

City of Athens, Tennessee



*Comprehensive Annual
Financial Report*

For The Year Ended June 30, 2015

CITY OF ATHENS, TENNESSEE

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**FOR THE YEAR ENDED
JUNE 30, 2015**

**Prepared by:
Department of Finance**

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INTRODUCTORY SECTION

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CITY OF ATHENS

Michael L. Keith, CPA
Director of Finance

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

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Athens for the fiscal year ended June 30, 2015.

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, 2015, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Athens' financial statements, for the fiscal year ended June 30, 2015, 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 independent audit of the financial statements of the City of Athens was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the City of Athens' internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are located in the Single Audit Section at the end of this Comprehensive Annual Financial Report.

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

PROFILE OF THE CITY OF ATHENS

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

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

The City provides a full range of services which include police and fire protection; sanitation services; the construction and maintenance of highways, streets, and infrastructure; recreational activities and cultural events. In addition to general government activities, the governing body approves the annual budget, debt issues and provides significant funding for the Athens City Schools, which requires the inclusion of these activities in the financial statements. The governing body appoints the Athens Utilities Board and therefore, these activities are reported separately within the financial statements of the City of Athens. However, the Athens Housing Authority, the McMinn County Economic Development Authority, the E. G. Fisher Library, and the Athens Health and Educational Facilities Board have not met the established criteria for inclusion; and, accordingly, are excluded from this report.

The annual budget serves as the foundation for the City of Athens' financial planning and control. The council reviews capital outlay needs each year at their annual retreat in January/February. The finance department compiles budgetary information to be distributed to the departments by February 28. Budget requests are submitted to the finance director in March, at which time the finance department compiles the data and makes revenue estimates. Budget hearings are held in April of each year with the department heads. In early May, the City Manager and/or Director of Finance make a formal balanced budget presentation to the city council.

After much review and debate among the council, the budget is revised to include any recommendations of the city council. A revised budget is submitted to city council at the May council meeting. The council is required to hold a public hearing on the proposed budget and to adopt a final budget and tax rate by June 30 each year, which is the close of the City's fiscal year. The appropriated budget is prepared by fund, function (e.g., public safety), department (e.g., police) and division (e.g.,

patrol). Department heads may make transfers within a division, but transfers of appropriations between divisions and funds require approval of the city council. Budget to actual comparisons are provided in this report for each governmental fund for which an appropriated annual budget has been adopted.

Factors Affecting Financial Condition

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

Local Economy

Major industries located within the City include several automotive parts suppliers, manufacturers of electrical components and plastics, and a producer of dairy products. Denso, the City's largest employer, will begin work on its third expansion in three years. This increases employment by over 400 employees for this one industry.

The unemployment rate has varied over the past decade. In 2006, the rate was 6.3 percent, with the highest rate being 14.9 percent in 2009 and the lowest rate being 4.9 percent in 2007. The rate was 7.1 percent for June 2015.

During the past ten years, the government's expenses related to education have generally increased in both percentage and amount. This is due to the increased state funding for The Basic Education Program (BEP), funding for renovations, an increase in sales tax collections and increases designed to meet the maintenance of effort as required by the state.

During the same ten-year period, taxes and intergovernmental revenues have increased in both amount and percentage. Property tax collections have grown because of the growth of Denso and personal property tax growth throughout the entire city. Sales taxes have also grown, and the City now accounts for approximately 79 percent of sales tax collections within McMinn County.

Long-Term Financial Planning

Unassigned fund balance in the general fund (57 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.

The City has approved funding for Athens City Schools to make renovations and additions to two schools. This will allow them to consolidate four schools into two and operate more efficiently.

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 for the school improvements mentioned above, to provide \$500,000 annually for paving of streets and to provide for additional employees for public works. The City has approved having a referendum for an increase in the local option sales tax rate from 2% to 2.75%. If approved, it will allow for the property tax to be decreased to its previous rate and still provide additional funding for operating the City and the City Schools. 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, 2014. This was the twenty-third consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this CAFR on a timely basis was made possible by the dedicated service of the entire staff of the finance and administration departments, in addition to the City's independent certified public accountants. Credit must also be given to the mayor, city council, and the city manager for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Athens' finances.

Respectfully submitted,

Michael L. Keith, CPA
Director of Finance

December 30, 2015



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, 2014

Executive Director/CEO



CITY OF ATHENS, TENNESSEE
LIST OF PRINCIPAL OFFICIALS
June 30, 2015

City of Athens

Ann Davis
William Bo Perkinson
Dick Pelley
Chuck Burris
Yvonne Raper

Mayor
Vice-Mayor
Council Member
Council Member
Council Member

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

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

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

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

Athens City Board of Education

Michael L. Bevins
Chris Liner
Chris Adams
Dr. Preston Brown
Dr. Amy Sullins
Alf Hacker

Chairman
Vice-Chairman
Secretary
Treasurer
Board Member
Board Member

Robert Greene
Becky Simpson
Ray Grant
Janey Morris
Yvonne Raper
Eddie Arnold
Susan Freeman

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

Athens Utilities Board

Lou Pascarella
Stan Harrison
William Bo Perkinson
Bob Sevigny
Tom Hughes

Chairman
Vice-Chairman
Board Member
Board Member
Board Member

Eric Newberry
Doug Rodgers
Larry Monteen
Sherree Reed
Jill Davis
Wayne Scarbrough
Phil Graves

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

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FINANCIAL SECTION

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

Report of Independent Certified Public Accountants
on Financial Statements

To the City Council
City of Athens
Athens, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Athens, Tennessee, as of and for the year ended June 30, 2015, 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, 2015, 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 75-83 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 84-85, the budgetary comparison schedules on pages 86-88, combining and individual internal service fund financial statements on pages 89-91, the statistical section and the financial schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 30, 2015, on our consideration of the City of Athens, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Athens, Tennessee's internal control over financial reporting and compliance.

Neal, Scouter, & McConnell, P.C.

Chattanooga, Tennessee
December 30, 2015

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City of Athens, Tennessee
Management's Discussion and Analysis
June 30, 2015

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, 2015. 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, 2015 by \$38,541,466 (net position). Of this amount, \$18,142,391 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- Net position increased by \$2,005,012, an increase of 5.5% compared to fiscal year 2014 total net position. The City of Athens' changes in net position is detailed in the chart on page B-5 of this report. Total revenues increased \$1,061,366, primarily due to an increase in intergovernmental and operating and capital grants. Expenses increased \$565,321 primarily due to general government expenses.
- The City's property tax rate remained at \$1.1328 per hundred dollars of assessment.
- The City's residential sanitation fee increased to \$9.00 per month.
- As of the close of the current fiscal year, the City of Athens' governmental funds reported combined ending fund balances of \$18,156,190.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$7,579,861 or 71.7% of total General Fund expenditures. Expenditures do not include transfers to other funds, which totaled \$3,211,000 in the City's General Fund. The percentage drops to 55% 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 68. This is described in more detail in Note 11 of the financial statements.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction of the City of Athens' basic financial statements. The City of Athens' basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Athens' finances, in a manner similar to a private-sector business.

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

City of Athens, Tennessee
Management's Discussion and Analysis
June 30, 2015

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 eight 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, 2015

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 84.

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 89.

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 21-74 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 75-83 of this report.

City of Athens, Tennessee
Management's Discussion and Analysis
June 30, 2015

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 84-88 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 \$38,541,466 at the close of this fiscal year.

The largest portion of the City of Athens net position (47.1%) 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 (49.5% of net position) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any debt used to acquire those assets that is still outstanding. The City of Athens uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City of Athens' investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Restricted net position comprises 3.4% of net position. These resources are subject to external restrictions on how they may be used.

At June 30, 2015, 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, 2015

City of Athens
Net Position

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 31,615,832	\$32,886,453	\$1,819,515	\$1,743,404	\$33,435,347	\$34,629,857
Capital assets	20,369,282	20,626,292	1,087,417	1,051,952	21,456,699	21,678,244
Total assets	51,985,114	53,512,745	2,906,932	2,795,356	54,892,046	56,308,101
Deferred outflows of resources	1,871,889	-	30,135	-	1,902,024	-
Long-term liabilities	3,099,433	3,842,587	-	-	3,099,433	3,842,587
Other liabilities	4,381,036	8,337,880	114,019	21,394	4,495,055	8,359,274
Total liabilities	7,480,469	12,180,467	114,019	21,394	7,594,488	12,201,861
Deferred inflows of resources	10,658,116	-	-	-	10,658,116	-
Invested in capital assets, net						
of related debt	17,989,282	17,489,334	1,087,417	1,051,952	19,076,699	18,541,286
Restricted	1,322,190	1,344,973	-	-	1,322,190	1,344,973
Unrestricted	16,406,946	22,497,971	1,735,631	1,722,010	18,142,577	24,219,981
Total net position	\$ 35,718,418	\$41,332,278	\$2,823,048	\$2,773,962	\$38,541,466	\$44,106,240

Governmental activities. Governmental activities increased the City of Athens' net position by \$1,870,925 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 \$134,087. This increase was due primarily to the operations in the Sanitation Fund.

City of Athens, Tennessee
Management's Discussion and Analysis
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Key elements of this increase in net position are as follows:

City of Athens
Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 1,074,738	\$ 1,133,891	\$ 916,633	\$ 892,354	\$ 1,991,371	\$ 2,026,245
Operating grants and contributions	4,824,958	4,532,151	-	-	4,824,958	4,532,151
Capital grants and contributions	1,492,666	1,289,952	-	-	1,492,666	1,289,952
General revenues:						
Property taxes	6,057,188	5,830,296	-	-	6,057,188	5,830,296
Other taxes	6,339,825	6,273,962	-	-	6,339,825	6,273,962
Intergovernmental revenues not restricted to specific programs	9,915,955	9,544,232	-	-	9,915,955	9,544,232
Other	243,089	310,171	17,071	13,748	260,160	323,919
Total revenues	<u>29,948,419</u>	<u>914,655</u>	<u>933,704</u>	<u>906,102</u>	<u>30,882,123</u>	<u>29,820,757</u>
Expenses:						
General government	3,383,866	2,039,765	-	-	3,383,866	2,039,765
Public safety	3,842,422	4,290,714	-	-	3,842,422	4,290,714
Highways and streets	2,115,793	2,148,218	-	-	2,115,793	2,148,218
Culture and recreation	932,977	960,444	-	-	932,977	960,444
Education	16,311,453	16,819,026	-	-	16,311,453	16,819,026
Health and welfare	95,333	106,926	-	-	95,333	106,926
Interest on long-term debt	21,927	28,568	-	-	21,927	28,568
Passthrough grants	1,373,723	1,096,736	-	-	1,373,723	1,096,736
Conference center	-	-	78,224	70,788	78,224	70,788
Sanitation	-	-	721,393	750,605	721,393	750,605
Total expenses	<u>28,077,494</u>	<u>27,490,397</u>	<u>799,617</u>	<u>821,393</u>	<u>28,877,111</u>	<u>28,311,790</u>
Change in net position	1,870,925	1,424,258	134,087	84,709	2,005,012	1,508,967
Net position, beginning of year (1)	<u>33,847,493</u>	<u>39,908,020</u>	<u>2,688,961</u>	<u>2,689,253</u>	<u>36,536,454</u>	<u>42,597,273</u>
Net position, end of year	<u>\$35,718,418</u>	<u>\$41,332,278</u>	<u>\$2,823,048</u>	<u>\$2,773,962</u>	<u>\$38,541,466</u>	<u>\$44,106,240</u>

(1) Includes a restatement of net position of \$7,484,785 and \$85,001, as described in Note 11. The restatement changes net position at July 1, 2014.

City of Athens, Tennessee
Management's Discussion and Analysis
June 30, 2015

Financial Analysis of the City's Funds

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

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

As of the end of the current fiscal year, the City of Athens' governmental funds reported combined ending fund balances of \$18,156,190, a decrease of \$714,216 in comparison to the prior year. Approximately 41.7% of this total amount (\$7,579,861) 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 - \$283,163; restricted for a specific purpose by external constraint or enabling legislation - \$1,275,093 (law enforcement - \$111,441; basic education - \$777,352; capital projects for Prof Park - \$5,815; cemetery perpetual care - \$159,836; Drug Fund - \$220,463); committed for a specific purpose per action of the City Council - \$2,239,220 (law enforcement - \$20,343; capital projects - \$2,206,394; Drug Fund - \$12,483); or assigned – intended by the City to be used for a specific purpose - \$6,778,853 (education - \$4,036,970; debt service - \$2,465,440; cafeteria operations - \$276,443).

The General Fund is the chief operating fund of the City of Athens. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$7,579,861. 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 71.7% of total fund expenditures, but represents 55% 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 \$368,645 during the current fiscal year. Revenues increased by \$492,934 while expenditures increased by \$966,300 before transfers to other funds. Property taxes, sales taxes and state shared revenues increased over the prior year and expenditures increased due to an additional \$965,000 contribution made to the retirement plan. The transfer to the Athens City Schools decreased \$5,863. The City continued to make the annual transfer of \$790,000 to the Debt Service Fund. Insurance proceeds and sales of capital assets decreased \$4,876.

The fund balance of the General Purpose School Fund increased by \$288,300. Some capital outlay expenditures were less than budgeted as they were delayed to the following year.

The Debt Service Fund has a total fund balance of \$2,465,440. The net decrease was \$1,178,935, due to a \$1,200,000 transfer to the Capital Improvement Fund. The Capital Improvement Fund has a total fund balance of \$2,212,209. The net increase was \$617,457. Capital items consisted of passthrough grants for Athens Utilities Board, recreation projects funded by the State, paving and stream mitigation.

City of Athens, Tennessee
Management's Discussion and Analysis
June 30, 2015

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 \$9,735 for the Conference Center Fund, \$1,725,896 for the Sanitation Fund, \$2,688,927 for the Fleet Management Fund and \$357,469 for the Employee Medical Benefits Fund.

General Fund Budgetary Highlights

Differences in the original budget and the final amended budget for revenues were \$41,000 and consisted of increases in recreation revenues and building permits. Differences between the original budget and the final amended budgeted expenditures, including transfers, were \$1,006,000 and are summarized below:

\$965,000 in additional funding for the retirement plan was contributed and was allocated to all departments and divisions, resulting in increased expenditures.

\$41,000 for various increases in expenditures for recreation programs, legal fees, health insurance and liability insurance.

Final actual revenues exceeded amended budgeted revenues by \$448,008 and significant variances are summarized below:

\$54,942 more in current year property taxes.

\$118,824 more in other local taxes primarily because of local sales taxes.

\$273,002 more in intergovernmental revenues due to state sales tax, state income tax, state excise tax, reimbursements from other governments and police grants.

\$49,386 more in charges for services due to building permits.

\$35,735 less in fines and forfeitures.

\$1,297 less in interest.

\$14,122 more in miscellaneous revenues.

Final amended budgeted expenditures exceeded actual expenditures by \$750,213 and are summarized below:

\$118,644 in general government expenditures, related primarily to street lights, finance, personnel and building maintenance expenditures.

\$240,654 in public safety expenditures, primarily due to vacancies in police and fire, related benefits and fuel costs.

City of Athens, Tennessee
Management's Discussion and Analysis
June 30, 2015

\$216,219 in highways and streets due to traffic signals and loop repairs, sidewalk repairs delayed, and storm water supplies.

\$153,110 in parks and recreation primarily due to a new sign purchase not being completed by year end and maintenance and program costs.

\$21,586 in health due to part-time salaries 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, 2015, was \$21,456,699 (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:

North Mouse Creek Drainage (\$338,510) and Mouse Creek Trail (\$143,758) projects were completed in the current year.

Vehicles and equipment for all departments added \$629,847.

Renovations to the police department offices added \$50,375.

Miscellaneous equipment for all departments added over \$260,000.

City of Athens
Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Buildings and improvements	\$20,539,962	\$20,321,069	\$1,517,930	\$1,517,930	\$22,057,892	\$21,838,999
Infrastructure	9,173,997	8,918,279	-	-	9,173,997	8,918,279
Furniture and office equipment	3,938,147	3,924,423	29,864	29,864	3,968,011	3,954,287
Machinery and equipment	7,059,584	6,781,282	1,635,668	1,524,150	8,695,252	8,305,432
Land	3,221,556	3,221,556	34,500	34,500	3,256,056	3,256,056
Construction in progress	852,964	997,078	-	-	852,964	997,078
	<u>\$44,786,210</u>	<u>\$44,163,687</u>	<u>\$3,217,962</u>	<u>\$3,106,444</u>	<u>\$48,004,172</u>	<u>\$47,270,131</u>

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

City of Athens, Tennessee
Management's Discussion and Analysis
June 30, 2015

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 \$2,380,000. It is backed by the full faith and credit of the City. The Athens Utilities Board has debt outstanding totaling \$26,604,177 to be repaid by user fees and Board funds. In the event of default, the City is required to establish ad valorem taxes to repay the debt. Detailed information on long-term debt activity can be found in Note 3 on pages 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 7.1%, which is a decrease from the rate of 8.2% a year ago. Athens' rate is higher than the federal rate and the state rate.

Revenues were expected to increase by approximately 8% due to increases in property and sales tax collections. Management has been conservative in estimating all revenues for 2015-2016 and expenditures increased as well. The property rate increased from \$1.1328 to \$1.477 in order to provide for debt service for school building projects, funds for paving and two additional employees for public works. The City had also been using a portion of its fund balance over the past several years for extra operating funds for Athens City Schools and the property tax increase allowed the City to balance its budget to pay for this. The residential refuse fee increased to \$9.50 per month to provide two part-time employees for the recycle center.

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, 2015

	Primary Government			Component Unit
				Proprietary
				Athens
				Utilities
				Board
	Governmental	Business-Type	Total	
	Activities	Activities		
ASSETS AND DEFERRED OUTFLOWS				
ASSETS				
Cash and cash equivalents	\$ 6,195,299	\$ 24,963	\$ 6,220,262	\$ 26,830,691
Investments	14,385,331	1,672,534	16,057,865	-
Receivables:				
Customers, net	-	23,472	23,472	5,678,302
Other	45,020	-	45,020	218,876
Property taxes, net	7,966,954	-	7,966,954	-
Other governments	2,584,087	-	2,584,087	77,826
Component unit/primary government	-	98,546	98,546	56,261
Prepaid items	109,336	-	109,336	698,415
Inventories	126,544	-	126,544	2,156,995
Customer loans receivable	-	-	-	1,308
Net pension asset	203,261	-	203,261	-
Capital assets, net of depreciation	16,294,762	1,052,917	17,347,679	87,017,747
Nondepreciable capital assets	4,074,520	34,500	4,109,020	16,595,052
Total assets	51,985,114	2,906,932	54,892,046	139,331,473
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	1,871,889	30,135	1,902,024	1,174,288
Total assets and deferred outflows	\$ 53,857,003	\$ 2,937,067	\$ 56,794,070	\$ 140,505,761
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION				
LIABILITIES				
Accounts payable	\$ 775,127	\$ 23,621	\$ 798,748	\$ 5,371,390
Retainage payable	-	-	-	79,781
Accrued payroll and withholdings	1,205,544	8,452	1,213,996	-
Due to component unit/primary government	56,261	-	56,261	98,546
Other current liabilities	-	-	-	641,461
Unearned revenues	158,315	-	158,315	52,350
Customer deposits	-	-	-	497,670
Net pension liability	2,185,789	81,946	2,267,735	2,297,995
Long-term liabilities:				
Due within one year	987,308	-	987,308	1,352,305
Due in more than one year	2,112,125	-	2,112,125	25,725,723
Total liabilities	7,480,469	114,019	7,594,488	36,117,221
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to property tax	7,591,001	-	7,591,001	-
Deferred inflows related to pensions	3,067,115	-	3,067,115	955,304
Total deferred inflows	10,658,116	-	10,658,116	955,304
NET POSITION				
Net investment in capital assets	17,989,282	1,087,417	19,076,699	76,456,298
Restricted for:				
Police	111,441	-	111,441	-
Drug	220,649	-	220,649	-
Education	777,352	-	777,352	-
Capital improvements	5,815	-	5,815	-
Cemetery perpetual care:				
Nonexpendable	47,283	-	47,283	-
Expendable	159,836	-	159,836	-
Unrestricted	16,406,760	1,735,631	18,142,391	26,976,938
Total net position	35,718,418	2,823,048	38,541,466	103,433,236
Total liabilities, deferred inflows, and net position	\$ 53,857,003	\$ 2,937,067	\$ 56,794,070	\$ 140,505,761

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, 2015

		Program Revenues			Net Revenues (Expenses) and Changes in Net Position			
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Unit	
					Govern-mental Activities	Business-type Activities	Total	Athens Utilities Board
Primary government:								
Governmental activities:								
General government	\$ 3,383,866	\$ 166,047	\$ 17,119	\$ -	\$ (3,200,700)	\$ -	\$ (3,200,700)	\$ -
Public safety	3,842,422	500,147	88,243	-	(3,254,032)	-	(3,254,032)	-
Highways and streets	2,115,793	-	375,739	-	(1,740,054)	-	(1,740,054)	-
Culture and recreation	932,977	125,460	-	118,943	(688,574)	-	(688,574)	-
Education:								
Instructional	8,523,347	56,148	1,699,652	-	(6,767,547)	-	(6,767,547)	-
Support services	6,239,889	164,590	1,510,325	-	(4,564,974)	-	(4,564,974)	-
Non-instructional	1,243,551	59,501	1,104,835	-	(79,215)	-	(79,215)	-
Unallocated depreciation	304,666	-	-	-	(304,666)	-	(304,666)	-
Health and welfare	95,333	2,845	29,045	-	(63,443)	-	(63,443)	-
Interest on long-term debt	21,927	-	-	-	(21,927)	-	(21,927)	-
Passthrough grants	1,373,723	-	-	1,373,723	-	-	-	-
Total governmental activities	28,077,494	1,074,738	4,824,958	1,492,666	(20,685,132)	-	(20,685,132)	-
Business-type activities:								
Conference center	78,224	23,281	-	-	-	(54,943)	(54,943)	-
Sanitation	721,393	893,352	-	-	-	171,959	171,959	-
Total business-type activities	799,617	916,633	-	-	-	117,016	117,016	-
Total primary government	\$ 28,877,111	\$ 1,991,371	\$ 4,824,958	\$ 1,492,666	(20,685,132)	117,016	(20,568,116)	\$ -
Component unit:								
Public utilities	\$ 62,455,045	\$ 66,201,756	\$ -	\$ 1,053,367				\$ 4,800,078
Total component unit	\$ 62,455,045	\$ 66,201,756	\$ -	\$ 1,053,367				4,800,078
General revenues:								
Property taxes					6,057,188	-	6,057,188	-
Local sales tax					4,121,597	-	4,121,597	-
In lieu of taxes					1,099,075	-	1,099,075	-
Wholesale beer tax					504,260	-	504,260	-
Other local taxes					614,893	-	614,893	-
Intergovernmental revenues not restricted to specific programs					9,915,955	-	9,915,955	-
Investment income					39,615	1,458	41,073	58,895
Gain (loss) on disposal of capital assets					29,846	5,850	35,696	100,014
Insurance proceeds					3,769	-	3,769	-
Miscellaneous					169,859	9,763	179,622	-
Total general revenues					22,556,057	17,071	22,573,128	158,909
Change in net position					1,870,925	134,087	2,005,012	4,958,987
Net position, beginning of year, as restated					33,847,493	2,688,961	36,536,454	98,474,249
Net position, end of year					\$ 35,718,418	\$ 2,823,048	\$ 38,541,466	\$ 103,433,236

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

CITY OF ATHENS, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	General	General Purpose School	Debt Service	Capital Projects Fund Capital Improvement	Federal Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 872,499	\$4,758,973	\$ 35,751	\$ 216,315	\$ 104,179	\$ 205,195	\$ 6,192,912
Investments	6,548,053	-	2,429,689	1,971,696	-	391,884	11,341,322
Receivables:							
Property taxes, net	6,393,953	1,573,001	-	-	-	-	7,966,954
Other governments	1,296,221	688,136	-	132,462	303,979	163,289	2,584,087
Interfund	-	567,237	-	-	-	-	567,237
Other	45,020	-	-	-	-	-	45,020
Prepaid items	8,486	100,850	-	-	-	-	109,336
Inventories	107,848	-	-	-	-	18,696	126,544
Total assets	<u>\$ 15,272,080</u>	<u>\$7,688,197</u>	<u>\$ 2,465,440</u>	<u>\$ 2,320,473</u>	<u>\$ 408,158</u>	<u>\$ 779,064</u>	<u>\$ 28,933,412</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES							
LIABILITIES							
Accounts payable	\$ 337,067	\$ 403,080	\$ -	\$ 17,257	\$ 124	\$ 17,599	\$ 775,127
Interfund payable	315,400	-	-	-	251,837	-	567,237
Accrued payroll and withholdings	278,346	796,944	-	-	104,179	26,075	1,205,544
Due to component unit	56,261	-	-	-	-	-	56,261
Unearned revenues	439,027	-	-	91,007	52,018	-	582,052
Total liabilities	<u>1,426,101</u>	<u>1,200,024</u>	<u>-</u>	<u>108,264</u>	<u>408,158</u>	<u>43,674</u>	<u>3,186,221</u>
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows related to property taxes	<u>6,018,000</u>	<u>1,573,001</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,591,001</u>
	<u>7,444,101</u>	<u>2,773,025</u>	<u>-</u>	<u>108,264</u>	<u>408,158</u>	<u>43,674</u>	<u>10,777,222</u>
FUND BALANCES							
Nonspendable	116,334	100,850	-	-	-	65,979	283,163
Restricted	111,441	777,352	-	5,815	-	380,485	1,275,093
Committed	20,343	-	-	2,206,394	-	12,483	2,239,220
Assigned	-	4,036,970	2,465,440	-	-	276,443	6,778,853
Unassigned	7,579,861	-	-	-	-	-	7,579,861
Total fund balances	<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>
Total liabilities, deferred inflows, and fund balances	<u>\$ 15,272,080</u>	<u>\$7,688,197</u>	<u>\$ 2,465,440</u>	<u>\$ 2,320,473</u>	<u>\$ 408,158</u>	<u>\$ 779,064</u>	<u>\$ 28,933,412</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, 2015

Total fund balances \$ 18,156,190

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

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

Capital assets	\$ 39,994,453	
Accumulated depreciation	<u>(21,892,573)</u>	18,101,880

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

Property taxes	345,237	
Intergovernmental revenue	<u>78,500</u>	423,737

Net pension asset \$ 203,261

Deferred outflows related to pensions		1,871,889
Net pension liability		(2,185,789)
Deferred inflows related to pensions		(3,067,115)

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

Bonds and notes payable	(2,380,000)	
Compensated absences	(254,160)	
OPEB liability	(381,021)	
Sick leave liability	<u>(84,252)</u>	(3,099,433)

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	2,387	
Investments	3,044,009	
Capital assets	4,791,757	
Accumulated depreciation	<u>(2,524,355)</u>	<u>5,313,798</u>

Net position \$ 35,718,418

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, 2015

	General	General Purpose School	Debt Service	Capital Projects Fund Capital Improvement	Federal Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES							
Property taxes	\$ 4,354,706	\$ 1,655,193	\$ -	\$ -	\$ -	\$ -	\$ 6,009,899
Other local taxes	6,339,824	1,164,204	-	-	-	-	7,504,028
Intergovernmental	1,887,002	8,387,940	-	1,561,037	2,107,369	1,071,270	15,014,618
Charges for services	291,386	220,738	-	-	-	62,466	574,590
Fines and forfeitures	470,265	-	-	-	-	29,883	500,148
Investment and interest income	5,703	23,002	3,164	1,271	-	3,810	36,950
Miscellaneous	55,122	29,988	-	85,239	-	33,566	203,915
Total revenues	<u>13,404,008</u>	<u>11,481,065</u>	<u>3,164</u>	<u>1,647,547</u>	<u>2,107,369</u>	<u>1,200,995</u>	<u>29,844,148</u>
EXPENDITURES							
Current:							
General government	2,401,156	-	3,172	-	-	-	2,404,328
Public safety	4,852,146	-	-	-	-	46,930	4,899,076
Highways and streets	2,245,781	-	-	-	-	-	2,245,781
Culture and recreation	956,090	-	-	-	-	-	956,090
Education	-	13,613,765	-	-	2,107,369	1,226,458	16,947,592
Health and welfare	110,614	-	-	-	-	-	110,614
Debt service:							
Principal	-	-	747,000	-	-	-	747,000
Interest	-	-	21,927	-	-	-	21,927
Capital outlay	-	-	-	2,230,090	-	-	2,230,090
Total expenditures	<u>10,565,787</u>	<u>13,613,765</u>	<u>772,099</u>	<u>2,230,090</u>	<u>2,107,369</u>	<u>1,273,388</u>	<u>30,562,498</u>
REVENUES OVER (UNDER)							
EXPENDITURES	<u>2,838,221</u>	<u>(2,132,700)</u>	<u>(768,935)</u>	<u>(582,543)</u>	<u>-</u>	<u>(72,393)</u>	<u>(718,350)</u>
OTHER FINANCING SOURCES							
(USES)							
Transfers	(3,211,000)	2,421,000	(410,000)	1,200,000	-	-	-
Insurance proceeds	3,769	-	-	-	-	-	3,769
Sale of capital assets	365	-	-	-	-	-	365
Total other financing sources (uses)	<u>(3,206,866)</u>	<u>2,421,000</u>	<u>(410,000)</u>	<u>1,200,000</u>	<u>-</u>	<u>-</u>	<u>4,134</u>
NET CHANGE IN FUND							
BALANCES	<u>(368,645)</u>	<u>288,300</u>	<u>(1,178,935)</u>	<u>617,457</u>	<u>-</u>	<u>(72,393)</u>	<u>(714,216)</u>
FUND BALANCES,							
beginning of year	<u>8,196,624</u>	<u>4,626,872</u>	<u>3,644,375</u>	<u>1,594,752</u>	<u>-</u>	<u>807,783</u>	<u>18,870,406</u>
FUND BALANCES, end 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>

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, 2015

Net change in fund balances	\$ (714,216)
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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	\$ 6,057,187	
Fund revenue recognized	<u>(6,009,899)</u>	47,288

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

State income tax-full accrual	233,910	
State beer tax-full accrual	6,436	
Collected fund revenue	<u>(214,346)</u>	26,000

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	651,626	
Net book value of capital assets retired	(4,500)	
Less current year depreciation	<u>(1,001,875)</u>	(354,749)

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.

367,784

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	747,000	
Net change in compensated absences	4,669	
Net change in OPEB liability	(5,083)	
Net change in sick leave liability	<u>(3,432)</u>	743,154

Pension expense in funds not expensed in government-wide	2,392,999
Pension expense not recognized in funds	<u>(637,335)</u>

Change in net position	<u>\$ 1,870,925</u>
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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, 2015

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
PROPERTY TAXES				
Property taxes-current	\$ 4,050,000	\$ 4,050,000	\$ 4,104,942	\$ 54,942
Property taxes-prior	140,000	140,000	114,590	(25,410)
Property taxes-delinquent	60,000	60,000	44,021	(15,979)
Public utilities taxes	75,000	75,000	91,153	16,153
Total property taxes	4,325,000	4,325,000	4,354,706	29,706
OTHER LOCAL TAXES				
Penalty and interest on property tax-prior	20,000	20,000	20,334	334
Penalty and interest on property tax-current	18,000	18,000	14,300	(3,700)
In lieu of taxes	1,069,000	1,069,000	1,099,075	30,075
TVA impact	-	-	40,722	40,722
Local sales tax	4,000,000	4,000,000	4,121,597	121,597
Wholesale beer tax	515,000	515,000	504,260	(10,740)
Cable TV franchise tax	162,000	162,000	173,483	11,483
Business license fee	2,000	2,000	1,654	(346)
Business tax - state clerk fee	40,000	40,000	25,874	(14,126)
Business tax - state collected	395,000	395,000	338,525	(56,475)
Total other local taxes	6,221,000	6,221,000	6,339,824	118,824
INTERGOVERNMENTAL				
State sales tax	960,000	960,000	1,031,615	71,615
State beer tax	6,000	6,000	6,437	437
State income tax	85,000	85,000	207,910	122,910
State gas and motor fuel tax	340,000	340,000	353,311	13,311
State gasoline inspection tax	27,000	27,000	27,468	468
State mixed drink tax	50,000	50,000	46,390	(3,610)
State excise tax	35,000	35,000	57,011	22,011
Reimbursement-other government agencies	111,000	111,000	132,902	21,902
Grants	-	-	23,958	23,958
Total intergovernmental	1,614,000	1,614,000	1,887,002	273,002

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

(continued)

CITY OF ATHENS, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2015
(continued)

	Budget		Actual	Variance With Final Budget
	Original	Final		
CHARGES FOR SERVICES				
Utility damage reimbursement	\$ 25,000	\$ 25,000	\$ 40,029	\$ 15,029
Animal control	3,000	3,000	2,845	(155)
Recreation fees	83,000	108,000	94,358	(13,642)
Building permits	50,000	66,000	123,053	57,053
Recreation concessions	40,000	40,000	31,101	(8,899)
Total charges for services	201,000	242,000	291,386	49,386
FINES AND FORFEITURES				
Court fines	505,000	505,000	434,607	(70,393)
Law enforcement forfeitures	1,000	1,000	35,658	34,658
Total fines and forfeitures	506,000	506,000	470,265	(35,735)
INTEREST	7,000	7,000	5,703	(1,297)
MISCELLANEOUS	41,000	41,000	55,122	14,122
Total revenues	12,915,000	12,956,000	13,404,008	448,008
EXPENDITURES				
GENERAL GOVERNMENT				
Administrative:				
City Manager's Office	259,400	292,800	284,968	7,832
City Council	73,500	55,500	49,278	6,222
City Judge	13,000	13,000	12,918	82
City Attorney	16,000	25,000	21,867	3,133
Special appropriations	310,900	310,900	310,900	-
Athens Utilities Board	525,000	525,000	490,216	34,784
Finance	398,500	448,400	434,061	14,339
Personnel	199,500	223,400	205,923	17,477
Administrative services:				
Administration	81,000	92,800	91,341	1,459
City Hall	165,600	165,600	137,766	27,834
Community development:				
Administration	132,500	152,800	151,883	917
Codes enforcement	157,900	184,500	181,414	3,086
Cemeteries	30,100	30,100	28,621	1,479
Total general government	2,362,900	2,519,800	2,401,156	118,644

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

(continued)

CITY OF ATHENS, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2015
(continued)

	Budget		Actual	Variance With Final Budget
	Original	Final		
PUBLIC SAFETY				
Police:				
Administration	\$ 360,300	\$ 400,100	\$ 394,252	\$ 5,848
Patrol	1,966,200	2,203,200	2,074,755	128,445
Detective	234,300	266,100	234,429	31,671
Fire:				
Administration	106,900	123,900	123,442	458
Prevention	15,200	15,200	13,573	1,627
Suppression	1,668,300	1,853,000	1,782,959	70,041
Administrative services:				
Communications	231,300	231,300	228,736	2,564
Total public safety	<u>4,582,500</u>	<u>5,092,800</u>	<u>4,852,146</u>	<u>240,654</u>
HIGHWAYS AND STREETS				
Public Works:				
Administration	207,300	245,500	243,327	2,173
Traffic control	225,900	239,000	181,215	57,785
Street maintenance	374,400	411,100	371,812	39,288
Street construction	388,600	422,500	344,385	78,115
Street cleaning	745,100	816,700	810,163	6,537
City garage	297,300	327,200	294,879	32,321
Total highways and streets	<u>2,238,600</u>	<u>2,462,000</u>	<u>2,245,781</u>	<u>216,219</u>
CULTURE AND RECREATION				
Parks and Recreation:				
Administration	178,800	209,600	208,620	980
Maintenance	532,900	564,700	455,588	109,112
Swimming pools	38,100	41,000	36,809	4,191
Program planning	251,300	293,900	255,073	38,827
Total culture and recreation	<u>1,001,100</u>	<u>1,109,200</u>	<u>956,090</u>	<u>153,110</u>
HEALTH AND WELFARE				
Public Works:				
Animal control	124,900	132,200	110,614	21,586
Total expenditures	<u>10,310,000</u>	<u>11,316,000</u>	<u>10,565,787</u>	<u>750,213</u>
REVENUES OVER EXPENDITURES	<u>2,605,000</u>	<u>1,640,000</u>	<u>2,838,221</u>	<u>1,198,221</u>

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

(continued)

CITY OF ATHENS, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2015
(continued)

	Budget		Actual	Variance With Final Budget
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Transfer to General Purpose fund	\$ (2,421,000)	\$ (2,421,000)	\$ (2,421,000)	\$ -
Transfer to Debt Service fund	(790,000)	(790,000)	(790,000)	-
Insurance proceeds	-	-	3,769	3,769
Sale of capital assets	-	-	365	365
Total other financing sources (uses)	<u>(3,211,000)</u>	<u>(3,211,000)</u>	<u>(3,206,866)</u>	<u>4,134</u>
Net change in fund balance	(606,000)	(1,571,000)	(368,645)	1,202,355
FUND BALANCE, beginning of year	<u>8,196,629</u>	<u>8,196,624</u>	<u>8,196,624</u>	<u>-</u>
FUND BALANCE, end of year	<u>\$ 7,590,629</u>	<u>\$ 6,625,624</u>	<u>\$ 7,827,979</u>	<u>\$ 1,202,355</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, 2015

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Property taxes	\$ 1,590,000	\$ 1,590,000	\$ 1,655,193	\$ 65,193
County revenue	1,076,400	1,076,400	1,164,204	87,804
State funds	8,048,511	8,048,511	8,125,637	77,126
Federal funds received through state	236,000	256,000	256,511	511
Direct federal funds	3,000	3,000	5,792	2,792
Tuition	274,000	274,000	220,738	(53,262)
Interest	32,000	32,000	23,002	(8,998)
Other	26,500	26,500	29,988	3,488
Total revenues	11,286,411	11,306,411	11,481,065	174,654
EXPENDITURES				
Current:				
Instruction				
Regular instruction	7,280,745	7,277,745	7,151,225	126,520
Special education	644,763	644,763	620,959	23,804
Early childhood education	649,611	649,611	650,189	(578)
Other instruction	11,500	11,500	7,998	3,502
	8,586,619	8,583,619	8,430,371	153,248
Support services				
Instructional support	974,450	977,450	936,432	41,018
Student support	391,032	306,032	300,866	5,166
Administration	1,345,745	1,345,745	1,301,528	44,217
Operation and maintenance of plant	1,215,436	1,215,436	1,155,782	59,654
Transportation	392,608	392,608	344,290	48,318
Other support services	797,599	902,599	849,508	53,091
	5,116,870	5,139,870	4,888,406	251,464
Non-instructional services				
Capital outlay	443,922	863,922	294,988	568,934
Total expenditures	14,147,411	14,587,411	13,613,765	973,646
REVENUES OVER (UNDER) EXPENDITURES	(2,861,000)	(3,281,000)	(2,132,700)	1,148,300
OTHER FINANCING SOURCES (USES)				
Transfer from general fund	2,421,000	2,421,000	2,421,000	-
Transfer to federal projects fund	(95,000)	(95,000)	-	(95,000)
Total other financing sources (uses)	2,326,000	2,326,000	2,421,000	(95,000)
NET CHANGE IN FUND BALANCES	(535,000)	(955,000)	288,300	1,243,300
FUND BALANCES, beginning of year	4,626,872	4,626,872	4,626,872	-
FUND BALANCES, end of year	\$ 4,091,872	\$ 3,671,872	\$ 4,915,172	\$1,243,300

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, 2015

	Budget			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Federal funds received through state	\$ 1,115,796	\$ 1,464,991	\$ 1,186,262	\$ (278,729)
Direct federal funds	938,687	1,105,680	921,107	(184,573)
Total revenues	<u>2,054,483</u>	<u>2,570,671</u>	<u>2,107,369</u>	<u>(463,302)</u>
EXPENDITURES				
Current:				
Instruction				
Regular instruction	386,539	455,369	421,123	34,246
Special education	343,478	378,469	297,507	80,962
	<u>730,017</u>	<u>833,838</u>	<u>718,630</u>	<u>115,208</u>
Support services				
Instructional support	1,201,890	1,613,930	1,282,557	331,373
Student support	122,576	122,903	106,182	16,721
	<u>1,324,466</u>	<u>1,736,833</u>	<u>1,388,739</u>	<u>348,094</u>
Total expenditures	<u>2,054,483</u>	<u>2,570,671</u>	<u>2,107,369</u>	<u>463,302</u>
REVENUES OVER (UNDER) EXPENDITURES	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Transfers	-	-	-	-
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, 2015

	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	\$ 9,140	\$ 15,823	\$ 24,963	\$ 2,387
Investments	-	1,672,534	1,672,534	3,044,009
Accounts receivable	720	22,752	23,472	-
Due from component units	-	98,546	98,546	-
Total current assets	<u>9,860</u>	<u>1,809,655</u>	<u>1,819,515</u>	<u>3,046,396</u>
Capital assets:				
Land	34,500	-	34,500	-
Other capital assets, net	<u>810,477</u>	<u>242,440</u>	<u>1,052,917</u>	<u>2,267,402</u>
Total capital assets	<u>844,977</u>	<u>242,440</u>	<u>1,087,417</u>	<u>2,267,402</u>
Total assets	<u>854,837</u>	<u>2,052,095</u>	<u>2,906,932</u>	<u>5,313,798</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	<u>-</u>	<u>30,135</u>	<u>30,135</u>	<u>-</u>
Total assets and deferred outflows	<u>\$ 854,837</u>	<u>\$2,082,230</u>	<u>\$ 2,937,067</u>	<u>\$ 5,313,798</u>
LIABILITIES AND NET POSITION				
LIABILITIES				
Accounts payable	\$ 125	\$ 23,496	\$ 23,621	\$ -
Accrued payroll and withholdings	-	8,452	8,452	-
Net pension liability	<u>-</u>	<u>81,946</u>	<u>81,946</u>	<u>-</u>
Total liabilities	<u>125</u>	<u>113,894</u>	<u>114,019</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	844,977	242,440	1,087,417	2,267,402
Unrestricted	<u>9,735</u>	<u>1,725,896</u>	<u>1,735,631</u>	<u>3,046,396</u>
Total net position	<u>854,712</u>	<u>1,968,336</u>	<u>2,823,048</u>	<u>5,313,798</u>
Total liabilities and net position	<u>\$ 854,837</u>	<u>\$2,082,230</u>	<u>\$ 2,937,067</u>	<u>\$ 5,313,798</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, 2015

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Conference Center	Sanitation	Total	Internal Service Funds
OPERATING REVENUES				
Charges for services	\$ -	\$ 893,352	\$ 893,352	\$ 672,734
Rental income	23,281	-	23,281	-
Miscellaneous	-	9,763	9,763	-
Total operating revenues	<u>23,281</u>	<u>903,115</u>	<u>926,396</u>	<u>672,734</u>
OPERATING EXPENSES				
Salaries and employee benefits	4,306	228,838	233,144	-
Operation	12,533	165,760	178,293	-
Maintenance	10,805	14,671	25,476	-
Depreciation	50,580	110,365	160,945	335,698
Landfill services	-	201,759	201,759	-
Total operating expenses	<u>78,224</u>	<u>721,393</u>	<u>799,617</u>	<u>335,698</u>
OPERATING INCOME (LOSS)	<u>(54,943)</u>	<u>181,722</u>	<u>126,779</u>	<u>337,036</u>
NONOPERATING REVENUES				
Interest income	-	1,458	1,458	2,667
Gain on sale of capital assets	-	5,850	5,850	28,081
Total nonoperating revenues	<u>-</u>	<u>7,308</u>	<u>7,308</u>	<u>30,748</u>
CHANGE IN NET POSITION	<u>(54,943)</u>	<u>189,030</u>	<u>134,087</u>	<u>367,784</u>
NET POSITION, beginning of year				
as restated	<u>909,655</u>	<u>1,779,306</u>	<u>2,688,961</u>	<u>4,946,014</u>
NET POSITION, end of year	<u>\$ 854,712</u>	<u>\$1,968,336</u>	<u>\$ 2,823,048</u>	<u>\$ 5,313,798</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, 2015

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Conference Center	Sanitation	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 23,111	\$ 889,011	\$ 912,122	\$ 672,734
Payments to employees	(4,000)	(161,263)	(165,263)	-
Payments to suppliers and vendors	(24,196)	(414,847)	(439,043)	-
Other receipts	-	9,763	9,763	-
Net cash provided by (used in) operating activities	(5,085)	322,664	317,579	672,734
CASH FLOWS USED IN NONCAPITAL FINANCING ACTIVITIES				
Payment to pension plan	-	(56,877)	(56,877)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from the sale of capital assets	-	5,850	5,850	28,081
Purchase of capital assets	-	(196,410)	(196,410)	(433,436)
Net cash used in capital and related financing activities	-	(190,560)	(190,560)	(405,355)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment and interest earnings	-	1,458	1,458	2,667
Purchase of investments	-	(192,544)	(192,544)	(286,537)
Net cash used in investing activities	-	(191,086)	(191,086)	(283,870)
Net increase (decrease) in cash and cash equivalents	(5,085)	(115,859)	(120,944)	(16,491)
Cash and cash equivalents, beginning of year	14,225	131,682	145,907	18,878
Cash and cash equivalents, end of year	<u>\$ 9,140</u>	<u>\$ 15,823</u>	<u>\$ 24,963</u>	<u>\$ 2,387</u>
Reconciliation of operating income to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ (54,943)	\$ 181,722	\$ 126,779	\$ 337,036
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	50,580	110,365	160,945	335,698
Pension expense	-	23,687	23,687	
Changes in assets and liabilities:				
Accounts receivable	(170)	(4,341)	(4,511)	-
Accounts payable and accrued liabilities	(552)	11,231	10,679	-
Net cash provided by (used in) operating activities	<u>\$ (5,085)</u>	<u>\$ 322,664</u>	<u>\$ 317,579</u>	<u>\$ 672,734</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, 2015

ASSETS

Cash	\$ 7,000
Interest receivable	<u>20,346</u>
	<u>27,346</u>
Investments, at fair value:	
U.S. government and agency securities	839,147
Foreign stocks	3,304,443
Foreign bonds and notes	136,940
Corporate bonds	1,141,312
Common stocks	2,548,342
Mutual funds	4,811,391
Money market funds	236,869
Municipal bonds	<u>355,786</u>
Total investments	<u>13,374,230</u>
Total assets	<u>\$ 13,401,576</u>

NET POSITION

Net position held in trust for pension benefits	<u>\$ 13,401,576</u>
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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, 2015

ADDITIONS

Employer contributions	\$ 1,610,000
Net investment income:	
Interest and dividend income	482,662
Net depreciation in the fair value of investments	<u>(272,565)</u>
Total additions	<u>1,820,097</u>

DEDUCTIONS

Benefits paid	676,158
Administrative expenses	<u>68,218</u>
Total deductions	<u>744,376</u>

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

1,075,721

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

12,325,855

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

\$ 13,401,576

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

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 1. Summary of Significant Accounting Policies

The City of Athens, Tennessee (the City) was incorporated on March 25, 1891, by an act of the legislature of the Tennessee General Assembly. The City operates under the Council-Manager form of government as authorized under Chapter 455 of the Private Acts of 1953.

In accordance with GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments," the basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements consist of the Statement of Net Position and the Statement of Activities which are presented on a full accrual basis of accounting. The City's funds are reported as governmental activities or business-type activities. Fund financial statements are presented on a modified accrual basis of accounting for governmental activities and present information by individual major funds. Nonmajor funds are presented in total in one column.

The financial statements of the City have been prepared in accordance with U.S. generally accepted accounting principles as applied to governmental units. The City applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The more significant accounting policies used by the City are described below.

A. Financial Reporting Entity

As required by generally accepted accounting principles, these financial statements present the City of Athens, Tennessee (the primary government) and its component units. The discretely presented component unit is presented in a separate column in the government-wide financial statements to emphasize their separate legal status from the primary government. The component units discussed below are included in the City's reporting entity as follows:

Blended Component Unit:

Athens City Board of Education

The Athens City Board of Education (Board of Education) is responsible for elementary education within the government's jurisdiction. The Board of Education consists of six publicly elected officials who appoint the Director of Schools. The Board of Education is considered a blended component unit since the City is responsible for approving and issuing debt for the Board of Education and the debt will be repaid with the resources of the City. The financial position and results of operations of the Board of Education are reported in the General Purpose School Fund, Federal Projects Fund, and Centralized Cafeteria Fund as governmental funds. The Athens City Board of Education issues separate financial

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 1. Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity (continued)

Blended Component Unit: (continued)

Athens City Board of Education (continued)

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

Discretely Presented Component Unit:

Athens Utilities Board

The Athens Utilities Board (Utilities Board) provides power, water, gas and sewer services to residential, commercial and industrial customers located in Athens, Tennessee and surrounding areas. The Utilities Board is governed by a five-member commission appointed by the City Council. The City Council has authority over the Utilities Board and prescribes the rules and regulations with which the Utilities Board must comply. The Utilities Board reports as four separate accounting and reporting entities presenting divisional financial statements on its business-type activities in accordance with enterprise fund accounting requirements. Complete financial statements may be obtained at the Utilities Board's administrative office at Athens Utilities Board, 100 New Englewood Road, Athens, Tennessee 37303.

Other Related Organizations:

Athens Housing Authority

The Athens Housing Authority Board consists of five members appointed by the Mayor. The Department of Housing and Urban Development subsidizes Housing Authority operations and sets rates charged for housing. The debts of the Housing Authority are not secured by the City and deficits are not financed by the City.

McMinn County Economic Development Authority

This independent corporation is governed by a twenty-member board, only one of which is a City official. The activities of the Economic Development Authority include industrial recruitment, assistance in expansion of existing industries, and development of industrial parks. The Authority has the power to issue its own debt.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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, 2015

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, 2015

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, 2015

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, 2015

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.

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, 2015

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, 2015

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, 2015

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, 2015

Note 1. Summary of Significant Accounting Policies (continued)

G. Inventories (continued)

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

H. Capital Assets

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

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

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

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

Component Unit - Athens Utilities Board:

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

The composite straight-line depreciation rate, expressed as a percentage of average depreciable plant, property and equipment, ranged from 2.50 to 3.00 percent in 2015. 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, 2015

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, 2015

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, 2015

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, 2015

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, 2014, was \$382,865,281 based upon a reappraisal completed for the list as of January 1, 2014. The estimated actual value was \$1,204,540,874 making the total assessed value 31.79 percent of the total actual value.

Taxes were levied at a rate of \$1.1328 per \$100 of assessed value. Current tax collections of \$4,207,109 for the fiscal year ended June 30, 2015, were 95 percent of the 2014 tax levy. An allowance has been established for delinquent taxes to the extent that their collectability is improbable. The allowance at June 30, 2015, for the 2014 tax levy was \$87,000.

The 2015 taxes were levied at a rate of \$1.4770 per \$100 of assessed value and have been recorded as a receivable at June 30, 2015. An allowance for doubtful collection of \$50,000 has been estimated and established for this levy at June 30, 2015. There are no current tax collections related to the 2015 levy.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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, 2015:

General Fund	\$ 137,001
General Purpose School Fund	118,398

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, 2015

Note 2. Capital Assets

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

	At City of Athens			
	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Capital assets being depreciated:				
Buildings and improvements	\$ 6,301,851	\$ 194,133	\$ -	\$ 6,495,984
Infrastructure	8,895,079	255,718	-	9,150,797
Furniture and office equipment	937,141	60,840	39,124	958,857
Machinery and equipment	<u>6,781,282</u>	<u>533,159</u>	<u>254,857</u>	<u>7,059,584</u>
Total depreciable capital assets	<u>22,915,353</u>	<u>1,043,850</u>	<u>293,981</u>	<u>23,665,222</u>
Accumulated depreciation:				
Buildings and improvements	3,843,297	131,108	-	3,974,405
Infrastructure	3,220,932	238,665	-	3,459,597
Furniture and office equipment	463,514	68,772	39,124	493,162
Machinery and equipment	<u>4,294,829</u>	<u>417,892</u>	<u>254,555</u>	<u>4,458,166</u>
Total accumulated depreciation	<u>11,822,572</u>	<u>856,437</u>	<u>293,679</u>	<u>12,385,330</u>
Net depreciable capital assets	<u>11,092,781</u>	<u>187,413</u>	<u>302</u>	<u>11,279,892</u>
Capital assets not being depreciated:				
Land	3,008,070	-	-	3,008,070
Construction in progress	<u>997,078</u>	<u>237,568</u>	<u>482,268</u>	<u>752,378</u>
Nondepreciable capital assets	<u>4,005,148</u>	<u>237,568</u>	<u>482,268</u>	<u>3,760,448</u>
Net capital assets	<u>\$ 15,097,929</u>	<u>\$ 424,981</u>	<u>\$ 482,570</u>	<u>\$ 15,040,340</u>

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 2. Capital Assets (continued)

	At Board of Education			Balance June 30, 2015
	Balance July 1, 2014	Additions	Deletions	
Capital assets being depreciated:				
Buildings and improvements	\$ 14,019,218	\$ 24,760	\$ -	\$ 14,043,978
Infrastructure	23,200	-	-	23,200
Furniture, equipment, and vehicles	2,987,282	160,567	168,559	2,979,290
Total depreciable capital assets	17,029,700	185,327	168,559	17,046,468
Accumulated depreciation:				
Buildings and improvements	9,266,928	295,894	-	9,562,822
Infrastructure	17,441	1,677	-	19,118
Furniture, equipment, and vehicles	2,430,454	183,565	164,361	2,449,658
Total accumulated depreciation	11,714,823	481,136	164,361	12,031,598
Net depreciable capital assets	5,314,877	(295,809)	4,198	5,014,870
Capital assets not being depreciated:				
Land	213,486	-	-	213,486
Construction in progress	-	100,586	-	100,586
Nondepreciable capital assets	213,486	100,586	-	314,072
Net capital assets	\$ 5,528,363	\$ (195,223)	\$ 4,198	\$ 5,328,942

	Total Governmental Activities Capital Assets			Balance June 30, 2015
	Balance July 1, 2014	Additions	Deletions	
Capital assets being depreciated:				
Buildings and improvements	\$ 20,321,069	\$ 218,893	\$ -	\$ 20,539,962
Infrastructure	8,918,279	255,718	-	9,173,997
Furniture and office equipment	3,924,423	221,407	207,683	3,938,147
Machinery and equipment	6,781,282	533,159	254,857	7,059,584
Total depreciable capital assets	39,945,053	1,229,177	462,540	40,711,690
Accumulated depreciation:				
Buildings and improvements	13,110,225	427,002	-	13,537,227
Infrastructure	3,238,373	240,342	-	3,478,715
Furniture and office equipment	2,893,968	252,337	203,485	2,942,820
Machinery and equipment	4,294,829	417,892	254,555	4,458,166
Total accumulated depreciation	23,537,395	1,337,573	458,040	24,416,928
Net depreciable capital assets	16,407,658	(108,396)	4,500	16,294,762
Capital assets not being depreciated:				
Land	3,221,556	-	-	3,221,556
Construction in progress	997,078	338,154	482,268	852,964
Nondepreciable capital assets	4,218,634	338,154	482,268	4,074,520
Net capital assets	\$ 20,626,292	\$ 229,758	\$ 486,768	\$ 20,369,282

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 2. Capital Assets (continued)

	Total Business-Type Activities Capital Assets			
	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
<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>1,524,150</u>	<u>196,410</u>	<u>84,892</u>	<u>1,635,668</u>
Total depreciable capital assets	<u>3,071,944</u>	<u>196,410</u>	<u>84,892</u>	<u>3,183,462</u>
Accumulated depreciation:				
Buildings and improvements	656,873	50,580	-	707,453
Furniture and office equipment	29,864	-	-	29,864
Machinery and equipment	<u>1,367,755</u>	<u>110,365</u>	<u>84,892</u>	<u>1,393,228</u>
Total accumulated depreciation	<u>2,054,492</u>	<u>160,945</u>	<u>84,892</u>	<u>2,130,545</u>
Net depreciable capital assets	1,017,452	35,465	-	1,052,917
Capital assets not being depreciated:				
Land	<u>34,500</u>	<u>-</u>	<u>-</u>	<u>34,500</u>
Net capital assets	<u>\$ 1,051,952</u>	<u>\$ 35,465</u>	<u>\$ -</u>	<u>\$ 1,087,417</u>

Depreciation expense was charged to functions as follows:

Governmental Activities	
General government	\$ 61,184
Public safety	258,425
Highways and streets	405,507
Culture and recreation	131,321
Schools:	
Regular instruction	100,918
Administration	25,339
Operation and maintenance	6,876
Transportation	26,243
Food services	17,094
Unallocated depreciation	<u>304,666</u>
	<u>\$ 1,337,573</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>110,365</u>
	<u>\$ 160,945</u>

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 2. Capital Assets (continued)

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

Utilities Board:

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2015</u>
Capital assets being depreciated:				
Plant in service	\$ 133,066,909	\$3,897,383	\$ 1,498,049	\$ 135,466,243
Equipment and furniture	6,296,407	513,014	230,222	6,579,199
Transportation equipment	<u>3,317,601</u>	<u>384,081</u>	<u>287,481</u>	<u>3,414,201</u>
Total depreciable capital assets	<u>142,680,917</u>	<u>4,794,478</u>	<u>2,015,752</u>	<u>145,459,643</u>
Accumulated depreciation:				
Plant in service	49,692,524	3,808,080	1,528,074	51,972,530
Equipment and furniture	3,959,903	348,883	230,222	4,078,564
Transportation equipment	<u>2,433,978</u>	<u>244,305</u>	<u>287,481</u>	<u>2,390,802</u>
Total accumulated depreciation	<u>56,086,405</u>	<u>4,401,268</u>	<u>2,045,777</u>	<u>58,441,896</u>
Net depreciable capital assets	<u>86,594,512</u>	<u>393,210</u>	<u>(30,025)</u>	<u>87,017,747</u>
Capital assets not being depreciated:				
Land	799,253	-	-	799,253
Construction in progress	<u>14,209,668</u>	<u>6,642,592</u>	<u>5,056,461</u>	<u>15,795,799</u>
Nondepreciable capital assets	<u>15,008,921</u>	<u>6,642,592</u>	<u>5,056,461</u>	<u>16,595,052</u>
Net capital assets	<u>\$ 101,603,433</u>	<u>\$7,035,802</u>	<u>\$ 5,026,436</u>	<u>\$ 103,612,799</u>

Beginning capital assets for the Utilities Board have been restated through a prior period adjustment by \$1,980,980.

Depreciation was charged as follows:

	<u>Charged to Depreciation and Amortization</u>	<u>Charged to Other Accounts</u>	<u>Total Depreciation and Amortization</u>
Power Division	\$ 1,580,595	\$ 85,809	\$ 1,666,404
Water Division	635,733	57,964	693,697
Gas Division	427,171	39,834	467,005
Department of Sewer	<u>1,506,752</u>	<u>64,667</u>	<u>1,571,419</u>
	<u>\$ 4,150,251</u>	<u>\$ 248,274</u>	<u>\$ 4,398,525</u>

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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 6/30/14</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/15</u>	<u>Due within 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	\$3,127,000	\$ -	\$ 747,000	\$ 2,380,000	\$ 770,000
Compensated absences	<u>258,829</u>	<u>211,307</u>	<u>215,976</u>	<u>254,160</u>	<u>169,448</u>
	<u>3,385,829</u>	<u>211,307</u>	<u>962,976</u>	<u>2,634,160</u>	<u>939,448</u>
Board of Education:					
OPEB	375,938	5,083	-	381,021	33,761
Sick leave	<u>80,820</u>	<u>3,432</u>	<u>-</u>	<u>84,252</u>	<u>14,099</u>
	<u>456,758</u>	<u>8,515</u>	<u>-</u>	<u>465,273</u>	<u>47,860</u>
Total	<u>\$3,842,587</u>	<u>\$ 219,822</u>	<u>\$ 962,976</u>	<u>\$3,099,433</u>	<u>\$ 987,308</u>

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

The OPEB and sick leave liabilities are typically liquidated in the General Purpose School Fund.

The Series 2003 note payable carries an adjustable interest rate that is determined based on the market rate of tax exempt variable interest. The rate is adjusted weekly and was 0.28 percent at June 30, 2015.

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

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 770,000	\$ 6,673	\$ 776,673
2017	793,000	4,514	797,514
2018	<u>817,000</u>	<u>2,290</u>	<u>819,290</u>
Total	<u>\$ 2,380,000</u>	<u>\$ 13,477</u>	<u>\$ 2,393,477</u>

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 3. Long-Term Debt (continued)

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

Utilities Board:

	Balance 6/30/14	Additions	Payments	Balance 6/30/15	Due within one year
Revenue and tax bonds	\$ 1,973,686	\$ -	\$ 335,912	\$ 1,637,774	\$ 355,242
Notes payable	25,648,513	672,941	882,508	25,438,946	995,755
TVA advances	<u>8,637</u>	<u>-</u>	<u>7,329</u>	<u>1,308</u>	<u>1,308</u>
Total	<u>\$ 27,630,836</u>	<u>\$ 672,941</u>	<u>\$ 1,225,749</u>	<u>\$ 27,078,028</u>	<u>\$ 1,352,305</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, 2015.

The Athens Utilities Board has debt issues with outstanding balances totaling \$26,604,177, 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>
2016	\$ 1,350,997	\$ 213,829	\$ 1,564,826
2017	1,034,869	195,587	1,230,456
2018	944,953	187,447	1,132,400
2019	1,517,636	179,523	1,697,159
2020	1,526,762	170,026	1,696,788
2021-2025	7,787,996	701,070	8,489,066
2026-2030	8,072,360	433,989	8,506,349
2031-2035	3,864,108	182,821	4,046,929
2036-2040	535,963	92,929	628,892
2041-2045	274,513	50,447	324,960
2046-2048	<u>166,563</u>	<u>7,546</u>	<u>174,109</u>
	<u>\$ 27,076,720</u>	<u>\$ 2,415,214</u>	<u>\$ 29,491,934</u>

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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, 2015, all the City's deposits were insured or collateralized.

Board of Education:

At June 30, 2015, all cash deposits of the Board were insured or collateralized in accordance with state statutes.

Component unit

At June 30, 2015, 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, 2015

Note 4. Cash Deposits and Investments (continued)

Investments: (continued)

Primary government (continued)

As of June 30, 2015, the City had \$15,850,746 invested in the LGIP, which represents all of the City's investments excluding those included in the Cemetery Perpetual Care Fund and the Athens Pension Trust Fund. The LGIP was not rated as of June 30, 2015. At June 30, 2015, the investments of the LGIP had a weighted average maturity of 108 days. The fair value of the position of the LGIP is the same as the value of the pool shares. Regulatory oversight for the LGIP is provided by the State legislature, the State Comptroller and the State Funding Board.

Cemetery Perpetual Fund:

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

As of June 30, 2015, the Cemetery Perpetual Care Fund's investments consisted of the following:

	<u>Fair Value</u>
Money market funds	\$ 55
Mutual funds	<u>207,064</u>
	<u>\$ 207,119</u>

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

Athens Pension Trust Fund:

As of June 30, 2015, 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	3.61 years	\$ 839,147
Foreign stocks	N/A	3,304,443
Foreign bonds and notes	4.94 years	136,940
Corporate bonds	3.97 years	1,141,312
Common stocks	N/A	2,548,342
Mutual funds	N/A	4,811,391
Money market funds	N/A	236,869
Municipal bonds	5.59 years	<u>355,786</u>
		<u>\$ 13,374,230</u>

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 4. Cash Deposits and Investments (continued)

Athens Pension Trust Fund: (continued)

The Athens Pension Trust Fund is authorized to invest in stocks and corporate bonds rated investment grade or above by Moody's Investor Services. The Retirement Committee's investment policy is to achieve a 40/60 government and corporate bonds/equities ratio. U.S. government and agency securities carry the explicit guarantee of the U.S. government. The City does not have any additional formal policy to limit its credit risk exposure.

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

Note 5. Interfund Transactions

Interfund Balances:

At June 30, 2015, the General Purpose School Fund had interfund receivables that consist of \$251,837 due from the Federal Projects Fund and \$315,400 due from the General Fund.

Interfund Transfers:

Interfund transfers during the year consisted of the General Fund transferring \$2,421,000 to the Board of Education General Purpose Fund and \$790,000 to the Debt Service Fund and the Debt Service Fund transferring \$1,200,000 to the 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.

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, 2015, the Utilities Board has a due from the primary government of \$56,261 and a due to the primary government of \$98,546.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 7. Detail of Net Position and Fund Balances

Net Position:

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

	Governmental Activities	Business- Type Activities	Total
Capital assets	\$ 44,786,210	\$ 3,217,962	\$ 48,004,172
Accumulated depreciation	(24,416,928)	(2,130,545)	(26,547,473)
Debt related to acquisition and construction of capital assets	(2,380,000)	-	(2,380,000)
Net investment in capital assets	17,989,282	1,087,417	19,076,699
Restricted	1,322,190	-	1,322,190
Unrestricted	16,406,946	1,735,631	18,142,577
Total net position	<u>\$ 35,718,418</u>	<u>\$ 2,823,048</u>	<u>\$ 38,541,466</u>

Fund Balances:

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

Nonspendable	
General Fund-Inventory	\$ 107,848
Prepaid items	8,486
Centralized Cafeteria Fund-Inventory	18,696
General Purpose School Fund-Prepaid items	100,850
Cemetery Perpetual Care Fund-Nonexpendable	47,283
Total nonspendable fund balances	<u>283,163</u>
Restricted	
General Fund-Nonrecurring law enforcement	111,441
General Purpose School Fund-Basic Education	777,352
Capital Projects Fund-Prof. Park	5,815
Cemetery Perpetual Care Fund-Expendable	159,836
Drug Fund	220,649
Total restricted fund balances	<u>1,275,093</u>
Committed	
General Fund-Police benefit	20,343
Capital Improvement Fund-Capital projects	2,206,394
Drug Fund	12,483
Total committed fund balances	<u>2,239,220</u>
Assigned	
General Purpose School Fund-Education	4,036,970
Debt Service Fund-Debt service	2,465,440
Centralized Cafeteria Fund	276,443
Total assigned fund balances	<u>6,778,853</u>
Unassigned	
General Fund	<u>7,579,861</u>
Total fund balances	<u>\$ 18,156,190</u>

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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

Fund Balances: (continued)

Included in the fund balance classifications are the following encumbrances:

General Purpose School Fund	\$ 697,676
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Utilities Board

Net position of the Utilities Board consist of the following:

Net investment in capital assets	\$ 76,456,298
Unrestricted	<u>26,976,938</u>
	<u><u>\$ 103,433,236</u></u>

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, 2015</u>
Inactive Plan participants or beneficiaries currently receiving benefits	53
Inactive Plan participants entitled to deferred benefits	31
Active vested Plan participants	71
Active non-vested Plan participants	<u>5</u>
Total	<u><u>160</u></u>

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 8. Employee Retirement Plans (continued)

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

Employee Retirement Plan (continued)

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.

Plan Provisions: Plan provisions in effect at June 30, 2015.

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.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 8. Employee Retirement Plans (continued)

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

Employee Retirement Plan (continued)

<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.

Average Compensation

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.

Continuous Service

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.

Benefit Accrual Service

All continuous service while an employee completed as whole years and 1/12th fraction for each completed month of continuous service.

Normal Form of Benefit

Single life annuity.

Accrued Benefit

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.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 8. Employee Retirement Plans (continued)

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

Employee Retirement Plan (continued)

<u>Early Retirement Benefit</u>	<p>Minimum Age: 55</p> <p>Minimum Service: 15 Years</p> <p>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.</p>
<u>Delayed Retirement</u>	<p>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.</p>
<u>Pre-Retirement Death Benefit</u>	<p><u>Effective January 1, 2009:</u></p> <p>Minimum Age: 45</p> <p>Minimum Service: 10 Years</p> <p><u>Prior to January 1, 2009:</u></p> <p>Minimum Age: 55</p> <p>Minimum Service: 15 Years</p> <p>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.</p>
<u>Disability Benefit</u>	<p>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.</p>

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 8. Employee Retirement Plans (continued)

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

Employee Retirement Plan (continued)

<u>Vested Termination Benefit</u>	Upon termination after 5 or more years of service, a participant shall be 100% vested in his accrued benefit.
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<u>Vesting Service</u>	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.
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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.

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.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 8. Employee Retirement Plans (continued)

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

Employee Retirement Plan (continued)

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, 2015:

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

Rate of return: For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 1.57% 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, 2015, was as follows:

	<u>2015</u>
Total pension liability	\$ 15,669,311
Plan fiduciary net position	<u>13,401,576</u>
City net pension liability	<u>\$ 2,267,735</u>

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 8. Employee Retirement Plans (continued)

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

Employee Retirement Plan (continued)

Plan fiduciary net position as a percentage of the total pension liability	85.53%
Covered-employee payroll	\$ 3,406,196
Net pension liability as a percentage of covered-employee payroll	66.58%

The Plan's fiduciary net position is reported in the Pension Trust Fund as of June 30, 2015. The City's net pension liability is reported in the government-wide activities and enterprise funds as of the measurement date of June 30, 2015.

Actuarial Assumptions for Calculation of the Net Pension Liability

Measurement Date – June 30, 2015

Valuation Date – January 1, 2015

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

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

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 8. Employee Retirement Plans (continued)

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

Employee Retirement Plan (continued)

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, 2015, (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	7.55%
International equity	8.05
Municipal bonds	2.80
Taxable bonds	3.45
International bonds	1.70
Diversifying assets	6.50
Real estate	6.20

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.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 8. Employee Retirement Plans (continued)

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

Employee Retirement Plan (continued)

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, 2015	\$ 4,013,425	\$ 2,267,735	\$ 780,197

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, 2015, elected by the City under GASB No. 68.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 8. Employee Retirement Plans (continued)

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

Employee Retirement Plan (continued)

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

	Total Pension Liability <u>(a)</u>	Plan Fiduciary Net Position <u>(b)</u>	Net Pension Liability <u>(a) – (b)</u>
Balances at June 30, 2014	<u>\$ 14,700,213</u>	<u>\$12,325,855</u>	<u>\$ 2,374,358</u>
Changes for the year:			
Service cost	219,376	—	219,376
Interest	1,094,369	—	1,094,369
Differences between expected and actual experience	45,954	—	45,954
Changes of assumptions	277,477	—	277,477
Contributions-Employer	—	1,610,000	(1,610,000)
Net investment income	—	200,379	(200,379)
Benefit payments	(668,078)	(668,078)	—
Administrative expense	—	(66,580)	66,580
Net changes	<u>969,098</u>	<u>1,075,721</u>	<u>(106,623)</u>
Balances at June 30, 2015	<u>\$ 15,669,311</u>	<u>\$13,401,576</u>	<u>\$ 2,267,735</u>

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

	<u>Governmental Activities</u>	<u>Sanitation</u>	<u>Total</u>
Pension expense	\$ 637,937	\$ 23,686	\$ 661,623

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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, 2015, 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	\$ 33,634	\$ —
Changes of assumptions	203,086	—
Net difference between projected and actual earnings on pension plan investments	<u>605,034</u>	<u>—</u>
Total	<u>\$ 841,754</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:	
2016	\$(237,969)
2017	(237,969)
2018	(214,556)
2019	(151,260)

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 \$29,954 during 2015.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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, Chapters 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 percent 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 percent, 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, 2014, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	53
Inactive employees entitled to but not yet receiving benefits	80
Active employees	<u>87</u>
	<u>220</u>

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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 percent 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, employer contributions for Athens City Board of Education were \$161,533 based on a rate of 8.31 percent 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 actuarially determined contribution (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, 2014, 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, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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, 2014, 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, 2015

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 realized in the third technique. The 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 percent. 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%
Developed market international equity	6.26	17
Emerging market international equity	6.40	5
Private equity and strategic lending	4.61	8
U.S. fixed income	0.98	29
Real estate	4.73	7
Short-term securities	0.00	<u>1</u>
		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent 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 percent. 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, 2015

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 6/30/13	\$ 6,036,524	\$ 5,515,798	\$ 520,726
Changes for the year:			
Service cost	183,637	-	183,637
Interest	456,115	-	456,115
Differences between expected and actual experience	(170,142)	-	(170,142)
Contributions-			
Employer	-	156,714	(156,714)
Contributions-			
Employees	-	94,521	(94,521)
Net investment income	-	914,930	(914,930)
Benefit payments, including refunds of employee contributions	(277,253)	(277,253)	-
Administrative expense	-	(3,263)	3,263
Net changes	192,357	885,649	(693,292)
Balance at 6/30/14	\$ 6,228,881	\$ 6,401,447	\$ (172,566)

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 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.5) or 1 percentage point higher (8.5) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Athens City Board of Education's net pension liability (asset)	\$ 603,210	\$ (172,566)	\$ (821,988)

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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, 2015, Athens City Board of Education recognized pension expense of \$1,410.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2015, 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	\$ -	\$ 136,114
Net difference between projected and actual earnings on pension plan investments	-	401,874
Contributions subsequent to the measurement date of June 30, 2014	<u>161,533</u>	<u>-</u>
Total	<u>\$ 161,533</u>	<u>\$ 537,988</u>

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2014,” 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:	
2016	\$ (134,497)
2017	(134,497)
2018	(134,497)
2019	(134,497)

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, 2015

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 percent 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 percent, 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.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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 percent 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, 2015 to the Teacher Legacy Pension Plan were \$650,151 which is 9.04 percent 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 asset. At June 30, 2015, the Athens City Board of Education reported an asset of \$30,696 for its proportionate share of net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension liability used to calculate the net pension asset 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 contributions to the pension plan during the year ended June 30, 2014, relative to the contributions of all LEAs for the year ended June 30, 2014. At the June 30, 2014, measurement date, Athens City Board of Education's proportion was 0.188902 percent. The proportion measured as of June 30, 2013, was 0.178560 percent.

Pension income. For the year ended June 30, 2015, Athens City Board of Education recognized a pension income of \$2,013.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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, 2015, 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	\$ 74,522	\$ -
Net difference between projected and actual earnings on pension plan investments	-	2,529,127
Changes in proportion of net pension liability (asset)	145,151	-
LEA's contributions subsequent to the measurement date of June 30, 2014	<u>650,151</u>	<u>-</u>
Total	<u>\$ 869,824</u>	<u>\$ 2,529,127</u>

Athens City Board of Education employer contributions of \$650,151, reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as an increase in net pension asset in the year ended June 30, 2016. 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:	
2016	\$ (595,549)
2017	(595,549)
2018	(595,549)
2019	(595,549)
2020	36,732
Thereafter	36,010

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, 2015

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, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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, 2014, 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

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 8. Employee Retirement Plans (continued)

Primary Government (Board of Education employees) (continued)

Teacher Legacy Pension Plan (continued)

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 percent. 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%
Developed market international equity	6.26	17
Emerging market international equity	6.40	5
Private equity and strategic lending	4.61	8
U.S. fixed income	0.98	29
Real estate	4.73	7
Short-term securities	0.00	<u>1</u>
		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees at 7.5 percent 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 percent. 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 all the 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.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 8. Employee Retirement Plans (continued)

Primary Government (Board of Education employees) (continued)

Teacher Legacy Pension Plan (continued)

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 percent, 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 1 percentage point lower (6.5) or 1 percentage point higher (8.5) than the current rate:

	1% Decrease <u>(6.5%)</u>	Current Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
Athens City Board of Education's proportionate share of the net pension liability (asset)	\$ 5,177,170	\$ (30,696)	\$(4,342,244)

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

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. Members are entitled to receive unreduced service retirement benefits, which are determined by a formula using the member's

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 8. Employee Retirement Plans (continued)

Primary Government (Board of Education employees) (continued)

Teacher Retirement Plan (continued)

highest five consecutive year average compensation and the member's 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 percent 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 percent, 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.

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 percent 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 percent, except for in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement 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 for the year ended June 30, 2015, to the Teacher Retirement Plan were \$28,190 which is 4 percent 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. Since the measurement date is June 30, 2014, which is prior to the July 1, 2014, inception of the Teacher Retirement Plan, there is not a net pension liability to report at June 30, 2015.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 8. Employee Retirement Plans (continued)

Primary Government (Board of Education employees) (continued)

Teacher Retirement Plan (continued)

Pension expense. Since the measurement date is June 30, 2014, Athens City Board of Education did not recognize a pension expense at June 30, 2015.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2015, 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>
Athens City Board of Education's contributions subsequent to the measurement date of June 30, 2014	\$ 28,190	\$ -

Athens City Board of Education's employer contributions of \$28,190 reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as a reduction in net pension liability in the year ended June 30, 2016.

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 \$36,046 to the Plan in 2015.

Component Unit

Utilities Board:

Plan descriptions

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

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 9. Postemployment Healthcare Plan

Plan Description:

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

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 2015 was \$141,000. The Board contributed \$136,305 in 2015.

Annual OPEB cost and net OPEB obligation:

	<u>Teacher Group Plan</u>
Annual Required Contribution (ARC)	\$ 141,000
Interest on the Net OPEB Obligation (NOO)	15,038
Adjustment to the ARC	<u>(14,650)</u>
Annual OPEB cost	141,388
Amount of contribution	<u>(136,305)</u>
Increase in NOO	5,083
Net OPEB obligation, beginning of year	<u>375,938</u>
Net OPEB obligation, end of year	<u>\$ 381,021</u>

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 9. Postemployment Healthcare Plan (continued)

Annual OPEB cost and net OPEB obligation: (continued)

<u>Year End</u>	<u>Plan</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation at Year End</u>
6/30/13	Teacher Group	246,520	71.9	\$ 264,595
6/30/14	Teacher Group	278,273	60.0	375,938
6/30/15	Teacher Group	141,388	96.4	381,021

Funded status and funding progress:

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

	<u>Teacher Group Plan</u>
Actuarial valuation date	7/01/13
Actuarial accrued liability (AAL)	\$ <u>206,073</u>
Actuarial value of plan assets	
Unfunded actuarial accrued liability (UAAL)	\$ <u><u>206,073</u></u>
Actuarial value of assets as a percentage of the AAL	
Covered payroll (active plan members)	\$ 8,270,232
UAAL as a percentage of covered payroll	2.49%

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

Actuarial methods and assumptions:

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with the perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. In the July 1, 2013, actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 4 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 7.5 initially. The rate decreased to 7.0 percent in fiscal year 2015, and will reduce by decrements to an ultimate rate of 4.7 percent by fiscal year 2044. Both rates include a 2.5 percent 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 percent.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 10. On-Behalf Payments

The State of Tennessee makes on-behalf payments to the State's Medicare Supplement Plan and the Teacher Group Plan for retired teachers of Athens City Board of Education. GASB Statement #24 requires that on-behalf payments be recognized in the Board's financial statements. During the year ended June 30, 2015, the State of Tennessee made contributions to healthcare plans on behalf of the Board as follows:

<u>Plan</u>	<u>Amount</u>
Teacher Group Plan	\$ 65,771
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. Implementation of Governmental Accounting Standards Board Pronouncements

As of July 2014, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68 "Accounting and Financial Reporting for Pensions." This pronouncement establishes standards for governmental employer recognition, measurement, and presentation of information about pensions provided through certain pension plans.

Under this pronouncement, employers providing certain pensions must measure and recognize liabilities, deferred outflows of resources, deferred inflows of resources, and expenses in connection with providing pensions to employees.

The effect of this \$7,569,786 restatement on net position at July 1, 2014, is as follows:

	<u>Governmental Activities</u>	<u>Sanitation Fund</u>
Net position, beginning of year, as previously reported	\$ 41,332,278	\$ 1,864,307
GASB No. 68 – recognize net pension obligations	<u>(7,484,785)</u>	<u>(85,001)</u>
Net position, beginning of year as restated	<u>\$ 33,847,493</u>	<u>\$ 1,779,306</u>

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 12. Deferred Compensation

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

Note 13. Contingencies

The Athens Utilities Board has debt issues with outstanding balances totaling \$26,604,177, representing debt issued by the City where the Utilities Board has assumed all responsibility through resolution. This long-term debt is reported in the Athens Utilities Board financial statements. The debt service is to be paid through user fees and Board funds, but the City is required to establish ad valorem taxes under each debt issue if Utilities Board funds are not sufficient to service the debts.

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

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

Note 14. Risk Management

The City is exposed to various risks of loss to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the government carries commercial insurance or participates in the Tennessee Municipal League Risk Management Pool. The Tennessee Municipal League Risk Management Pool is a public entity risk pool which provides coverage for a variety of risks to Tennessee governments. The City does not retain the risk of loss under coverages with the pool. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

CITY OF ATHENS, TENNESSEE
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY (NPL)
AND RELATED RATIOS
EMPLOYEE RETIREMENT PLAN
LAST TWO FISCAL YEARS
June 30, 2015

	<u>2015</u>	<u>2014</u>
Total Pension Liability		
Service cost	\$ 219,376	\$ 250,841
Interest	1,094,369	1,064,342
Differences between expected and actual experience	45,954	(287,115)
Changes of assumptions	277,477	55,344
Benefit payments	(668,078)	(635,679)
Net change in total pension liability	969,098	447,733
Total pension liability - beginning	14,700,213	14,252,480
Total pension liability - ending (a)	<u>\$15,669,311</u>	<u>\$14,700,213</u>
Plan Fiduciary Net Position		
Contributions - employer	\$ 1,610,000	\$ 1,010,000
Net investment income	200,379	1,636,838
Benefit payments	(668,078)	(635,679)
Administrative expense	(66,580)	(63,367)
Net change in plan fiduciary net position	1,075,721	1,947,792
Plan fiduciary net position - beginning	12,325,855	10,378,063
Plan fiduciary net position - ending (b)	<u>\$13,401,576</u>	<u>\$12,325,855</u>
Net pension liability - ending (a) - (b)	<u>\$ 2,267,735</u>	<u>\$ 2,374,358</u>
Plan fiduciary net position as a percentage of the total pension liability	85.53%	83.85%
Covered-employee payroll	\$ 3,406,196	\$ 3,655,893
Net pension liability as a percentage of covered-employee payroll	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 7.5%.

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

**CITY OF ATHENS, TENNESSEE
SCHEDULE OF CONTRIBUTIONS
EMPLOYEE RETIREMENT PLAN
LAST TWO FISCAL YEARS
June 30, 2015**

	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 465,803	\$ 555,625
Contributions in relation to the actuarially determined contribution	<u>1,610,000</u>	<u>1,010,000</u>
Contribution deficiency (excess)	<u>\$ (1,144,197)</u>	<u>\$ (454,375)</u>
Covered-employee payroll	\$ 3,406,196	\$ 3,655,893
Contributions as a percentage covered-employee payroll	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 period	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, 95% 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

* This is a summary of the methods and assumptions for the January 1, 2015, Actuarial Valuation.

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 TWO FISCAL YEARS
June 30, 2015**

	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, Net of investment expense	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
June 30, 2015**

	<u>2014</u>
Total Pension Liability	
Service cost	\$ 183,637
Interest	456,115
Differences between actual and expected experience	(170,142)
Benefit payments, including refunds of employee contributions	<u>(277,253)</u>
Net change in total pension liability	192,357
Total pension liability - beginning	<u>6,036,524</u>
Total pension liability - ending (a)	<u><u>\$ 6,228,881</u></u>
 Plan Fiduciary Net Position	
Contributions - employer	\$ 156,714
Contributions - employee	94,521
Net investment income	914,930
Benefit payments, including refunds of employee contributions	(277,253)
Administrative expense	<u>(3,263)</u>
Net change in plan fiduciary net position	885,649
Plan fiduciary net position - beginning	<u>5,515,798</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 6,401,447</u></u>
 Net pension liability (asset) - ending (a) - (b)	<u><u>\$ (172,566)</u></u>
 Plan fiduciary net position as a percentage of total pension asset	102.77%
Covered-employee payroll	\$ 1,888,122
Net pension asset as a percentage of covered-employee payroll	9.14%

NOTE: This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**CITY OF ATHENS, TENNESSEE
SCHEDULE OF CONTRIBUTIONS
ATHENS CITY BOARD OF EDUCATION
PUBLIC EMPLOYEE PENSION PLAN
June 30, 2015**

	<u>2014</u>	<u>2015</u>
Actuarially determined contribution	\$ 156,714	\$ 161,533
Contributions in relation to the actuarially determined contribution	<u>156,714</u>	<u>161,533</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$1,888,122	\$1,945,689
Contributions as a percentage covered-employee payroll	8.30%	8.31%

Notes to Schedule

Valuation date: Actuarially determined contribution rates for 2015 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 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, 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	2.5 percent

NOTE: This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**CITY OF ATHENS, TENNESSEE
SCHEDULE OF PROPORTIONATE SHARE OF
THE NET PENSION ASSET
ATHENS CITY BOARD OF EDUCATION
TEACHER LEGACY PENSION PLAN
June 30, 2015**

	<u>2014</u>
Athens City Board of Education's proportion of the net pension asset	0.188902%
Athens City Board of Education's proportionate share of the net pension asset	\$ 30,696
Athens City Board of Education's covered-employee payroll	\$ 7,414,368
Athens City Board of Education's proportionate share of the net pension asset as a percentage of its covered-employee payroll	0.41%
Plan fiduciary net position as a percentage of the total pension liability	100.08%

NOTE: This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**CITY OF ATHENS, TENNESSEE
SCHEDULE OF CONTRIBUTIONS
ATHENS CITY BOARD OF EDUCATION
TEACHER LEGACY PENSION PLAN
June 30, 2015**

	<u>2014</u>	<u>2015</u>
Actuarially determined contribution (ADC)	\$ 658,397	\$ 650,151
Contribution in relation to the actuarially determined contribution	<u>658,397</u>	<u>650,151</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
 Athens City Board of Education's covered-employee payroll	 \$7,414,368	 \$ 7,191,017
Contributions as a percentage of Athens City Board of Education's covered-employee payroll	8.88%	9.04%

NOTE: This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

**CITY OF ATHENS, TENNESSEE
SCHEDULE OF CONTRIBUTIONS
ATHENS CITY BOARD OF EDUCATION
TEACHER RETIREMENT PLAN
June 30, 2015**

	<u>2015</u>
Actuarially determined contribution (ADC)	\$ 17,619
Contribution in relation to the actuarially determined contribution	<u>28,190</u>
Contribution deficiency (excess)	<u><u>\$ (10,571)</u></u>
 Athens City Board of Education's covered-employee payroll	 \$ 704,749
Contributions as a percentage of Athens City Board of Education's covered-employee payroll	 4%

NOTE: This is a 10-year schedule; however, this Plan opened for teachers with membership in TCRS after June 30, 2014, so prior years do not exist.

CITY OF ATHENS, TENNESSEE
SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
BOARD OF EDUCATION TEACHER GROUP PLAN
June 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/01/13	\$ -	\$ 206	\$ 206	0.00 %	\$ 8,270	2.49 %
7/01/11	-	422	422	0.00	9,237	4.57
7/01/10	-	349	349	0.00	8,844	3.95

(Dollar amounts in thousands)

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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.

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, 2015**

	<u>Special Revenue Funds</u>		<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Drug</u>	<u>Centralized Cafeteria</u>	<u>Cemetery Perpetual Care</u>	
ASSETS				
Cash and cash equivalents	\$ 41,873	\$ 163,322	\$ -	\$ 205,195
Investments	184,765	-	207,119	391,884
Due from other governments	6,494	156,795	-	163,289
Inventories	-	18,696	-	18,696
Total assets	<u>\$ 233,132</u>	<u>\$ 338,813</u>	<u>\$ 207,119</u>	<u>\$ 779,064</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ 17,599	\$ -	\$ 17,599
Accrued payroll and withholdings	-	26,075	-	26,075
Total liabilities	<u>-</u>	<u>43,674</u>	<u>-</u>	<u>43,674</u>
FUND BALANCES				
Nonspendable	-	18,696	47,283	65,979
Restricted	220,649	-	159,836	380,485
Committed	12,483	-	-	12,483
Assigned	-	276,443	-	276,443
Total fund balances	<u>233,132</u>	<u>295,139</u>	<u>207,119</u>	<u>735,390</u>
Total liabilities and fund balances	<u>\$ 233,132</u>	<u>\$ 338,813</u>	<u>\$ 207,119</u>	<u>\$ 779,064</u>

CITY OF ATHENS, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2015

	<u>Special Revenue Funds</u>		<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Drug</u>	<u>Centralized Cafeteria</u>	<u>Cemetery Perpetual Care</u>	
REVENUES				
Intergovernmental	\$ -	\$ 1,071,270	\$ -	\$ 1,071,270
Fines and forfeitures	29,883	-	-	29,883
Investment and interest income	186	1,184	2,440	3,810
Charges for services	-	59,501	2,965	62,466
Miscellaneous	-	33,566	-	33,566
Total revenues	<u>30,069</u>	<u>1,165,521</u>	<u>5,405</u>	<u>1,200,995</u>
EXPENDITURES				
Current:				
Public safety	46,930	-	-	46,930
Education	-	1,226,458	-	1,226,458
Total expenditures	<u>46,930</u>	<u>1,226,458</u>	<u>-</u>	<u>1,273,388</u>
REVENUES OVER (UNDER) EXPENDITURES	(16,861)	(60,937)	5,405	(72,393)
FUND BALANCES, beginning of year	<u>249,993</u>	<u>356,076</u>	<u>201,714</u>	<u>807,783</u>
FUND BALANCES, end of year	<u>\$ 233,132</u>	<u>\$ 295,139</u>	<u>\$ 207,119</u>	<u>\$ 735,390</u>

CITY OF ATHENS, TENNESSEE
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
Year Ended June 30, 2015

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Interest	\$ 5,000	\$ 5,000	\$ 3,164	\$ (1,836)
Total revenues	<u>5,000</u>	<u>5,000</u>	<u>3,164</u>	<u>(1,836)</u>
EXPENDITURES				
Debt service:				
Principal	747,000	747,000	747,000	-
Interest	44,000	44,000	21,927	22,073
General government	<u>4,000</u>	<u>4,000</u>	<u>3,172</u>	<u>828</u>
Total expenditures	<u>795,000</u>	<u>795,000</u>	<u>772,099</u>	<u>22,901</u>
REVENUES UNDER EXPENDITURES	<u>(790,000)</u>	<u>(790,000)</u>	<u>(768,935)</u>	<u>21,065</u>
OTHER FINANCING SOURCES				
Transfer from general fund	790,000	790,000	790,000	-
Transfer to capital projects fund	<u>-</u>	<u>(1,200,000)</u>	<u>(1,200,000)</u>	<u>-</u>
	<u>790,000</u>	<u>(410,000)</u>	<u>(410,000)</u>	<u>-</u>
Net change in fund balance	-	(1,200,000)	(1,178,935)	21,065
FUND BALANCE, beginning of year	<u>3,608,204</u>	<u>3,608,204</u>	<u>3,644,375</u>	<u>36,171</u>
FUND BALANCE, end of year	<u>\$ 3,608,204</u>	<u>\$ 2,408,204</u>	<u>\$ 2,465,440</u>	<u>\$ 57,236</u>

CITY OF ATHENS, TENNESSEE
BUDGETARY COMPARISON SCHEDULE
DRUG FUND
Year Ended June 30, 2015

	Budget			Variance With Final Budget
	Original	Final	Actual	
REVENUES				
Drug fines and forfeitures	\$ 22,000	\$ 22,000	\$ 29,883	\$ 7,883
Investment and interest income	-	-	186	186
Total revenues	<u>22,000</u>	<u>22,000</u>	<u>30,069</u>	<u>8,069</u>
EXPENDITURES				
Drug investigation	12,000	12,000	-	12,000
Supplies	5,000	5,000	19,324	(14,324)
Capital outlay	24,000	33,000	27,606	5,394
Education and training	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Total expenditures	<u>46,000</u>	<u>55,000</u>	<u>46,930</u>	<u>8,070</u>
REVENUES OVER (UNDER) EXPENDITURES	(24,000)	(33,000)	(16,861)	16,139
FUND BALANCE, beginning of year	<u>276,398</u>	<u>240,388</u>	<u>249,993</u>	<u>9,605</u>
FUND BALANCE, end of year	<u>\$ 252,398</u>	<u>\$ 207,388</u>	<u>\$ 233,132</u>	<u>\$ 25,744</u>

**CITY OF ATHENS, TENNESSEE
BUDGETARY COMPARISON SCHEDULE
CENTRALIZED CAFETERIA FUND
Year Ended June 30, 2015**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
State funds	\$ 11,547	\$ 11,547	\$ 9,940	\$ (1,607)
Federal funds received through state	897,054	897,054	1,061,330	164,276
Charges for services	303,576	303,576	59,501	(244,075)
Interest	2,500	2,500	1,184	(1,316)
Other	<u>65,000</u>	<u>65,000</u>	<u>33,566</u>	<u>(31,434)</u>
Total revenues	1,279,677	1,279,677	1,165,521	(114,156)
EXPENDITURES				
Food services	<u>1,279,677</u>	<u>1,279,677</u>	<u>1,226,458</u>	<u>53,219</u>
REVENUES UNDER EXPENDITURES	-	-	(60,937)	(60,937)
FUND BALANCE, beginning of year	<u>379,474</u>	<u>379,474</u>	<u>356,076</u>	<u>(23,398)</u>
FUND BALANCE, end of year	<u>\$ 379,474</u>	<u>\$ 379,474</u>	<u>\$ 295,139</u>	<u>\$ (84,335)</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, 2015

	<u>Fleet Fund</u>	<u>Employee Medical Benefits Fund</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,387	\$ -	\$ 2,387
Investments	<u>2,686,540</u>	<u>357,469</u>	<u>3,044,009</u>
Total current assets	2,688,927	357,469	3,046,396
Capital assets:			
Capital assets, net	<u>2,267,402</u>	<u>-</u>	<u>2,267,402</u>
Total assets	<u><u>\$ 4,956,329</u></u>	<u><u>\$ 357,469</u></u>	<u><u>\$ 5,313,798</u></u>
LIABILITIES AND NET POSITION			
LIABILITIES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
NET POSITION			
Net investment in capital assets	2,267,402	-	2,267,402
Unrestricted	<u>2,688,927</u>	<u>357,469</u>	<u>3,046,396</u>
Total net position	<u>4,956,329</u>	<u>357,469</u>	<u>5,313,798</u>
Total liabilities and net position	<u><u>\$ 4,956,329</u></u>	<u><u>\$ 357,469</u></u>	<u><u>\$ 5,313,798</u></u>

CITY OF ATHENS, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
Year Ended June 30, 2015

	<u>Fleet Fund</u>	<u>Employee Medical Benefits Fund</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services	\$ 615,900	\$ 56,834	\$ 672,734
OPERATING EXPENSES			
Depreciation	<u>335,698</u>	<u>-</u>	<u>335,698</u>
OPERATING INCOME	<u>280,202</u>	<u>56,834</u>	<u>337,036</u>
NONOPERATING REVENUES			
Interest income	2,407	260	2,667
Gain on sale of capital assets	<u>28,081</u>	<u>-</u>	<u>28,081</u>
Total nonoperating revenues	<u>30,488</u>	<u>260</u>	<u>30,748</u>
CHANGE IN NET POSITION	310,690	57,094	367,784
NET POSITION, beginning of year	<u>4,645,639</u>	<u>300,375</u>	<u>4,946,014</u>
NET POSITION, end of year	<u><u>\$ 4,956,329</u></u>	<u><u>\$ 357,469</u></u>	<u><u>\$ 5,313,798</u></u>

CITY OF ATHENS, TENNESSEE
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
Year Ended June 30, 2015

	Fleet Fund	Employee Medical Benefits Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 615,900	\$ 56,834	\$ 672,734
Payments to suppliers and vendors	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided by operating activities	<u>615,900</u>	<u>56,834</u>	<u>672,734</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	28,081	-	28,081
Purchase of capital assets	<u>(433,436)</u>	<u>-</u>	<u>(433,436)</u>
Net cash used in capital and related financing activities	<u>(405,355)</u>	<u>-</u>	<u>(405,355)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment and interest earnings	2,407	260	2,667
Purchase of investments	<u>(229,443)</u>	<u>(57,094)</u>	<u>(286,537)</u>
Net cash used in investing activities	<u>(227,036)</u>	<u>(56,834)</u>	<u>(283,870)</u>
Net decrease in cash and cash equivalents	(16,491)	-	(16,491)
Cash and cash equivalents, beginning of year	<u>18,878</u>	<u>-</u>	<u>18,878</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,387</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,387</u></u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 280,202	\$ 56,834	\$ 337,036
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	<u>335,698</u>	<u>-</u>	<u>335,698</u>
Net cash provided by operating activities	<u><u>\$ 615,900</u></u>	<u><u>\$ 56,834</u></u>	<u><u>\$ 672,734</u></u>

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OTHER

CITY OF ATHENS, TENNESSEE
SCHEDULE OF UNCOLLECTED DELINQUENT TAXES FILED
LAST TEN YEARS
June 30, 2015

<u>Tax Year</u>	<u>Delinquent Taxes Filed</u>	<u>July 1, 2014 Delinquent Taxes Receivable</u>	<u>Current Collections and Adjustments</u>	<u>June 30, 2015 Delinquent Taxes Receivable</u>
2004 and Prior	\$ *	\$ 1,663	\$ 224	\$ 1,439
2005	45,102	1,560	-	1,560
2006	55,813	1,600	-	1,600
2007	69,042	339	-	339
2008	80,293	6,136	207	5,929
2009	69,472	12,539	1,011	11,528
2010	77,158	66,404	5,185	61,219
2011	97,583	46,335	7,256	39,079
2012	78,451	78,677	21,206	57,471
2013	72,120	201,127	125,435	75,692

* Not available.

CITY OF ATHENS, TENNESSEE
SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE
Year Ended June 30, 2015

	<u>Total</u>	<u>2015 Assessment</u>	<u>2014 Assessment</u>	<u>Prior Years</u>
PROPERTY TAXES RECEIVABLE				
July 1, 2014	<u>\$ 4,853,380</u>	<u>\$ -</u>	<u>\$ 4,437,000</u>	<u>\$ 416,380</u>
Add -				
Taxes assessed	6,068,000	6,068,000	-	-
Late listings	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>6,068,000</u>	<u>6,068,000</u>	<u>-</u>	<u>-</u>
Deduct -				
Collections	4,365,985	-	4,207,109	158,876
Adjustments and abatements	<u>24,442</u>	<u>-</u>	<u>22,794</u>	<u>1,648</u>
	<u>4,390,427</u>	<u>-</u>	<u>4,229,903</u>	<u>160,524</u>
PROPERTY TAXES RECEIVABLE				
June 30, 2015	<u><u>\$ 6,530,953</u></u>	<u><u>\$ 6,068,000</u></u>	<u><u>\$ 207,097</u></u>	<u><u>\$ 255,856</u></u>

CITY OF ATHENS, TENNESSEE
SCHEDULE OF INVESTMENTS
June 30, 2015

	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	-	-	\$ 55	\$ 55
Causeway International Value Fund	-	-	10,999	10,693
Credit Suisse Commodity Return Strategy Fund	-	-	2,571	1,797
Doubleline Total Return Bond Fund	-	-	30,906	30,291
Eaton Vance Atlanta Capital Focused Growth Fund	-	-	1,862	2,373
Federated MDT Small Cap Growth Fund	-	-	503	806
Forward International Small Companies Fund	-	-	2,403	3,138
Goldman Sachs Growth Opportunities Fund	-	-	2,973	3,734
Harding Loevner International Equity Institutional Fund	-	-	6,446	8,025
Hotchkis & Wiley High Yield Fund	-	-	7,764	7,466
Lazard Emerging Markets Equity Institutional Fund	-	-	4,211	3,868
Metropolitan West Total Return Fund	-	-	22,988	23,047
Neuberger Berman Strategic Income Fund	-	-	11,588	11,442
Oppenheimer Developing Markets Fund	-	-	2,654	2,914
Pimco Foreign Bond Fund	-	-	15,707	15,306
Pimco Real Return Fund	-	-	7,584	7,357
Sterling Capital Corporate Fund	-	-	7,072	7,202
Sterling Capital Equity Income Fund	-	-	3,128	4,444
Sterling Capital Special Opportunities Fund	-	-	1,587	2,560
Sterling Capital Total Return Bond Fund	-	-	51,955	49,744
Sterling Capital Mid Cap Value Fund	-	-	2,603	4,157
Vanguard 500 Index Fund	-	-	5,685	5,798
Virtus Quality Small Cap Fund	-	-	528	902
Total			<u>\$ 203,772</u>	<u>\$ 207,119</u>
Athens Pension Trust Fund:				
Federal Home Loan Mortgage Corporation	2.375	01/13/22	\$ 118,850	\$ 116,434
Federal Home Loan Mortgage Corporation	0.875	10/14/16	115,638	115,644
Federal National Mortgage Association	1.625	11/27/18	101,417	101,210
Federal National Mortgage Association	5.000	05/11/17	127,247	124,105
US Treasury Note	1.000	08/31/16	80,748	80,575
US Treasury Note	1.875	09/30/17	76,975	76,898
US Treasury Note	3.125	05/15/21	110,783	106,961
US Treasury Note	3.750	11/15/18	72,301	70,601
US Treasury Bond	2.750	02/15/24	46,954	46,719
Accenture PLC CL A	-	-	31,632	37,744
AIA Group, Limited	-	-	43,944	61,273
L'Air Liquide Air Liquide S.A.	-	-	39,579	46,011
Akzo N V Sponsored ADR	-	-	46,893	58,663
Allianz Group	-	-	39,977	43,974
Anheuser-Busch Inbev NV SPN ADR	-	-	22,506	30,168
Arm Holdings	-	-	24,749	33,750
Aspen Insurance Holdings	-	-	7,282	11,257
Assured Guaranty, Limited	-	-	4,716	7,557

(continued)

CITY OF ATHENS, TENNESSEE
SCHEDULE OF INVESTMENTS
June 30, 2015
(continued)

	Interest Rate	Maturity Date	Cost	Market Value
Athens Pension Trust Fund: (continued)				
Aryzta AG-Unsponsored ADR	-	-	\$ 9,079	\$ 6,699
Atlas Copco Group	-	-	23,683	24,325
Aviva PLC	-	-	29,771	35,577
AXA SA Sponsored ADR	-	-	9,736	16,642
Baidu.com, Inc.	-	-	24,234	29,862
Balfour Beatty PLC	-	-	12,459	9,663
Banco Bilbao Vizcaya - Sponsored ADR	-	-	23,850	22,208
Barclays PLC	-	-	40,785	39,703
Bayer A G -	-	-	18,089	25,879
Bayerische Motoren Werke Unsponsored ADR	-	-	34,383	34,094
BG Group	-	-	51,558	45,740
BNP Paribas	-	-	29,731	31,223
British American Tobacco, PLC	-	-	46,257	48,712
Bunge Limited, Inc.	-	-	24,408	27,218
Canadian National RY Company	-	-	24,152	30,319
Carnival Corporation PLC	-	-	26,682	33,845
Checkpoint Software Technology, LTD	-	-	6,765	10,739
China Mobile HK, Limited	-	-	31,011	30,443
Clariant AG - Unsponsored ADR	-	-	17,370	17,939
CNOOC, Limited	-	-	22,361	18,450
Compagnie Financiere Richemont, S.A.	-	-	15,660	14,648
Core Laboratories, Inc.	-	-	12,747	11,404
Credit Suisse Group ADR	-	-	19,101	18,492
CSL, Limited	-	-	21,406	27,249
DBS Group Holdings, Limited	-	-	20,088	25,200
Daimler AG	-	-	12,503	21,831
Dassault Systems S.A.	-	-	48,082	59,589
East Japan Railway Company	-	-	35,782	36,665
Eaton Corporation PLC	-	-	27,610	25,646
Endurance Specialty Holdings	-	-	14,163	21,352
Enstar Group	-	-	9,085	12,396
Fanuc, Limited	-	-	47,407	52,436
Fresenius USA, Inc.	-	-	21,099	25,786
Fuchs Petrolu Se-Pref ADR	-	-	18,242	17,940
GDF Suez - Sponsored ADR	-	-	29,824	25,585
Givaudan SA Unsponsored ADR	-	-	4,847	8,830
Glaxosmithkline PLC Sponsored	-	-	38,156	35,194
Hitachi, Limited	-	-	38,650	37,912
Hong Kong Exchanges & Clearing	-	-	7,174	15,705
HSBC Holdings PLC	-	-	50,193	44,810
ICICI Bank, Limited	-	-	30,685	36,366
Imperial Oil, Limited	-	-	45,279	41,323
International Consolidated Airlines Group	-	-	17,437	26,647
Itau Unibanco Banco Multiplo S.A.	-	-	27,111	22,426
JGC Corporation	-	-	53,000	35,522
Kamatsu, Limited	-	-	23,790	22,589
KBC Group NV Unsponsored ADR	-	-	13,800	16,029
KDDI Corporation Unsponsored ADR	-	-	33,404	53,892
Kingfisher PLC-Sponsored ADR	-	-	16,114	15,949

(continued)

CITY OF ATHENS, TENNESSEE
SCHEDULE OF INVESTMENTS
June 30, 2015

(continued)

	Interest Rate	Maturity Date	Cost	Market Value
Athens Pension Trust Fund: (continued)				
Kone OYJ-B-Unsponsored ADR	-	-	\$ 20,544	\$ 19,164
Linde AG Sponsored ADR	-	-	47,895	50,827
L'Oreal S.A.	-	-	33,204	40,647
LVMH Moet-Hennessey-Louis-Vuitton S.A.	-	-	16,442	17,160
Lloyds TSB Group	-	-	26,317	35,404
Michael Kors Holding	-	-	19,417	10,943
Mitsubishi Estate Company, Limited	-	-	21,789	16,375
Monotaro Company, Limited Unsponsored ADR	-	-	7,820	13,850
MTN Group, LTD	-	-	25,987	24,782
Nestle S.A.	-	-	49,034	55,831
Nielson Holdings N.V.	-	-	8,775	10,297
Nikon Corporation PLC Unsponsored ADR	-	-	32,790	21,871
Novartis	-	-	42,793	74,542
Novo-Nordisk A.S.	-	-	30,607	41,618
Pearson PLC	-	-	20,373	19,718
Perrigo Company PLC	-	-	16,093	19,407
Postnl NV ADR	-	-	9,823	11,949
Reed Elsevier NV	-	-	22,550	42,165
Roche Holding, Limited	-	-	59,808	77,798
Ryanair Holdings PLC	-	-	4,914	11,416
Sands China, Limited	-	-	24,518	12,456
Sanofi Synthelabo S.A.	-	-	38,149	43,339
SAP Aktiengesellschaft	-	-	61,232	62,153
Sasol Limited	-	-	13,057	10,006
Schlumberger, Limited	-	-	65,219	66,797
Schneider Electric S.A.	-	-	63,324	56,239
Seagate Technology PLC	-	-	20,290	17,100
Shin-Etsu Chemical Company, Limited	-	-	16,566	18,009
Shire Pharmaceuticals Group	-	-	18,234	18,112
SK Telecom Company, Limited	-	-	32,116	35,574
Sonova Holding AG	-	-	14,148	17,042
SSE PLC - Sponsored ADR	-	-	32,689	31,162
Sumitomo Mitsui Trust Holdings, Inc.	-	-	29,060	28,581
Svenska Handelsb-A	-	-	14,805	14,983
Symrise AG ADR	-	-	17,485	18,608
Sysmex Corporation	-	-	31,824	56,824
Taiwan Semiconductor Manufacturing Company	-	-	46,231	61,317
Technip-Coflexip S.A. ADR	-	-	33,604	22,038
Total S.A.	-	-	36,015	34,911
Toyota Motor Corporation	-	-	22,115	35,444
Turkiye Garanti Bankasi A.S.	-	-	23,918	17,993
UBS AG	-	-	52,451	52,258
Unicharm Corporation	-	-	32,929	41,464
Unilever PLC	-	-	43,575	54,130
Unilever N V NY	-	-	17,024	17,573
Vodafone Group PLC	-	-	32,962	26,681
Volkswagen AG	-	-	40,342	37,694
WPP PLC	-	-	37,271	51,851
Willis Group Holdings	-	-	15,489	20,167
Zurich Insurance Group ADR	-	-	22,947	29,083

(continued)

CITY OF ATHENS, TENNESSEE
SCHEDULE OF INVESTMENTS
June 30, 2015
(continued)

	Interest Rate	Maturity Date	Cost	Market Value
Athens Pension Trust Fund: (continued)				
Invesco Finance PLC	3.125	11/30/22	\$ 30,344	\$ 29,654
Lloyds Bank PLC	2.300	11/27/18	35,193	35,370
Shell International Finance	4.300	09/22/19	39,352	38,146
Royal Bank of Scotland	5.625	08/24/20	35,264	33,770
Aetna, Inc.	2.200	03/15/19	34,965	35,046
AT&T, Inc.	5.800	02/15/19	40,996	39,132
Altria Group, Inc.	4.750	05/05/21	39,774	37,928
American International Group	5.850	01/16/18	35,189	33,075
Apache Corporation	3.250	04/15/22	15,110	14,751
Capital One Financial Company	6.750	09/15/17	36,166	33,200
Caterpillar Financial SE	7.150	02/15/19	37,676	35,319
Citigroup, Inc.	3.750	06/16/24	29,982	30,177
The Coca-Cola Company	3.150	11/15/20	42,480	41,711
Comcast Corporation	5.700	05/15/18	35,414	33,373
Energy Transfer Partners	4.650	06/01/21	32,085	30,790
General Electric Capital Corporation	5.300	02/11/21	37,144	39,355
George Washington University	3.576	09/15/21	25,397	25,927
Goldman Sachs Group, Inc.	6.250	09/01/17	39,178	38,317
Home Depot, Inc.	4.400	04/01/21	33,201	33,093
Humana, Inc.	3.150	12/01/22	14,700	14,468
JP Morgan Chase & Company	6.000	01/15/18	34,040	33,045
Keycorp Corporation	2.300	12/13/18	35,213	35,309
Merrill Lynch & Company	6.875	04/25/18	39,382	39,539
Morgan Stanley Corporation	2.500	01/24/19	35,477	35,325
Norfolk Southern Corporation	5.750	04/01/18	39,407	38,688
Prudential Financial, Inc.	6.000	12/01/17	34,362	33,103
Charles Schwab Corporation	4.450	07/22/20	38,340	38,686
Simon Property Group	2.150	09/15/17	40,710	40,713
Southern Company	2.450	09/01/18	45,301	45,940
Toyota Motor Credit Corporation	1.750	05/22/17	35,447	35,484
The Travelers, Inc.	3.900	11/01/20	37,661	37,632
US Bancorp	2.200	11/15/16	35,623	35,603
United Tech Corporation	3.100	06/01/22	36,017	35,278
Verizon Communications, Inc.	1.761	09/15/16	35,601	35,431
Verizon Communications, Inc.	5.150	09/15/23	33,680	32,845
Wachovia Corporation	5.750	06/15/17	39,951	38,016
Zimmer Biomet Holdings, Inc.	2.000	04/01/18	35,073	35,013
Abbott Laboratories Corporation	-	-	19,422	28,221
AbbVie, Inc.	-	-	8,927	18,813
Activision Blizzard, Inc.	-	-	10,951	11,621
AGCO Corporation	-	-	7,626	8,233
Akamai Technologies, Inc.	-	-	6,909	10,822
American Campus Communities, Inc.	-	-	6,475	7,161
American Capital LTD	-	-	7,563	7,114
American Express Company Corporation	-	-	30,028	29,534
Annaly Capital Management, Inc.	-	-	19,721	12,912

(continued)

CITY OF ATHENS, TENNESSEE
SCHEDULE OF INVESTMENTS
June 30, 2015
(continued)

	Interest Rate	Maturity Date	Cost	Market Value
Athens Pension Trust Fund: (continued)				
Anthem, Inc.	-	-	\$ 21,809	\$ 44,318
Apple, Inc.	-	-	23,155	51,926
Artisan Partners Asset Management, Inc.	-	-	5,618	5,807
Ascena Retail Group, Inc.	-	-	18,188	17,654
Badger Meter, Inc.	-	-	3,970	6,349
Bank of Hawaii Corporation	-	-	7,534	8,668
Baxter International, Inc.	-	-	24,857	26,923
Becton Dickinson & Company	-	-	9,030	15,581
Bristol-Myers Squibb Company	-	-	26,214	33,935
Cabot Microelectronic Corporation	-	-	3,777	5,889
Capital One Financial Corporation	-	-	9,494	11,876
CBRE Group, Inc.	-	-	6,714	9,250
CEB, Inc.	-	-	4,171	9,141
Celgene Corporation	-	-	30,359	37,035
Cheesecake Factory, Inc.	-	-	7,899	9,816
Chemtura Corporation	-	-	10,312	11,749
Chico's Fas, Inc.	-	-	10,401	10,726
Cinemark Holdings, Inc.	-	-	5,817	7,030
Cisco Systems, Inc.	-	-	7,699	10,709
Civeo Corporation	-	-	2,519	1,658
Clarcor, Inc.	-	-	2,464	2,801
The Coca-Cola Company	-	-	28,952	27,853
Cognex Corporation	-	-	1,426	4,569
Cognizant Technology Solutions Corporation	-	-	17,765	17,411
Comcast Corporation	-	-	35,434	45,105
Danaher Corporation	-	-	23,491	36,376
DHI Group, Inc.	-	-	8,267	8,401
DirecTV Group, Inc.	-	-	6,585	12,063
Discovery Communications, Inc.	-	-	12,944	11,189
DST Systems, Inc.	-	-	4,402	11,338
Dunkin' Brands Group, Inc.	-	-	19,911	21,450
E Trade Financial Corporation	-	-	14,429	27,254
Ebay, Inc.	-	-	9,187	11,807
Ecolab, Inc.	-	-	14,093	14,134
EMC Corporation	-	-	24,132	23,883
EOG Resources, Inc.	-	-	1,796	2,889
Equifax, Inc.	-	-	5,032	11,165
Expeditors International Wash, Inc.	-	-	6,094	6,224
Express Scripts Holding Company	-	-	24,873	33,352
Fidelity National Information Services, Inc.	-	-	7,332	12,978
First Cash Financial Services, Inc.	-	-	5,141	5,243
Ford Motor Company	-	-	7,484	10,657
G & K Services, Inc.	-	-	2,820	2,766
General Electric Company	-	-	34,769	36,002
General Mills, Inc.	-	-	18,183	23,681
Genessee & Wyoming, Inc.	-	-	14,514	11,427
Gilead Sciences, Inc.	-	-	29,582	76,687
Global Payments, Inc.	-	-	6,101	12,931
Google, Inc. Class C	-	-	60,486	66,105

(continued)

CITY OF ATHENS, TENNESSEE
SCHEDULE OF INVESTMENTS
June 30, 2015

(continued)

	Interest Rate	Maturity Date	Cost	Market Value
Athens Pension Trust Fund: (continued)				
Graco, Inc.	-	-	\$ 5,266	\$ 7,103
HCA Holdings, Inc.	-	-	8,007	10,433
Heartland Payment Systems, Inc.	-	-	5,219	5,945
Hertz Global Holdings, Inc.	-	-	10,691	7,067
Honeywell International, Inc.	-	-	30,674	30,591
Host Marriot Corporation	-	-	31,089	30,935
II-VI, Inc.	-	-	6,501	9,300
International Business Machines Corporation	-	-	24,716	23,586
Intercontinental Exchange Group, Inc.	-	-	20,841	27,951
Interpublic Group, Inc.	-	-	7,987	14,453
Intuit, Inc.	-	-	6,166	11,085
J. B. Hunt Transport Services, Inc.	-	-	5,198	5,746
Jack Henry & Associates, Inc.	-	-	4,981	9,382
Kinder Morgan Management LLC	-	-	34,749	35,319
Knowles Corporation	-	-	15,918	11,856
Kohl's Corporation	-	-	8,058	9,705
Laboratory Corp of America Holdings	-	-	13,087	17,577
Landstar System, Inc.	-	-	5,596	6,353
Lennar Corporation	-	-	5,130	6,635
Leucadia National Corporation	-	-	30,126	27,436
Lincoln National Corporation	-	-	7,730	18,654
Linear Technology Corporation	-	-	21,634	20,788
Lowe's Companies, Inc.	-	-	22,885	31,476
Markel Corporation	-	-	19,929	28,024
Maxim Integrated Products, Inc.	-	-	31,338	36,995
McDonald's Corporation	-	-	26,681	26,144
Mednax, Inc.	-	-	7,266	9,264
Metlife, Inc.	-	-	24,417	38,633
Microsoft Corporation	-	-	12,904	20,044
MicroStrategy, Inc.	-	-	7,676	11,055
Mondelez International, Inc.	-	-	7,349	10,491
Monotype Imaging Holdings, Inc.	-	-	3,765	2,773
Monsanto Company	-	-	52,419	61,822
Myriad Genetics, Inc.	-	-	8,093	9,007
NCR Corporation	-	-	24,378	21,823
Neustar, Inc.	-	-	4,743	5,112
News Corporation	-	-	15,566	14,169
Occidental Petroleum Corporation	-	-	40,299	39,274
Omnicom Group, Inc.	-	-	31,639	45,516
Patterson Companies, Inc.	-	-	4,702	5,595
Pepsico, Inc.	-	-	26,255	36,869
Pfizer, Inc.	-	-	25,106	37,051
Phillip Morris International, Inc.	-	-	28,053	25,254
Priceline.com, Inc.	-	-	30,887	34,541
Primerica, Inc.	-	-	4,633	4,569
Qualcomm, Inc.	-	-	57,481	54,175
Questar Corporation	-	-	5,514	5,018
Raymond James Financial, Inc.	-	-	21,464	22,045
Rayonier Advanced Materials, Inc.	-	-	7,379	4,878

(continued)

CITY OF ATHENS, TENNESSEE
SCHEDULE OF INVESTMENTS
June 30, 2015
(continued)

	Interest Rate	Maturity Date	Cost	Market Value
Athens Pension Trust Fund: (continued)				
RBC Bearings, Inc.	-	-	\$ 4,332	\$ 4,306
RLI Corporation	-	-	5,906	7,709
Ryman Hospitality Properties, Inc.	-	-	17,838	21,244
Scotts Company, LLC	-	-	20,595	18,651
Spectra Energy Corporation	-	-	32,489	35,860
Starbucks Corporations	-	-	29,775	50,666
Sun Hydraulics Corporation	-	-	3,697	3,811
Symantec Corporation	-	-	6,280	8,719
Syntel, Inc.	-	-	3,441	5,935
T Rowe Price Group	-	-	5,453	6,996
Tetra Tech, Inc.	-	-	12,011	11,794
Texas Instruments, Inc.	-	-	20,641	33,945
Time Warner, Inc.	-	-	17,511	30,289
Twenty First Century Fox, Inc.	-	-	31,074	29,616
Tyson Foods, Inc.	-	-	8,390	8,739
United Health Group, Inc.	-	-	5,234	12,810
United Parcel Services, Inc.	-	-	25,581	31,011
Universal Technical Institute, Inc.	-	-	2,793	1,806
UTI Worldwide, Inc.	-	-	6,963	4,995
Verizon Communications, Inc.	-	-	39,126	36,729
Verisk Analytics, Inc.	-	-	9,249	10,550
Viacom, Inc.	-	-	5,512	8,080
Visa, Inc.	-	-	29,254	36,933
WD-40 Company	-	-	2,957	5,665
Wells Fargo & Company	-	-	38,426	39,087
Westamerica Bancorporation Corporation	-	-	4,338	4,812
Western Union Company	-	-	8,918	10,673
Wolverine World Wide, Inc.	-	-	6,367	8,259
Zimmer Biomet Holdings, Inc.	-	-	6,406	10,923
AQR Managed Futures Strategy Fund	-	-	86,350	89,168
Avenue Credit Strategies Fund	-	-	95,472	92,427
Cohen & Steers International Realty Fund	-	-	197,133	211,337
Credit Suisse Commodity Return Strategy Fund	-	-	299,601	239,928
Driehaus Select Credit Fund	-	-	98,297	91,636
Goldman Sachs Growth Opportunities Fund	-	-	536,085	540,307
Federated MDT Small Cap Growth Fund	-	-	145,639	167,641
Forward International Small Companies Fund	-	-	491,370	546,834
Lazard Emerging Markets Equity Institutional Fund	-	-	471,697	426,865
Morgan Stanley Institutional Fund	-	-	231,327	223,073
Oppenheimer Developing Markets Fund	-	-	437,845	436,718
Pimco Foreign Bond Fund (US dollar hedged)	-	-	865,191	845,314
Sterling Capital L/S Equity-Ins Fund	-	-	415,683	414,613
Sterling Capital Securitized Opportunities Fund	-	-	490,624	485,530
Sterling Capital Prime Money Market Fund	-	-	236,869	236,869

(continued)

CITY OF ATHENS, TENNESSEE
SCHEDULE OF INVESTMENTS
June 30, 2015
(continued)

	Interest Rate	Maturity Date	Cost	Market Value
Athens Pension Trust Fund: (continued)				
Clarkston County MI Bond	1.650	05/01/18	\$ 50,000	\$ 49,925
Dallas County TX Bond	4.948	08/15/20	59,648	55,465
Frisco TX Bond	2.750	02/15/20	51,973	51,044
Illinois ST Build America Bond	6.125	07/01/21	43,350	43,565
Los Angeles CA Community Bond	3.009	08/01/23	41,394	40,677
Michigan ST Bond	3.450	05/15/23	40,816	41,288
New York NY Build America Bond	5.049	12/01/21	22,686	22,597
Union Elementary School District CA Bond	2.564	09/01/20	50,469	51,225
			<u>\$ 12,675,562</u>	<u>\$ 13,374,230</u>
Participation in the State of Tennessee Local Government Investment Pool:				
General Fund	-	-	<u>\$ 6,548,053</u>	<u>\$ 6,548,053</u>
Debt Service Fund	-	-	<u>\$ 2,429,689</u>	<u>\$ 2,429,689</u>
Drug Fund	-	-	<u>\$ 184,765</u>	<u>\$ 184,765</u>
Capital Improvement Fund	-	-	<u>\$ 1,971,696</u>	<u>\$ 1,971,696</u>
Sanitation Fund	-	-	<u>\$ 1,672,534</u>	<u>\$ 1,672,534</u>
Fleet Fund	-	-	<u>\$ 2,686,540</u>	<u>\$ 2,686,540</u>
Employee Medical Benefits Fund	-	-	<u>\$ 357,469</u>	<u>\$ 357,469</u>

CITY OF ATHENS, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS
June 30, 2015

Fiscal Year Ending 6/30	Public Building Authority of the City of Clarksville, Tennessee, Pooled Loan Program, Series 2003		
	Principal	Interest	Total
2016	\$ 770,000	\$ 6,673	\$ 776,673
2017	793,000	4,514	797,514
2018	<u>817,000</u>	<u>2,290</u>	<u>819,290</u>
	<u>\$2,380,000</u>	<u>\$ 13,477</u>	<u>\$2,393,477</u>

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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, 2015
 (Accrual Basis of Accounting)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
GOVERNMENTAL ACTIVITIES										
Net investment in capital assets	\$ 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	\$ 8,795,550
Restricted	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	2,345,447
Unrestricted	<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>	<u>5,699,906</u>
Total governmental activities net position	<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>	<u>\$ 16,840,903</u>
BUSINESS-TYPE ACTIVITIES										
Net investment in capital assets	\$ 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	\$ 1,456,036
Unrestricted	<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>	<u>733,135</u>
Total business-type activities net position	<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>	<u>\$ 2,189,171</u>
PRIMARY GOVERNMENT										
Net investment in capital assets	\$ 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	\$ 10,251,586
Restricted	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	2,345,447
Unrestricted	<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>	<u>6,433,041</u>
Total primary government net position	<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>	<u>\$ 19,030,074</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, 2015
 (Accrual Basis of Accounting)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
EXPENSES										
Governmental activities:										
General government	\$ 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	\$ 3,247,334
Public safety	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	3,407,171
Highways and streets	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	2,031,940
Culture and recreation	932,977	960,444	913,856	1,112,979	546,683	709,813	911,898	825,652	878,552	588,744
Education	-	-	-	2,108,268	1,841,940	1,825,000	1,685,054	1,808,646	2,680,133	2,359,781
Instructional	8,523,347	9,309,345	9,653,532	-	-	-	-	-	-	-
Support services	6,239,889	5,927,266	5,077,403	-	-	-	-	-	-	-
Non-instructional	1,243,551	1,287,497	1,260,999	-	-	-	-	-	-	-
Unallocated depreciation	304,666	294,918	277,449	-	-	-	-	-	-	-
Health and welfare	95,333	106,926	111,079	105,949	93,479	97,091	93,733	89,773	96,383	86,069
Interest on long-term debt	21,927	28,568	33,823	33,938	61,531	63,175	124,260	254,003	326,030	259,020
Passthrough grants	1,373,723	1,096,736	-	500,000	2,980,680	3,423,715	-	-	-	-
Total governmental activities expenses	<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>	<u>11,980,059</u>
Business-type activities:										
Conference center	78,224	70,788	65,074	64,483	71,984	64,782	74,287	78,630	73,475	74,533
Sanitation	721,393	750,605	788,503	754,868	660,718	1,024,229	744,393	773,071	750,040	713,587
Total business-type activities expenses	<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>	<u>788,120</u>
Total primary government expenses	<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>	<u>\$ 12,768,179</u>
PROGRAM REVENUES										
Governmental activities:										
Charges for services:										
General government	\$ 166,047	\$ 91,301	\$ 133,031	\$ 106,902	\$ 70,957	\$ 68,970	\$ 128,972	\$ 161,389	\$ 124,870	\$ 143,012
Public safety	500,147	483,831	691,534	458,959	476,019	490,614	517,846	456,715	607,386	624,310
Culture and recreation	125,460	136,431	137,282	141,374	111,125	107,617	121,141	129,551	123,270	107,138
Education	280,239	419,058	467,264	-	-	-	-	-	-	-
Health and welfare	2,845	3,270	3,080	3,244	2,587	2,999	2,840	18,940	40,593	34,339

(continued)

CITY OF ATHENS, TENNESSEE
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
June 30, 2015
(Accrual Basis of Accounting)
(continued)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
PROGRAM REVENUES										
Governmental activities: (continued)										
Operating grants and contributions	\$ 4,824,958	\$ 4,532,151	\$ 4,045,399	\$ 495,710	\$ 549,773	\$ 682,455	\$ 577,555	\$ 540,073	\$ 920,680	\$ 932,309
Capital grants and contributions	<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>	<u>406,067</u>
Total governmental activities program revenues	<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>	<u>2,247,175</u>
Business-type activities:										
Charges for services:										
Conference center	23,281	24,024	20,503	17,606	18,508	17,712	13,622	16,085	18,250	14,303
Sanitation	<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>	<u>782,040</u>
Total business-type activities program revenues	<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>	<u>796,343</u>
Total primary government program revenues	<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>	<u>\$ 3,043,518</u>
NET (EXPENSES)/REVENUES										
Governmental activities	\$ (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)	\$ (9,732,884)
Business-type activities	<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>	<u>8,223</u>
Total primary government net expenses	<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>	<u>\$ (9,724,661)</u>

(continued)

CITY OF ATHENS, TENNESSEE
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
June 30, 2015
 (Accrual Basis of Accounting)
 (continued)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
GENERAL REVENUES AND OTHER										
CHANGES IN NET POSITION										
Governmental activities:										
Property taxes	\$ 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	\$ 4,216,453
Local sales tax	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	3,843,205
In lieu of taxes	1,099,075	1,073,663	1,046,664	1,007,421	998,026	985,411	966,521	865,380	859,276	798,491
Wholesale beer tax	504,260	500,748	515,558	510,549	498,443	489,083	476,121	478,869	470,952	448,861
Business tax	364,399	432,454	423,898	392,867	378,279	406,089	642,757	670,214	672,843	677,798
Franchise tax	173,483	172,510	145,434	154,429	151,724	144,908	140,271	138,113	131,983	121,968
Other local taxes	77,011	85,455	82,858	87,076	83,875	106,587	75,488	33,870	34,451	32,649
Intergovernmental revenues not restricted to specific programs	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	1,200,623
Insurance proceeds	3,769	2,479	58,280	8,330	-	35,539	107,703	-	-	-
Investment income	39,615	77,599	62,608	85,889	59,713	91,129	309,719	552,007	622,830	412,700
Gain (loss) on disposal of capital assets	29,846	44,158	16,378	-	23,255	(4,264)	12,804	-	-	31,007
Miscellaneous	169,859	185,935	118,634	65,286	98,637	49,260	89,024	79,103	67,911	72,368
Transfers	-	-	-	-	-	(195,000)	-	(251,090)	-	-
Total governmental activities	<u>22,556,057</u>	<u>21,958,661</u>	<u>21,307,501</u>	<u>11,739,346</u>	<u>11,655,652</u>	<u>11,252,635</u>	<u>12,067,873</u>	<u>12,073,751</u>	<u>12,534,545</u>	<u>11,856,123</u>
Business-type activities:										
Investment income	1,458	1,229	1,723	6,524	2,489	4,763	21,611	32,461	28,199	19,327
Gain on disposal of capital assets	5,850	4,045	-	25,000	-	34,040	1,111	5,033	-	-
Miscellaneous	9,763	8,474	11,237	24,645	15,840	5,985	4,466	6,798	7,740	4,957
Transfers	-	-	-	-	-	195,000	-	251,090	-	-
Total business-type activities	<u>17,071</u>	<u>13,748</u>	<u>12,960</u>	<u>56,169</u>	<u>18,329</u>	<u>239,788</u>	<u>27,188</u>	<u>295,382</u>	<u>35,939</u>	<u>24,284</u>
Total primary government	<u>\$ 22,573,128</u>	<u>\$ 21,972,409</u>	<u>\$ 21,320,461</u>	<u>\$ 11,795,515</u>	<u>\$ 11,673,981</u>	<u>\$ 11,492,423</u>	<u>\$ 12,095,061</u>	<u>\$ 12,369,133</u>	<u>\$ 12,570,484</u>	<u>\$ 11,880,407</u>

(continued)

CITY OF ATHENS, TENNESSEE
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
June 30, 2015
(Accrual Basis of Accounting)
(continued)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
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>\$ (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>	<u>\$ -</u>
CHANGES IN NET POSITION										
Governmental activities	\$ 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	\$ 2,123,239
Business-type activities	<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>	<u>32,507</u>
Total changes in net position	<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>	<u>\$ 2,155,746</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, 2015
 (Modified Accrual Basis of Accounting)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
GENERAL FUND										
Nonspendable	\$ 116,334	\$ 183,917	\$ 107,345	\$ 391,001	\$ 391,570	\$ -	\$ -	\$ -	\$ -	\$ -
Reserved	-	-	-	-	-	288,287	324,773	388,372	468,185	320,513
Restricted	111,441	111,363	111,386	152,520	154,782	-	-	-	-	-
Committed	20,343	20,079	19,278	18,317	17,491	-	-	-	-	-
Assigned	-	-	-	32,000	2,175	-	-	-	-	-
Unassigned	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	6,842,952
Total General Fund	<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>	<u>\$ 7,163,465</u>
ALL OTHER GOVERNMENTAL FUNDS										
Nonspendable	\$ 166,829	\$ 168,636	\$ 187,933	\$ 47,283	\$ 57,283	\$ -	\$ -	\$ -	\$ -	\$ -
Reserved	-	-	-	-	-	3,544,712	3,247,796	2,892,696	2,491,767	2,067,667
Restricted	1,163,466	1,186,327	1,170,485	364,155	337,266	-	-	-	-	-
Committed	2,219,063	1,607,235	1,898,474	2,590,360	2,594,053	-	-	-	-	-
Assigned	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	106,900
Capital projects funds	-	-	-	-	-	4,197,480	3,260,483	3,473,105	2,412,439	1,150,478
Total all other governmental funds	<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>	<u>\$ 3,325,045</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, 2015
(Modified Accrual Basis of Accounting)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
REVENUES										
Property taxes	\$ 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	\$ 4,133,726
Other local taxes	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	5,922,972
Intergovernmental	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	2,586,240
Charges for services and tuition	574,590	650,060	740,657	251,520	184,670	179,586	247,268	275,138	288,732	284,489
Fines and forfeitures	500,148	483,831	691,534	458,960	476,019	490,613	517,846	456,715	607,385	624,310
Investment and interest income	36,950	52,655	59,830	74,728	55,374	80,737	266,346	444,168	526,025	347,647
Miscellaneous	203,915	205,043	160,425	71,692	98,638	84,799	194,768	79,103	68,180	109,842
Total revenues	<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>	<u>14,009,226</u>
EXPENDITURES										
General government	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	2,831,550
Public safety	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	3,438,595
Highways and streets	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	1,936,248
Culture and recreation	956,090	875,887	914,958	891,780	775,601	776,659	877,987	878,867	809,515	847,650
Education	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	2,359,781
Health and welfare	110,614	110,326	114,479	109,349	96,879	100,491	97,033	93,074	99,383	89,069
Capital outlay	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	482,024
Debt service:										
Principal	747,000	725,000	703,000	683,000	662,000	605,300	581,200	558,300	536,500	415,700
Interest and fiscal charges	21,927	28,568	33,823	33,938	61,531	63,175	124,260	254,003	326,030	259,020
Total expenditures	<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>	<u>12,659,637</u>
REVENUES OVER (UNDER)										
EXPENDITURES	<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>	<u>1,349,589</u>

(continued)

CITY OF ATHENS, TENNESSEE
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
June 30, 2015
 (Modified Accrual Basis of Accounting)
 (continued)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
OTHER FINANCING SOURCES										
(USES)										
Capital contributions	\$ -	\$ -	\$ 10,080	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers	-	(41,031)	-	-	-	-	-	-	-	-
Proceeds from issuance of debt	-	-	-	-	-	-	-	-	877,000	606,000
Proceeds from the sale of capital assets	365	6,531	680	439	1,086	3,169	4,464	20,484	-	17,143
Insurance proceeds	<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>	<u>-</u>
Total other financing resources	<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>	<u>623,143</u>
NET CHANGE IN FUND										
BALANCES	<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>	<u>\$ 1,972,732</u>
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	2.57%	2.71%	2.76%	5.56%	5.90%	5.72%	5.69%	6.49%	6.57%	5.54%

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, 2015

<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>
2006	\$ 225,972,809	\$ 98,373,977	\$ 7,202,231	\$331,549,017	\$ 1,088,679,712	1.2900	30.5
2007	236,032,655	82,069,030	6,498,177	324,599,862	1,088,471,535	1.2900	29.8
2008 (1)	274,126,065	101,817,455	8,195,180	384,138,700	1,222,784,857	1.1147	31.4
2009	287,546,237	106,163,376	7,321,785	401,031,398	1,251,838,522	1.1147	32.0
2010	296,151,030	103,168,031	7,124,829	406,443,890	1,281,162,243	1.1147	31.7
2011	291,508,161	97,604,734	7,867,087	396,979,982	1,263,211,877	1.1147	31.4
2012	297,938,950	88,125,866	6,984,848	393,049,664	1,237,942,071	1.1147	31.8
2013 (1)	292,970,485	83,197,188	8,204,116	384,371,789	1,205,548,537	1.1328	31.9
2014	290,338,620	85,473,263	7,053,398	382,865,281	1,204,540,874	1.1328	31.8
2015	300,454,640	99,320,541	8,479,395	408,254,576	1,289,031,476	1.4770	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, 2015**

<u>Tax Year</u>	<u>City (Direct Rate)</u>	<u>County (Overlapping Rate)</u>	<u>Total</u>
2006	1.2900	1.9000	3.1900
2007	1.2900	1.9000	3.1900
2008 (1)	1.1147	1.5553	2.6700
2009	1.1147	1.5553	2.6700
2010	1.1147	1.5553	2.6700
2011	1.1147	1.5553	2.6700
2012	1.1147	1.5553	2.6700
2013 (1)	1.1328	1.6155	2.7483
2014	1.1328	1.6155	2.7483
2015	1.4770	1.6155	3.0925

(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, 2015**

2015				2006			
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	\$47,002,742	11.5	Denso Tennessee, Inc.	Automotive parts manufacturer	\$43,535,258	13.1
Johnson Controls, Inc.	Automotive seating manufacturer	11,756,127	2.9	Collins & Aikman	Automotive parts manufacturer	11,288,633	3.4
Starr Regional Medical Center	Healthcare	9,698,781	2.4	Johnson Controls, Inc.	Automotive seating manufacturer	10,762,464	3.2
H P Pelzer	Automotive parts supplier	9,293,433	2.3	Mayfield Dairy Farms, Inc.	Dairy products	9,346,467	2.8
Dean Foods/Mayfield Dairy Farms, Inc.	Dairy products	9,001,422	2.2	Athens Regional Medical Center	Healthcare	5,470,656	1.7
MCR Acquisition	Electrical component manufacturer	6,808,937	1.7	Thomas & Betts	Electrical component manufacturer	4,998,826	1.5
Walmart	Retail	5,859,242	1.4	Walmart	Retail	4,642,600	1.4
Heil Trailer, International	Trailer tanks	3,854,028	0.9	Bell South	Telephone company	4,562,437	1.4
Plastic Industries, Inc.	Plastic component manufacturer	3,834,394	0.9	Plastic Industries, Inc.	Plastic products manufacturer	3,825,601	1.1
BRE Retail	Real estate investment	3,157,040	0.8	New Plan of Tennessee	Real estate investment	3,025,440	0.9

NOTE: Total assessed valuations for 2015 and 2006 are \$408,254,576 and \$331,549,017, respectively.

Source: Official records of the Department of Finance

Table 8

CITY OF ATHENS, TENNESSEE
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
June 30, 2015
(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
2006	\$ 4,238,560	\$ 3,996,467	94.29	\$ 237,813	\$ 4,234,280	99.90
2007	4,382,400	4,181,838	95.42	174,724	4,356,562	99.41
2008	4,176,407	4,007,842	95.96	153,838	4,161,680	99.65
2009	4,344,661	4,097,097	94.30	191,136	4,288,233	98.70
2010	4,440,776	4,179,963	94.13	249,590	4,429,553	99.75
2011	4,500,601	4,223,936	93.85	204,107	4,428,043	98.39
2012	4,399,152	4,149,785	94.33	207,265	4,357,050	99.04
2013	4,316,647	4,083,062	94.59	175,118	4,258,180	98.65
2014	4,359,762	4,161,945	95.46	123,967	4,285,912	98.31
2015	4,412,937	4,207,109	95.34	-	4,207,109	95.34

Source: Official records of Department of Finance

CITY OF ATHENS, TENNESSEE
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
June 30, 2015

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Notes Payable</u>	<u>Total Primary Government</u>	<u>Percentage of Personal Income</u>	<u>Per Capita</u>
2006	\$ -	\$ 7,304,300	\$ 7,304,300	3.25	\$ 548
2007	-	7,644,800	7,644,800	2.83	564
2008	-	7,086,500	7,086,500	2.62	523
2009	-	6,505,300	6,505,300	2.27	462
2010	-	5,900,000	5,900,000	2.06	413
2011	-	5,238,000	5,238,000	1.80	389
2012	-	4,555,000	4,555,000	1.85	338
2013	-	3,852,000	3,852,000	1.49	286
2014	-	3,127,000	3,127,000	1.22	232
2015	-	2,380,000	2,380,000	.89	177

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, 2015

Fiscal Year	General Debt Outstanding			Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Notes Payable	Total		
2006	\$ -	\$ 7,304,300	\$ 7,304,300	2.20	\$ 548
2007	-	7,644,800	7,644,800	2.36	564
2008	-	7,086,500	7,086,500	1.84	523
2009	-	6,505,300	6,505,300	1.62	462
2010	-	5,900,000	5,900,000	1.45	413
2011	-	5,238,000	5,238,000	1.32	389
2012	-	4,555,000	4,555,000	1.16	338
2013	-	3,852,000	3,852,000	1.00	286
2014	-	3,127,000	3,127,000	0.82	232
2015	-	2,380,000	2,380,000	0.58	177

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, 2015

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
McMinn County (debt repaid with property taxes)	\$ -	- %	\$ -
City of Athens (direct debt)	2,380,000	100	<u>2,380,000</u>
Total direct and overlapping debt			<u><u>\$ 2,380,000</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, 2015**

The State of Tennessee imposes no legal debt margin on municipalities. The City of Athens has not established a legal debt margin; therefore, this schedule is inapplicable.

**CITY OF ATHENS, TENNESSEE
PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS
June 30, 2015**

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, 2015**

<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>
2006	13,334	225,037,918	16,877	36.5	1,638	10,238	6.30
2007	13,553	270,192,608	19,936	37.2	1,717	10,152	4.90
2008	13,553	270,192,608	19,936	38.5	1,744	10,160	8.30
2009	14,073	286,779,594	20,378	37.9	1,703	10,550	14.90
2010	14,275	286,779,594	20,090	37.9	1,673	9,825	12.70
2011	13,458	290,706,258	21,601	39.1	1,574	10,175	12.30
2012	13,458	245,729,622	18,259	39.1	1,494	10,419	10.00
2013	13,458	258,326,310	19,195	39.1	1,524	10,681	9.90
2014	13,458	255,527,046	18,987	39.1	1,592	10,691	8.20
2015	13,458	266,791,392	19,824	39.1	1,563	10,720	7.10

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

**CITY OF ATHENS, TENNESSEE
PRINCIPAL EMPLOYERS
CURRENT FISCAL YEAR AND NINE YEARS AGO
June 30, 2015**

2015			2006		
Employer	Taxable Employees	Percentage of Total City Employment	Employer	Taxable Employees	Percentage of Total City Employment
Denso Tennessee, Inc.	1,300	12.13	Denso Tennessee, Inc.	1,100	10.75
McMinn Co. Board of Education	682	6.37	Johnson Controls, Inc.	700	6.84
Johnson Controls, Inc.	458	4.27	Collins & Aikman	585	5.71
Heil Trailer, International	419	3.91	Mayfield Dairy Farms, Inc.	550	5.37
Dean Foods/Mayfield Dairy Farms, Inc.	350	3.26	Thomas & Betts	412	4.02
Walmart	325	3.03	Heil Trailer, International	350	3.42
Starr Regional Medical Center	290	2.71	Plastic Industries, Inc.	245	2.39
MCR Acquisition	289	2.70	Dynasty Spas	240	2.34
Dynasty Spas	246	2.29	Mills Products	190	1.86
E & E Manufacturing	233	2.17	Texas Hydraulics	185	1.81
	<u>4,592</u>	<u>42.84</u>		<u>4,557</u>	<u>44.51</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, 2015

Function/Program	Full-Time Equivalent Employees as of June 30									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
City Manager	2	2	2	2	2	2	2	2	2	2
Finance	5	5	5	5	5	5	5	5	5	5
Human Resources	2	2	2	2	2	2	2	2	2	2
Purchasing	2	2	2	2	1	1	1	1	1	1
Communications	8	8	7	8	8	6	-	-	-	-
Community Development	4	4	4	4	4	4	4	4	4	4
Police	34	35	33	33	33	33	33	33	33	33
Fire	22	21	22	22	23	22	22	22	22	22
Parks and Recreation	10	10	10	10	10	10	10	9	9	9
Public Works	36	36	36	34	32	32	32	31	31	31
	<u>125</u>	<u>125</u>	<u>123</u>	<u>122</u>	<u>120</u>	<u>117</u>	<u>111</u>	<u>109</u>	<u>109</u>	<u>109</u>

Source: City Finance Department

CITY OF ATHENS, TENNESSEE
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
June 30, 2015

<u>Function/Program</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Governmental Activities:										
Community Development										
Number of building permits	517	507	501	389	49	353	382	360	347	313
Police										
Number of arrests	1,180	1,133	1,040	1,341	1,422	1,497	1,488	1,113	1,097	1,292
Number of traffic citations issued	5,815	5,399	5,177	6,026	6,281	5,808	7,431	10,953	7,729	6,561
Fire										
Total calls	379	414	369	432	510	528	520	418	515	567
Inspections	281	279	270	490	795	764	924	650	773	806
Business-type Activities:										
Conference Center										
Rentals	111	92	147	133	112	86	115	108	125	121

Source: Various City Departments

**CITY OF ATHENS, TENNESSEE
INFRASTRUCTURE STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS
June 30, 2015**

<u>Function/Program</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	14	14	15	15	14	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	693,077	699,630	735,240	824,360	824,360	824,360	824,360	824,360	824,360
New traffic signals	1	2	-	3	1	-	-	-	-	-

Source: Various City Departments

CITY OF ATHENS, TENNESSEE
SCHEDULE OF BONDS OF PRINCIPAL OFFICIALS
June 30, 2015

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
Preston Brown	Treasurer	365,200
Amy Sullins	Member	150,000
Alf Hacker	Member	150,000

ADMINISTRATIVE STAFF

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

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**SINGLE AUDIT
SECTION**

CITY OF ATHENS, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Accrued (Unearned) Grant Revenues July 1, 2014	Grant Revenues Received	Expenditures	Other	Accrued (Unearned) Grant Revenues June 30, 2015
PRIMARY GOVERNMENT:							
CITY OF ATHENS							
FEDERAL AWARDS:							
U.S. DEPARTMENT OF JUSTICE							
Byrne-Justice Assistance Grant	16.738	2013-DJ-BX-1092	\$ -	\$ 6,078	\$ 6,078	\$ -	\$ -
Bulletproof Vest Partnership	16.607	N/A	-	810	810	-	-
			-	6,888	6,888	-	-
U.S. DEPARTMENT OF TRANSPORTATION							
Passed through TN Department of Environment and Conservation:							
Recreational Trails Program Grant for Mouse Creek Trail	20.219	35658	1,565	1,728	103,421	-	103,258
High Priority Project Grant for Athens - Overlook Road Project	20.205	32701-01471	151,129	144,209	12,015	-	18,935
Passed through TN Department of Transportation:							
Governor's Highway Safety Office:							
Safe Roads for Athens	20.607	Z-14-GHS0-14	3,628	6,147	2,519	-	-
Safe Roads for Athens	20.607	Z-15-GHS0-15	-	9,725	14,551	-	4,826
			156,322	161,809	132,506	-	127,019
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	-	32,546	-	(32,546)	-
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT							
Passed through TN Department of Economic and Community Development:							
2013 CDBG Athens Sewer System Improvements	14.228	33004-14914	8,465	500,000	491,535	-	-
U.S. ENVIRONMENTAL PROTECTION AGENCY							
Passed through TN Department of Agriculture:							
North Mouse Creek Restoration Grant	66.460	C9994674-09-0	147,297	147,297	-	-	-

(continued)

CITY OF ATHENS, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2015
(continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Accrued (Unearned) Grant Revenues July 1, 2014	Grant Revenues Received	Expenditures	Other	Accrued (Unearned) Grant Revenues June 30, 2015
PRIMARY GOVERNMENT:							
CITY OF ATHENS							
U.S. ENVIRONMENTAL PROTECTION AGENCY (continued)							
Passed through TN Department of Environment & Conservation:							
Capitalization Grants for Drinking Water State Revolving Funds - Recovery							
Loan	66.468	DGO-2011-2013	\$ -	\$ 672,941	\$ 672,941	\$ -	\$ -
Principal Forgiveness	66.468	DGO-2011-2013	-	168,236	168,236	-	-
			147,297	988,474	841,177	-	-
Total Federal Awards - Government City of Athens			<u>\$ 312,084</u>	<u>\$1,689,717</u>	<u>\$1,472,106</u>	<u>\$ (32,546)</u>	<u>\$ 127,019</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	\$ -	\$ 162	\$ 162	\$ -	\$ -
Child and Adult Food Care Program	10.558	N/A	-	33,404	33,404	-	-
Passed through the TN Department of Education:							
Child Nutrition Cluster:							
National School Lunch Program	10.555	N/A	-	564,697	617,383	-	52,686
School Breakfast Program	10.553	N/A	-	196,588	214,704	-	18,116
Summer Food Service Program for Children	10.559	N/A	115,027	193,603	164,569	-	85,993
Passed through the TN Department of Agriculture:							
Food Distribution	10.555	N/A	-	62,593	62,593	-	-
			115,027	1,051,047	1,092,815	-	156,795
NATIONAL ENDOWMENT FOR THE HUMANITIES							
Innovative Approaches to Literacy Grant	45.169	N/A	(992)	-	992	-	-
U.S. DEPARTMENT OF EDUCATION							
Impact Aid	84.041	N/A	-	5,386	5,386	-	-
Teacher Incentive Fund	84.374	N/A	283,030	951,184	920,115	-	251,961

(continued)

CITY OF ATHENS, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2015

(continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Accrued (Unearned) Grant Revenues July 1, 2014	Grant Revenues Received	Expenditures	Other	Accrued (Unearned) Grant Revenues June 30, 2015
PRIMARY GOVERNMENT:							
ATHENS CITY BOARD OF EDUCATION							
<u>FEDERAL AWARDS:</u>							
U.S. DEPARTMENT OF EDUCATION (continued)							
Passed through the TN Department of Education:							
Special Education Cluster:							
Special Education - Grants to States	84.027	N/A	\$ (479)	\$ 335,203	\$ 335,203	\$ -	\$ (479)
Special Education - Preschool Grants	84.173	N/A	-	20,112	20,112	-	-
Title I Grants to Local Educational Agencies	84.010	N/A	51,876	731,595	731,607	-	51,888
Twenty-First Century Community Learning Centers	84.287	N/A	80,118	275,064	256,000	-	61,054
Improving Teacher Quality - State Grants	84.367	N/A	(44,269)	53,631	53,631	-	(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)	27,726	27,726	-	(5,805)
English Language Acquisition Grants	84.162	N/A	(1,381)	17,982	17,982	-	(1,381)
			<u>363,136</u>	<u>2,417,883</u>	<u>2,367,762</u>	<u>-</u>	<u>313,015</u>
Total Federal Awards Primary Government - Athens Board of Education			<u>477,171</u>	<u>3,468,930</u>	<u>3,461,569</u>	<u>-</u>	<u>469,810</u>
<u>STATE AWARDS</u>							
Early Childhood Education - Lottery		N/A	270,850	652,631	649,611	-	267,830
Coordinated School Health		N/A	32,955	86,544	85,000	-	31,411
Safe Schools		N/A	8,500	8,500	8,440	-	8,440
Total State Awards Primary Government - Athens Board of Education			<u>312,305</u>	<u>747,675</u>	<u>743,051</u>	<u>-</u>	<u>307,681</u>
Total Primary Government - Athens Board of Education			<u>\$ 789,476</u>	<u>\$ 4,216,605</u>	<u>\$ 4,204,620</u>	<u>\$ -</u>	<u>\$ 777,491</u>

(continued)

CITY OF ATHENS, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2015
(continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Accrued (Unearned) Grant Revenues July 1, 2014	Grant Revenues Received	Expenditures	Other	Accrued (Unearned) Grant Revenues June 30, 2015
PRIMARY GOVERNMENT:							
Total Federal Awards			\$ 789,255	\$ 5,158,647	\$ 4,933,675	\$ (32,546)	\$ 596,829
Total State Awards			312,305	747,675	743,051	-	307,681
TOTAL AWARDS			<u>\$ 1,101,560</u>	<u>\$ 5,906,322</u>	<u>\$ 5,676,726</u>	<u>\$ (32,546)</u>	<u>\$ 904,510</u>
COMPONENT UNIT - ATHENS UTILITIES BOARD							
<u>FEDERAL AWARDS</u>							
U.S. Department of Homeland Security							
Passed through TN Emergency Management Agency							
Disaster Grants - Public Assistance	97.036	FEMA-4211-DR-TN	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 134,087</u>	<u>\$ -</u>	<u>\$ 134,087</u>
SUMMARY OF PRIMARY GOVERNMENT AND DISCRETELY PRESENTED COMPONENT UNIT:							
Total Federal Awards			\$ 789,255	\$ 5,158,647	\$ 5,067,762	\$ (32,546)	\$ 730,916
Total State Awards			312,305	747,675	743,051	-	307,681
TOTAL AWARDS			<u>\$ 1,101,560</u>	<u>\$ 5,906,322</u>	<u>\$ 5,810,813</u>	<u>\$ (32,546)</u>	<u>\$ 1,038,597</u>

Note 1: The City received federal awards which made it subject to audit under OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations" for the year ended June 30, 2015. The Schedule of Expenditures of Federal and State Awards includes the federal and state grant activity of the City of Athens and its blended and discretely presented component units and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

Note 2: The Board of Education, a blended component unit of the City, received federal awards which made it subject to audit under OMB Circular A-133 "Audits of States, Local Governments, and Non-Profit Organizations" for the year ended June 30, 2015. The Board of Education awards have been reported on in the separately issued financial statements of Athens City Board of Education. The Board of Education awards have been included in the Schedule of Expenditures of Federal and State Awards to reflect the entire reporting entity. See separately issued Board of Education financial report regarding the Board's Schedule of Expenditures of Federal and State Awards.

Note 3: Athens Utilities Board, component unit of the City, received federal awards which were below the level requiring the Board to have a "Single Audit" in accordance with OMB Circular A-133, "Audits of States, Local Government, and Non-Profit Organizations" for the year ended June 30, 2015. The Athens Utilities Board awards have been included in the Schedule of Expenditures of Federal and State Awards to reflect the entire reporting entity. See separately issued Athens Utilities Board financial report regarding the Board's Schedule of Expenditures of Federal and State Awards.

Note 4: Expenditures under the U.S. Department of Agriculture Food Distribution grant received by the Board of Education represent receipt and expenditures of noncash commodities as valued based on equivalent purchased product.

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

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

To the City Council
City of Athens
Athens, Tennessee

We have audited, 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, 2015, 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, 2015.

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, Switzer & McConnell, P.C.

Chattanooga, Tennessee
December 30, 2015

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

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

To the City Council
City of Athens
Athens, Tennessee

Report on Compliance for Each Major Federal Program

We have audited the City of Athens, Tennessee's compliance with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015. The City of Athens, Tennessee's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City of Athens, Tennessee complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

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

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

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

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

Neal, Scauter, & McConnell, P.C.

Chattanooga, Tennessee
December 30, 2015

CITY OF ATHENS, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2015

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

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

Noncompliance material to financial statements
 noted? yes X no

Noncompliance and other matters required
 to be reported? yes X no

Federal Awards

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

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

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

Identification of major programs:	<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
	14.228	2013 CDBG – Athens Sewer System Improvements
	66.468	Capitalization Grants for Drinking Water State Revolving Funds – Recovery

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

Auditee qualified as low risk auditee? yes X no

CITY OF ATHENS, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2015

Questioned
Costs

SECTION II

FINANCIAL STATEMENT FINDINGS

NONE REPORTED

\$ - 0 -

SECTION III

FEDERAL AWARDS FINDINGS

NONE REPORTED

- 0 -

**CITY OF ATHENS, TENNESSEE
SCHEDULE OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS
June 30, 2015**

Questioned
Costs

SECTION II - FINANCIAL STATEMENT FINDINGS – PRIOR YEAR

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

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

\$ - 0 -

Management Response:

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

Status:

All funds fully collateralized at June 30, 2015. This item is considered resolved.

SECTION III - FEDERAL AWARDS

NONE REPORTED

- 0 -

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