

**CITY OF ATHENS
ATHENS COUNTY
Single Audit
For the Year Ended December 31, 2012**

Perry & Associates
Certified Public Accountants, A.C.



Dave Yost • Auditor of State

City Council
City of Athens
8 E. Washington Street
Athens, Ohio 45201

We have reviewed the *Independent Auditor's Report* of the City of Athens, Athens County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2012 through December 31, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Athens is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

August 28, 2013

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**CITY OF ATHENS
ATHENS COUNTY**

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INDEPENDENT AUDITOR'S REPORT

June 27, 2013

City of Athens
Athens County
8 East Washington Street
Athens, OH 45701

To the Members of Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Athens**, Athens County, Ohio (the City), as of and for the year ended December 31, 2012, 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 preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the City's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

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, each major fund, and the aggregate remaining fund information of the City of Athens, Athens County, Ohio, as of December 31, 2012, and the respective changes in financial position, and where applicable, cash flows and the respective budgetary comparisons for the General and Street Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 4 to the financial statements, during 2012, the City adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*. We did not modify our opinion regarding these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis and Required Supplementary Information – Modified Approach for Infrastructure Assets*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the City's basic financial statements taken as a whole. The Schedule of Federal Awards Expenditures provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

The Schedule of Federal Awards Expenditures is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this 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, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2013, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink that reads "Perry & Associates CPAs A.C." in a cursive script.

Perry & Associates
Certified Public Accountants, A.C.

City of Athens, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

The discussion and analysis of the City of Athens's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2012. The purpose of this discussion and analysis is to look at the City's financial performance and discuss pertinent points to better help the reader understand our performance.

Financial Highlights

1. The City's total net position increased \$1,310,623; net position of the governmental activities increased \$110,246; and net position of the business-type activities increased \$1,200,377.
2. The General Fund fund balance of \$1,841,320 increased \$179,306 or 10.79% from the previous year's balance of \$1,662,014.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Athens's basic financial statements. The City of Athens's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic 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's finances, in a manner similar to private-sector businesses.

The *statement of net position* presents information on all of the City of Athens's 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 is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the recent fiscal year.

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 include general government, security of persons and property, transportation, community environment, and leisure time activities. The business-type activities include water, sewer, garbage, and parking garage operations.

The government-wide financial statements can be found starting on page 14 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. Some funds are required to be established by State law and by bond covenants. However, the Auditor establishes many other funds to help control and manage money for particular purposes or to show that the City is meeting legal responsibilities for using certain taxes, grants and other money. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

City of Athens, Ohio
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Governmental Funds - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental fund statements use the modified accrual basis of accounting and provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information may be useful in evaluating a government's near term financing requirements. We describe the relationship (or differences) between governmental activities (reported in the *statement of net position* and the *statement of activities*) and governmental funds in a reconciliation which follows the fund financial statements.

The City of Athens maintains 40 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances, for the General Fund, Street Fund, East State Street Fund, and Community Center Fund, which are considered to be major funds. Data from the other 36 governmental funds are combined into a single, aggregated presentation.

Proprietary Funds - The City uses proprietary funds to account for its water, sewer, garbage and parking garage operations and internal service operations. Proprietary funds are reported in the same way that all activities are reported in the *statement of net position* and the *statement of activities* using the full accrual basis of accounting. The enterprise funds are used to report the same activities presented as business-type activities in the government-wide financial statements.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources from those funds are not available to support the City's programs. The accounting used for fiduciary funds is much like that used for the proprietary funds.

Notes to the Basic 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.

Government-Wide Financial Analysis

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions.

The *statement of net position* and the *statement of activities* include all assets and liabilities using the full accrual basis of accounting similar to the accounting used by the private sector. The basis for this accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

City of Athens, Ohio
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Table 1 provides a summary of the City's net position for 2012 compared to 2011:

Table 1
Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<u>Assets:</u>						
Current and Other Assets	\$10,695,118	\$10,265,414	\$4,894,232	\$5,066,229	\$15,589,350	\$15,331,643
Capital Assets, Net	<u>67,653,657</u>	<u>68,714,261</u>	<u>19,523,489</u>	<u>18,450,164</u>	<u>87,177,146</u>	<u>87,164,425</u>
<i>Total Assets</i>	<u>78,348,775</u>	<u>78,979,675</u>	<u>24,417,721</u>	<u>23,516,393</u>	<u>102,766,496</u>	<u>102,496,068</u>
<u>Liabilities:</u>						
Current and Other Liabilities	2,250,774	2,455,285	1,307,773	1,918,736	3,558,547	4,374,021
<i>Long-Term Liabilities:</i>						
Due Within One Year	1,161,261	1,415,389	529,782	496,508	1,691,043	1,911,897
Due in More Than One Year	<u>2,073,382</u>	<u>2,357,344</u>	<u>2,821,623</u>	<u>2,542,983</u>	<u>4,895,005</u>	<u>4,900,327</u>
<i>Total Liabilities</i>	<u>5,485,417</u>	<u>6,228,018</u>	<u>4,659,178</u>	<u>4,958,227</u>	<u>10,144,595</u>	<u>11,186,245</u>
<i>Total Deferred Inflows of Resources</i>	<u>804,997</u>	<u>803,542</u>	<u>0</u>	<u>0</u>	<u>804,997</u>	<u>803,542</u>
<u>Net Position:</u>						
Net Investments in Capital Assets	64,669,760	64,931,419	15,692,844	14,355,268	80,362,604	79,286,687
Restricted	6,176,628	5,493,025	0	0	6,176,628	5,493,025
Unrestricted	<u>1,211,973</u>	<u>1,523,671</u>	<u>4,065,699</u>	<u>4,202,898</u>	<u>5,277,672</u>	<u>5,726,569</u>
<i>Total Net Position</i>	<u>\$72,058,361</u>	<u>\$71,948,115</u>	<u>\$19,758,543</u>	<u>\$18,558,166</u>	<u>\$91,816,904</u>	<u>\$90,506,281</u>

Current assets increased primarily from a rise in the equity in pooled cash and cash equivalents.

Capital assets increased due to the construction in progress and increase in infrastructure.

Current and other liabilities decreased as the result of decreases in contracts payable and notes payable.

Long-term liabilities decreased due to the scheduled debt payments made during 2012.

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As noted earlier, the City's net position, when reviewed over time, may serve as a useful indicator of the City's financial position. By far, the largest portion of the City's net position (87.52%) reflects its investments in capital assets (e.g., land, buildings, machinery and equipment, infrastructure), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investments 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. An additional portion of the City's net position represents resources that are subject to restrictions on how they can be used. These resources accounted for 6.73% of total net position. The remaining balance of \$5,277,672 or 5.75% which are unrestricted net position may be used to meet the City's ongoing obligations to citizens and creditors. The City's total net position increased from \$90,506,281 in 2011 to \$91,816,904, in 2012, a change of \$1,310,623 or 1.45%.

In order to further understand what makes up the changes in net position for the current year, Table 2 gives readers further details regarding the results of activities for 2012 compared to 2011:

Table 2
Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<u>Revenues:</u>						
<i>Program Revenues:</i>						
Charges for Services	\$4,218,379	\$4,136,096	\$8,271,035	\$7,542,766	\$12,489,414	\$11,678,862
Operating Grants and Contributions	1,196,506	1,630,413	0	0	1,196,506	1,630,413
Capital Grants and Contributions	576,159	2,848,994	362,000	0	938,159	2,848,994
<i>Total Program Revenues</i>	<u>5,991,044</u>	<u>8,615,503</u>	<u>8,633,035</u>	<u>7,542,766</u>	<u>14,624,079</u>	<u>16,158,269</u>
<u>General Revenues:</u>						
Property Taxes	753,036	602,349	0	0	753,036	602,349
Municipal Income Taxes	10,512,007	10,118,858	0	0	10,512,007	10,118,858
Lodging Taxes	315,944	282,843	0	0	315,944	282,843
Payment in Lieu of Taxes	485,728	459,033	0	0	485,728	459,033
Grants and Entitlements	884,048	1,025,450	0	0	884,048	1,025,450
Investment Earnings	80,419	143,230	33,706	47,003	114,125	190,233
Miscellaneous	433,328	483,698	101,031	152,807	534,359	636,505
<i>Total General Revenues</i>	<u>13,464,510</u>	<u>13,115,461</u>	<u>134,737</u>	<u>199,810</u>	<u>13,599,247</u>	<u>13,315,271</u>
<i>Total Revenue</i>	<u>19,455,554</u>	<u>21,730,964</u>	<u>8,767,772</u>	<u>7,742,576</u>	<u>28,223,326</u>	<u>29,473,540</u>

City of Athens, Ohio
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Table 2 - (Continued)

Changes in Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<u>Expenses:</u>						
General Government	\$5,875,646	\$4,904,924	\$0	\$0	\$5,875,646	\$4,904,924
<i>Security of Persons and Property</i>						
Police	3,539,666	3,490,329	0	0	3,539,666	3,490,329
Fire	3,022,032	2,627,684	0	0	3,022,032	2,627,684
Transportation	4,376,119	4,617,343	0	0	4,376,119	4,617,343
Community and Econ. Dev.	828,703	754,092	0	0	828,703	754,092
Leisure Time Activities	1,638,177	2,154,962	0	0	1,638,177	2,154,962
Interest and Fiscal Charges	61,753	80,308	0	0	61,753	80,308
Garbage	0	0	1,171,427	1,147,034	1,171,427	1,147,034
Parking Garage	0	0	208,095	249,204	208,095	249,204
Water	0	0	3,099,310	3,039,382	3,099,310	3,039,382
Sewer	0	0	3,091,775	2,610,551	3,091,775	2,610,551
<i>Total Expenses</i>	<u>19,342,096</u>	<u>18,629,642</u>	<u>7,570,607</u>	<u>7,046,171</u>	<u>26,912,703</u>	<u>25,675,813</u>
Increase (Decrease) in Net Position Before Transfers	113,458	3,101,322	1,197,165	696,405	1,310,623	3,797,727
Transfers	<u>(3,212)</u>	<u>0</u>	<u>3,212</u>	<u>0</u>	<u>0</u>	<u>0</u>
Change in Net Position	110,246	3,101,322	1,200,377	696,405	1,310,623	3,797,727
Net Position at Beginning of Year	<u>71,948,115</u>	<u>68,846,793</u>	<u>18,558,166</u>	<u>17,861,761</u>	<u>90,506,281</u>	<u>86,708,554</u>
<i>Net Position at End of Year</i>	<u><u>72,058,361</u></u>	<u><u>71,948,115</u></u>	<u><u>19,758,543</u></u>	<u><u>18,558,166</u></u>	<u><u>91,816,904</u></u>	<u><u>90,506,281</u></u>

Governmental Activities

The most significant program expenses for the City are General Government, Transportation, Police and Fire. These programs account for 86.92% of the total governmental activities. General Government, which accounts for 30.38% of the total, represents costs associated with the general administration of city government including the City Council, Mayor, City Auditor, and Municipal Court. Transportation, which accounts for 22.62% of the total, represents costs associated with maintaining and improving the City's streets and operating the bus transit system. Police, which accounts for 18.30% of the total, represents costs associated with the operation of the Police Department. Fire, which accounts for 15.62% of the total, represents costs associated with providing firefighting and emergency medical services.

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Funding for the most significant programs indicated above is from charges for services and income taxes. The income tax revenue for 2012 was \$10,512,007. Of the \$19,455,554 in total revenues, income tax accounts for 54.03% of that total. Charges for services of \$4,218,379 accounts for 21.68% of total revenues. Operating and capital grants and contributions account for 9.11% of the total, and lodging taxes, payments in lieu of taxes, grants and entitlements, property taxes, interest, unrestricted contributions, and other revenue make up the remaining 15.18%.

The City monitors its sources of revenues very closely for fluctuations.

Business-Type Activities

The City's business-type activities include the City's water, sewer, garbage, and parking garage operations. Net position increased by \$1,200,377 or 6.47% for 2012.

Table 3, for governmental activities, indicates the total cost of services and the net cost of services. The *statement of activities* reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by income and property tax revenues and unrestricted intergovernmental revenues.

Table 3
Net Cost of Governmental Activities

	Total Cost of Services		Net Costs of Services	
	2012	2011	2012	2011
General Government	\$5,875,646	\$4,904,924	\$2,323,427	\$1,537,871
<i>Security of Persons and Property:</i>				
Police	3,539,666	3,490,329	3,388,036	3,325,516
Fire	3,022,032	2,627,684	2,959,469	2,627,684
Transportation	4,376,119	4,617,343	3,196,670	758,488
Community Environment	828,703	754,092	598,870	559,325
Leisure Time Activities	1,638,177	2,154,962	822,827	1,124,947
Interest and Fiscal Charges	61,753	80,308	61,753	80,308
Total Expenses	<u>\$19,342,096</u>	<u>\$18,629,642</u>	<u>\$13,351,052</u>	<u>\$10,014,139</u>

It should be noted that 30.97% of the costs of services for governmental activities are derived from program revenues including charges for services, operating grants, capital grants, and other contributions.

As shown by the total net costs of \$13,351,052, the majority of the City's programs are funded by general revenues. A significant portion of the total general revenues consists of income taxes, property taxes, and grants and entitlements.

City of Athens, Ohio
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Financial Analysis of the City's Funds

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year. These funds are accounted for by using the modified accrual basis of accounting.

The General Fund is the chief operating fund of the City. At the end of 2012, the total fund balance for the General Fund was \$1,841,320, of which \$1,217,371 or 66.11% was unassigned. During the current year, the fund balance of the City's General Fund increased by \$179,306 or 10.79%. The increase in the General Fund balance is due to an increase in income tax revenue during the year.

For the other major funds of the City, the Street Fund balance increased \$7,387 or 0.78% due to an increase in revenues during the year. The East State Street Fund balance increased \$253,098 due to the transfers in during the year. The Community Center Fund balance increased \$161,226 or 40.90% due to an increase in income tax revenue during the year.

Proprietary Funds

The City's major proprietary funds are the Parking Garage, Water and Sewer funds. The City operates a parking garage with monthly and hourly spaces. Net position in the Parking Garage Fund increased \$54,918 or 2.82%, which is the result of decreasing expenses during 2012. The City provides water and sewer services to city residents. Net position in the Water Fund increased by \$137,760 or 1.91%, which is the result of an increase in revenues during 2012. Net position in the Sewer Fund increased by \$858,312 or 9.92%, which is the result of an increase in revenues during the year.

Major Fund Budgeting Highlights

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a budget basis of cash receipts (revenues), and disbursements and encumbrances (expenditures). The most significant budgeted fund is the General Fund. The City does allow small interdepartmental budget changes that modify line items within departments within the same fund.

For the General Fund, the final budgeted revenues were \$11,660,085 representing a change of \$860,141 or 7.96% from the original budgeted estimates.

For the General Fund, the final budget basis expenditures were \$13,393,880 representing a change of \$1,423,601 or 11.89% from the original budgeted estimates. There was a 8.50% positive variance in actual expenditures as compared to the final budget in the General Fund. This was due to the fact that the various departments kept their spending levels below their appropriations.

For the Street Fund, the final budgeted revenues were \$2,174,957 representing a change of \$179,657 or 9.00% from the original budgeted revenues. The actual revenues received amounted to \$31,328 more than the final budget, due primarily to the income tax receipts.

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For the Street Fund, the final budget basis expenditures were \$2,743,096 representing a change of \$962,344 or 54.04% from the original budgeted estimates. There was a 7.87% positive variance in actual expenditures as compared to the final budget in the Street Fund. This was due to the fact that the department kept its spending levels below its appropriations.

Capital Assets and Debt Administration

The City's investment in capital assets for governmental and business-type activities as of December 31, 2012, amounts to \$80,362,604 (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings, improvements, equipment and infrastructure.

Total capital assets for governmental activities of the City of Athens for the year 2012 were \$67,653,657.

The capital assets for business-type activities of \$19,523,489 as of December 31, 2012.

The City manages its street network using its Pavement Condition Rating Program and accounts for them using the modified approach. The street condition rating is a numerical condition scale ranging from 1.0 (severely deficient) to 10.0 (new). A street is considered "severely deficient" - that is, needs maintenance or preservation - when its condition falls below 2.0. A street is unsafe-substantially deficient - when it falls below condition level 5. It is the City's policy to keep the value of "severely deficient" streets below 5 percent. The most recent condition assessment shows that the condition of the City's streets is in accordance with the City's policy

Additional information concerning the City's capital assets can be found in note 11 of the Notes to the Basic Financial Statements.

As of December 31, 2012, the City of Athens had \$5,164,542 in long-term bonds, notes, and loans outstanding with \$788,308 due within one year. The City's long-term debt decreased by \$1,027,600 during 2012.

Outstanding general obligation bonds and notes consist of a community center improvement bond issue and a community center energy improvement note. General obligation bonds are direct obligations of the City for which its full faith, credit and resources are pledged.

Long-term loans in the Water and Sewer funds are OWDA loans for improvements to water and sewer lines.

In addition to the bonded debt, the City's long-term obligations include compensated absences and landfill postclosure care obligations. Additional information concerning the City's debt can be found in note 13 of the notes to the basic financial statements.

Current Known Facts and Conditions

The City of Athens relies mainly on the public sector and commercial employers, rather than industry, for its income tax revenue. The City's largest employer is Ohio University, with over 3,700 total employees. Other major employers include The State of Ohio, Athens County, Athens City, and Athens City School District. The largest private employers include The Kroger Co., Diagnostic Hybirds, O'Bleness Memorial Hospital, Holzer Medical Center, and Wal-Mart.

City of Athens, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2012
Unaudited

There have been several major light manufacturing/commercial business closings in the past years, the most recent occurring in April 2006 when McBee Systems Inc. closed out their operations.

Over the last several years, the City of Athens has experienced a relatively stable commercial economy with few small business start-ups or failures as evidenced by the lack of any notable changes in the local business scene.

In addition to its importance as an educational center in the region, Athens is becoming a regional health center with the addition of the Castrop Center, a multi-disciplinary surgery and wellness center, and the Cornwell Center for Cardiovascular and Diabetes Care to the O'Bleness Hospital site as well as the construction of a new Holzer Medical Clinic and the opening of a second dialysis center in early 2010. Further extension of personal care facilities are represented by the opening of Beaumont Greene, an older-resident apartment complex, and construction of a new Hickory Creek Nursing Home completed in 2011.

Athens completed major infrastructure upgrades including additional traffic lanes in the East side commercial district and reconstructed water and sewer services on both East and North sides of the city that has and will continue to entice new business to the area. Upgrade of the intersection at Richland Avenue and State Route 682 to a roundabout design was completed in 2010 as well as reconstruction of the Richland Avenue bridge over the Hocking River. Reconstruction of the Richland Avenue bridge over Oxbow Lane was originally scheduled for 2012, but has been delayed until 2013. Construction of new homes and condominium units continues in University Estates, an 800 acre site annexed into the city several years ago.

The University has an ongoing facility plan which traditionally meant completion each year of a number of construction and renovation projects. A new \$60 million dollar student center was completed at the end of 2006 and was fully operational in 2007. The University completed construction of a Lifelong Learning Center and upgrades to Porter Hall in 2008, and began a major renovation of the old Baker Center during 2012. Citywide construction activity in 2012 resulted in the issue of nine new commercial construction permits for construction valued at \$1,863,000 and thirty-five permits for commercial renovations valued at \$3,694,120; and, four permits for new residential construction valued at \$850,000 and seventy-one permits for residential renovations worth \$1,849,605.

Income tax receipts, the City's major source of revenue, continue to grow in contrast to other areas of the State, increasing moderately (about 2%) over the period 2005 through 2007 and 5% each year in both 2008 and 2009, 2010 saw a return to a more moderate long-term growth rate of 2% that has continued through 2012. While continuing cuts in local and state funding as well as University staff reductions continue to be cause for concern, the local economy continues to be insulated from the economic downturn experienced in other areas of the state. Real estate taxes, on the other hand, have stagnated reflecting a carry-over impact from other areas of the state. The City continues to successfully apply for grants whenever possible to assist in financing programs in the recreation department, municipal court, police department and to support local housing.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions or need additional financial information, contact the City Auditor's Office, 8 East Washington Street, Athens, Ohio 45701.

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CITY OF ATHENS, OHIO
Statement of Net Position
December 31, 2012

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in Pooled Cash & Cash Equivalents	\$8,375,910	\$3,805,184	\$12,181,094
Cash and Cash Equivalents in Segregated Accounts	99,819	0	99,819
Accrued Interest Receivable	2,298	0	2,298
Accounts Receivable	72,401	777,006	849,407
Intergovernmental Receivable	173,805	0	173,805
Income Taxes Receivable	808,463	0	808,463
Property Taxes Receivable	901,158	0	901,158
Other Local Taxes Receivable	70,501	0	70,501
Special Assessments Receivable	11,283	27,551	38,834
Materials and Supplies Inventory	90,188	250,626	340,814
Prepaid Items	89,292	33,865	123,157
<i>Restricted Assets:</i>			
Nondepreciable Capital Assets	46,991,417	1,858,479	48,849,896
Depreciable Capital Assets, Net	20,662,240	17,665,010	38,327,250
<i>Total Assets</i>	<u>78,348,775</u>	<u>24,417,721</u>	<u>102,766,496</u>
Liabilities:			
Accounts Payable	448,718	321,839	770,557
Contracts Payable	71,808	7,366	79,174
Accrued Wages Payable	532,982	104,233	637,215
Matured Compensated Absences Payable	11,197	0	11,197
Intergovernmental Payable	161,611	38,541	200,152
Accrued Interest Payable	5,166	35,794	40,960
Claims Payable	169,292	0	169,292
Notes Payable	850,000	800,000	1,650,000
<i>Long-Term Liabilities:</i>			
Due within One Year	1,161,261	529,782	1,691,043
Due in More Than One Year	2,073,382	2,821,623	4,895,005
<i>Total Liabilities</i>	<u>5,485,417</u>	<u>4,659,178</u>	<u>10,144,595</u>
Deferred Inflows of Resources	<u>804,997</u>	<u>0</u>	<u>804,997</u>
Net Position:			
Net Investments in Capital Assets	64,669,760	15,692,844	80,362,604
<i>Restricted for:</i>			
Street Maintenance	855,102	0	855,102
Debt Service	550,163	0	550,163
Capital Outlay	1,894,271	0	1,894,271
Other Purposes	2,877,092	0	2,877,092
Unrestricted	1,211,973	4,065,699	5,277,672
<i>Total Net Position</i>	<u>\$72,058,361</u>	<u>\$19,758,543</u>	<u>\$91,816,904</u>

See accompanying notes to the basic financial statements.

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CITY OF ATHENS, OHIO
Statement of Activities
For the Year Ended December 31, 2012

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$5,875,646	\$3,372,627	\$124,954	\$54,638
<i>Security of Persons and Property:</i>				
Police	3,539,666	30,618	121,012	0
Fire	3,022,032	0	62,563	0
Transportation	4,376,119	12,561	645,367	521,521
Community and Economic Development	828,703	0	229,833	0
Leisure Time Activities	1,638,177	802,573	12,777	0
Interest and Fiscal Charges	61,753	0	0	0
<i>Total Governmental Activities</i>	<u>19,342,096</u>	<u>4,218,379</u>	<u>1,196,506</u>	<u>576,159</u>
Business-Type Activities:				
Garbage	1,171,427	1,288,379	0	0
Parking Garage	208,095	215,203	0	0
Water	3,099,310	3,197,728	0	0
Sewer	3,091,775	3,569,725	0	362,000
<i>Total Business-Type Activities</i>	<u>7,570,607</u>	<u>8,271,035</u>	<u>0</u>	<u>362,000</u>
<i>Totals</i>	<u>\$26,912,703</u>	<u>\$12,489,414</u>	<u>\$1,196,506</u>	<u>\$938,159</u>

General Revenues:

Property Taxes
Income Taxes:
 General Purposes
 Debt Service
 Capital Outlay
Lodging Taxes
Payment in Lieu of Taxes
Grants and Entitlements not Restricted to Specific Programs
Investment Earnings
Miscellaneous

Total General Revenues

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position at Beginning of Year

Net Position at End of Year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-Type Activities	Total
(\$2,323,427)	\$0	(\$2,323,427)
(3,388,036)	0	(3,388,036)
(2,959,469)	0	(2,959,469)
(3,196,670)	0	(3,196,670)
(598,870)	0	(598,870)
(822,827)	0	(822,827)
(61,753)	0	(61,753)
<u>(13,351,052)</u>	<u>0</u>	<u>(13,351,052)</u>
0	116,952	116,952
0	7,108	7,108
0	98,418	98,418
0	839,950	839,950
<u>0</u>	<u>1,062,428</u>	<u>1,062,428</u>
<u>(13,351,052)</u>	<u>1,062,428</u>	<u>(12,288,624)</u>
753,036	0	753,036
8,991,458	0	8,991,458
632,248	0	632,248
888,301	0	888,301
315,944	0	315,944
485,728	0	485,728
884,048	0	884,048
80,419	33,706	114,125
433,328	101,031	534,359
<u>13,464,510</u>	<u>134,737</u>	<u>13,599,247</u>
<u>(3,212)</u>	<u>3,212</u>	<u>0</u>
<u>13,461,298</u>	<u>137,949</u>	<u>13,599,247</u>
110,246	1,200,377	1,310,623
<u>71,948,115</u>	<u>18,558,166</u>	<u>90,506,281</u>
<u>\$72,058,361</u>	<u>\$19,758,543</u>	<u>\$91,816,904</u>

CITY OF ATHENS, OHIO

Balance Sheet

Governmental Funds

December 31, 2012

	General	Street	East State Street	Community Center
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$2,249,872	\$799,702	\$12,569	\$509,253
Cash and Cash Equivalents in Segregated Accounts	80,487	0	0	0
Accrued Interest Receivable	2,298	0	0	0
Accounts Receivable	29,960	0	0	0
Intergovernmental Receivable	70,772	62,578	0	0
Income Taxes Receivable	478,610	122,886	0	46,198
Property Taxes Receivable	901,158	0	0	0
Other Local Taxes Receivable	21,150	0	0	0
Special Assessments Receivable	11,283	0	0	0
Materials and Supplies Inventory	23,606	66,582	0	0
Prepaid Items	49,155	4,594	0	0
<i>Total Assets</i>	<u>\$3,918,351</u>	<u>\$1,056,342</u>	<u>\$12,569</u>	<u>\$555,451</u>
Liabilities:				
Accounts Payable	335,984	28,819	0	0
Contracts Payable	0	7,883	0	0
Accrued Wages Payable	409,366	35,796	0	0
Matured Compensated Absences	684	10,064	0	0
Accrued Interest Payable	55	0	997	0
Intergovernmental Payable	119,579	15,612	0	0
Notes Payable	300,000	0	500,000	0
<i>Total Liabilities</i>	<u>1,165,668</u>	<u>98,174</u>	<u>500,997</u>	<u>0</u>
Deferred Inflows of Resources	<u>911,363</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances:				
Nonspendable	76,570	71,176	0	0
Restricted	0	886,992	0	555,451
Assigned	547,379	0	0	0
Unassigned	1,217,371	0	(488,428)	0
<i>Total Fund Balances</i>	<u>1,841,320</u>	<u>958,168</u>	<u>(488,428)</u>	<u>555,451</u>
<i>Total Liabilities, Deferred Inflows and Fund Balances</i>	<u>\$3,918,351</u>	<u>\$1,056,342</u>	<u>\$12,569</u>	<u>\$555,451</u>

See accompanying notes to the basic financial statements.

Other Governmental Funds	Total Governmental Funds
\$4,711,043	\$8,282,439
19,332	99,819
0	2,298
41,108	71,068
40,455	173,805
160,769	808,463
0	901,158
49,351	70,501
0	11,283
0	90,188
19,829	73,578
<u>\$5,041,887</u>	<u>\$10,584,600</u>
82,724	447,527
32,806	40,689
79,475	524,637
449	11,197
0	1,052
18,802	153,993
50,000	850,000
<u>264,256</u>	<u>2,029,095</u>
<u>0</u>	<u>911,363</u>
162,860	310,606
4,614,771	6,057,214
0	547,379
0	728,943
<u>4,777,631</u>	<u>7,644,142</u>
<u>\$5,041,887</u>	<u>\$10,584,600</u>

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CITY OF ATHENS, OHIO
*Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 December 31, 2012*

Total Governmental Funds Balances		\$7,644,142
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		67,653,657
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Taxes		106,366
In the statement of activities, interest is accrued on outstanding debt, whereas in the governmental funds, an interest expenditure is reported when due.		(4,114)
Some long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(1,870,000)	
Premium On Bonds	(43,897)	
Long-Term Energy Notes	(220,000)	
Landfill Postclosure Care Obligations	(1,174)	
Compensated Absences Payable (less: Internal Service Fund amount)	(1,065,678)	
Total		(3,200,749)
Internal service funds are used by management to charge the costs of services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.		(140,941)
<i>Net Position of Governmental Activities</i>		<u><u>\$72,058,361</u></u>

See accompanying notes to the basic financial statements.

CITY OF ATHENS, OHIO
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2012

	General	Street	East State Street	Community Center
Revenues:				
Property Taxes	\$767,469	\$0	\$0	\$0
Municipal Income Taxes	6,550,763	1,681,952	0	632,248
Other Local Taxes	135,761	0	0	0
Payments in Lieu of Taxes	0	0	0	0
Charges for Services	946,004	0	0	0
Licenses and Permits	609,224	0	0	0
Fines and Forfeitures	1,448,469	0	0	0
Intergovernmental	1,062,824	434,355	0	0
Special Assessments	1,570	0	0	0
Interest	23,042	5,495	0	7,393
Contributions and Donations	50,839	0	0	0
Other	140,418	39,032	3,098	0
<i>Total Revenues</i>	<u>11,736,383</u>	<u>2,160,834</u>	<u>3,098</u>	<u>639,641</u>
Expenditures:				
<i>Current:</i>				
General Government	4,393,465	0	0	0
Security of Persons and Property:				
Police	3,484,825	0	0	0
Fire	2,656,871	0	0	0
Transportation	462,760	2,225,960	0	0
Community Environment	555,690	0	0	0
Leisure Time Services	0	0	0	0
Capital Outlay	0	0	0	0
<i>Debt Service:</i>				
Principal Retirement	0	0	0	450,000
Interest and Fiscal Charges	1,766	0	0	28,415
<i>Total Expenditures</i>	<u>11,555,377</u>	<u>2,225,960</u>	<u>0</u>	<u>478,415</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>181,006</u>	<u>(65,126)</u>	<u>3,098</u>	<u>161,226</u>
Other Financing Sources (Uses):				
Notes Issued	0	0	0	0
Transfers In	0	72,513	250,000	0
Transfers Out	(1,700)	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(1,700)</u>	<u>72,513</u>	<u>250,000</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	179,306	7,387	253,098	161,226
<i>Fund Balances at Beginning of Year</i>	<u>1,662,014</u>	<u>950,781</u>	<u>(741,526)</u>	<u>394,225</u>
<i>Fund Balances at End of Year</i>	<u>\$1,841,320</u>	<u>\$958,168</u>	<u>(\$488,428)</u>	<u>\$555,451</u>

See accompanying notes to the basic financial statements.

All Other Governmental Funds	Total Governmental Funds
\$0	\$767,469
1,647,044	10,512,007
180,183	315,944
485,728	485,728
863,693	1,809,697
116,186	725,410
233,233	1,681,702
1,101,602	2,598,781
0	1,570
41,911	77,841
7,093	57,932
250,780	433,328
<u>4,927,453</u>	<u>19,467,409</u>
748,885	5,142,350
49,193	3,534,018
0	2,656,871
440,979	3,129,699
269,813	825,503
1,523,629	1,523,629
1,059,810	1,059,810
270,000	720,000
2,071	32,252
<u>4,364,380</u>	<u>18,624,132</u>
<u>563,073</u>	<u>843,277</u>
220,000	220,000
121,994	444,507
(446,019)	(447,719)
<u>(104,025)</u>	<u>216,788</u>
459,048	1,060,065
<u>4,318,583</u>	<u>6,584,077</u>
<u>\$4,777,631</u>	<u>\$7,644,142</u>

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CITY OF ATHENS, OHIO
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2012*

Net Change in Fund Balances - Total Governmental Funds	\$1,060,065
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:	
Capital Asset Additions	1,649,908
Current Year Depreciation	<u>(1,692,875)</u>
Total	(42,967)
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.	(1,017,637)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Property Taxes	(14,433)
Repayment of principal (e.g. bonds, notes, leases) is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	720,000
In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	1,554
Bond issuance costs are reported as expenditures in the governmental funds when due, but in the Statement of Activities these costs are accrued as deferred charges.	(42,029)
Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as an expenditure in the governmental funds.	
Compensated Absences Payable	34,208
Landfill Postclosure Care	3,000
Premium on Bonds	<u>10,974</u>
Total	48,182
Other financing sources in the governmental funds that increase long-term liabilities in the Statement of Net Position are not reported as revenues in the Statement of Activities:	
Notes Issued	(220,000)
Internal service funds used by management to charges cost of services to individual funds are not reported in the government-wide Statement of Activities. Governmental expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service funds are allocated among the activities.	<u>(382,489)</u>
<i>Change in Net Position of Governmental Activities</i>	<u><u>\$110,246</u></u>

See accompanying notes to the basic financial statements.

CITY OF ATHENS, OHIO
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual (Budget Basis)
General Fund
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property Taxes	\$805,182	\$767,469	\$767,469	\$0
Municipal Income Taxes	6,350,000	6,587,548	6,700,284	112,736
Other Local Taxes	136,000	148,188	148,188	0
Charges for Services	925,000	951,369	945,239	(6,130)
Licenses and Permits	580,995	603,603	608,245	4,642
Fines and Forfeitures	1,247,395	1,366,056	1,423,017	56,961
Intergovernmental	670,960	1,081,680	1,109,549	27,869
Special Assessments	1,800	1,570	1,570	0
Interest	38,200	23,915	22,878	(1,037)
Contributions and Donations	400	50,500	50,839	339
Other	44,012	78,187	138,591	60,404
<i>Total Revenues</i>	10,799,944	11,660,085	11,915,869	255,784
Expenditures:				
<i>Current:</i>				
General Government	4,862,338	5,378,713	4,553,002	825,711
<i>Security of Persons and Property:</i>				
Police	3,532,983	3,676,581	3,503,975	172,606
Fire	2,491,530	2,808,793	2,759,642	49,151
Transportation	515,869	532,943	474,523	58,420
Community Environment	567,559	595,045	562,228	32,817
<i>Debt Service:</i>				
Principal Retirements	0	400,000	400,000	0
Interest and Fiscal Charges	0	1,805	1,805	0
<i>Total Expenditures</i>	11,970,279	13,393,880	12,255,175	1,138,705
<i>Excess of Revenues Over (Under) Expenditures</i>	(1,170,335)	(1,733,795)	(339,306)	1,394,489
Other Financing Sources (Uses):				
Notes Issued	0	300,000	300,000	0
Transfers - In	0	(1,700)	(1,700)	0
<i>Total Other Financing Sources (Uses)</i>	0	298,300	298,300	0
<i>Net Change in Fund Balance</i>	(1,170,335)	(1,435,495)	(41,006)	1,394,489
Fund Balances at Beginning of Year	1,196,365	1,196,365	1,196,365	0
Prior Year Encumbrances Appropriated	543,325	543,325	543,325	0
Fund Balances at End of Year	\$569,355	\$304,195	\$1,698,684	\$1,394,489

See accompanying notes to the basic financial statements.

CITY OF ATHENS, OHIO
*Statement of Revenues, Expenditures, and
 Changes in Fund Balances - Budget and Actual (Budget Basis)*
Street Fund
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Municipal Income Taxes	\$1,606,000	\$1,691,398	\$1,720,343	\$28,945
Intergovernmental	374,700	442,186	441,415	(771)
Interest	9,600	5,612	5,495	(117)
Other	5,000	35,761	39,032	3,271
<i>Total Revenues</i>	<u>1,995,300</u>	<u>2,174,957</u>	<u>2,206,285</u>	<u>31,328</u>
Expenditures:				
<i>Current:</i>				
Transportation	1,780,752	2,743,096	2,527,323	215,773
<i>Total Expenditures</i>	<u>1,780,752</u>	<u>2,743,096</u>	<u>2,527,323</u>	<u>215,773</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	214,548	(568,139)	(321,038)	247,101
Other Financing Sources:				
Transfers - In	0	72,513	72,513	0
<i>Total Other Financing Sources</i>	<u>0</u>	<u>72,513</u>	<u>72,513</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	214,548	(495,626)	(248,525)	247,101
Fund Balances at Beginning of Year	473,702	473,702	473,702	0
Prior Year Encumbrances Appropriated	383,908	383,908	383,908	0
Fund Balances at End of Year	<u>\$1,072,158</u>	<u>\$361,984</u>	<u>\$609,085</u>	<u>\$247,101</u>

See accompanying notes to the basic financial statements.

CITY OF ATHENS, OHIO
Statement of Fund Net Position
Proprietary Funds
December 31, 2012

	Business-Type Activities				Governmental Activities	
	Parking Garage	Water	Sewer	All Other	Totals	Internal Service Funds
				Enterprise Funds		
Assets:						
<i>Current:</i>						
Equity in Pooled Cash & Cash Equivalents	\$329,540	\$1,141,810	\$1,475,039	\$858,795	\$3,805,184	\$93,471
Accounts Receivable	5,485	293,766	342,422	135,333	777,006	1,333
Special Assessments Receivable	0	27,551	0	0	27,551	0
Materials and Supplies Inventory	0	248,192	2,434	0	250,626	0
Prepaid Items	11,344	11,344	10,709	468	33,865	15,714
<i>Noncurrent:</i>						
Nondepreciable Capital Assets	319,554	697,482	826,768	14,675	1,858,479	0
Depreciable Capital Assets, Net	1,339,199	6,304,357	10,021,454	0	17,665,010	0
<i>Total Assets</i>	<u>2,005,122</u>	<u>8,724,502</u>	<u>12,678,826</u>	<u>1,009,271</u>	<u>24,417,721</u>	<u>110,518</u>
Liabilities:						
<i>Current:</i>						
Accounts Payable	3,053	138,757	91,294	88,735	321,839	1,191
Contracts Payable	0	0	7,366	0	7,366	31,119
Accrued Wages Payable	0	51,929	50,456	1,848	104,233	8,345
Compensated Absences Payable	0	115,382	105,284	808	221,474	25,591
Intergovernmental Payable	689	18,972	18,181	699	38,541	7,618
Accrued Interest Payable	0	0	35,794	0	35,794	0
Claims Payable	0	0	0	0	0	169,292
Notes Payable	0	0	800,000	0	800,000	0
OWDA Loans Payable	0	24,000	284,308	0	308,308	0
<i>Noncurrent:</i>						
Compensated Absences Payable	0	52,684	46,118	484	99,286	8,303
OWDA Loans Payable	0	990,375	1,731,962	0	2,722,337	0
<i>Total Liabilities</i>	<u>3,742</u>	<u>1,392,099</u>	<u>3,170,763</u>	<u>92,574</u>	<u>4,659,178</u>	<u>251,459</u>
Net Position:						
Net Investments in Capital Assets	1,658,753	5,987,464	8,031,952	14,675	15,692,844	0
Unrestricted	342,627	1,344,939	1,476,111	902,022	4,065,699	(140,941)
<i>Total Net Position</i>	<u>\$2,001,380</u>	<u>\$7,332,403</u>	<u>\$9,508,063</u>	<u>\$916,697</u>	<u>\$19,758,543</u>	<u>(\$140,941)</u>

See accompanying notes to the basic financial statements.

CITY OF ATHENS, OHIO
*Statement of Revenues, Expenses and
Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2012*

	Business-Type Activities				Governmental Activities	
	Parking Garage	Water	Sewer	All Other Enterprise Funds	Totals	Internal Service Funds
Operating Revenues:						
Charges for Services	\$215,203	\$3,197,728	\$3,569,725	\$1,288,379	\$8,271,035	\$2,293,772
Other	0	490	3,330	22,947	26,767	251
<i>Total Operating Revenues</i>	<u>215,203</u>	<u>3,198,218</u>	<u>3,573,055</u>	<u>1,311,326</u>	<u>8,297,802</u>	<u>2,294,023</u>
Operating Expenses:						
Personal Services	40,110	992,353	986,290	37,267	2,056,020	152,992
Fringe Benefits	7,154	444,544	425,873	21,178	898,749	75,989
Contractual Services	98,864	523,731	682,374	1,086,768	2,391,737	458,559
Materials and Supplies	285	497,428	194,651	25,383	717,747	57,956
Utilities	20,512	344,207	337,161	0	701,880	2,269
Claims	0	0	0	0	0	2,222,010
Depreciation	41,170	296,689	361,465	0	699,324	0
<i>Total Operating Expenses</i>	<u>208,095</u>	<u>3,098,952</u>	<u>2,987,814</u>	<u>1,170,596</u>	<u>7,465,457</u>	<u>2,969,775</u>
<i>Operating Income (Loss)</i>	<u>7,108</u>	<u>99,266</u>	<u>585,241</u>	<u>140,730</u>	<u>832,345</u>	<u>(675,752)</u>
Non-Operating Revenues (Expenses):						
Interest Income	2,748	8,923	12,547	9,488	33,706	2,578
Intergovernmental	0	0	362,000	0	362,000	0
Other Non-Operating Revenues	45,062	28,253	949	0	74,264	290,685
Interest and Fiscal Charges	0	0	(102,718)	0	(102,718)	0
Other Non-Operating Expenses	0	(358)	(1,243)	(831)	(2,432)	0
<i>Total Non-Operating Revenues (Expenses)</i>	<u>47,810</u>	<u>36,818</u>	<u>271,535</u>	<u>8,657</u>	<u>364,820</u>	<u>293,263</u>
<i>Income/(Loss) Before Transfers</i>	<u>54,918</u>	<u>136,084</u>	<u>856,776</u>	<u>149,387</u>	<u>1,197,165</u>	<u>(382,489)</u>
Transfers - In	0	1,676	1,536	0	3,212	0
<i>Change in Net Position</i>	<u>54,918</u>	<u>137,760</u>	<u>858,312</u>	<u>149,387</u>	<u>1,200,377</u>	<u>(382,489)</u>
Net Position at Beginning of Year	<u>1,946,462</u>	<u>7,194,643</u>	<u>8,649,751</u>	<u>767,310</u>	<u>18,558,166</u>	<u>241,548</u>
Net Position at End of Year	<u>\$2,001,380</u>	<u>\$7,332,403</u>	<u>\$9,508,063</u>	<u>\$916,697</u>	<u>\$19,758,543</u>	<u>(\$140,941)</u>

See accompanying notes to the basic financial statements.

CITY OF ATHENS, OHIO
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2012

	Business-Type Activities				Governmental Activities	
	Parking Garage	Water	Sewer	All Other Enterprise Funds	Totals	Internal Service Funds
Cash Flows from Operating Activities:						
Cash Received from Customers	\$215,073	\$3,148,750	\$3,514,744	\$1,288,597	\$8,167,164	\$2,306,779
Cash from Other Receipts	0	490	3,330	22,947	26,767	251
Cash Payments to Employees	(47,359)	(1,413,075)	(1,390,749)	(57,947)	(2,909,130)	(217,406)
Cash Payments for Contractual Services	(110,208)	(547,331)	(823,954)	(1,086,842)	(2,568,335)	(561,977)
Cash Payments for Insurance Claims	0	0	0	0	0	(2,187,149)
Cash Payments for Supplies and Materials	(19,714)	(804,662)	(530,806)	(18,155)	(1,373,337)	(17,461)
<i>Net Cash from Operating Activities</i>	<u>37,792</u>	<u>384,172</u>	<u>772,565</u>	<u>148,600</u>	<u>1,343,129</u>	<u>(676,963)</u>
Cash Flows from Noncapital Financing Activities:						
Other Nonoperating Receipts	45,062	28,253	949	0	74,264	290,685
Other Nonoperating Payments	0	(358)	(1,243)	(831)	(2,432)	0
Transfers - In from Other Funds	0	1,676	1,536	0	3,212	0
Intergovernmental	0	0	0	0	0	0
<i>Net Cash from Noncapital Financing Activities</i>	<u>45,062</u>	<u>29,571</u>	<u>1,242</u>	<u>(831)</u>	<u>75,044</u>	<u>290,685</u>
Cash Flows from Capital and Related Financing Activities:						
Proceeds Received from Notes and Loans	0	582,375	800,000	0	1,382,375	0
Interest Paid on Notes and Loans	0	0	(88,757)	0	(88,757)	0
Principal Paid on Notes and Loans	0	(24,000)	(1,622,626)	0	(1,646,626)	0
Cash Paid to Acquire/Construct Capital Assets	0	(631,830)	(1,140,819)	0	(1,772,649)	0
Cash Received from Capital Grants	0	0	362,000	0	362,000	0
<i>Net Cash from Capital and Related Financing Activities</i>	<u>0</u>	<u>(73,455)</u>	<u>(1,690,202)</u>	<u>0</u>	<u>(1,763,657)</u>	<u>0</u>
Cash Flows from Investing Activities:						
Interest Received on Investments	2,748	8,923	12,547	9,488	33,706	2,578
<i>Net Cash from Investing Activities</i>	<u>2,748</u>	<u>8,923</u>	<u>12,547</u>	<u>9,488</u>	<u>33,706</u>	<u>2,578</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	85,602	349,211	(903,848)	157,257	(311,778)	(383,700)
Cash and Cash Equivalents at Beginning of Year	243,938	792,599	2,378,887	701,538	4,116,962	477,171
Cash and Cash Equivalents at End of Year	<u>\$329,540</u>	<u>\$1,141,810</u>	<u>\$1,475,039</u>	<u>\$858,795</u>	<u>\$3,805,184</u>	<u>\$93,471</u>

See accompanying notes to the basic financial statements.

CITY OF ATHENS, OHIO
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2012

	Business-Type Activities				Governmental Activities	
	Parking Garage	Water	Sewer	All Other Enterprise Funds	Totals	Internal Service Funds
Reconciliation of Operating Income to Net Cash from Operating Activities:						
Operating Income (Loss)	\$7,108	\$99,266	\$585,241	\$140,730	\$832,345	(\$675,752)
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities:						
Depreciation Expense	41,170	296,689	361,465	0	699,324	0
Changes in Assets and Liabilities:						
(Increase) Decrease in Accounts Receivable	(130)	(48,978)	(54,981)	218	(103,871)	13,007
(Increase) Decrease in Material and Supply Inventory	0	(25,586)	11,008	0	(14,578)	0
(Increase) Decrease in Prepaid Items	(11,344)	(127)	(9,787)	(74)	(21,332)	(15,654)
Increase (Decrease) in Accounts Payable	1,083	63,707	(9,897)	7,229	62,122	(3,809)
Increase (Decrease) in Contracts Payable	0	(23,473)	(131,793)	0	(155,266)	(7,526)
Increase (Decrease) in Accrued Wages Payable	0	13,245	10,354	224	23,823	2,820
Increase (Decrease) in Compensated Absences	0	13,283	12,677	96	26,056	10,092
Increase (Decrease) in Intergovernmental Payable	(95)	(3,854)	(1,722)	177	(5,494)	(35,002)
Increase (Decrease) in Claims and Judgements Payable	0	0	0	0	0	34,861
<i>Net Cash from Operating Activities</i>	<u>\$37,792</u>	<u>\$384,172</u>	<u>\$772,565</u>	<u>\$148,600</u>	<u>\$1,343,129</u>	<u>(\$676,963)</u>

See accompanying notes to the basic financial statements and accountants report.

CITY OF ATHENS, OHIO
Statement of Fiduciary Assets and Liabilities
Fiduciary Fund
December 31, 2012

	<u>Agency</u>
Assets:	
Equity in Pooled Cash & Cash Equivalents	\$200
Cash and Cash Equivalents in Segregated Accounts	<u>424,443</u>
<i>Total Assets</i>	<u>424,643</u>
Liabilities:	
Deposits Held and Due to Others	<u>424,643</u>
<i>Total Liabilities</i>	<u><u>\$424,643</u></u>

See accompanying notes to the basic financial statements.

NOTE 1 - DESCRIPTION OF THE ENTITY

The City of Athens, Ohio (the City) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The City was incorporated in 1811 and is a statutory municipal corporation under the laws of the State of Ohio. The City operates under a Council-Mayor form of government and provides various services including police and fire protection, parks and recreation, planning, zoning, street maintenance, and other governmental services. In addition, the City owns and operates a water treatment and distribution system, a wastewater treatment and collection system, and a public parking garage, which are reported as enterprise funds. Refuse collection services are also accounted for as an enterprise operation.

As required by generally accepted accounting principles, the financial statements present the City of Athens (the primary government) and any component units. In determining whether to include a governmental department, agency, commission or organization as a component unit, the City must evaluate each entity as to whether they are legally separate and financially accountable based on criteria set forth by the Governmental Accounting Standards Board (GASB). Legal separateness is evaluated on the basis of (1) its corporate name, (2) the right to sue or be sued and (3) the right to buy, sell, lease and mortgage property. Financial accountability is based on (1) the appointment of the governing authority and (2) the ability to impose will or (3) the providing of specific financial benefit or imposition of a specific financial burden. Another factor to consider in this evaluation is whether an entity is fiscally dependent on the City.

Based on the foregoing criteria, the following governmental entity is not considered legally separate and is financially accountable to the City. Therefore, it is included as part of the reporting entity of the City.

Athens Municipal Court - The City budgets and appropriates for the operation of the Court, establishes the compensation for certain Court employees and is ultimately responsible for any operating deficits sustained by the Court. The operations of the Court are presented as a separate Agency Fund in the City's financial statements.

However, the following organizations are not part of the City of Athens reporting entity and are excluded from the City's combined financial statements.

Athens City School District - The Athens City School District encompasses the City of Athens. The members of the Board of Education of the District are elected by the voters within the District. The Board is a legally separate body politic and corporate, capable of suing, contracting, possessing, acquiring, and disposing of real property. The Board controls its own operations and budget and has no financial accountability to the City.

Athens Public Library - The Library provides library services for the citizens of Athens County. The Library is a legally separate entity with no financial accountability to the City. It has a separately selected governing authority and a separate designation of management. The City has no ability to impose its will upon the Library. Additionally, the Library provides no financial benefit to nor does it impose any financial burden upon the City.

Athens Community Television- The Center is a nonprofit organization that operates a public access channel for the citizens of Athens County and surrounding areas. It is a legally separate entity that appoints its own governing board. Although the City contributes a portion of its cable franchise fee revenue toward the operation of the Center, the City cannot impose its will upon the Center. While this organization is excluded from the reporting entity of the City, the contributions made to the Center are reflected in a separate Special Revenue Fund.

The accounting policies and financial reporting practices of the City conform to generally accepted accounting principles as applicable to governmental units.

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its business-type activities and to its enterprise funds provided they do not conflict with or contradict GASB pronouncements. The City has elected not to apply FASB statements and interpretations issued after November 30, 1989, to its business-type activities and enterprise funds. The most significant of the City's accounting policies are described below.

Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements: The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service funds is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements: During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

Governmental Funds: Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the City's major governmental funds:

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

General Fund: This fund accounts for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

Street Fund: This fund accounts for that portion of the state gasoline and motor vehicle registration fees as well as income tax revenue designated by voters for maintenance and repair of streets within the City.

East State Street Fund: This fund accounts for funds generated by a TIF designated to repay loans taken for purpose of improving East State Street and underlying infrastructure within the designated TIF area.

Community Center Debt Fund: This fund accounts for income tax revenue designated by voters for repayment of bonds used to finance the construction of the Community Center.

The other governmental funds of the City account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds: Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. The City's proprietary funds are classified as either enterprise or internal service. The following are the City's major enterprise funds:

Parking Garage Fund: This fund accounts for the operation of a public parking garage within the City.

Water Fund: This fund accounts for the provision of water treatment and distribution to its residential and commercial users located within the City.

Sewer Fund: This fund accounts for the provision of sanitary sewer treatment to residential and commercial users located within the City.

The other enterprise funds of the City account for activities for which a fee is charged to external users for goods or services. The internal service funds of the City account for the financing of services provided by one department or agency of the City to other departments or agencies of the City on a cost reimbursement basis.

Fiduciary Funds: Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's fiduciary funds are agency funds, Mansfield House Maintenance which receives donations to handle repairs to the Mansfield House and the Municipal Court which accounts for the activities of the Athens Municipal Court.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

Government-Wide Financial Statements: The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net position.

Fund Financial Statements: All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of fund net position. The statement of revenues, expenses and changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows provides information about how the city finances and meets the cash flow needs of its proprietary activities.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows of resources and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions: Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within sixty days of year-end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include municipal income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from municipal income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis.

On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: municipal income taxes, grants, state-levied shared taxes (including gasoline tax), fines and forfeitures, and investment earnings.

Expenses/Expenditures: On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Budgetary Accounting and Control:

Under Ohio law, City Council must adopt an appropriations budget by January 1st of a given year, or adopt a temporary appropriation measure with final passage of a permanent budget by April 1st, for all funds except Agency Funds. Budgets are adopted for each organizational unit by fund.

Each City department prepares a budget which is approved by City Council. All modifications made throughout the year to the original department budgets must be requested by the departmental management and approved through legal resolution by City Council, except in the travel transportation, materials and supplies, and contractual services and miscellaneous or other expenditure categories of each department.

Several budget modifications and supplemental appropriations were made during the year and each revised budget amount reported in the budget to actual comparisons includes all modifications and supplemental appropriations that were necessary.

The City maintains budgetary control by Fund and within each fund by Office, Department and Division. Each Office, Department and Division is further divided by transaction class, representing Personal Services, Supplies & Services and Capital Expenditures. Council ordinance does not permit co-mingling or movement of monies among transaction classes without ordinance; and, does not permit expenditures and encumbrances to exceed appropriations for each transaction class. Unencumbered and unexpended appropriations lapse at year-end in all budgeted funds. Prior year encumbrances and corresponding prior year appropriations are carried forward as part of the budgetary authority for next year and are included in the original and revised budget amounts shown in the budget-to-actual comparisons.

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources.

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The revised budget then serves as the basis for the annual appropriation measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported as original budgeted amounts on the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as final budget amounts on the budgetary statements reflect the amounts in the final amended official certificate of estimated resources issued during 2012.

The City's budgetary process accounts for certain transactions on a budgetary basis instead of a GAAP basis. The major differences between the budget basis and the GAAP basis are that revenues are recorded when actually received (budget basis) as opposed to when susceptible to accrual (GAAP basis), and expenditures are recorded when paid (budget basis) as opposed to when incurred (GAAP basis). Additionally, the City reflects outstanding encumbrances at year-end as expenditures on the budgetary basis.

Cash and Investments

Cash and investments of the City's funds, except those held in restricted asset accounts, are pooled and invested in short-term investments in order to provide improved cash management. During 2012, the City's funds were invested in interest bearing demand accounts and certificates of deposit with commercial banks. For purposes of the statement of cash flows, the enterprise funds' portion of cash and cash equivalents is considered a cash equivalent because the City is able to withdraw resources from the enterprise funds without prior notice or penalty.

For purposes of the statement of cash flows and for the presentation on the statement of net position/balance sheet, investments with an original maturity of three months or less and investments of the cash management pool are considered to be cash equivalents.

Following the local ordinance of the City as well as State statutes, the City has specified the funds to receive an allocation of interest earnings. During 2012, the General Fund earned interest revenue of \$23,042, of which \$3,521 was assigned from other funds.

Inventories

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The costs of inventory items are recognized as expenditures in governmental funds when purchased and as expenses in the proprietary funds when used.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2012 are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which it is consumed.

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deletions during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of five thousand dollars. The City’s infrastructure consists of streets, traffic signals, bridges, drainage systems, water and sewer lines, and valves and meters.

Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not. Interest incurred during the construction of capital assets is also capitalized. All reported capital assets are depreciated except for land, streets, and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City’s historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings and Improvements	20 - 40 years	20 - 40 years
Machinery and Equipment	5 - 20 years	5 - 20 years
Vehicles	5 - 10 years	5 - 10 years
Infrastructure	10 - 80 years	10 - 80 years

The City has chosen to use the modified approach allowed by GASB Statement No. 34, to report their streets. Therefore depreciation is not calculated for the streets, but they are evaluated each year to determine their values.

Compensated Absences

The City reports compensated absences in accordance with the provisions of GASB No. 16, “Accounting for Compensated Absences”.

The City records a liability for sick leave, vacation, and compensatory time when the obligation is attributable to services previously rendered, to rights that vest or accumulate, and where payment of the obligation is probable and can be reasonably determined.

Employees earn vacation time at varying rates depending on the duration of their employment. Employees with a minimum of one (1) year of service become vested in accumulated unpaid vacation time. Vacation leave is to be taken by the employee in the year accrued unless administrative approval has been obtained to carry-over the accumulated time to the following year. Ohio law requires that vacation time not be accumulated for more than three (3) years. Unused vacation time is payable upon termination of employment. It is deemed that each employee will remain with the City for at least one year, therefore, the City accrues a liability for each employee based on their unused vacation time.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unused sick leave may be accumulated until retirement. Employees with a minimum of ten (10) years of service under Public Employee Retirement System (PERS) and fifteen (15) years under Ohio Police and Fire Pension Fund (OP&F) are entitled to payment for accumulated sick leave credit upon retirement. Payment may be made at twenty-five (25) percent, up to a maximum of thirty (30) days, of accrued sick leave credit. The City uses a termination method to accrue a liability based on average sick leave rates paid to retirees and years worked by current employees.

Employees are awarded compensatory time off in lieu of overtime pay when overtime hours are worked, except in certain departments where employees have the option of being compensated for overtime hours worked. Compensatory time off must be used within a specified period of time. Upon termination of employment or retirement, employees may be entitled to payment for unused compensatory time in those departments which provide for payment of overtime hours. The City accrues a liability for each employee with unused compensatory time.

The entire compensated absence liability is reported on the government-wide financial statements. In governmental funds, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignation or retirement. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported on the fund financial statements. In proprietary funds, the entire amount of compensated absences is reported as a fund liability on the fund financial statements.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases and long-term loans are recognized as a liability on the fund financial statements when due.

Fund Balance

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. Fund balances of the governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent because they are either not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because either (a) constraints imposed by law through constitutional provisions, charter requirements or enabling legislation; or (b) constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Committed – amounts that can only be used for specific purposes pursuant to constraints imposed by formal ordinances or resolutions of the City Council – the City’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the City Council removes the specified use by taking the same type of action as when 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 – amounts constrained by the City’s “intent” to be used for specific purposes, but are neither restricted nor committed. The City Council, City Officials have the authority to assign amount to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned – this is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, the City considers restricted funds to have been spent first. When expenditures are 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 provided otherwise in its commitment or assignment actions.

Net Position

Net position represent the difference between assets and liabilities. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. Restricted for Other Purposes includes funds which are restricted by grant agreements.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are parking garage fees and charges for services for water, sanitary sewer, and garbage collection services. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interfund Transactions

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2012.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 3 - RECONCILIATION OF BUDGET BASIS TO GAAP BASIS

While the City is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements. The statement of revenues, expenditures and changes in fund balance - budget and actual (budget basis) is presented for the General Fund and the major special revenue fund on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the modified accrual GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- (c) Outstanding year end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
- (d) Proceeds from and principal payment on bond and tax anticipation notes are reported on the operating statement (budget basis) rather than on the balance sheet (GAAP basis).

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 3 - RECONCILIATION OF BUDGET BASIS TO GAAP BASIS (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund and major special revenue fund.

	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses/Net Change in Fund Balance	
	General	Street
Budget Basis	(\$41,006)	(\$248,525)
<i>Adjustments:</i>		
Revenue Accruals	(180,720)	(45,451)
Expenditure Accruals	153,416	110,746
Encumbrances	547,379	190,617
Other Financing Sources	(300,000)	0
<i>Prospective Difference:</i>		
Activity of Funds Reclassified For GAAP Reporting Purposes	237	0
GAAP Basis	\$179,306	\$7,387

NOTE 4 - NEW GASB PRONOUNCEMENTS

GASB Statement Number 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The objective of this Statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The requirements of this Statement have been implemented by the City, which did not result in any change in the City's financial statements.

GASB Statement Number 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The requirements of this Statement have been implemented by the City, which did not result in any change in the City's financial statements.

GASB Statement Number 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the FASB and AICPA pronouncements which does not conflict with or contradict GASB pronouncements. The requirements of this Statement have been implemented by the City, which did not result in any change in the City's financial statements.

GASB Statement Number 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The requirements of this Statement have been implemented by the City, which did not result in any change in the City's financial statements.

NOTE 4 - NEW GASB PRONOUNCEMENTS (Continued)

GASB Statement Number 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The requirements of this Statement have been implemented by the City, which did not result in any change in the City's financial statements.

GASB Statement Number 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement have been implemented by the City, which did not result in any change in the City's financial statements.

NOTE 5 - CASH, DEPOSITS AND INVESTMENTS

State statutes classify monies held by the City into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the City Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the two year period of designation of depositories. Inactive deposits must be either evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim moneys. Interim moneys are those moneys which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts. Interim monies may be deposited or invested in the following securities:

- (1) United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- (2) Bonds, notes, debentures, or any other obligations or securities issued by any federal government or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- (3) Written repurchase agreements in the securities listed above, provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to fair value daily, and that the term of the agreement must not exceed thirty days;
- (4) Bonds and other obligations of the State of Ohio;

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 5 - CASH, DEPOSITS AND INVESTMENTS(Continued)

- (5) No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section, and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- (6) The State Treasury Assets Reserve of Ohio (STAR Ohio);
- (7) Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of interim monies available for investment at any time; and
- (8) Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

The City may also invest any monies not required to be used for a period of six months or more in the following:

- (1) Bonds of the State of Ohio;
- (2) Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons; and
- (3) Obligations of the City.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements", and GASB Statement No. 40, "Deposit and Investment Risk Disclosure."

Deposits: Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned. All deposits are collateralized with eligible securities. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the City.

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 5 - CASH, DEPOSITS AND INVESTMENTS (Continued)

At December 31, 2012, the carrying amount of all City deposits was \$12,705,556. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosures", as of December 31, 2012, \$11,474,660 of the City's bank balance of \$12,560,947 was exposed to custodial risk as discussed above while \$1,086,287 was covered by Federal Deposit Insurance. The \$11,474,660 exposed to custodial risk was collateralized with securities held by the City or its agency in the City's name.

NOTE 6 - PROPERTY TAXES

Property taxes, include amounts levied against all real, public utility, and tangible personal (used in business) property located in the City. Real property taxes are levied after October 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value. Real property taxes are collected in and intended to finance the year following the year in which they are levied.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements, at true value (normally 50% of cost). Tangible personal property taxes attach as a lien and are levied January 1 of the current year, the same year in which collections are made. Tangible personal property taxes are being phased-out. This assessment percentage will be reduced to zero for 2012.

The assessed value upon which the 2012 taxes were collected was \$327,288,530. The full tax rate for all City operations that was applied to real property for the year ended December 31, 2012 was \$2.60 per \$1,000 of assessed valuation for City residents in Athens Township, and \$2.60 per \$1,000 of assessed valuation for City residents in Canaan Township. Real property owners' tax bills are reduced for inflationary increases in property values and when applicable, are further reduced by homestead and rollback deductions. The amount of these homestead and rollback reductions is reimbursed to the City by the State of Ohio.

Real Property - 2012 Valuation:

Residential/Agricultural	\$183,161,980
Commercial/Industrial	134,214,050
Total Real Property	317,376,030

Tangible Personal Property - 2011 Valuation:

Public Utilities	9,912,500
Total Personal Property	9,912,500
Total Assessed Valuation	\$327,288,530

Real property taxes are payable annually or semi-annually. If paid annually, payment is due May 19; if paid semi-annually, the first payment is due May 19 with the remainder payable by August 25. Under certain circumstances, state statute permits earlier or later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due October 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due June 23; if paid semi-annually, the first payment is due June 23, with the remainder payable by October 20.

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 6 - PROPERTY TAXES (Continued)

Accrued property taxes receivable represent delinquent taxes outstanding and real, tangible personal, and public utility taxes which were measurable as of December 31, 2012. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not intended to finance 2012 operations. The receivable is therefore offset by a credit to deferred inflows of resources.

NOTE 7 - INCOME TAX REVENUE

The City levies a tax of 1.65% on all salaries, wages, commissions, other compensation and net profits earned within the City, as well as, on incomes of residents earned outside the City. In the latter case, the City allows a credit of 100% of the tax paid to another municipality to a maximum of the total amount assessed.

Employers within the City are required to withhold income tax on employees compensation and remit the tax to the City either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. In 2012, the income tax generated a total of \$10,512,007 in income tax revenue.

NOTE 8 - INTERFUND ACTIVITY

A summary of interfund transfers for 2012 were as follows:

Fund	Transfers In	Transfers Out
<i>Governmental Funds:</i>		
General Fund	\$0	\$1,700
Street	72,513	0
East State Steet	250,000	0
Other Nonmajor Governmental Funds	121,994	446,019
<i>Proprietary Funds:</i>		
Water	1,676	0
Sewer	1,536	0
Total - All Funds	<u>\$447,719</u>	<u>\$447,719</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers were made out of the CDBG Revolving Loan, Athens City Enhancement, FEMA Grant and Tax Increment Financing Funds (nonmajor governmental funds) to properly identify distribution and use of reviews as stipulated.

NOTE 9 - INTERGOVERNMENTAL RECEIVABLE

Receivables at December 31, 2012 consisted of property taxes, income taxes, accounts (billings for user charged services), notes, loans, special assessments, interest and intergovernmental grants. All receivables are considered fully collectible.

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 9 - INTERGOVERNMENTAL RECEIVABLE(Continued)

A summary of the principal items of intergovernmental receivable follows:

Governmental Activities	
<i>General Fund:</i>	
Local Government Distributions	70,772
<i>Street Fund:</i>	
Street Maintenance Distributions	62,578
Nonmajor Special Revenue Funds	40,455
Total Intergovernmental Receivable	\$173,805

NOTE 10 - DEFERRED INFLOWS/DEFERRED OUTFLOWS OF RESOURCES

In addition to assts, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources include a deferral on refunding reported in the government-wide statement of net position. A deferral on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The City had no such activity as of December 31, 2012.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, payments in lieu of taxes and unavailable revenues. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of December 31, 2012, but which were levied to finance year 2013 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements.

Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, income taxes, franchise taxes, intergovernmental grants, special assessments, and charges for services. These amounts are deferred and recognized as inflows of resources on the governmental fund balance sheet for the following:

Governmental Funds	
	General
Property Taxes	\$911,363
Total deferred inflows of resources	\$911,363

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 11- CAPITAL ASSETS

The following is a summary of changes in the capital assets of the governmental activities during the fiscal year:

	Balance January 1, 2012	Additions/ Transfers	Deletions/ Transfers	Balance December 31, 2012
<u>Governmental Activities:</u>				
<i>Nondepreciable Capital Assets:</i>				
Land	\$3,206,876	\$0	\$0	\$3,206,876
Infrastructure	42,216,039	1,652,107	(941,857)	42,926,289
Construction in Progress	1,397,422	241,000	(780,170)	858,252
Total Nondepreciable Capital Assets	46,820,337	1,893,107	(1,722,027)	46,991,417
<i>Depreciable Capital Assets:</i>				
Land Improvements	456,021	149,980	0	606,001
Buildings	13,968,937	0	0	13,968,937
Machinery, Equipment and Vehicles	9,624,400	136,991	(495,922)	9,265,469
Infrastructure	15,568,125	250,000	(142,800)	15,675,325
Total Depreciable Capital Assets	39,617,483	536,971	(638,722)	39,515,732
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(238,031)	(10,102)	0	(248,133)
Buildings	(5,465,400)	(298,742)	0	(5,764,142)
Machinery, Equipment and Vehicles	(5,760,042)	(1,213,474)	495,921	(6,477,595)
Infrastructure	(6,260,086)	(170,557)	67,021	(6,363,622)
Total Accumulated Depreciation	(17,723,559)	(1,692,875)	562,942	(18,853,492)
Total Depreciable Capital Assets, Net	21,893,924	(1,155,904)	(75,780)	20,662,240
Governmental Activities Capital Assets, Net	\$68,714,261	\$737,203	(\$1,797,807)	\$67,653,657

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 11 - CAPITAL ASSETS (Continued)

For governmental activities, depreciation expense was charged to functions as follows:

Governmental Activities	
General Government	\$149,158
<i>Security of Persons and Property:</i>	
Police	36,468
Fire	388,805
Transportation	917,246
Leisure Time Activities	201,198
Governmental Activities Depreciation Expense	\$1,692,875

The following is a summary of changes in the capital assets of the business-type activities for the fiscal year:

	Balance January 1, 2012	Additions/ Transfers	Deletions/ Transfers	Balance December 31, 2012
<u>Business-Type Activities:</u>				
<i>Nondepreciable Capital Assets:</i>				
Land	\$463,489	\$0	\$0	\$463,489
Construction in Progress	906,489	1,209,652	(721,151)	1,394,990
Total Nondepreciable Capital Assets	1,369,978	1,209,652	(721,151)	1,858,479
<i>Depreciable Capital Assets:</i>				
Land Improvements	8,555	0	0	8,555
Buildings	11,160,413	583,150	0	11,743,563
Machinery, Equipment and Vehicles	2,288,912	34,315	0	2,323,227
Infrastructure	25,267,742	666,683	0	25,934,425
Total Depreciable Capital Assets	38,725,622	1,284,148		40,009,770
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(8,555)	0	0	(8,555)
Buildings	(5,752,020)	(196,704)	0	(5,948,724)
Machinery, Equipment and Vehicles	(1,949,733)	(60,672)	0	(2,010,405)
Infrastructure	(13,935,128)	(441,948)	0	(14,377,076)
Total Accumulated Depreciation	(21,645,436)	(699,324)	0	(22,344,760)
Total Depreciable Capital Assets, Net	17,080,186	584,824	0	17,665,010
Business-Type Activities Capital Assets, Net	\$18,450,164	\$1,794,476	(\$721,151)	\$19,523,489

The business-type activities of the City are the parking garage, water, sewer and garbage operations.

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 12 - NOTES PAYABLE

The Ohio Revised Code provides that notes, including renewal notes, issued in anticipation of the issuance of general obligation bonds, may be issued and outstanding from time to time up to a maximum period of twenty (20) years from the date of issuance of the original notes (the maximum maturity for notes anticipating general obligation bonds payable from special assessments is five (5) years). Any period in excess of five (5) years must be deducted from the permitted maximum maturity of bonds anticipated, and portions of the principal amount of notes outstanding for more than five (5) years must be retired in amounts at least equal to, and payable not later than, those principal maturities that would have been required if the bonds had been issued at the expiration of the initial five (5) year period.

Bond anticipation notes may be retired at maturity from the proceeds of the sale of renewal notes or of the bonds anticipated by the notes, or available funds of the City, or a combination of these sources. All notes are backed by the full faith and credit of the City.

The following is a summary of the City's note obligation activity for the year ended December 31, 2012:

Purpose/ Description	Maturity Date	Interest Rate	Balance January 1, 2012	Additions	Deletions	Balance December 31, 2012
<u>Governmental Activities:</u>						
<i>Notes Payable:</i>						
East State Street	2013	0.45%	\$0	\$500,000	\$0	\$500,000
East State Street	2012	0.45%	750,000	0	750,000	0
Fire Dept. Ladder Truck	2013	0.45%	0	300,000	0	300,000
Fire Dept. Ladder Truck	2012	0.45%	400,000	0	400,000	0
Community Center Energy Note	2013	0.70%	0	50,000	0	50,000
Community Center Energy Note	2012	0.70%	30,000	0	30,000	0
Governmental Activities Notes Payable			<u>\$1,180,000</u>	<u>\$850,000</u>	<u>\$1,180,000</u>	<u>\$850,000</u>
<u>Business-Type Activities:</u>						
<i>Notes Payable:</i>						
WWTP Improvements	2012	0.45%	\$850,000	\$0	\$850,000	\$0
WWTP Improvements	2013	0.45%	0	800,000	0	800,000
WWTP Energy Improvements	2012	0.45%	500,000	0	500,000	0
Business-Type Activities Notes Payable			<u>\$1,350,000</u>	<u>\$800,000</u>	<u>\$1,350,000</u>	<u>\$800,000</u>

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 13 - LONG-TERM DEBT AND OTHER OBLIGATIONS

The City's long-term obligations activity for the year ended December 31, 2012 was as follows:

Purpose/ Description	Maturity Date	Interest Rate	Balance January 1, 2012	Additions	Deletions	Balance December 31, 2012	Amounts Due Within One Year
<u>Governmental Activities:</u>							
<i>General Obligation Bonds Payable:</i>							
Community Center Refunding Bonds Original Issue Date – 2010 Original Issue Amount - \$2,730,000	2016	2.00%	\$2,320,000	\$0	\$450,000	\$1,870,000	\$480,000
Premium on Bonds Issued			54,871	0	10,974	43,897	0
<i>Other Long-Term Obligations:</i>							
Community Center Energy Notes			270,000	220,000	270,000	220,000	0
Compensated Absences			1,123,688	540,441	564,557	1,099,572	680,087
Landfill Postclosure Care			4,174	0	3,000	1,174	1,174
Governmental Activities Long-Term Obligations			<u>\$3,772,733</u>	<u>\$760,441</u>	<u>\$1,298,531</u>	<u>\$3,234,643</u>	<u>\$1,161,261</u>
<u>Business-Type Activities:</u>							
<i>OWDA Loans Payable:</i>							
Loan No. 2670 Original Issue Date - 1992 Original Issue Amount - \$1,282,133	2013	5.20%	\$194,926	\$0	\$94,961	\$99,965	\$99,965
Loan No. 2672/2673 Original Issue Dates - 1995 & 1996 Original Issue Amount - \$908,787	2016	4.16%	300,545	0	55,272	245,273	57,592
Loan No. 3873 Original Issue Date - 2004 Original Issue Amount - \$2,632,603	2023	3.53%	1,793,425	0	122,393	1,671,032	126,751
Loan No. 5259 Original Issue Date - 2009 Original Issue Amount - \$480,000	2030	0.00%	456,000	0	24,000	432,000	24,000
Loan No. 6270 Original Issue Date - 2012 Original Issue Amount - \$582,375	2033	2.63%	0	582,375	0	582,375	0
<i>Other Long-Term Obligations:</i>							
Compensated Absences			294,595	250,789	224,624	320,760	221,474
Business-Type Activities Long-Term Obligations			<u>\$3,039,491</u>	<u>\$833,164</u>	<u>\$521,250</u>	<u>\$3,351,405</u>	<u>\$529,782</u>

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 13 - LONG-TERM DEBT AND OTHER OBLIGATIONS (Continued)

The City's long-term debt requirements, excluding compensated absences and landfill post closure care as of December 31, 2012, are as follows:

Year Ending December 31	Governmental Activities		Business-Type Activities*	
	Payments		Payments	
	Principal	Interest	Principal	Interest
2013	\$480,000	\$40,763	\$308,308	\$71,365
2014	705,000	31,162	215,273	60,541
2015	465,000	21,463	222,465	53,349
2016	440,000	11,000	229,928	45,885
2017	0	0	169,794	39,336
2018 – 2022	0	0	930,647	112,503
2023 – 2027	0	0	299,855	4,776
2028 – 2030	0	0	72,000	0
Total	\$2,090,000	\$104,388	\$2,448,270	\$387,755

* Business-Type Activities does not include OWDA loan 6270 due to loan not being completed at December 31, 2012.

Long-Term Bonds and Loans: All long-term debt issued for governmental purposes of the City (including special assessment debt with governmental commitment) is retired through the Debt Service Fund. OWDA enterprise loans are retired through the respective Enterprise Funds. OWDA loans are secured by revenues generated from enterprise operations. Special assessment bonds are secured by an unvoted property tax levy (special assessment), which constitutes a lien on assessed properties. In the event of default by the assessed property owners, the City would be obligated to pay the special assessment debt. These bonds are also backed by the full faith and credit of the City as additional security.

General obligations bonds are secured by .1% of the City's income tax. These bonds are also backed by the full faith and credit of the City.

NOTE 14 - PENSION OBLIGATIONS

Ohio Public Employees Retirement System

The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by visiting www.opers.org/investments/cafr.shtml, writing to OPERS, 277 E. Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2012, the members of all three plans were required to contribute 10.00 percent of their annual covered salaries. The City's contribution rate of 14.00 percent was allocated to fund pension benefits for members of the Traditional Plan and the Combined Plan. The pension allocation for the Traditional Plan was 10.00 percent during calendar year 2012. The pension allocation for the Combined Plan was 7.95 percent during calendar year 2012. The City's required pension contributions for the Traditional Pension and Combined plans for the years ended December 31, 2012, 2011, and 2010 were \$675,656, \$646,709, and \$447,790, respectively; 100 percent has been contributed for 2012, 2011 and 2010.

Ohio Police and Fire Pension Fund

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan. The OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10.00 percent of their annual covered salary, while the City is required to contribute 19.50 percent and 24.0 percent for police officers and firefighters, respectively. The portion of the City's contributions to fund pension obligations was 12.75 percent for police officers and 17.25 percent for firefighters. The City's contributions for pension obligations to the OP&F for police and firefighters were \$213,019 and \$260,422 for the year ended December 31, 2012, \$232,572 and \$262,833 for the year ended December 31, 2011, and \$161,283 and \$189,385 for the year ended December 31, 2010. The full amount has been contributed for 2012, 2011 and 2010.

NOTE 15 –POST-EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans; the Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan is a defined contribution plan; and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program, and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age and service retirees under the Traditional Pension and Combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend the OPEB Plan is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by visiting www.opers.org/investments/cafr.shtml, writing to OPERS, 277 E. Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care coverage. The 2012 local government employer contribution rate was 14.00 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00 percent of covered payroll for local government employers. Active members do not make contributions to the OPEB Plan.

OPERS' Post-employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.00 percent during calendar year 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent during calendar year 2012. Effective January 1, 2013, the portion of employer contributions allocated to health care was lowered to 1.00 percent for both plans, as recommended by the OPERS Actuary. The OPERS Board of Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The City's actual employer contributions for December 31, 2012, 2011 and 2010 which were used to fund post-employment benefits were \$270,262, \$258,684, and \$447,790, respectively; 100 percent has been contributed for 2012, 2011 and 2010.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

NOTE 15 –POST-EMPLOYMENT BENEFITS - (Continued)

Ohio Police and Fire Pension Fund

Plan Description - The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined post-employment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 E. Town Street, Columbus, OH 43215-5164. That report is also available on OP&F's website at www.op-f.org.

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50 percent and 24.00 percent of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50 percent of covered payroll for police employer units and 24.00 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administered as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 Trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2012, the employer contribution allocated to the health care plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of the Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$112,775 and \$101,904 for the year ended December 31, 2012, \$123,126 and \$102,848 for the year ended December 31, 2011, and \$85,385 and \$74,107 for the year ended December 31, 2010, respectively. The full amount has been contributed for 2012, 2011 and 2010.

NOTE 16 - EMPLOYEE BENEFITS

Compensated Absences

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 16, the City accrues a liability for sick leave and vacation when the obligation is attributable to services previously rendered, to rights that vest or accumulate, and where payment of the obligation is probable and can be reasonably determined.

Sick leave accumulates at the rate of .0575 hours of sick leave for each hour of work completed with a maximum of 80 hours per pay period. Employees who have ten years of service, who have sick leave accumulated receive payment upon retirement at a rate of one hour for each four hours of accumulated and unused sick leave, to a maximum of 240 hours. Individuals leaving the employment of the City prior to retirement or at retirement with less than ten years of service lose their accumulated sick leave. A liability has been recognized in the accompanying financial statements for a portion of the sick leave hours of those employees who have ten years of service and are age 55 or older, or have thirty years with local government employment as well as other employees who are expected to become eligible in the future to receive such payments.

A liability for accrued vacation has been recognized based on the amount of unused vacation hours for each employee. Vacation is accumulated based upon length of service as follows (for non-union employees only):

Employee Service	Vacation Credit
After 1 year	2 weeks
After 8 years	3 weeks
After 15 years	4 weeks
After 25 years	5 weeks

Vacation leave may be accumulated up to a maximum equal to three times the current annual rate of accumulation applicable to the employee. Any unused balance in excess of this maximum three weeks accumulation is eliminated from the employee balance at year end. In the case of death, termination or retirement, an employee or the estate is paid for the unused balance.

All sick leave and vacation is compensated at the employee's current rate of pay at the time of retirement or termination.

NOTE 17 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft, damage to or destruction of assets, errors and omissions, employee injuries and natural disasters. The City has addressed these various types of risk by participating in a risk-sharing pool and by purchasing comprehensive insurance through a commercial carrier.

General liability insurance is maintained in the amount of \$5,000,000 in the aggregate, which includes \$5,000,000 law enforcement professional liability, \$5,000,000 for public official errors and omissions liability, \$5,000,000 for automobile liability, and \$40,000 for uninsured and \$40,000 for underinsured motorist liability.

In addition, the City maintains replacement cost insurance on buildings and contents in the amount of \$120,124,678. Other property insurance includes the following: \$863,275 for contractor's equipment. Supplemental boiler and machinery coverage is carried in the amount of \$100,000 with business interruption and extra expense/actual loss provisions.

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 17 - RISK MANAGEMENT - (Continued)

Insurance deductibles on any of the above coverage's do not exceed \$15,000. The City maintains comprehensive insurance coverage for real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 90% coinsured. Workers' compensation benefits are provided through the State Bureau of Workers' Compensation. The City pays all public officials' bonds by statute.

The City has not incurred any significant reductions in insurance coverage from coverage in the prior year by major category of risk. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

The City participates in a medical self-insurance plan for employees which covers medical claims and prescription drugs. The medical portion is a limited risk health plan with a third party administrator, UMR, Inc. and participate in the United Healthcare Network. The prescription drug coverage is administered by CVS/Caremark, with the employee paying a deductible amount, then CVS/Caremark paying the balance and billing the City. All claims are paid by the third party administrator under policies established by the City. The City pays an administrative fee to Harrington Benefit to service the claims. All funds contribute to the Medical Internal Service Fund based on fees legislatively set by Council to insure historical and anticipated claims coverage in relation to the number of employees paid from each fund. This fund is presented in the financial statements and reflects all fees paid into the fund and all claims and administrative costs paid out of the fund. The City also carries a specific excess coverage (stop-loss) policy for medical claims in excess of \$100,000 to \$125,000 per person and \$3,038,943 in the aggregate. The specific and aggregate excess loss insurance is carried with United Health Care through the third party administrator.

The City maintains a liability for claims in the Medical Internal Service Fund that is based on actuarial forecasts developed by the third party administrator.

Changes in the fund's claims liability in 2011 and 2012 were as follows:

	Beginning Year Balance	Current Year Claims	Claim Payments	Ending Year Balance
2011	\$95,232	\$2,037,778	\$1,998,579	\$134,431
2012	134,431	2,222,010	2,187,149	169,292

The City carries a separate coverage for life insurance with a private commercial carrier, Great West Life Assurance Company, for each employee. The amounts of coverage are \$25,000 for life insurance and \$25,000 for AD&D insurance for all employees.

NOTE 18- LANDFILL CLOSURE AND POST CLOSURE CARE COSTS

The City owns one landfill which was closed prior to 1975. State and federal laws and regulations require that certain maintenance and monitoring functions at landfill sites be perform for 20 to 30 years. In 1995, the City was required to begin maintenance and monitoring functions at the landfill site for 20 years. While there were some preliminary planning costs in 1995, the City installed its monitoring system in 1996 and 1997, but began monitoring in 1996. The City is required to obtain quarterly monitoring samples for the first five years, and semi-annual monitoring samples for the next 15 years. The sampling costs for 2013 are expected to be \$1,174. The City has projected costs, with built-in inflation, for the remaining year.

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 18- LANDFILL CLOSURE AND POST CLOSURE CARE COSTS- (Continued)

The City has recorded a liability of \$1,174 as an estimate of future post closure care costs of the landfill. The actual cost of post closure care may be higher depending upon results from surveying and required well testing, changes in technology, or changes in landfill laws and regulations. The City has partially funded this liability through the Internal Service Fund and Capital Improvements (Capital Projects) Fund.

NOTE 19- ACCOUNTABILITY

Deficit Fund Balance

The following fund had a deficit fund balance as of December 31, 2012:

East State Street Fund \$488,428

The deficit fund balance in the East State Street Fund is due to the issuance of a general obligation note to finance this project. Once the note is retired, the deficit will be eliminated. The deficit fund balance in the East State Street Fund is due to the application of generally accepted accounting principles and will be eliminated through future revenues.

NOTE 20 – FUND CASH BALANCES

As of December 31, 2012 fund balances are composed of the following:

	General	Street	East State Street	Community Center	All Other Governmental Funds	Total Governmental Funds
<i>Nonspendable:</i>						
Prepaid Items	\$49,155	\$4,594	\$0	\$0	\$19,829	\$73,578
Materials & Supplies	23,606	66,582	0	0	0	90,188
Unclaimed Monies	3,809	0	0	0	0	3,809
Loans Receivable	0	0	0	0	143,031	143,031
<i>Assigned:</i>						
Administration	153,151	0	0	0	0	153,151
Police	139,207	0	0	0	0	139,207
Fire	222,839	0	0	0	0	222,839
Community Development	20,387	0	0	0	0	20,387
Transportation	11,795	0	0	0	0	11,795
<i>Restricted:</i>						
Transportation	0	886,992	0	0	161,083	1,048,075
Parks & Recreation	0	0	0	555,451	690,086	1,245,537
Capital Projects	0	0	0	0	1,882,699	1,882,699
Tourism	0	0	0	0	63,414	63,414
Cable Access	0	0	0	0	142,138	142,138
Court	0	0	0	0	746,286	746,286
Community Development	0	0	0	0	481,841	481,841
Police	0	0	0	0	445,157	445,157
Expendable Trust	0	0	0	0	2,067	2,067
<i>Unassigned</i>	1,217,371	0	(488,428)	0	0	728,943
Total Fund Balances	\$1,841,320	\$958,168	(\$488,428)	\$555,451	\$4,777,631	\$7,644,142

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2012

NOTE 21-ENCUMBRANCE COMMITMENTS

At December 31, 2012, the City had encumbrance commitments in the Governmental Funds as follows:

<u>Major Funds</u>	
General	\$547,379
Street	302,342
<u>Nonmajor Funds</u>	
Tourism	475
Cable Access	11,967
Transportation Assistance	93,751
Judges Court Computer	232
Clerk Court Computer	11,145
Underage Drinkers	4,382
Community Correction Grant	3,660
DUI Court Grant	2,781
CDBG	45,314
Athens City Enhancement	862
Indigent Driver Alcohol Treatment	29,856
Recreation	17,376
Community Center	47,080
Law Enforcement Trust	8,582
Drug Law Enforcement	575
Street Rehabilitation	453,022
Capital Improvements	28,425
Armory/Hudson Street Buildings	816
Total Nonmajor Funds	<u>760,301</u>
Total Encumbrances	<u>\$1,610,022</u>

NOTE 22 - CONTINGENCIES

The City is a defendant in several claims and legal proceedings which may be classified as routine litigation in which minimal damages are being sought. The City believes that the ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

In addition, the City participates in several federal and state assisted grants and programs that are subject to financial and compliance audits by grantor agencies or their representatives. These audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. The City believes that disallowed claims, if any, will not have a material adverse effect on the City's financial condition.

CITY OF ATHENS, OHIO
Required Supplementary Information
Modified Approach for Infrastructure Assets
December 31, 2012

Value of Streets

	Rating	2012		2011		2010		2009		2008	
		Value	%	Value	%	Value	%	Value	%	Value	%
Acceptable	9 - 10	\$10,631,676	24.77%	\$8,376,731	19.84%	\$4,673,256	14.08%	\$7,766,740	24.20%	\$6,375,321	20.30%
Moderately Deficient	7 - 8	18,122,917	42.22%	17,918,305	42.44%	12,299,982	37.07%	9,401,520	29.29%	11,640,873	37.07%
Marginally Deficient	5 - 6	10,720,929	24.98%	11,721,631	27.77%	10,835,088	32.65%	11,697,241	36.44%	10,762,645	34.27%
Substantially Deficient	3 - 4	3,359,162	7.83%	4,001,423	9.48%	4,332,669	13.06%	2,483,238	7.74%	2,161,091	6.88%
Severely Deficient	1 - 2	91,605	0.21%	197,949	0.47%	1,042,572	3.14%	748,318	2.33%	463,504	1.48%
<i>Total</i>		<u>\$42,926,289</u>	<u>100.00%</u>	<u>\$42,216,039</u>	<u>100.00%</u>	<u>\$33,183,567</u>	<u>100.00%</u>	<u>\$32,097,057</u>	<u>100.00%</u>	<u>\$31,403,434</u>	<u>100.00%</u>

The condition of the City's streets is determined using its Pavement Condition Rating Program. (PCRP). The street condition rating, which is a weighted average of an assessment of the ability of individual components to function structurally, uses a numerical condition scale ranging from 1 (Severely Deficient) to 10 (new). It is the City's policy to keep the value of streets with a condition rating of 1.0 to 2.0 below 5 percent. All streets are inspected every year. The City updated their policy during 2011, to better relate to the City's current ability to perform maintenance and construction work on streets considering the present constraints on the City's financial and work force resources, and the improvement upon the street rating program. The previous years' amounts have been adjusted to the current policy to provide a better comparison in the above table.

Comparison of Budgeted Expenditures vs. Actual Expenditures

Year	Budgeted Expenditure	Actual Expenditure	Difference
2012	\$3,136,408	\$2,527,323	\$609,085
2011	2,831,367	2,357,667	473,700
2010	2,679,601	2,430,390	249,211
2009	2,498,803	2,361,316	137,487
2008	2,437,909	2,032,814	405,095

**CITY OF ATHENS
ATHENS COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2012**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Number	Expenditures
UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>Passed through the Ohio Department of Development</i>			
Community Development Block Grant Formula Program	14.228	A-F-11-2AE-1	\$ 97,000
Home Investment Partnership Program	14.239	A-C-11-2AE-1	39,548
Home Investment Partnership Program	14.239	A-C-11-2AE-2	73,937
Total Community Development Block Grant Formula Program			<u>113,485</u>
Total United States Department of Housing and Urban Development			<u>210,485</u>
UNITED STATES DEPARTMENT OF JUSTICE			
<i>Passed through the Ohio Department of Public Safety</i>			
Violence Against Women Formula Grants	16.588	2011-WF-VA8-8414	80,631
Violence Against Women Formula Grants	16.588	2012-WF-VA8-8414	6,810
Total Violence Against Women Formula Grants			<u>87,441</u>
Total United States Department of Justice			<u>87,441</u>
UNITED STATES DEPARTMENT OF TRANSPORTATION			
<i>Passed through the Ohio Department of Transportation</i>			
Formula Grants for Other Than Urbanized Areas	20.509	RPT-0005-031-112	8,166
Formula Grants for Other Than Urbanized Areas	20.509	RPT-4005-031-111	16,386
Formula Grants for Other Than Urbanized Areas	20.509	RPT-4005-032-111	36,705
Rural Capital Project - ARRA	20.509	RPTS-0005-002-092	12,000
Total Public Transportation for Nonurbanized Areas			<u>73,257</u>
Highway Planning and Construction	20.205	Federal Project # E100(913)	108,000
Highway Planning and Construction	20.205	Federal Project # E120(352)	148,734
Highway Planning and Construction	20.205	Federal Project # E110(829)	23,803
Total Highway Planning and Construction			<u>280,537</u>
Total United States Department of Transportation			<u>353,794</u>
UNITED STATES DEPARTMENT OF ENERGY			
<i>Passed through the Ohio Department of Development</i>			
Energy Efficiency and Conservation Block Grant Program - ARRA	81.128	ARRA-EECBG-11-03A	362,000
Total United States Department of Energy			<u>362,000</u>
UNITED STATES DEPARTMENT OF HOMELAND SECURITY			
<i>Passed through the Ohio Emergency Management Agency</i>			
Disaster Grants - Public Assistance	97.036	FEMA-4002-OH-009-02736	44,297
Total United States Department of Homeland Security			<u>44,297</u>
Total Federal Awards Expenditures			<u>\$ 1,058,017</u>

The accompanying Notes to the Schedule of Federal Awards Expenditures are an integral part of this schedule.

**CITY OF ATHENS
ATHENS COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2012**

Note A – Significant Accounting Policies

The accompanying schedule of federal awards expenditures is a summary of the activity of the City's federal award programs. The schedule has been prepared on the cash basis of accounting.

Note B – Subrecipients

The City passes through certain Federal Emergency Shelter Grants Program assistance from the State Department of Development to Good Works, Inc., a not-for-profit corporation. As described in Note 1, the City records expenditures of federal awards to subrecipients when paid in cash.

The subrecipient agency has certain compliance responsibilities related to administering this federal program. Under OMB Circular A-133, the City is responsible for monitoring subrecipients to help assure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements, and the performance goals are achieved.

Note C – Community Development Block Grants (CDBG) Revolving Loan Program

The City has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low to moderate income households. The Federal Department of Housing and Urban Development (HUD) grants the money for these loans to the City, passed through the State Department of Development. The initial loan of this money is recorded as a disbursement on the Schedule. Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule.

Note D – Matching Requirements

Certain Federal programs require the City contribute non-Federal funds (matching funds) to support the Federally-funded programs. The City has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule of Federal Awards Expenditures.

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

June 27, 2013

City of Athens
Athens County
8 East Washington Street
Athens, OH 45701

To the Members of Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Athens**, Athens County, Ohio (the City), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 27, 2013, wherein we noted the City has adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the City's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. 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 internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note a certain matter not requiring inclusion in this report that we reported to the City's management in a separate letter dated June 27, 2013.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

June 27, 2013

City of Athens
Athens County
8 East Washington Street
Athens, OH 45701

To the Members of Council:

Report on Compliance for Each Major Federal Program

We have audited the **City of Athens**, Athens County, Ohio, (the City) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the City's major federal program for the year ended December 31, 2012. The Summary of Audit Results in the accompanying Schedule of Audit Findings identifies the City's major federal program.

Management's Responsibility

The City's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal program.

Auditor's Responsibility

Our responsibility is to opine on the City's compliance for the City's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the Guide. These standards, OMB Circular A-133 and the Guide require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the City complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2012.

Report on Internal Control Over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the City's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City's internal control over compliance.

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

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.

**CITY OF ATHENS
ATHENS COUNTY**

**SCHEDULE OF AUDIT FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA # 81.128: Energy Efficiency and Conservation Block Grant Program - ARRA
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None.

3. FINDINGS FOR FEDERAL AWARDS

None.



Dave Yost • Auditor of State

CITY OF ATHENS

ATHENS COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 10, 2013