	\$ 35,304
Contribution in relation to the actuarially determined contribution	28,770	35,304
Contribution deficiency (excess)	\$ (10,789)	\$ -
Athens City Board of Education's covered payroll	\$ 719,244	\$ 873,942
Contributions as a percentage of Athens City Board of Education's covered payroll	4.00 %	4.04 %

NOTE: This schedule will present 10 years of information as it becomes available.

CITY OF ATHENS, TENNESSEE
SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
BOARD OF EDUCATION TEACHER GROUP PLAN
June 30, 2016

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
7/01/15	\$ -	\$ 275	\$ 275	0.00 %	\$ 9,447	2.91 %
7/01/13		206	206	0.00	8,270	2.49
7/01/11	-	422	422	0.00	9,237	4.57

(Dollar amounts in thousands)

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**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.

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.

Education Capital Projects Fund: This fund is used to account for the planned school renovations to accommodate school consolidation. Resources consist of amounts committed by the School Board and amounts to be provided by the City through property tax and/or sales tax.

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, 2016**

	Special Revenue Funds		Capital Projects Fund	Permanent Fund	Total Nonmajor Governmental Funds
	Drug	Centralized Cafeteria	Education	Cemetery	
			Capital Projects	Perpetual Care	
ASSETS					
Cash and cash equivalents	\$ 21,674	\$ 122,551	\$ 1,024,247	\$ -	\$ 1,168,472
Investments	180,183	-	-	214,137	394,320
Due from other governments	2,299	183,666	-	-	185,965
Inventories	-	9,981	-	-	9,981
Total assets	<u>\$ 204,156</u>	<u>\$ 316,198</u>	<u>\$ 1,024,247</u>	<u>\$ 214,137</u>	<u>\$ 1,758,738</u>
 LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ -	\$ 17,892	\$ -	\$ -	\$ 17,892
Accrued payroll and withholdings	-	26,858	-	-	26,858
Total liabilities	<u>-</u>	<u>44,750</u>	<u>-</u>	<u>-</u>	<u>44,750</u>
 FUND BALANCES					
Nonspendable	-	9,981	-	47,283	57,264
Restricted	191,673	-	-	166,854	358,527
Committed	12,483	-	1,024,247	-	1,036,730
Assigned	-	261,467	-	-	261,467
Total fund balances	<u>204,156</u>	<u>271,448</u>	<u>1,024,247</u>	<u>214,137</u>	<u>1,713,988</u>
Total liabilities and fund balances	<u>\$ 204,156</u>	<u>\$ 316,198</u>	<u>\$ 1,024,247</u>	<u>\$ 214,137</u>	<u>\$ 1,758,738</u>

CITY OF ATHENS, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2016

	Special Revenue Funds		Capital Projects Fund	Permanent Fund	Total
	Drug	Centralized Cafeteria	Education Capital Projects	Cemetery Perpetual Care	Nonmajor Governmental Funds
REVENUES					
Intergovernmental	\$ -	\$ 1,074,978	\$ -	\$ -	\$ 1,074,978
Fines and forfeitures	34,850	-	-	-	34,850
Investment and interest income	418	1,069	-	4,493	5,980
Charges for services	-	55,715	-	2,525	58,240
Miscellaneous	-	79,028	-	-	79,028
Total revenues	<u>35,268</u>	<u>1,210,790</u>	<u>-</u>	<u>7,018</u>	<u>1,253,076</u>
EXPENDITURES					
Current:					
Public safety	64,244	-	-	-	64,244
Education	-	1,234,481	61,142	-	1,295,623
Total expenditures	<u>64,244</u>	<u>1,234,481</u>	<u>61,142</u>	<u>-</u>	<u>1,359,867</u>
REVENUES OVER (UNDER)					
EXPENDITURES	(28,976)	(23,691)	(61,142)	7,018	(106,791)
OTHER FINANCING SOURCES (USES)					
Transfers	-	-	1,085,389	-	1,085,389
NET CHANGE IN FUND BALANCE	(28,976)	(23,691)	1,024,247	7,018	978,598
FUND BALANCES, beginning of year	<u>233,132</u>	<u>295,139</u>	<u>-</u>	<u>207,119</u>	<u>735,390</u>
FUND BALANCES, end of year	<u>\$ 204,156</u>	<u>\$ 271,448</u>	<u>\$ 1,024,247</u>	<u>\$ 214,137</u>	<u>\$ 1,713,988</u>

**CITY OF ATHENS, TENNESSEE
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
Year Ended June 30, 2016**

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ 5,000	\$ 5,000	\$ 7,507	\$ 2,507
Total revenues	<u>5,000</u>	<u>5,000</u>	<u>7,507</u>	<u>2,507</u>
EXPENDITURES				
Debt service:				
Principal	770,000	770,000	770,000	-
Interest	21,000	21,000	17,533	3,467
General government	<u>4,000</u>	<u>4,000</u>	<u>2,573</u>	<u>1,427</u>
Total expenditures	<u>795,000</u>	<u>795,000</u>	<u>790,106</u>	<u>4,894</u>
REVENUES UNDER EXPENDITURES	(790,000)	(790,000)	(782,599)	7,401
OTHER FINANCING SOURCES				
Transfer from general fund	<u>1,215,000</u>	<u>1,215,000</u>	<u>1,215,000</u>	<u>-</u>
Net change in fund balance	425,000	425,000	432,401	7,401
FUND BALANCE, beginning of year	<u>2,465,440</u>	<u>2,465,440</u>	<u>2,465,440</u>	<u>-</u>
FUND BALANCE, end of year	<u>\$2,890,440</u>	<u>\$2,890,440</u>	<u>\$2,897,841</u>	<u>\$ 7,401</u>

**CITY OF ATHENS, TENNESSEE
BUDGETARY COMPARISON SCHEDULE
DRUG FUND
Year Ended June 30, 2016**

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Drug fines and forfeitures	\$ 22,000	\$ 22,000	\$ 34,850	\$ 12,850
Investment and interest income	-	-	418	418
Total revenues	<u>22,000</u>	<u>22,000</u>	<u>35,268</u>	<u>13,268</u>
EXPENDITURES				
Drug investigation	12,000	12,000	-	12,000
Supplies	5,000	68,000	64,244	3,756
Capital outlay	-	-	-	-
Education and training	5,000	5,000	-	5,000
Total expenditures	<u>22,000</u>	<u>85,000</u>	<u>64,244</u>	<u>20,756</u>
REVENUES OVER (UNDER) EXPENDITURES				
	-	(63,000)	(28,976)	34,024
FUND BALANCE, beginning of year				
	<u>233,132</u>	<u>233,132</u>	<u>233,132</u>	-
FUND BALANCE, end of year				
	<u><u>\$ 233,132</u></u>	<u><u>\$ 170,132</u></u>	<u><u>\$ 204,156</u></u>	<u><u>\$ 34,024</u></u>

**CITY OF ATHENS, TENNESSEE
BUDGETARY COMPARISON SCHEDULE
CENTRALIZED CAFETERIA FUND
Year Ended June 30, 2016**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
State funds	\$ 10,000	\$ 10,000	\$ 10,468	\$ 468
Federal funds received through state	1,118,000	1,118,000	1,064,510	(53,490)
Charges for services	56,000	56,000	55,715	(285)
Interest	1,200	1,200	1,069	(131)
Other	<u>80,000</u>	<u>80,000</u>	<u>79,028</u>	<u>(972)</u>
Total revenues	1,265,200	1,265,200	1,210,790	(54,410)
EXPENDITURES				
Food services	<u>1,306,209</u>	<u>1,306,209</u>	<u>1,234,481</u>	<u>71,728</u>
REVENUES UNDER EXPENDITURES	(41,009)	(41,009)	(23,691)	17,318
FUND BALANCE, beginning of year	<u>295,139</u>	<u>295,139</u>	<u>295,139</u>	<u>-</u>
FUND BALANCE, end of year	<u>\$ 254,130</u>	<u>\$ 254,130</u>	<u>\$ 271,448</u>	<u>\$ 17,318</u>

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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, 2016

	Fleet Fund	Employee Medical Benefits Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 79,608	\$ -	\$ 79,608
Investments	2,590,576	358,299	2,948,875
Accounts receivable	1,277	-	1,277
Interest receivable	4,383	-	4,383
Total current assets	2,675,844	358,299	3,034,143
Capital assets:			
Capital assets, net	2,611,501	-	2,611,501
Total assets	\$ 5,287,345	\$ 358,299	\$ 5,645,644
LIABILITIES AND NET POSITION			
LIABILITIES	\$ -	\$ -	\$ -
NET POSITION			
Net investment in capital assets	2,611,501	-	2,611,501
Unrestricted	2,675,844	358,299	3,034,143
Total net position	5,287,345	358,299	5,645,644
Total liabilities and net position	\$ 5,287,345	\$ 358,299	\$ 5,645,644

**CITY OF ATHENS, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
Year Ended June 30, 2016**

	<u>Fleet Fund</u>	<u>Employee Medical Benefits Fund</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services	\$ 616,100	\$ -	\$ 616,100
OPERATING EXPENSES			
Depreciation	<u>381,743</u>	<u>-</u>	<u>381,743</u>
OPERATING INCOME	<u>234,357</u>	<u>-</u>	<u>234,357</u>
NONOPERATING REVENUES			
Interest income	12,809	830	13,639
Gain on sale of capital assets	<u>83,850</u>	<u>-</u>	<u>83,850</u>
Total nonoperating revenues	<u>96,659</u>	<u>830</u>	<u>97,489</u>
CHANGE IN NET POSITION	331,016	830	331,846
NET POSITION, beginning of year	<u>4,956,329</u>	<u>357,469</u>	<u>5,313,798</u>
NET POSITION, end of year	<u>\$ 5,287,345</u>	<u>\$ 358,299</u>	<u>\$ 5,645,644</u>

**CITY OF ATHENS, TENNESSEE
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 Year Ended June 30, 2016**

	<u>Fleet Fund</u>	<u>Employee Medical Benefits Fund</u>	<u>Total</u>
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES			
Receipts from customers	<u>\$ 614,823</u>	<u>\$ -</u>	<u>\$ 614,823</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from the sale of capital assets	93,652	-	93,652
Purchase of capital assets	<u>(735,644)</u>	<u>-</u>	<u>(735,644)</u>
Net cash used in capital and related financing activities	<u>(641,992)</u>	<u>-</u>	<u>(641,992)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment and interest earnings	8,426	830	9,256
Sale (purchase) of investments	<u>95,964</u>	<u>(830)</u>	<u>95,134</u>
Net cash provided by investing activities	<u>104,390</u>	<u>-</u>	<u>104,390</u>
Net increase in cash and cash equivalents	77,221	-	77,221
Cash and cash equivalents, beginning of year	<u>2,387</u>	<u>-</u>	<u>2,387</u>
Cash and cash equivalents, end of year	<u>\$ 79,608</u>	<u>\$ -</u>	<u>\$ 79,608</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 234,357	\$ -	\$ 234,357
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	381,743	-	381,743
Changes in assets and liabilities:			
Accounts receivable	<u>(1,277)</u>	<u>-</u>	<u>(1,277)</u>
Net cash provided by operating activities	<u>\$ 614,823</u>	<u>\$ -</u>	<u>\$ 614,823</u>

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OTHER

CITY OF ATHENS, TENNESSEE
SCHEDULE OF UNCOLLECTED DELINQUENT TAXES FILED
LAST TEN YEARS
June 30, 2016

<u>Tax Year</u>	<u>Delinquent Taxes Filed</u>	<u>July 1, 2015 Delinquent Taxes Receivable</u>	<u>Current Collections and Adjustments</u>	<u>June 30, 2016 Delinquent Taxes Receivable</u>
2005 and Prior	*	\$ 2,999	\$ -	\$ 2,999
2006	55,813	1,600	-	1,600
2007	69,042	339	224	115
2008	80,293	5,929	5,021	908
2009	69,472	11,528	5,417	6,111
2010	77,158	61,219	45,290	15,929
2011	97,583	39,079	11,992	27,087
2012	78,451	57,471	17,745	39,726
2013	72,120	75,692	32,728	42,964
2014	83,863	207,097	140,320	66,777

* Not available.

CITY OF ATHENS, TENNESSEE
SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE
Year Ended June 30, 2016

	<u>Total</u>	<u>2016 Assessment</u>	<u>2015 Assessment</u>	<u>Prior Years</u>
PROPERTY TAXES RECEIVABLE				
July 1, 2015	\$ 6,530,953	\$ -	\$ 6,068,000	\$ 462,953
Add -				
Taxes assessed	5,640,000	5,640,000	-	-
Late listings	-	-	-	-
	<u>5,640,000</u>	<u>5,640,000</u>	<u>-</u>	<u>-</u>
Deduct -				
Collections	5,942,251	-	5,729,519	212,732
Adjustments and abatements	148,108	-	102,103	46,005
	<u>6,090,359</u>	<u>-</u>	<u>5,831,622</u>	<u>258,737</u>
PROPERTY TAXES RECEIVABLE				
June 30, 2016	<u>\$ 6,080,594</u>	<u>\$ 5,640,000</u>	<u>\$ 236,378</u>	<u>\$ 204,216</u>

CITY OF ATHENS, TENNESSEE
SCHEDULE OF INVESTMENTS
June 30, 2016

	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	-	-	\$ 47	\$ 47
Causeway International Value Fund	-	-	8,370	6,924
Doubleline Total Return Bond Fund	-	-	41,724	41,284
Federated MDT Small Cap Growth Fund	-	-	1,021	1,193
Forward International Small Companies Fund	-	-	1,502	1,960
Goldman Sachs Growth Opportunities Fund	-	-	3,644	3,861
Harding Loevner International Equity Institutional Fund	-	-	6,292	7,532
Hotchkis & Wiley High Yield Fund	-	-	8,145	7,268
Lazard Emerging Markets Equity Institutional Fund	-	-	3,046	2,557
Metropolitan West Total Return Fund	-	-	39,477	40,199
Morgan Stanley Institutional Fund	-	-	2,569	2,688
Natixis Loomis Say Growth	-	-	3,733	4,055
Neuberger Berman Strategic Income Fund	-	-	16,093	15,960
Oppenheimer Developing Markets Fund	-	-	3,580	3,550
Pimco Real Return Fund	-	-	7,172	7,149
Sterling Capital Equity Income Fund	-	-	3,035	3,851
Sterling Capital Total Return Bond Fund	-	-	49,022	48,047
Touchstone Mid Cap Value Fund	-	-	2,119	2,195
Vanguard 500 Index Fund	-	-	7,637	7,948
Vanguard Developed Markets Index Fund	-	-	5,066	4,715
Virtus Quality Small Cap Fund	-	-	780	1,154
Total			\$ 214,074	\$ 214,137
Athens Pension Trust Fund:				
Federal Home Loan Mortgage Corporation	2.375	01/13/22	\$ 118,849	\$ 121,802
Federal Home Loan Mortgage Corporation	0.750	10/14/16	115,638	115,146
Federal Home Loan Mortgage Corporation	3.750	03/27/19	81,432	80,976
Federal National Mortgage Association	1.625	11/27/18	101,417	102,129
Federal National Mortgage Association	1.375	02/26/21	75,210	75,777
Federal National Mortgage Association	2.625	09/06/24	76,114	80,692
Federal National Mortgage Association	5.000	05/11/17	127,247	119,354
Federal National Mortgage Association	1.625	01/21/20	75,475	76,771
US Treasury Note	1.000	08/31/16	80,748	80,093
US Treasury Note	1.875	09/30/17	76,975	76,228
US Treasury Note	3.125	05/15/21	110,784	110,020
US Treasury Note	3.750	11/15/18	72,301	69,774
US Treasury Note	1.625	04/30/19	65,996	66,661
US Treasury Note	2.000	07/31/20	66,644	67,836
US Treasury Note	2.500	08/15/23	67,435	70,416
US Treasury Note	2.125	06/30/22	66,273	68,535
US Treasury Bond	2.750	02/15/24	79,035	82,790
US Treasury Inflation Protected Security	0.625	01/15/24	52,890	53,668

(continued)

CITY OF ATHENS, TENNESSEE
SCHEDULE OF INVESTMENTS
June 30, 2016
(continued)

	Interest Rate	Maturity Date	Cost	Market Value
Athens Pension Trust Fund: (continued)				
Accenture PLC CL A	-	-	\$ 25,752	\$ 30,702
AIA Group, Limited	-	-	25,707	31,020
L'Air Liquide Air Liquide S.A.	-	-	25,450	24,285
Akzo N V Sponsored ADR	-	-	21,435	22,482
Allianz Group	-	-	22,482	21,979
Alfa Laval	-	-	8,818	8,428
Alibaba Ground Holding	-	-	33,854	37,936
Anheuser-Busch Inbev NV SPN ADR	-	-	13,497	18,304
Arm Holdings	-	-	40,629	45,874
Aryzta AG-Unsponsored ADR	-	-	8,179	5,562
Atlas Copco Group	-	-	12,688	12,080
Aviva PLC	-	-	20,956	16,837
Baidu.com, Inc.	-	-	39,019	37,324
Balfour Beatty PLC	-	-	5,617	3,432
Banco Bilbao Vizcaya - Sponsored ADR	-	-	12,350	7,152
Barclays PLC	-	-	30,296	15,139
Bayer A G	-	-	9,074	8,799
Bayerische Motoren Werke Unsponsored ADR	-	-	17,552	12,133
BNP Paribas	-	-	14,426	11,108
British American Tobacco, PLC	-	-	20,607	25,378
Bunge Limited, Inc.	-	-	18,222	14,610
Canadian National RY Company	-	-	14,260	17,246
Carnival Corporation PLC	-	-	11,744	12,138
Caixabank	-	-	13,590	7,001
China Mobile HK, Limited	-	-	19,514	17,717
Clariant AG - Unsponsored ADR	-	-	6,097	5,329
CNOOC, Limited	-	-	16,235	13,713
Coloplast AS - Unsponsored	-	-	8,288	8,145
Compagnie Financiere Richemont, S.A.	-	-	14,253	10,910
CSL, Limited	-	-	10,712	15,745
DBS Group Holdings, Limited	-	-	15,413	15,035
Danone - Sponsored ADR	-	-	31,335	33,222
Dassault Systems S.A.	-	-	25,971	31,480
Diageo, PLC - Sponsored ADR	-	-	13,670	14,110
East Japan Railway Company	-	-	18,835	19,723
Engie - Sponsored ADR	-	-	18,594	15,411
Fanuc, Limited	-	-	37,084	33,955
Fresenius USA, Inc.	-	-	12,050	14,727
Fuchs Petrolu Se-Pref ADR	-	-	9,972	9,134
Givaudan SA Unsponsored ADR	-	-	3,142	4,297
Glaxosmithkline PLC Sponsored	-	-	16,620	16,339
Grifols, SA	-	-	7,817	7,618
Hitachi, Limited	-	-	23,352	15,288
ING Groep NV - Sponsored ADR	-	-	5,998	4,907
Invesco, Limited	-	-	26,134	22,245
Itau Unibanco Banco Multiplo S.A.	-	-	12,095	11,375
JGC Corporation	-	-	15,680	8,413
Japan Airlines Company	-	-	12,535	11,102

(continued)

CITY OF ATHENS, TENNESSEE
SCHEDULE OF INVESTMENTS
June 30, 2016
(continued)

	Interest Rate	Maturity Date	Cost	Market Value
Athens Pension Trust Fund: (continued)				
KBC Group NV Unsponsored ADR	-	-	\$ 5,120	\$ 4,294
KDDI Corporation Unsponsored ADR	-	-	13,984	25,231
Kone OYJ-B-Unsponsored ADR	-	-	11,219	11,892
Linde AG Sponsored ADR	-	-	25,998	22,184
L'Oreal S.A.	-	-	18,622	23,465
LVMH Moet-Hennessey-Louis-Vuitton S.A.	-	-	8,869	8,008
Lloyds TSB Group	-	-	16,103	11,423
Marks & Spencer Group PLC ADR	-	-	8,406	5,547
Mitsubishi Estate Company, Limited	-	-	11,232	7,814
Monotaro Company, Limited Unsponsored ADR	-	-	5,057	10,792
MTN Group, LTD	-	-	12,568	6,968
Naspers Limited	-	-	16,566	19,195
Nestle S.A.	-	-	28,077	32,862
Nikon Corporation PLC Unsponsored ADR	-	-	7,846	6,444
Novartis	-	-	60,169	77,642
Novo-Nordisk A.S.	-	-	26,165	29,525
Park24 Company, Limited Sponsored ADR	-	-	9,361	12,129
Postnl NV ADR	-	-	4,469	4,952
Prudential PLC	-	-	6,057	5,238
Reed Elsevier NV	-	-	12,071	20,613
Roche Holding, Limited	-	-	40,015	46,891
Royal Dutch Shell PLC Class B ADR	-	-	42,650	47,992
Ryanair Holdings PLC	-	-	1,765	3,338
Sabmiller PLC	-	-	20,965	21,030
Sanofi Synthelabo S.A.	-	-	14,183	13,518
SAP Aktiengesellschaft	-	-	32,678	35,109
Sasol Limited	-	-	10,420	7,458
Schlumberger, Limited	-	-	44,633	42,940
Schneider Electric S.A.	-	-	19,239	15,703
SK Telecom Company, Limited	-	-	17,859	16,631
Sonova Holding AG	-	-	8,262	9,375
SSE PLC - Sponsored ADR	-	-	22,158	19,050
Sumitomo Mitsui Trust Holdings, Inc.	-	-	20,683	14,231
Symrise AG ADR	-	-	9,623	11,057
Systemex Corporation	-	-	15,408	26,232
Taiwan Semiconductor Manufacturing Company	-	-	24,674	35,253
Total S.A.	-	-	20,992	20,587
Turkiye Garanti Bankasi A.S.	-	-	12,365	8,738
UBS AG	-	-	10,423	6,389
Unicharm Corporation	-	-	9,327	10,906
Unilever PLC	-	-	37,567	47,766
Vodafone Group PLC	-	-	15,996	11,646
Volkswagen AG	-	-	30,296	21,803
WPP PLC	-	-	22,760	26,966
Zurich Insurance Group ADR	-	-	17,408	17,497
Invesco Finance PLC	3.125	11/30/22	50,549	52,176
Shell International Finance	4.300	09/22/19	55,657	54,458

(continued)

CITY OF ATHENS, TENNESSEE
SCHEDULE OF INVESTMENTS

June 30, 2016

(continued)

	Interest Rate	Maturity Date	Cost	Market Value
Athens Pension Trust Fund: (continued)				
AT&T, Inc.	4.125	02/17/26	\$ 50,249	\$ 53,711
Annheuser-Busch	2.650	02/01/21	49,856	51,851
Apache Corporation	3.250	04/15/22	24,930	25,610
Apple, Inc.	2.000	05/06/20	49,833	51,329
Bank of America Corporation	3.300	01/11/23	61,262	61,749
Berkshire Hathaway, Inc.	3.125	03/15/26	49,953	52,427
Capital One Financial Company	6.750	09/15/17	68,934	63,631
Citigroup, Inc.	3.750	06/16/24	60,505	63,149
The Coca-Cola Company	3.150	11/15/20	52,989	53,767
CVS Health Corporation	2.875	06/01/26	49,570	51,096
Energy Transfer Partners	4.650	06/01/21	16,043	15,487
Express Scripts Holding Company	3.500	06/15/24	49,532	51,618
Exxon Mobil Corporation	2.726	03/01/23	50,000	52,200
Fifth Third Bancorp	2.875	07/27/20	60,257	62,530
General Electric Capital Corporation	5.300	02/11/21	54,421	58,009
George Washington University	3.576	09/15/21	25,397	26,702
Goldman Sachs Group, Inc.	2.875	02/25/21	49,951	51,261
Home Depot, Inc.	4.400	04/01/21	66,374	67,648
Humana, Inc.	3.150	12/01/22	49,140	51,339
JP Morgan Chase & Company	6.000	01/15/18	55,916	53,473
Keycorp Corporation	2.300	12/13/18	60,445	60,978
McDonald's Corporation	3.250	06/10/24	44,333	48,430
Microsoft Corporation	3.125	11/03/25	40,431	42,841
Morgan Stanley Corporation	2.500	01/24/19	60,844	61,213
Norfolk Southern Corporation	5.750	04/01/18	66,871	64,616
Regions Financial Corporation	3.200	02/08/21	50,691	51,465
Republic Services, Inc.	3.550	06/01/22	61,337	64,793
Simon Property Group	2.150	09/15/17	50,855	50,523
Southern Company	2.450	09/01/18	60,499	61,444
Toyota Motor Credit Corporation	1.750	05/22/17	60,745	60,469
The Travelers, Inc.	3.900	11/01/20	53,839	54,867
US Bancorp	2.200	11/15/16	50,837	50,178
United Tech Corporation	3.100	06/01/22	51,228	53,297
Verizon Communications, Inc.	5.150	09/15/23	55,804	58,231
Visa, Inc.	2.200	12/14/20	49,958	51,554
Wells Fargo & Company	2.600	07/22/20	60,233	61,663
Zimmer Biomet Holdings, Inc.	2.000	04/01/18	50,074	50,418
Abbott Laboratories Corporation	-	-	27,705	28,303
AbbVie, Inc.	-	-	26,144	32,255
Alphabet, Class A	-	-	23,771	23,920
Alphabet, Class C	-	-	17,655	23,531
Amazon.com, Inc.	-	-	48,112	60,828
American Express Company Corporation	-	-	9,119	7,717
Amgen, Inc.	-	-	18,563	18,867
Analog Devices, Inc.	-	-	3,386	3,342
Anthem, Inc.	-	-	25,114	26,793
Autodesk, Inc.	-	-	20,043	21,331

(continued)

CITY OF ATHENS, TENNESSEE
SCHEDULE OF INVESTMENTS
June 30, 2016
(continued)

	Interest Rate	Maturity Date	Cost	Market Value
Athens Pension Trust Fund: (continued)				
Automatic Data Processing	-	-	\$ 7,493	\$ 8,176
Cerner Corporation	-	-	21,079	22,502
Cisco Systems, Inc.	-	-	38,136	43,982
The Coca-Cola Company	-	-	30,932	32,774
Discover Financial Services	-	-	36,907	35,584
Dunkin' Brands Group, Inc.	-	-	26,232	24,514
Expeditors International Wash, Inc.	-	-	25,536	26,285
Facebook, Inc.	-	-	51,213	56,797
Factset Research Systems, Inc.	-	-	17,040	17,272
General Motors Company	-	-	30,263	27,706
Greenhill & Company, Inc.	-	-	4,554	2,689
Honeywell International, Inc.	-	-	31,327	34,082
Host Hotels & Resorts, Inc. Corporation	-	-	28,901	26,066
Johnson & Johnson	-	-	24,800	29,112
Maxim Integrated Products	-	-	24,889	26,839
McDonald's Corporation	-	-	15,588	17,088
Mead Johnson Nutrition Company	-	-	16,051	18,785
Merck & Company, Inc.	-	-	37,310	40,903
Metlife, Inc.	-	-	19,938	19,835
Microsoft Corporation	-	-	29,549	37,303
Monster Beverage Corporation	-	-	36,428	43,553
Omnicom Group, Inc.	-	-	22,404	31,374
Oracle Corporation	-	-	38,282	40,357
Pepsico, Inc.	-	-	22,546	29,028
Pfizer, Inc.	-	-	24,061	30,844
Proctor & Gamble Company	-	-	27,531	30,651
Pulte Group, Inc.	-	-	20,186	23,115
Qualcomm, Inc.	-	-	71,837	65,302
Scotts Company	-	-	21,900	22,721
SEI Investments Company	-	-	26,273	26,845
Spectra Energy Corporation	-	-	32,835	40,476
Time Warner, Inc.	-	-	21,724	21,988
United Parcel Services, Inc.	-	-	44,148	52,352
Varian Medical Systems, Inc.	-	-	19,352	19,982
Verizon Communications, Inc.	-	-	30,799	34,174
Visa, Inc.	-	-	37,092	43,315
Wells Fargo & Company	-	-	33,690	30,149
Western Digital Corporation	-	-	19,130	16,777
Yum! Brands, Inc.	-	-	21,160	21,974
Federated MDT Small Cap Growth Fund	-	-	204,203	200,515
Forward International Small Companies Fund	-	-	182,272	188,943
Goldman Sachs Growth Opportunities Fund	-	-	781,847	727,153
Lazard Emerging Markets Equity Institutional Fund	-	-	344,735	313,469
Morgan Stanley Institutional Fund	-	-	394,517	404,418
Oppenheimer Developing Markets Fund	-	-	321,855	302,321
Sterling Capital L/S Equity-Ins Fund	-	-	762,319	673,059
Sterling Capital Securitized Opportunities Fund	-	-	757,711	763,528
Touchstone Mid Cap Value Fund	-	-	499,424	517,169

(continued)

CITY OF ATHENS, TENNESSEE
SCHEDULE OF INVESTMENTS
June 30, 2016
(continued)

	Interest Rate	Maturity Date	Cost	Market Value
Athens Pension Trust Fund: (continued)				
Vanguard 500 Index Fund	-	-	\$ 1,636,620	\$ 1,726,292
Vanguard Developed Markets Fund	-	-	507,112	472,916
Virtus Quality Small Cap Fund	-	-	196,890	205,548
 Sterling Capital Prime Money Market Fund	 -	 -	 139,949	 139,949
 Clarkston County MI Bond	 1.650	 05/01/18	 50,000	 50,599
Connecticut ST Series A Bond	5.770	03/15/25	66,239	69,950
Frisco TX Bond	2.750	02/15/20	51,973	52,044
Illinois ST Build America Bond	6.125	07/01/21	43,350	45,182
Los Angeles CA Community Bond	3.009	08/01/23	41,394	42,675
Michigan ST Bond	3.450	05/15/23	40,816	43,400
New York NY Build America Bond	5.049	12/01/21	22,686	23,457
New York NY Transportation Authority Revenue Bond	1.600	05/01/18	65,064	65,748
Union Elementary School District CA Bond	2.564	09/01/20	50,469	52,402
			<u>\$ 13,688,886</u>	<u>\$ 13,782,977</u>
Participation in the State of Tennessee Local Government Investment Pool:				
General Fund	-	-	<u>\$ 6,784,129</u>	<u>\$ 6,784,129</u>
Debt Service Fund	-	-	<u>\$ 2,866,196</u>	<u>\$ 2,866,196</u>
Drug Fund	-	-	<u>\$ 180,183</u>	<u>\$ 180,183</u>
Capital Improvement Fund	-	-	<u>\$ 2,643,005</u>	<u>\$ 2,643,005</u>
Sanitation Fund	-	-	<u>\$ 1,689,946</u>	<u>\$ 1,689,946</u>
Fleet Fund	-	-	<u>\$ 2,590,576</u>	<u>\$ 2,590,576</u>
Employee Medical Benefits Fund	-	-	<u>\$ 358,299</u>	<u>\$ 358,299</u>

CITY OF ATHENS, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS
June 30, 2016

Fiscal Year Ending 6/30	Public Building Authority of the City of Clarksville, Tennessee, Pooled Loan Program, Series 2003		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 793,000	\$ 4,514	\$ 797,514
2018	<u>817,000</u>	<u>2,290</u>	<u>819,290</u>
	<u>\$1,610,000</u>	<u>\$ 6,804</u>	<u>\$1,616,804</u>

CITY OF ATHENS, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Accrued (Unearned) Grant Revenues July 1, 2015	Grant Revenues Received	Expenditures	Other	Accrued (Unearned) Grant Revenues June 30, 2016
PRIMARY GOVERNMENT:							
CITY OF ATHENS							
FEDERAL AWARDS							
U.S. DEPARTMENT OF TRANSPORTATION							
Passed through TN Department of Environment and Conservation:							
Recreational Trails Program Grant for Mouse Creek Trail	20.219	35658	\$ 103,258	\$ 103,258	\$ -	\$ -	\$ -
High Priority Project Grant for Athens - Overlook Road Project	20.205	32701-01471	18,935	18,935	-	-	-
Passed through TN Department of Transportation: Governor's Highway Safety Office:							
Safe Roads for Athens	20.607	Z-15-GHS0-15	4,826	16,221	11,395	-	-
			<u>127,019</u>	<u>138,414</u>	<u>11,395</u>	<u>-</u>	<u>-</u>
U.S. DEPARTMENT OF HOMELAND SECURITY							
Passed through TN Department of Economic and Emergency Management Agency:							
Disaster Grants - Public Assistance	97.036	FEMA- 1974-DR-TN	-	4,776	4,776	-	-
U.S. ENVIRONMENTAL PROTECTION AGENCY							
Passed through TN Department of Environment & Conservation:							
Capitalization Grants for Drinking Water State Revolving Funds - Recovery							
Loan	66.468	DGO-2011-2013	-	239,072	239,072	-	-
Principal Forgiveness	66.468	DGO-2011-2013	-	59,768	59,768	-	-
			<u>-</u>	<u>298,840</u>	<u>298,840</u>	<u>-</u>	<u>-</u>
Total Federal Awards-Primary Government City of Athens			<u>127,019</u>	<u>442,030</u>	<u>315,011</u>	<u>-</u>	<u>-</u>

(continued)

CITY OF ATHENS, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2016
(continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Accrued (Unearned) Grant Revenues July 1, 2015	Grant Revenues Received	Expenditures	Other	Accrued (Unearned) Grant Revenues June 30, 2016
PRIMARY GOVERNMENT:							
CITY OF ATHENS							
STATE AWARDS							
DEPARTMENT OF ENVIROMENT AND CONSERVATION							
Used Oil Collection & Recycling Grant Program		32701-02229	\$ -	\$ 3,820	\$ 3,820	\$ -	\$ -
Total State Awards - Primary Government City of Athens			-	3,820	3,820	-	-
Total Primary Government City of Athens			<u>\$ 127,019</u>	<u>\$ 445,850</u>	<u>\$ 318,831</u>	<u>\$ -</u>	<u>\$ -</u>
PRIMARY GOVERNMENT:							
ATHENS CITY BOARD OF EDUCATION							
FEDERAL AWARDS:							
U.S. DEPARTMENT OF AGRICULTURE							
Passed through the TN Department of Human Services:							
Child and Adult Food Care Program	10.558	N/A	\$ -	\$ 73,036	\$ 79,028	\$ -	\$ 5,992
Passed through the TN Department of Education:							
Child Nutrition Cluster:							
National School Lunch Program	10.555	N/A	52,686	620,095	644,568	-	77,159
School Breakfast Program	10.553	N/A	18,116	215,906	225,316	-	27,526
Summer Food Service Program for Children	10.559	N/A	85,993	134,616	121,612	-	72,989
Passed through the TN Department of Agriculture:							
Food Distribution	10.555	N/A	-	73,014	73,014	-	-
			<u>156,795</u>	<u>1,116,667</u>	<u>1,143,538</u>	<u>-</u>	<u>183,666</u>
U.S. DEPARTMENT OF EDUCATION							
Impact Aid	84.041	N/A	-	972	972	-	-
Teacher Incentive Fund	84.374	N/A	251,961	1,075,769	1,162,574	-	338,766
Passed through the TN Department of Education:							
Special Education Cluster:							
Special Education - Grants to States	84.027	N/A	(479)	350,309	350,309	-	(479)
Special Education - Preschool Grants	84.173	N/A	-	20,582	20,582	-	-
Title I Grants to Local Educational Agencies	84.010	N/A	51,888	710,702	710,702	-	51,888
Twenty-First Century Community Learning Centers	84.287	N/A	61,054	278,046	261,000	-	44,008

(continued)

CITY OF ATHENS, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2016
(continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Accrued (Unearned) Grant Revenues July 1, 2015	Grant Revenues Received	Expenditures	Other	Accrued (Unearned) Grant Revenues June 30, 2016
PRIMARY GOVERNMENT:							
ATHENS CITY BOARD OF EDUCATION							
FEDERAL AWARDS:							
U.S. DEPARTMENT OF EDUCATION (continued)							
Improving Teacher Quality - State Grants	84.367	N/A	\$ (44,269)	\$ 128,226	\$ 128,226	\$ -	\$ (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	(5,805)	38,028	38,028	-	(5,805)
English Language Acquisition Grants	84.162	N/A	(1,381)	19,845	19,845	-	(1,381)
			<u>313,015</u>	<u>2,622,479</u>	<u>2,692,238</u>	<u>-</u>	<u>382,774</u>
Total Federal Awards - Primary Government Athens Board of Education			<u>469,810</u>	<u>3,739,146</u>	<u>3,835,776</u>	<u>-</u>	<u>566,440</u>
STATE AWARDS							
Early Childhood Education - Lottery		N/A	267,830	642,337	649,611	-	275,104
Coordinated School Health		N/A	31,411	89,283	85,000	-	27,128
Safe Schools		N/A	8,440	14,671	11,731	-	5,500
Total State Awards - Primary Government Athens Board of Education			<u>307,681</u>	<u>746,291</u>	<u>746,342</u>	<u>-</u>	<u>307,732</u>
Total Primary Government Athens Board of Education			<u>\$ 777,491</u>	<u>\$ 4,485,437</u>	<u>\$ 4,582,118</u>	<u>\$ -</u>	<u>\$ 874,172</u>
PRIMARY GOVERNMENT:							
Total Federal Awards			\$ 596,829	\$ 4,181,176	\$ 4,150,787	\$ -	\$ 566,440
Total State Awards			307,681	750,111	750,162	-	307,732
TOTAL AWARDS			<u>\$ 904,510</u>	<u>\$ 4,931,287</u>	<u>\$ 4,900,949</u>	<u>\$ -</u>	<u>\$ 874,172</u>

CITY OF ATHENS, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2016
(continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Accrued (Unearned) Grant Revenues July 1, 2015	Grant Revenues Received	Expenditures	Other	Accrued (Unearned) Grant Revenues June 30, 2016
COMPONENT UNIT - ATHENS UTILITIES BOARD							
FEDERAL AWARDS							
U.S. DEPARTMENT OF HOMELAND SECURITY							
Passed through TN Emergency Management Agency							
Disaster Grants - Public Assistance							
	97.036	FEMA-4211-DR-TN	\$ 134,087	\$ 126,695	\$ -	\$ (7,392)	\$ -
U.S. DEPARTMENT OF TRANSPORTATION							
2014 Technical Assistance Grants to Communities							
	20.710	N/A	-	39,900	39,900	-	-
			<u>\$ 134,087</u>	<u>\$ 166,595</u>	<u>\$ 39,900</u>	<u>\$ (7,392)</u>	<u>\$ -</u>
SUMMARY OF PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT:							
Total Federal Awards			\$ 730,916	\$ 4,347,771	\$ 4,190,687	\$ (7,392)	\$ 566,440
Total State Awards			307,681	750,111	750,162	-	307,732
TOTAL AWARDS			<u>\$ 1,038,597</u>	<u>\$ 5,097,882</u>	<u>\$ 4,940,849</u>	<u>\$ (7,392)</u>	<u>\$ 874,172</u>

- Note 1: The City of Athens received federal awards which were below the level requiring the City to have a "Single Audit" in accordance with the Uniform Guidance for the year ended June 30, 2016. 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 the Uniform Guidance. 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 the Uniform Guidance for the year ended June 30, 2016. The Board of Education awards have been reported on in the separately issued financial statements of Athens City Board of Education. The Board of Education awards have been included in the Schedule of Expenditures of Federal and State Awards to reflect the entire reporting entity. See separately issued Board of Education financial report regarding the Board's Schedule of Expenditures of Federal and State Awards.
- Note 3: Athens Utilities Board, component unit of the City, received federal awards which were below the level requiring the Board to have a "Single Audit" in accordance with the Uniform Guidance for the year ended June 30, 2016. The Athens Utilities Board awards have been included in the Schedule of Expenditures of Federal and State Awards to reflect the entire reporting entity. See separately issued Athens Utilities Board financial report regarding the Board's Schedule of Expenditures of Federal and State Awards.
- Note 4: Expenditures under the U.S. Department of Agriculture Food Distribution grant received by the Board of Education represent receipt and expenditures of noncash commodities as valued based on equivalent purchased product.

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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, 2016
 (Accrual Basis of Accounting)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
GOVERNMENTAL ACTIVITIES										
Net investment in capital assets	\$ 19,116,948	\$ 17,989,282	\$ 17,489,334	\$ 17,004,556	\$ 14,435,026	\$ 13,619,954	\$ 12,210,372	\$ 11,060,041	\$ 10,614,066	\$ 10,514,601
Restricted	1,037,679	1,322,190	1,344,973	1,329,154	563,958	539,331	3,544,712	3,243,590	2,892,696	2,888,921
Unrestricted	<u>19,379,552</u>	<u>16,406,946</u>	<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>
Total governmental activities net position	<u>\$ 39,534,179</u>	<u>\$ 35,718,418</u>	<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>
BUSINESS-TYPE ACTIVITIES										
Net investment in capital assets	\$ 1,166,634	\$ 1,087,417	\$ 1,051,952	\$ 1,250,026	\$ 1,448,098	\$ 1,394,936	\$ 1,548,913	\$ 1,373,417	\$ 1,485,011	\$ 1,346,519
Unrestricted	<u>1,843,698</u>	<u>1,735,631</u>	<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>
Total business-type activities net position	<u>\$ 3,010,332</u>	<u>\$ 2,823,048</u>	<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>
PRIMARY GOVERNMENT										
Net investment in capital assets	\$ 20,283,582	\$ 19,076,699	\$ 18,541,286	\$ 18,254,582	\$ 15,883,124	\$ 15,014,890	\$ 13,759,285	\$ 12,433,458	\$ 12,099,077	\$ 11,861,120
Restricted	1,037,679	1,322,190	1,344,973	1,329,154	563,958	539,331	3,544,712	3,243,590	2,892,696	2,888,921
Unrestricted	<u>21,223,250</u>	<u>18,142,577</u>	<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>
Total primary government net position	<u>\$ 42,544,511</u>	<u>\$ 38,541,466</u>	<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>

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, 2016
 (Accrual Basis of Accounting)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
EXPENSES										
Governmental activities:										
General government	\$ 3,264,019	\$ 3,383,866	\$ 2,039,765	\$ 3,140,398	\$ 1,588,651	\$ 3,775,355	\$ 2,504,213	\$ 2,490,960	\$ 2,819,334	\$ 3,213,814
Public safety	3,872,018	3,842,422	4,290,714	4,348,906	4,534,214	3,980,447	4,224,580	4,461,884	3,885,236	3,668,107
Highways and streets	2,332,120	2,115,793	2,148,218	1,709,642	2,129,289	2,076,682	1,644,740	1,998,281	2,252,358	1,872,584
Culture and recreation	943,464	932,977	960,444	913,856	1,112,979	546,683	709,813	911,898	825,652	878,552
Education					2,108,268	1,841,940	1,825,000	1,685,054	1,808,646	2,680,133
Instructional	8,755,499	8,523,347	9,309,345	9,653,532	-	-	-	-	-	-
Support services	6,599,401	6,239,889	5,927,266	5,077,403	-	-	-	-	-	-
Non-instructional	1,239,669	1,243,551	1,287,497	1,260,999	-	-	-	-	-	-
Unallocated depreciation	295,880	304,666	294,918	277,449	-	-	-	-	-	-
Health and welfare	93,581	95,333	106,926	111,079	105,949	93,479	97,091	93,733	89,773	96,383
Interest on long-term debt	17,533	21,927	28,568	33,823	33,938	61,531	63,175	124,260	254,003	326,030
Passthrough grants	303,616	1,373,723	1,096,736	-	500,000	2,980,680	3,423,715	-	-	-
Total governmental activities expenses	<u>27,716,800</u>	<u>28,077,494</u>	<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>
Business-type activities:										
Conference center	70,222	78,224	70,788	65,074	64,483	71,984	64,782	74,287	78,630	73,475
Sanitation	725,701	721,393	750,605	788,503	754,868	660,718	1,024,229	744,393	773,071	750,040
Total business-type activities expenses	<u>795,923</u>	<u>799,617</u>	<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>
Total primary government expenses	<u>\$ 28,512,723</u>	<u>\$ 28,877,111</u>	<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>
PROGRAM REVENUES										
Governmental activities:										
Charges for services:										
General government	\$ 109,955	\$ 166,047	\$ 91,301	\$ 133,031	\$ 106,902	\$ 70,957	\$ 68,970	\$ 128,972	\$ 161,389	\$ 124,870
Public safety	528,190	500,147	483,831	691,534	458,959	476,019	490,614	517,846	456,715	607,386
Culture and recreation	130,545	125,460	136,431	137,282	141,374	111,125	107,617	121,141	129,551	123,270
Education	273,801	280,239	419,058	467,264	-	-	-	-	-	-
Health and welfare	2,575	2,845	3,270	3,080	3,244	2,587	2,999	2,840	18,940	40,593

(continued)

CITY OF ATHENS, TENNESSEE
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
June 30, 2016
 (Accrual Basis of Accounting)
 (continued)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
PROGRAM REVENUES										
Governmental activities: (continued)										
Operating grants and contributions	\$ 5,204,178	\$ 4,824,958	\$ 4,532,151	\$ 4,045,399	\$ 495,710	\$ 549,773	\$ 682,455	\$ 577,555	\$ 540,073	\$ 920,680
Capital grants and contributions	<u>389,535</u>	<u>1,492,666</u>	<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>
Total governmental activities program revenues	<u>6,638,779</u>	<u>7,392,362</u>	<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>
Business-type activities:										
Charges for services:										
Conference center	25,785	23,281	24,024	20,503	17,606	18,508	17,712	13,622	16,085	18,250
Sanitation	<u>932,616</u>	<u>893,352</u>	<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>
Total business-type activities program revenues	<u>958,401</u>	<u>916,633</u>	<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>
Total primary government program revenues	<u>\$ 7,597,180</u>	<u>\$ 8,308,995</u>	<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>
NET (EXPENSES)/REVENUES										
Governmental activities	\$ (21,078,021)	\$ (20,685,132)	\$ (20,534,403)	\$ (20,566,233)	\$ (10,202,337)	\$ (10,394,015)	\$ (8,655,194)	\$ (10,183,606)	\$ (10,580,324)	\$ (10,127,228)
Business-type activities	<u>162,478</u>	<u>117,016</u>	<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>
Total primary government net expenses	<u>\$ (20,915,543)</u>	<u>\$ (20,568,116)</u>	<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>

(continued)

CITY OF ATHENS, TENNESSEE
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
June 30, 2016
 (Accrual Basis of Accounting)
 (continued)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION										
Governmental activities:										
Property taxes	\$ 7,580,694	\$ 6,057,188	\$ 5,830,296	\$ 5,650,152	\$ 4,374,135	\$ 4,470,852	\$ 4,433,632	\$ 4,334,558	\$ 4,184,673	\$ 4,379,275
Local sales tax	4,391,883	4,121,597	4,009,132	3,963,722	3,913,163	3,783,265	3,599,822	3,693,011	3,954,205	3,954,964
In lieu of taxes	1,155,672	1,099,075	1,073,663	1,046,664	1,007,421	998,026	985,411	966,521	865,380	859,276
Wholesale beer tax	499,443	504,260	500,748	515,558	510,549	498,443	489,083	476,121	478,869	470,952
Wholesale liquor tax	148,667	-	-	-	-	-	-	-	-	-
Business tax	425,161	364,399	432,454	423,898	392,867	378,279	406,089	642,757	670,214	672,843
Franchise tax	192,185	173,483	172,510	145,434	154,429	151,724	144,908	140,271	138,113	131,983
Other local taxes	108,862	77,011	85,455	82,858	87,076	83,875	106,587	75,488	33,870	34,451
Intergovernmental revenues not restricted to specific programs	10,094,663	9,915,955	9,544,232	9,223,315	1,140,201	1,109,583	1,110,439	1,219,896	1,368,407	1,340,060
Insurance proceeds	15,593	3,769	2,479	58,280	8,330	-	35,539	107,703	-	-
Investment income	70,802	39,615	77,599	62,608	85,889	59,713	91,129	309,719	552,007	622,830
Gain (loss) on disposal of capital assets	75,185	29,846	44,158	16,378	-	23,255	(4,264)	12,804	-	-
Miscellaneous	134,972	169,859	185,935	118,634	65,286	98,637	49,260	89,024	79,103	67,911
Transfers	-	-	-	-	-	-	(195,000)	-	(251,090)	-
Total governmental activities	24,893,782	22,556,057	21,958,661	21,307,501	11,739,346	11,655,652	11,252,635	12,067,873	12,073,751	12,534,545
Business-type activities:										
Investment income	6,555	1,458	1,229	1,723	6,524	2,489	4,763	21,611	32,461	28,199
Gain on disposal of capital assets	9,181	5,850	4,045	-	25,000	-	34,040	1,111	5,033	-
Miscellaneous	9,070	9,763	8,474	11,237	24,645	15,840	5,985	4,466	6,798	7,740
Transfers	-	-	-	-	-	-	195,000	-	251,090	-
Total business-type activities	24,806	17,071	13,748	12,960	56,169	18,329	239,788	27,188	295,382	35,939
Total primary government	\$ 24,918,588	\$ 22,573,128	\$ 21,972,409	\$ 21,320,461	\$ 11,795,515	\$ 11,673,981	\$ 11,492,423	\$ 12,095,061	\$ 12,369,133	\$ 12,570,484

(continued)

CITY OF ATHENS, TENNESSEE
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
June 30, 2016
 (Accrual Basis of Accounting)
 (continued)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
GOVERNMENTAL ACTIVITIES										
Prior period adjustments and restatements	\$ -	\$ (7,484,785)	\$ (11,725)	\$ 10,453,947	\$ -	\$ 691,382	\$ -	\$ -	\$ 11,147	\$ -
BUSINESS-TYPE ACTIVITIES										
Prior period adjustments and restatements	-	(85,001)	-	-	-	-	-	-	-	-
Total primary government	<u>\$ -</u>	<u>\$ (7,569,786)</u>	<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>
CHANGES IN NET POSITION										
Governmental activities	\$ 3,815,761	\$ 1,870,925	\$ 1,424,258	\$ 741,268	\$ 1,537,009	\$ 1,261,637	\$ 2,597,441	\$ 1,884,267	\$ 1,504,574	\$ 2,407,317
Business-type activities	<u>187,284</u>	<u>134,087</u>	<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>
Total changes in net position	<u>\$ 4,003,045</u>	<u>\$ 2,005,012</u>	<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>

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, 2016
(Modified Accrual Basis of Accounting)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
GENERAL FUND										
Nonspendable	\$ 165,778	\$ 116,334	\$ 183,917	\$ 107,345	\$ 391,001	\$ 391,570	\$ -	\$ -	\$ -	\$ -
Reserved	-	-	-	-	-	-	288,287	324,773	388,372	468,185
Restricted	108,395	111,441	111,363	111,386	152,520	154,782	-	-	-	-
Committed	20,673	20,343	20,079	19,278	18,317	17,491	-	-	-	-
Assigned	-	-	-	-	32,000	2,175	-	-	-	-
Unassigned	8,495,582	7,579,861	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
Total General Fund	<u>8,790,428</u>	<u>7,827,979</u>	<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>
ALL OTHER GOVERNMENTAL FUNDS										
Nonspendable	203,719	166,829	168,636	187,933	47,283	57,283	-	-	-	-
Reserved	-	-	-	-	-	-	3,544,712	3,247,796	2,892,696	2,491,767
Restricted	868,076	1,163,466	1,186,327	1,170,485	364,155	337,266	-	-	-	-
Committed	3,673,665	2,219,063	1,607,235	1,898,474	2,590,360	2,594,053	-	-	-	-
Assigned	6,108,592	6,778,853	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
Capital projects funds	-	-	-	-	-	-	4,197,480	3,260,483	3,473,105	2,412,439
Total all other governmental funds	<u>\$ 10,854,052</u>	<u>\$ 10,328,211</u>	<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>

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, 2016
(Modified Accrual Basis of Accounting)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
REVENUES										
Property taxes	\$ 7,568,597	\$ 6,009,899	\$ 5,848,755	\$ 5,787,626	\$ 4,368,696	\$ 4,462,814	\$ 4,374,413	\$ 4,255,543	\$ 4,390,787	\$ 4,356,454
Other local taxes	8,152,947	7,504,028	7,382,746	9,594,041	6,065,506	5,893,612	5,731,900	5,994,169	6,140,653	6,124,469
Intergovernmental	14,351,909	15,014,618	14,257,121	10,293,399	2,341,673	5,410,476	6,459,025	2,247,698	2,281,491	3,380,451
Charges for services and tuition	516,877	574,590	650,060	740,657	251,520	184,670	179,586	247,268	275,138	288,732
Fines and forfeitures	528,190	500,148	483,831	691,534	458,960	476,019	490,613	517,846	456,715	607,385
Investment and interest income	57,162	36,950	52,655	59,830	74,728	55,374	80,737	266,346	444,168	526,025
Miscellaneous	230,364	203,915	205,043	160,425	71,692	98,638	84,799	194,768	79,103	68,180
Total revenues	<u>31,406,046</u>	<u>29,844,148</u>	<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>
EXPENDITURES										
General government	2,347,339	2,404,328	2,281,359	2,599,003	2,331,668	2,145,657	2,339,869	2,849,019	2,767,617	3,059,784
Public safety	4,676,698	4,899,076	4,429,497	4,496,635	4,608,530	4,023,473	4,310,585	4,339,356	3,967,996	3,850,012
Highways and streets	2,467,023	2,245,781	1,976,925	2,007,157	2,118,202	1,937,882	1,669,242	1,852,398	2,181,401	1,775,508
Culture and recreation	985,544	956,090	875,887	914,958	891,780	775,601	776,659	877,987	878,867	809,515
Education	18,047,303	16,947,592	16,554,903	15,970,471	2,108,268	1,841,940	1,825,000	1,685,054	1,808,646	2,680,133
Health and welfare	106,498	110,614	110,326	114,479	109,349	96,879	100,491	97,033	93,074	99,383
Capital outlay	525,497	2,230,090	1,667,273	1,406,633	1,451,621	5,380,256	4,564,530	601,723	71,521	1,109,198
Debt service:										
Principal	770,000	747,000	725,000	703,000	683,000	662,000	605,300	581,200	558,300	536,500
Interest and fiscal charges	17,533	21,927	28,568	33,823	33,938	61,531	63,175	124,260	254,003	326,030
Total expenditures	<u>29,943,435</u>	<u>30,562,498</u>	<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>
REVENUES OVER (UNDER)										
EXPENDITURES	<u>1,462,611</u>	<u>(718,350)</u>	<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>

(continued)

CITY OF ATHENS, TENNESSEE
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
June 30, 2016
 (Modified Accrual Basis of Accounting)
 (continued)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
OTHER FINANCING SOURCES										
(USES)										
Capital contributions	\$ -	\$ -	\$ -	\$ 10,080	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers	-	-	(41,031)	-	-	-	-	-	-	-
Proceeds from issuance of debt	-	-	-	-	-	-	-	-	-	877,000
Proceeds from the sale of capital assets	10,086	365	6,531	680	439	1,086	3,169	4,464	20,484	-
Insurance proceeds	<u>15,593</u>	<u>3,769</u>	<u>2,479</u>	<u>58,280</u>	<u>8,330</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing resources	<u>25,679</u>	<u>4,134</u>	<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>
NET CHANGE IN FUND										
BALANCES	<u>\$ 1,488,290</u>	<u>\$ (714,216)</u>	<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>
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURE										
	2.72%	2.57%	2.71%	2.76%	5.56%	5.90%	5.72%	5.69%	6.49%	6.57%

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, 2016

<u>Fiscal Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Public Utility Property</u>	<u>Total Taxable Assessed Value</u>	<u>Estimated Market Value</u>	<u>City Property Tax Rate</u>	<u>Taxable Assessed Value as a % of Actual Taxable Value</u>
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
2015	300,454,640	99,320,541	8,479,395	408,254,576	1,289,031,476	1.4770	31.7
2016	301,608,970	104,469,997	8,847,818	414,926,785	1,310,260,486	1.3628	31.7

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, 2016**

<u>Tax Year</u>	<u>City (Direct Rate)</u>	<u>County (Overlapping Rate)</u>	<u>Total</u>
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
2015	1.4770	1.6155	3.0925
2016	1.3628	1.6158	2.9786

(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, 2016**

2016				2007			
Taxpayer	Type of Business	Taxable Assessed Value	Percentage of Total Taxable Assessed Value	Taxpayer	Type of Business	Taxable Assessed Value	Percentage of Total Taxable Assessed Value
Denso Tennessee, Inc.	Automotive parts manufacturer	\$ 57,971,089	14.0 %	Denso Tennessee, Inc.	Automotive parts manufacturer	\$ 38,162,955	11.9 %
Starr Regional Medical Center	Healthcare	9,576,093	2.3	Johnson Controls, Inc.	Automotive seating	11,702,258	3.7
Johnson Controls, Inc.	Automotive seating	8,580,276	2.1	Collins & Aikman	Automotive parts manufacturer	8,361,099	2.6
Dean Foods/Mayfield Dairy Farms, Inc.	Dairy products	8,363,957	2.0	Mayfield Dairy Farms, Inc.	Dairy products	7,225,832	2.3
HP Pelzer	Automotive parts supplier	8,091,209	2.0	Athens Regional Medical Center	Healthcare	7,106,056	2.2
MCR Acquisition	Electrical component manufacturer	7,964,412	1.9	Thomas & Betts	Electrical component manufacturer	5,268,259	1.7
Walmart	Retail	5,862,636	1.4	Walmart	Retail	4,875,229	1.5
E&E Manufacturing	Automotive parts supplier	4,127,458	1.0	General Motors	Automotive	4,590,377	1.4
Heil Trailer, International	Trailer tanks	3,560,097	0.9	Plastic Industries, Inc.	Plastic component manufacturer	4,026,835	1.3
Plastic Industries, Inc.	Plastic component manufacturer	3,302,319	0.8	Bell South	Telephone company	3,712,946	1.2

NOTE: Total assessed valuations for 2016 and 2007 are \$414,926,785 and \$318,428,385, respectively.

Source: Official records of the Department of Finance

CITY OF ATHENS, TENNESSEE
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
June 30, 2016
(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
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	154,062	4,161,904	99.65
2009	4,344,661	4,097,097	94.30	196,157	4,293,254	98.82
2010	4,440,776	4,179,963	94.13	255,007	4,434,970	99.87
2011	4,500,601	4,223,936	93.85	210,726	4,434,662	98.53
2012	4,399,152	4,149,785	94.33	219,258	4,369,043	99.32
2013	4,316,647	4,083,062	94.59	192,794	4,275,856	99.06
2014	4,359,762	4,161,945	95.46	156,695	4,318,640	99.06
2015	4,412,937	4,207,109	95.34	133,054	4,340,163	98.35
2016	5,965,875	5,729,519	96.04	-	5,729,519	96.04

Source: Official records of Department of Finance

CITY OF ATHENS, TENNESSEE
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
June 30, 2016

Fiscal Year	General Obligation Bonds	Notes Payable	Total Primary Government	Percentage of Personal Income	Per Capita
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
2015	-	2,380,000	2,380,000	.89	177
2016	-	1,610,000	1,610,000	.65	120

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, 2016

Fiscal Year	General Debt Outstanding			Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Notes Payable	Total		
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
2015	-	2,380,000	2,380,000	0.58	177
2016	-	1,610,000	1,610,000	0.39	120

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 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, 2016

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
McMinn County (debt repaid with property taxes)	\$ -	- %	\$ -
City of Athens (direct debt)	1,610,000	100	<u>1,610,000</u>
Total direct and overlapping debt			<u><u>\$ 1,610,000</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, 2016**

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
PLEGDED REVENUE COVERAGE
LAST TEN FISCAL YEARS
June 30, 2016**

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, 2016

<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>
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
2015	13,458	266,791,392	19,824	39.1	1,563	10,720	7.10
2016	13,458	247,842,528	18,416	39.1	1,546	10,692	5.60

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

**CITY OF ATHENS, TENNESSEE
PRINCIPAL EMPLOYERS
CURRENT FISCAL YEAR AND NINE YEARS AGO
June 30, 2016**

2016			2007		
Employer	Taxable Employees	Percentage of Total City Employment	Employer	Taxable Employees	Percentage of Total City Employment
Denso Tennessee, Inc.	1,625	15.20 %	Denso Tennessee, Inc.	1,100	10.84 %
McMinn Co. Board of Education	798	7.46	Johnson Controls, Inc.	700	6.90
Starr Regional Medical Center	645	6.03	Collins & Aikman	445	4.38
Johnson Controls, Inc.	458	4.28	Thomas & Betts	400	3.94
Heil Trailer, International	419	3.92	Mayfield Dairy Farms, Inc.	385	3.79
Dean Foods/Mayfield Dairy Farms, Inc.	350	3.27	Heil Trailer, International	350	3.45
Walmart	295	2.76	Plastic Industries, Inc.	250	2.46
MCR Acquisition	289	2.70	Dynasty Spas	240	2.36
Dynasty Spas	246	2.30	Mills Products	200	1.97
E & E Manufacturing	233	2.18	Texas Hydraulics	198	1.95
	<u>5,358</u>	<u>50.10 %</u>		<u>4,268</u>	<u>42.04 %</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, 2016

Function/Program	Full-Time Equivalent Employees as of June 30									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
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	1	1	1	1	1	1	1
Emergency Preparedness	-	-	-	-	-	-	-	-	-	-
Communications	8	7	8	8	6	-	-	-	-	-
Community Development	4	4	4	4	4	4	4	4	4	4
Police	35	33	33	33	33	33	33	33	33	33
Fire	21	22	22	23	22	22	22	22	22	22
Parks and Recreation	10	10	10	10	10	10	9	9	9	9
Public Works	36	36	34	32	32	32	31	31	31	33
	<u>125</u>	<u>123</u>	<u>122</u>	<u>120</u>	<u>117</u>	<u>111</u>	<u>109</u>	<u>109</u>	<u>109</u>	<u>111</u>

Source: City Finance Department

CITY OF ATHENS, TENNESSEE
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
June 30, 2016

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental Activities:										
Community Development										
Number of building permits	507	501	389	49	353	382	360	347	313	318
Police:										
Number of arrests	1,133	1,040	1,341	1,422	1,497	1,488	1,113	1,097	1,292	997
Number of traffic citations issued	5,399	5,177	6,026	6,281	5,808	7,431	10,953	7,729	6,561	6,473
Fire										
Total calls	414	369	432	510	528	520	418	515	567	631
Inspections	279	270	490	795	764	924	650	773	806	668
Business-type Activities:										
Conference Center										
Rentals	92	147	133	112	86	115	108	125	121	130

Source: Various City Departments

CITY OF ATHENS, TENNESSEE
INFRASTRUCTURE STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS
June 30, 2016

<u>Function/Program</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>	<u>2015</u>	<u>2016</u>
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	14	15	15	14	15	15	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)	126	126	126	126	126	126	126	126	126	126
Square feet of sidewalks	693,077	699,630	735,240	824,360	824,360	824,360	824,360	824,360	824,360	824,360
New traffic signals	2	-	3	1	-	-	-	-	-	-

Source: Various City Departments

CITY OF ATHENS, TENNESSEE
SCHEDULE OF BONDS OF PRINCIPAL OFFICIALS
June 30, 2016

Name	Office	Amount of Bond
Ann Davis	Mayor	\$ 150,000
William Bo Perkinson	Vice-Mayor	150,000
Chuck Burris	Council Member	150,000
Dick Pelley	Council Member	150,000
Yvonne Raper	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
Alf Hacker	Treasurer	365,200
Amy Sullins	Member	150,000
Johnny Coffman	Member	150,000

ADMINISTRATIVE STAFF

Dr. Melanie Miller	Director of Schools	150,000
Melody Armstrong	Supervisor of Instruction	150,000
Ray Grant	Supervisor of Transportation	150,000
Janey Morris	Supervisor of Exceptional Learning and Federal Projects	150,000
Angie Newman	Supervisor of Food Services	150,000
Eddie Arnold	Supervisor of Maintenance	150,000
Susan Freeman	Finance Administrator	150,000

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OTHER REPORTS SECTION

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

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

To the City Council
City of Athens
Athens, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Athens, Tennessee, as of and for the year ended June 30, 2016, 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 30, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Athens, Tennessee's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

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

Neal, Scouter, & McConnell, P.C.

Chattanooga, Tennessee
December 30, 2016

**CITY OF ATHENS, TENNESSEE
SCHEDULE OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS
June 30, 2016**

FINANCIAL STATEMENT FINDINGS

There were no prior year findings or questioned costs.

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