

*City of Athens, Tennessee*



*Comprehensive Annual  
Financial Report*

*For The Year Ended June 30, 2018*

**CITY OF ATHENS, TENNESSEE**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**FOR THE YEAR ENDED  
JUNE 30, 2018**

**Prepared by:  
Department of Finance**



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## **INTRODUCTORY SECTION**



## FINANCE DEPARTMENT

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, 2018.

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, 2018, 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, 2018, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

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

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

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

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

After much review and debate among the council, the budget is revised to include any recommendations of the city council. A revised budget is submitted to city council at the May council meeting. The council is required to hold a public hearing on the proposed budget and to adopt a final budget and tax rate by June 30 each year, which is the close of the City's fiscal year. The appropriated budget is prepared by fund, function (e.g., public safety), department (e.g., police) and division (e.g., patrol). Department heads may make transfers within a division, but transfers of appropriations between divisions and funds require approval of the city council. Budget to actual comparisons are provided in this report for each governmental fund for which an appropriated annual budget has been adopted.

## **Factors Affecting Financial Condition**

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

### **Local Economy**

Major industries located within the City include several automotive parts suppliers, manufacturers of electrical components and plastics, and a producer of dairy products. Denso, the City's largest employer, has expanded three times in the past five 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. Food City opened in late 2017 in the downtown area, revitalizing an older strip center. Fairfield Inn completed construction on a new hotel in May and several new retailers opened during the year as well.

The unemployment rate has varied over the past decade. In 2009, the rate was 14.9 percent, with that being the highest rate and the lowest rate being 4.7 percent in 2018. The rate was 4.8 percent for June 2017. By comparison, the state rate was 3.5 percent and the federal rate was 4 percent for June 2018.

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

The City has identified approximately \$34,000,000 in capital funding items. The policy for the City has been to fund many of these types of projects with grant monies or the funds accumulated in the capital improvement fund. The City 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 under contract to be built at the Athens Regional Park in the coming year.

The Athens City Schools and the City Council continue to work on options for new school construction and/or renovations to existing buildings. Costs are expected to exceed \$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 been working with Retail Strategies to promote the City and develop relationships with retail businesses to encourage opening a location in Athens. A housing task force was created to work on increasing the residential housing market as well. Workforce development has been a focus of the City, McMinn County and the Economic Development Authority to have trained workers for local employers. The City is working with Tennessee Wesleyan University to create a business incubator which is expected to be open in 2019.

## **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, 2018. This was the twenty-seventh 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 19, 2018





Government Finance Officers Association

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

Presented to

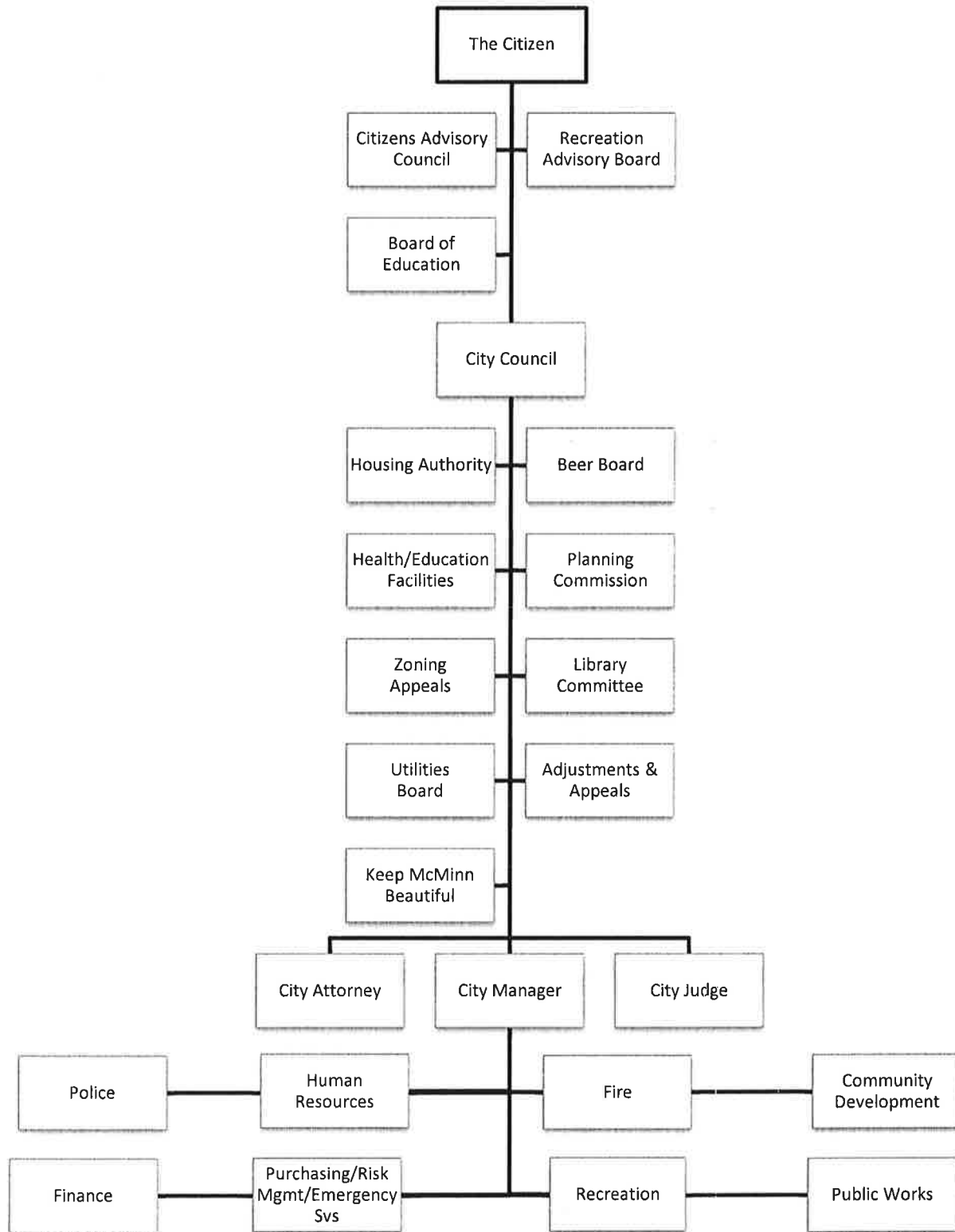
**City of Athens  
Tennessee**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2017**

*Christopher P. Morrell*

Executive Director/CEO



**CITY OF ATHENS, TENNESSEE**  
**LIST OF PRINCIPAL OFFICIALS**  
**June 30, 2018**

City of Athens

Chuck Burris  
John Coker  
Dick Pelley  
William Bo Perkinson  
Yvonne Raper

C. Seth Sumner  
H. Chris Trew  
Derek Green  
Nina Edmonds  
Anthony Casteel  
Jim Dyer  
Austin Fesmire  
Michael L. Keith, CPA, CMFO  
Ben Burchfield  
Cliff Couch

Mayor  
Vice-Mayor  
Council Member  
Council Member  
Council Member

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  
Police Chief

Athens City Board of Education

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

Dr. Melanie Miller  
Melody Armstrong  
Bob Harrison  
Janey Morris  
Rhonda Sarshuri  
Angie Newman  
Robert Owens  
Susan Freeman  
John Dyer

Chairman  
Vice-Chairman  
Secretary  
Treasurer  
Board Member  
Board Member

Director of Schools  
Supervisor of Instruction  
Supervisor of Transportation  
Supervisor of Federal Programs  
Supervisor of Exceptional Learning  
Supervisor of Food Services  
Supervisor of Facilities and Attendance  
Finance Administrator  
Supervisor of Technology

Athens Utilities Board

Stan Harrison  
Tom Hughes  
John Coker  
Lou Pascarella  
Bob Sevigny

Eric Newberry  
Michael Millsaps  
David St. John  
Sherree Reed  
Craig Brymer  
Wayne Scarbrough  
Phil Graves

Chairman  
Vice-Chairman  
Board Member  
Board Member  
Board Member

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, 2018, 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, 2018, 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.

## **Change in Accounting Principle**

As described Note 10 to the financial statements, the City adopted new accounting guidance in 2018, Governmental Accounting Standards Board Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions"(OPEB). Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages B-1 through B-10 and other required supplemental information on pages 85 through 95 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 96 through 97, the budgetary comparison schedules on pages 98 through 99, combining and individual internal service fund financial statements on pages 100 through 102, the statistical section and the financial schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the budgetary comparison schedules, combining and individual internal service fund financial statements, 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 19, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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, Scruton, & McConnell, P.C.*

Chattanooga, Tennessee  
December 19, 2018



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**City of Athens, Tennessee**  
**Management's Discussion and Analysis**  
**June 30, 2018**

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, 2018. 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 and deferred outflows of the City of Athens exceeded its liabilities and deferred inflows at June 30, 2018 by \$49,796,239 (net position). Of this amount, \$28,318,291 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- Net position increased by \$5,179,747, an increase of 11.61% compared to fiscal year 2017 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 decreased \$1,262,720, primarily due to a decrease in passthrough grants. Expenses decreased \$3,072,917 primarily due to passthrough grants and paving for streets.
- The City's property tax rate remained at \$1.3628 per hundred dollars of assessment.
- The City's residential sanitation fee remained at \$9.50 per month.
- As of the close of the current fiscal year, the City of Athens' governmental funds reported combined ending fund balances of \$24,701,584.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$11,713,042 or 110.22% of total General Fund expenditures. Expenditures do not include transfers to other funds, which totaled \$2,791,000 in the City's General Fund. The percentage drops to 87.29% 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.

**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, 2018**

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

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

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

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

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

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

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

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

**City of Athens, Tennessee**  
**Management's Discussion and Analysis**  
**June 30, 2018**

Fund and the Federal Projects Fund, which are considered to be major funds. Data from the other four 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 96.

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 100.

The basic proprietary fund financial statements can be found on pages 16-18 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Athens' own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Athens Pension Trust Fund is the one fiduciary maintained by the City and is shown on pages 19 and 20 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-84 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 85-95 of this report.

**City of Athens, Tennessee**  
**Management's Discussion and Analysis**  
**June 30, 2018**

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual nonmajor governmental fund statements and schedules are found on pages 96-99 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 \$49,796,239 at the close of this fiscal year.

The largest portion of the City of Athens net position (56.9%) is unrestricted net position and may be used to meet the government's ongoing obligations to its citizens and creditors. The City has also accumulated funds for capital project needs as approved by Council and debt service. The net investment in capital assets (41.3% of net position) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any debt used to acquire those assets that is still outstanding. The City of Athens uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City of Athens' investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Restricted net position comprises 1.8% of net position. These resources are subject to external restrictions on how they may be used.

At June 30, 2018, 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, 2018**

**City of Athens  
Net Position**

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$39,115,959	\$34,446,707	\$2,385,284	\$2,073,949	\$41,501,243	\$36,520,656
Capital assets	19,491,006	19,686,309	1,068,385	1,213,388	20,559,391	20,899,697
Total assets	<u>58,606,965</u>	<u>54,133,016</u>	<u>3,453,669</u>	<u>3,287,337</u>	<u>62,060,634</u>	<u>57,420,353</u>
Deferred outflows of resources:	1,882,348	3,265,184	-	17,721	1,882,348	3,282,905
Long-term liabilities	2,319,873	3,268,446	17,410	46,979	2,337,283	3,315,425
Other liabilities	2,242,975	2,148,540	25,797	25,985	2,268,772	2,174,525
Total liabilities	<u>4,562,848</u>	<u>5,416,986</u>	<u>43,207</u>	<u>72,964</u>	<u>4,606,055</u>	<u>5,489,950</u>
Deferred inflows of resources:	9,529,411	9,289,629	11,277	9,718	9,540,688	9,299,347
Net investment in capital assets	19,491,006	19,686,309	1,068,385	1,213,388	20,559,391	20,899,697
Restricted	918,557	942,859	-	-	918,557	942,859
Unrestricted	25,987,491	22,062,417	2,330,800	2,009,088	28,318,291	24,071,505
Total net position	<u>\$46,397,054</u>	<u>\$42,691,585</u>	<u>\$3,399,185</u>	<u>\$3,222,476</u>	<u>\$49,796,239</u>	<u>\$45,914,061</u>

**Governmental activities.** Governmental activities increased the City of Athens' net position by \$5,003,038 which accounts for the majority of the increase in the net position for the City of Athens. This increase is more than the prior year and results from 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 \$176,709. This increase was due primarily to the operations in the Sanitation Fund.

**City of Athens, Tennessee**  
**Management's Discussion and Analysis**  
**June 30, 2018**

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

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 888,709	\$ 1,049,431	\$ 981,258	\$ 936,775	\$ 1,869,967	\$ 1,986,206
Operating grants and contributions	5,011,745	4,953,863	-	-	5,011,745	4,953,863
Capital grants and contributions	344,456	2,465,099	-	-	344,456	2,465,099
General revenues:						
Property taxes	7,916,052	7,498,856	-	-	7,916,052	7,498,856
Other taxes	7,211,960	7,053,877	-	-	7,211,960	7,053,877
Intergovernmental revenues not restricted to specific programs	10,483,650	10,447,295	-	-	10,483,650	10,447,295
Other	740,900	398,086	29,312	67,480	770,212	465,566
Total revenues	32,597,472	33,866,507	1,010,570	1,004,255	33,608,042	34,870,762
Expenses:						
General government	2,615,251	2,933,418	-	-	2,615,251	2,933,418
Public safety	4,258,395	3,766,146	-	-	4,258,395	3,766,146
Highways and streets	2,342,509	3,359,132	-	-	2,342,509	3,359,132
Culture and recreation	1,241,870	1,106,216	-	-	1,241,870	1,106,216
Education	17,032,100	17,147,705	-	-	17,032,100	17,147,705
Health and welfare	104,309	2,376,825	-	-	104,309	2,376,825
Interest on long-term debt	-	19,659	-	-	-	19,659
Conference center	-	-	74,280	72,597	74,280	72,597
Sanitation	-	-	759,581	719,514	759,581	719,514
Total expenses	27,594,434	30,709,101	833,861	792,111	28,428,295	31,501,212
Change in net position	5,003,038	3,157,406	176,709	212,144	5,179,747	3,369,550
Net position, beginning of year (restated) (1)	41,394,016	39,534,179	3,222,476	3,010,332	44,616,492	42,544,511
Net position, end of year	\$46,397,054	\$42,691,585	\$3,399,185	\$3,222,476	\$49,796,239	\$45,914,061

(1) Includes a restatement of net assets of \$1,297,569, as described in Note 10. The restatement changes net assets as of July 1, 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.

**City of Athens, Tennessee**  
**Management's Discussion and Analysis**  
**June 30, 2018**

As of the end of the current fiscal year, the City of Athens' governmental funds reported combined ending fund balances of \$24,701,584, an increase of \$3,558,767 in comparison to the prior year. Approximately 47.4% of this total amount (\$11,713,042) 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 -\$368,832; restricted for a specific purpose by external constraint or enabling legislation -\$728,634 (law enforcement - \$98,684; basic education - \$259,863; cemetery perpetual care - \$156,678; Drug Fund - \$213,409); committed for a specific purpose per action of the City Council - \$7,296,786 (law enforcement - \$20,164; capital projects - \$6,236,785; education capital projects - \$1,024,247; Drug Fund - \$15,590); or assigned – intended by the City to be used for a specific purpose - \$4,594,290 (education - \$4,285,730; cafeteria operations - \$308,560).

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 \$11,713,042. 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 110.22% of total fund expenditures, but represents 87.29% when compared to total fund expenditures and transfers to other funds (General Purpose School Fund and Capital Improvement Fund).

The fund balance of the City of Athens' General Fund increased by \$2,495,347 during the current fiscal year. Revenues increased by \$299,258 while expenditures decreased by \$40,118 before transfers to other funds. Property taxes, local sales tax and interest earnings increased, while state income tax and court fines decreased 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 \$790,000 and the transfer to the Capital Projects Fund decreased by \$730,000.

The fund balance of the General Purpose School Fund increased by \$653,289. Much of this was due to increased funding from the State Basic Education Program.

The Capital Improvement Fund has a total fund balance of \$6,236,785. The net increase was \$327,690 due to the \$370,000 transfer from the General Fund. Capital items consisted of sidewalk improvements, recreation projects, Denso Eco Park and renovations of the Municipal Building. The majority of the items were funded by grants and proceeds from the sale of electricity generated by the City-owned solar panels.

**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 was \$23,006 for the Conference Center Fund, \$2,307,794 for the Sanitation Fund, \$3,842,980 for the Fleet Management Fund and \$364,670 for the Employee Medical Benefits Fund.



**City of Athens, Tennessee**  
**Management's Discussion and Analysis**  
**June 30, 2018**

**General Fund Budgetary Highlights**

Differences in the original budget and the final amended budget for revenues were \$184,000 and consisted of increases in property taxes, recreation concessions, interest and grant revenues. Differences between the original budget and the final amended budgeted expenditures, including transfers, were \$232,000 and are summarized below:

\$67,000 for an exhaust system in the fire bays at both stations.

\$61,000 for various items in police administration.

\$73,500 for various items in parks and recreation.

\$30,500 for various increases and decreases in legal fees, capital appropriation to the E. G. Fisher Library, finance, City Hall, purchasing and public works.

Final actual revenues exceeded amended budgeted revenues by \$1,009,545 and significant variances are summarized below:

\$357,563 more in property taxes.

\$239,961 more in other local taxes primarily because of the local sales tax, wholesale liquor taxes and business taxes.

\$142,978 more in intergovernmental revenues due to state sales tax, state excise tax and state gas tax.

\$92,196 more in charges for services due to building permits and utility street cuts.

\$142,100 more in fines and forfeitures.

\$20,685 more in interest.

\$14,062 more in miscellaneous revenues.

Final amended budgeted expenditures, including transfers, exceeded actual expenditures by \$1,533,802 and are summarized below:

\$120,473 in general government expenditures, related primarily to the City Manager's office, street lights, and community development.

\$288,267 in public safety expenditures, primarily due to vacancies in police and fire and related employee benefits.

**City of Athens, Tennessee**  
**Management's Discussion and Analysis**  
**June 30, 2018**

\$889,130 in highways and streets due to traffic signals and loop repairs, sidewalk, paving and fixed asset purchases not completed in the current year.

\$221,659 in parks and recreation primarily due to maintenance items not completed in the current year and program costs.

\$14,273 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, 2018, was \$20,559,391 (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	
	2018	2017	2018	2017	2018	2017
Buildings and improvements	\$21,566,442	\$21,353,076	\$1,517,930	\$1,517,930	\$23,084,372	\$22,871,006
Infrastructure	9,665,030	9,416,889	-	-	9,665,030	9,416,889
Furniture and office equipment	3,967,720	3,923,111	29,864	29,864	3,997,584	3,952,975
Machinery and equipment	7,633,410	7,453,744	1,696,132	1,666,264	9,329,542	9,120,008
Land	3,221,556	3,221,556	34,500	34,500	3,256,056	3,256,056
Construction in progress	696,537	321,694	-	-	696,537	321,694
	<u>\$46,750,695</u>	<u>\$45,690,070</u>	<u>\$3,278,426</u>	<u>\$3,248,558</u>	<u>\$50,029,121</u>	<u>\$48,938,628</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 Athens Utilities Board has debt outstanding totaling \$25,737,738 to be repaid by user fees and Board funds. In the event of default, the City is required to establish ad valorem taxes to repay the outstanding 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.

**City of Athens, Tennessee**  
**Management's Discussion and Analysis**  
**June 30, 2018**

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

The unemployment rate for the City of Athens is currently 4.7%, which is a decrease from the rate of 4.8% a year ago. Athens' rate is higher than the federal rate and the state rate.

Revenues were expected to decrease by approximately 2.2% due to property taxes, local sales tax and state gas taxes. Management has been conservative in estimating all revenues for 2018-2019 and expenditures increased due primarily to the implementation of a new classification/compensation plan. The property tax rate decreased to \$1.2676 due to reappraisal in 2018. The monthly residential refuse fee remained at \$9.50.

**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, 2018**

	Primary Government			Component Unit
	Governmental	Business-Type		Proprietary
	Activities	Activities	Total	Athens Utilities Board
<b>ASSETS AND DEFERRED OUTFLOWS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 7,241,466	\$ 326,570	\$ 7,568,036	\$ 22,443,457
Investments	20,830,484	1,940,705	22,771,189	-
Receivables:				
Customers, net	-	27,244	27,244	5,491,215
Other	71,791	-	71,791	295,098
Property taxes, net	8,022,181	-	8,022,181	-
Other governments	2,554,502	-	2,554,502	-
Component unit/primary government	-	90,765	90,765	70,499
Prepaid items	142,859	-	142,859	711,369
Inventories	144,363	-	144,363	2,451,950
Net pension asset	108,313	-	108,313	-
Capital assets, net of depreciation	15,572,913	1,033,885	16,606,798	99,831,239
Nondepreciable capital assets	3,918,093	34,500	3,952,593	13,519,596
Total assets	58,606,965	3,453,669	62,060,634	144,814,423
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to OPEB	132,264	-	132,264	-
Deferred outflows related to pensions	1,750,084	-	1,750,084	2,499,793
Total assets and deferred outflows	<u>\$ 60,489,313</u>	<u>\$ 3,453,669</u>	<u>\$ 63,942,982</u>	<u>\$ 147,314,216</u>
<b>LIABILITIES, DEFERRED INFLOWS, AND NET POSITION</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 677,608	\$ 22,157	\$ 699,765	\$ 4,439,910
Retainage payable	-	-	-	5,103
Accrued payroll and withholdings	1,218,922	3,640	1,222,562	-
Due to component unit/primary government	70,499	-	70,499	90,765
Other current liabilities	-	-	-	754,517
Unearned revenues	86,844	-	86,844	54,725
Customer deposits	-	-	-	652,285
Long-term liabilities:				
Due within one year	189,102	-	189,102	1,603,936
Due in more than one year	83,149	-	83,149	24,133,802
Net pension liability	471,972	17,410	489,382	3,633,822
OPEB liability	1,764,752	-	1,764,752	-
Total liabilities	<u>4,562,848</u>	<u>43,207</u>	<u>4,606,055</u>	<u>35,368,865</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to property tax	7,596,684	-	7,596,684	-
Deferred inflows related to OPEB	74,962	-	74,962	-
Deferred inflows related to pensions	1,857,765	11,277	1,869,042	405,234
Total deferred inflows	<u>9,529,411</u>	<u>11,277</u>	<u>9,540,688</u>	<u>405,234</u>
<b>NET POSITION</b>				
Net investment in capital assets	19,491,006	1,068,385	20,559,391	87,608,384
Restricted for:				
General	98,684	-	98,684	-
Drug	213,409	-	213,409	-
Education	259,863	-	259,863	-
Net pension asset	108,313	-	108,313	-
Cemetery perpetual care:				
Nonexpendable	81,610	-	81,610	-
Expendable	156,678	-	156,678	-
Unrestricted	25,987,491	2,330,800	28,318,291	23,931,733
Total net position	<u>46,397,054</u>	<u>3,399,185</u>	<u>49,796,239</u>	<u>111,540,117</u>
Total liabilities, deferred inflows, and net position	<u>\$ 60,489,313</u>	<u>\$ 3,453,669</u>	<u>\$ 63,942,982</u>	<u>\$ 147,314,216</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, 2018**

Functions/Programs	Net Revenues (Expenses) and Changes in Net Position						
	Program Revenues			Primary Government		Component Unit	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Govern-mental Activities	Business-Type Activities	Total
<b>Primary government:</b>							
<b>Governmental activities:</b>							
General government	\$ 2,615,251	\$ 189,261	\$ 33,838	\$ 84,412	\$ (2,307,740)	\$ -	\$ (2,307,740)
Public safety	4,258,395	285,018	60,367	-	(3,913,010)	-	(3,913,010)
Highways and streets	2,342,509	-	479,986	258,244	(1,604,279)	-	(1,604,279)
Culture and recreation	1,241,870	139,100	-	1,800	(1,100,970)	-	(1,100,970)
<b>Education:</b>							
Instructional	9,281,529	59,511	2,093,511	-	(7,128,507)	-	(7,128,507)
Support services	6,200,354	160,590	1,090,211	-	(4,949,553)	-	(4,949,553)
Non-instructional	1,223,957	51,934	1,222,931	-	50,908	-	50,908
Unallocated depreciation	326,260	-	-	-	(326,260)	-	(326,260)
Health and welfare	104,309	3,295	30,901	-	(70,113)	-	(70,113)
Total governmental activities	27,594,434	888,709	5,011,745	344,456	(21,349,524)	-	(21,349,524)
<b>Business-type activities:</b>							
Conference center	74,280	25,355	-	-	-	(48,925)	(48,925)
Sanitation	759,581	955,903	-	-	-	196,322	196,322
Total business-type activities	833,861	981,258	-	-	-	147,397	147,397
<b>Total primary government</b>	<b>\$ 28,428,295</b>	<b>\$ 1,869,967</b>	<b>\$ 5,011,745</b>	<b>\$ 344,456</b>	<b>(21,349,524)</b>	<b>147,397</b>	<b>(21,202,127)</b>
<b>Component unit:</b>							
Public utilities	\$ 65,391,273	\$ 67,619,914	\$ -	\$ 91,520	\$ -	\$ -	\$ 2,320,161
<b>Total component unit</b>	<b>\$ 65,391,273</b>	<b>\$ 67,619,914</b>	<b>\$ -</b>	<b>\$ 91,520</b>	<b>\$ -</b>	<b>\$ -</b>	<b>2,320,161</b>
<b>General revenues:</b>							
Property taxes					7,916,052	-	7,916,052
Local sales tax					4,592,782	-	4,592,782
In lieu of taxes					1,184,317	-	1,184,317
Wholesale beer tax					478,662	-	478,662
Wholesale liquor tax					217,305	-	217,305
Other local taxes					738,894	-	738,894
Intergovernmental revenues not restricted to specific programs					10,483,650	-	10,483,650
Investment income					260,103	22,194	282,297
Gain (Loss) on disposal of capital assets					7,578	226	7,804
Insurance proceeds					13,220	-	13,220
Miscellaneous					459,999	6,892	466,891
Total general revenues					26,352,562	29,312	26,381,874
Change in net position					5,003,038	176,709	5,179,747
<b>Net position, beginning of year, as restated</b>					41,394,016	3,222,476	44,616,492
<b>Net position, end of year</b>					<b>\$ 46,397,054</b>	<b>\$ 3,399,185</b>	<b>\$ 49,796,239</b>

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

**CITY OF ATHENS, TENNESSEE**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2018**

	General	General Purpose School	Capital Projects Fund Capital Improvement	Federal Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 1,086,896	\$4,524,884	\$ 96,667	\$ 108,524	\$ 1,371,581	\$ 7,188,552
Investments	10,098,644	-	6,163,962	-	419,082	16,681,688
Receivables:						
Property taxes, net	6,322,497	1,699,684	-	-	-	8,022,181
Other governments	1,299,333	813,450	108,724	271,334	61,661	2,554,502
Interfund	-	543,147	-	-	-	543,147
Other	65,851	-	-	-	-	65,851
Prepaid items	-	142,859	-	-	-	142,859
Inventories	103,132	-	-	-	41,231	144,363
Total assets	<u>\$ 18,976,353</u>	<u>\$7,724,024</u>	<u>\$ 6,369,353</u>	<u>\$ 379,858</u>	<u>\$ 1,893,555</u>	<u>\$ 35,343,143</u>
<b>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ 190,542	\$ 448,889	\$ 38,097	\$ -	\$ 79	\$ 677,607
Interfund payable	346,000	-	-	197,147	-	543,147
Accrued payroll and withholdings	97,061	886,999	-	182,711	52,151	1,218,922
Due to component unit	50,999	-	19,500	-	-	70,499
Unearned revenues	459,729	-	74,971	-	-	534,700
Total liabilities	1,144,331	1,335,888	132,568	379,858	52,230	3,044,875
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred inflows related to property taxes	5,897,000	1,699,684	-	-	-	7,596,684
	<u>7,041,331</u>	<u>3,035,572</u>	<u>132,568</u>	<u>379,858</u>	<u>52,230</u>	<u>10,641,559</u>
<b>FUND BALANCES</b>						
Nonspendable	103,132	142,859	-	-	122,841	368,832
Restricted	98,684	259,863	-	-	370,087	728,634
Committed	20,164	-	6,236,785	-	1,039,837	7,296,786
Assigned	-	4,285,730	-	-	308,560	4,594,290
Unassigned	11,713,042	-	-	-	-	11,713,042
Total fund balances	<u>11,935,022</u>	<u>4,688,452</u>	<u>6,236,785</u>	<u>-</u>	<u>1,841,325</u>	<u>24,701,584</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 18,976,353</u>	<u>\$7,724,024</u>	<u>\$ 6,369,353</u>	<u>\$ 379,858</u>	<u>\$ 1,893,555</u>	<u>\$ 35,343,143</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, 2018**

Total fund balances		\$ 24,701,584
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	\$ 41,564,019	
Accumulated depreciation	<u>(24,309,500)</u>	17,254,519
Certain property taxes and intergovernmental revenues are not available to pay for current period expenditures and therefore are deferred in the funds.		
Property taxes	403,455	
Intergovernmental revenue	<u>44,400</u>	447,855
Net pension asset		108,313
Net pension liability		(471,972)
Deferred outflows related to pensions		1,750,084
Deferred inflows related to pensions		(1,857,765)
Deferred outflows related to OPEB		132,264
Deferred inflows related to OPEB		(74,962)
Certain liabilities are not considered a use of current financial resources in the funds.		
Compensated absences	(222,391)	
OPEB liability	(1,764,752)	
Sick leave liability	<u>(49,860)</u>	(2,037,003)
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	52,915	
Accounts receivable	5,939	
Investments	4,148,796	
Capital assets	5,186,676	
Accumulated depreciation	<u>(2,950,189)</u>	6,444,137
Net position		<u>\$ 46,397,054</u>

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

**CITY OF ATHENS, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2018**

	General	General Purpose School	Capital Projects Fund Capital Improvement	Federal Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Property taxes	\$ 5,987,563	\$ 1,859,179	\$ -	\$ -	\$ -	\$ 7,846,742
Other local taxes	7,211,961	1,274,655	-	-	-	8,486,616
Intergovernmental	1,967,978	9,046,460	288,065	1,987,092	1,222,931	14,512,526
Charges for services	329,196	220,101	-	-	54,394	603,691
Fines and forfeitures	262,100	-	-	-	22,918	285,018
Investment and interest income	100,685	25,884	74,757	-	10,920	212,246
Miscellaneous	54,062	204,742	110,994	-	-	369,798
Total revenues	<u>15,913,545</u>	<u>12,631,021</u>	<u>473,816</u>	<u>1,987,092</u>	<u>1,311,163</u>	<u>32,316,637</u>
<b>EXPENDITURES</b>						
Current:						
General government	2,499,327	-	-	-	-	2,499,327
Public safety	4,592,333	-	-	-	13,924	4,606,257
Highways and streets	2,264,670	-	-	-	-	2,264,670
Culture and recreation	1,161,941	-	-	-	-	1,161,941
Education	-	14,313,614	-	2,085,640	1,214,798	17,614,052
Health and welfare	108,927	-	-	-	-	108,927
Capital outlay	-	-	516,126	-	-	516,126
Total expenditures	<u>10,627,198</u>	<u>14,313,614</u>	<u>516,126</u>	<u>2,085,640</u>	<u>1,228,722</u>	<u>28,771,300</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>5,286,347</u>	<u>(1,682,593)</u>	<u>(42,310)</u>	<u>(98,548)</u>	<u>82,441</u>	<u>3,545,337</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers	(2,791,000)	2,322,452	370,000	98,548	-	-
Insurance proceeds	-	13,220	-	-	-	13,220
Proceeds from sale of capital assets	-	210	-	-	-	210
Total other financing sources (uses)	<u>(2,791,000)</u>	<u>2,335,882</u>	<u>370,000</u>	<u>98,548</u>	<u>-</u>	<u>13,430</u>
<b>NET CHANGE IN FUND BALANCES</b>	2,495,347	653,289	327,690	-	82,441	3,558,767
<b>FUND BALANCES, beginning 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>
<b>FUND BALANCES, end of year</b>	<u>\$11,935,022</u>	<u>\$ 4,688,452</u>	<u>\$ 6,236,785</u>	<u>\$ -</u>	<u>\$ 1,841,325</u>	<u>\$ 24,701,584</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, 2018**

Net change in fund balances		\$ 3,558,767
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	\$ 7,916,052	
Fund revenue recognized	<u>(7,846,742)</u>	69,310
Intergovernmental revenues that do not provide current financial resources are not reported as revenue in the funds.		
State income tax-full accrual	19,507	
State beer tax-full accrual	6,178	
Collected fund revenue	<u>(43,786)</u>	(18,101)
Funds report capital outlays as expenditures. Asset cost is capitalized and allocated over the estimated useful lives as depreciation expense in the statement of activities.		
Capital asset expenditures in the current period	1,054,190	
Net book value of capital assets retired	(2,867)	
Construction in progress items expensed in current year that were expensed in the funds in prior year	(18,000)	
Less current year depreciation	<u>(1,032,247)</u>	1,076
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.		411,061
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.		
Net change in compensated absences	(14,723)	
Net change in sick leave liability	<u>11,592</u>	(3,131)
Pension expense in funds not expensed in government-wide.		1,414,071
Pension expense not recognized in funds.		(417,966)
OPEB expense not recognized in funds		(242,303)
OPEB expense in fund not expensed in government-wide		132,264
OPEB revenue in government-wide not in funds		95,375
Revenue reported in government-wide not in funds		<u>2,615</u>
Change in net position		<u>\$ 5,003,038</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, 2018**

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
<b>PROPERTY TAXES</b>				
Property taxes-current	\$ 5,250,000	\$ 5,350,000	\$ 5,717,006	\$ 367,006
Property taxes-prior	120,000	120,000	85,605	(34,395)
Property taxes-delinquent	70,000	70,000	86,887	16,887
Public utilities taxes	90,000	90,000	98,065	8,065
Total property taxes	<u>5,530,000</u>	<u>5,630,000</u>	<u>5,987,563</u>	<u>357,563</u>
<b>OTHER LOCAL TAXES</b>				
Penalty and interest on property tax-prior	20,000	20,000	21,889	1,889
Penalty and interest on property tax-current	20,000	20,000	30,895	10,895
In lieu of taxes	1,170,000	1,170,000	1,184,317	14,317
TVA impact	-	-	2,520	2,520
Local sales tax	4,450,000	4,450,000	4,592,782	142,782
Wholesale beer tax	490,000	490,000	478,662	(11,338)
Wholesale liquor tax	180,000	180,000	217,305	37,305
Cable TV franchise tax	180,000	180,000	183,053	3,053
Business license fee	2,000	2,000	1,732	(268)
Business tax - state clerk fee	40,000	40,000	47,312	7,312
Business tax - state collected	420,000	420,000	451,494	31,494
Total other local taxes	<u>6,972,000</u>	<u>6,972,000</u>	<u>7,211,961</u>	<u>239,961</u>
<b>INTERGOVERNMENTAL</b>				
State sales tax	1,130,000	1,130,000	1,159,213	29,213
State beer tax	6,000	6,000	6,278	278
State income tax	80,000	80,000	37,507	(42,493)
State gas and motor fuel tax	370,000	370,000	444,787	74,787
State gasoline inspection tax	28,000	28,000	27,022	(978)
State mixed drink tax	45,000	45,000	50,584	5,584
State excise tax	40,000	40,000	90,801	50,801
Reimbursement-other government agencies	122,000	122,000	142,473	20,473
Grants	-	4,000	9,313	5,313
Total intergovernmental	<u>1,821,000</u>	<u>1,825,000</u>	<u>1,967,978</u>	<u>142,978</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, 2018**  
(continued)

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>CHARGES FOR SERVICES</b>				
Utility damage reimbursement	\$ 25,000	\$ 25,000	\$ 50,163	\$ 25,163
Animal control	3,000	3,000	3,295	295
Recreation fees	94,000	94,000	101,960	7,960
Building permits	65,000	65,000	136,638	71,638
Recreation concessions	30,000	50,000	37,140	(12,860)
Total charges for services	217,000	237,000	329,196	92,196
<b>FINES AND FORFEITURES</b>				
Court fines	120,000	120,000	239,182	119,182
Law enforcement forfeitures	-	-	22,918	22,918
Total fines and forfeitures	120,000	120,000	262,100	142,100
<b>INTEREST</b>	20,000	80,000	100,685	20,685
<b>MISCELLANEOUS</b>	40,000	40,000	54,062	14,062
Total revenues	14,720,000	14,904,000	15,913,545	1,009,545
<b>EXPENDITURES</b>				
<b>GENERAL GOVERNMENT</b>				
Administrative:				
City Manager's Office	319,000	319,000	295,356	23,644
City Council	51,900	51,900	43,119	8,781
City Judge	13,000	13,000	12,842	158
City Attorney	30,000	50,000	43,550	6,450
Special appropriations	321,300	327,800	327,800	-
Athens Utilities Board	480,000	480,000	452,840	27,160
Finance	432,600	457,600	456,402	1,198
Personnel	195,400	195,400	195,281	119
Administrative services:				
Administration	114,100	56,100	49,626	6,474
City Hall	165,100	193,100	180,575	12,525
Community development:				
Administration	166,300	166,300	145,387	20,913
Codes enforcement	280,400	280,400	269,632	10,768
Cemeteries	29,200	29,200	26,917	2,283
Total general government	2,598,300	2,619,800	2,499,327	120,473

(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, 2018**  
(continued)

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>PUBLIC SAFETY</b>				
Police:				
Administration	\$ 298,000	\$ 359,000	\$ 352,769	\$ 6,231
Patrol	2,044,000	2,044,000	1,891,671	152,329
Detective	242,300	242,300	188,027	54,273
Fire:				
Administration	115,700	115,700	110,978	4,722
Prevention	19,100	19,100	10,268	8,832
Suppression	1,790,200	1,857,200	1,796,862	60,338
Administrative services:				
Communications	243,300	243,300	241,758	1,542
Total public safety	<u>4,752,600</u>	<u>4,880,600</u>	<u>4,592,333</u>	<u>288,267</u>
<b>HIGHWAYS AND STREETS</b>				
Public Works:				
Administration	256,500	256,500	227,899	28,601
Traffic control	271,800	271,800	167,132	104,668
Street maintenance	928,000	928,000	385,114	542,886
Street construction	561,400	561,400	412,001	149,399
Street cleaning	826,400	826,400	772,950	53,450
City garage	300,700	309,700	299,574	10,126
Total highways and streets	<u>3,144,800</u>	<u>3,153,800</u>	<u>2,264,670</u>	<u>889,130</u>
<b>CULTURE AND RECREATION</b>				
Parks and Recreation:				
Administration	213,800	213,800	213,702	98
Maintenance	795,900	795,900	601,248	194,652
Swimming pools	36,600	44,600	40,570	4,030
Program planning	263,800	329,300	306,421	22,879
Total culture and recreation	<u>1,310,100</u>	<u>1,383,600</u>	<u>1,161,941</u>	<u>221,659</u>
<b>HEALTH AND WELFARE</b>				
Public Works:				
Animal control	123,200	123,200	108,927	14,273
Total expenditures	<u>11,929,000</u>	<u>12,161,000</u>	<u>10,627,198</u>	<u>1,533,802</u>
<b>REVENUES OVER EXPENDITURES</b>	<u>2,791,000</u>	<u>2,743,000</u>	<u>5,286,347</u>	<u>2,543,347</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, 2018**  
(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)	\$ (2,421,000)	\$ -
Transfer to capital improvement fund	<u>(370,000)</u>	<u>(370,000)</u>	<u>(370,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(2,791,000)</u>	<u>(2,791,000)</u>	<u>(2,791,000)</u>	<u>-</u>
Net change in fund balance	-	(48,000)	2,495,347	2,543,347
<b>FUND BALANCE, beginning of year</b>	<u>9,439,675</u>	<u>9,439,675</u>	<u>9,439,675</u>	<u>-</u>
<b>FUND BALANCE, end of year</b>	<u>\$ 9,439,675</u>	<u>\$ 9,391,675</u>	<u>\$11,935,022</u>	<u>\$ 2,543,347</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, 2018**

	Budget			Variance with Final Budget
	Original	Final	Actual	
<b>REVENUES</b>				
Property taxes	\$ 1,564,000	\$ 1,564,000	\$ 1,859,179	\$ 295,179
County revenue	1,198,400	1,198,400	1,274,655	76,255
State funds	8,492,231	8,492,231	8,772,034	279,803
Federal funds received through state	273,000	273,000	273,473	473
Direct federal funds	-	-	953	953
Tuition	271,272	271,272	220,101	(51,171)
Interest	32,000	32,000	25,884	(6,116)
Other	211,000	211,000	204,742	(6,258)
Total revenues	<u>12,041,903</u>	<u>12,041,903</u>	<u>12,631,021</u>	<u>589,118</u>
<b>EXPENDITURES</b>				
Current:				
Instruction				
Regular instruction	8,078,807	8,072,021	7,558,137	513,884
Special education	603,465	620,595	620,595	-
Early childhood education	649,611	674,671	674,671	-
Other instruction	11,500	11,500	10,457	1,043
	<u>9,343,383</u>	<u>9,378,787</u>	<u>8,863,860</u>	<u>514,927</u>
Support services				
Instructional support	1,082,077	1,069,947	1,030,198	39,749
Student support	434,067	286,902	269,152	17,750
Administration	1,445,256	1,478,030	1,433,798	44,232
Operation and maintenance of plant	1,256,807	1,291,209	1,233,820	57,389
Transportation	405,226	415,626	405,178	10,448
Other support services	956,631	1,038,105	971,981	66,124
	<u>5,580,064</u>	<u>5,579,819</u>	<u>5,344,127</u>	<u>235,692</u>
Non-instructional services				
Capital outlay	227,192	467,192	105,627	361,565
Total expenditures	<u>15,150,639</u>	<u>15,425,798</u>	<u>14,313,614</u>	<u>1,112,184</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(3,108,736)</u>	<u>(3,383,895)</u>	<u>(1,682,593)</u>	<u>1,701,302</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Insurance proceeds	-	-	13,220	13,220
Proceeds from sale of capital assets	-	-	210	210
Transfer from general fund	2,421,000	2,421,000	2,421,000	39,332
Transfer to federal projects fund	(120,000)	(120,000)	(98,548)	21,452
	<u>2,301,000</u>	<u>2,301,000</u>	<u>2,335,882</u>	<u>34,882</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(807,736)</u>	<u>(1,082,895)</u>	<u>653,289</u>	<u>1,736,184</u>
<b>FUND BALANCE, beginning of year</b>	<u>4,035,163</u>	<u>4,035,163</u>	<u>4,035,163</u>	<u>-</u>
<b>FUND BALANCE, end of year</b>	<u>\$ 3,227,427</u>	<u>\$ 2,952,268</u>	<u>\$ 4,688,452</u>	<u>\$ 1,736,184</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, 2018**

	<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	\$ 1,555,779	\$ 1,359,794	\$ (195,985)
Direct federal funds	<u>1,107,152</u>	<u>765,927</u>	<u>627,298</u>	<u>(138,629)</u>
Total revenues	<u>2,239,523</u>	<u>2,321,706</u>	<u>1,987,092</u>	<u>(334,614)</u>
<b>EXPENDITURES</b>				
Current:				
Instruction				
Regular instruction	625,567	868,190	789,807	78,383
Special education	<u>297,994</u>	<u>390,479</u>	<u>335,798</u>	<u>54,681</u>
	<u>923,561</u>	<u>1,258,669</u>	<u>1,125,605</u>	<u>133,064</u>
Support services				
Instructional support	1,207,273	883,526	803,882	79,644
Student support	108,689	176,908	153,550	23,358
Transportation	<u>-</u>	<u>2,603</u>	<u>2,603</u>	<u>-</u>
	<u>1,315,962</u>	<u>1,063,037</u>	<u>960,035</u>	<u>103,002</u>
Total expenditures	<u>2,239,523</u>	<u>2,321,706</u>	<u>2,085,640</u>	<u>236,066</u>
<b>REVENUES UNDER EXPENDITURES</b>	-	-	(98,548)	(98,548)
<b>OTHER FINANCING SOURCES</b>				
Transfer from general purpose school fund	<u>-</u>	<u>-</u>	<u>98,548</u>	<u>98,548</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, 2018**

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Conference Center	Sanitation	Total	Internal Service Funds
<b>ASSETS</b>				
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 23,113	\$ 303,457	\$ 326,570	\$ 52,915
Investments	-	1,940,705	1,940,705	4,148,796
Accounts receivable	277	26,967	27,244	5,939
Due from component units	-	90,765	90,765	-
Total current assets	<u>23,390</u>	<u>2,361,894</u>	<u>2,385,284</u>	<u>4,207,650</u>
Capital assets:				
Land	34,500	-	34,500	-
Other capital assets, net	658,737	375,148	1,033,885	2,236,487
Total capital assets	<u>693,237</u>	<u>375,148</u>	<u>1,068,385</u>	<u>2,236,487</u>
Total assets	<u>\$ 716,627</u>	<u>\$ 2,737,042</u>	<u>\$ 3,453,669</u>	<u>\$ 6,444,137</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 384	\$ 21,773	\$ 22,157	\$ -
Accrued payroll and withholdings	-	3,640	3,640	-
Total current liabilities	<u>384</u>	<u>25,413</u>	<u>25,797</u>	<u>-</u>
<b>NET PENSION LIABILITY</b>	<u>-</u>	<u>17,410</u>	<u>17,410</u>	<u>-</u>
Total liabilities	<u>384</u>	<u>42,823</u>	<u>43,207</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pensions	-	11,277	11,277	-
Total liabilities and deferred inflows	<u>384</u>	<u>54,100</u>	<u>54,484</u>	<u>-</u>
<b>NET POSITION</b>				
Net investment in capital assets	693,237	375,148	1,068,385	2,236,487
Unrestricted	23,006	2,307,794	2,330,800	4,207,650
Total net position	<u>716,243</u>	<u>2,682,942</u>	<u>3,399,185</u>	<u>6,444,137</u>
Total liabilities and net position	<u>\$ 716,627</u>	<u>\$ 2,737,042</u>	<u>\$ 3,453,669</u>	<u>\$ 6,444,137</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, 2018**

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Conference Center	Sanitation	Total	Internal Service Funds
<b>OPERATING REVENUES</b>				
Charges for services	\$ -	\$ 955,903	\$ 955,903	\$ 670,500
Rental income	25,355	-	25,355	-
Miscellaneous	-	6,892	6,892	-
Total operating revenues	25,355	962,795	988,150	670,500
<b>OPERATING EXPENSES</b>				
Salaries and employee benefits	6,588	258,439	265,027	-
Operation	12,973	155,593	168,566	-
Maintenance	4,139	10,602	14,741	-
Depreciation	50,580	124,291	174,871	382,443
Landfill services	-	210,656	210,656	-
Total operating expenses	74,280	759,581	833,861	382,443
<b>OPERATING INCOME (LOSS)</b>	(48,925)	203,214	154,289	288,057
<b>NONOPERATING REVENUES</b>				
Interest income	-	22,194	22,194	47,857
Gain on disposal of capital assets	-	226	226	10,235
Total nonoperating revenues	-	22,420	22,420	58,092
Income (loss) before capital contributions	(48,925)	225,634	176,709	346,149
<b>CAPITAL CONTRIBUTION</b>	-	-	-	64,912
<b>CHANGE IN NET POSITION</b>	(48,925)	225,634	176,709	411,061
<b>NET POSITION, beginning of year</b>	765,168	2,457,308	3,222,476	6,033,076
<b>NET POSITION, end of year</b>	\$ 716,243	\$ 2,682,942	\$ 3,399,185	\$ 6,444,137

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, 2018**

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Conference Center	Sanitation	Total	Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 25,603	\$ 957,298	\$ 982,901	\$ 668,977
Payments to employees	(6,120)	(191,293)	(197,413)	-
Payments to suppliers and vendors	(17,292)	(433,655)	(450,947)	-
Net cash provided by operating activities	<u>2,191</u>	<u>332,350</u>	<u>334,541</u>	<u>668,977</u>
<b>CASH FLOWS USED IN NONCAPITAL FINANCING ACTIVITIES</b>				
Payment to pension plan	-	(21,008)	(21,008)	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from the sale of capital assets	-	226	226	29,591
Purchase of capital assets	-	(29,868)	(29,868)	(143,635)
Net cash used in capital and related financing activities	-	(29,642)	(29,642)	(114,044)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment and interest earnings	-	22,194	22,194	46,334
Purchase of investments	-	(112,518)	(112,518)	(589,834)
Net cash used in investing activities	-	(90,324)	(90,324)	(543,500)
Net increase (decrease) in cash and cash equivalents	2,191	191,376	193,567	11,433
Cash and cash equivalents, beginning of year	20,922	112,081	133,003	41,482
Cash and cash equivalents, end of year	<u>\$ 23,113</u>	<u>\$ 303,457</u>	<u>\$ 326,570</u>	<u>\$ 52,915</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>				
Operating income (loss)	\$ (48,925)	\$ 203,214	\$ 154,289	\$ 288,057
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	50,580	124,291	174,871	382,443
Pension expense	-	10,818	10,818	-
Changes in assets and liabilities:				
Accounts receivable	248	(5,497)	(5,249)	(1,523)
Accounts payable and accrued liabilities	288	(476)	(188)	-
Net cash provided by operating activities	<u>\$ 2,191</u>	<u>\$ 332,350</u>	<u>\$ 334,541</u>	<u>\$ 668,977</u>
<b>SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>				
Interfund transfer of property	\$ -	\$ -	\$ -	\$ 64,912

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, 2018**

**ASSETS**

Cash	\$ 82
Interest receivable	<u>35,904</u>
	<u>35,986</u>
Investments, at fair value:	
U.S. government and agency securities	1,734,786
Foreign stocks	1,684,826
Foreign bonds and notes	381,802
Corporate bonds	1,923,338
Common stocks	1,995,538
Mutual funds	7,730,488
Money market funds	200,801
Municipal bonds	<u>495,215</u>
Total investments	<u>16,146,794</u>
Total assets	<u>\$ 16,182,780</u>
<b>NET POSITION</b>	
Net position restricted for pensions	<u>\$ 16,182,780</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, 2018**

**ADDITIONS**

Employer contributions	\$ 600,000
Net investment income:	
Interest and dividend income	547,481
Net appreciation in the fair value of investments	<u>780,816</u>
Total additions	<u>1,928,297</u>

**DEDUCTIONS**

Benefits paid	959,892
Administrative expenses	<u>65,885</u>
Total deductions	<u>1,025,777</u>

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

902,520

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

15,280,260

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

\$ 16,182,780

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

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**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, 2018**

**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, 2018**

**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, 2018**

**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, 2018**

**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, 2018**

**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, 2018**

**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 the 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 Funds: 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 Funds: 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, 2018**

**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, 2018**

**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, 2018**

**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 and Prepaid Items***

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.

Prepaid items consist of payments to vendors for costs applicable to future accounting periods. These items are recorded as prepaid items in both the government-wide and fund financial statements.



**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

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

***G. Inventories and Prepaid Items (continued)***

Reported inventories and prepaid items 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	Vehicles	6 years
Infrastructure	40 years	Buildings	50 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 2.51 to 3.37 percent in 2018. 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, 2018**

**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 notes payable which have been issued to fund capital projects of the general government and Athens City Schools 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, 2018**

**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, 2018**

**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, 2018**

**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, 2017, was \$408,546,306 based upon a reappraisal completed for the list as of January 1, 2017. The estimated actual value was \$1,311,725,931 making the total assessed value 31.15 percent of the total actual value.

Taxes were levied at a rate of \$1.3628 per \$100 of assessed value. Current tax collections of \$5,819,702 for the fiscal year ended June 30, 2018, were 96 percent of the 2017 tax levy. An allowance has been established for delinquent taxes to the extent that their collectability is improbable. The allowance at June 30, 2018, for the 2017 tax levy was \$59,701.

The 2018 taxes were levied at a rate of \$1.2676 per \$100 of assessed value and have been recorded as a receivable at June 30, 2018. An allowance for doubtful collection of \$50,000 has been estimated and established for this levy at June 30, 2018. There are no current tax collections related to the 2018 levy.

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**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, 2018:

General Fund	\$ 109,701
General Purpose School Fund	89,457

***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.

**Teacher 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, 2018**

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

***P. Other Postemployment Benefits Pensions (OPEB)***

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, Athens City Schools recognize benefit payments when due and payable in accordance with the benefit terms.

**Note 2. Capital Assets**

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

	Governmental Activities At City of Athens			
	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Capital assets being depreciated:				
Building and improvements	\$ 6,495,518	\$ 156,054	\$ -	\$ 6,651,572
Infrastructure	9,393,689	233,691	-	9,627,380
Furniture and office equipment	1,049,346	104,927	-	1,154,273
Machinery and equipment	7,453,744	228,460	48,794	7,633,410
Total depreciable capital assets	<u>24,392,297</u>	<u>723,132</u>	<u>48,794</u>	<u>25,066,635</u>
Accumulated depreciation:				
Buildings and improvements	4,232,546	132,449	-	4,364,995
Infrastructure	3,942,998	244,737	-	4,187,735
Furniture and office equipment	620,058	68,220	-	688,278
Machinery and equipment	4,613,733	490,346	29,439	5,074,640
Total accumulated depreciation	<u>13,409,335</u>	<u>935,752</u>	<u>29,439</u>	<u>14,315,648</u>
Net depreciable capital assets	<u>10,982,962</u>	<u>(212,620)</u>	<u>19,355</u>	<u>10,750,987</u>
Capital assets not being depreciated:				
Land	3,008,070	-	-	3,008,070
Construction in progress	154,340	319,911	251,692	222,559
Nondepreciable capital assets	<u>3,162,410</u>	<u>319,911</u>	<u>251,692</u>	<u>3,230,629</u>
Net capital assets	<u>\$ 14,145,372</u>	<u>\$ 107,291</u>	<u>\$ 271,047</u>	<u>\$ 13,981,616</u>

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

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

	Governmental Activities - At Board of Education			
	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Capital assests being depreciated:				
Building and improvements	\$ 14,857,558	\$ 57,312	\$ -	\$ 14,914,870
Infrastructure	23,200	14,450	-	37,650
Furniture, equipment, and vehicles	2,873,765	71,873	132,191	2,813,447
Total depreciable capital assets	<u>17,754,523</u>	<u>143,635</u>	<u>132,191</u>	<u>17,765,967</u>
Accumulated depreciation:				
Buildings and improvements	10,164,580	314,167	-	10,478,747
Infrastructure	22,476	1,676	-	24,152
Furniture, equipment, and vehicles	2,407,370	163,095	129,323	2,441,142
Total accumulated depreciation	<u>12,594,426</u>	<u>478,938</u>	<u>129,323</u>	<u>12,944,041</u>
Net depreciable capital assets	<u>5,160,097</u>	<u>(335,303)</u>	<u>2,868</u>	<u>4,821,926</u>
Capital assets not being depreciated:				
Land	213,486	-	-	213,486
Construction in progress	167,354	306,624	-	473,978
Nondepreciable capital assets	<u>380,840</u>	<u>306,624</u>	<u>-</u>	<u>687,464</u>
Net capital assets	<u>\$ 5,540,937</u>	<u>\$ (28,679)</u>	<u>\$ 2,868</u>	<u>\$ 5,509,390</u>

	Total Governmental Activities Capital Assets			
	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Capital assests being depreciated:				
Building and improvements	\$ 21,353,076	\$ 213,366	\$ -	\$ 21,566,442
Infrastructure	9,416,889	248,141	-	9,665,030
Furniture and office equipment	3,923,111	176,800	132,191	3,967,720
Machinery and equipment	7,453,744	228,460	48,794	7,633,410
Total depreciable capital assets	<u>42,146,820</u>	<u>866,767</u>	<u>180,985</u>	<u>42,832,602</u>
Accumulated depreciation:				
Buildings and improvements	14,397,126	446,616	-	14,843,742
Infrastructure	3,965,474	246,413	-	4,211,887
Furniture and office equipment	3,027,428	231,315	129,323	3,129,420
Machinery and equipment	4,613,733	490,346	29,439	5,074,640
Total accumulated depreciation	<u>26,003,761</u>	<u>1,414,690</u>	<u>158,762</u>	<u>27,259,689</u>
Net depreciable capital assets	<u>16,143,059</u>	<u>(547,923)</u>	<u>22,223</u>	<u>15,572,913</u>
Capital assets not being depreciated:				
Land	3,221,556	-	-	3,221,556
Construction in progress	321,694	626,535	251,692	696,537
Nondepreciable capital assets	<u>3,543,250</u>	<u>626,535</u>	<u>251,692</u>	<u>3,918,093</u>
Net capital assets	<u>\$ 19,686,309</u>	<u>\$ 78,612</u>	<u>\$ 273,915</u>	<u>\$ 19,491,006</u>



**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

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

	Total Business-Type Activities Capital Assets			
	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Capital assets being depreciated:				
Building and improvements	\$ 1,517,930	\$ -	\$ -	\$ 1,517,930
Furniture and office equipment	29,864	-	-	29,864
Machinery and equipment	1,666,264	29,868	-	1,696,132
Total depreciable capital assets	<u>3,214,058</u>	<u>29,868</u>	<u>-</u>	<u>3,243,926</u>
Accumulated depreciation:				
Buildings and improvements	808,613	50,580	-	859,193
Furniture and office equipment	29,864	-	-	29,864
Machinery and equipment	1,196,693	124,291	-	1,320,984
Total accumulated depreciation	<u>2,035,170</u>	<u>174,871</u>	<u>-</u>	<u>2,210,041</u>
Net depreciable capital assets	<u>1,178,888</u>	<u>(145,003)</u>	<u>-</u>	<u>1,033,885</u>
Capital assets not being depreciated:				
Land	<u>34,500</u>	<u>-</u>	<u>-</u>	<u>34,500</u>
Net capital assets	<u>\$ 1,213,388</u>	<u>\$ (145,003)</u>	<u>\$ -</u>	<u>\$ 1,068,385</u>

Depreciation expense was charged to functions as follows:

Governmental Activities	
General government	\$ 46,897
Public safety	275,344
Highways and streets	462,062
Culture and recreation	151,449
Schools:	
Regular instruction	69,012
Administration	20,853
Operation and maintenance	4,996
Transportation	52,693
Food services	5,124
Unallocated depreciation	<u>326,260</u>
	<u>\$ 1,414,690</u>

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

Business-Type Activities	
Conference Center	\$ 50,580
Sanitation	<u>124,291</u>
	<u>\$ 174,871</u>

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

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

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

**Utilities Board:**

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
Capital assets being depreciated:				
Plant in service	\$ 143,925,205	\$12,345,138	\$ 3,659,665	\$ 152,610,678
Equipment and furniture	6,910,606	1,269,342	600,024	7,579,924
Transportation equipment	<u>4,302,395</u>	<u>383,697</u>	<u>310,614</u>	<u>4,375,478</u>
Total depreciable capital assets	<u>155,138,206</u>	<u>13,998,177</u>	<u>4,570,303</u>	<u>164,566,080</u>
Accumulated depreciation:				
Plant in service	56,937,388	4,441,710	3,544,308	57,834,790
Equipment and furniture	4,334,511	482,161	592,766	4,223,906
Transportation equipment	<u>2,519,611</u>	<u>396,714</u>	<u>240,180</u>	<u>2,676,145</u>
Total accumulated depreciation	<u>63,791,510</u>	<u>5,320,585</u>	<u>4,377,254</u>	<u>64,734,841</u>
Net depreciable capital assets	<u>91,346,696</u>	<u>8,677,592</u>	<u>193,049</u>	<u>99,831,239</u>
Capital assets not being depreciated:				
Land	819,523	-	-	819,523
Construction in progress	<u>21,253,832</u>	<u>5,764,016</u>	<u>14,317,775</u>	<u>12,700,073</u>
Nondepreciable capital assets	<u>22,073,355</u>	<u>5,764,016</u>	<u>14,317,775</u>	<u>13,519,596</u>
Net capital assets	<u>\$ 113,420,051</u>	<u>\$14,441,608</u>	<u>\$14,510,824</u>	<u>\$ 113,350,835</u>

Depreciation was charged as follows:

	<u>Charged to Depreciation and Amortization</u>	<u>Charged to Other Accounts</u>	<u>Total Depreciation and Amortization</u>
Power Division	\$ 1,890,025	\$ 207,434	\$ 2,097,459
Water Division	958,304	48,202	1,006,506
Gas Division	582,326	82,537	664,863
Department of Sewer	<u>1,487,223</u>	<u>64,534</u>	<u>1,551,757</u>
	<u>\$ 4,917,878</u>	<u>\$ 402,707</u>	<u>\$ 5,320,585</u>

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**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:

	Balance 7/1/2017	Additions	Reductions	Balance 6/30/2018	Due within one year
<b>City of Athens:</b>					
Compensated absences	\$ 207,668	\$ 225,658	\$ 210,935	\$ 222,391	\$ 148,268
<b>Board of Education:</b>					
Sick leave	61,452	36,440	48,032	49,860	40,834
Total	<u>\$ 269,120</u>	<u>\$ 262,098</u>	<u>\$ 258,967</u>	<u>\$ 272,251</u>	<u>189,102</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.

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

**Utilities Board:**

	Balance 7/1/2017	Additions	Reductions	Balance 6/30/2018	Due within one year
Revenue and tax bonds	\$ 1,259,032	\$ -	\$ 24,274	\$ 1,234,758	\$ 25,078
Notes payable	25,497,896	-	994,916	24,502,980	1,578,858
Total	<u>\$ 26,756,928</u>	<u>\$ -</u>	<u>\$ 1,019,190</u>	<u>\$ 25,737,738</u>	<u>\$ 1,603,936</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, 2018.

The Athens Utilities Board has debt issues with outstanding balances totaling \$25,737,738, 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.

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

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

Aggregate maturities or payments required on principal under long-term debt obligations are as follows:

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,603,936	\$ 453,171	\$ 2,057,107
2020	1,614,528	425,889	2,040,417
2021	1,626,329	398,352	2,024,681
2022	1,637,332	370,552	2,007,884
2023	1,649,541	342,500	1,992,041
2024-2028	8,439,514	1,281,923	9,721,437
2029-2033	7,186,628	544,995	7,731,623
2034-2038	1,440,987	150,333	1,591,320
2039-2043	257,183	67,777	324,960
2044-2048	281,760	22,328	304,088
	<u>\$ 25,737,738</u>	<u>\$ 4,057,820</u>	<u>\$ 29,795,558</u>

**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, 2018, all the City's deposits were insured or collateralized.

**Board of Education:**

At June 30, 2018, all cash deposits of the Board were insured or collateralized in accordance with state statutes.

**Component unit**

At June 30, 2018, 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.

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

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

**Investments:**

**Primary government**

The City's investment policy states that investments shall only be made in debt instruments of commercial banks or other investment institutions or other obligors having a Standard and Poor's (A) and Moody's (P) short-term credit rating of at least an A1 P1. For instruments not rated, deposits must be insured by the maximum authorized under the Federal Deposit Insurance Corporation or be covered by an institution that is a participant in the State of Tennessee's Bank Collateral Pool. Investments are carried at fair value, as determined by quoted market prices. It is the City's policy, generally, to hold investments until maturity. Investments will have an average maturity of less than one year and shall not exceed two years.

State statutes authorize the City to invest in obligations of the U.S. Treasury, its agents and instrumentalities, repurchase agreements, interest earning money market accounts, certificates of deposit, obligations of the state or any agency of the state, and the State of Tennessee Local Government Investment Pool (LGIP).

As of June 30, 2018, the City had \$16,161,647 invested in the LGIP and \$6,373,880 in certificates of deposit which represent all of the City's investments excluding those included in the Cemetery Perpetual Care Fund and the Athens Pension Trust Fund. The certificates of deposit included in investments had original maturity dates in excess of 90 days. At June 30, 2018, 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.

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

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

**Investments: (continued)**

**Primary government (continued)**

As of June 30, 2018, the Cemetery Perpetual Care Fund's investments consisted of the following:

	<u>Fair Value</u>
Money market funds - cash	\$ 2,676
Mutual funds	<u>235,612</u>
	<u>\$ 238,288</u>

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

**Athens Pension Trust Fund:**

As of June 30, 2018, the Pension Trust Fund's investments consisted of the following:

	<u>Weighted Average Maturity</u>	<u>Fair Value</u>
U.S. government and agency securities	2.35 years	\$ 1,734,786
Foreign stocks	N/A	1,684,826
Foreign bonds and notes	1.10 years	381,802
Corporate bonds	4.90 years	1,923,338
Common stocks	N/A	1,995,538
Mutual funds	N/A	7,730,488
Municipal bonds	3.53 years	495,215
Money market funds	N/A	<u>200,801</u>
		<u>\$ 16,146,794</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.

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

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

**Investments: (continued)**

**Primary government (continued)**

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).

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, 2018.

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, 2018**

**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, 2018:

Investment type	Fair Value	Level 1	Level 2	Level 3
Athens Pension Trust Fund:				
U.S. government and agency securities	\$ 1,734,786	\$ 1,734,786	\$ -	\$ -
Foreign stocks	1,684,826	1,684,826	-	-
Foreign bonds and notes	381,802	-	381,802	-
Corporate bonds	1,923,338	-	1,923,338	-
Common stocks	1,995,538	1,995,538	-	-
Mutual funds	7,730,488	-	7,730,488	-
Municipal bonds	495,215	-	495,215	-
Money market funds	200,801	-	200,801	-
	<u>16,146,794</u>	<u>5,415,150</u>	<u>10,731,644</u>	<u>-</u>
Cemetery Perpetual Fund:				
Mutual funds	235,612	-	235,612	-
Money market funds - cash	2,676	-	2,676	-
	<u>238,288</u>	<u>-</u>	<u>238,288</u>	<u>-</u>
	<u>\$ 16,385,082</u>	<u>\$ 5,415,150</u>	<u>\$ 10,969,932</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, 2018, the General Purpose School Fund had interfund receivables that consist of \$197,147 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 \$2,421,000 to the Board of Education General Purpose Fund and \$370,000 to the Capital Projects Fund. During 2018, the General Purpose School Fund has interfund transfers of \$98,548 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, 2018**

**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, 2018, the Utilities Board has a due from the primary government of \$70,499 and a due to the primary government of \$90,765.

**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	\$ 46,750,695	\$ 3,278,426	\$ 50,029,121
Accumulated depreciation	<u>(27,259,689)</u>	<u>(2,210,041)</u>	<u>(29,469,730)</u>
Net investment in capital assets	19,491,006	1,068,385	20,559,391
Restricted	918,557	-	918,557
Unrestricted	<u>25,987,491</u>	<u>2,330,800</u>	<u>28,318,291</u>
Total net position	<u>\$ 46,397,054</u>	<u>\$ 3,399,185</u>	<u>\$ 49,796,239</u>

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

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

**Fund Balances:**

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

Nonspendable	
General Fund-Inventory	\$ 103,132
Centralized Cafeteria Fund-Inventory	41,231
General Purpose School Fund-Prepaid items	142,859
Cemetery Perpetual Care Fund-Nonexpendable	81,610
Total nonspendable fund balances	<u>368,832</u>
Restricted	
General Fund-Nonrecurring law enforcement	98,684
General Purpose School Fund-Education	259,863
Cemetery Perpetual Care Fund-Expendable	156,678
Drug Fund	213,409
Total restricted fund balances	<u>728,634</u>
Committed	
General Fund-Police benefit	20,164
Capital Improvement Fund-Capital improvements	6,236,785
Education Capital Projects Fund-Education capital projects	1,024,247
Drug Fund	15,590
Total committed fund balances	<u>7,296,786</u>
Assigned	
General Purpose School Fund-Education	4,285,730
Centralized Cafeteria Fund	308,560
Total assigned fund balances	<u>4,594,290</u>
Unassigned	
General Fund	11,713,042
Total fund balances	<u>\$ 24,701,584</u>

Included in the fund balance classifications are the following encumbrances:

General Purpose School Fund	\$ 390,727
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**Utilities Board**

Net position of the Utilities Board consist of the following:

Net investment in capital assets	\$ 86,608,384
Unrestricted	23,931,733
	<u>\$ 110,540,117</u>

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**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>July 1, 2018</u>
Inactive Plan participants or beneficiaries currently receiving benefits	62
Inactive Plan participants entitled to deferred benefits	39
Active vested Plan participants	<u>41</u>
Total	<u>142</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, 2018**

**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, 2018.

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>

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

Normal Retirement Benefit

Benefit Formula	The annual normal retirement benefit, based on service to normal retirement date, is equal to the sum of (a) and (b) below,
	a) 30% of average compensation, reduced by 1/10 for each year of continuous service less than 10 (reduced by 1/20 for each year of continuous service less than 20 for employees hired after 6/30/1999, plus
	b) One percent of average compensation in excess of the average covered wage, given by the table below, for each year of service up to 35 years.

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, 2018**

**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, 2018**

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

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

**Employee Retirement Plan (continued)**

Pre-Retirement Death Benefit

Effective January 1, 2009:

Minimum Age: 45

Minimum Service: 10 Years

Prior to January 1, 2009:

Minimum Age: 55

Minimum Service: 15 Years

It will be assumed that an eligible participant who dies before his NRD, had retired on the day prior to death and elected a (100% prior to January 1, 2009) Joint & Survivor annuity.

Disability Benefit

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

Vested Termination Benefit

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

Vesting Service

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

***Contribution Required***

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

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**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, 2018:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	44.0%
International equity	14.0
Fixed income	30.0
Real estate	10.0
Cash	2.0
Total	100.0%

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**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, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 8.58 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, 2018, was as follows:

Total pension liability	\$ 16,635,150
Plan fiduciary net position	<u>16,182,780</u>
City net pension liability	<u>\$ 452,370</u>
Plan fiduciary net position as a percentage of the total pension liability	97.28%
Covered payroll	\$ 2,217,599
Net pension liability as a percentage of covered payroll	20.40%

The Plan's fiduciary net position is reported in the Pension Trust Fund as of June 30, 2018. The City's net pension liability is reported in the government-wide activities and enterprise funds as of the measurement date of June 30, 2018.

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

Measurement Date – June 30, 2018

Valuation Date – July 1, 2018

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, 2018**

**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, 2018, (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	7.55%
International equity	7.70
Fixed income	3.70
Real estate	6.95
Cash	1.75

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**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 percent. 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, 2018	\$ 2,164,554	\$ 452,350	\$ (1,012,269)

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**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, 2018, 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 (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at June 30, 2017	<u>\$ 16,567,391</u>	<u>\$ 15,280,260</u>	<u>\$ 1,287,131</u>
Changes for the year:			
Service cost	134,000	-	134,000
Interest	1,136,290	-	1,136,290
Differences between expected and actual experience	(249,085)	-	(249,085)
Contributions-Employer	-	600,000	(600,000)
Net investment income	-	1,320,179	(1,320,179)
Benefit payments	(953,466)	(953,466)	-
Administrative expense	-	(64,193)	64,193
Net changes	<u>67,739</u>	<u>902,520</u>	<u>(834,781)</u>
Balance at June 30, 2018	<u>\$ 16,635,130</u>	<u>\$ 16,182,780</u>	<u>\$ 452,350</u>

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

	Governmental Activities	Sanitation	Total
Pension expense	\$ 289,350	\$ 10,818	\$ 300,168

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**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, 2018, 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	\$ 1,088	\$ 230,081
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	82,506
Total	<u>\$ 1,088</u>	<u>\$ 312,587</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:	
2019	\$ (22,973)
2020	(35,070)
2021	(204,736)
2022	(48,720)

***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 \$92,861 during 2018.

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**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.state.tn.us/tcrs](http://www.treasury.state.tn.us/tcrs).

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

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

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 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, 2017, 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	105
Active employees	<u>93</u>
	<u>254</u>

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**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, 2018, contributions for Athens City Board of Education were \$168,498 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, 2017, 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, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	Graded salary ranges from 8.75% to 3.45% based on age, including inflation, averaging 4.00%
Investment rate of return	7.25%, net of pension plan investment expenses, including inflation
Cost of living adjustment	2.25%

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2017, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012, through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

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

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

**Public Employee Retirement Plan (continued)**

*Changes in assumptions.* In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost of living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

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, 2016, actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best estimate of expected real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best estimates 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 of 2.50 percent. The best estimates of geometric real rates of return and the TCRS investment policy target asset allocation 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	5.69 %	31 %
Developed market international equity	5.29	14
Emerging market international equity	6.36	4
Private equity and strategic lending	5.79	20
U.S. fixed income	2.01	20
Real estate	4.32	10
Short-term securities	0.00	1
		<u>100 %</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25 percent based on a blending of the three factors described above.

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

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

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

**Public Employee Retirement Plan (continued)**

**Discount rate.** The discount rate used to measure the total pension liability was 7.25 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.

**Changes in the net pension liability:**

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a)-(b)
Balance at June 30, 2016	\$ 6,970,411	\$ 6,680,861	\$ 289,550
Changes for the year:			
Service cost	197,805	-	197,805
Interest	525,704	-	525,704
Differences between expected and actual experience	(98,841)	-	(98,841)
Changes in assumptions	148,754	-	148,754
Contributions - Employer	-	174,295	(174,295)
Contributions - Employees	-	105,188	(105,188)
Net investment income	-	754,503	(754,503)
Benefit payments, including refunds of employee contributions	(317,667)	(317,667)	-
Administrative expense	-	(8,045)	8,045
Net changes	455,755	708,274	(252,519)
Balance at June 30, 2017	\$ 7,426,166	\$ 7,389,135	\$ 37,031



**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

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

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

**Public Employee Retirement Plan (continued)**

***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 7.25 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 (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Athens City Board of Education's net pension liability (asset)	\$ 947,112	\$ 37,031	\$ (724,181)

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

***Pension expense.*** For the year ended June 30, 2018, Athens City Board of Education recognized pension expense of \$64,652.

***Deferred outflows of resources and deferred inflows of resources.*** For the year ended June 30, 2018, 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	\$ 43,587	\$ 198,379
Net difference between projected and actual earnings on pension plan investments	-	1,655
Changes in assumptions	119,003	-
Contributions subsequent to the measurement date of June 30, 2017	168,498	-
Total	<u>\$ 331,088</u>	<u>\$ 200,034</u>

The amount shown above for contributions subsequent to the measurement date of June 30, 2017, will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

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

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

**Public Employee Retirement Plan (continued)**

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:	
2019	\$ (62,383)
2020	72,114
2021	(6,117)
2022	(41,058)

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

**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 Teacher 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.state.tn.us/tcrs](http://www.treasury.state.tn.us/tcrs).

**Benefits provided.** Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 55 and vested. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

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

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

**Teacher Legacy Pension Plan (continued)**

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.

**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 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, 2018, to the Teacher Legacy Pension Plan were \$601,505 which is 9.08 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 Liability (Asset), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

**Pension liability (asset).** At June 30, 2018, the Athens City Board of Education reported a liability (asset) of \$(63,984) for its proportionate share of net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. Athens City Board of Education's proportion of the net pension liability was based on Athens City Board of Education's employer share of contributions to the pension plan, relative to the contributions of all participating LEAs. At the June 30, 2017, measurement date, Athens City Board of Education's proportion was 0.195561 percent. The proportion measured as of June 30, 2016, was 0.201213 percent.

**Pension expense.** For the year ended June 30, 2018, Athens City Board of Education recognized a pension expense of \$43,287.

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**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, 2018, Athens City Board of Education reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 38,574	\$ 1,320,975
Changes in assumptions	541,910	-
Net difference between projected and actual earnings on pension plan investments	9,713	-
Changes in proportion of net pension liability (asset)	148,639	29,727
LEA's contributions subsequent to the measurement date of June 30, 2017	<u>601,505</u>	<u>-</u>
Total	<u>\$ 1,340,341</u>	<u>\$ 1,350,702</u>

Athens City Board of Education employer contributions of \$601,505, 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, 2019. 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:	
2019	\$ (415,293)
2020	239,279
2021	(122,348)
2022	(313,504)

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, 2018**

**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, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	Graded salary ranges from 8.75% to 3.45% based on age, including inflation, averaging 4.00%
Investment rate of return	7.25%, net of pension plan investment expenses, including inflation
Cost of living adjustment	2.25%

Mortality rates are based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2017, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012, through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

**Changes in assumptions.** In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost of living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

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, 2016, actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best estimate of expected real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best estimates 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 of 2.50 percent. The best estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**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	5.69 %	31 %
Developed market international equity	5.29	14
Emerging market international equity	6.36	4
Private equity and strategic lending	5.79	20
U.S. fixed income	2.01	20
Real estate	4.32	10
Short-term securities	0.00	1
		<u>100 %</u>

The long term expected rate of return on pension plan investments was established by the TCRS Board of Trustees at 7.25 percent based on a blending of the three factors described above.

**Discount rate.** The discount rate used to measure the total pension liability was 7.25 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 7.25 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 (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Athens City Board of Education's proportionate share of the net pension liability (asset)	\$ 5,741,213	\$ (63,984)	\$ (4,862,362)

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**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 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 LEAs after June 30, 2014. The Teacher 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.state.tn.us/tcrs](http://www.treasury.state.tn.us/tcrs).

***Benefits provided.*** Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Retirement Plan are eligible to retire at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available at age 60 and vested or pursuant to the rule of 80. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 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

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

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

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

**Teacher Retirement Plan (continued)**

employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLA, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

**Contributions.** Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4 percent, except 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, 2018, to the Teacher Retirement Plan were \$65,075 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 Liability (Asset), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

**Pension liability (asset).** At June 30, 2018, Athens City Board of Education reported an asset of (\$44,329) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2017, and the total pension asset used to calculate the net pension liability (asset) was determined by an actuarial value as of that date. Athens City Board of Education's proportion of the net pension liability (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, 2017, Athens City Board of Education's proportion was 0.168014 percent. The proportion measured as of June 30, 2016, was 0.199142 percent.

**Pension expense.** For the year ended June 30, 2018, Athens City Board of Education recognized pension expense of \$20,677.



**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

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

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

**Teacher Retirement Plan (continued)**

*Deferred outflows of resources and deferred inflows of resources.* For the year ended June 30, 2018, Athens City Board of Education reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,554	\$ 3,334
Net difference between projected and actual earnings on pension plan investments	-	2,385
Changes in assumptions	3,894	-
Changes in proportion of net pension liability (asset)	7,043	-
LEA's contributions subsequent to the measurement date of June 30, 2017	<u>65,075</u>	<u>-</u>
Total	<u>\$ 77,566</u>	<u>\$ 5,719</u>

Athens City Board of Education's employer contributions of \$65,075 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, 2019. 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:	
2019	\$ 359
2020	359
2021	223
2022	(391)
2023	734
Thereafter	5,488

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, 2018**

**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, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	Graded salary ranges from 8.75% to 3.45% based on age, including inflation, averaging 4.00%
Investment rate of return	7.25%, net of pension plan investment expenses, including inflation
Cost of living adjustment	2.25%

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2017, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012, through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

**Changes in assumptions.** In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost of living adjustment from 2.50 percent to 2.25 percent; and decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent.

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, 2016, actuarial experience study. A blend of future capital market projections and historical market returns was used in a building block method in which a best estimate of expected real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best estimates 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 of 2.50 percent. The best estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

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

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

**Teacher Retirement Plan (continued)**

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	5.69 %	31 %
Developed market international equity	5.29	14
Emerging market international equity	6.36	4
Private equity and strategic lending	5.79	20
U.S. fixed income	2.01	20
Real estate	4.32	10
Short-term securities	0.00	1
		<u>100 %</u>

The long term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25 percent based on a blending of the three factors described above.

**Discount rate.** The discount rate used to measure the total pension liability was 7.25 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 LEA's 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 7.25 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 (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Athens City Board of Education's proportionate share of the net pension liability (asset)	\$ 8,844	\$ (44,329)	\$ (83,330)

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**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 \$81,525 to the Plan in 2018.

**Note 9. Other Postemployment Benefits (OPEB)**

**Teacher Group OPEB Plan**

***Plan description.*** Employees of Athens City Board of Education, who were hired prior to July 1, 2015, are provided with pre-65 retiree health insurance benefits through the closed Teacher Group OPEB Plan (TGOP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). However, for accounting purposes, this plan will be treated as a single-employer plan. All eligible pre-65 retired teachers, support staff and disability participants of local education agencies, who choose coverage, participate in the TGOP. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015.

***Benefits provided.*** Board offers the TGOP to provide health insurance coverage to eligible pre-65 retired teachers, support staff and disabled participants of local education agencies. Insurance coverage is the only postemployment benefit provided to retirees. An insurance committee created in accordance with TCA 8-27-301 establishes and amends the benefit terms of the TGOP. All members have the option of choosing between the partnership promise preferred provider organization (PPO), no partnership promise PPO, standard PPO, limited PPO or the wellness healthsavings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members, of the TGOP, receives the same plan benefits as active employees, at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Participating employers determine their own policy related to direct subsidies provided for the retiree premiums.

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 9. Other Postemployment Benefits (OPEB) (continued)**

**Teacher Group OPEB Plan (continued)**

The Board does not directly subsidize the retiree premium. The state, as a governmental nonemployer contributing entity, provides a direct subsidy for eligible retirees premiums, based on years of service. Therefore, retirees with 30 or more years of service will receive 45 percent; 20 but less than 30 years, 35 percent; and less than 20 years, 20 percent of the scheduled premium. No subsidy is provided for enrollees of the healthsavings CDHP. The TGOP is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

**Employees covered by benefit terms.** At July 1, 2017, the following employees were covered by the benefit terms of the TGOP:

Inactive employees or beneficiaries currently receiving benefits	19
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>197</u>
	<u>216</u>

An insurance committee, created in accordance with TCA 8-27-301, established the required payments to the TGOP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants. Employers contribute towards employee costs based on their own developed policies. During the current reporting period, the Board paid \$132,264 to the TGOP for OPEB benefits as they came due.

**Total OPEB Liability**

**Actuarial assumptions.** The collective total OPEB liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary increases	Graded salary ranges for 3.44% to 8.72% based on age, including inflation, averaging 4.00%
Healthcare cost trend rates	7.50% for 2018, decreasing annually to an ultimate rate of 3.71% for 2050 and later
Retiree's share of benefit-related costs	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this valuation a weighted average has been used with weights derived from the current distribution of members among plans.

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 9. Other Postemployment Benefits (OPEB) (continued)**

**Teacher Group OPEB Plan (continued)**

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2017, valuations were the same as those employed in the July 1, 2017 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012 – June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post retirement tables are Blue Collar and adjusted with a 2 percent load for males and a minus 3 percent load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10 percent load.

**Discount rate.** The discount rate used to measure the total OPEB liability was 3.56 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Fidelity 20-Year Municipal GO AA index.

**Changes in the collective total OPEB liability:**

Balance at June 30, 2016	<u>\$ 2,717,511</u>
Changes for the year:	
Service cost	150,653
Interest	81,018
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions and other inputs	(124,099)
Benefit payments	<u>(187,183)</u>
Net changes	<u>(79,611)</u>
Balance at June 30, 2017	<u><u>\$ 2,637,900</u></u>
Nonemployer contributing entities proportionate share collective total OPEB liability	 \$ 873,148
Employer's proportionate share of the collective total OPEB liability	 \$ 1,764,752
Employer's proportion of the collective total OPEB liability	66.8999%

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 9. Other Postemployment Benefits (OPEB) (continued)**

**Teacher Group OPEB Plan (continued)**

The Board has a special funding situation related to benefits paid by the State of Tennessee for its eligible retired employees participation in the TGOP. The Board's proportionate share of the collective total OPEB liability was based on a projection of the employers long term share of benefit payments to the OPEB plan relative to the projected share of benefit payments of all participating employers and nonemployer contributing entities, actuarially determined. The proportion changed 66.90 percent from the prior measurement date. The Board recognized \$72,695 in revenue for subsidies provided by nonemployer contributing entities for benefit paid by the TGOP for Board retirees.

**Changes in assumptions.** The discount rate was changed from 2.92 percent as of the beginning of the measurement period to 3.56 percent as of June 30, 2017. This change in assumption decreased the total OPEB liability.

**Sensitivity of proportionate share of the collective total OPEB liability to changes in the discount rate.** The following presents the proportionate share of the collective total OPEB liability related to the TGOP, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.56 percent) or 1 percentage point higher (4.56 percent) than the current discount rate.

	1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
Proportionate share of the collective total OPEB liability	\$ 1,895,553	\$ 1,764,752	\$ 1,641,038

**Sensitivity of proportionate share of the collective total OPEB liability to changes in the healthcare cost trend rate.** The following presents the proportionate share of the collective total OPEB liability related to the TGOP, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower (6.50 percent to 2.71 percent) or 1 percentage point higher (8.50 percent to 4.71 percent) than the current healthcare cost trend rate.

	1% Decrease (6.50 decreasing to 2.71%)	Healthcare Cost Trend Rate (7.50 % decreasing to 3.71%)	1% Increase (8.50 % decreasing to 4.71%)
Proportionate share of the collective total OPEB liability	\$ 1,567,202	\$ 1,764,752	\$ 2,002,181

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 9. Other Postemployment Benefits (OPEB) (continued)**

**Teacher Group OPEB Plan (continued)**

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

**OPEB expense.** For the fiscal year ended June 30, 2018, the Board recognized OPEB expense of \$219,623.

**Deferred outflows of resources and deferred inflows of resources.** For the fiscal year ended June 30, 2018, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the TGOP from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	74,962
Changes in proportion and difference between amounts paid as benefits came due and proportionate share certain amounts paid by the employer and nonemployer contributors as the benefits came due	-	-
Employer payments subsequent to the measurement date	<u>132,264</u>	<u>-</u>
Total	<u>\$ 132,264</u>	<u>\$ 74,962</u>

The amounts shown above for employer payments subsequent to the measurement date will be recognized as a reduction to total OPEB liability in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows.

Year Ended June 30:	
2019	\$ (8,060)
2020	(8,060)
2021	(8,060)
2022	(8,060)
2023	(8,060)
Thereafter	(34,662)

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



CITY OF ATHENS, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

**Note 9. Other Postemployment Benefits (OPEB) (continued)**

**Tennessee OPEB Plan**

**Plan description:** Employees of Athens City Board of Education, who were hired prior to July 1, 2015, are provided with post-65 retiree health insurance benefits through the closed Tennessee OPEB Plan (TNP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). However, for accounting purposes, this plan will be treated as a single-employer plan. All eligible post-65 retired teachers and disability participants of local educational agencies, who choose coverage, participate in the TNP. The TNP also includes eligible retirees of the state, certain component units of the state, and certain local governmental entities. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015.

**Benefits provided:** The Board offers the TNP to help fill most of the coverage gaps created by Medicare for eligible post-65 retired teachers and disabled participants of local education agencies. Insurance coverage is the only postemployment benefit provided to retirees. The TN plan does not include pharmacy. In accordance with TCA 8-27-209, benefits of the TNP are established and amended by cooperation of insurance committees created by TCA 8-27-201, 8-27-301 and 8-27-701. Retirees and disabled employees of the state, component units, local education agencies, and certain local government agencies who have reached age 65, are Medicare eligible and also receives a benefit from the Tennessee Consolidated Retirement System may participate in this plan. All plan members receive the same plan benefits at the same premium rates. Participating employers determine their own policy related to subsidizing the retiree premiums. The Board does not directly subsidize the retiree premium. The state, as a governmental nonemployer contributing entity contributes to the premiums of eligible retirees of local education agencies based on years of service. Therefore, retirees with 30 or more years of service receive \$50 per month; 20 but less than 30 years, \$37.50; and 15 but less than 20 years, \$25. The TNP is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

**Employees covered by benefit terms.** At July 1, 2017, the following employees were covered by the benefit terms of the TNP:

Inactive employees or beneficiaries currently receiving benefits	77
Inactive employees entitled to but not yet receiving benefits	16
Active employees	<u>115</u>
	<u>208</u>

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 9. Other Postemployment Benefits (OPEB) (continued)**

**Tennessee OPEB Plan (continued)**

In accordance with TCA 8-27-209, the state insurance committees established by TCA's 8-27-201, 8-27-301 and 8-27-701 determine the required payments to the plan by member employers and employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants. Employers contribute towards employee costs based on their own developed policies. During the current reporting period, the Board did not make any payments to the TNP for OPEB benefits as they came due.

**Actuarial assumptions.** The collective total OPEB liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary increases	Graded salary ranges for 3.44% to 8.72% based on age, including inflation, averaging 4.00%
Healthcare cost trend rates	The premium subsidies provided to retirees in the Tennessee Plan are assumed to remain unchanged for the entire projection, therefore trend rates are not applicable.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2017, valuations were the same as those employed in the July 1, 2017 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012 – June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post retirement tables are Blue Collar and adjusted with a 2 percent load for males and a minus 3 percent load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10 percent load.

**Discount rate.** The discount rate used to measure the total OPEB liability was 3.56 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Fidelity 20-Year Municipal GO AA index.

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 9. Other Postemployment Benefits (OPEB) (continued)**

**Tennessee OPEB Plan (continued)**

**Changes in the collective total OPEB liability:**

Balance at June 30, 2016	<u>\$ 753,917</u>
Changes for the year:	
Service cost	8,015
Interest	21,642
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions and other inputs	(53,724)
Benefit payments	<u>(41,550)</u>
Net changes	<u>(65,617)</u>
Balance at June 30, 2017	<u>\$ 688,300</u>
Nonemployer contributing entities proportionate share collective total OPEB liability	\$ 688,300
Employer's proportionate share of the collective total OPEB liability	\$ -
Employer's proportion of the collective total OPEB liability	- %

The Board has a special funding situation related to benefits paid by the State of Tennessee for its eligible retired employees participation in the TNP. The Board's proportionate share of the collective total OPEB liability was based on projection of the employers long-term share of benefit payments to the OPEB plan relative to the projected share of benefit payments of all participating employers and nonemployer contributing entities, actuarially determined. The Board proportion of zero percent did not change from the prior measurement date. The Board recognized \$22,680 in revenue for support provided by nonemployer contributing entities for benefits paid to the TNP for the Board's retired employees.

**Changes in assumptions.** The discount rate was changed from 2.92 percent as of the beginning of the measurement period to 3.56 percent as of June 30, 2017. This change in assumption decreased the total OPEB liability.

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 9. Other Postemployment Benefits (OPEB) (continued)**

**Tennessee OPEB Plan (continued)**

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

**OPEB expense.** For the fiscal year ended June 30, 2018, the Board recognized OPEB expense of \$22,680.

**Note 10. Implementation of Governmental Accounting Standards Board Pronouncements**

In July 2017, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions". The pronouncement establishes standards of financial reporting for defined benefit OPEB plans and defined contribution OPEB plans.

Under this pronouncement, employers providing certain Postemployment Benefits Other than Pensions must measure and recognize liabilities, deferred outflows of resources, deferred inflows of resources, and expenses in connection with providing Postemployment Benefits Other than Pensions to employees in their enterprise funds and government-wide financial statements.

The effect of this restatement on net position was \$1,297,569 recognized in the government-wide financial statements at July 1, 2017, as follows:

Net position, beginning of year, as previously reported	\$ 42,691,585
GASB No. 75 – recognize change in OPEB obligations	<u>(1,297,569)</u>
Net position, beginning of year, as restated	<u>\$ 41,394,016</u>

**Note 11. On-Behalf Payments**

The State of Tennessee makes on-behalf payments to the State's Tennessee OPEB Plan and the Teacher Group OPEB 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, 2018, the State of Tennessee made contributions to healthcare plans on behalf of the Board as follows:

<u>Plan</u>	<u>Amount</u>
Teacher Group OPEB Plan	\$ 63,931
Tennessee OPEB Plan	41,143

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.

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 12. Deferred Compensation**

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

**Note 13. Tax Abatements**

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 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, 2018:

	Percentage of Taxes Abated during the Year	Amount of Taxes Abated during the Year
E&E Manufacturing	80%	\$ 65,144
E&E Manufacturing	60	39,695
Maxwell Industries	60	6,624
Denso Tennessee, Inc.	50	36,011

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 14. Contingencies**

The Athens Utilities Board has debt issues with outstanding balances totaling \$25,737,738, representing debt issued by the City where the Utilities Board has assumed all responsibility through resolution. This long-term debt is reported in the Athens Utilities Board financial statements. The debt service is to be paid through user fees and Board funds, but the City is required to establish ad valorem taxes under each debt issue if Utilities Board funds are not sufficient to service the debts.

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

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

**Note 15. 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 Public Entity Partners Risk Management Pool. The Public Entity Partners 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**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY**  
**AND RELATED RATIOS**  
**EMPLOYEE RETIREMENT PLAN**  
**LAST FOUR FISCAL YEARS**  
**June 30, 2018**

	2018	2017	2016	2015
<b>Total Pension Liability</b>				
Service cost	\$ 134,000	\$ 181,239	\$ 202,251	\$ 219,376
Interest	1,136,290	1,142,721	1,086,325	1,094,369
Differences between expected and actual experience	(249,085)	(460,714)	327,458	45,954
Changes in assumptions	-	-	-	277,477
Benefit payments	(953,466)	(863,801)	(717,399)	(668,078)
<b>Net change in total pension liability</b>	67,739	(555)	898,635	969,098
<b>Total pension liability - beginning</b>	16,567,391	16,567,946	15,669,311	14,700,213
<b>Total pension liability - ending (a)</b>	<u>\$ 16,635,130</u>	<u>\$ 16,567,391</u>	<u>\$ 16,567,946</u>	<u>\$ 15,669,311</u>
<b>Plan Fiduciary Net Position</b>				
Contributions - employer	\$ 600,000	\$ 650,000	\$ 1,300,000	\$ 1,610,000
Net investment income	1,320,179	1,737,667	(116,640)	200,379
Benefit payments	(953,466)	(863,801)	(717,399)	(668,078)
Administrative expense	(64,193)	(55,593)	(55,550)	(66,580)
<b>Net change in plan fiduciary net position</b>	902,520	1,468,273	410,411	1,075,721
<b>Plan fiduciary net position - beginning</b>	15,280,260	13,811,987	13,401,576	12,325,855
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 16,182,780</u>	<u>\$ 15,280,260</u>	<u>\$ 13,811,987</u>	<u>\$ 13,401,576</u>
<b>Net pension liability - ending (a) - (b)</b>	<u>\$ 452,350</u>	<u>\$ 1,287,131</u>	<u>\$ 2,755,959</u>	<u>\$ 2,267,735</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	92.23%	92.23%	83.37%	85.53%
<b>Covered payroll</b>	\$ 2,217,599	\$ 2,445,296	\$ 3,067,660	\$ 3,406,196
<b>Net pension liability as a percentage of covered payroll</b>	20.40%	52.64%	89.84%	66.58%

**Notes to Schedule**

*Changes in assumptions:*

The June 30, 2018, Total Pension Liability is based on census data as of June 30, 2018. Prior to June 30, 2018, the Total Pension Liability as of each June 30 is based on data as of January 1st rolled forward using the discount rate in effect on June 30.

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.

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

**CITY OF ATHENS, TENNESSEE  
REQUIRED SUPPLEMENTAL INFORMATION  
SCHEDULE OF CONTRIBUTIONS  
EMPLOYEE RETIREMENT PLAN  
LAST FOUR FISCAL YEARS  
June 30, 2018**

	2018	2017	2016	2015
Actuarially determined contribution	\$ 393,842	\$ 359,139	\$ 359,396	\$ 465,803
Contributions in relation to the actuarially determined contribution	<u>600,000</u>	<u>650,000</u>	<u>1,300,000</u>	<u>1,610,000</u>
Contribution deficiency (excess)	<u>\$ (206,158)</u>	<u>\$ (290,861)</u>	<u>\$ (940,604)</u>	<u>\$ (1,144,197)</u>
Covered payroll	\$ 2,217,599	\$ 2,445,296	\$ 3,067,660	\$ 3,406,196
Contributions as a percentage covered payroll	27.06%	26.58%	42.38%	47.27%

**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	27 years as of January 1, 2018
Asset valuation method	Five-year asset average spreading, 20% corridor around Market Value
Salary increases	3.00% per annum
Investment rate of return	7.00% per annum
Retirement age	5.00% 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

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



**CITY OF ATHENS, TENNESSEE  
REQUIRED SUPPLEMENTAL INFORMATION  
SCHEDULE OF INVESTMENT RETURNS  
EMPLOYEE RETIREMENT PLAN  
LAST FIVE FISCAL YEARS  
June 30, 2018**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	8.58%	12.38%	(0.85)%	1.57%	15.41%

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

**CITY OF ATHENS, TENNESSEE  
REQUIRED SUPPLEMENTAL INFORMATION  
SCHEDULE OF CHANGES IN NET PENSION  
LIABILITY (ASSET) AND RELATED RATIOS  
ATHENS CITY BOARD OF EDUCATION  
PUBLIC EMPLOYEE PENSION PLAN  
LAST FOUR FISCAL YEARS  
June 30, 2018**

	2014	2015	2016	2017
<b>TOTAL PENSION LIABILITY (ASSET)</b>				
Service cost	\$ 183,637	\$ 192,930	\$ 202,468	\$ 197,805
Interest	456,115	470,972	507,194	525,704
Differences between actual and expected experience	(170,142)	108,969	(142,126)	(98,841)
Changes in assumptions	-	-	-	148,754
Benefit payments, including refunds of employee contributions	(277,253)	(284,381)	(314,496)	(317,667)
<b>Net change in total pension liability</b>	192,357	488,490	253,040	455,755
<b>Total pension-beginning</b>	6,036,524	6,228,881	6,717,371	6,970,411
<b>Total pension liability-ending (a)</b>	<u>\$ 6,228,881</u>	<u>\$ 6,717,371</u>	<u>\$ 6,970,411</u>	<u>\$ 7,426,166</u>
<b>PLAN FIDUCIARY NET POSITION</b>				
Contributions - employer	\$ 156,714	\$ 158,450	\$ 164,526	\$ 174,295
Contributions - employees	94,521	95,605	100,581	105,188
Net investment income	914,930	196,626	173,363	754,503
Benefit payments, including refunds of employee contributions	(277,253)	(284,381)	(314,496)	(317,667)
Administrative expense	(3,263)	(4,335)	(6,525)	(8,045)
<b>Net change in plan fiduciary net position</b>	885,649	161,965	117,449	708,274
<b>Plan fiduciary net position-beginning</b>	5,515,798	6,401,447	6,563,412	6,680,861
<b>Plan fiduciary net position-ending (b)</b>	<u>\$ 6,401,447</u>	<u>\$ 6,563,412</u>	<u>\$ 6,680,861</u>	<u>\$ 7,389,135</u>
<b>Net pension liability (asset)-ending (a)-(b)</b>	<u>\$ (172,566)</u>	<u>\$ 153,959</u>	<u>\$ 289,550</u>	<u>\$ 37,031</u>
<b>Plan fiduciary net position as a percentage of the total pension liability (asset)</b>	(102.77)%	97.71%	95.85%	99.50%
<b>Covered payroll</b>	\$ 1,888,122	\$ 1,904,451	\$ 1,976,171	\$ 2,094,909
<b>Net pension liability (asset) as a percentage of covered payroll</b>	(9.14)%	8.08%	14.65%	1.77%

**Notes to Schedule**

*Changes in assumptions:*

In 2017, amounts reported as changes in assumptions resulted from changes to the inflation rate, investment rate of return, cost of living, salary growth and mortality improvements.

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

**CITY OF ATHENS, TENNESSEE  
REQUIRED SUPPLEMENTAL INFORMATION  
SCHEDULE OF CONTRIBUTIONS  
ATHENS CITY BOARD OF EDUCATION  
PUBLIC EMPLOYEE PENSION PLAN  
LAST FIVE FISCAL YEARS  
June 30, 2018**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Actuarially determined contribution	\$ 156,714	\$ 158,450	\$ 164,526	\$ 174,295	\$ 168,498
Contributions in relation to the actuarially determined contribution	<u>156,714</u>	<u>158,450</u>	<u>164,526</u>	<u>174,295</u>	<u>168,498</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Covered payroll	 \$ 1,888,122	 \$ 1,904,451	 \$ 1,976,171	 \$ 2,094,909	 \$ 2,025,223
 Contributions as a percentage covered payroll	 8.30%	 8.32%	 8.33%	 8.32%	 8.32%

**Notes to Schedule**

*Valuation date:*

Actuarially determined contribution rates for 2018 were calculated based on the June 30, 2017, actuarial valuation.

*Methods and assumptions used to determine contribution rates:*

Actuarial cost method	Entry age normal
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	3.00%
Salary increases	Graded salary ranges from 8.97% to 3.71% based on age, including inflation
Investment rate of return	7.50%, 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	2.50%

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

**CITY OF ATHENS, TENNESSEE  
REQUIRED SUPPLEMENTAL INFORMATION  
SCHEDULE OF PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY (ASSET)  
ATHENS CITY BOARD OF EDUCATION  
TEACHER LEGACY PENSION PLAN  
LAST FOUR FISCAL YEARS**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Athens City Board of Education's proportion of the net pension liability (asset)	(0.188902)%	0.191783%	0.201213%	(0.195561)%
Athens City Board of Education's proportionate share of the net pension liability (asset)	\$ (30,696)	\$ 78,561	\$ 1,257,467	\$ (63,984)
Athens City Board of Education's covered payroll	\$ 7,414,378	\$ 7,179,415	\$ 7,263,369	\$ 6,856,088
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%	(0.93)%
Plan fiduciary net position as a percentage of the total pension liability	100.08%	99.81%	97.14%	100.14%

**Notes to Schedule**

*Changes in assumptions:*

In 2017, amounts reported as changes in assumptions resulted from changes to the inflation rate, investment rate of return, cost of living, salary growth and mortality improvements.

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

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

**CITY OF ATHENS, TENNESSEE  
REQUIRED SUPPLEMENTAL INFORMATION  
SCHEDULE OF CONTRIBUTIONS  
ATHENS CITY BOARD OF EDUCATION  
TEACHER LEGACY PENSION PLAN  
LAST FIVE FISCAL YEARS  
June 30, 2018**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 658,397	\$ 649,018	\$ 656,609	\$ 624,934	\$ 601,505
Contribution in relation to the contractually required contribution	<u>658,397</u>	<u>649,018</u>	<u>656,609</u>	<u>624,934</u>	<u>601,505</u>
Contribution deficiency (excess)	<u>\$ -</u>	<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	 \$6,856,088	 \$6,624,504
Contributions as a percentage of Athens City Board of Education's covered payroll	8.88%	9.04%	9.04%	9.12%	9.08%

**Notes to Schedule**

*Changes in assumptions:*

In 2017, amounts reported as changes in assumptions resulted from changes to the inflation rate, investment rate of return, cost of living, salary growth and mortality improvements.

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

**CITY OF ATHENS, TENNESSEE  
REQUIRED SUPPLEMENTAL INFORMATION  
SCHEDULE OF PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY (ASSET)  
ATHENS CITY BOARD OF EDUCATION  
TEACHER RETIREMENT PLAN  
LAST THREE FISCAL YEARS  
June 30, 2018**

	<u>2016</u>	<u>2017</u>	<u>2018</u>
Athens City Board of Education's proportion of the net pension liability (asset)	(0.339025)%	(0.199142)%	(0.168014)%
Athens City Board of Education's proportionate share of the net pension liability (asset)	\$ (13,926)	\$ (20,731)	\$ (44,329)
Athens City Board of Education's covered payroll	\$ 719,244	\$ 876,231	\$ 1,159,644
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)%	(3.82)%
Plan fiduciary net position as a percentage of the total pension liability	127.46%	121.88%	126.81%

**Notes to Schedule**

*Changes in assumptions:*

In 2017, amounts reported as changes in assumptions resulted from changes to the inflation rate, investment rate of return, cost of living, salary growth and mortality improvements.

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

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

**CITY OF ATHENS, TENNESSEE  
REQUIRED SUPPLEMENTAL INFORMATION  
SCHEDULE OF CONTRIBUTIONS  
ATHENS CITY BOARD OF EDUCATION  
TEACHER RETIREMENT PLAN  
LAST FOUR FISCAL YEARS  
June 30, 2018**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 17,981	\$ 21,934	\$ 44,110	\$ 65,075
Contribution in relation to the contractually required contribution	<u>28,770</u>	<u>35,049</u>	<u>44,110</u>	<u>65,075</u>
Contribution deficiency (excess)	<u><u>\$ (10,789)</u></u>	<u><u>\$ (13,115)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Athens City Board of Education's covered payroll	\$719,244	\$876,231	\$1,159,644	\$1,626,875
Contributions as a percentage of Athens City Board of Education's covered payroll	4.00%	4.00%	3.80%	4.00%

**Notes to Schedule**

*Changes in assumptions:*

In 2017, amounts reported as changes in assumptions resulted from changes to the inflation rate, investment rate of return, cost of living, salary growth and mortality improvements.

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

**CITY OF ATHENS, TENNESSEE  
REQUIRED SUPPLEMENTAL INFORMATION  
SCHEDULE OF CHANGES IN TOTAL  
OPEB LIABILITY AND RELATED RATIOS  
ATHENS CITY BOARD OF EDUCATION  
TEACHER GROUP OPEB PLAN  
June 30, 2018**

	2018
<b>TOTAL OPEB LIABILITY</b>	
Service cost	\$ 150,653
Interest	81,018
Changes of benefit terms	-
Differences between actual and expected experience	-
Changes in assumptions and other inputs	(124,099)
Benefit payments	(187,183)
<b>Net change in total OPEB liability</b>	(79,611)
<b>Total OPEB liability-beginning</b>	2,717,511
<b>Total OPEB liability-ending</b>	<u>\$ 2,637,900</u>
<b>Nonemployer contributing entities proportionate share of the collective total OPEB liability</b>	\$ 873,148
<b>Employer's proportionate share of the collective total OPEB liability</b>	\$ 1,764,752
<b>Covered-employee payroll</b>	N/A
<b>Employer's proportionate share of collective total OPEB liability as a percentage of covered-employee payroll</b>	N/A

**Notes to Schedule**

*Valuation date:* June 30, 2017

*Measurement date:* June 30, 2017

*Methods and assumptions used to determine contribution rates:*

Actuarial cost method	Entry age normal
Inflation	2.25%
Discount rate	3.56%
Salary increases	Salary rates used in the July 1, 2017, actuarial valuation of the Tennessee Consolidated Retirement System (TCRS); 3.44% - 8.72%, including inflation.
Retirement age	Retirement rates used in the July 1, 2017, actuarial valuation of the TCRS. They are based on the results of a statewide experience study (undertaken on behalf of TCRS).
Mortality	Mortality tables used in the July 1, 2017, actuarial valuation of the TCRS. They are based on the results of a statewide experience study (undertaken on behalf of TCRS).
Healthcare cost trend rates	Based on the Getzen Model, with trend starting at 7.50% for 2018 calendar year, and gradually decreasing 33-year period to an ultimate trend rate of 3.53% with 0.18% added to approximate the effect of the excise tax.
Aging factors	Based on the 2013 SOA Study "Health Care Costs - From Birth to Death".
Expenses	Administrative expenses are included in the per capita health costs.

See the Actuarial Valuation Report as of July 1, 2017.

Changes in assumptions and other inputs include the change in the discount rate from 2.92% as of the beginning of the measurement period to 3.56% as of June 30, 2017. This change is reflected in the Schedule of Changes in Total OPEB Liability and Related Ratios.

There were no benefit changes during the measurement period.

There are no assets accumulating in a trust that meets the criteria in paragraph 4 of GSAB Statement No. 75, related to this OPEB plan.

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

This schedule is intended to display ten years of information. Additional years will be displayed as they become available.



**CITY OF ATHENS, TENNESSEE  
REQUIRED SUPPLEMENT INFORMATION  
SCHEDULE OF CHANGES IN TOTAL  
OPEB LIABILITY AND RELATED RATIOS  
ATHENS CITY BOARD OF EDUCATION  
TEACHER OPEB PLAN  
June 30, 2018**

	2018
<b>TOTAL OPEB LIABILITY</b>	
Service cost	\$ 8,015
Interest	21,642
Changes of benefit terms	-
Differences between actual and expected experience	-
Changes in assumptions and other inputs	(53,724)
Benefit payments	(41,550)
<b>Net change in total OPEB liability</b>	(65,617)
<b>Total OPEB liability-beginning</b>	753,917
<b>Total OPEB liability-ending</b>	<u>\$ 688,300</u>
<b>Nonemployer contributing entities proportionate share of the collective total OPEB liability</b>	\$ 688,300
<b>Employer's proportionate share of the collective total OPEB liability</b>	\$ -
<b>Covered-employee payroll</b>	N/A
<b>Employer's proportionate share of collective total OPEB liability as a percentage of covered-employee payroll</b>	N/A

**Notes to Schedule**

*Valuation date:* June 30, 2017

*Measurement date:* June 30, 2017

*Methods and assumptions used to determine contribution rates:*

Actuarial cost method	Entry age normal
Inflation	2.25%
Discount rate	3.56%
Salary increases	Salary rates used in the July 1, 2017, actuarial valuation of the Tennessee Consolidated Retirement System (TCRS); 3.44% - 8.72%, including inflation.
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Aging factors	Based on the 2013 SOA Study "Health Care Costs - From Birth to Death".
Expenses	Administrative expenses are included in the per capita health costs.

See the Actuarial Valuation Report as of July 1, 2017.

Changes in assumptions and other inputs include the change in the discount rate from 2.92% as of the beginning of the measurement period to 3.56% as of June 30, 2017. This change is reflected in the Schedule of Changes in Total OPEB Liability and Related Ratios.

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**NON-MAJOR  
GOVERNMENTAL FUNDS**

# **NONMAJOR GOVERNMENTAL FUNDS**

## **Special Revenue Funds**

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

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

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

## **Capital Projects Fund**

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

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

## **Permanent Fund**

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

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

**CITY OF ATHENS, TENNESSEE  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2018**

	<u>Special Revenue Funds</u>		<u>Capital Projects Fund</u>	<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Drug</u>	<u>Centralized Cafeteria</u>	<u>Education Capital Projects</u>	<u>Cemetery Perpetual Care</u>	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 38,381	\$306,277	\$ 1,024,247	\$ 2,676	\$ 1,371,581
Investments	183,470	-	-	235,612	419,082
Due from other governments	7,148	54,513	-	-	61,661
Inventories	-	41,231	-	-	41,231
Total assets	<u>\$ 228,999</u>	<u>\$402,021</u>	<u>\$ 1,024,247</u>	<u>\$238,288</u>	<u>\$ 1,893,555</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Account payable	\$ -	\$ 79	\$ -	-	\$ 79
Accrued payroll and withholdings	-	52,151	-	-	52,151
Total liabilities	<u>-</u>	<u>52,230</u>	<u>-</u>	<u>-</u>	<u>52,230</u>
<b>FUND BALANCES</b>					
Nonspendable	-	41,231	-	81,610	122,841
Restricted	213,409	-	-	156,678	370,087
Committed	15,590	-	1,024,247	-	1,039,837
Assigned	-	308,560	-	-	308,560
Total fund balances	<u>228,999</u>	<u>349,791</u>	<u>1,024,247</u>	<u>238,288</u>	<u>1,841,325</u>
Total liabilities and fund balances	<u>\$ 228,999</u>	<u>\$402,021</u>	<u>\$ 1,024,247</u>	<u>\$238,288</u>	<u>\$ 1,893,555</u>

**CITY OF ATHENS, TENNESSEE**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2018**

	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	\$ -	\$ 1,222,931	\$ -	\$ -	\$ 1,222,931
Fines and forfeitures	22,918	-	-	-	22,918
Investment and interest income	2,345	1,221	-	7,354	10,920
Charges for services	-	51,934	-	2,460	54,394
Total revenues	<u>25,263</u>	<u>1,276,086</u>	<u>-</u>	<u>9,814</u>	<u>1,311,163</u>
<b>EXPENDITURES</b>					
Current:					
Public safety	13,924	-	-	-	13,924
Education	-	1,214,798	-	-	1,214,798
Total expenditures	<u>13,924</u>	<u>1,214,798</u>	<u>-</u>	<u>-</u>	<u>1,228,722</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	11,339	61,288	-	9,814	82,441
<b>FUND BALANCES, beginning of year</b>	<u>217,660</u>	<u>288,503</u>	<u>1,024,247</u>	<u>228,474</u>	<u>1,758,884</u>
<b>FUND BALANCES, end of year</b>	<u>\$ 228,999</u>	<u>\$ 349,791</u>	<u>\$ 1,024,247</u>	<u>\$ 238,288</u>	<u>\$ 1,841,325</u>

**CITY OF ATHENS, TENNESSEE**  
**BUDGETARY COMPARISON SCHEDULE**  
**DRUG FUND**  
**Year Ended June 30, 2018**

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Drug fines and forfeitures	\$ 20,000	\$ 20,000	\$ 22,918	\$ 2,918
Investment and interest income	-	-	2,345	2,345
Total revenues	<u>20,000</u>	<u>20,000</u>	<u>25,263</u>	<u>5,263</u>
<b>EXPENDITURES</b>				
Drug investigation	10,000	10,000	-	10,000
Supplies	5,000	5,000	13,924	(8,924)
Awareness, education and training	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Total expenditures	<u>20,000</u>	<u>20,000</u>	<u>13,924</u>	<u>6,076</u>
<b>REVENUES OVER EXPENDITURES</b>	-	-	11,339	11,339
<b>FUND BALANCE, beginning of year</b>	<u>217,660</u>	<u>217,660</u>	<u>217,660</u>	<u>-</u>
<b>FUND BALANCE, end of year</b>	<u>\$ 217,660</u>	<u>\$ 217,660</u>	<u>\$ 228,999</u>	<u>\$ 11,339</u>

**CITY OF ATHENS, TENNESSEE  
BUDGETARY COMPARISON SCHEDULE  
CENTRALIZED CAFETERIA FUND  
Year Ended June 30, 2018**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
State funds	\$ 10,500	\$ 10,500	\$ 10,174	\$ (326)
Federal funds received through state	1,158,997	1,158,997	1,212,757	53,760
Charges for services	61,000	61,000	51,934	(9,066)
Interest	950	950	1,221	271
Other	91,000	91,000	-	(91,000)
Total revenues	1,322,447	1,322,447	1,276,086	(46,361)
<b>EXPENDITURES</b>				
Food services	1,322,447	1,322,447	1,214,798	107,649
<b>REVENUES OVER EXPENDITURES</b>	-	-	61,288	61,288
<b>FUND BALANCE, beginning of year</b>	288,503	288,503	288,503	-
<b>FUND BALANCE, end of year</b>	\$ 288,503	\$ 288,503	\$ 349,791	\$ 61,288



## **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, 2018**

	<u>Fleet Fund</u>	<u>Employee Medical Benefits Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 52,915	\$ -	\$ 52,915
Investments	3,784,126	364,670	4,148,796
Interest receivable	<u>5,939</u>	<u>-</u>	<u>5,939</u>
Total current assets	3,842,980	364,670	4,207,650
Capital assets:			
Capital assets, net	<u>2,236,487</u>	<u>-</u>	<u>2,236,487</u>
Total assets	<u><u>\$ 6,079,467</u></u>	<u><u>\$ 364,670</u></u>	<u><u>\$ 6,444,137</u></u>
 <b>LIABILITIES AND NET POSITION</b>			
<b>LIABILITIES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>NET POSITION</b>			
Net investment in capital assets	2,236,487	-	2,236,487
Unrestricted	<u>3,842,980</u>	<u>364,670</u>	<u>4,207,650</u>
Total net position	<u>6,079,467</u>	<u>364,670</u>	<u>6,444,137</u>
Total liabilities and net position	<u><u>\$ 6,079,467</u></u>	<u><u>\$ 364,670</u></u>	<u><u>\$ 6,444,137</u></u>

**CITY OF ATHENS, TENNESSEE**  
**COMBINING STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**Year Ended June 30, 2018**

	<u>Fleet Fund</u>	<u>Employee Medical Benefits Fund</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 670,500	\$ -	\$ 670,500
<b>OPERATING EXPENSES</b>			
Depreciation	<u>382,443</u>	<u>-</u>	<u>382,443</u>
<b>OPERATING INCOME</b>	<u>288,057</u>	<u>-</u>	<u>288,057</u>
<b>NONOPERATING REVENUES</b>			
Interest income	43,359	4,498	47,857
Gain on sale of capital assets	<u>10,235</u>	<u>-</u>	<u>10,235</u>
Total nonoperating revenues	<u>53,594</u>	<u>4,498</u>	<u>58,092</u>
Income before capital contribution	341,651	4,498	346,149
<b>CAPITAL CONTRIBUTION</b>	<u>64,912</u>	<u>-</u>	<u>64,912</u>
<b>CHANGE IN NET POSITION</b>	406,563	4,498	411,061
<b>NET POSITION, beginning of year</b>	<u>5,672,904</u>	<u>360,172</u>	<u>6,033,076</u>
<b>NET POSITION, end of year</b>	<u><u>\$ 6,079,467</u></u>	<u><u>\$ 364,670</u></u>	<u><u>\$ 6,444,137</u></u>

**CITY OF ATHENS, TENNESSEE**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**Year Ended June 30, 2018**

	<u>Fleet Fund</u>	<u>Employee Medical Benefits Fund</u>	<u>Total</u>
<b>CASH FLOWS PROVIDED BY OPERATING ACTIVITIES</b>			
Receipts from customers	<u>\$ 670,500</u>	<u>\$ -</u>	<u>\$ 670,500</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Proceeds from the sale of capital assets	29,591	-	29,591
Purchase of capital assets	<u>(145,158)</u>	<u>-</u>	<u>(145,158)</u>
Net cash used in capital and related financing activities	<u>(115,567)</u>	<u>-</u>	<u>(115,567)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment and interest earnings	41,836	4,498	46,334
Purchase of investments	<u>(585,336)</u>	<u>(4,498)</u>	<u>(589,834)</u>
Net cash used in investing activities	<u>(543,500)</u>	<u>-</u>	<u>(543,500)</u>
Net decrease in cash and cash equivalents	11,433	-	11,433
Cash and cash equivalents, beginning of year	<u>41,482</u>	<u>-</u>	<u>41,482</u>
Cash and cash equivalents, end of year	<u><u>\$ 52,915</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 52,915</u></u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>			
Operating income	\$ 288,057	\$ -	\$ 288,057
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	<u>382,443</u>	<u>-</u>	<u>382,443</u>
Net cash provided by operating activities	<u><u>\$ 670,500</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 670,500</u></u>
<b>SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>			
Interfund transfer of property	\$ 64,912	\$ -	\$ 64,912

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**OTHER**

**CITY OF ATHENS, TENNESSEE**  
**SCHEDULE OF UNCOLLECTED DELINQUENT TAXES FILED**  
**LAST TEN YEARS**  
**June 30, 2018**

<u>Tax Year</u>	<u>Delinquent Taxes Filed</u>	<u>July 1, 2017 Delinquent Taxes Receivable</u>	<u>Current Collections and Adjustments</u>	<u>June 30, 2018 Delinquent Taxes Receivable</u>
2007 and Prior	\$ *	\$ -	\$ -	\$ -
2008	80,293	378	-	378
2009	69,472	4,075	807	3,268
2010	77,158	14,428	1,196	13,232
2011	97,583	22,011	3,836	18,175
2012	78,451	27,777	4,597	23,180
2013	72,120	30,318	4,672	25,646
2014	83,863	40,284	9,621	30,663
2015	116,012	98,313	47,895	50,418
2016	94,263	180,447	100,614	79,833

\* Not available.



**CITY OF ATHENS, TENNESSEE**  
**SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE**  
**Year Ended June 30, 2018**

	<u>Total</u>	<u>2018 Assessment</u>	<u>2017 Assessment</u>	<u>Prior Years</u>
PROPERTY TAXES RECEIVABLE July 1, 2017	<u>\$ 6,093,031</u>	<u>\$ -</u>	<u>\$ 5,675,000</u>	<u>\$ 418,031</u>
Add -				
Taxes assessed	5,947,000	5,947,000	-	-
Late listings	<u>419,863</u>	<u>-</u>	<u>419,863</u>	<u>-</u>
	<u>6,366,863</u>	<u>5,947,000</u>	<u>419,863</u>	<u>-</u>
Deduct -				
Collections	5,992,194	-	5,819,702	172,492
Adjustments and abatements	<u>35,502</u>	<u>-</u>	<u>34,756</u>	<u>746</u>
	<u>6,027,696</u>	<u>-</u>	<u>5,854,458</u>	<u>173,238</u>
PROPERTY TAXES RECEIVABLE June 30, 2018	<u><u>\$ 6,432,198</u></u>	<u><u>\$ 5,947,000</u></u>	<u><u>\$ 240,405</u></u>	<u><u>\$ 244,793</u></u>

**CITY OF ATHENS, TENNESSEE**  
**SCHEDULE OF INVESTMENTS**  
**June 30, 2018**

	Interest Rate	Maturity Date	Cost	Market Value
<u><b>FUNDS GOVERNED BY THE CITY COUNCIL</b></u>				
<b>Cemetery Perpetual Care Fund:</b>				
Causeway International Value Fund	-	-	\$ 4,636	\$ 4,723
Doubleline Total Return Bond Fund	-	-	40,672	38,600
Federated MDT Small Cap Growth Fund	-	-	548	1,046
Goldman Sachs Growth Opportunities Fund	-	-	4,357	4,858
Goldman Sachs International Small Cap Insights	-	-	1,974	2,000
Harding Loevner International Equity Institutional Fund	-	-	2,506	3,717
Lazard Emerging Markets Equity Institutional Fund	-	-	1,461	1,465
Metropolitan West Total Return Fund	-	-	33,229	32,107
Morgan Stanley Institutional Fund	-	-	1,764	2,989
Natixis Loomis Say Growth	-	-	5,381	7,264
Neuberger Berman Strategic Income Fund	-	-	17,864	17,563
Oppenheimer Developing Markets Fund	-	-	1,103	1,485
PGIM Total Return	-	-	37,643	36,556
Sterling Capital Equity Income Fund	-	-	5,239	6,674
Sterling Capital Total Return Bond Fund	-	-	54,468	51,049
Touchstone Mid Cap Value Fund	-	-	4,585	4,808
Vanguard 500 Index Fund	-	-	10,987	13,889
Vanguard Developed Markets Index Fund	-	-	2,504	2,809
Virtus Quality Small Cap Fund	-	-	1,539	2,010
<b>Total</b>			<u>\$ 232,460</u>	<u>\$ 235,612</u>
<b>Athens Pension Trust Fund:</b>				
Federal Home Loan Mortgage Corporation	2.375	01/13/22	\$ 118,849	\$ 113,490
Federal Home Loan Mortgage Corporation	3.750	03/27/19	81,432	75,811
Federal National Mortgage Association	1.625	11/27/18	101,417	99,803
Federal National Mortgage Association	1.375	02/26/21	99,687	96,765
Federal National Mortgage Association	2.375	01/19/23	59,036	58,915
Federal National Mortgage Association	2.625	09/06/24	101,476	98,335
Federal National Mortgage Association	2.125	04/24/26	108,911	107,670
Federal National Mortgage Association	1.625	01/21/20	100,321	98,666
US Treasury Note	1.875	12/15/20	58,920	58,992
US Treasury Note	1.500	01/31/19	59,686	59,749
US Treasury Note	3.125	05/15/21	110,784	101,379
US Treasury Note	3.750	11/15/18	92,935	85,505
US Treasury Note	3.375	11/15/19	88,121	86,023
US Treasury Note	1.625	04/30/19	86,100	84,512
US Treasury Note	2.000	07/31/20	76,801	74,159
US Treasury Note	2.500	08/15/23	77,781	74,118
US Treasury Note	2.125	12/31/22	49,024	48,744
			<u>\$ 1,471,281</u>	<u>\$ 1,422,636</u>

(continued)

**CITY OF ATHENS, TENNESSEE**  
**SCHEDULE OF INVESTMENTS**  
**June 30, 2018**  
(continued)

	Interest Rate	Maturity Date	Cost	Market Value
Athens Pension Trust Fund: (continued)				
US Treasury Note	2.125	06/30/22	\$ 86,539	\$ 83,164
US Treasury Note	2.125	05/15/25	103,394	100,475
US Treasury Note	2.750	02/15/24	79,035	74,900
US Treasury Inflation Protected Security	0.625	01/15/24	55,309	53,611
ABB Limited - Sponsored ADR	-	-	21,388	21,160
Accenture PLC CL A	-	-	24,999	40,080
AIA Group, Limited	-	-	16,131	27,596
Air Liquide	-	-	21,174	24,369
Akzo N V - Sponsored ADR	-	-	15,203	18,776
Alfa Laval	-	-	8,754	12,786
Alibaba Group Holding	-	-	37,389	80,891
Allianz, Group	-	-	13,878	19,097
Aryzta AG - Unsponsored ADR	-	-	6,761	1,965
Aspen Pharmacare - Unsponsored ADR	-	-	6,453	6,029
Astrazeneca PLC	-	-	15,926	18,959
Atlas Copco Group	-	-	6,112	9,616
Aviva PLC	-	-	18,316	18,778
BASF AG - Sponsored ADR	-	-	18,586	19,510
BBA Aviation PLC - Unsponsored ADR	-	-	2,404	3,741
BHP Billiton PLC	-	-	6,108	7,372
BP PLC - Sponsored ADR	-	-	20,529	26,848
BNP Paribas	-	-	7,162	7,607
Baidu, Inc.	-	-	28,267	40,095
Balfour Beatty PLC	-	-	4,610	3,918
Banco Bilbao Vizcaya - Sponsored ADR	-	-	15,623	14,182
Barclays PLC	-	-	22,820	18,756
Bayer A G - Sponsored ADR	-	-	21,931	23,905
Bayerische Motoren - Sponsored ADR	-	-	7,833	6,867
British American Tobacco, PLC	-	-	27,252	24,872
Caixabank - Unsponsored ADR	-	-	4,645	5,220
Canadian Imperial Bank	-	-	6,517	6,084
Canadian National RY Company	-	-	9,017	14,388
Canadian Pacific Railway Limited	-	-	15,450	17,753
Carnival Corporation PLC	-	-	2,061	2,652
Checkpoint Software Technology	-	-	12,782	14,847
China Mobile HK, Limited	-	-	29,229	22,062
Compagnie Financiere Richemont, S.A.	-	-	6,685	7,930
CSL, Limited	-	-	3,958	9,393
DBS Group Holdings, Limited	-	-	9,391	15,144
Daito Trust Construction Company	-	-	5,207	4,959
Danone - Sponsored ADR	-	-	32,012	34,163
Dassault Systems	-	-	13,202	28,582
Diageo, PLC - Sponsored ADR	-	-	8,210	10,801

(continued)

**CITY OF ATHENS, TENNESSEE**  
**SCHEDULE OF INVESTMENTS**  
**June 30, 2018**  
(continued)

	Interest Rate	Maturity Date	Cost	Market Value
Athens Pension Trust Fund: (continued)	-	-		
East Japan Railway Company	-	-	\$ 18,726	\$ 20,221
Encana Corporation	-	-	15,399	18,205
Enbridge, Inc.	-	-	43,651	47,789
Engie - Sponsored ADR	-	-	8,673	7,803
Fanuc, Limited	-	-	14,948	17,005
Fresenius USA, Inc.	-	-	10,440	13,796
Fuchs Petrolu Se-Pref ADR	-	-	6,038	6,990
Gildan Activewear, Inc.	-	-	9,920	10,138
Givaudan, S.A.	-	-	8,270	8,119
Glaxosmithkline PLC - Sponsored ADR	-	-	21,533	21,284
Grifols, S.A.	-	-	4,782	6,041
Grupo Fin Banorte - Sponsored ADR	-	-	6,111	7,308
HDFC Bank, Limited ADR	-	-	6,256	6,826
HSBC Holdings PLC - Sponsored ADR	-	-	6,696	7,778
Icici Bank Limited - Sponsored ADR	-	-	5,295	6,159
Infineon Technology	-	-	9,349	9,940
ING Groep NV - Sponsored ADR	-	-	3,610	3,995
Invesco, Limited	-	-	28,240	24,701
Itau Unibanco Banco Multiplo S.A.	-	-	7,469	8,356
JGC Corporation	-	-	8,911	7,217
Japan Airlines Company	-	-	17,297	18,139
KDDI Corporation - Un-sponsored ADR	-	-	16,611	22,671
Kubota Corporation	-	-	4,847	5,822
L'Oreal - Un-sponsored ADR	-	-	10,033	15,903
LVMH Moet-Hennessey - Un-sponsored ADR	-	-	5,323	10,589
Lloyds Banking Group PLC	-	-	9,271	7,939
Manulife Financial Corporation	-	-	16,481	16,586
Medtronic PLC	-	-	35,565	37,069
Micro Focus International	-	-	10,723	6,977
Monotaro Company, Limited - Un-sponsored ADR	-	-	3,449	9,246
Naspers Limited	-	-	8,855	16,578
Nestle S.A.	-	-	17,309	19,981
Nielsen Holdings PLC	-	-	30,931	25,950
Novartis	-	-	34,104	38,374
Novo-Nordisk A.S.	-	-	34,798	34,774
Novozymes	-	-	4,803	5,022
Park24 Company, Limited - Sponsored ADR	-	-	5,910	5,988
Prudential PLC	-	-	12,757	14,670
Red Electrica Corporacion S.A.	-	-	3,741	3,563
Roche Holding, Limited ADR	-	-	34,014	32,985
Rolls Royce PLC	-	-	10,093	10,842
Royal Dutch Shell PLC ADR CL B	-	-	33,347	47,368
SAP SE ADR	-	-	21,644	34,235
Sasol Limited	-	-	5,983	6,066

(continued)

**CITY OF ATHENS, TENNESSEE**  
**SCHEDULE OF INVESTMENTS**  
**June 30, 2018**  
(continued)

	Interest Rate	Maturity Date	Cost	Market Value
Athens Pension Trust Fund: (continued)				
Schlumberger, Limited	-	-	\$ 52,983	\$ 45,849
Schneider Electric S.A.	-	-	15,321	18,778
SK Telecom Company, Limited	-	-	15,129	15,858
Shire Pharmaceuticals Group PLC	-	-	11,192	12,154
Sonova Holding AG	-	-	5,079	7,702
SSE PLC - Sponsored ADR	-	-	17,621	14,687
Sumitomo Mitsui - Sponsored ADR	-	-	9,687	9,324
Symrise AG ADR	-	-	5,991	8,725
Sysmex Corporation	-	-	7,018	15,169
Taiwan Semiconductor Manufacturing Company	-	-	11,557	22,119
Takeda Pharmaceutical Company	-	-	23,336	18,921
Tenaris S.A.	-	-	3,624	4,731
Turkiye Garanti Bankasi A.S.	-	-	6,897	3,641
Unicredit SPA	-	-	20,539	15,407
Unilever PLC	-	-	7,433	10,614
Vodafone Group PLC	-	-	17,797	11,766
Volkswagen AG	-	-	28,645	27,194
Weibo Corporation	-	-	11,223	9,852
WPP PLC	-	-	7,018	6,051
Zurich Insurance Group	-	-	6,292	7,523
BNP Paribas	2.400	12/12/18	60,474	59,966
HSBC Holdings PLC	5.100	04/05/21	65,267	62,718
Invesco Finance PLC	3.125	11/30/22	50,549	49,195
Mitsubishi UJF Financial Group	3.677	02/22/27	59,164	58,951
Shell International Finance	1.750	09/12/21	49,827	47,891
Sumitomo Mitsui Financial Group	2.846	01/11/22	55,577	53,719
Westpac Banking Corp	2.650	01/25/21	49,965	49,362
AT&T, Inc.	4.125	02/17/26	50,250	48,871
American International Group	3.900	04/01/26	51,449	48,389
Anheuser-Busch	2.650	02/01/21	49,856	49,311
Apple, Inc.	2.000	05/06/20	49,833	49,299
Bank of America Corporation	3.300	01/11/23	61,262	59,120
Berkshire Hathaway, Inc.	3.125	03/15/26	49,953	48,175
Carlisle Cos, Inc.	3.500	12/01/24	40,094	38,609
Celgene Corporation	3.875	08/15/25	50,665	48,658
Cintas Corporation No. 2	3.700	04/01/27	57,083	53,950
Citigroup, Inc.	3.750	06/16/24	60,505	59,298
Coach, Inc.	4.125	07/15/27	100,082	95,360
The Coca-Cola Company	3.150	11/15/20	52,989	50,312
Comcast Corporation	1.625	01/15/22	58,318	56,275
Crown Castle International Corporation	4.875	04/15/22	54,697	51,546
Duke Energy Corporation	3.950	10/15/23	56,844	55,619
ERP Operating LP	3.000	04/15/23	54,968	53,673

(continued)

**CITY OF ATHENS, TENNESSEE**  
**SCHEDULE OF INVESTMENTS**  
**June 30, 2018**  
(continued)

	Interest Rate	Maturity Date	Cost	Market Value
Athens Pension Trust Fund: (continued)				
Fifth Third Bancorp	2.875	07/27/20	\$ 60,257	\$ 59,662
Goldman Sachs Group, Inc.	2.875	02/25/21	49,951	49,350
HCP, Inc.	5.375	02/01/21	26,940	25,988
HCP, Inc.	2.625	02/01/20	35,073	34,582
Hollyfrontier Corporation	5.875	04/01/26	21,551	21,338
Huntington Bancshares	4.000	05/15/25	54,827	55,161
JP Morgan Chase & Company	3.200	01/25/23	60,829	58,927
Kimco Realty Corporation	3.400	11/01/22	51,630	49,241
L-3 Communications Corporation	3.850	12/15/26	51,582	48,113
Microsoft Corporation	3.125	11/03/25	40,431	39,296
Morgan Stanley	2.500	01/24/19	60,844	59,905
Nucor Corporation	3.950	05/01/28	29,956	29,922
Oracle Corporation	1.900	09/15/21	50,042	47,621
Pioneer National Resource	3.950	07/15/22	47,610	45,514
Regions Financial Corporation	3.200	02/08/21	50,692	49,741
Republic Services, Inc.	3.550	06/01/22	61,337	60,383
Sherwin Williams Company	3.450	06/01/27	55,013	51,962
Simon Property	2.625	06/15/22	50,314	48,513
Southern Company	2.450	09/01/18	60,499	59,960
TJX Companies	2.250	09/15/26	55,193	53,505
VMware	2.300	08/21/20	49,935	48,951
Wells Fargo & Company	2.600	07/22/20	60,233	59,238
Abbott Laboratories Corporation	-	-	27,037	41,961
AbbVie, Inc.	-	-	35,662	52,440
Alphabet, Class A	-	-	26,640	39,522
Alphabet, Class C	-	-	21,107	39,048
Amazon.com, Inc.	-	-	35,973	105,388
American Express Company Corporation	-	-	10,334	13,916
Amgen, Inc.	-	-	18,373	22,151
Analog Devices, Inc.	-	-	41,014	45,754
Anthem, Inc.	-	-	16,680	31,658
AT&T, Inc.	-	-	11,584	11,431
Autodesk, Inc.	-	-	22,222	48,765
Automatic Data Processing	-	-	7,690	11,670
CVS Common	-	-	45,605	38,417
Cerner Corporation	-	-	23,751	25,172
Cisco Systems, Inc.	-	-	21,813	34,682
The Coca-Cola Company	-	-	30,086	30,483
Colgate Palmolive Company	-	-	23,458	22,813
Crown Castle International Corporation	-	-	34,423	38,276
Deere & Company	-	-	25,141	31,874
Discover Financial Services	-	-	31,088	38,303
Expeditors International Wash, Inc.	-	-	26,318	38,670
Facebook, Inc.	-	-	52,207	88,027

(continued)

**CITY OF ATHENS, TENNESSEE**  
**SCHEDULE OF INVESTMENTS**  
**June 30, 2018**  
(continued)

	Interest Rate	Maturity Date	Cost	Market Value
Athens Pension Trust Fund: (continued)				
Factset Research Systems, Inc.	-	-	\$ 17,398	\$ 20,999
General Motors Company	-	-	35,035	41,488
Honeywell International, Inc.	-	-	28,649	36,877
Johnson & Johnson	-	-	32,757	36,281
Kar Auction Services, Inc.	-	-	19,424	23,728
Lowe's Companies, Inc.	-	-	32,671	42,242
Maxim Integrated Products	-	-	18,031	30,562
Merck & Company, Inc.	-	-	47,582	53,112
Microsoft Corporation	-	-	28,883	63,603
Monster Beverage Corporation	-	-	36,986	44,694
NASDAQ, Inc.	-	-	23,314	30,393
Occidental Petroleum Company	-	-	21,804	30,711
Omnicom Group, Inc.	-	-	27,754	33,025
Oracle Corporation	-	-	50,147	52,828
Pepsico, Inc.	-	-	32,917	39,737
Pfizer, Inc.	-	-	27,400	33,414
Proctor & Gamble Company	-	-	29,607	29,897
Qualcomm, Inc.	-	-	60,862	58,365
Regeneron Pharmaceuticals, Inc.	-	-	36,013	33,809
Robert Half International, Inc.	-	-	15,246	26,040
SEI Investments Company	-	-	27,860	34,386
Snap-on, Inc.	-	-	28,379	31,340
Starbucks Corporation	-	-	68,334	59,011
United Parcel Services	-	-	38,150	43,236
Varian Medical Systems, Inc.	-	-	14,450	21,948
Verizon Communications, Inc.	-	-	43,033	43,015
Visa, Inc.	-	-	41,770	76,291
Wells Fargo & Company	-	-	37,141	39,251
Yum! Brands, Inc.	-	-	15,404	20,181
Yum! China Holdings, Inc.	-	-	10,460	14,653
Federated MDT Small Cap Growth Fund	-	-	116,454	174,363
Goldman Sachs Growth Opportunities Fund	-	-	827,865	843,169
Goldman Sachs International Small Cap Insights	-	-	354,140	355,281
Highland Long/Short Equity Fund	-	-	476,798	476,429
Lazard Emerging Markets Equity Institutional Fund	-	-	214,726	224,381
Morgan Stanley Institutional Fund	-	-	313,826	521,253
Oppenheimer Developing Markets Fund	-	-	195,463	249,744
Pimco Commodity Real Return Fund	-	-	266,424	259,098
Sterling Capital Securitized Opportunities Fund	-	-	800,176	775,561
Touchstone Mid Cap Value Fund	-	-	672,334	728,018
Vanguard 500 Index Fund	-	-	1,854,497	2,391,083
Vanguard Developed Markets Fund	-	-	388,774	440,831
Virtus Quality Small Cap Fund	-	-	244,874	291,277

(continued)

**CITY OF ATHENS, TENNESSEE**  
**SCHEDULE OF INVESTMENTS**  
**June 30, 2018**  
(continued)

	Interest Rate	Maturity Date	Cost	Market Value
Athens Pension Trust Fund: (continued)				
Sterling Capital Prime Money Market Fund	-	-	\$ 200,801	\$ 200,801
Connecticut ST Series A Bond	5.770	03/15/25	66,239	61,113
Frisco TX Bond	2.750	02/15/20	51,973	49,953
Hillsborough County FL School Bond	5.500	07/01/18	53,747	50,000
Los Angeles CA Community Bond	3.009	08/01/23	41,394	39,702
Marlboro County SC School District	5.440	06/01/25	60,450	56,016
Miami-Dade County FL Aviation Bond	1.917	10/01/20	65,000	63,526
Michigan ST Bond	3.450	05/15/23	40,816	40,567
New York NY Build America Bond	5.049	12/01/21	22,686	21,251
Palm Beach County FL Bond	1.789	10/01/20	65,000	63,457
Union Elementary School District CA Bond	2.564	09/01/20	50,468	49,630
Total			<u>\$ 14,621,123</u>	<u>\$ 16,146,794</u>



**CITY OF ATHENS, TENNESSEE**  
**SCHEDULE OF INVESTMENTS**  
**June 30, 2018**  
(continued)

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Cost</u>	<u>Market Value</u>
<b>INVESTMENT - OTHER FUNDS</b>				
General Fund				
Participation in the State of Tennessee Local				
Government Investment Pool (LGIP):	-	-	\$ 6,275,024	\$ 6,275,024
Certificate of Deposit	1.10%	2/1/19	<u>3,823,620</u>	<u>3,823,620</u>
			<u>\$ 10,098,644</u>	<u>\$ 10,098,644</u>
Drug Fund - LGIP	-	-	<u>\$ 183,470</u>	<u>\$ 183,470</u>
	-	-		
Capital Improvement Fund - LGIP	-	-	<u>\$ 6,163,962</u>	<u>\$ 6,163,962</u>
	-	-		
Employee Medical Benefits Fund - LGIP	-	-	<u>\$ 364,670</u>	<u>\$ 364,670</u>
Sanitation Fund - LGIP	-	-	<u>\$ 1,940,705</u>	<u>\$ 1,940,705</u>
Fleet Fund	-	-		
LGIP			\$ 1,233,866	\$ 1,233,866
Certificate of Deposit	0.75%	10/6/18	<u>2,550,260</u>	<u>2,550,260</u>
			<u>\$ 3,784,126</u>	<u>\$ 3,784,126</u>

**CITY OF ATHENS, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**Year Ended June 30, 2018**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Accrued (Unearned) Grant Revenues July 1, 2017	Grant Revenues Received	Expenditures	Adjustments	Accrued (Unearned) Grant Revenues June 30, 2018
<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)	\$ -	\$ 173,594	\$ 173,594	\$ -	\$ -
Highway Planning and Construction	20.205	STP-M-9201 (15)	-	-	32	-	32
Resurfacing Streets							
Tennessee Highway Safety Office	20.607	Z-18-THS-014	-	4,502	5,000	-	498
Alcohol Open Container			-	178,096	178,626	-	530
<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	1,800	-	1,800
Community Development Block Grants	14.228	33004-55117	-	-	19,500	-	19,500
			4,500	4,500	21,300	-	21,300
			4,500	182,596	199,926	-	21,830
Total Federal Awards-Primary Government City of Athens							
<b>STATE AWARDS</b>							
Tennessee Department of Transportation							
Athens Multimodal Connections Project		54LPLM-S3-023	32,643	37,118	84,617	-	80,142
Highway-Rail Grade Crossing Improvement Project		CRR070145	-	4,313	4,313	-	-
Tennessee Department of Environment and Conservation							
Used Oil Program		32701-02956	-	2,390	2,390	-	-
Tennessee Department of Agriculture							
Denso Eco Park/North Mouse Creek Restoration		52639	-	6,131	6,131	-	-
Total State Awards - Primary Government City of Athens			32,643	49,952	97,451	-	80,142
Total Primary Government City of Athens			\$ 37,143	\$ 232,548	\$ 297,377	\$ -	\$ 101,972

(continued)

**CITY OF ATHENS, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**Year Ended June 30, 2018**  
(continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Accrued (Unearned) Grant Revenues July 1, 2017	Grant Revenues Received	Expenditures	Adjustments	Accrued (Unearned) Grant Revenues June 30, 2018
<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	\$ -	\$ 65,788	\$ -	\$ -	\$ -
Passed through the TN Department of Education:							
Child Nutrition Cluster:							
National School Lunch Program	10.555	N/A	-	683,217	-	-	-
School Breakfast Program	10.553	N/A	-	249,019	-	-	-
Summer Food Service Program for Children	10.559	N/A	71,178	74,017	57,352	-	54,513
Passed through the TN Department of Agriculture:							
Food Distribution	10.555	N/A	-	133,212	-	-	-
Passed through the TN Department of Agriculture:							
Child Nutrition Discretionary Grant	10.579	N/A	-	7,504	-	-	-
			71,178	1,212,757	1,196,092	-	54,513
<b>U.S. DEPARTMENT OF EDUCATION</b>							
Teacher Incentive Fund	84.374	N/A	215,966	648,340	627,298	-	194,924
Passed through the TN Department of Education:							
Special Education Cluster:							
Special Education - Grants to States	84.027	N/A	(479)	450,110	450,110	479	-
Special Education - Preschool Grants	84.173	N/A	-	20,871	20,871	-	-
Title I Grants to Local Educational Agencies	84.010	N/A	59,593	694,989	687,284	(51,888)	-
Twenty-First Century Community Learning Centers	84.287	N/A	68,436	295,604	273,000	-	45,832

(continued)

**CITY OF ATHENS, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**Year Ended June 30, 2018**  
**(continued)**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Accrued (Unearned) Grant Revenues July 1, 2017	Grant Revenues Received	Expenditures	Adjustments	Accrued (Unearned) Grant Revenues June 30, 2018
<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)	\$ 78,060	\$ 78,060	\$ 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)	-	-	5,805	-
Innovative Program	84.298	N/A	-	26,662	26,662	-	-
English Language Acquisition Grants	84.162	N/A	(1,381)	-	-	1,381	-
			<u>292,107</u>	<u>2,214,636</u>	<u>2,163,285</u>	<u>-</u>	<u>240,756</u>
<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	74,448	96,806	-	76,410
Total Federal Awards - Primary Government Athens Board of Education			<u>417,337</u>	<u>3,501,841</u>	<u>3,456,183</u>	<u>-</u>	<u>371,679</u>
<b>STATE AWARDS</b>							
Tennessee Department of Education							
Early Childhood Education - Lottery		N/A	-	366,117	674,670	-	308,553
Coordinated School Health		N/A	31,664	85,000	84,175	-	30,839
Read to Be Ready Coaching		N/A	-	11,000	18,608	-	7,608
Safe Schools		N/A	-	7,850	7,850	-	-
Total State Awards - Primary Government Athens Board of Education			<u>31,664</u>	<u>469,967</u>	<u>785,303</u>	<u>-</u>	<u>347,000</u>
Total Primary Government Athens Board of Education			<u>\$ 449,001</u>	<u>\$ 3,971,808</u>	<u>\$ 4,241,486</u>	<u>\$ -</u>	<u>\$ 718,679</u>

(continued)

**CITY OF ATHENS, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**Year Ended June 30, 2018**  
 (continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Accrued (Unearned) Grant Revenues July 1, 2017	Grant Revenues Received	Expenditures	Adjustments	Accrued (Unearned) Grant Revenues June 30, 2018
<b>PRIMARY GOVERNMENT:</b>							
Total Federal Awards			\$ 421,837	\$ 3,684,437	\$ 3,656,109	\$ -	\$ 393,509
Total State Awards			64,307	519,919	882,754	-	427,142
TOTAL AWARDS			\$ 486,144	\$ 4,204,356	\$ 4,538,863	\$ -	\$ 820,651

Note 1: The City of Athens received federal awards which were below the level requiring the City to have a "Single Audit" in accordance with the Uniform Guidance for the year ended June 30, 2018. 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, 2018. 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.

Note 4: The City of Athens and The Board of Education have elected not to use the 10% de minimis indirect cost rate allowed under Uniform Guidance.

## **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, 2018**  
 (Accrual Basis of Accounting)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>GOVERNMENTAL ACTIVITIES</b>										
Net investment in capital assets	\$ 19,491,006	\$ 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
Restricted	918,557	942,859	1,037,679	1,322,190	1,344,973	1,329,154	563,958	539,331	3,544,712	3,243,590
Unrestricted	<u>25,987,491</u>	<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>
Total governmental activities net position	\$ 46,397,054	\$ 42,691,585	\$ 39,534,179	\$ 35,718,418	\$ 41,332,278	\$ 39,919,745	\$ 28,724,530	\$ 27,187,521	\$ 25,234,502	\$ 22,637,061
<b>BUSINESS-TYPE ACTIVITIES</b>										
Net investment in capital assets	\$ 1,068,385	\$ 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
Unrestricted	<u>2,330,800</u>	<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>
Total business-type activities net position	\$ 3,399,185	\$ 3,222,476	\$ 3,010,332	\$ 2,823,048	\$ 2,773,962	\$ 2,689,253	\$ 2,638,451	\$ 2,588,419	\$ 2,487,842	\$ 2,512,715
<b>PRIMARY GOVERNMENT</b>										
Net investment in capital assets	\$ 20,559,391	\$ 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
Restricted	918,557	942,859	1,037,679	1,322,190	1,344,973	1,329,154	563,958	539,331	3,544,712	3,243,590
Unrestricted	<u>28,318,291</u>	<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>
Total primary government net position	\$ 49,796,239	\$ 45,914,061	\$ 42,544,511	\$ 38,541,466	\$ 44,106,240	\$ 42,608,998	\$ 31,362,981	\$ 29,775,940	\$ 27,722,344	\$ 25,149,776

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, 2018**  
 (Accrual Basis of Accounting)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>EXPENSES</b>										
Governmental activities:										
General government	\$ 2,615,251	\$ 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
Public safety	4,258,395	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
Highways and streets	2,342,509	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
Culture and recreation	1,241,870	1,106,216	943,464	932,977	960,444	913,856	1,112,979	546,683	709,813	911,898
Education:							2,108,268	1,841,940	1,825,000	1,685,054
Instructional	9,281,529	9,340,964	8,755,499	8,523,347	9,309,345	9,653,532	-	-	-	-
Support services	6,200,354	6,246,659	6,599,401	6,239,889	5,927,266	5,077,403	-	-	-	-
Non-instructional	1,223,957	1,240,285	1,239,669	1,243,551	1,287,497	1,260,999	-	-	-	-
Unallocated depreciation	326,260	319,797	295,880	304,666	294,918	277,449	-	-	-	-
Health and welfare	104,309	97,281	93,581	95,333	106,926	111,079	105,949	93,479	97,091	93,733
Interest on long-term debt	-	19,659	17,533	21,927	28,568	33,823	33,938	61,531	63,175	124,260
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	27,594,434	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
Business-type activities:										
Conference center	74,280	72,597	70,222	78,224	70,788	65,074	64,483	71,984	64,782	74,287
Sanitation	759,581	719,514	725,701	721,393	750,605	788,503	754,868	660,718	1,024,229	744,393
Total business-type activities expenses	833,861	792,111	795,923	799,617	821,393	853,577	819,351	732,702	1,089,011	818,680
Total primary government expenses	\$ 28,428,295	\$ 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
<b>PROGRAM REVENUES</b>										
Governmental activities:										
Charges for services:										
General government	\$ 189,261	\$ 134,040	\$ 109,955	\$ 166,047	\$ 91,301	\$ 133,031	\$ 106,902	\$ 70,957	\$ 68,970	\$ 128,972
Public safety	285,018	491,208	528,190	500,147	483,831	691,534	458,959	476,019	490,614	517,846
Culture and recreation	139,100	138,254	130,545	125,460	136,431	137,282	141,374	111,125	107,617	121,141
Education	272,035	282,624	273,801	280,239	419,058	467,264	-	-	-	-
Health and welfare	3,295	3,305	2,575	2,845	3,270	3,080	3,244	2,587	2,999	2,840

(continued)

**CITY OF ATHENS, TENNESSEE**  
**CHANGES IN NET POSITION**  
**LAST TEN FISCAL YEARS**  
**June 30, 2018**  
 (Accrual Basis of Accounting)  
 (continued)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>PROGRAM REVENUES</b>										
Governmental activities: (continued)										
Operating grants and contributions	\$ 5,011,745	\$ 4,953,863	\$ 5,204,178	\$ 4,824,958	\$ 4,532,151	\$ 4,045,399	\$ 495,710	\$ 549,773	\$ 682,455	\$ 577,555
Capital grants and contributions	344,456	2,465,099	389,535	1,492,666	1,289,952	483,264	704,762	3,752,321	4,484,478	234,110
Total governmental activities program revenues	<u>6,244,910</u>	<u>8,468,393</u>	<u>6,638,779</u>	<u>7,392,362</u>	<u>6,955,994</u>	<u>5,960,854</u>	<u>1,910,951</u>	<u>4,962,782</u>	<u>5,837,133</u>	<u>1,582,464</u>
Business-type activities:										
Charges for services:										
Conference center	25,355	27,490	25,785	23,281	24,024	20,503	17,606	18,508	17,712	13,622
Sanitation	955,903	909,285	932,616	893,352	868,330	870,916	795,608	796,442	806,638	822,569
Total business-type activities program revenues	<u>981,258</u>	<u>936,775</u>	<u>958,401</u>	<u>916,633</u>	<u>892,354</u>	<u>891,419</u>	<u>813,214</u>	<u>814,950</u>	<u>824,350</u>	<u>836,191</u>
Total primary government program revenues	<u>\$ 7,226,168</u>	<u>\$ 9,405,168</u>	<u>\$ 7,597,180</u>	<u>\$ 8,308,995</u>	<u>\$ 7,848,348</u>	<u>\$ 6,852,273</u>	<u>\$ 2,724,165</u>	<u>\$ 5,777,732</u>	<u>\$ 6,661,483</u>	<u>\$ 2,418,655</u>
<b>NET (EXPENSES)/REVENUES</b>										
Governmental activities	<u>\$(21,349,524)</u>	<u>\$(22,240,708)</u>	<u>\$(21,078,021)</u>	<u>\$(20,685,132)</u>	<u>\$(20,534,403)</u>	<u>\$(20,566,233)</u>	<u>\$(10,202,337)</u>	<u>\$(10,394,015)</u>	<u>\$ (8,655,194)</u>	<u>\$(10,183,606)</u>
Business-type activities	<u>147,397</u>	<u>144,664</u>	<u>162,478</u>	<u>117,016</u>	<u>70,961</u>	<u>37,842</u>	<u>(6,137)</u>	<u>82,248</u>	<u>(264,661)</u>	<u>17,511</u>
Total primary government net expenses	<u>\$(21,202,127)</u>	<u>\$(22,096,044)</u>	<u>\$(20,915,543)</u>	<u>\$(20,568,116)</u>	<u>\$(20,463,442)</u>	<u>\$(20,528,391)</u>	<u>\$(10,208,474)</u>	<u>\$(10,311,767)</u>	<u>\$ (8,919,855)</u>	<u>\$(10,166,095)</u>

(continued)

**CITY OF ATHENS, TENNESSEE**  
**CHANGES IN NET POSITION**  
**LAST TEN FISCAL YEARS**  
**June 30, 2018**

(Accrual Basis of Accounting)  
(continued)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>GENERAL REVENUES AND OTHER</b>										
<b>CHANGES IN NET POSITION</b>										
Governmental activities:										
Property taxes	\$ 7,916,052	\$ 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
Local sales tax	4,592,782	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
In lieu of taxes	1,184,317	1,190,047	1,155,672	1,099,075	1,073,663	1,046,664	1,007,421	998,026	985,411	966,521
Wholesale beer tax	478,662	477,240	499,443	504,260	500,748	515,558	510,549	498,443	489,083	476,121
Wholesale liquor tax	217,305	221,916	148,667	-	-	-	-	-	-	-
Business tax	498,806	492,395	425,161	364,399	432,454	423,898	392,867	378,279	406,089	642,757
Franchise tax	183,053	188,754	192,185	173,483	172,510	145,434	154,429	151,724	144,908	140,271
Other local taxes	57,035	72,430	108,862	77,011	85,455	82,858	87,076	83,875	106,587	75,488
Intergovernmental revenues not restricted to specific programs	10,483,650	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
Insurance proceeds	13,220	84,021	15,593	3,769	2,479	58,280	8,330	-	35,539	107,703
Investment income	260,103	123,918	70,802	39,615	77,599	62,608	85,889	59,713	91,129	309,719
Gain (loss) on disposal of capital assets	7,578	21,145	75,185	29,846	44,158	16,378	-	23,255	(4,264)	12,804
Miscellaneous	459,999	169,002	134,972	169,859	185,935	118,634	65,286	98,637	49,260	89,024
Transfers	-	-	-	-	-	-	-	-	(195,000)	-
Total governmental activities	26,352,562	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
Business-type activities:										
Investment income	22,194	10,409	6,555	1,458	1,229	1,723	6,524	2,489	4,763	21,611
Gain on disposal of capital assets	226	49,202	9,181	5,850	4,045	-	25,000	-	34,040	1,111
Miscellaneous	6,892	7,869	9,070	9,763	8,474	11,237	24,645	15,840	5,985	4,466
Transfers	-	-	-	-	-	-	-	-	195,000	-
Total business-type activities	29,312	67,480	24,806	17,071	13,748	12,960	56,169	18,329	239,788	27,188
Total primary government	\$ 26,381,874	\$ 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

(continued)

**CITY OF ATHENS, TENNESSEE**  
**CHANGES IN NET POSITION**  
**LAST TEN FISCAL YEARS**  
**June 30, 2018**  
 (Accrual Basis of Accounting)  
 (continued)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>GOVERNMENTAL ACTIVITIES</b>										
Prior period adjustments and restatements	\$ (1,297,569)	\$ -	\$ -	\$ (7,484,785)	\$ (11,725)	\$ 10,453,947	\$ -	\$ 691,382	\$ -	\$ -
<b>BUSINESS-TYPE ACTIVITIES</b>										
Prior period adjustments and restatements	-	-	-	(85,001)	-	-	-	-	-	-
Total primary government	<u>\$ (1,297,569)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,569,786)</u>	<u>\$ (11,725)</u>	<u>\$ 10,453,947</u>	<u>\$ -</u>	<u>\$ 691,382</u>	<u>\$ -</u>	<u>\$ -</u>
<b>CHANGES IN NET POSITION</b>										
Governmental activities	\$ 5,003,038	\$ 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
Business-type activities	<u>176,709</u>	<u>212,144</u>	<u>187,284</u>	<u>134,087</u>	<u>84,709</u>	<u>50,802</u>	<u>50,032</u>	<u>100,577</u>	<u>(24,873)</u>	<u>44,699</u>
Total changes in net position	<u>\$ 5,179,747</u>	<u>\$ 3,369,550</u>	<u>\$ 4,003,045</u>	<u>\$ 2,005,012</u>	<u>\$ 1,508,967</u>	<u>\$ 792,070</u>	<u>\$ 1,587,041</u>	<u>\$ 1,362,214</u>	<u>\$ 2,572,568</u>	<u>\$ 1,928,966</u>

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, 2018**  
(Modified Accrual Basis of Accounting)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>GENERAL FUND</b>										
Nonspendable	\$ 103,132	\$ 101,485	\$ 165,778	\$ 116,334	\$ 183,917	\$ 107,345	\$ 391,001	\$ 391,570	\$ -	\$ -
Reserved	-	-	-	-	-	-	-	-	288,287	324,773
Restricted	98,684	103,424	108,395	111,441	111,363	111,386	152,520	154,782	-	-
Committed	20,164	19,855	20,673	20,343	20,079	19,278	18,317	17,491	-	-
Assigned	-	-	-	-	-	-	32,000	2,175	-	-
Unassigned	11,713,042	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
Total General Fund	\$ 11,935,022	\$ 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
<b>ALL OTHER GOVERNMENTAL FUNDS</b>										
Nonspendable	\$ 265,700	\$ 254,797	\$ 203,719	\$ 166,829	\$ 168,636	\$ 187,933	\$ 47,283	\$ 57,283	\$ -	\$ -
Reserved	-	-	-	-	-	-	-	-	3,544,712	3,247,796
Restricted	629,950	739,554	868,076	1,163,466	1,186,327	1,170,485	364,155	337,266	-	-
Committed	7,276,622	6,946,587	3,673,665	2,219,063	1,607,235	1,898,474	2,590,360	2,594,053	-	-
Assigned	4,594,290	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
Capital projects funds	-	-	-	-	-	-	-	-	4,197,480	3,260,483
Total all other governmental funds	\$ 12,766,562	\$ 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

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, 2018**  
(Modified Accrual Basis of Accounting)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>REVENUES</b>										
Property taxes	\$ 7,846,742	\$ 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
Other local taxes	8,486,616	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
Intergovernmental	14,512,526	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
Charges for services and tuition	603,691	558,223	516,877	574,590	650,060	740,657	251,520	184,670	179,586	247,268
Fines and forfeitures	285,018	491,208	528,190	500,148	483,831	691,534	458,960	476,019	490,613	517,846
Investment and interest income	212,246	102,114	57,162	36,950	52,655	59,830	74,728	55,374	80,737	266,346
Miscellaneous	369,798	173,200	230,364	203,915	205,043	160,425	71,692	98,638	84,799	194,768
Total revenues	<u>32,316,637</u>	<u>33,731,585</u>	<u>31,406,046</u>	<u>29,844,148</u>	<u>28,880,211</u>	<u>27,327,512</u>	<u>13,632,775</u>	<u>16,581,603</u>	<u>17,401,073</u>	<u>13,723,638</u>
<b>EXPENDITURES</b>										
General government	2,499,327	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
Public safety	4,606,257	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
Highways and streets	2,264,670	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
Culture and recreation	1,161,941	1,015,966	985,544	956,090	875,887	914,958	891,780	775,601	776,659	877,987
Education	17,614,052	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
Health and welfare	108,927	105,316	106,498	110,614	110,326	114,479	109,349	96,879	100,491	97,033
Capital outlay	516,126	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
Debt service:										
Principal	-	1,610,000	770,000	747,000	725,000	703,000	683,000	662,000	605,300	581,200
Interest and fiscal charges	-	19,660	17,533	21,927	28,568	33,823	33,938	61,531	63,175	124,260
Total expenditures	<u>28,771,300</u>	<u>32,320,696</u>	<u>29,943,435</u>	<u>30,562,498</u>	<u>28,649,738</u>	<u>28,246,159</u>	<u>14,336,356</u>	<u>16,925,219</u>	<u>16,254,851</u>	<u>13,008,030</u>
<b>REVENUES OVER (UNDER)</b>										
<b>EXPENDITURES</b>	<u>3,545,337</u>	<u>1,410,889</u>	<u>1,462,611</u>	<u>(718,350)</u>	<u>230,473</u>	<u>(918,647)</u>	<u>(703,581)</u>	<u>(343,616)</u>	<u>1,146,222</u>	<u>715,608</u>

(continued)

**CITY OF ATHENS, TENNESSEE**  
**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**

**June 30, 2018**

(Modified Accrual Basis of Accounting)  
(continued)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>OTHER FINANCING SOURCES</b>										
(USES)										
Capital contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,080	\$ -	\$ -	\$ -	\$ -
Transfers	-	-	-	-	(41,031)	-	-	-	-	-
Proceeds from the sale of capital assets	210	3,427	10,086	365	6,531	680	439	1,086	3,169	4,464
Insurance proceeds	13,220	84,021	15,593	3,769	2,479	58,280	8,330	-	-	-
	<u>13,430</u>	<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>
Total other financing resources										
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ 3,558,767</u>	<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>
<b>DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES</b>	0.00%	5.14%	2.72%	2.57%	2.71%	2.76%	5.56%	5.90%	5.72%	5.69%

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, 2018**

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	
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
2018 (1)	342,899,510	119,882,970	9,066,486	471,848,966	1,488,482,543	1.2676		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, 2018**

<u>Tax Year</u>	<u>City (Direct Rate)</u>	<u>County (Overlapping Rate)</u>	<u>Total</u>
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	1.6155	2.9783
2017	1.3628	1.6155	2.9783
2018 (1)	1.2676	1.5469	2.8145

(1) Reappraisal

Sources: Minutes of City Council and County Commission meetings



Table 8

**CITY OF ATHENS, TENNESSEE**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
**LAST TEN FISCAL YEARS**  
**June 30, 2018**  
(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
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	257,320	4,437,283	99.92
2011	4,500,601	4,223,936	93.85	212,893	4,436,829	98.58
2012	4,399,152	4,149,785	94.33	227,640	4,377,425	99.51
2013	4,316,647	4,083,062	94.59	208,809	4,291,871	99.43
2014	4,359,762	4,161,945	95.46	173,485	4,335,430	99.44
2015	4,412,937	4,207,109	95.34	168,685	4,375,794	99.16
2016	5,965,875	5,729,519	96.04	177,660	5,907,179	99.02
2017	5,706,737	5,525,863	96.83	99,868	5,625,731	98.58
2018	6,059,372	5,819,702	96.04	-	5,819,702	96.04

Source: Official records of Department of Finance

Table 9

**CITY OF ATHENS, TENNESSEE**  
**RATIO OF OUTSTANDING DEBT BY TYPE**  
**LAST TEN FISCAL YEARS**  
**June 30, 2018**

Fiscal Year	General Obligation Bonds	Notes Payable	Total Primary Government	Percentage of Personal Income	Per Capita
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	-	-	-	-	-
2018	-	-	-	-	-

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Source: Official records of Department of Finance

Source: Percentage of personal income and per capita data from Table 14

**CITY OF ATHENS, TENNESSEE**  
**RATIO OF GENERAL DEBT OUTSTANDING**  
**LAST TEN FISCAL YEARS**  
**June 30, 2018**

Fiscal Year	General Debt Outstanding			Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Notes Payable	Total		
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	-	-	-	-	-
2018	-	-	-	-	-

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

Source: Official records of Department of Finance

Source: 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, 2018**

The City of Athens has no direct and overlapping debt as of June 30, 2018; therefore, this schedule is inapplicable.

**CITY OF ATHENS, TENNESSEE  
LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS  
June 30, 2018**

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, 2018**

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, 2018**

Fiscal Year	Population	Per Capita		Median Age	School Enrollment	Civilian Labor Force	Unemployment Rate
		Personal Income	Personal Income				
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
2018	13,458	260,130,560	19,329	39.1	1,609	10,850	4.70

Sources: 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, 2018**

2018		2009	
Employer	Taxable Employees	Employer	Taxable Employees
	Percentage of Total City Employment		Percentage of Total City Employment
Denso Tennessee, Inc.	1,625	Denso Tennessee, Inc.	890
Starr Regional Medical Center	750	Johnson Controls, Inc.	759
McMinn County Board of Education	732	McMinn County Board of Education	565
Heil Trailer, International	485	Mayfield Dairy Farms, Inc.	380
Adient	476	Heil Trailer, International	300
Dean Foods/Mayfield Dairy Farms, Inc.	330	Thomas & Betts	290
Thomas & Betts	314	Dynasty Spas	275
Walmart	300	Mills Products	140
E & E Manufacturing	295	United Grocery	124
HP Pelzer	194	Plastic Industries, Inc.	96
	5,501		3,819
	50.95 %		36.29 %

Sources: 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, 2018**

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
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	1	1	1	1	1	1	1	1	1
Communications	8	8	6	-	-	-	-	-	-	-
Community Development	4	4	4	4	4	4	4	4	4	5
Police	33	33	33	33	33	33	33	33	33	33
Fire	22	23	22	22	22	22	22	22	22	22
Parks and Recreation	10	10	10	10	9	9	9	9	9	10
Public Works	34	32	32	32	31	31	31	33	33	33
	<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>	<u>113</u>

Source: City Finance Department

**CITY OF ATHENS, TENNESSEE**  
**OPERATING INDICATORS BY FUNCTION/PROGRAM**  
**LAST TEN FISCAL YEARS**  
**June 30, 2018**

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental Activities:										
Community Development										
Number of building permits	389	49	353	382	360	347	313	318	370	374
Police:										
Number of arrests	1,341	1,422	1,497	1,488	1,113	1,097	1,292	997	1,017	1,353
Number of traffic citations issued	6,026	6,281	5,808	7,431	10,953	7,729	6,561	6,473	5,096	2,973
Fire:										
Total calls	432	510	528	520	418	515	567	631	659	670
Inspections	490	795	764	924	650	773	806	668	1,350	248
Business-type Activities:										
Conference center rentals	133	112	86	115	108	125	121	130	195	149

Source: Various City Departments

**CITY OF ATHENS, TENNESSEE**  
**INFRASTRUCTURE STATISTICS BY FUNCTION**  
**LAST TEN FISCAL YEARS**  
**June 30, 2018**

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	15	14	15	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	735,240	824,360	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, 2018**

**CITY OF ATHENS**

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

**BOARD OF EDUCATION**

Board Members and Administrative Staff are covered under a Surety blanket bond of \$400,000 for each loss.

**BOARD MEMBERS**

Michael Bevins	Chairman
Chris Adams	Vice-Chairman
Johnny Coffman	Secretary
Amy Sullins	Treasurer
Beth Jackson	Member
Abby Burke	Member

**ADMINISTRATIVE STAFF**

Dr. Melanie Miller	Director of Schools
Melody Armstrong	Supervisor of Instruction
Bob Harrison	Supervisor of Transportation
Janey Morris	Supervisor of Federal Programs
Rhonda Sarshuri	Supervisor of Exceptional Learning
Angie Newman	Supervisor of Food Services
Robert Owens	Supervisor of Facilities and Attendance
Susan Freeman	Finance Administrator
John Dyer	Supervisor of Technology

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**OTHER REPORTS  
SECTION**



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

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

To the City Council  
City of Athens  
Athens, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Athens, Tennessee, as of and for the year ended June 30, 2018, 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 19, 2018.

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.

*Newl, Souter & McConnell, P.C.*

Chattanooga, Tennessee  
December 19, 2018

**CITY OF ATHENS, TENNESSEE  
SCHEDULE OF PRIOR YEAR FINDINGS  
AND QUESTIONED COSTS  
June 30, 2018**

**FINANCIAL STATEMENT FINDINGS**

There were no prior year findings or questioned costs.

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