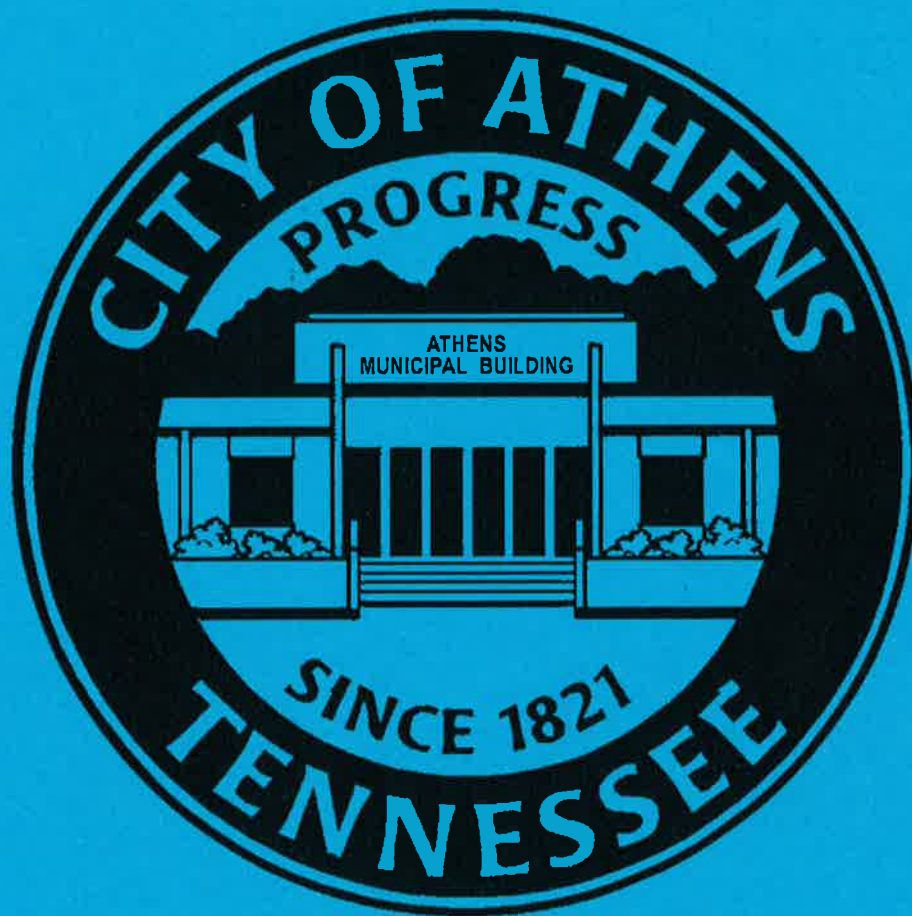


*City of Athens, Tennessee*



*Comprehensive Annual  
Financial Report*

*For The Year Ended June 30, 2017*

**CITY OF ATHENS, TENNESSEE**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**FOR THE YEAR ENDED  
JUNE 30, 2017**

**Prepared by:  
Department of Finance**



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## **INTRODUCTORY SECTION**

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Athens, Tennessee 37371-0849  
www.cityofathensstn.com

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



## CITY OF ATHENS

Michael L. Keith, CPA  
Director of Finance

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

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Athens for the fiscal year ended June 30, 2017.

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, 2017, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Athens' financial statements, for the fiscal year ended June 30, 2017, 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, has expanded three times in the past four years. This increases employment by over 400 employees for this one industry. E&E Manufacturing, Creative Foam and Maxwell Industries have expanded their facilities and hired additional employees. In late 2016, Food City was approved for a Tax Increment Financing application in order to construct a new grocery store in the downtown area. The store opened on November 1 and is expected to be a catalyst for further development.

The unemployment rate has varied over the past decade. In 2008, the rate was 8.3 percent, with the highest rate being 14.9 percent in 2009 and the lowest rate being 4.8 percent in 2017. The rate was 4.8 percent for June 2017.

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 past ten years, taxes and intergovernmental revenues have increased in both amount and percentage. Property tax collections have grown because of the growth of Denso, personal property tax growth throughout the entire city and due to a tax rate increase for the 2015 property taxes. Sales taxes have also grown, and the City now accounts for approximately 79 percent of sales tax collections within McMinn County.

### **Long-Term Financial Planning**

Unassigned fund balance in the general fund (59 percent of total general fund revenues) has continued to grow for seven of the past ten years. The current year resulted in a decrease in the unassigned fund balance. The policy has been to maintain approximately 2 to 3 months of expenditures in fund balance (approximately 17 to 25 percent). In past years the excess has typically been transferred to the capital improvement fund to accumulate funds for large capital items and grant matching funds. These funds are currently being held in the general fund and will be transferred to the capital improvement fund to be used for such items as designated by the council.

The City has identified approximately \$34,000,000 in capital funding items. The policy for the City has been to fund many of these types of projects with grant monies or the funds accumulated in the capital improvement fund. The City continues to do stream mitigation work and storm water projects to improve water quality in the local creeks and streams. The City and McMinn County, with assistance from the Athens Parks Foundation, have been making improvements to the Eureka Trail, which is 4.8 miles of abandoned rail line purchased from CSX and are working on an extension of the trail to Englewood. A splash pad is being designed to be added at the Athens Regional Park in the coming year.

The Athens City Schools are working on capital plans for all school buildings. Their current recommendation is to construct a new K-5 school on the property at City Park Elementary and to renovate the existing middle school. This would allow for all students to be located at two schools rather than at five schools as is done currently. The cost for this project exceeds \$40 million. The City Council has

spent considerable time reviewing various options presented by the Schools and is working to determine the best answer for this request.

### **Relevant Financial Policies**

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

### **Major Initiatives**

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

### **Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Athens for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2016. This was the twenty-fifth 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 department, 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 29, 2017



Government Finance Officers Association

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

Presented to

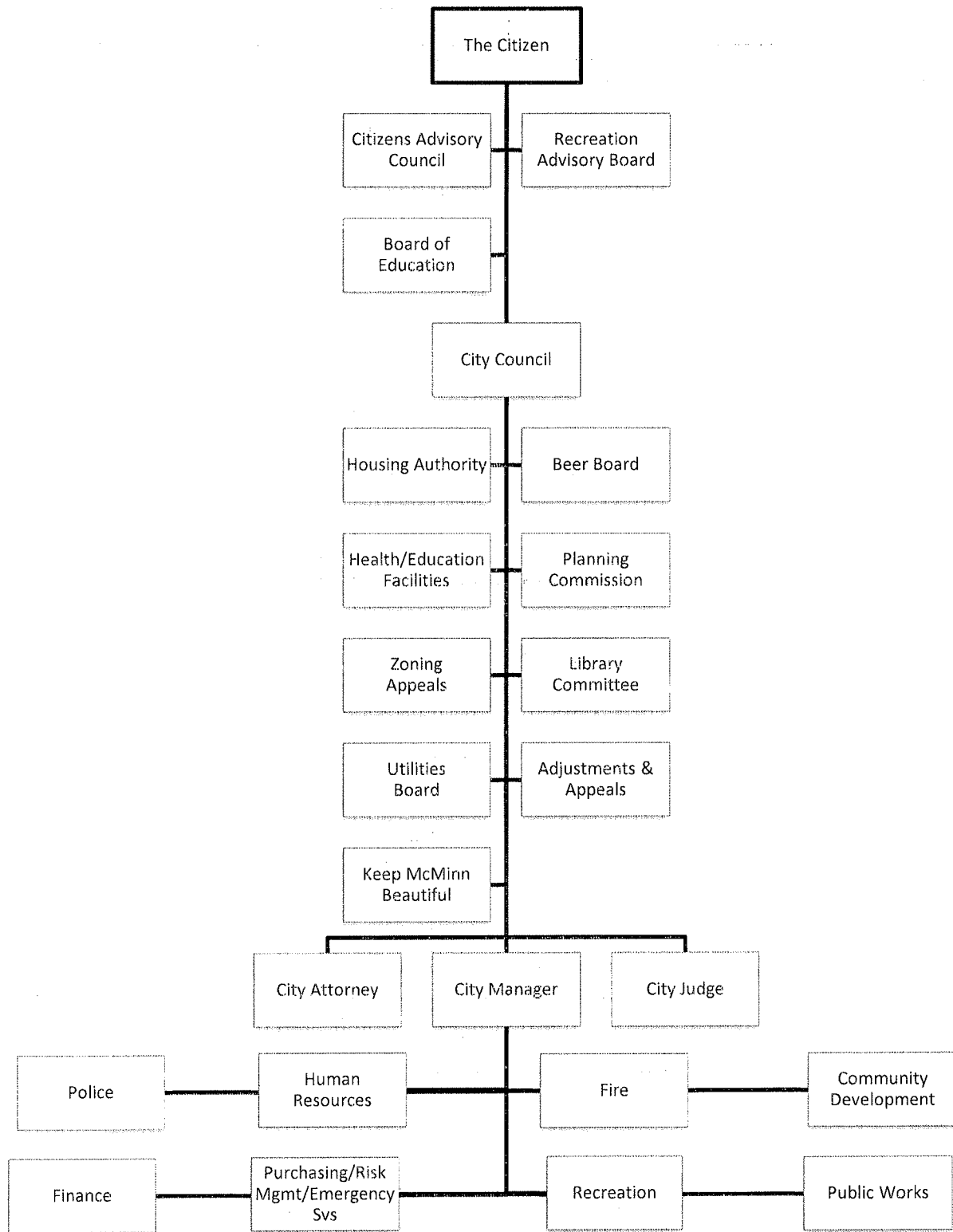
**City of Athens  
Tennessee**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2016**



Executive Director/CEO





**CITY OF ATHENS, TENNESSEE**  
**LIST OF PRINCIPAL OFFICIALS**  
**June 30, 2017**

City of Athens

Chuck Burris  
Dick Pelley  
John Coker  
William Bo Perkinson  
Yvonne Raper

Mayor  
Vice-Mayor  
Council Member  
Council Member  
Council Member

C. Seth Sumner  
H. Chris Trew  
Donald E. (Trey) Winder  
Nina Edmonds  
Anthony Casteel  
Jim Dyer  
Austin Fesmire  
Michael L. Keith, CPA, CMFO  
April Johnston  
Robert A. Davis, III

City Manager  
City Attorney  
City Judge  
Director of Human Resources  
Director of Community Development  
Fire Chief  
Director of Parks & Recreation  
Director of Finance  
Director of Public Works (Interim)  
Police Chief (Interim)

Athens City Board of Education

Michael L. Bevins  
Chris Adams  
Johnny Coffman  
Dr. Amy Sullins  
Beth Jackson  
Abby Burke

Chairman  
Vice-Chairman  
Secretary  
Treasurer  
Board Member  
Board Member

Dr. Melanie Miller  
Melody Armstrong  
Ray Grant  
Janey Morris  
Rhonda Sarshuri  
Angie Newman  
Eddie Arnold  
Susan Freeman

Director of Schools  
Supervisor of Instruction  
Supervisor of Transportation  
Supervisor of Federal Programs  
Supervisor of Special Education  
Supervisor of Food Services  
Supervisor of Maintenance  
Finance Administrator

Athens Utilities Board

Stan Harrison  
Tom Hughes  
John Coker  
Lou Pascarella  
Bob Seigny

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, 2017, 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, 2017, 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 81-90 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 91-92, the budgetary comparison schedules on pages 93-95, combining and individual internal service fund financial statements on pages 96-98, 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 Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the budgetary comparison schedules, combining and individual internal service fund financial statements, the financial schedules, and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 basic 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 28, 2017, 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 28, 2017

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**City of Athens, Tennessee**  
**Management's Discussion and Analysis**  
**June 30, 2017**

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, 2017. 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, 2017 by \$45,914,061 (net position). Of this amount, \$24,071,505 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- Net position increased by \$3,369,550, an increase of 7.92% compared to fiscal year 2016 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 \$2,354,994, primarily due to an increase in passthrough grants. Expenses increased \$2,988,489 primarily due to passthrough grants and paving for streets.
- The City's property tax rate decreased to \$1.3628 per hundred dollars of assessment.
- The City's residential sanitation fee increased to \$9.50 per month.
- As of the close of the current fiscal year, the City of Athens' governmental funds reported combined fund balances of \$21,142,817.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$9,214,911 or 86.4% of total General Fund expenditures. Expenditures do not include transfers to other funds, which totaled \$4,325,000 in the City's General Fund. The percentage drops to 61.5% if transfers are included with the total expenditures. This demonstrates the City's fiscal discipline and places the City in a strong financial position to meet unexpected emergencies, uncertainties at the State level or slowdowns in the economy.
- The City implemented Governmental Accounting Standards Board (GASB) Statement 77. Details related to this Statement are included in Note 12 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, 2017**

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Athens that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Athens include general government, public safety, highways and streets, education, economic development, and culture and recreation. The business-type activities of the City of Athens include the Conference Center Fund and the Sanitation Fund.

The government-wide financial statements include not only the City of Athens itself (which is the primary government) and the Athens Board of Education, but also the legally separate entity Athens Utilities Board. However, the Athens Housing Authority, the McMinn County Economic Development Authority, the E. G. Fisher Library, and the Athens Health and Educational Facilities Board are not legal entities of the City of Athens, and, accordingly are excluded from this report.

The government-wide financial statements can be found on pages 4-5 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Athens, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Athens can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Athens maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the General Purpose School Fund, the Capital Improvement

**City of Athens, Tennessee**  
**Management's Discussion and Analysis**  
**June 30, 2017**

Fund and the Federal Projects Fund, which are considered to be major funds. Data from the other five governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining and individual statements later in this report beginning on page 91.

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 96.

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 fund 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 21-80 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 81-90 of this report.



**City of Athens, Tennessee**  
**Management's Discussion and Analysis**  
**June 30, 2017**

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions and OPEB. Combining and individual nonmajor governmental fund statements and schedules are found on pages 91-95 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 \$45,914,061 at the close of this fiscal year.

The largest portion of the City of Athens net position (52.4%) 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. The net investment in capital assets (45.5% 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. Restricted net position comprises 2.1% of net position. These resources are subject to external restrictions on how they may be used.

At June 30, 2017, 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, 2017**

**City of Athens**  
**Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$34,446,707	\$32,531,891	\$2,073,949	\$1,913,611	\$36,520,656	\$34,445,502
Capital assets	19,686,309	20,726,948	1,213,388	1,166,634	20,899,697	21,893,582
Total assets	54,133,016	53,258,839	3,287,337	3,080,245	57,420,353	56,339,084
Deferred outflows of resources	3,265,184	4,424,792	17,721	60,088	3,282,905	4,484,880
Long-term liabilities	3,268,446	4,209,417	46,979	-	3,268,446	4,209,417
Other liabilities	2,148,540	3,193,807	25,985	130,001	2,221,404	3,323,808
Total liabilities	5,416,986	7,403,224	72,864	130,001	5,489,850	7,533,225
Deferred inflows of resources	9,289,629	10,746,228	9,718	-	9,299,347	10,746,228
Net investment in capital assets	19,686,309	19,116,948	1,213,388	1,166,634	20,899,697	20,283,582
Restricted	942,859	1,037,679	-	-	942,859	1,037,679
Unrestricted	22,062,417	19,379,552	2,009,088	1,843,698	24,071,505	21,223,250
Total net position	\$42,691,585	\$39,534,179	\$3,222,476	\$3,010,332	\$45,914,061	\$42,544,511

**Governmental activities.** Governmental activities increased the City of Athens' net position by \$3,157,406 which accounts for the majority of the increase in the net position for the City of Athens. This increase is less than the prior year and results from total revenues continuing to exceed total expenses as in the prior year.

**Business-type activities.** Business-type activities increased the City of Athens' net position by \$212,144. This increase was due primarily to the operations in the Sanitation Fund.

**City of Athens, Tennessee**  
**Management's Discussion and Analysis**  
**June 30, 2017**

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

**City of Athens**  
**Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 1,049,431	\$ 1,045,066	\$ 936,775	\$ 958,401	\$ 1,986,206	\$ 2,003,467
Operating grants and contributions	4,953,863	5,204,178	-	-	4,953,863	5,204,178
Capital grants and contributions	2,465,099	389,535	-	-	2,465,099	389,535
General revenues:						
Property taxes	7,498,856	7,580,694	-	-	7,498,856	7,580,694
Other taxes	7,053,877	6,921,873	-	-	7,053,877	6,921,873
Intergovernmental revenues not restricted to specific programs	10,447,295	10,094,663	-	-	10,447,295	10,094,663
Other	398,086	296,552	67,480	24,806	465,566	321,358
Total revenues	<u>33,866,507</u>	<u>31,532,561</u>	<u>1,004,255</u>	<u>983,207</u>	<u>34,870,762</u>	<u>32,515,768</u>
Expenses:						
General government	2,933,418	3,264,019	-	-	2,933,418	3,264,019
Public safety	3,766,146	3,872,018	-	-	3,766,146	3,872,018
Highways and streets	3,359,132	2,332,120	-	-	3,359,132	2,332,120
Culture and recreation	1,106,216	943,464	-	-	1,106,216	943,464
Education	17,147,705	16,890,449	-	-	17,147,705	16,890,449
Health and welfare	2,376,825	397,197	-	-	2,376,825	397,197
Interest on long-term debt	19,659	17,533	-	-	19,659	17,533
Conference center	-	-	72,597	70,222	72,597	70,222
Sanitation	-	-	719,514	725,701	719,514	725,701
Total expenses	<u>30,709,101</u>	<u>27,716,800</u>	<u>792,111</u>	<u>795,923</u>	<u>31,501,212</u>	<u>28,512,723</u>
Change in net position	3,157,406	3,815,761	212,144	187,284	3,369,550	4,003,045
Net position, beginning of year	<u>39,534,179</u>	<u>35,718,418</u>	<u>3,010,332</u>	<u>2,823,048</u>	<u>42,544,511</u>	<u>38,541,466</u>
Net position, end of year	<u>\$42,691,585</u>	<u>\$39,534,179</u>	<u>\$ 3,222,476</u>	<u>\$ 3,010,332</u>	<u>\$45,914,061</u>	<u>\$42,544,511</u>

**City of Athens, Tennessee**  
**Management's Discussion and Analysis**  
**June 30, 2017**

**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 \$21,142,817, an increase of \$1,498,337 in comparison to the prior year. Approximately 43.6% of this total amount (\$9,214,911) 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 -\$356,282; restricted for a specific purpose by external constraint or enabling legislation -\$842,978 (law enforcement - \$103,424; basic education - \$385,815; cemetery perpetual care - \$149,324; Drug Fund - \$204,415); committed for a specific purpose per action of the City Council - \$6,966,442 (law enforcement - \$19,855; capital projects - \$5,909,095; education capital projects - \$1,024,247; Drug Fund - \$13,245); or assigned – intended by the City to be used for a specific purpose - \$3,762,204 (education - \$3,504,526; cafeteria operations - \$257,678).

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 \$9,214,911. 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 86.4% of total fund expenditures, but represents 61.5% when compared to total fund expenditures and transfers to other funds (General Purpose School Fund, Capital Improvement Fund and Debt Service Fund).

The fund balance of the City of Athens' General Fund increased by \$649,247 during the current fiscal year. Revenues increased by \$6,431 while expenditures increased by \$151,031 before transfers to other funds. Property taxes decreased but in lieu of taxes, wholesale liquor tax and state shared revenues increased over the prior year. The transfer to the Athens City Schools remained consistent with the prior year. The transfer to the Debt Service Fund decreased by \$425,000 to \$790,000 and a transfer of \$1,100,000 was made to the Capital Projects Fund.

The fund balance of the General Purpose School Fund increased by \$429,875. Much of this was due to capital outlay being less than the prior year.

The Debt Service Fund was closed out during the year. The prior fund balance (\$2,897,841) was used in May to pay off the outstanding debt held by the City and the remaining balance transferred to the Capital Improvement Fund. The Capital Improvement Fund has a total fund balance of \$5,909,095. The net increase of \$3,272,160 was due to the transfers from the General and Debt Service Funds. Capital items consisted of recreation projects, Denso Eco Park and fixed assets.

**City of Athens, Tennessee**  
**Management's Discussion and Analysis**  
**June 30, 2017**

**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 \$21,351 for the Conference Center Fund, \$1,987,737 for the Sanitation Fund, \$3,240,038 for the Fleet Management Fund and \$360,172 for the Employee Medical Benefits Fund.

**General Fund Budgetary Highlights**

Differences in the original budget and the final amended budget for revenues were \$85,000 and consisted of increases in state income tax and recreation revenues. Differences between the original budget and the final amended budgeted expenditures, including transfers, were \$1,380,000 and are summarized below:

\$1,000,000 transfer to the Capital Projects Fund.

\$265,000 for paving city streets.

\$115,000 for various increases in expenditures for recreation programs, legal fees, demolition of condemned houses, contracted services and maintenance repairs for various city properties.

Final actual revenues exceeded amended budgeted revenues by \$684,287 and significant variances are summarized below:

\$226,801 more in property taxes.

\$229,876 more in other local taxes primarily because of in lieu of taxes, wholesale liquor taxes and business taxes.

\$156,875 more in intergovernmental revenues due to state sales tax, state excise tax and state gas tax.

\$25,764 more in charges for services due to building permits.

\$8,769 more in fines and forfeitures.

\$19,818 more in interest.

\$16,384 more in miscellaneous revenues.

Final amended budgeted expenditures, excluding transfers, exceeded actual expenditures by \$1,246,684 and are summarized below:

**City of Athens, Tennessee**  
**Management's Discussion and Analysis**  
**June 30, 2017**

\$231,696 in general government expenditures, related primarily to the City Manager's office, street lights, personnel and building maintenance.

\$606,434 in public safety expenditures, primarily due to vacancies in police and fire, related benefits and improvements to both fire stations not completed in the current year.

\$276,236 in highways and streets due to traffic signals and loop repairs, sidewalk and paving items not completed in the current year and storm water supplies.

\$118,434 in parks and recreation primarily due to maintenance and program costs.

\$13,884 in health due to various items 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, 2017, was \$20,899,697 (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 consisted primarily of the purchase of machinery and equipment for the various city departments.

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

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Buildings and improvements	\$21,353,076	\$21,313,136	\$ 1,517,930	\$ 1,517,930	\$22,871,006	\$22,831,066
Infrastructure	9,416,889	9,416,889	-	-	9,416,889	9,416,889
Furniture and office equipment	3,923,111	3,780,050	29,864	29,864	3,952,975	3,809,914
Machinery and equipment	7,453,744	7,409,276	1,666,264	1,777,627	9,120,008	9,186,903
Land	3,221,556	3,221,556	34,500	34,500	3,256,056	3,256,056
Construction in progress	321,694	623,423	-	-	321,694	623,423
	<u>\$45,690,070</u>	<u>\$45,764,330</u>	<u>\$ 3,248,558</u>	<u>\$ 3,359,921</u>	<u>\$48,938,628</u>	<u>\$49,124,251</u>

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

**Long-term debt.** At the end of the current fiscal year, the City of Athens had no bonded debt outstanding. The City previously financed school projects through a loan from bond proceeds issued by the Public

**City of Athens, Tennessee**  
**Management's Discussion and Analysis**  
**June 30, 2017**

Building Authority of the City of Clarksville, Tennessee and the balance outstanding of \$1,610,000 was paid in full in May. The Athens Utilities Board has debt outstanding totaling \$26,756,928 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 \$26,695,442 of this debt. Detailed information on long-term debt activity can be found in Note 3 on pages 41-42 of this report.

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

**Economic Factors and Next Year's Budgets and Rates**

The unemployment rate for the City of Athens is currently 4.8%, which is a decrease from the rate of 5.6% a year ago. Athens' rate is higher than the federal rate and the state rate.

Revenues were expected to decrease by approximately .8% due to reductions in court fines for the year. Management has been conservative in estimating all revenues for 2017-2018 and expenditures decreased as well. The property tax rate remained at \$1.3628. The residential refuse fee remained at \$9.50 per month.

**Requests for Information**

This financial report is designed to provide a general overview of the City of Athens' finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information may be addressed to the City of Athens, Office of the Finance Director, 815 North Jackson Street, Athens, Tennessee 373303.

**BASIC FINANCIAL  
STATEMENTS**



**CITY OF ATHENS, TENNESSEE**  
**STATEMENT OF NET POSITION**  
**June 30, 2017**

	Primary Government			Component Unit
				Proprietary
	Governmental	Business-Type		Athens
	Activities	Activities	Total	Utilities
				Board
<b>ASSETS AND DEFERRED OUTFLOWS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 8,577,958	\$ 133,003	\$ 8,710,961	\$ 23,011,937
Restricted cash	-	-	-	114,009
Investments	15,663,807	1,828,187	17,491,994	-
Receivables:				
Customers, net	-	28,788	28,788	4,621,848
Other	79,983	-	79,983	244,801
Property taxes, net	7,681,743	-	7,681,743	-
Other governments	2,145,353	-	2,145,353	-
Component unit/primary government	-	83,971	83,971	51,941
Prepaid items	144,822	-	144,822	733,296
Inventories	132,310	-	132,310	2,435,762
Net pension asset	20,731	-	20,731	-
Capital assets, net of depreciation	16,143,059	1,178,888	17,321,947	91,346,696
Nondepreciable capital assets	3,543,250	34,500	3,577,750	22,073,355
Total assets	54,133,016	3,287,337	57,420,353	144,633,645
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pensions	3,265,184	17,721	3,282,905	2,644,724
Total assets and deferred outflows	<u>\$ 57,398,200</u>	<u>\$ 3,305,058</u>	<u>\$ 60,703,258</u>	<u>\$ 147,278,369</u>
<b>LIABILITIES, DEFERRED INFLOWS, AND NET POSITION</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 620,019	\$ 21,875	\$ 641,894	\$ 5,299,665
Retainage payable	-	-	-	164,776
Accrued payroll and withholdings	1,153,672	4,110	1,157,782	-
Due to component unit/primary government	51,941	-	51,941	83,971
Other current liabilities	-	-	-	660,252
Unearned revenues	139,745	-	139,745	37,350
Customer deposits	-	-	-	618,960
Long-term liabilities:				
Due within one year	183,163	-	183,163	1,022,989
Due in more than one year	85,957	-	85,957	25,733,939
Net pension liability	2,787,269	46,879	2,834,148	3,505,468
OPEB liability	395,220	-	395,220	-
Total liabilities	<u>5,416,986</u>	<u>72,864</u>	<u>5,489,850</u>	<u>37,127,370</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to property tax	7,320,925	-	7,320,925	-
Deferred inflows related to pensions	1,968,704	9,718	1,978,422	637,794
Total deferred inflows	<u>9,289,629</u>	<u>9,718</u>	<u>9,299,347</u>	<u>637,794</u>
<b>NET POSITION</b>				
Net investment in capital assets	19,686,309	1,213,388	20,899,697	86,498,347
Restricted for:				
General	103,424	-	103,424	-
Drug	204,415	-	204,415	-
Education	385,815	-	385,815	-
Net pension asset	20,731	-	20,731	-
Cemetery perpetual care:				
Nonexpendable	79,150	-	79,150	-
Expendable	149,324	-	149,324	-
Unrestricted	22,062,417	2,009,088	24,071,505	23,014,858
Total net position	<u>42,691,585</u>	<u>3,222,476</u>	<u>45,914,061</u>	<u>109,513,205</u>
Total liabilities, deferred inflows, and net position	<u>\$ 57,398,200</u>	<u>\$ 3,305,058</u>	<u>\$ 60,703,258</u>	<u>\$ 147,278,369</u>

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

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**CITY OF ATHENS, TENNESSEE**  
**STATEMENT OF ACTIVITIES**  
**Year Ended June 30, 2017**

Functions/Programs	Program Revenues				Net Revenues (Expenses) and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Unit
					Govern-mental Activities	Business-Type Activities	
<b>Primary government:</b>							
<b>Governmental activities:</b>							
General government	\$ 2,933,418	\$ 134,040	\$ 8,324	\$ 60,244	\$ (2,730,810)	\$ -	\$ (2,730,810)
Public safety	3,766,146	491,208	75,066	-	(3,199,872)	-	(3,199,872)
Highways and streets	3,359,132	-	412,134	120,811	(2,826,187)	-	(2,826,187)
Culture and recreation	1,106,216	138,254	-	4,500	(963,462)	-	(963,462)
Education:							
Instructional	9,340,964	56,519	2,123,522	-	(7,160,923)	-	(7,160,923)
Support services	6,246,659	171,358	1,130,005	-	(4,945,296)	-	(4,945,296)
Non-instructional	1,240,285	54,747	1,174,419	-	(11,119)	-	(11,119)
Unallocated depreciation	319,797	-	-	-	(319,797)	-	(319,797)
Health and welfare	2,376,825	3,305	30,393	2,279,544	(63,583)	-	(63,583)
Interest on long-term debt	19,659	-	-	-	(19,659)	-	(19,659)
Total governmental activities	30,709,101	1,049,431	4,953,863	2,465,099	(22,240,708)	-	(22,240,708)
<b>Business-type activities:</b>							
Conference center	72,597	27,490	-	-	-	(45,107)	(45,107)
Sanitation	719,514	909,285	-	-	-	189,771	189,771
Total business-type activities	792,111	936,775	-	-	-	144,664	144,664
<b>Total primary government</b>	<b>\$ 31,501,212</b>	<b>\$ 1,986,206</b>	<b>\$ 4,953,863</b>	<b>\$ 2,465,099</b>	<b>(22,240,708)</b>	<b>144,664</b>	<b>\$ (22,096,044)</b>
<b>Component unit:</b>							
Public utilities	\$ 64,193,458	\$ 66,561,472	\$ -	\$ 551,302			\$ 2,919,316
<b>Total component unit</b>	<b>\$ 64,193,458</b>	<b>\$ 66,561,472</b>	<b>\$ -</b>	<b>\$ 551,302</b>			<b>\$ 2,919,316</b>
<b>General revenues:</b>							
Property taxes					7,498,856	-	7,498,856
Local sales tax					4,411,095	-	4,411,095
In lieu of taxes					1,190,047	-	1,190,047
Wholesale beer tax					477,240	-	477,240
Wholesale liquor tax					221,916	-	221,916
Other local taxes					753,579	-	753,579
Intergovernmental revenues not restricted to specific programs					10,447,295	-	10,447,295
Investment income					123,918	10,409	134,327
Gain on disposal of capital assets					21,145	49,202	70,347
Insurance proceeds					84,021	-	84,021
Miscellaneous					169,002	7,869	176,871
Total general revenues					25,398,114	67,480	25,465,594
Change in net position					3,157,406	212,144	3,369,550
<b>Net position, beginning of year</b>					39,534,179	3,010,332	42,544,511
<b>Net position, end of year</b>					<b>\$ 42,691,585</b>	<b>\$ 3,222,476</b>	<b>\$ 45,914,061</b>

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

**CITY OF ATHENS, TENNESSEE**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2017**

	General	General Purpose School	Capital Projects Fund Capital Improvement	Federal Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 2,754,007	\$4,213,331	\$ 195,702	\$ 105,123	\$ 1,268,314	\$ 8,536,477
Investments	5,940,490	-	5,754,756	-	409,599	12,104,845
Receivables:						
Property taxes, net	5,985,818	1,695,925	-	-	-	7,681,743
Other governments	1,321,171	371,999	44,631	329,741	77,811	2,145,353
Interfund	-	579,477	-	-	-	579,477
Other	75,566	-	-	-	-	75,566
Prepaid items	-	144,822	-	-	-	144,822
Inventories	101,485	-	-	-	30,825	132,310
Total assets	<u>\$ 16,178,537</u>	<u>\$7,005,554</u>	<u>\$ 5,995,089</u>	<u>\$ 434,864</u>	<u>\$ 1,786,549</u>	<u>\$ 31,400,593</u>
<b>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ 188,755	\$ 419,220	\$ 6,274	\$ 1,120	\$ -	\$ 615,369
Interfund payable	346,000	-	-	233,477	-	579,477
Accrued payroll and withholdings	122,513	855,246	-	148,249	27,665	1,153,673
Due to component unit	51,941	-	-	-	-	51,941
Unearned revenues	404,653	-	79,720	52,018	-	536,391
Total liabilities	1,113,862	1,274,466	85,994	434,864	27,665	2,936,851
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred inflows related to property taxes	5,625,000	1,695,925	-	-	-	7,320,925
	<u>6,738,862</u>	<u>2,970,391</u>	<u>85,994</u>	<u>434,864</u>	<u>27,665</u>	<u>10,257,776</u>
<b>FUND BALANCES</b>						
Nonspendable	101,485	144,822	-	-	109,975	356,282
Restricted	103,424	385,815	-	-	353,739	842,978
Committed	19,855	-	5,909,095	-	1,037,492	6,966,442
Assigned	-	3,504,526	-	-	257,678	3,762,204
Unassigned	9,214,911	-	-	-	-	9,214,911
Total fund balances	<u>9,439,675</u>	<u>4,035,163</u>	<u>5,909,095</u>	<u>-</u>	<u>1,758,884</u>	<u>21,142,817</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 16,178,537</u>	<u>\$7,005,554</u>	<u>\$ 5,995,089</u>	<u>\$ 434,864</u>	<u>\$ 1,786,549</u>	<u>\$ 31,400,593</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, 2017**

Total fund balances \$ 21,142,817

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

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

Capital assets	\$ 40,660,020	
Accumulated depreciation	<u>(23,406,577)</u>	17,253,443

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

Property taxes	334,147	
Intergovernmental revenue	<u>62,500</u>	396,647

Deferred outflows related to pensions		3,265,184
Net pension asset		20,731
Net pension liability		(2,787,269)
Deferred inflows related to pensions		(1,968,704)

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

Compensated absences	(207,668)	
OPEB liability	(395,220)	
Sick leave liability	<u>(61,452)</u>	(664,340)

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	41,482	
Accounts receivable	4,416	
Investments	3,558,962	
Capital assets	5,030,050	
Accumulated depreciation	(2,597,184)	
Accounts payable	<u>(4,650)</u>	6,033,076

Net position		<u>\$ 42,691,585</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 BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2017**

	General	General Purpose School	Capital Projects Fund Capital Improvement	Federal Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Property taxes	\$ 5,721,801	\$ 1,800,243	\$ -	\$ -	\$ -	\$ 7,522,044
Other local taxes	7,053,876	1,285,866	-	-	-	8,339,742
Intergovernmental	2,007,875	8,853,984	2,416,142	2,092,831	1,174,222	16,545,054
Charges for services	273,764	227,877	-	-	56,582	558,223
Fines and forfeitures	469,769	-	-	-	21,439	491,208
Investment and interest income	29,818	22,759	18,859	-	30,678	102,114
Miscellaneous	57,384	25,174	90,445	-	197	173,200
Total revenues	<u>15,614,287</u>	<u>12,215,903</u>	<u>2,525,446</u>	<u>2,092,831</u>	<u>1,283,118</u>	<u>33,731,585</u>
<b>EXPENDITURES</b>						
Current:						
General government	2,317,004	-	-	-	1,842	2,318,846
Public safety	4,230,266	-	-	-	8,877	4,239,143
Highways and streets	2,998,764	-	-	-	-	2,998,764
Culture and recreation	1,015,966	-	-	-	-	1,015,966
Education	-	14,170,212	-	2,203,819	1,213,127	17,587,158
Health and welfare	105,316	-	-	-	-	105,316
Debt service:						
Principal	-	-	-	-	1,610,000	1,610,000
Interest	-	-	-	-	19,660	19,660
Capital outlay	-	-	2,425,843	-	-	2,425,843
Total expenditures	<u>10,667,316</u>	<u>14,170,212</u>	<u>2,425,843</u>	<u>2,203,819</u>	<u>2,853,506</u>	<u>32,320,696</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>4,946,971</u>	<u>(1,954,309)</u>	<u>99,603</u>	<u>(110,988)</u>	<u>(1,570,388)</u>	<u>1,410,889</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers	(4,325,000)	2,324,012	3,172,557	110,988	(1,282,557)	-
Insurance proceeds	26,714	57,307	-	-	-	84,021
Proceeds from sale of capital assets	562	2,865	-	-	-	3,427
Total other financing sources (uses)	<u>(4,297,724)</u>	<u>2,384,184</u>	<u>3,172,557</u>	<u>110,988</u>	<u>(1,282,557)</u>	<u>87,448</u>
<b>NET CHANGE IN FUND BALANCES</b>	649,247	429,875	3,272,160	-	(2,852,945)	1,498,337
<b>FUND BALANCES, beginning of year</b>	<u>8,790,428</u>	<u>3,605,288</u>	<u>2,636,935</u>	<u>-</u>	<u>4,611,829</u>	<u>19,644,480</u>
<b>FUND BALANCES, end of year</b>	<u>\$ 9,439,675</u>	<u>\$ 4,035,163</u>	<u>\$ 5,909,095</u>	<u>\$ -</u>	<u>\$ 1,758,884</u>	<u>\$ 21,142,817</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, 2017**

Net change in fund balances			\$ 1,498,337
Amounts for governmental activities included in the statement of activities are different because:			
Property taxes are recognized as revenue in the period for which they are levied in the statement of activities while funds recognize revenue when collected and available.			
Current year levy	\$ 7,498,856		
Fund revenue recognized	<u>(7,522,044)</u>	(23,188)	
Intergovernmental revenues that do not provide current financial resources are not reported as revenue in the funds.			
State income tax-full accrual	137,048		
State beer tax-full accrual	6,498		
Collected fund revenue	<u>(169,544)</u>	(25,998)	
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	591,865		
Net book value of capital assets retired	(20,256)		
Construction in progress items expensed in current year that were expensed in the funds in prior year	(431,983)		
Less current year depreciation	<u>(1,001,750)</u>	(862,124)	
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.			
			387,432
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	1,610,000		
Net change in compensated absences	29,488		
Net change in OPEB liability	4,916		
Net change in sick leave liability	<u>1,482</u>	1,645,886	
Pension expense in funds not expensed in government-wide.			1,467,494
Pension expense not recognized in funds.			<u>(930,433)</u>
Change in net position			<u>\$ 3,157,406</u>

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

**CITY OF ATHENS, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**Year Ended June 30, 2017**

	Budget			Variance With Final Budget
	Original	Final	Actual	
REVENUES				
PROPERTY TAXES				
Property taxes-current	\$ 5,175,000	\$ 5,175,000	\$ 5,410,213	\$ 235,213
Property taxes-prior	160,000	160,000	117,743	(42,257)
Property taxes-delinquent	70,000	70,000	75,994	5,994
Public utilities taxes	90,000	90,000	117,851	27,851
Total property taxes	5,495,000	5,495,000	5,721,801	226,801
OTHER LOCAL TAXES				
Penalty and interest on property tax-prior	20,000	20,000	29,124	9,124
Penalty and interest on property tax-current	15,000	15,000	31,286	16,286
In lieu of taxes	1,135,000	1,135,000	1,190,047	55,047
TVA impact	-	-	10,086	10,086
Local sales tax	4,400,000	4,400,000	4,411,095	11,095
Wholesale beer tax	500,000	500,000	477,240	(22,760)
Wholesale liquor tax	120,000	120,000	221,916	101,916
Cable TV franchise tax	182,000	182,000	188,754	6,754
Business license fee	2,000	2,000	1,933	(67)
Business tax - state clerk fee	40,000	40,000	46,080	6,080
Business tax - state collected	410,000	410,000	446,315	36,315
Total other local taxes	6,824,000	6,824,000	7,053,876	229,876
INTERGOVERNMENTAL				
State sales tax	1,100,000	1,100,000	1,122,030	22,030
State beer tax	6,000	6,000	6,498	498
State income tax	100,000	165,000	163,048	(1,952)
State gas and motor fuel tax	355,000	355,000	375,068	20,068
State gasoline inspection tax	28,000	28,000	27,216	(784)
State mixed drink tax	40,000	40,000	49,399	9,399
State excise tax	40,000	40,000	121,949	81,949
Reimbursement-other government agencies	117,000	117,000	127,739	10,739
Grants	-	-	14,928	14,928
Total intergovernmental	1,786,000	1,851,000	2,007,875	156,875

(continued)

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



**CITY OF ATHENS, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**Year Ended June 30, 2017**  
(continued)

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>CHARGES FOR SERVICES</b>				
Utility damage reimbursement	\$ 25,000	\$ 25,000	\$ 32,821	\$ 7,821
Animal control	3,000	3,000	3,305	305
Recreation fees	95,000	105,000	103,770	(1,230)
Building permits	65,000	65,000	99,384	34,384
Recreation concessions	40,000	50,000	34,484	(15,516)
Total charges for services	228,000	248,000	273,764	25,764
<b>FINES AND FORFEITURES</b>				
Court fines	460,000	460,000	446,905	(13,095)
Law enforcement forfeitures	1,000	1,000	22,864	21,864
Total fines and forfeitures	461,000	461,000	469,769	8,769
<b>INTEREST</b>	10,000	10,000	29,818	19,818
<b>MISCELLANEOUS</b>	41,000	41,000	57,384	16,384
Total revenues	14,845,000	14,930,000	15,614,287	684,287
<b>EXPENDITURES</b>				
<b>GENERAL GOVERNMENT</b>				
Administrative:				
City Manager's Office	311,900	311,900	260,465	51,435
City Council	56,500	56,500	44,620	11,880
City Judge	13,000	13,000	12,918	82
City Attorney	20,000	30,000	24,929	5,071
Special appropriations	321,300	321,300	321,300	-
Athens Utilities Board	525,000	525,000	458,888	66,112
Finance	417,600	417,600	402,995	14,605
Personnel	236,200	236,200	200,468	35,732
Administrative services:				
Administration	94,700	94,700	73,761	20,939
City Hall	167,700	181,700	163,380	18,320
Community development:				
Administration	141,300	141,300	139,643	1,657
Codes enforcement	168,300	189,300	185,463	3,837
Cemeteries	29,200	30,200	28,174	2,026
Total general government	2,502,700	2,548,700	2,317,004	231,696

(continued)

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

**CITY OF ATHENS, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**Year Ended June 30, 2017**  
(continued)

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>PUBLIC SAFETY</b>				
Police:				
Administration	\$ 384,700	\$ 384,700	\$ 289,061	\$ 95,639
Patrol	2,065,200	2,049,200	1,870,578	178,622
Detective	241,800	241,800	152,187	89,613
Fire:				
Administration	113,600	113,600	107,099	6,501
Prevention	15,700	15,700	11,352	4,348
Suppression	1,792,400	1,792,400	1,563,118	229,282
Administrative services:				
Communications	239,300	239,300	236,871	2,429
Total public safety	<u>4,852,700</u>	<u>4,836,700</u>	<u>4,230,266</u>	<u>606,434</u>
<b>HIGHWAYS AND STREETS</b>				
Public Works:				
Administration	232,600	212,600	193,892	18,708
Traffic control	251,000	271,000	245,723	25,277
Street maintenance	932,300	1,197,300	1,085,766	111,534
Street construction	506,900	506,900	430,728	76,172
Street cleaning	792,800	817,800	789,210	28,590
City garage	269,400	269,400	253,445	15,955
Total highways and streets	<u>2,985,000</u>	<u>3,275,000</u>	<u>2,998,764</u>	<u>276,236</u>
<b>CULTURE AND RECREATION</b>				
Parks and Recreation:				
Administration	207,400	207,400	198,455	8,945
Maintenance	572,000	602,000	514,524	87,476
Swimming pools	37,700	37,700	31,796	5,904
Program planning	257,300	287,300	271,191	16,109
Total culture and recreation	<u>1,074,400</u>	<u>1,134,400</u>	<u>1,015,966</u>	<u>118,434</u>
<b>HEALTH AND WELFARE</b>				
Public Works:				
Animal control	119,200	119,200	105,316	13,884
Total expenditures	<u>11,534,000</u>	<u>11,914,000</u>	<u>10,667,316</u>	<u>1,246,684</u>
<b>REVENUES OVER EXPENDITURES</b>	<u>3,311,000</u>	<u>3,016,000</u>	<u>4,946,971</u>	<u>1,930,971</u>

(continued)

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

**CITY OF ATHENS, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**Year Ended June 30, 2017**  
(continued)

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer to general purpose school fund	\$(2,421,000)	\$(2,421,000)	\$(2,435,000)	\$ (14,000)
Transfer to debt service fund	(790,000)	(790,000)	(790,000)	-
Transfer to capital improvement fund	(100,000)	(1,100,000)	(1,100,000)	-
Insurance proceeds	-	-	26,714	26,714
Sale of capital assets	-	-	562	562
Total other financing sources (uses)	<u>(3,311,000)</u>	<u>(4,311,000)</u>	<u>(4,297,724)</u>	<u>13,276</u>
Net change in fund balance	-	(1,295,000)	649,247	1,944,247
<b>FUND BALANCE, beginning of year</b>	<u>8,790,428</u>	<u>8,790,428</u>	<u>8,790,428</u>	<u>-</u>
<b>FUND BALANCE, end of year</b>	<u>\$ 8,790,428</u>	<u>\$ 7,495,428</u>	<u>\$ 9,439,675</u>	<u>\$ 1,944,247</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, 2017**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 1,549,000	\$ 1,549,000	\$ 1,800,243	\$ 251,243
County revenue	1,153,400	1,153,400	1,285,866	132,466
State funds	8,237,811	8,354,511	8,579,879	225,368
Federal funds received through state	261,000	273,000	273,093	93
Direct federal funds	-	-	1,012	1,012
Tuition	271,272	271,272	227,877	(43,395)
Interest	32,000	32,000	22,759	(9,241)
Other	40,900	44,650	25,174	(19,476)
Total revenues	<u>11,545,383</u>	<u>11,677,833</u>	<u>12,215,903</u>	<u>538,070</u>
<b>EXPENDITURES</b>				
Current:				
Instruction				
Regular instruction	7,499,976	7,560,976	7,464,379	96,597
Special education	607,921	632,383	632,383	-
Early childhood education	649,611	649,611	649,611	-
Other instruction	11,500	11,500	8,896	2,604
	<u>8,769,008</u>	<u>8,854,470</u>	<u>8,755,269</u>	<u>99,201</u>
Support services				
Instructional support	1,042,603	1,010,141	977,623	32,518
Student support	363,849	363,849	353,740	10,109
Administration	1,379,160	1,407,760	1,361,129	46,631
Operation and maintenance of plant	1,234,655	1,234,655	1,166,380	68,275
Transportation	483,143	501,143	458,283	42,860
Other support services	940,196	953,046	854,096	98,950
	<u>5,443,606</u>	<u>5,470,594</u>	<u>5,171,251</u>	<u>299,343</u>
Non-instructional services				
Capital outlay	227,192	227,192	243,692	(16,500)
Total expenditures	<u>14,439,806</u>	<u>14,552,256</u>	<u>14,170,212</u>	<u>382,044</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(2,894,423)</u>	<u>(2,874,423)</u>	<u>(1,954,309)</u>	<u>920,114</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Insurance proceeds	-	-	57,307	57,307
Proceeds from sale of capital assets	-	-	2,865	2,865
Transfer from general fund	2,421,000	2,421,000	2,435,000	14,000
Transfer to federal projects fund	(95,000)	(115,000)	(110,988)	4,012
	<u>2,326,000</u>	<u>2,306,000</u>	<u>2,384,184</u>	<u>78,184</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(568,423)</u>	<u>(568,423)</u>	<u>429,875</u>	<u>998,298</u>
<b>FUND BALANCE, beginning of year</b>	<u>3,605,288</u>	<u>3,605,288</u>	<u>3,605,288</u>	<u>-</u>
<b>FUND BALANCE, end of year</b>	<u>\$ 3,036,865</u>	<u>\$ 3,036,865</u>	<u>\$ 4,035,163</u>	<u>\$ 998,298</u>

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

**CITY OF ATHENS, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**FEDERAL PROJECTS FUND**  
**Year Ended June 30, 2017**

	<u>Budget</u>			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>with Final</u> <u>Budget</u>
<b>REVENUES</b>				
Federal funds received through state	\$ 1,132,371	\$ 1,480,694	\$ 1,306,998	\$ (173,696)
Direct federal funds	<u>1,107,152</u>	<u>1,398,123</u>	<u>785,833</u>	<u>(612,290)</u>
Total revenues	<u>2,239,523</u>	<u>2,878,817</u>	<u>2,092,831</u>	<u>(785,986)</u>
<b>EXPENDITURES</b>				
Current:				
Instruction				
Regular instruction	625,567	942,299	797,312	144,987
Special education	<u>297,994</u>	<u>363,114</u>	<u>310,155</u>	<u>52,959</u>
	<u>923,561</u>	<u>1,305,413</u>	<u>1,107,467</u>	<u>197,946</u>
Support services				
Instructional support	1,207,273	1,454,286	997,329	456,957
Student support	<u>108,689</u>	<u>119,118</u>	<u>99,023</u>	<u>20,095</u>
	<u>1,315,962</u>	<u>1,573,404</u>	<u>1,096,352</u>	<u>477,052</u>
Total expenditures	<u>2,239,523</u>	<u>2,878,817</u>	<u>2,203,819</u>	<u>674,998</u>
<b>REVENUES UNDER</b>				
<b>EXPENDITURES</b>	-	-	(110,988)	(110,988)
<b>OTHER FINANCING SOURCES</b>				
Transfer from general purpose school fund	<u>-</u>	<u>-</u>	<u>110,988</u>	<u>110,988</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	-	-
<b>FUND BALANCE, beginning of year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE, end of year</b>	<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, 2017**

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Conference Center	Sanitation	Total	Internal Service Funds
<b>ASSETS AND DEFERRED OUTFLOWS</b>				
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 20,922	\$ 112,081	\$ 133,003	\$ 41,482
Investments	-	1,828,187	1,828,187	3,558,962
Accounts receivable	525	28,263	28,788	4,416
Due from component units	-	83,971	83,971	-
Total current assets	<u>21,447</u>	<u>2,052,502</u>	<u>2,073,949</u>	<u>3,604,860</u>
Capital assets:				
Land	34,500	-	34,500	-
Other capital assets, net	<u>709,317</u>	<u>469,571</u>	<u>1,178,888</u>	<u>2,432,866</u>
Total capital assets	<u>743,817</u>	<u>469,571</u>	<u>1,213,388</u>	<u>2,432,866</u>
Total assets	<u>765,264</u>	<u>2,522,073</u>	<u>3,287,337</u>	<u>6,037,726</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pensions	<u>-</u>	<u>17,721</u>	<u>17,721</u>	<u>-</u>
Total assets and deferred outflows	<u>\$ 765,264</u>	<u>\$ 2,539,794</u>	<u>\$ 3,305,058</u>	<u>\$ 6,037,726</u>
<b>LIABILITIES, DEFERRED INFLOWS, AND NET POSITION</b>				
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 96	\$ 21,779	\$ 21,875	\$ 4,650
Accrued payroll and withholdings	<u>-</u>	<u>4,110</u>	<u>4,110</u>	<u>-</u>
Total current liabilities	<u>96</u>	<u>25,889</u>	<u>25,985</u>	<u>4,650</u>
<b>NET PENSION LIABILITY</b>	<u>-</u>	<u>46,879</u>	<u>46,879</u>	<u>-</u>
Total liabilities	<u>96</u>	<u>72,768</u>	<u>72,864</u>	<u>4,650</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pensions	<u>-</u>	<u>9,718</u>	<u>9,718</u>	<u>-</u>
Total liabilities and deferred inflows	<u>96</u>	<u>82,486</u>	<u>82,582</u>	<u>4,650</u>
<b>NET POSITION</b>				
Net investment in capital assets	743,817	469,571	1,213,388	2,432,866
Unrestricted	<u>21,351</u>	<u>1,987,737</u>	<u>2,009,088</u>	<u>3,600,210</u>
Total net position	<u>765,168</u>	<u>2,457,308</u>	<u>3,222,476</u>	<u>6,033,076</u>
Total liabilities and net position	<u>\$ 765,264</u>	<u>\$ 2,539,794</u>	<u>\$ 3,305,058</u>	<u>\$ 6,037,726</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, 2017**

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Conference Center	Sanitation	Total	Internal Service Funds
<b>OPERATING REVENUES</b>				
Charges for services	\$ -	\$ 909,285	\$ 909,285	\$ 665,500
Rental income	27,490	-	27,490	-
Miscellaneous	-	7,869	7,869	-
Total operating revenues	<u>27,490</u>	<u>917,154</u>	<u>944,644</u>	<u>665,500</u>
<b>OPERATING EXPENSES</b>				
Salaries and employee benefits	6,992	253,090	260,082	-
Operation	12,106	138,846	150,952	-
Maintenance	2,919	5,633	8,552	-
Depreciation	50,580	124,042	174,622	388,287
Landfill services	-	197,903	197,903	-
Total operating expenses	<u>72,597</u>	<u>719,514</u>	<u>792,111</u>	<u>388,287</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(45,107)</u>	<u>197,640</u>	<u>152,533</u>	<u>277,213</u>
<b>NONOPERATING REVENUES</b>				
Interest income	-	10,409	10,409	21,804
Gain on disposal of capital assets	-	49,202	49,202	31,275
Total nonoperating revenues	<u>-</u>	<u>59,611</u>	<u>59,611</u>	<u>53,079</u>
Income (loss) before capital contributions	(45,107)	257,251	212,144	330,292
<b>CAPITAL CONTRIBUTION</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>57,140</u>
<b>CHANGE IN NET POSITION</b>	(45,107)	257,251	212,144	387,432
<b>NET POSITION, beginning of year</b>	<u>810,275</u>	<u>2,200,057</u>	<u>3,010,332</u>	<u>5,645,644</u>
<b>NET POSITION, end of year</b>	<u>\$ 765,168</u>	<u>\$ 2,457,308</u>	<u>\$ 3,222,476</u>	<u>\$ 6,033,076</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, 2017**

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Conference Center	Sanitation	Total	Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 29,015	\$ 937,339	\$ 966,354	\$ 666,777
Payments to employees	(6,495)	(195,949)	(202,444)	-
Payments to suppliers and vendors	(16,741)	(380,125)	(396,866)	-
Net cash provided by operating activities	<u>5,779</u>	<u>361,265</u>	<u>367,044</u>	<u>666,777</u>
<b>CASH FLOWS USED IN NONCAPITAL FINANCING ACTIVITIES</b>				
Payment to pension plan	<u>-</u>	<u>(23,231)</u>	<u>(23,231)</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from the sale of capital assets	-	49,202	49,202	41,480
Purchase of capital assets	<u>-</u>	<u>(221,375)</u>	<u>(221,375)</u>	<u>(158,067)</u>
Net cash used in capital and related financing activities	<u>-</u>	<u>(172,173)</u>	<u>(172,173)</u>	<u>(116,587)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment and interest earnings	-	10,409	10,409	21,771
Purchase of investments	<u>-</u>	<u>(138,241)</u>	<u>(138,241)</u>	<u>(610,087)</u>
Net cash used in investing activities	<u>-</u>	<u>(127,832)</u>	<u>(127,832)</u>	<u>(588,316)</u>
Net increase (decrease) in cash and cash equivalents	5,779	38,029	43,808	(38,126)
Cash and cash equivalents, beginning of year	<u>15,143</u>	<u>74,052</u>	<u>89,195</u>	<u>79,608</u>
Cash and cash equivalents, end of year	<u>\$ 20,922</u>	<u>\$ 112,081</u>	<u>\$ 133,003</u>	<u>\$ 41,482</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>				
Operating income (loss)	\$ (45,107)	\$ 197,640	\$ 152,533	\$ 277,213
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	50,580	124,042	174,622	388,287
Pension expense	-	22,819	22,819	-
Changes in assets and liabilities:				
Accounts receivable	1,525	20,186	21,711	1,277
Accounts payable and accrued liabilities	<u>(1,219)</u>	<u>(3,422)</u>	<u>(4,641)</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ 5,779</u>	<u>\$ 361,265</u>	<u>\$ 367,044</u>	<u>\$ 666,777</u>
<b>SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>				
Interfund transfer of property	\$ -	\$ -	\$ -	\$ 57,140
Payable for purchase of capital asset	-	-	-	4,650

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, 2017**

**ASSETS**

Cash	\$ 334
Interest receivable	<u>30,948</u>
	<u>31,282</u>
Investments, at fair value:	
U.S. government and agency securities	1,342,011
Foreign stocks	1,945,840
Foreign bonds and notes	165,241
Corporate bonds	1,982,963
Common stocks	1,699,177
Mutual funds	7,377,536
Municipal bonds	494,867
Money market funds	<u>241,343</u>
Total investments	<u>15,248,978</u>
Total assets	<u>\$ 15,280,260</u>
<b>NET POSITION</b>	
Net position restricted for pensions	<u>\$ 15,280,260</u>

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

**CITY OF ATHENS, TENNESSEE**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**ATHENS PENSION TRUST FUND**  
**FIDUCIARY FUND**  
**Year Ended June 30, 2017**

**ADDITIONS**

Employer contributions	\$ 650,000
Net investment income:	
Interest and dividend income	366,269
Net appreciation in the fair value of investments	<u>1,376,644</u>
Total additions	<u>2,392,913</u>

**DEDUCTIONS**

Benefits paid	869,047
Administrative expenses	<u>55,593</u>
Total deductions	<u>924,640</u>

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

1,468,273

**NET POSITION**, restricted for pensions, beginning of year

13,811,987

**NET POSITION**, restricted for pensions, end of year

\$ 15,280,260

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

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**Note 1. Summary of Significant Accounting Policies**

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

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

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

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

***A. Financial Reporting Entity***

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

**Blended Component Unit:**

Athens City Board of Education

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

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

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

**Blended Component Unit: (continued)**

Athens City Board of Education (continued)

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

**Discretely Presented Component Unit:**

Athens Utilities Board

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

**Other Related Organizations:**

Athens Housing Authority

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

McMinn County Economic Development Authority

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

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**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, 2017**

**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, 2017**

**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, 2017**

**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, 2017**

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

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

**Fund Financial Statements: (continued)**

**Governmental Funds: (continued)**

Special Revenue Funds: (continued)

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

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

Capital Projects Fund: Resources designated for the construction or acquisition of major capital assets are accounted for in this fund. Revenues are derived primarily from capital grants and investment income.

Capital Improvement Fund: This fund is used to account for large capital projects as designated by City Council.

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

Permanent Fund: The Permanent Fund is used to account for resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support a specific government program.

Cemetery Perpetual Care Fund: This trust fund was established to provide for future maintenance of the City's cemeteries.

Debt Service Fund: This fund accounts for the payment of principal and interest on the City's general obligation long-term debt.

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**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, 2017**

**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, 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, 2017**

**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, 2017**

**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 acquisition value at the date of donation. The City charges maintenance and repairs, including the costs of renewals of minor items of property, to maintenance expense accounts.

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

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

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

**Component Unit - Athens Utilities Board:**

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

The composite straight-line depreciation rate, expressed as a percentage of average depreciable plant, property and equipment, ranged from 2.59 to 3.00 percent in 2017. 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, 2017**

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

***I. Debt Issue Costs***

Debt issue costs are accounted for as expenditures 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, 2017**

**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, 2017**

**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, 2017**

**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, 2016, was \$405,820,395 based upon a reappraisal completed for the list as of January 1, 2016. The estimated actual value was \$1,292,475,491 making the total assessed value 31.40 percent of the total actual value.

Taxes were levied at a rate of \$1.3628 per \$100 of assessed value. Current tax collections of \$5,525,863 for the fiscal year ended June 30, 2017, were 97 percent of the 2016 tax levy. An allowance has been established for delinquent taxes to the extent that their collectability is improbable. The allowance at June 30, 2017, for the 2016 tax levy was \$57,213.

The 2017 taxes were levied at a rate of \$1.3628 per \$100 of assessed value and have been recorded as a receivable at June 30, 2017. An allowance for doubtful collection of \$50,000 has been estimated and established for this levy at June 30, 2017. There are no current tax collections related to the 2017 levy.

CITY OF ATHENS, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

**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, 2017:

General Fund	\$ 107,213
General Purpose School Fund	127,650

***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, 2017**

**Note 2. Capital Assets**

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

	Governmental Activities At City of Athens			
	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Capital assets being depreciated:				
Building and improvements	\$ 6,495,984	\$ -	\$ 466	\$ 6,495,518
Infrastructure	9,393,689	-	-	9,393,689
Furniture and office equipment	981,475	73,829	5,958	1,049,346
Machinery and equipment	7,409,276	322,860	278,392	7,453,744
Total depreciable capital assets	<u>24,280,424</u>	<u>396,689</u>	<u>284,816</u>	<u>24,392,297</u>
Accumulated depreciation:				
Buildings and improvements	4,103,731	129,281	466	4,232,546
Infrastructure	3,698,261	244,737	-	3,942,998
Furniture and office equipment	559,187	66,829	5,958	620,058
Machinery and equipment	4,391,236	483,984	261,487	4,613,733
Total accumulated depreciation	<u>12,752,415</u>	<u>924,831</u>	<u>267,911</u>	<u>13,409,335</u>
Net depreciable capital assets	<u>11,528,009</u>	<u>(528,142)</u>	<u>16,905</u>	<u>10,982,962</u>
Capital assets not being depreciated:				
Land	3,008,070	-	-	3,008,070
Construction in progress	543,593	56,000	445,253	154,340
Nondepreciable capital assets	<u>3,551,663</u>	<u>56,000</u>	<u>445,253</u>	<u>3,162,410</u>
Net capital assets	<u>\$ 15,079,672</u>	<u>\$ (472,142)</u>	<u>\$ 462,158</u>	<u>\$ 14,145,372</u>

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

	Governmental Activities At Board of Education			
	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Capital assets being depreciated:				
Building and improvements	\$ 14,817,152	\$ 40,406	\$ -	\$ 14,857,558
Infrastructure	23,200	-	-	23,200
Furniture, equipment, and vehicles	2,798,575	244,493	169,303	2,873,765
Total depreciable capital assets	<u>17,638,927</u>	<u>284,899</u>	<u>169,303</u>	<u>17,754,523</u>
Accumulated depreciation:				
Buildings and improvements	9,848,339	316,241	-	10,164,580
Infrastructure	20,799	1,677	-	22,476
Furniture, equipment, and vehicles	2,415,829	147,288	155,747	2,407,370
Total accumulated depreciation	<u>12,284,967</u>	<u>465,206</u>	<u>155,747</u>	<u>12,594,426</u>
Net depreciable capital assets	<u>5,353,960</u>	<u>(180,307)</u>	<u>13,556</u>	<u>5,160,097</u>
Capital assets not being depreciated:				
Land	213,486	-	-	213,486
Construction in progress	79,830	127,930	40,406	167,354
Nondepreciable capital assets	<u>293,316</u>	<u>127,930</u>	<u>40,406</u>	<u>380,840</u>
Net capital assets	<u>\$ 5,647,276</u>	<u>\$ (52,377)</u>	<u>\$ 53,962</u>	<u>\$ 5,540,937</u>
Total Governmental Activities Capital Assets				
	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Capital assets being depreciated:				
Building and improvements	\$ 21,313,136	\$ 40,406	\$ 466	\$ 21,353,076
Infrastructure	9,416,889	-	-	9,416,889
Furniture and office equipment	3,780,050	318,322	175,261	3,923,111
Machinery and equipment	7,409,276	322,860	278,392	7,453,744
Total depreciable capital assets	<u>41,919,351</u>	<u>681,588</u>	<u>454,119</u>	<u>42,146,820</u>
Accumulated depreciation:				
Buildings and improvements	13,952,070	445,522	466	14,397,126
Infrastructure	3,719,060	246,414	-	3,965,474
Furniture and office equipment	2,975,016	214,117	161,705	3,027,428
Machinery and equipment	4,391,236	483,984	261,487	4,613,733
Total accumulated depreciation	<u>25,037,382</u>	<u>1,390,037</u>	<u>423,658</u>	<u>26,003,761</u>
Net depreciable capital assets	<u>16,881,969</u>	<u>(708,449)</u>	<u>30,461</u>	<u>16,143,059</u>
Capital assets not being depreciated:				
Land	3,221,556	-	-	3,221,556
Construction in progress	623,423	183,930	485,659	321,694
Nondepreciable capital assets	<u>3,844,979</u>	<u>183,930</u>	<u>485,659</u>	<u>3,543,250</u>
Net capital assets	<u>\$ 20,726,948</u>	<u>\$ (524,519)</u>	<u>\$ 516,120</u>	<u>\$ 19,686,309</u>

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

	<u>Total Business-Type Activities Capital Assets</u>			
	<u>Balance</u>			<u>Balance</u>
	<u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2017</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>1,777,627</u>	<u>221,376</u>	<u>332,739</u>	<u>1,666,264</u>
Total depreciable capital assets	<u>3,325,421</u>	<u>221,376</u>	<u>332,739</u>	<u>3,214,058</u>
Accumulated depreciation:				
Buildings and improvements	758,033	50,580	-	808,613
Furniture and office equipment	29,864	-	-	29,864
Machinery and equipment	<u>1,405,390</u>	<u>124,042</u>	<u>332,739</u>	<u>1,196,693</u>
Total accumulated depreciation	<u>2,193,287</u>	<u>174,622</u>	<u>332,739</u>	<u>2,035,170</u>
Net depreciable capital assets	1,132,134	46,754	-	1,178,888
Capital assets not being depreciated:				
Land	<u>34,500</u>	<u>-</u>	<u>-</u>	<u>34,500</u>
Net capital assets	<u>\$ 1,166,634</u>	<u>\$ 46,754</u>	<u>\$ -</u>	<u>\$ 1,213,388</u>

Depreciation expense was charged to functions as follows:

<u>Governmental Activities</u>	
General government	\$ 55,471
Public safety	267,584
Highways and streets	453,298
Culture and recreation	148,478
Schools:	
Regular instruction	75,668
Administration	21,239
Operation and maintenance	5,756
Transportation	37,622
Food services	5,124
Unallocated depreciation	<u>319,797</u>
	<u>\$ 1,390,037</u>

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

<u>Business-Type Activities</u>	
Conference Center	\$ 50,580
Sanitation	<u>124,042</u>
	<u>\$ 174,622</u>

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

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

**Utilities Board:**

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
Capital assets being depreciated:				
Plant in service	\$ 138,099,473	\$ 7,338,185	\$ 1,512,453	\$ 143,925,205
Equipment and furniture	6,622,768	497,007	209,169	6,910,606
Transportation equipment	<u>3,901,239</u>	<u>487,089</u>	<u>85,933</u>	<u>4,302,395</u>
Total depreciable capital assets	<u>148,623,480</u>	<u>8,322,281</u>	<u>1,807,555</u>	<u>155,138,206</u>
Accumulated depreciation:				
Plant in service	54,886,742	3,902,682	1,852,036	56,937,388
Equipment and furniture	4,063,313	414,443	143,245	4,334,511
Transportation equipment	<u>2,325,500</u>	<u>345,367</u>	<u>151,256</u>	<u>2,519,611</u>
Total accumulated depreciation	<u>61,275,555</u>	<u>4,662,492</u>	<u>2,146,537</u>	<u>63,791,510</u>
Net depreciable capital assets	<u>87,347,925</u>	<u>3,659,789</u>	<u>(338,982)</u>	<u>91,346,696</u>
Capital assets not being depreciated:				
Land	799,253	20,270	-	819,523
Construction in progress	<u>20,747,379</u>	<u>9,442,564</u>	<u>8,936,111</u>	<u>21,253,832</u>
Nondepreciable capital assets	<u>21,546,632</u>	<u>9,462,834</u>	<u>8,936,111</u>	<u>22,073,355</u>
Net capital assets	<u>\$ 108,894,557</u>	<u>\$ 13,122,623</u>	<u>\$ 8,597,129</u>	<u>\$ 113,420,051</u>

Depreciation was charged as follows:

	<u>Charged to</u> <u>Depreciation</u> <u>and</u> <u>Amortization</u>	<u>Charged to</u> <u>Other</u> <u>Accounts</u>	<u>Total</u> <u>Depreciation</u> <u>and</u> <u>Amortization</u>
Power Division	\$ 1,653,655	\$ 135,816	\$ 1,789,471
Water Division	699,214	55,268	754,482
Gas Division	508,881	84,554	593,435
Department of Sewer	<u>1,449,170</u>	<u>75,934</u>	<u>1,525,104</u>
	<u>\$ 4,310,920</u>	<u>\$ 351,572</u>	<u>\$ 4,662,492</u>

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**Note 3. Long-Term Debt**

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

	<u>Balance</u> <u>6/30/16</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/17</u>	<u>Due</u> <u>within</u> <u>one year</u>
<b>City of Athens:</b>					
Note payable to the Public Building Authority of the City of Clarksville, Tennessee, Pooled Loan Program, Series 2003; adjustable rate pooled financing; principal due annually beginning May 2007, interest due monthly, at month end	\$1,610,000	\$ -	\$1,610,000	\$ -	\$ -
Compensated absences	<u>237,156</u>	<u>223,360</u>	<u>252,848</u>	<u>207,668</u>	<u>138,452</u>
	1,847,156	223,360	1,862,848	207,668	138,452
<b>Board of Education:</b>					
Sick leave	<u>62,934</u>	<u>37,319</u>	<u>38,801</u>	<u>61,452</u>	<u>44,711</u>
Total	<u>\$1,910,090</u>	<u>\$ 260,679</u>	<u>\$1,901,649</u>	<u>\$ 269,120</u>	<u>\$ 183,163</u>

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

Sick leave liability is typically liquidated in the General Purpose School Fund.

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

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

**Utilities Board:**

	Balance 6/30/2016	Additions	Reductions	Balance 6/30/2017	Due within one year
Revenue and tax bonds	\$ 1,282,532	\$ -	\$ 23,500	\$ 1,259,032	\$ 24,274
Notes payable	<u>24,682,477</u>	<u>1,823,635</u>	<u>1,008,216</u>	<u>25,497,896</u>	<u>998,715</u>
Total	<u>\$ 25,965,009</u>	<u>\$ 1,823,635</u>	<u>\$ 1,031,716</u>	<u>\$ 26,756,928</u>	<u>\$ 1,022,989</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, 2017.

The Athens Utilities Board has debt issues with outstanding balances totaling \$26,695,442, 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:

June 30	Principal	Interest	Total
2018	\$ 1,022,989	\$ 298,983	\$ 1,321,972
2019	1,603,936	289,559	1,893,495
2020	1,614,528	273,517	1,888,045
2021	1,626,329	257,237	1,883,566
2022	1,637,332	240,716	1,878,048
2023-2027	8,374,147	947,160	9,321,307
2028-2032	8,521,508	496,850	9,018,358
2033-2037	1,760,628	171,532	1,932,160
2038-2042	258,927	76,041	334,968
2043-2047	293,010	31,950	324,960
2048	43,594	526	44,120
	<u>\$ 26,756,928</u>	<u>\$ 3,084,071</u>	<u>\$ 29,840,999</u>



**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**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, 2017, all the City's deposits were insured or collateralized.

Board of Education:

At June 30, 2017, all cash deposits of the Board were insured or collateralized in accordance with state statutes.

**Component unit**

At June 30, 2017, 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, 2017**

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

**Investments: (continued)**

**Primary government (continued)**

As of June 30, 2017, the City had \$17,263,520 invested in the LGIP, which represents all of the City's investments excluding those included in the Cemetery Perpetual Care Fund and the Athens Pension Trust Fund. At June 30, 2017, the investments of the LGIP had a weighted average maturity of 43 days. Investments in the LGIP are reported at fair value. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with SEC Rule 2a7 of the Investment Company Act of 1940. Accordingly, the pool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. Regulatory oversight for the LGIP is provided by the State legislature, the State Comptroller and the State Funding Board.

**Cemetery Perpetual Fund:**

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

As of June 30, 2017, the Cemetery Perpetual Care Fund's investments consisted of the following:

	<u>Fair Value</u>
Money market funds	\$ 2,337
Mutual funds	<u>226,137</u>
	<u>\$ 228,474</u>

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

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

**Investments: (continued)**

**Primary government (continued)**

**Athens Pension Trust Fund:**

As of June 30, 2017, 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	4.14 years	\$ 1,342,011
Foreign stocks	N/A	1,945,840
Foreign bonds and notes	4.41 years	165,241
Corporate bonds	5.01 years	1,982,963
Common stocks	N/A	1,699,177
Mutual funds	N/A	7,377,536
Municipal bonds	4.01 years	494,867
Money market funds	N/A	<u>241,343</u>
		<u>\$ 15,248,978</u>

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

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

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

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

**Investments: (continued)**

**Primary government (continued)**

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

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

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

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2017.

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

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

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

**Investments: (continued)**

**Primary government (continued)**

The following table sets forth by level, within the fair value hierarchy, the City's assets at fair value as of June 30, 2017:

Investment type	Fair Value	Level 1	Level 2	Level 3
Athens Pension Trust Fund:				
U.S. government and agency securities	\$ 1,342,011	\$ 1,342,011	\$ -	\$ -
Foreign stocks	1,945,840	1,945,840	-	-
Foreign bonds and notes	165,241	-	165,241	-
Corporate bonds	1,982,963	-	1,982,963	-
Common stocks	1,699,177	1,699,177	-	-
Mutual funds	7,377,536	-	7,377,536	-
Municipal bonds	494,867	-	494,867	-
Money market funds	241,343	-	241,343	-
	<u>15,248,978</u>	<u>4,987,028</u>	<u>10,261,950</u>	<u>-</u>
Cemetery Perpetual Fund:				
Mutual funds	226,137	-	226,137	-
Money market funds	2,337	-	2,337	-
	<u>228,474</u>	<u>-</u>	<u>228,474</u>	<u>-</u>
	<u>\$ 15,477,452</u>	<u>\$ 4,987,028</u>	<u>\$ 10,490,424</u>	<u>\$ -</u>

The Athens Pension Trust Fund held two investments representing more than five percent of fund net position.

**Note 5. Interfund Transactions**

**Interfund Balances:**

At June 30, 2017, the General Purpose School Fund had interfund receivables that consist of \$233,477 due from the Federal Projects Fund and \$346,000 due from the General Fund.

Interfund transfers during the year consisted of the General Fund transferring \$2,435,000 to the Board of Education General Purpose Fund, \$790,000 to the Debt Service Fund, and \$1,100,000 to the Capital Projects Fund. The Debt Service Fund transferred \$1,282,557 to the Capital Projects Fund. During 2017, the General Purpose School Fund has interfund transfers of \$110,988 to the Federal 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.

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**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, 2017, the Utilities Board has a due from the primary government of \$51,941 and a due to the primary government of \$83,971.

**Note 7. Detail of Net Position and Fund Balances**

**Net Position:**

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

	Governmental Activities	Business - Type Activities	Total
Capital assets	\$ 45,690,070	\$ 3,248,558	\$ 48,938,628
Accumulated depreciation	<u>(26,003,761)</u>	<u>(2,035,170)</u>	<u>(28,038,931)</u>
Net investment in capital assets	19,686,309	1,213,388	20,899,697
Restricted	942,859	-	942,859
Unrestricted	<u>22,062,417</u>	<u>2,009,088</u>	<u>24,071,505</u>
Total net position	<u><u>\$ 42,691,585</u></u>	<u><u>\$ 3,222,476</u></u>	<u><u>\$ 45,914,061</u></u>

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

**Fund Balances:**

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

Nonspendable	
General Fund-Inventory	\$ 101,485
Centralized Cafeteria Fund-Inventory	30,825
General Purpose School Fund-Prepaid items	144,822
Cemetery Perpetual Care Fund-Nonexpendable	79,150
Total nonspendable fund balances	<u>356,282</u>
Restricted	
General Fund-Nonrecurring law enforcement	103,424
General Purpose School Fund-Education	385,815
Cemetery Perpetual Care Fund-Expendable	149,324
Drug Fund	204,415
Total restricted fund balances	<u>842,978</u>
Committed	
General Fund-Police benefit	19,855
Capital Improvement Fund-Capital improvements	5,909,095
Education Capital Projects Fund-Education capital projects	1,024,247
Drug Fund	13,245
Total committed fund balances	<u>6,966,442</u>
Assigned	
General Purpose School Fund-Education	3,504,526
Centralized Cafeteria Fund	257,678
Total assigned fund balances	<u>3,762,204</u>
Unassigned	
General Fund	9,214,911
Total fund balances	<u><u>\$ 21,142,817</u></u>

Included in the fund balance classifications are the following encumbrances:

General Purpose School Fund	\$ 53,722
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**Utilities Board**

Net position of the Utilities Board consist of the following:

Net investment in capital assets	\$ 86,498,347
Unrestricted	23,014,858
	<u><u>\$ 109,513,205</u></u>

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**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, 2017</u>
Inactive Plan participants or beneficiaries currently receiving benefits	61
Inactive Plan participants entitled to deferred benefits	36
Active vested Plan participants	<u>46</u>
Total	<u>143</u>

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



**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

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

**Employee Retirement Plan (continued)**

**Plan Provisions:** Plan provisions in effect at June 30, 2017.

Eligibility and Benefits

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

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

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

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

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

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

**Employee Retirement Plan (continued)**

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

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

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

**Employee Retirement Plan (continued)**

<u>Pre-Retirement Death Benefit</u>	<u>Effective January 1, 2009:</u> Minimum Age: 45 Minimum Service: 10 Years <u>Prior to January 1, 2009:</u> Minimum Age: 55 Minimum Service: 15 Years It will be assumed that an eligible participant who dies before his NRD, had retired on the day prior to death and elected a 50% prior to January 1, 2009, Joint & Survivor annuity.
<u>Disability Benefit</u>	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.
<u>Vested Termination Benefit</u>	Upon termination after 5 or more years of service, a participant shall be 100% vested in his accrued benefit.
<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.

***Contribution Required***

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

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

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

**Employee Retirement Plan (continued)**

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

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

**Investments**

**Investment Policy:** The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the City of Athens by a majority vote of its members. It is the policy of the City to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The Plan Trustee, Branch Banking and Trust Company, is responsible for implementing the investment policy. The following was the Board's adopted asset allocation as of June 30, 2017:

<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	2.0
Total	<u>100.0%</u>

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

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

**Employee Retirement Plan (continued)**

**Rate of return:** For the year ended June 30, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 12.38 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, 2017, was as follows:

Total pension liability	\$ 16,567,391
Plan fiduciary net position	<u>15,280,260</u>
City net pension liability	<u>\$ 1,287,131</u>
Plan fiduciary net position as a percentage of the total pension liability	92.23%
Covered payroll	\$ 2,445,296
Net pension liability as a percentage of covered payroll	52.64%

The Plan's fiduciary net position is reported in the Pension Trust Fund as of June 30, 2017. The City's net pension liability is reported in the government-wide activities and enterprise funds as of the measurement date of June 30, 2017.

***Actuarial Assumptions for Calculation of the Net Pension Liability***

Measurement Date – June 30, 2017

Valuation Date – January 1, 2017

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

Post-Retirement: Tennessee Consolidated Retirement System Mortality Table

Discount Rate – 7.00% per annum

Inflation – 2.00% per annum

Salary Projection – 3.00% per annum

Cost of Living Increase – N/A

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

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

**Employee Retirement Plan (continued)**

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

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

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

Disability rates – None

***Long-Term Expected Rate of Return on Pension Plan Investments***

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017, (see the discussion of the pension plan's investment policy) are summarized in the following table:

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

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

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

**Employee Retirement Plan (continued)**

***Discount rate***

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumes that plan member contributions will be made at the current contribution rate and the City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

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

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
City of Athens' Net Pension Liability - June 30, 2017	\$ 3,032,830	\$ 1,287,131	\$ (203,888)

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

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

**Employee Retirement Plan (continued)**

*Additional Defined Benefit Plan disclosures for the City of Athens*

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

Additional City disclosures are made as of the measurement date, June 30, 2017, elected by the City under GASB No. 68.

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

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at June 30, 2016	<u>\$ 16,567,946</u>	<u>\$ 13,811,987</u>	<u>\$ 2,755,959</u>
Changes for the year:			
Service cost	181,239	-	181,239
Interest	1,142,721	-	1,142,721
Differences between expected and actual experience	(460,714)	-	(460,714)
Contributions-Employer	-	650,000	(650,000)
Net investment income	-	1,737,667	(1,737,667)
Benefit payments	(863,801)	(863,801)	-
Administrative expense	-	(55,593)	55,593
Net changes	<u>(555)</u>	<u>1,468,273</u>	<u>(1,468,828)</u>
Balances at June 30, 2017	<u>\$ 16,567,391</u>	<u>\$ 15,280,260</u>	<u>\$ 1,287,131</u>

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

	Governmental Activities	Sanitation	Total
Pension expense	\$ 615,664	\$ 22,819	\$ 638,483



**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**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, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 118,872	\$ 271,897
Changes of assumptions	54,304	-
Net difference between projected and actual earnings on pension plan investments	<u>322,171</u>	<u>-</u>
Total	<u>\$ 495,347</u>	<u>\$ 271,897</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:	
2018	\$ 193,087
2019	127,826
2020	58,558
2021	(156,021)

***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 \$34,456 during 2017.

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**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](http://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 five 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 2<sup>nd</sup> 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, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	56
Inactive employees entitled to but not yet receiving benefits	100
Active employees	<u>86</u>
	<u>242</u>

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**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, 2017, the contribution for Athens City Board of Education was \$174,338 based on a rate of 8.32 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, 2016, 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, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2016, 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, 2017**

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

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

**Public Employee Retirement Plan (continued)**

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

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

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 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, 2017**

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

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

**Public Employee Retirement Plan (continued)**

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Assets)
	(a)	(b)	(a)-(b)
Balance at 6/30/15	\$ 6,717,371	\$ 6,563,412	\$ 153,959
Changes for the year:			
Service cost	202,468	-	202,468
Interest	507,194	-	507,194
Differences between expected and actual experience	(142,126)	-	(142,126)
Contributions - Employer	-	164,526	(164,526)
Contributions - Employees	-	100,581	(100,581)
Net investment income	-	173,363	(173,363)
Benefit payments, including refunds of employee contributions	(314,496)	(314,496)	-
Administrative expense	-	(6,525)	6,525
Net changes	253,040	117,449	135,591
Balance at 6/30/16	\$ 6,970,411	\$ 6,680,861	\$ 289,550

***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 one percentage point lower (6.5 percent) or one percentage point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Athens City Board of Education's proportionate share of the net pension liability (asset)	\$ 1,135,825	\$ 289,550	\$ (420,976)

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**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, 2017, Athens City Board of Education recognized pension expense of \$104,115.

***Deferred outflows of resources and deferred inflows of resources.*** For the year ended June 30, 2017, Athens City Board of Education reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 65,381	\$ (181,759)
Net difference between projected and actual earnings on pension plan investments	221,810	-
Contributions subsequent to the measurement date of June 30, 2016	<u>174,338</u>	<u>-</u>
Total	<u>\$ 461,529</u>	<u>\$ (181,759)</u>

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2016,” 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:	
2018	\$ (21,332)
2019	(21,332)
2020	113,165
2021	34,931

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, 2017**

**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](http://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 five 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 2<sup>nd</sup> 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 Legacy Pension Plan, benefit terms and conditions, including COLAs, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**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, 2017, to the Teacher Legacy Pension Plan were \$619,958 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 liability (asset).** At June 30, 2017, the Athens City Board of Education reported a liability of \$1,257,467 for its proportionate share of net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Athens City Board of Education's proportion of the net pension liability was based on Athens City Board of Education's employer share of contributions to the pension plan, relative to the contributions of all participating LEAs. At the June 30, 2016 measurement date, Athens City Board of Education's proportion was 0.201213 percent. The proportion measured as of June 30, 2015, was 0.191783 percent.

**Pension expense.** For the year ended June 30, 2017, Athens City Board of Education recognized a pension expense of \$192,970.



**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**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, 2017, Athens City Board of Education reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 52,919	\$ 1,522,376
Net difference between projected and actual earnings on pension plan investments	1,403,979	-
Changes in proportion of net pension liability (asset)	193,417	-
LEA's contributions subsequent to the measurement date of June 30, 2016	619,958	-
Total	<u>\$ 2,270,273</u>	<u>\$ 1,522,376</u>

Athens City Board of Education employer contributions of \$619,958, reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as an increase in net pension liability (asset) in the year ended June 30, 2018. 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:	
2018	\$ (190,514)
2019	(190,514)
2020	482,973
2021	110,896
2022	(84,902)

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, 2017**

**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, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2016, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008, through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

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

**Teacher Legacy Pension Plan (continued)**

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

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees at 7.5 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 the all LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the proportionate share of net pension liability (asset) to changes in the discount rate.** The following presents Athens City Board of Education's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 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 one percentage point lower (6.5 percent) or one percentage point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Athens City Board of Education's proportionate share of the net pension liability (asset)	\$ 6,904,969	\$ 1,257,467	\$ (3,420,668)

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

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

**Teacher Legacy Pension Plan (continued)**

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

**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](http://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 five years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 60 and vested or pursuant to the rule of 80. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 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 2<sup>nd</sup> 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

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

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

**Teacher Retirement Plan (continued)**

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 in years when the maximum funded level, as established by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2017, to the Teacher Retirement Plan were \$46,429 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 Assets, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

**Pension asset.** At June 30, 2017, Athens City Board of Education reported an asset of \$20,731 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2016, and the total pension asset used to calculate the net pension asset was determined by an actuarial value as of that date. Athens City Board of Education's proportion of the net pension asset was based on Athens City Board of Education's share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2016, Athens City Board of Education's proportion was 0.199142 percent. The proportion measured as of June 30, 2015 was 0.339025 percent.

**Pension expense.** For the year ended June 30, 2017, Athens City Board of Education recognized pension expense of \$17,684.

**Deferred outflows of resources and deferred inflows of resources.** For the year ended June 30, 2017, Athens City Board of Education reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

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

**Teacher Retirement Plan (continued)**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,009	\$ 2,390
Net difference between projected and actual earnings on pension plan investments	3,394	-
Changes in proportion of net pension asset	3,924	-
Contributions subsequent to the measurement date of June 30, 2016	<u>46,429</u>	<u>-</u>
Total	<u>\$ 55,756</u>	<u>\$ 2,390</u>

Athens City Board of Education's employer contributions of \$46,429 reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as an increase in net pension liability (asset) in the year ended June 30, 2018. 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:	
2018	\$ 1,166
2019	1,166
2020	1,166
2021	1,004
2022	277
Thereafter	2,158

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

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

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

**Teacher Retirement Plan (continued)**

***Actuarial assumptions.*** The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

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

**Teacher Retirement Plan (continued)**

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

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 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 the all LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the proportionate share of net pension liability (asset) to changes in the discount rate.** The following presents Athens City Board of Education's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 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 one percentage point lower (6.5 percent) or one percentage point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Athens City Board of Education's proportionate share of the net pension liability (asset)	\$ 9,790	\$ (20,731)	\$ (43,219)



**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

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

**Teacher Retirement Plan (continued)**

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

**Defined Contribution Plan**

As a component of the Teacher Retirement Plan, a defined contribution plan has been established for all teachers hired on or after July 1, 2014. Athens City Board of Education is required to contribute 5 percent of salaries, while participants may contribute up to 2 percent of salary. Participants are immediately vested. The Plan is established with Great-West Financial as Plan Administrators. The Board contributed \$55,265 to the Plan in 2017.

**Component Unit**

**Utilities Board:**

***Plan descriptions***

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

**Note 9. Postemployment Healthcare Plan**

***Plan descriptions***

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

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

***Funding policy:***

The premium requirements of plan members are established and may be amended by the insurance committee. The plan is self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop their own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state provides a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. See Note 10 for additional details regarding on-behalf payments. The Board's required contribution for 2017 was \$170,000. The Board contributed \$174,858 in 2017.

	<u>Teacher Group Plan</u>
Annual Required Contribution (ARC)	\$ 170,000
Interest on the Net OPEB Obligation (NOO)	15,007
Adjustment to the ARC	<u>(15,065)</u>
Annual OPEB cost	169,942
Amount of contribution	<u>(174,858)</u>
Decrease in NOO	(4,916)
Net OPEB obligation, beginning of year	<u>400,136</u>
Net OPEB obligation, end of year	<u><u>\$ 395,220</u></u>

<u>Year End</u>	<u>Plan</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation at Year End</u>
6/30/15	Teacher Group	\$ 141,388	96.4%	\$ 381,021
6/30/16	Teacher Group	169,942	88.8	400,136
6/30/17	Teacher Group	169,942	102.9	395,220

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

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

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

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

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

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

***Actuarial methods and assumptions:***

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

In the July 1, 2015, actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 3.75 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 6.5 percent, initially. The rate decreased to 6.0 percent in fiscal year 2017, and will reduce by decrements to an ultimate rate of 4.7 percent by fiscal year 2050. 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, 2017**

**Note 10. On-Behalf Payments**

The State of Tennessee makes on-behalf payments to the State's Medicare Supplement Plan and the Teacher Group Plan for retired teachers of Athens City Board of Education. GASB Statement No. 24 requires that on-behalf payments be recognized in the Board's financial statements. During the year ended June 30, 2017, 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	\$ 67,988
Medicare Supplement Plan	34,088

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

**Note 11. Deferred Compensation**

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

**Note 12. Implementation of Governmental Accounting Standards Board Pronouncement - Tax Abatements**

During 2017, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 77 "Tax Abatement Disclosures." The pronouncement establishes financial reporting standards for tax abatement agreements entered into by state and local governments.

The City of Athens has an agreement with McMinn County and the Industrial Development Board of McMinn County for a Payment in Lieu of Taxes (PILOT) program, as authorized under Tennessee Code Annotated (TCA) 7-53. The program offers real and personal property tax abatements to entice new and expanding companies to select Athens as the target of their investment for purposes of economic development.

The criteria for eligibility includes providing new capital investment and job growth in Athens. There are also provisions for retained jobs if certain criteria are met. Projects eligible for the abatement program include manufacturing companies, distribution centers, data center and service projects, research and development projects, and pollution control projects. The maximum length of any PILOT project is 12 years. The program provides for a 50% reduction in the real and personal property assessed values for a certain number of years depending on the level of investment and/or

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**Note 12. Tax Abatements (continued)**

jobs created. There is also an option for a declining balance abatement for up to six years based on the same criteria, which provides for an abatement of 80% in year one, 60% in year two, 40% in year three, and 20% in years four through six.

Abatements may be recaptured in any year whereby the criteria are not met. Each agreement contains the methodology for calculating the percentage of repayment. The recovery payment is due with the annual report of the abatement.

The City has tax abatement agreements with four entities as of June 30, 2017:

	Percentage of Taxes Abated during the Year	Amount of Taxes Abated during the Year
E&E Manufacturing	80%	\$ 62,101
Maxwell Industries	80	9,338
Creative Foam	50	8,529
Denso Tennessee, Inc.	50	36,011

**Note 13. Contingencies**

The Athens Utilities Board has debt issues with outstanding balances totaling \$26,695,442, representing debt issued by the City where the Utilities Board has assumed all responsibility through resolution. This long-term debt is reported in the Athens Utilities Board financial statements. The debt service is to be paid through user fees and Board funds, but the City is required to establish ad valorem taxes under each debt issue if Utilities Board funds are not sufficient to service the debts.

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

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

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017**

**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**  
**AND RELATED RATIOS**  
**EMPLOYEE RETIREMENT PLAN**  
**LAST FOUR FISCAL YEARS**  
**June 30, 2017**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total Pension Liability</b>				
Service cost	\$ 181,239	\$ 202,251	\$ 219,376	\$ 250,841
Interest	1,142,721	1,086,325	1,094,369	1,064,342
Differences between expected and actual experience	(460,714)	327,458	45,954	(287,115)
Changes of assumptions	-	-	277,477	55,344
Benefit payments	<u>(863,801)</u>	<u>(717,399)</u>	<u>(668,078)</u>	<u>(635,679)</u>
<b>Net change in total pension liability</b>	(555)	898,635	969,098	447,733
<b>Total pension liability - beginning</b>	<u>16,567,946</u>	<u>15,669,311</u>	<u>14,700,213</u>	<u>14,252,480</u>
<b>Total pension liability - ending (a)</b>	<u><u>\$ 16,567,391</u></u>	<u><u>\$ 16,567,946</u></u>	<u><u>\$ 15,669,311</u></u>	<u><u>\$ 14,700,213</u></u>
<b>Plan Fiduciary Net Position</b>				
Contributions - employer	\$ 650,000	\$ 1,300,000	\$ 1,610,000	\$ 1,010,000
Net investment income	1,737,667	(116,640)	200,379	1,636,838
Benefit payments	(863,801)	(717,399)	(668,078)	(635,679)
Administrative expense	<u>(55,593)</u>	<u>(55,550)</u>	<u>(66,580)</u>	<u>(63,367)</u>
<b>Net change in plan fiduciary net position</b>	1,468,273	410,411	1,075,721	1,947,792
<b>Plan fiduciary net position - beginning</b>	<u>13,811,987</u>	<u>13,401,576</u>	<u>12,325,855</u>	<u>10,378,063</u>
<b>Plan fiduciary net position - ending (b)</b>	<u><u>\$ 15,280,260</u></u>	<u><u>\$ 13,811,987</u></u>	<u><u>\$ 13,401,576</u></u>	<u><u>\$ 12,325,855</u></u>
<b>Net pension liability - ending (a) - (b)</b>	<u><u>\$ 1,287,131</u></u>	<u><u>\$ 2,755,959</u></u>	<u><u>\$ 2,267,735</u></u>	<u><u>\$ 2,374,358</u></u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	92.23%	83.37%	85.53%	83.85%
<b>Covered payroll</b>	\$ 2,445,296	\$ 3,067,660	\$ 3,406,196	\$ 3,655,893
<b>Net pension liability as a percentage of covered payroll</b>	52.64%	89.84%	66.58%	64.95%

**Notes to Schedule**

*Changes of Assumptions:*

Effective June 30, 2015, the investment return is 7.00% per annum. Prior to June 30, 2015, the investment return was 7.5% per annum.

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

**CITY OF ATHENS, TENNESSEE  
SCHEDULE OF CONTRIBUTIONS  
EMPLOYEE RETIREMENT PLAN  
LAST FOUR FISCAL YEARS  
June 30, 2017**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 359,139	\$ 359,396	\$ 465,803	\$ 555,625
Contributions in relation to the actuarially determined contribution	<u>650,000</u>	<u>1,300,000</u>	<u>1,610,000</u>	<u>1,010,000</u>
Contribution deficiency (excess)	<u>\$ (290,861)</u>	<u>\$ (940,604)</u>	<u>\$ (1,144,197)</u>	<u>\$ (454,375)</u>
Covered payroll	\$ 2,445,296	\$ 3,067,660	\$ 3,406,196	\$ 3,655,893
Contributions as a percentage covered payroll	26.58%	42.38%	47.27%	27.63%

**Notes to Schedule**

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

*Methods and assumptions used to determine contribution rates:*

Actuarial cost method	Individual Entry Age Normal, level percentage of compensation
Amortization method	Level dollar, closed
Remaining amortization 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, 75% at Age 62, 50% at Ages 63-64, 100% at Age 65
Mortality	Pre-Retirement: 2014 IRS Combined Static Mortality Table Post-Retirement: Tennessee Consolidated Retirement System Mortality Table

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



**CITY OF ATHENS, TENNESSEE  
SCHEDULE OF INVESTMENT RETURNS  
EMPLOYEE RETIREMENT PLAN  
LAST FOUR FISCAL YEARS  
June 30, 2017**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	12.38%	(0.85)%	1.57%	15.41%

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

**CITY OF ATHENS, TENNESSEE  
SCHEDULE OF CHANGES IN NET PENSION  
LIABILITY (ASSET) AND RELATED RATIOS  
ATHENS CITY BOARD OF EDUCATION  
PUBLIC EMPLOYEE PENSION PLAN  
LAST THREE FISCAL YEARS  
June 30, 2017**

	2014	2015	2016
<b>Total Pension Liability</b>			
Service cost	\$ 183,637	\$ 192,930	\$ 202,468
Interest	456,115	470,972	507,194
Differences between actual and expected experience	(170,142)	108,969	(142,126)
Benefit payments, including refunds of employee contributions	(277,253)	(284,381)	(314,496)
<b>Net change in total pension liability</b>	192,357	488,490	253,040
<b>Total pension liability - beginning</b>	6,036,524	6,228,881	6,717,371
<b>Total pension liability - ending (a)</b>	<u>\$6,228,881</u>	<u>\$6,717,371</u>	<u>\$6,970,411</u>
 <b>Plan Fiduciary Net Position</b>			
Contributions - employer	\$ 156,714	\$ 158,450	\$ 164,526
Contributions - employee	94,521	95,605	100,581
Net investment income	914,930	196,626	173,363
Benefit payments, including refunds of employee contributions	(277,253)	(284,381)	(314,496)
Administrative expense	(3,263)	(4,335)	(6,525)
<b>Net change in plan fiduciary net position</b>	885,649	161,965	117,449
<b>Plan fiduciary net position - beginning</b>	5,515,798	6,401,447	6,563,412
<b>Plan fiduciary net position - ending (b)</b>	<u>\$6,401,447</u>	<u>\$6,563,412</u>	<u>\$6,680,861</u>
 <b>Net pension liability (asset) - ending (a) - (b)</b>	<u>\$ (172,566)</u>	<u>\$ 153,959</u>	<u>\$ 289,550</u>
 <b>Plan fiduciary net position as a percentage of total pension liability</b>	(102.77)%	97.71%	95.85%
<b>Covered payroll</b>	\$1,888,122	\$1,904,451	\$1,976,171
<b>Net pension liability (asset) as a percentage of covered payroll</b>	(9.14)%	8.08%	14.65%

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

**CITY OF ATHENS, TENNESSEE  
SCHEDULE OF CONTRIBUTIONS  
ATHENS CITY BOARD OF EDUCATION  
PUBLIC EMPLOYEE PENSION PLAN  
LAST FOUR FISCAL YEARS  
June 30, 2017**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actuarially determined contribution	\$ 156,714	\$ 158,450	\$ 164,526	\$ 174,338
Contributions in relation to the actuarially determined contribution	<u>156,714</u>	<u>158,450</u>	<u>164,526</u>	<u>174,338</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Covered payroll	 \$1,888,122	 \$1,904,451	 \$1,976,171	 \$2,095,409
 Contributions as a percentage of covered payroll	 8.30%	 8.32%	 8.33%	 8.32%

**Notes to Schedule**

*Valuation date:* Actuarially determined contribution rates for 2017 were calculated based on the July 1, 2015, 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	Varies by year
Asset valuation	10-year smoothed within a 20% corridor to market value
Inflation	3.0%
Salary increases	Graded salary ranges from 8.97% to 3.71% based on age, including inflation
Investment rate of return	7.5%, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living adjustments	2.5%

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

**CITY OF ATHENS, TENNESSEE  
SCHEDULE OF PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY (ASSET)  
ATHENS CITY BOARD OF EDUCATION  
TEACHER LEGACY PENSION PLAN  
LAST THREE FISCAL YEARS  
June 30, 2017**

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Athens City Board of Education's proportion of the net pension liability (asset)	(0.188902)%	0.191783%	0.201213%
Athens City Board of Education's proportionate share of the net pension liability (asset)	\$ (30,696)	\$ 78,561	\$1,257,467
Athens City Board of Education's covered payroll	\$7,414,378	\$ 7,179,415	\$7,263,369
Athens City Board of Education's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	(0.414002)%	1.094252%	17.31%
Plan fiduciary net position as a percentage of the total pension liability	100.08%	99.81%	97.14%

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

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

**CITY OF ATHENS, TENNESSEE  
SCHEDULE OF CONTRIBUTIONS  
ATHENS CITY BOARD OF EDUCATION  
TEACHER LEGACY PENSION PLAN  
LAST FOUR FISCAL YEARS  
June 30, 2017**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 658,397	\$ 649,018	\$ 656,609	\$ 619,958
Contribution in relation to the contractually determined contribution	<u>658,397</u>	<u>649,018</u>	<u>656,609</u>	<u>619,958</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Athens City Board of Education's covered payroll	\$7,414,378	\$7,179,415	\$7,263,369	\$6,857,942
Contributions as a percentage of Athens City Board of Education's covered payroll	8.88%	9.04%	9.04%	9.04%

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

**CITY OF ATHENS, TENNESSEE**  
**SCHEDULE OF PROPORTIONATE SHARE OF**  
**THE NET PENSION LIABILITY (ASSET)**  
**ATHENS CITY BOARD OF EDUCATION**  
**TEACHER RETIREMENT PLAN**  
**LAST TWO FISCAL YEARS**  
**June 30, 2017**

	<u>2016</u>	<u>2017</u>
Athens City Board of Education's proportion of the net pension liability (asset)	(0.339025)%	(0.199142)%
Athens City Board of Education's proportionate share of the net pension liability (asset)	\$ (13,926)	\$ (20,731)
Athens City Board of Education's covered payroll	\$ 719,244	\$ 876,231
Athens City Board of Education's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	(1.94)%	(2.37)%
Plan fiduciary net position as a percentage of the total pension liability	127.46%	121.88%

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

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

**CITY OF ATHENS, TENNESSEE  
SCHEDULE OF CONTRIBUTIONS  
ATHENS CITY BOARD OF EDUCATION  
TEACHER RETIREMENT PLAN  
LAST THREE FISCAL YEARS  
June 30, 2017**

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 17,981	\$ 21,934	\$ 46,429
Contribution in relation to the contractually determined contribution	<u>28,770</u>	<u>35,049</u>	<u>46,429</u>
Contribution deficiency (excess)	<u><u>\$ (10,789)</u></u>	<u><u>\$ (13,115)</u></u>	<u><u>\$ -</u></u>
Athens City Board of Education's covered payroll	\$719,244	\$876,231	\$1,160,725
Contributions as a percentage of Athens City Board of Education's covered payroll	4.00%	4.00%	4.00%

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

CITY OF ATHENS, TENNESSEE  
SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS  
BOARD OF EDUCATION TEACHER GROUP PLAN  
June 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/01/15	\$ -	\$ 275	\$ 275	0.00 %	\$ 9,447	2.91 %
7/01/13	-	206	206	0.00	8,570	2.40
7/01/11	-	422	422	0.00	9,237	4.57

(Dollar amounts in thousands)



**NONMAJOR  
GOVERNMENTAL FUNDS**

# **NONMAJOR GOVERNMENTAL FUNDS**

## **Debt Service Fund**

The Debt Service Fund is used for the accumulation of resources for, and the payment of, principal and interest on general long-term debt.

## **Special Revenue Funds**

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

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

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

## **Capital Projects Fund**

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

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

## **Permanent Fund**

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

**Cemetery Perpetual Care Fund:** This fund was established to provide for the future maintenance of city cemeteries. The interest income of the trust can be used for cemetery maintenance with no principal encroachment permitted.

**CITY OF ATHENS, TENNESSEE**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2017**

	Debt Service Fund	Special Revenue Funds		Capital Projects Fund Education Capital Projects	Permanent Fund Cemetery Perpetual Care	Total Nonmajor Governmental Funds
		Drug	Centralized Cafeteria			
<b>ASSETS</b>						
Cash and cash equivalents	\$ -	\$ 29,902	\$214,165	\$ 1,024,247	\$ -	\$ 1,268,314
Investments	-	181,125	-	-	228,474	409,599
Due from other governments	-	6,633	71,178	-	-	77,811
Inventories	-	-	30,825	-	-	30,825
Total assets	<u>\$ -</u>	<u>\$ 217,660</u>	<u>\$ 316,168</u>	<u>\$ 1,024,247</u>	<u>\$ 228,474</u>	<u>\$ 1,786,549</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accrued payroll and withholdings	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,665</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,665</u>
<b>FUND BALANCES</b>						
Nonspendable	-	-	30,825	-	79,150	109,975
Restricted	-	204,415	-	-	149,324	353,739
Committed	-	13,245	-	1,024,247	-	1,037,492
Assigned	-	-	257,678	-	-	257,678
Total fund balances	<u>-</u>	<u>217,660</u>	<u>288,503</u>	<u>1,024,247</u>	<u>228,474</u>	<u>1,758,884</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 217,660</u>	<u>\$ 316,168</u>	<u>\$ 1,024,247</u>	<u>\$ 228,474</u>	<u>\$ 1,786,549</u>

**CITY OF ATHENS, TENNESSEE**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2017**

	Debt Service Fund	Special Revenue Funds		Capital Projects Fund	Permanent Fund	Total Nonmajor Governmental Funds
		Drug	Centralized Cafeteria	Education Capital Projects	Cemetery Perpetual Care	
<b>REVENUES</b>						
Intergovernmental	\$ -	\$ -	\$1,174,222	\$ -	\$ -	\$ 1,174,222
Fines and forfeitures	-	21,439	-	-	-	21,439
Investment and interest income	16,218	942	1,016	-	12,502	30,678
Charges for services	-	-	54,747	-	1,835	56,582
Miscellaneous	-	-	197	-	-	197
Total revenues	<u>16,218</u>	<u>22,381</u>	<u>1,230,182</u>	<u>-</u>	<u>14,337</u>	<u>1,283,118</u>
<b>EXPENDITURES</b>						
Current:						
General government	1,842	-	-	-	-	1,842
Public safety	-	8,877	-	-	-	8,877
Education	-	-	1,213,127	-	-	1,213,127
Debt service:						
Principal	1,610,000	-	-	-	-	1,610,000
Interest	19,660	-	-	-	-	19,660
Total expenditures	<u>1,631,502</u>	<u>8,877</u>	<u>1,213,127</u>	<u>-</u>	<u>-</u>	<u>2,853,506</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(1,615,284)</u>	<u>13,504</u>	<u>17,055</u>	<u>-</u>	<u>14,337</u>	<u>(1,570,388)</u>
<b>OTHER FINANCING USES</b>						
Transfers	<u>(1,282,557)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,282,557)</u>
Total other financing uses	<u>(1,282,557)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,282,557)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(2,897,841)</u>	<u>13,504</u>	<u>17,055</u>	<u>-</u>	<u>14,337</u>	<u>(2,852,945)</u>
<b>FUND BALANCES, beginning of year</b>	<u>2,897,841</u>	<u>204,156</u>	<u>271,448</u>	<u>1,024,247</u>	<u>214,137</u>	<u>4,611,829</u>
<b>FUND BALANCES, end of year</b>	<u>\$ -</u>	<u>\$ 217,660</u>	<u>\$ 288,503</u>	<u>\$ 1,024,247</u>	<u>\$228,474</u>	<u>\$ 1,758,884</u>

**CITY OF ATHENS, TENNESSEE**  
**BUDGETARY COMPARISON SCHEDULE**  
**DEBT SERVICE FUND**  
**Year Ended June 30, 2017**

	<u>Budget</u>			<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Interest	\$ 5,000	\$ 5,000	\$ 16,218	\$ 11,218
Total revenues	<u>5,000</u>	<u>5,000</u>	<u>16,218</u>	<u>11,218</u>
<b>EXPENDITURES</b>				
Debt service:				
Principal	793,000	1,610,000	1,610,000	-
Interest	14,000	20,000	19,660	340
General government	<u>3,000</u>	<u>3,000</u>	<u>1,842</u>	<u>1,158</u>
Total expenditures	<u>810,000</u>	<u>1,633,000</u>	<u>1,631,502</u>	<u>1,498</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	(805,000)	(1,628,000)	(1,615,284)	12,716
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer from general fund	790,000	790,000	790,000	-
Transfer to capital projects fund	<u>-</u>	<u>(2,075,000)</u>	<u>(2,072,557)</u>	<u>2,443</u>
Total transfers	<u>790,000</u>	<u>(1,285,000)</u>	<u>(1,282,557)</u>	<u>2,443</u>
Net change in fund balance	(15,000)	(2,913,000)	(2,897,841)	15,159
<b>FUND BALANCE, beginning of year</b>	<u>2,897,841</u>	<u>2,897,841</u>	<u>2,897,841</u>	<u>-</u>
<b>FUND BALANCE, end of year</b>	<u><u>\$2,882,841</u></u>	<u><u>\$ (15,159)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 15,159</u></u>

**CITY OF ATHENS, TENNESSEE**  
**BUDGETARY COMPARISON SCHEDULE**  
**DRUG FUND**  
**Year Ended June 30, 2017**

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Drug fines and forfeitures	\$ 22,000	\$ 22,000	\$ 21,439	\$ (561)
Investment and interest income	-	-	942	942
Total revenues	<u>22,000</u>	<u>22,000</u>	<u>22,381</u>	<u>381</u>
<b>EXPENDITURES</b>				
Drug investigation	12,000	12,000	-	12,000
Supplies	5,000	5,000	8,877	(3,877)
Awareness, education and training	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Total expenditures	<u>22,000</u>	<u>22,000</u>	<u>8,877</u>	<u>13,123</u>
<b>REVENUES OVER EXPENDITURES</b>	-	-	13,504	13,504
<b>FUND BALANCE, beginning of year</b>	<u>204,156</u>	<u>204,156</u>	<u>204,156</u>	<u>-</u>
<b>FUND BALANCE, end of year</b>	<u>\$ 204,156</u>	<u>\$ 204,156</u>	<u>\$ 217,660</u>	<u>\$ 13,504</u>

**CITY OF ATHENS, TENNESSEE**  
**BUDGETARY COMPARISON SCHEDULE**  
**CENTRALIZED CAFETERIA FUND**  
**Year Ended June 30, 2017**

	<u>Budget</u>			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>with Final Budget</u>
<b>REVENUES</b>				
State funds	\$ 10,500	\$ 10,500	\$ 10,352	\$ (148)
Federal funds received through state	1,185,785	1,185,785	1,163,870	(21,915)
Charges for services	61,534	61,534	54,747	(6,787)
Interest	1,200	1,200	1,016	(184)
Other	<u>80,000</u>	<u>80,000</u>	<u>197</u>	<u>(79,803)</u>
Total revenues	1,339,019	1,339,019	1,230,182	(108,837)
<b>EXPENDITURES</b>				
Food services	<u>1,339,019</u>	<u>1,339,019</u>	<u>1,213,127</u>	<u>125,892</u>
<b>REVENUES OVER EXPENDITURES</b>	-	-	17,055	17,055
<b>FUND BALANCE</b> , beginning of year	<u>271,448</u>	<u>271,448</u>	<u>271,448</u>	<u>-</u>
<b>FUND BALANCE</b> , end of year	<u>\$ 271,448</u>	<u>\$ 271,448</u>	<u>\$ 288,503</u>	<u>\$ 17,055</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, 2017**

	<u>Fleet Fund</u>	<u>Employee Medical Benefits Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 41,482	\$ -	\$ 41,482
Investments	3,198,790	360,172	3,558,962
Interest receivable	<u>4,416</u>	<u>-</u>	<u>4,416</u>
Total current assets	3,244,688	360,172	3,604,860
Capital assets:			
Capital assets, net	<u>2,432,866</u>	<u>-</u>	<u>2,432,866</u>
Total assets	<u><u>\$ 5,677,554</u></u>	<u><u>\$ 360,172</u></u>	<u><u>\$ 6,037,726</u></u>
 <b>LIABILITIES AND NET POSITION</b>			
<b>LIABILITIES</b>			
Accounts payable	<u>\$ 4,650</u>	<u>\$ -</u>	<u>\$ 4,650</u>
<b>NET POSITION</b>			
Net investment in capital assets	2,432,866	-	2,432,866
Unrestricted	<u>3,240,038</u>	<u>360,172</u>	<u>3,600,210</u>
Total net position	<u>5,672,904</u>	<u>360,172</u>	<u>6,033,076</u>
Total liabilities and net position	<u><u>\$ 5,677,554</u></u>	<u><u>\$ 360,172</u></u>	<u><u>\$ 6,037,726</u></u>

**CITY OF ATHENS, TENNESSEE**  
**COMBINING STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**Year Ended June 30, 2017**

	<u>Fleet Fund</u>	<u>Employee Medical Benefits Fund</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 665,500	\$ -	\$ 665,500
<b>OPERATING EXPENSES</b>			
Depreciation	<u>388,287</u>	<u>-</u>	<u>388,287</u>
<b>OPERATING INCOME</b>	<u>277,213</u>	<u>-</u>	<u>277,213</u>
<b>NONOPERATING REVENUES</b>			
Interest income	19,931	1,873	21,804
Gain on sale of capital assets	<u>31,275</u>	<u>-</u>	<u>31,275</u>
Total nonoperating revenues	<u>51,206</u>	<u>1,873</u>	<u>53,079</u>
Income before capital contribution	328,419	1,873	330,292
<b>CAPITAL CONTRIBUTION</b>	<u>57,140</u>	<u>-</u>	<u>57,140</u>
<b>CHANGE IN NET POSITION</b>	385,559	1,873	387,432
<b>NET POSITION, beginning of year</b>	<u>5,287,345</u>	<u>358,299</u>	<u>5,645,644</u>
<b>NET POSITION, end of year</b>	<u><u>\$ 5,672,904</u></u>	<u><u>\$ 360,172</u></u>	<u><u>\$ 6,033,076</u></u>

**CITY OF ATHENS, TENNESSEE**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**Year Ended June 30, 2017**

	<u>Fleet Fund</u>	<u>Employee Medical Benefits Fund</u>	<u>Total</u>
<b>CASH FLOWS PROVIDED BY OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 666,777	\$ -	\$ 666,777
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Proceeds from the sale of capital assets	41,480	-	41,480
Purchase of capital assets	<u>(158,067)</u>	<u>-</u>	<u>(158,067)</u>
Net cash used in capital and related financing activities	<u>(116,587)</u>	<u>-</u>	<u>(116,587)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment and interest earnings	19,898	1,873	21,771
Purchase of investments	<u>(608,214)</u>	<u>(1,873)</u>	<u>(610,087)</u>
Net cash used in investing activities	<u>(588,316)</u>	<u>-</u>	<u>(588,316)</u>
Net decrease in cash and cash equivalents	(38,126)	-	(38,126)
Cash and cash equivalents, beginning of year	<u>79,608</u>	<u>-</u>	<u>79,608</u>
Cash and cash equivalents, end of year	<u>\$ 41,482</u>	<u>\$ -</u>	<u>\$ 41,482</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>			
Operating income	\$ 277,213	\$ -	\$ 277,213
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	388,287	-	388,287
Changes in assets and liabilities:			
Accounts receivable	<u>1,277</u>	<u>-</u>	<u>1,277</u>
Net cash provided by operating activities	<u>\$ 666,777</u>	<u>\$ -</u>	<u>\$ 666,777</u>
<b>SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>			
Interfund transfer of property	\$ 57,140	\$ -	\$ 57,140
Payable for purchase of capital asset	4,650	-	4,650

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**OTHER**

**CITY OF ATHENS, TENNESSEE**  
**SCHEDULE OF UNCOLLECTED DELINQUENT TAXES FILED**  
**LAST TEN YEARS**  
**June 30, 2017**

<u>Tax Year</u>	<u>Delinquent Taxes Filed</u>	<u>July 1, 2016 Delinquent Taxes Receivable</u>	<u>Current Collections and Adjustments</u>	<u>June 30, 2017 Delinquent Taxes Receivable</u>
2006 and Prior	*	\$ 4,599	\$ 4,599	\$ -
2007	69,042	115	115	-
2008	80,293	908	530	378
2009	69,472	6,111	2,036	4,075
2010	77,158	15,929	1,501	14,428
2011	97,583	27,087	5,076	22,011
2012	78,451	39,726	11,949	27,777
2013	72,120	42,964	12,646	30,318
2014	83,863	66,777	26,493	40,284
2015	116,012	236,378	138,065	98,313

\* Not available.



**CITY OF ATHENS, TENNESSEE**  
**SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE**  
**Year Ended June 30, 2017**

	<u>Total</u>	<u>2017 Assessment</u>	<u>2016 Assessment</u>	<u>Prior Years</u>
PROPERTY TAXES RECEIVABLE				
July 1, 2016	<u>\$6,080,594</u>	<u>\$ -</u>	<u>\$5,640,000</u>	<u>\$440,594</u>
Add -				
Taxes assessed	5,675,000	5,675,000	-	-
Late listings	<u>127,021</u>	<u>-</u>	<u>127,021</u>	<u>-</u>
	<u>5,802,021</u>	<u>5,675,000</u>	<u>127,021</u>	<u>-</u>
Deduct -				
Collections	5,715,087	-	5,525,863	189,224
Adjustments and abatements	<u>74,497</u>	<u>-</u>	<u>60,711</u>	<u>13,786</u>
	<u>5,789,584</u>	<u>-</u>	<u>5,586,574</u>	<u>203,010</u>
PROPERTY TAXES RECEIVABLE				
June 30, 2017	<u><u>\$6,093,031</u></u>	<u><u>\$5,675,000</u></u>	<u><u>\$ 180,447</u></u>	<u><u>\$237,584</u></u>

**CITY OF ATHENS, TENNESSEE**  
**SCHEDULE OF INVESTMENTS**  
**June 30, 2017**

	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	-	-	\$ 2,337	\$ 2,337
Causeway International Value Fund	-	-	4,116	4,076
Doubleline Total Return Bond Fund	-	-	48,977	47,582
Federated MDT Small Cap Growth Fund	-	-	902	1,396
Goldman Sachs Growth Opportunities Fund	-	-	3,712	4,372
Goldman Sachs International Small Cap Insights	-	-	1,191	1,224
Harding Loevner International Equity Institutional Fund	-	-	3,502	5,094
Lazard Emerging Markets Equity Institutional Fund	-	-	1,886	1,910
Metropolitan West Total Return Fund	-	-	50,055	49,589
Morgan Stanley Institutional Fund	-	-	2,162	2,769
Natixis Loomis Say Growth	-	-	4,953	6,197
Neuberger Berman Strategic Income Fund	-	-	16,794	17,083
Oppenheimer Developing Markets Fund	-	-	1,475	1,852
Pimco Real Return Fund	-	-	5,173	5,097
Sterling Capital Equity Income Fund	-	-	4,440	5,833
Sterling Capital Total Return Bond Fund	-	-	53,065	51,125
Touchstone Mid Cap Value Fund	-	-	3,464	3,788
Vanguard 500 Index Fund	-	-	10,428	12,087
Vanguard Developed Markets Index Fund	-	-	2,826	3,084
Virtus Quality Small Cap Fund	-	-	1,484	1,979
Total			<u>\$ 222,942</u>	<u>\$ 228,474</u>
Athens Pension Trust Fund:				
Federal Home Loan Mortgage Corporation	2.375	01/13/22	\$ 118,849	\$ 117,414
Federal Home Loan Mortgage Corporation	3.750	03/27/19	81,432	78,026
Federal National Mortgage Association	1.625	11/27/18	101,417	100,342
Federal National Mortgage Association	1.375	02/26/21	75,210	74,080
Federal National Mortgage Association	2.625	09/06/24	76,114	76,948
Federal National Mortgage Association	2.125	04/24/26	108,911	112,088
Federal National Mortgage Association	1.625	01/21/20	75,475	75,199
US Treasury Note	1.875	09/30/17	76,975	75,143
US Treasury Note	3.125	05/15/21	110,784	105,211
US Treasury Note	3.750	11/15/18	82,659	77,438
US Treasury Note	1.625	04/30/19	76,058	75,326
US Treasury Note	2.000	07/31/20	76,801	75,928
US Treasury Note	2.500	08/15/23	77,781	76,972
US Treasury Note	2.125	06/30/22	76,446	75,815
US Treasury Bond	2.125	05/15/25	15,541	14,906
US Treasury Bond	2.750	02/15/24	79,035	78,035
US Treasury Inflation Protected Security	0.625	01/15/24	54,020	53,140

(continued)

**CITY OF ATHENS, TENNESSEE**  
**SCHEDULE OF INVESTMENTS**  
**June 30, 2017**  
(continued)

	Interest Rate	Maturity Date	Cost	Market Value
Athens Pension Trust Fund: (continued)				
Accenture PLC CL A	-	-	\$ 27,767	\$ 34,507
ABB Limited Sponsored ADR	-	-	23,195	26,967
AIA Group, Limited	-	-	24,929	35,926
L'Air Liquide Air Liquide S. A.	-	-	18,591	21,054
Akzo N V Sponsored ADR	-	-	19,141	27,742
Allianz, Group	-	-	19,383	25,464
Alfa Laval	-	-	15,096	18,989
Alibaba Ground Holding	-	-	33,713	65,237
Arcelormittal	-	-	4,108	5,546
Aryzta AG-Unsponsored ADR	-	-	7,437	4,675
Aspen Pharmacare Unsponsored ADR	-	-	7,156	7,932
Astrazeneca PLC	-	-	13,714	15,852
Atlas Copco Group	-	-	9,468	13,365
Aviva PLC	-	-	18,655	20,129
BASF AG Sponsored ADR	-	-	18,149	18,682
BBA Aviation PLC Unsponsored ADR	-	-	3,700	5,131
BP PLC Sponsored ADR	-	-	7,630	7,692
BNP Paribas	-	-	7,642	9,782
Baidu, Inc.	-	-	44,248	46,325
Balfour Beatty PLC	-	-	5,178	4,113
Banco Bilbao Vizcaya - Sponsored ADR	-	-	24,089	26,158
Barclays PLC	-	-	18,537	13,523
Bayer A G	-	-	30,696	39,249
Bayerische Motoren Werke Unsponsored ADR	-	-	16,396	14,715
British American Tobacco, PLC	-	-	19,191	24,674
Caixabank	-	-	9,172	11,454
Canadian National RY Company	-	-	14,079	22,370
Canadian Pacific Railway Limited	-	-	9,636	10,453
Carnival Corporation PLC	-	-	11,749	17,852
Checkpoint Software Technology	-	-	19,867	25,852
China Mobile HK, Limited	-	-	23,235	20,015
CNOOC, Limited	-	-	16,140	12,254
Compagnie Financiere Richemont, S.A.	-	-	18,130	20,977
CSL, Limited	-	-	10,634	18,846
DBS Group Holdings, Limited	-	-	14,932	18,618
Danone - Sponsored ADR	-	-	30,323	34,152
Dassault Systems S.A.	-	-	25,127	35,003
Diageo, PLC - Sponsored ADR	-	-	9,414	10,305
East Japan Railway Company	-	-	19,805	21,452
Enbridge, Inc.	-	-	27,006	34,396
Encana Corporation	-	-	14,623	11,581
Engie - Sponsored ADR	-	-	24,085	21,327
Fanuc, Limited	-	-	23,099	25,517
Fresenius USA, Inc.	-	-	16,271	20,685
Fuchs Petrolu Se-Pref ADR	-	-	9,304	11,908

(continued)

**CITY OF ATHENS, TENNESSEE**  
**SCHEDULE OF INVESTMENTS**  
**June 30, 2017**  
(continued)

	Interest Rate	Maturity Date	Cost	Market Value
Athens Pension Trust Fund: (continued)				
Gildan Activewear, Inc.	-	-	\$ 7,577	\$ 8,942
Glaxosmithkline PLC Sponsored	-	-	13,843	13,669
Grifols, SA	-	-	7,473	9,297
Grupo Fin Banorte Sponsored ADR	-	-	9,721	12,501
Grupo Televisa Sa De VC Sponsored ADR	-	-	6,650	6,677
HSBC Holdings PLC Sponsored ADR	-	-	10,250	11,737
Hitachi, Limited	-	-	18,903	19,818
Icci Bank Limited Sponsored ADR	-	-	7,837	9,374
ING Groep NV - Sponsored ADR	-	-	4,692	6,643
Invesco, Limited	-	-	23,515	27,800
Itau Unibanco Banco Multiplo S.A.	-	-	11,917	14,343
JGC Corporation	-	-	13,936	9,016
Japan Airlines Company	-	-	19,351	17,871
KDDI Corporation Un-sponsored ADR	-	-	14,865	20,944
Komatsu LTD	-	-	11,732	14,354
Kubota Corporation	-	-	7,401	9,491
Linde AG Sponsored ADR	-	-	16,491	19,685
L'Oreal S.A.	-	-	17,978	24,007
LVMH Moet-Hennessy-Louis-Vuitton S.A.	-	-	8,316	12,399
Lloyds TSB Group	-	-	14,575	13,216
Manulife Financial Corporation	-	-	4,109	5,609
Mitsubishi Estate Company, Limited	-	-	10,232	7,527
Monotaro Company, Limited Un-sponsored ADR	-	-	5,346	10,439
Naspers Limited	-	-	16,806	24,202
Nestle S.A.	-	-	26,617	34,595
Nikon Corporation PLC Un-sponsored ADR	-	-	3,732	3,724
Novartis	-	-	65,439	82,719
Novo-Nordisk A.S.	-	-	33,992	31,953
Park24 Company, Limited Sponsored ADR	-	-	9,165	8,668
Prudential PLC	-	-	17,362	22,039
Roche Holding, Limited	-	-	48,272	53,773
Royal Dutch Shell PLC Class B ADR	-	-	50,079	53,341
Sanofi Synthelabo S.A.	-	-	7,265	8,001
SAP Aktiengesellschaft	-	-	35,286	50,660
Sasol Limited	-	-	9,708	7,519
Schlumberger, Limited	-	-	42,834	34,368
Schneider Electric S.A.	-	-	22,491	24,782
SK Telecom Company, Limited	-	-	15,530	17,969
Shire Pharmaceuticals Group PLC	-	-	7,773	7,602
Sonova Holding AG	-	-	7,846	10,828
SSE PLC - Sponsored ADR	-	-	13,266	10,626
Sumitomo Mitsui Trust Holdings, Inc.	-	-	8,894	8,662
Symrise AG ADR	-	-	9,385	11,088
Sysmex Corporation	-	-	10,834	15,019

(continued)

**CITY OF ATHENS, TENNESSEE**  
**SCHEDULE OF INVESTMENTS**  
**June 30, 2017**  
(continued)

	Interest Rate	Maturity Date	Cost	Market Value
Athens Pension Trust Fund: (continued)				
Taiwan Semiconductor Manufacturing Company	-	-	\$ 18,076	\$ 33,387
Tenaris S.A.	-	-	5,745	6,415
Turkiye Garanti Bankasi A.S.	-	-	10,714	8,545
UBS AG	-	-	7,198	5,892
Unilever PLC	-	-	26,850	37,668
Vodafone Group PLC	-	-	19,115	14,796
Volkswagen AG	-	-	39,210	34,868
WPP PLC	-	-	19,504	22,558
Zurich Insurance Group ADR	-	-	13,152	15,768
Invesco Finance PLC	3.125	11/30/22	50,549	50,946
HSBC Holdings PLC	5.100	04/05/21	65,267	65,232
Shell International Finance	4.300	09/12/21	49,827	49,063
AT&T, Inc.	4.125	02/17/26	50,249	51,264
American International Group	3.900	04/01/26	51,449	51,152
Annheuser-Busch	2.650	02/01/21	49,856	50,671
Apache Corporation	3.250	04/15/22	24,930	25,365
Apple, Inc.	2.000	05/06/20	49,833	50,240
Bank of America Corporation	3.300	01/11/23	61,262	61,182
Berkshire Hathaway, Inc.	3.125	03/15/26	49,953	50,563
Capital One Financial Company	6.750	09/15/17	68,934	60,608
Celgene Corporation	3.875	08/15/25	50,665	52,218
Citigroup, Inc.	3.750	06/16/24	60,505	62,181
The Coca-Cola Company	3.150	11/15/20	52,989	51,951
Comcast Corporation	1.625	01/15/22	58,318	58,339
CVS Health Corporation	2.875	06/01/26	59,122	58,145
Dr. Horton, Inc.	5.750	08/15/23	57,327	56,723
ERP Operating LP	3.000	04/15/23	24,810	25,106
Exxon Mobil Corporation	2.726	03/01/23	30,000	30,355
Fifth Third Bancorp	2.875	07/27/20	60,257	61,247
General Electric Capital Corporation	3.000	02/11/21	54,422	55,295
George Washington University	3.576	09/15/21	25,397	26,021
Goldman Sachs Group, Inc.	2.875	02/25/21	49,951	50,536
HCP, Inc.	5.375	02/01/21	12,005	12,005
Hollyfrontier Corporation	5.875	04/01/26	21,551	21,194
Home Depot, Inc.	4.400	04/01/21	66,374	64,669
Humana, Inc.	3.150	12/01/22	49,140	50,862
JP Morgan Chase & Company	6.000	01/15/18	55,916	51,124
Keycorp Corporation	2.300	12/13/18	60,445	60,324
L-3 Communications Corporation	3.850	12/15/26	51,583	51,543
McDonald's Corporation	3.250	06/10/24	44,333	46,087
Microsoft Corporation	3.125	11/03/25	40,431	40,814
Morgan Stanley Corporation	2.500	01/24/19	60,844	60,463
Oracle Corporation	1.900	09/15/21	50,042	49,561
Pioneer National Resource	3.950	07/15/22	47,610	47,154

(continued)

**CITY OF ATHENS, TENNESSEE**  
**SCHEDULE OF INVESTMENTS**  
**June 30, 2017**  
(continued)

	Interest Rate	Maturity Date	Cost	Market Value
Athens Pension Trust Fund: (continued)				
Regions Financial Corporation	3.200	02/08/21	\$ 50,692	\$ 51,120
Republic Services, Inc.	3.550	06/01/22	61,337	62,448
Sherwin Williams Company	3.450	06/01/27	34,873	35,230
Southern Company	2.450	09/01/18	60,499	60,394
TJX Companies	2.250	09/15/26	55,193	55,710
United Tech Corporation	3.100	06/01/22	51,228	51,753
Visa, Inc.	2.200	12/14/20	60,019	60,501
Wells Fargo & Company	2.600	07/22/20	60,233	60,845
Abbott Laboratories Corporation	-	-	31,366	39,228
AbbVie, Inc.	-	-	25,350	35,602
Alphabet, Class A	-	-	23,891	31,609
Alphabet, Class C	-	-	18,235	30,897
Amazon.com, Inc.	-	-	48,158	80,344
American Express Company Corporation	-	-	12,559	15,163
Amgen, Inc.	-	-	17,977	20,668
Analog Devices, Inc.	-	-	4,810	4,512
Anthem, Inc.	-	-	22,796	34,616
Autodesk, Inc.	-	-	19,557	37,606
Automatic Data Processing	-	-	7,415	8,914
Cerner Corporation	-	-	20,724	25,059
Cisco Systems, Inc.	-	-	38,324	47,169
The Coca-Cola Company	-	-	29,656	31,036
Crown Castle International Corporation	-	-	30,623	32,859
CVS Common	-	-	24,341	24,540
Deere & Company	-	-	23,167	27,808
Discover Financial Services	-	-	29,940	33,085
Expeditors International Wash, Inc.	-	-	25,099	29,539
Facebook, Inc.	-	-	50,771	72,923
Factset Research Systems, Inc.	-	-	16,579	17,283
General Motors Company	-	-	30,128	34,162
Honeywell International, Inc.	-	-	28,124	34,922
Host Hotels & Resorts, Inc. Corporation	-	-	19,044	19,567
Johnson & Johnson	-	-	28,498	35,718
Kar Auction Services, Inc.	-	-	26,092	24,469
Maxim Integrated Products	-	-	18,803	25,144
McDonald's Corporation	-	-	16,230	22,361
Merk & Company, Inc.	-	-	40,707	48,580
Microsoft Corporation	-	-	29,009	48,458
Monster Beverage Corporation	-	-	34,957	38,452
NASDAQ OMX Group	-	-	19,602	20,661
Omnicom Group, Inc.	-	-	24,092	32,911
Oracle Corporation	-	-	37,200	47,934
Pepsico, Inc.	-	-	25,292	34,416
Pfizer, Inc.	-	-	25,923	30,197
Proctor & Gamble Company	-	-	26,893	30,503

(continued)

**CITY OF ATHENS, TENNESSEE**  
**SCHEDULE OF INVESTMENTS**  
**June 30, 2017**  
(continued)

	Interest Rate	Maturity Date	Cost	Market Value
Athens Pension Trust Fund: (continued)				
Pulte Group, Inc.	-	-	\$ 15,483	\$ 22,077
Qualcomm, Inc.	-	-	71,027	67,148
Regeneron Pharmaceuticals, Inc.	-	-	24,600	30,942
Robert Half International, Inc.	-	-	20,011	26,122
Sabre Corporation	-	-	34,286	31,131
Scotts Company	-	-	14,310	18,876
SEI Investments Company	-	-	25,478	28,987
Time Warner, Inc.	-	-	14,961	20,584
United Parcel Services, Inc.	-	-	46,615	55,848
Varex Imaging Corporation	-	-	2,056	2,907
Varian Medical Systems, Inc.	-	-	17,027	24,766
Verizon Communications, Inc.	-	-	40,632	36,041
Visa, Inc.	-	-	36,871	53,267
Wells Fargo & Company	-	-	35,717	37,734
Yum! China Holdings, Inc.	-	-	9,457	15,023
Yum! Brands, Inc.	-	-	14,517	18,809
Federated MDT Small Cap Growth Fund	-	-	180,597	230,701
Goldman Sachs Growth Opportunities Fund	-	-	813,899	849,713
Goldman Sachs International Small Cap Insights	-	-	214,856	218,798
Lazard Emerging Markets Equity Institutional Fund	-	-	328,463	353,523
Morgan Stanley Institutional Fund	-	-	384,806	484,500
Oppenheimer Developing Markets Fund	-	-	306,939	353,783
Sterling Capital L/S Equity-Ins Fund	-	-	762,319	734,921
Sterling Capital Securitized Opportunities Fund	-	-	778,041	772,418
Touchstone Mid Cap Value Fund	-	-	523,307	591,164
Vanguard 500 Index Fund	-	-	1,662,394	2,000,619
Vanguard Developed Markets Fund	-	-	505,594	553,535
Virtus Quality Small Cap Fund	-	-	203,506	233,861
Sterling Capital Prime Money Market Fund	-	-	241,343	241,343
Clarkston County MI Bond	1.650	05/01/18	50,000	50,034
Connecticut ST Series A Bond	5.770	03/15/25	66,239	63,682
Frisco TX Bond	2.750	02/15/20	51,973	50,723
Hillsborough County FL School Board	5.500	07/01/18	53,747	52,197
Los Angeles CA Community Bond	3.009	08/01/23	41,394	41,697
Marlboro County SC School District	5.440	06/01/25	60,450	56,934
Michigan ST Bond	3.450	05/15/23	40,816	41,774
New York NY Build America Bond	5.049	12/01/21	22,686	22,243
New York NY Transportation Authority Revenue Bond	1.600	05/01/18	65,064	65,166
Union Elementary School District CA Bond	2.564	09/01/20	50,467	50,417
			<u>\$ 13,970,898</u>	<u>\$ 15,248,978</u>

(continued)

**CITY OF ATHENS, TENNESSEE**  
**SCHEDULE OF INVESTMENTS**  
**June 30, 2017**  
(continued)

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Cost</u>	<u>Market Value</u>
Participation in the State of Tennessee Local Government Investment Pool:				
General Fund	-	-	<u>\$ 5,940,490</u>	<u>\$ 5,940,490</u>
Drug Fund	-	-	<u>\$ 181,125</u>	<u>\$ 181,125</u>
Capital Improvement Fund	-	-	<u>\$ 5,754,756</u>	<u>\$ 5,754,756</u>
Sanitation Fund	-	-	<u>\$ 1,828,187</u>	<u>\$ 1,828,187</u>
Fleet Fund	-	-	<u>\$ 3,198,790</u>	<u>\$ 3,198,790</u>
Employee Medical Benefits Fund	-	-	<u>\$ 360,172</u>	<u>\$ 360,172</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, 2017**  
 (Accrual Basis of Accounting)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>GOVERNMENTAL ACTIVITIES</b>										
Net investment in capital assets	\$ 19,686,309	\$ 19,116,948	\$ 17,989,282	\$ 17,489,334	\$ 17,004,556	\$ 14,435,026	\$ 13,619,954	\$ 12,210,372	\$ 11,060,041	\$ 10,614,066
Restricted	942,859	1,037,679	1,322,190	1,344,973	1,329,154	563,958	539,331	3,544,712	3,243,590	2,892,696
Unrestricted	<u>22,062,417</u>	<u>19,379,552</u>	<u>16,406,946</u>	<u>22,497,971</u>	<u>21,586,035</u>	<u>13,725,546</u>	<u>13,028,236</u>	<u>9,479,418</u>	<u>8,333,430</u>	<u>7,246,032</u>
Total governmental activities net position	<u>\$ 42,691,585</u>	<u>\$ 39,534,179</u>	<u>\$ 35,718,418</u>	<u>\$ 41,332,278</u>	<u>\$ 39,919,745</u>	<u>\$ 28,724,530</u>	<u>\$ 27,187,521</u>	<u>\$ 25,234,502</u>	<u>\$ 22,637,061</u>	<u>\$ 20,752,794</u>
<b>BUSINESS-TYPE ACTIVITIES</b>										
Net investment in capital assets	\$ 1,213,388	\$ 1,166,634	\$ 1,087,417	\$ 1,051,952	\$ 1,250,026	\$ 1,448,098	\$ 1,394,936	\$ 1,548,913	\$ 1,373,417	\$ 1,485,011
Unrestricted	<u>2,009,088</u>	<u>1,843,698</u>	<u>1,735,631</u>	<u>1,722,010</u>	<u>1,439,227</u>	<u>1,190,353</u>	<u>1,193,483</u>	<u>938,929</u>	<u>1,139,298</u>	<u>983,005</u>
Total business-type activities net position	<u>\$ 3,222,476</u>	<u>\$ 3,010,332</u>	<u>\$ 2,823,048</u>	<u>\$ 2,773,962</u>	<u>\$ 2,689,253</u>	<u>\$ 2,638,451</u>	<u>\$ 2,588,419</u>	<u>\$ 2,487,842</u>	<u>\$ 2,512,715</u>	<u>\$ 2,468,016</u>
<b>PRIMARY GOVERNMENT</b>										
Net investment in capital assets	\$ 20,899,697	\$ 20,283,582	\$ 19,076,699	\$ 18,541,286	\$ 18,254,582	\$ 15,883,124	\$ 15,014,890	\$ 13,759,285	\$ 12,433,458	\$ 12,099,077
Restricted	942,859	1,037,679	1,322,190	1,344,973	1,329,154	563,958	539,331	3,544,712	3,243,590	2,892,696
Unrestricted	<u>24,071,505</u>	<u>21,223,250</u>	<u>18,142,577</u>	<u>24,219,981</u>	<u>23,025,262</u>	<u>14,915,899</u>	<u>14,221,719</u>	<u>10,418,347</u>	<u>9,472,728</u>	<u>8,229,037</u>
Total primary government net position	<u>\$ 45,914,061</u>	<u>\$ 42,544,511</u>	<u>\$ 38,541,466</u>	<u>\$ 44,106,240</u>	<u>\$ 42,608,998</u>	<u>\$ 31,362,981</u>	<u>\$ 29,775,940</u>	<u>\$ 27,722,344</u>	<u>\$ 25,149,776</u>	<u>\$ 23,220,810</u>

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, 2017**

(Accrual Basis of Accounting)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>EXPENSES</b>										
Governmental activities:										
General government	\$ 2,933,418	\$ 3,264,019	\$ 3,383,866	\$ 2,039,765	\$ 3,140,398	\$ 1,588,651	\$ 3,775,355	\$ 2,504,213	\$ 2,490,960	\$ 2,819,334
Public safety	3,766,146	3,872,018	3,842,422	4,290,714	4,348,906	4,534,214	3,980,447	4,224,580	4,461,884	3,885,236
Highways and streets	3,359,132	2,332,120	2,115,793	2,148,218	1,709,642	2,129,289	2,076,682	1,644,740	1,998,281	2,252,358
Culture and recreation	1,106,216	943,464	932,977	960,444	913,856	1,112,979	546,683	709,813	911,898	825,652
Education:						2,108,268	1,841,940	1,825,000	1,685,054	1,808,646
Instructional	9,340,964	8,755,499	8,523,347	9,309,345	9,653,532	-	-	-	-	-
Support services	6,246,659	6,599,401	6,239,889	5,927,266	5,077,403	-	-	-	-	-
Non-instructional	1,240,285	1,239,669	1,243,551	1,287,497	1,260,999	-	-	-	-	-
Unallocated depreciation	319,797	295,880	304,666	294,918	277,449	-	-	-	-	-
Health and welfare	97,281	93,581	95,333	106,926	111,079	105,949	93,479	97,091	93,733	89,773
Interest on long-term debt	19,659	17,533	21,927	28,568	33,823	33,938	61,531	63,175	124,260	254,003
Passthrough grants	2,279,544	303,616	1,373,723	1,096,736	-	500,000	2,980,680	3,423,715	-	-
Total governmental activities expenses	30,709,101	27,716,800	28,077,494	27,490,397	26,527,087	12,113,288	15,356,797	14,492,327	11,766,070	11,935,002
Business-type activities:										
Conference center	72,597	70,222	78,224	70,788	65,074	64,483	71,984	64,782	74,287	78,630
Sanitation	719,514	725,701	721,393	750,605	788,503	754,868	660,718	1,024,229	744,393	773,071
Total business-type activities expenses	792,111	795,923	799,617	821,393	853,577	819,351	732,702	1,089,011	818,680	851,701
Total primary government expenses	\$ 31,501,212	\$ 28,512,723	\$ 28,877,111	\$ 28,311,790	\$ 27,380,664	\$ 12,932,639	\$ 16,089,499	\$ 15,581,338	\$ 12,584,750	\$ 12,786,703
<b>PROGRAM REVENUES</b>										
Governmental activities:										
Charges for services:										
General government	\$ 134,040	\$ 109,955	\$ 166,047	\$ 91,301	\$ 133,031	\$ 106,902	\$ 70,957	\$ 68,970	\$ 128,972	\$ 161,389
Public safety	491,208	528,190	500,147	483,831	691,534	458,959	476,019	490,614	517,846	456,715
Culture and recreation	138,254	130,545	125,460	136,431	137,282	141,374	111,125	107,617	121,141	129,551
Education	282,624	273,801	280,239	419,058	467,264	-	-	-	-	-
Health and welfare	3,305	2,575	2,845	3,270	3,080	3,244	2,587	2,999	2,840	18,940

(continued)

**CITY OF ATHENS, TENNESSEE  
CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS**

**June 30, 2017**

(Accrual Basis of Accounting)  
(continued)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>PROGRAM REVENUES</b>										
Governmental activities: (continued)										
Operating grants and contributions	\$ 4,953,863	\$ 5,204,178	\$ 4,824,958	\$ 4,532,151	\$ 4,045,399	\$ 495,710	\$ 549,773	\$ 682,455	\$ 577,555	\$ 540,073
Capital grants and contributions	2,465,099	389,535	1,492,666	1,289,952	483,264	704,762	3,752,321	4,484,478	234,110	48,010
Total governmental activities program revenues	8,468,393	6,638,779	7,392,362	6,955,994	5,960,854	1,910,951	4,962,782	5,837,133	1,582,464	1,354,678
Business-type activities:										
Charges for services:										
Conference center	27,490	25,785	23,281	24,024	20,503	17,606	18,508	17,712	13,622	16,085
Sanitation	909,285	932,616	893,352	868,330	870,916	795,608	796,442	806,638	822,569	798,349
Total business-type activities program revenues	936,775	958,401	916,633	892,354	891,419	813,214	814,950	824,350	836,191	814,434
Total primary government program revenues	\$ 9,405,168	\$ 7,597,180	\$ 8,308,995	\$ 7,848,348	\$ 6,852,273	\$ 2,724,165	\$ 5,777,732	\$ 6,661,483	\$ 2,418,655	\$ 2,169,112
<b>NET (EXPENSES)/REVENUES</b>										
Governmental activities	\$ (22,240,708)	\$ (21,078,021)	\$ (20,685,132)	\$ (20,534,403)	\$ (20,566,233)	\$ (10,202,337)	\$ (10,394,015)	\$ (8,655,194)	\$ (10,183,606)	\$ (10,580,324)
Business-type activities	144,664	162,478	117,016	70,961	37,842	(6,137)	82,248	(264,661)	17,511	(37,267)
Total primary government net expenses	\$ (22,096,044)	\$ (20,915,543)	\$ (20,568,116)	\$ (20,463,442)	\$ (20,528,391)	\$ (10,208,474)	\$ (10,311,767)	\$ (8,919,855)	\$ (10,166,095)	\$ (10,617,591)

(continued)

**CITY OF ATHENS, TENNESSEE**  
**CHANGES IN NET POSITION**  
**LAST TEN FISCAL YEARS**  
**June 30, 2017**

(Accrual Basis of Accounting)  
(continued)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>GENERAL REVENUES AND OTHER</b>										
<b>CHANGES IN NET POSITION</b>										
Governmental activities:										
Property taxes	\$ 7,498,856	\$ 7,580,694	\$ 6,057,188	\$ 5,830,296	\$ 5,650,152	\$ 4,374,135	\$ 4,470,852	\$ 4,433,632	\$ 4,334,558	\$ 4,184,673
Local sales tax	4,411,095	4,391,883	4,121,597	4,009,132	3,963,722	3,913,163	3,783,265	3,599,822	3,693,011	3,954,205
In lieu of taxes	1,190,047	1,155,672	1,099,075	1,073,663	1,046,664	1,007,421	998,026	985,411	966,521	865,380
Wholesale beer tax	477,240	499,443	504,260	500,748	515,558	510,549	498,443	489,083	476,121	478,869
Wholesale liquor tax	221,916	148,667	-	-	-	-	-	-	-	-
Business tax	492,395	425,161	364,399	432,454	423,898	392,867	378,279	406,089	642,757	670,214
Franchise tax	188,754	192,185	173,483	172,510	145,434	154,429	151,724	144,908	140,271	138,113
Other local taxes	72,430	108,862	77,011	85,455	82,858	87,076	83,875	106,587	75,488	33,870
Intergovernmental revenues not restricted to specific programs	10,447,295	10,094,663	9,915,955	9,544,232	9,223,315	1,140,201	1,109,583	1,110,439	1,219,896	1,368,407
Insurance proceeds	84,021	15,593	3,769	2,479	58,280	8,330	-	35,539	107,703	-
Investment income	123,918	70,802	39,615	77,599	62,608	85,889	59,713	91,129	309,719	552,007
Gain (loss) on disposal of capital assets	21,145	75,185	29,846	44,158	16,378	-	23,255	(4,264)	12,804	-
Miscellaneous	169,002	134,972	169,859	185,935	118,634	65,286	98,637	49,260	89,024	79,103
Transfers	-	-	-	-	-	-	-	(195,000)	-	(251,090)
Total governmental activities	25,398,114	24,893,782	22,556,057	21,958,661	21,307,501	11,739,346	11,655,652	11,252,635	12,067,873	12,073,751
Business-type activities:										
Investment income	10,409	6,555	1,458	1,229	1,723	6,524	2,489	4,763	21,611	32,461
Gain on disposal of capital assets	49,202	9,181	5,850	4,045	-	25,000	-	34,040	1,111	5,033
Miscellaneous	7,869	9,070	9,763	8,474	11,237	24,645	15,840	5,985	4,466	6,798
Transfers	-	-	-	-	-	-	-	195,000	-	251,090
Total business-type activities	67,480	24,806	17,071	13,748	12,960	56,169	18,329	239,788	27,188	295,382
Total primary government	\$ 25,465,594	\$ 24,918,588	\$ 22,573,128	\$ 21,972,409	\$ 21,320,461	\$ 11,795,515	\$ 11,673,981	\$ 11,492,423	\$ 12,095,061	\$ 12,369,133

(continued)

**CITY OF ATHENS, TENNESSEE**  
**CHANGES IN NET POSITION**  
**LAST TEN FISCAL YEARS**  
**June 30, 2017**

(Accrual Basis of Accounting)  
(continued)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>GOVERNMENTAL ACTIVITIES</b>										
Prior period adjustments and restatements	\$ -	\$ -	\$ (7,484,785)	\$ (11,725)	\$ 10,453,947	\$ -	\$ 691,382	\$ -	\$ -	\$ 11,147
<b>BUSINESS-TYPE ACTIVITIES</b>										
Prior period adjustments and restatements	-	-	(85,001)	-	-	-	-	-	-	-
Total primary government	\$ -	\$ -	\$ (7,569,786)	\$ (11,725)	\$ 10,453,947	\$ -	\$ 691,382	\$ -	\$ -	\$ 11,147
<b>CHANGES IN NET POSITION</b>										
Governmental activities	\$ 3,157,406	\$ 3,815,761	\$ 1,870,925	\$ 1,424,258	\$ 741,268	\$ 1,537,009	\$ 1,261,637	\$ 2,597,441	\$ 1,884,267	\$ 1,504,574
Business-type activities	212,144	187,284	134,087	84,709	50,802	50,032	100,577	(24,873)	44,699	258,115
Total changes in net position	\$ 3,369,550	\$ 4,003,045	\$ 2,005,012	\$ 1,508,967	\$ 792,070	\$ 1,587,041	\$ 1,362,214	\$ 2,572,568	\$ 1,928,966	\$ 1,762,689

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, 2017**  
(Modified Accrual Basis of Accounting)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>GENERAL FUND</b>										
Nonspendable	\$ 101,485	\$ 165,778	\$ 116,334	\$ 183,917	\$ 107,345	\$ 391,001	\$ 391,570	\$ -	\$ -	\$ -
Reserved	-	-	-	-	-	-	-	288,287	324,773	388,372
Restricted	103,424	108,395	111,441	111,363	111,386	152,520	154,782	-	-	-
Committed	19,855	20,673	20,343	20,079	19,278	18,317	17,491	-	-	-
Assigned	-	-	-	-	-	32,000	2,175	-	-	-
Unassigned	9,214,911	8,495,582	7,579,861	7,881,265	7,854,881	7,671,422	8,487,832	-	-	-
Unreserved	-	-	-	-	-	-	-	7,645,767	7,686,117	7,018,754
Total General Fund	9,439,675	8,790,428	7,827,979	8,196,624	8,092,890	8,265,260	9,053,850	7,934,054	8,010,890	7,407,126
<b>ALL OTHER GOVERNMENTAL FUNDS</b>										
Nonspendable	254,797	203,719	166,829	168,636	187,933	47,283	57,283	-	-	-
Reserved	-	-	-	-	-	-	-	3,544,712	3,247,796	2,892,696
Restricted	739,554	868,076	1,163,466	1,186,327	1,170,485	364,155	337,266	-	-	-
Committed	6,946,587	3,673,665	2,219,063	1,607,235	1,898,474	2,590,360	2,594,053	-	-	-
Assigned	3,762,204	6,108,592	6,778,853	7,711,584	7,322,172	3,554,467	3,473,885	-	-	-
Unreserved, reported in:										
Special revenue funds	-	-	-	-	-	-	-	182,621	190,307	216,477
Capital projects funds	-	-	-	-	-	-	-	4,197,480	3,260,483	3,473,105
Total all other governmental funds	\$ 11,703,142	\$ 10,854,052	\$ 10,328,211	\$ 10,673,782	\$ 10,579,064	\$ 6,556,265	\$ 6,462,487	\$ 7,924,813	\$ 6,698,586	\$ 6,582,278

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, 2017**

(Modified Accrual Basis of Accounting)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>REVENUES</b>										
Property taxes	\$ 7,522,044	\$ 7,568,597	\$ 6,009,899	\$ 5,848,755	\$ 5,787,626	\$ 4,368,696	\$ 4,462,814	\$ 4,374,413	\$ 4,255,543	\$ 4,390,787
Other local taxes	8,339,742	8,152,947	7,504,028	7,382,746	9,594,041	6,065,506	5,893,612	5,731,900	5,994,169	6,140,653
Intergovernmental	16,545,054	14,351,909	15,014,618	14,257,121	10,293,399	2,341,673	5,410,476	6,459,025	2,247,698	2,281,491
Charges for services and tuition	558,223	516,877	574,590	650,060	740,657	251,520	184,670	179,586	247,268	275,138
Fines and forfeitures	491,208	528,190	500,148	483,831	691,534	458,960	476,019	490,613	517,846	456,715
Investment and interest income	102,114	57,162	36,950	52,655	59,830	74,728	55,374	80,737	266,346	444,168
Miscellaneous	173,200	230,364	203,915	205,043	160,425	71,692	98,638	84,799	194,768	79,103
Total revenues	33,731,585	31,406,046	29,844,148	28,880,211	27,327,512	13,632,775	16,581,603	17,401,073	13,723,638	14,068,055
<b>EXPENDITURES</b>										
General government	2,318,846	2,347,339	2,404,328	2,281,359	2,599,003	2,331,668	2,145,657	2,339,869	2,849,019	2,767,617
Public safety	4,239,143	4,676,698	4,899,076	4,429,497	4,496,635	4,608,530	4,023,473	4,310,585	4,339,356	3,967,996
Highways and streets	2,998,764	2,467,023	2,245,781	1,976,925	2,007,157	2,118,202	1,937,882	1,669,242	1,852,398	2,181,401
Culture and recreation	1,015,966	985,544	956,090	875,887	914,958	891,780	775,601	776,659	877,987	878,867
Education	17,587,158	18,047,303	16,947,592	16,554,903	15,970,471	2,108,268	1,841,940	1,825,000	1,685,054	1,808,646
Health and welfare	105,316	106,498	110,614	110,326	114,479	109,349	96,879	100,491	97,033	93,074
Capital outlay	2,425,843	525,497	2,230,090	1,667,273	1,406,633	1,451,621	5,380,256	4,564,530	601,723	71,521
Debt service:										
Principal	1,610,000	770,000	747,000	725,000	703,000	683,000	662,000	605,300	581,200	558,300
Interest and fiscal charges	19,660	17,533	21,927	28,568	33,823	33,938	61,531	63,175	124,260	254,003
Total expenditures	32,320,696	29,943,435	30,562,498	28,649,738	28,246,159	14,336,356	16,925,219	16,254,851	13,008,030	12,581,425
<b>REVENUES OVER (UNDER)</b>										
<b>EXPENDITURES</b>	1,410,889	1,462,611	(718,350)	230,473	(918,647)	(703,581)	(343,616)	1,146,222	715,608	1,486,630

(continued)

**CITY OF ATHENS, TENNESSEE**  
**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**June 30, 2017**  
 (Modified Accrual Basis of Accounting)  
 (continued)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>OTHER FINANCING SOURCES</b>										
(USES)										
Capital contributions	\$ -	\$ -	\$ -	\$ -	\$ 10,080	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers	-	-	-	(41,031)	-	-	-	-	-	-
Proceeds from issuance of debt	-	-	-	-	-	-	-	-	-	-
Proceeds from the sale of capital assets	3,427	10,086	365	6,531	680	439	1,086	3,169	4,464	20,484
Insurance proceeds	<u>84,021</u>	<u>15,593</u>	<u>3,769</u>	<u>2,479</u>	<u>58,280</u>	<u>8,330</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing resources	<u>87,448</u>	<u>25,679</u>	<u>4,134</u>	<u>(32,021)</u>	<u>69,040</u>	<u>8,769</u>	<u>1,086</u>	<u>3,169</u>	<u>4,464</u>	<u>20,484</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ 1,498,337</u>	<u>\$ 1,488,290</u>	<u>\$ (714,216)</u>	<u>\$ 198,452</u>	<u>\$ (849,607)</u>	<u>\$ (694,812)</u>	<u>\$ (342,530)</u>	<u>\$ 1,149,391</u>	<u>\$ 720,072</u>	<u>\$ 1,507,114</u>
<b>DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES</b>	5.14%	2.72%	2.57%	2.71%	2.76%	5.56%	5.90%	5.72%	5.69%	6.49%

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, 2017**

Fiscal Year	Real Property	Personal Property	Public Utility Property	Total Taxable Assessed Value	Estimated Market Value	City Property Tax Rate	Taxable Assessed Value as a % of	
							Actual Taxable Value	
2008 (1)	\$ 274,126,065	\$ 101,817,455	\$ 8,195,180	\$ 384,138,700	\$ 1,222,784,857	1.1147	31.4	
2009	287,546,237	106,163,376	7,321,785	401,031,398	1,251,838,522	1.1147	32.0	
2010	296,151,030	103,168,031	7,124,829	406,443,890	1,281,162,243	1.1147	31.7	
2011	291,508,161	97,604,734	7,867,087	396,979,982	1,263,211,877	1.1147	31.4	
2012	297,938,950	88,125,866	6,984,848	393,049,664	1,237,942,071	1.1147	31.8	
2013 (1)	292,970,485	83,197,188	8,204,116	384,371,789	1,205,548,537	1.1328	31.9	
2014	290,338,620	85,473,263	7,053,398	382,865,281	1,204,540,874	1.1328	31.8	
2015	300,454,640	99,320,541	8,479,395	408,254,576	1,289,031,476	1.4770	31.7	
2016	301,608,970	104,469,997	8,847,818	414,926,785	1,310,260,486	1.3628	31.7	
2017	307,557,565	104,159,884	8,626,091	420,343,540	1,324,491,242	1.3628	31.7	

Data Source: McMinn County Tax Assessor's Office

(1) Reappraisal

**CITY OF ATHENS, TENNESSEE  
DIRECT AND OVERLAPPING  
PROPERTY TAX RATES  
(PER \$100 OF ASSESSED VALUE)  
LAST TEN FISCAL YEARS  
June 30, 2017**

<u>Tax Year</u>	<u>City (Direct Rate)</u>	<u>County (Overlapping Rate)</u>	<u>Total</u>
2008 (1)	1.1147	1.5553	2.6700
2009	1.1147	1.5553	2.6700
2010	1.1147	1.5553	2.6700
2011	1.1147	1.5553	2.6700
2012	1.1147	1.5553	2.6700
2013 (1)	1.1328	1.6155	2.7483
2014	1.1328	1.6155	2.7483
2015	1.4770	1.6155	3.0925
2016	1.3628	1.6158	2.9786
2017	1.3628	1.6158	2.9786

(1) Reappraisal

Sources: Minutes of City Council and County Commission meetings

**CITY OF ATHENS, TENNESSEE**  
**PRINCIPAL PROPERTY TAXPAYERS**  
**CURRENT FISCAL YEAR AND NINE YEARS AGO**  
**June 30, 2017**

2017				2008			
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	\$ 77,846,445	18.5 %	Denso Tennessee, Inc.	Automotive parts manufacturer	\$ 50,656,606	13.2 %
E&E Manufacturing	Automotive parts supplier	10,483,436	2.5	Johnson Controls, Inc.	Automotive seating	14,578,977	3.8
Starr Regional Medical Center	Healthcare	9,572,675	2.3	Athens Regional Medical Center	Healthcare	9,186,261	2.4
HP Pelzer	Automotive parts supplier	9,019,399	2.1	Mayfield Dairy Farms, Inc.	Dairy products	8,857,472	2.3
Adient	Automotive seating	8,920,739	2.1	Thomas & Betts	Electrical component manufacturer	6,685,330	1.7
Dean Foods/Mayfield Dairy Farms, Inc.	Dairy products	7,890,551	1.9	Walmart	Retail	6,076,166	1.6
MCR Acquisition	Electrical component manufacturer	7,964,412	1.8	New Plan of Tennessee Plastic Industries, Inc.	Real estate investment	3,862,120	1.0
Walmart	Retail	5,813,644	1.4		Plastic component manufacturer	3,859,700	1.0
Heil Trailer, International	Trailer tanks	5,308,393	1.3	Bell South	Telephone company	3,712,946	1.0
RCG Athens	Real estate investment	3,157,040	0.8	Heil Trailer, International	Trailer manufacturer	3,508,771	0.9

NOTE: Total assessed valuations for 2017 and 2008 are \$420,343,540 and \$384,138,700, respectively.

Source: Official records of the Department of Finance

**CITY OF ATHENS, TENNESSEE**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
**LAST TEN FISCAL YEARS**  
**June 30, 2017**  
(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
2008	\$ 4,176,407	\$ 4,007,842	95.96	\$ 154,062	\$ 4,161,904	99.65
2009	4,344,661	4,097,097	94.30	196,157	4,293,254	98.82
2010	4,440,776	4,179,963	94.13	255,007	4,434,970	99.87
2011	4,500,601	4,223,936	93.85	210,726	4,434,662	98.53
2012	4,399,152	4,149,785	94.33	219,258	4,369,043	99.32
2013	4,316,647	4,083,062	94.59	192,794	4,275,856	99.06
2014	4,359,762	4,161,945	95.46	156,695	4,318,640	99.06
2015	4,412,937	4,207,109	95.34	133,054	4,340,163	98.35
2016	5,965,875	5,729,519	96.04	129,765	5,859,284	98.21
2017	5,706,737	5,525,863	96.83	-	5,525,863	96.83

Source: Official records of Department of Finance

**CITY OF ATHENS, TENNESSEE**  
**RATIO OF OUTSTANDING DEBT BY TYPE**  
**LAST TEN FISCAL YEARS**  
**June 30, 2017**

Fiscal Year	General Obligation Bonds	Notes Payable	Total Primary Government	Percentage of Personal Income	Per Capita
2008	\$ -	\$ 7,086,500	\$ 7,086,500	2.62	\$ 523
2009	-	6,505,300	6,505,300	2.27	462
2010	-	5,900,000	5,900,000	2.06	413
2011	-	5,238,000	5,238,000	1.80	389
2012	-	4,555,000	4,555,000	1.85	338
2013	-	3,852,000	3,852,000	1.49	286
2014	-	3,127,000	3,127,000	1.22	232
2015	-	2,380,000	2,380,000	.89	177
2016	-	1,610,000	1,610,000	.65	120
2017	-	-	-	-	-

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



Table 10

**CITY OF ATHENS, TENNESSEE**  
**RATIO OF GENERAL DEBT OUTSTANDING**  
**LAST TEN FISCAL YEARS**  
**June 30, 2017**

Fiscal Year	General Debt Outstanding			Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Notes Payable	Total		
2008	\$ -	\$ 7,086,500	\$ 7,086,500	1.84	\$ 523
2009	-	6,505,300	6,505,300	1.62	462
2010	-	5,900,000	5,900,000	1.45	413
2011	-	5,238,000	5,238,000	1.32	389
2012	-	4,555,000	4,555,000	1.16	338
2013	-	3,852,000	3,852,000	1.00	286
2014	-	3,127,000	3,127,000	0.82	232
2015	-	2,380,000	2,380,000	0.58	177
2016	-	1,610,000	1,610,000	0.39	120
2017	-	-	-	-	-

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, 2017**

The City of Athens has no direct and overlapping debt as of June 30, 2017; therefore, this schedule is inapplicable.

**CITY OF ATHENS, TENNESSEE  
LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS  
June 30, 2017**

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, 2017**

There is no debt outstanding for the City of Athens; therefore, this schedule is inapplicable.

**CITY OF ATHENS, TENNESSEE**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
**LAST TEN FISCAL YEARS**  
**June 30, 2017**

Fiscal Year	Population	Per Capita		Median Age	School Enrollment	Civilian Labor Force	Unemployment Rate
		Personal Income	Personal Income				
2008	13,553	\$ 270,192,608	\$ 19,936	38.5	1,744	10,160	8.30%
2009	14,073	286,779,594	20,378	37.9	1,703	10,550	14.90
2010	14,275	286,779,594	20,090	37.9	1,673	9,825	12.70
2011	13,458	290,706,258	21,601	39.1	1,574	10,175	12.30
2012	13,458	245,729,622	18,259	39.1	1,494	10,419	10.00
2013	13,458	258,326,310	19,195	39.1	1,524	10,681	9.90
2014	13,458	255,527,046	18,987	39.1	1,592	10,691	8.20
2015	13,458	266,791,392	19,824	39.1	1,563	10,720	7.10
2016	13,458	247,842,528	18,416	39.1	1,546	10,692	5.60
2017	13,458	255,029,961	18,950	39.1	1,556	10,800	4.80

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

**CITY OF ATHENS, TENNESSEE**  
**PRINCIPAL EMPLOYERS**  
**CURRENT FISCAL YEAR AND NINE YEARS AGO**  
**June 30, 2017**

2017		2008	
Employer	Taxable Employees	Employer	Taxable Employees
	Percentage of Total City Employment		Percentage of Total City Employment
Denso Tennessee, Inc.	1,600	Denso Tennessee, Inc.	900
Starr Regional Medical Center	750	Johnson Controls, Inc.	700
McMinn County Board of Education	732	McMinn County Board of Education	572
Heil Trailer, International	485	Mayfield Dairy Farms, Inc.	385
Adient	476	Heil Trailer, International	350
Thomas & Betts	314	Thomas & Betts	290
Dean Foods/Mayfield Dairy Farms, Inc.	310	Dynasty Spas	250
Walmart	300	Texas Hydraulics	162
Dynasty Spas	300	Mills Products	160
E & E Manufacturing	201	United Grocery	130
	5,468		3,899
	50.63 %		38.36 %

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, 2017**

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Full-Time Equivalent Employees as of June 30										
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	1	1	1	1	1	1	1	1
Communications	7	8	8	6	-	-	-	-	-	-
Community Development	4	4	4	4	4	4	4	4	4	4
Police	33	33	33	33	33	33	33	33	33	33
Fire	22	22	23	22	22	22	22	22	22	22
Parks and Recreation	10	10	10	10	10	9	9	9	9	9
Public Works	36	34	32	32	32	31	31	31	33	33
	<u>123</u>	<u>122</u>	<u>120</u>	<u>117</u>	<u>111</u>	<u>109</u>	<u>109</u>	<u>109</u>	<u>111</u>	<u>111</u>

Source: City Finance Department

**CITY OF ATHENS, TENNESSEE**  
**OPERATING INDICATORS BY FUNCTION/PROGRAM**  
**LAST TEN FISCAL YEARS**  
**June 30, 2017**

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental Activities:										
Community Development										
Number of building permits	501	389	49	353	382	360	347	313	318	370
Police:										
Number of arrests	1,040	1,341	1,422	1,497	1,488	1,113	1,097	1,292	997	1,017
Number of traffic citations issued	5,177	6,026	6,281	5,808	7,431	10,953	7,729	6,561	6,473	5,096
Fire:										
Total calls	369	432	510	528	520	418	515	567	631	659
Inspections	270	490	795	764	924	650	773	806	668	1,350
Business-type Activities:										
Conference center rentals	147	133	112	86	115	108	125	121	130	195

Source: Various City Departments



**CITY OF ATHENS, TENNESSEE**  
**INFRASTRUCTURE STATISTICS BY FUNCTION**  
**LAST TEN FISCAL YEARS**  
**June 30, 2017**

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	15	15	14	15	15	15	15	15	15	15
Fire:										
Stations	2	2	2	2	2	2	2	2	2	2
Fire trucks	6	6	6	6	6	6	6	6	6	6
Parks and recreation:										
Parks	10	10	10	10	10	10	10	10	10	10
Park acreage	233	233	233	233	233	233	233	233	233	233
Tennis courts	13	13	13	13	13	13	13	13	13	13
Softball fields	5	5	5	5	5	5	5	5	5	5
Baseball fields	3	3	3	3	3	3	3	3	3	3
Conference center	1	1	1	1	1	1	1	1	1	1
Soccer fields	3	3	3	3	3	3	3	3	3	3
Public works:										
Streets (miles)	126	126	126	126	126	126	126	126	126	126
Square feet of sidewalks	699,630	735,240	824,360	824,360	824,360	824,360	824,360	824,360	824,360	824,360
New traffic signals	-	3	1	-	-	-	-	-	-	-

Source: Various City Departments

**CITY OF ATHENS, TENNESSEE**  
**SCHEDULE OF BONDS OF PRINCIPAL OFFICIALS**  
**June 30, 2017**

Name	Office	Amount of Bond
Chuck Burris	Mayor	\$ 150,000
Dick Pelley	Vice-Mayor	150,000
William Bo Perkinson	Council Member	150,000
Yvonne Raper	Council Member	150,000
John Coker	Council Member	150,000
C. Seth Sumner	City Manager	150,000
Michael L. Keith, CPA	Finance Director/CMFO designee	250,000

**BOARD OF EDUCATION - MEMBERS**

Michael Bevins	Chairman	150,000
Chris Adams	Vice-Chairman	150,000
Johnny Coffman	Secretary	150,000
Amy Sullins	Treasurer	365,200
Beth Jackson	Member	150,000
Abby Burke	Member	150,000

**ADMINISTRATIVE STAFF**

Dr. Melanie Miller	Director of Schools	150,000
Melody Armstrong	Supervisor of Instruction	150,000
Ray Grant	Supervisor of Transportation	150,000
Janey Morris	Supervisor of Federal Programs	150,000
Rhonda Sarshuri	Supervisor of Special Education	150,000
Angie Newman	Supervisor of Food Services	150,000
Eddie Arnold	Supervisor of Maintenance	150,000
Susan Freeman	Finance Administrator	150,000

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**SINGLE AUDIT  
SECTION**

**CITY OF ATHENS, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**Year Ended June 30, 2017**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Accrued (Unearned) Grant Revenues July 1, 2016	Grant Revenues Received	Expenditures	Accrued (Unearned) Grant Revenues June 30, 2017
<b>PRIMARY GOVERNMENT:</b>						
<b>CITY OF ATHENS</b>						
<b>FEDERAL AWARDS</b>						
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>						
Passed through TN Department of Transportation:						
Safe Routes to Schools	20.205	SRTS-9201(13)	\$ -	\$ 17,500	\$ 17,500	\$ -
Highway Planning and Construction	20.205	STP-EN-IE-75-1(125)	-	13,226	13,226	-
Interchange Beautification			-	30,726	30,726	-
<b>U.S. DEPARTMENT OF JUSTICE</b>						
Edward Byrne Memorial Justice Assistance	16.738	2015-DJ-BX-0943	-	11,176	11,176	-
Bulletproof Vest Partnership Program	16.607	N/A	-	3,752	3,752	-
			-	14,928	14,928	-
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>						
Passed through TN Department of Economic & Community Development:						
Community Development Block Grants	14.228	33004-94617	-	-	4,500	4,500
<b>U.S. ENVIRONMENTAL PROTECTION AGENCY</b>						
Passed through TN Department of Environment & Conservation:						
Capitalization Grants for Drinking Water State Revolving Funds - Recovery	66.468	DGO-2011-2013	-	1,823,635	1,823,635	-
Loan	66.468	DGO-2011-2013	-	455,909	455,909	-
Principal Forgiveness			-	2,279,544	2,279,544	-
			-	2,325,198	2,325,698	4,500
Total Federal Awards-Primary Government City of Athens						

(continued)  
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**CITY OF ATHENS, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**Year Ended June 30, 2017**  
(continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Accrued (Unearned) Grant Revenues July 1, 2016	Grant Revenues Received	Expenditures	Accrued (Unearned) Grant Revenues June 30, 2017
<b>PRIMARY GOVERNMENT:</b>						
<b>CITY OF ATHENS</b>						
<b>STATE AWARDS</b>						
<b>DEPARTMENT OF TRANSPORTATION</b>						
Athens Multimodal Connections Project		54LPLM-S3-023	\$ -	\$ 57,442	\$ 90,085	\$ 32,643
Total State Awards - Primary Government City of Athens						
Total Primary Government City of Athens			-	57,442	90,085	32,643
				\$2,382,640	\$2,419,783	\$ 37,143
<b>PRIMARY GOVERNMENT:</b>						
<b>ATHENS CITY BOARD OF EDUCATION</b>						
<b>FEDERAL AWARDS:</b>						
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
Passed through the TN Department of Human Services:						
Child and Adult Food Care Program	10.558	N/A	\$ 5,992	\$ 81,477	\$ 75,485	\$ -
Passed through the TN Department of Education:						
Child Nutrition Cluster:						
National School Lunch Program	10.555	N/A	77,159	721,230	644,071	-
School Breakfast Program	10.553	N/A	27,526	270,907	243,381	-
Summer Food Service Program for Children	10.559	N/A	72,989	80,231	78,420	71,178
Passed through the TN Department of Agriculture:						
Food Distribution	10.555	N/A	-	122,514	122,514	-
			183,666	1,276,359	1,163,871	71,178
<b>U.S. DEPARTMENT OF EDUCATION</b>						
Impact Aid	84.041	N/A	-	463	463	-
Teacher Incentive Fund	84.374	N/A	338,766	908,633	785,833	215,966
Passed through the TN Department of Education:						
Special Education Cluster:						
Special Education - Grants to States	84.027	N/A	(479)	399,498	399,498	(479)
Special Education - Preschool Grants	84.173	N/A	-	17,515	17,515	-
Title I Grants to Local Educational Agencies	84.010	N/A	51,888	682,407	690,112	59,593
Twenty-First Century Community Learning Centers	84.287	N/A	44,008	248,572	273,000	68,436

(continued)  
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**CITY OF ATHENS, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**Year Ended June 30, 2017**  
(continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Accrued (Unearned) Grant Revenues July 1, 2016	Grant Revenues Received	Expenditures	Accrued (Unearned) Grant Revenues June 30, 2017
<b>PRIMARY GOVERNMENT:</b>						
<b>ATHENS CITY BOARD OF EDUCATION</b>						
<b>FEDERAL AWARDS:</b>						
<b>U.S. DEPARTMENT OF EDUCATION (continued)</b>						
Improving Teacher Quality - State Grants	84.367	N/A	\$ (44,269)	\$ 89,930	\$ 89,930	\$ (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)	34,321	34,321	(5,805)
English Language Acquisition Grants	84.162	N/A	(1,381)	21,569	21,569	(1,381)
			382,774	2,402,908	2,312,241	292,107
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						
Passed through the TN Department of Education:						
Read to Be Ready	93.575	N/A	-	-	54,052	54,052
Total Federal Awards - Primary Government Athens Board of Education			566,440	3,679,267	3,530,164	417,337
<b>STATE AWARDS</b>						
Early Childhood Education - Lottery		N/A	275,104	924,715	649,611	-
Coordinated School Health		N/A	27,128	80,464	85,000	31,664
Read to Be Ready Coaching		N/A	-	5,000	5,000	-
Safe Schools		N/A	5,500	13,580	8,080	-
Total State Awards - Primary Government Athens Board of Education			307,732	1,023,759	747,691	31,664
Total Primary Government Athens Board of Education			\$ 874,172	\$4,703,026	\$4,277,855	\$ 449,001

(continued)  
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**CITY OF ATHENS, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**Year Ended June 30, 2017**  
(continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Accrued (Unearned)		Grant Revenues Received	Expenditures	Accrued (Unearned) Grant Revenues June 30, 2017
			Grant Revenues July 1, 2016				
<b>PRIMARY GOVERNMENT:</b>							
Total Federal Awards			\$ 566,440		\$ 6,004,465	\$ 5,859,862	\$ 421,837
Total State Awards			307,732		1,081,201	837,776	64,307
<b>TOTAL AWARDS</b>			<u>\$ 874,172</u>		<u>\$ 7,085,666</u>	<u>\$ 6,697,638</u>	<u>\$ 486,144</u>

Note 1: The City of Athens received federal awards which made it subject to audit under the Uniform Guidance for the year ended June 30, 2017. The Schedule of Expenditures of Federal and State Awards includes the federal and state grant activity of the City of Athens and its blended component unit and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

Note 2: The Board of Education, a blended component unit of the City, received federal awards which made it subject to audit under the Uniform Guidance for the year ended June 30, 2017. The Board of Education awards have been reported on in the separately issued financial statements of Athens City Board of Education. The Board of Education awards have been included in the Schedule of Expenditures of Federal and State Awards to reflect the entire reporting entity. See separately issued Board of Education financial report regarding the Board's Schedule of Expenditures of Federal and State Awards.

Note 3: Expenditures under the U.S. Department of Agriculture Food Distribution grant received by the Board of Education represent receipt and expenditures of noncash commodities as valued based on equivalent purchased product.



**NEAL, SCOUTEN & McCONNELL, P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

633 Chestnut Street

Suite 1440 Republic Centre

Chattanooga, Tennessee 37450-1440

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

To the City Council  
City of Athens  
Athens, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Athens, Tennessee, as of and for the year ended June 30, 2017, 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 28, 2017.

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 28, 2017

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

Report of Independent Certified Public Accountants on  
Compliance for Each Major Program and on Internal Control Over  
Compliance Required by the Uniform Guidance

To the City Council  
City of Athens  
Athens, Tennessee

Report on Compliance for Each Major Federal Program

We have audited City of Athens, Tennessee's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the City of Athens, Tennessee's major federal program for the year ended June 30, 2017. The City of Athens, Tennessee's major federal program is 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of Athens, Tennessee's major federal program 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance 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 the major federal program. However, our audit does not provide a legal determination of the City of Athens, Tennessee's compliance.

## Opinion on the 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 the major federal program for the year ended June 30, 2017.

## 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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, 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 of Athens, Tennessee'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

Chattanooga, Tennessee  
December 28, 2017

**CITY OF ATHENS, TENNESSEE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**June 30, 2017**

**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 None reported  
Significant deficiencies identified  
not considered to be material weaknesses?        yes   X   no None reported

Noncompliance material to financial statements  
noted?        yes   X   no None reported

Noncompliance and other matters required to  
be reported?        yes   X   no None reported

**Federal Awards**

Internal Control over major programs:  
Material weakness(es) identified?        yes   X   no None reported  
Significant deficiencies 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 Uniform  
Guidance, 2 CFR Section 200.511(a)?        yes   X   no None reported

Identification of major programs:	CFDA Number	Name of Program or Cluster
	66.468	Capitalization Grant for Drinking Water State Revolving Fund

Dollar threshold used to distinguish  
between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee?        yes   X   no

**CITY OF ATHENS, TENNESSEE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2017**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

No findings or questioned costs noted.

**SECTION III – FEDERAL AWARDS**

No findings or questioned costs noted.

**CITY OF ATHENS, TENNESSEE  
SCHEDULE OF PRIOR YEAR FINDINGS  
AND QUESTIONED COSTS  
June 30, 2017**

**FINANCIAL STATEMENT FINDINGS**

There were no prior year findings or questioned costs.

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