

**CITY OF ATHENS
ATHENS COUNTY
Single Audit
For the Year Ended December 31, 2011**

Perry & Associates
Certified Public Accountants, A.C.



Dave Yost • Auditor of State

Members of City Council
City of Athens
8 East Washington Street
Athens, Ohio 45701

We have reviewed the *Independent Accountants' Report* of the City of Athens, Athens County, prepared by Perry & Associates, Certified Public Accountants, A. C., for the audit period January 1, 2011 through December 31, 2011. 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

July 18, 2018

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**CITY OF ATHENS
ATHENS COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	14
Statement of Activities.....	15
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	17
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	20
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	24
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Budget Basis) - General Fund	25
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Budget Basis) – Transportation Assistance Fund.....	26
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Budget Basis) - Street Fund	27
Statement of Fund Net Assets – Proprietary Funds	28
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	29
Statement of Cash Flows – Proprietary Funds	30
Statement of Fiduciary Assets and Liabilities – Fiduciary Fund.....	32
Notes to the Basic Financial Statements	33
Required Supplementary Information – Modified Approach for Infrastructure Assets.....	63
Schedule of Federal Awards Expenditures	64

**CITY OF ATHENS
ATHENS COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Notes to the Schedule of Federal Awards Expenditures	65
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	66
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133.....	68
Schedule of Audit Findings - <i>OMB Circular A -133 § .505</i>	70

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INDEPENDENT ACCOUNTANTS' REPORT

June 25, 2012

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

To the Members of Council:

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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Athens, Athens County, Ohio, as of December 31, 2011, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General, Transportation Assistance, and Street Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 4, during 2011 the City of Athens has adopted Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions and Governmental Fund Type Definitions*, and GASB Statement No. 59, *Financial Instruments Omnibus*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2012, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America requires this presentation to include *Management's discussion and analysis, and Required Supplementary Information – Modified Approach for Infrastructure Assets*, as 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 have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the City's basic financial statements taken as a whole. The federal awards expenditure schedule 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 basic financial statements. This schedule was subject 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, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully Submitted,



Perry and Associates
Certified Public Accountants, A.C.

City of Athens, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2011
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, 2011. 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 assets increased \$3,797,727; net assets of the governmental activities increased \$3,101,322; and net assets of the business-type activities increased \$696,405.
2. The General Fund fund balance of \$1,662,014 decreased \$369,731 or 18.20% from the previous year's balance of \$2,031,745.

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 assets* presents information on all of the City of Athens's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 assets 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
Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

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 assets* 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, Transportation Assistance Fund, Street Fund, East State Street Fund, Community Center Fund and Small Cities Grant Fund, which are considered to be major funds. Data from the other 34 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 assets* 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 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 assets* 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
Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

Table 1 provides a summary of the City's net assets for 2011 compared to 2010:

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	Restated 2010	2011	Restated 2010	2011	Restated 2010
Assets:						
Current and Other Assets	\$10,265,414	\$12,200,195	\$5,066,229	\$3,957,586	\$15,331,643	\$16,157,781
Capital Assets, Net	68,714,261	65,586,846	18,450,164	18,194,886	87,164,425	83,781,732
Total Assets	78,979,675	77,787,041	23,516,393	22,152,472	102,496,068	99,939,513
Liabilities:						
Current and Other Liabilities	3,258,827	4,972,661	1,918,736	680,181	5,177,563	5,652,842
<i>Long-Term Liabilities:</i>						
Due Within One Year	1,415,389	1,139,863	496,508	771,314	1,911,897	1,911,177
Due in More Than One Year	2,357,344	2,827,724	2,542,983	2,839,216	4,900,327	5,666,940
Total Liabilities	7,031,560	8,940,248	4,958,227	4,290,711	11,989,787	13,230,959
Net Assets:						
Invested in Capital Assets, Net of Related Debt	64,931,419	60,341,436	14,355,268	14,706,678	79,286,687	75,048,114
Restricted	5,493,025	6,661,505	0	0	5,493,025	6,661,505
Unrestricted	1,523,671	1,843,852	4,202,898	3,155,083	5,726,569	4,998,935
Total Net Assets	\$71,948,115	\$68,846,793	\$18,558,166	\$17,861,761	\$90,506,281	\$86,708,554

Current assets decreased due mostly to a decrease in receivables for property taxes and income taxes.

Capital assets increased due to the construction in progress and the acquisition of vehicles.

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

Long-term liabilities decreased due to the scheduled debt payments made during 2011.

City of Athens, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

As noted earlier, the City's net assets, 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 assets (87.60%) 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 assets represents resources that are subject to restrictions on how they can be used. These resources accounted for 6.07% of total assets. The remaining balance of \$5,726,569 or 6.33% which are unrestricted net assets may be used to meet the City's ongoing obligations to citizens and creditors. The City's total net assets increased from \$86,708,554 in 2010 to \$90,506,281, in 2011, a change of \$3,797,727 or 4.38%.

In order to further understand what makes up the changes in net assets for the current year, Table 2 gives readers further details regarding the results of activities for 2011 compared to 2010:

Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Totals	
	2011	Restated 2010	2011	2010	2011	Restated 2010
Revenues:						
<i>Program Revenues:</i>						
Charges for Services	\$4,136,096	\$4,026,470	\$7,542,766	\$7,532,662	\$11,678,862	\$11,559,132
Operating Grants and Contributions	1,630,413	1,546,184	0	0	1,630,413	1,546,184
Capital Grants and Contributions	2,848,994	4,706,517	0	5,214	2,848,994	4,711,731
Total Program Revenues	8,615,503	10,279,171	7,542,766	7,537,876	16,158,269	17,817,047
<i>General Revenues:</i>						
Property Taxes	602,349	1,020,106	0	0	602,349	1,020,106
Municipal Income Taxes	10,118,858	10,410,061	0	0	10,118,858	10,410,061
Lodging Taxes	282,843	276,384	0	0	282,843	276,384
Payment in Lieu of Taxes	459,033	453,522	0	0	459,033	453,522
Grants and Entitlements	1,025,450	1,077,317	0	0	1,025,450	1,077,317
Unrestricted Contributions	0	4,480	0	0	0	4,480
Investment Earnings	143,230	97,642	47,003	29,881	190,233	127,523
Miscellaneous	483,698	409,774	152,807	160,313	636,505	570,087
Total General Revenues	13,115,461	13,749,286	199,810	190,194	13,315,271	13,939,480
Total Revenues	21,730,964	24,028,457	7,742,576	7,728,070	29,473,540	31,756,527

City of Athens, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

	Governmental Activities		Business-Type Activities		Totals	
	2011	Restated 2010	2011	2010	2011	Restated 2010
Expenses:						
General Government	4,904,924	5,507,005	0	0	4,904,924	5,507,005
<i>Security of Persons and Property:</i>						
Police	3,490,329	3,493,338	0	0	3,490,329	3,493,338
Fire	2,627,684	2,232,200	0	0	2,627,684	2,232,200
Transportation	4,617,343	3,359,214	0	0	4,617,343	3,359,214
Community and Econ. Dev.	754,092	859,032	0	0	754,092	859,032
Leisure Time Activities	2,154,962	1,550,083	0	0	2,154,962	1,550,083
Interest and Fiscal Charges	80,308	239,855	0	0	80,308	239,855
Garbage	0	0	1,147,034	1,077,078	1,147,034	1,077,078
Parking Garage	0	0	249,204	229,951	249,204	229,951
Water	0	0	3,039,382	3,169,082	3,039,382	3,169,082
Sewer	0	0	2,610,551	2,746,903	2,610,551	2,746,903
Total Expenses	<u>18,629,642</u>	<u>17,240,727</u>	<u>7,046,171</u>	<u>7,223,014</u>	<u>25,675,813</u>	<u>24,463,741</u>
Increase (Decrease) in Net Assets Before Transfers	3,101,322	6,787,730	696,405	505,056	3,797,727	7,292,786
Transfers	0	(50,000)	0	50,000	0	0
Change in Net Assets	<u>3,101,322</u>	<u>6,737,730</u>	<u>696,405</u>	<u>555,056</u>	<u>3,797,727</u>	<u>7,292,786</u>
Net Assets at Beginning of Year	<u>68,846,793</u>	<u>62,109,063</u>	<u>17,861,761</u>	<u>17,306,705</u>	<u>86,708,554</u>	<u>79,415,768</u>
Net Assets at End of Year	<u><u>\$71,948,115</u></u>	<u><u>\$68,846,793</u></u>	<u><u>\$18,558,166</u></u>	<u><u>\$17,861,761</u></u>	<u><u>\$90,506,281</u></u>	<u><u>\$86,708,554</u></u>

Governmental Activities

The most significant program expenses for the City are General Government, Transportation, Police and Fire. These programs account for 83.95% of the total governmental activities. General Government, which accounts for 26.33% 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 24.78% of the total, represents costs associated with maintaining and improving the City's streets and operating the bus transit system. Police, which accounts for 18.74% of the total, represents costs associated with the operation of the Police Department. Fire, which accounts for 14.10% of the total, represents costs associated with providing firefighting and emergency medical services.

City of Athens, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

Funding for the most significant programs indicated above is from charges for services and income taxes. The income tax revenue for 2011 was \$10,118,858. Of the \$21,730,964 in total revenues, income tax accounts for 46.56% of that total. Charges for services of \$4,136,096 accounts for 19.03% of total revenues. Operating and capital grants and contributions account for 20.61% 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 13.80%.

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 assets increased by \$696,405 or 3.90% for 2011.

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
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	Restated		Restated	
	2011	2010	2011	2010
General Government	\$4,904,924	\$5,507,005	\$1,537,871	\$2,221,979
<i>Security of Persons and Property:</i>				
Police	3,490,329	3,493,338	3,325,516	3,261,924
Fire	2,627,684	2,232,200	2,627,684	2,232,200
Transportation	4,617,343	3,359,214	758,488	(2,244,163)
Community Environment	754,092	859,032	559,325	674,708
Leisure Time Activities	2,154,962	1,550,083	1,124,947	575,053
Interest and Fiscal Charges	80,308	239,855	80,308	239,855
Total Expenses	\$18,629,642	\$17,240,727	\$10,014,139	\$6,961,556

It should be noted that 46.25% 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 \$10,014,139, 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
Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

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. Unreserved 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 2011, the total fund balance for the General Fund was \$1,662,014, of which \$1,061,191 or 63.85% was unassigned. During the current year, the fund balance of the City's General Fund decreased by \$369,731 or 18.20%. The decrease in the General fund balance is due to a decrease in income tax revenue during the year.

For the other major funds of the City, the Transportation Assistance fund balance increased by \$3,390 or 5.42% due to an increase in revenue for 2011. The Street Fund balance increased \$366,634 or 62.76% due to a decrease in expenditures during the year. The East State Street Fund balance increased \$185,000 due to the transfers in during the year. The Community Center Fund balance increased \$90,031 or 29.60% due to a decrease in expenditures for debt service that more than offset a decrease in income tax and intergovernmental revenue during the year. The Small Cities Grant Fund had no change in fund balance during the year due to the fund spending all that was received 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 assets in the Parking Garage Fund increased \$10,729 or 0.55%, which is the result of increasing revenues during 2011. The City provides water and sewer services to city residents. Net assets in the Water Fund decreased by \$61,927 or 0.85%, which is the result of a decrease in revenues during 2011. Net assets in the Sewer Fund increased by \$626,279 or 7.81%, which is the result of a decrease in expenses 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 \$11,634,953 representing a change of \$654,118 or 5.96% from the original budgeted estimates.

For the General Fund, the final budget basis expenditures were \$12,841,957 representing a change of \$667,200 or 5.48% from the original budgeted estimates. There was a 6.59% 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.

City of Athens, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

For the Transportation Assistance Fund, the final budgeted revenues were \$2,023,904 representing a change of \$26,704 or 1.34% from the original budgeted revenues. The actual revenues received amounted to \$16,970 more than the final budget, due primarily to the intergovernmental receipts.

For the Transportation Assistance Fund, the final budget basis expenditures were \$3,675,617 representing a change of \$26,000 or 0.71% from the original budgeted estimates. There was a 0.80% positive variance in actual expenditures as compared to the final budget in the Transportation Assistance Fund. This was due to the fact that the department kept its spending levels below its appropriations.

For the Street Fund, the final budgeted revenues were \$2,171,209 representing a change of \$189,209 or 9.55% from the original budgeted revenues. The actual revenues received amounted to \$17,143 less than the final budget, due primarily to the income tax receipts.

For the Street Fund, the final budget basis expenditures were \$2,648,940 representing a change of \$309,600 or 13.23% from the original budgeted estimates. There was a 11.00% 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, 2011, amounts to \$79,286,687 (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 2011 were \$68,714,261.

The capital assets for business-type activities of \$18,450,164 as of December 31, 2011.

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 10 of the Notes to the Basic Financial Statements.

As of December 31, 2011, the City of Athens had \$5,334,896 in long-term bonds, notes, and loans outstanding with \$746,626 due within one year. The City's long-term debt decreased by \$728,312 during 2011.

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.

City of Athens, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

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 12 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.

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

More recently, however, the City of Athens has experienced a relatively stable commercial economy with a few small business start-ups or failures as evidence by the lack of any notable change 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 new 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 from an existing signaled design to a roundabout was completed in 2010 as well as reconstruction of the Richland Avenue bridge over the Hocking River. 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, while further major construction plans have been delayed pending improvement in the questionable economic climate and State Funding. Citywide construction activity in 2011 resulted in the issue of one new commercial construction permits for construction valued at \$400,000 and thirty-five permits for commercial renovations valued at \$3,467,000; and, fifty-seven permits for residential renovations worth \$1,371,341.

City of Athens, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

Income tax cash 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 2% rate of growth while 2011 rebounded to a 4% rate of increase. Recent cuts in local and state funding as well as University staff reductions continue to be cause for concern; however, the local economy continues to be insulated from the economic downturn experienced in other area 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 about this report 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 Assets

December 31, 2011

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in Pooled Cash & Cash Equivalents	\$7,666,403	\$4,116,962	\$11,783,365
Cash and Cash Equivalents in Segregated Accounts	72,383	0	72,383
Accrued Interest Receivable	2,134	0	2,134
Accounts Receivable	79,548	673,135	752,683
Intergovernmental Receivable	214,594	0	214,594
Income Taxes Receivable	1,061,032	0	1,061,032
Property Taxes Receivable	916,499	0	916,499
Other Local Taxes Receivable	67,154	0	67,154
Loans Receivable	14,951	0	14,951
Special Assessments Receivable	10,586	27,551	38,137
Materials and Supplies Inventory	75,371	236,048	311,419
Prepaid Items	42,730	12,533	55,263
Deferred Charges	42,029	0	42,029
<i>Restricted Assets:</i>			
Nondepreciable Capital Assets	46,820,337	1,369,978	48,190,315
Depreciable Capital Assets, Net	21,893,924	17,080,186	38,974,110
<i>Total Assets</i>	<u>78,979,675</u>	<u>23,516,393</u>	<u>102,496,068</u>
Liabilities:			
Accounts Payable	426,180	178,868	605,048
Contracts Payable	157,654	243,481	401,135
Accrued Wages Payable	312,611	80,410	393,021
Matured Compensated Absences Payable	13,854	0	13,854
Intergovernmental Payable	217,314	44,144	261,458
Accrued Interest Payable	13,241	21,833	35,074
Claims Payable	134,431	0	134,431
Deferred Revenue	803,542	0	803,542
Notes Payable	1,180,000	1,350,000	2,530,000
<i>Long-Term Liabilities:</i>			
Due within One Year	1,415,389	496,508	1,911,897
Due in More Than One Year	2,357,344	2,542,983	4,900,327
<i>Total Liabilities</i>	<u>7,031,560</u>	<u>4,958,227</u>	<u>11,989,787</u>
Net Assets:			
Investments in Capital Assets, Net of Related Debt	64,931,419	14,355,268	79,286,687
<i>Restricted for:</i>			
Street Maintenance	834,033	0	834,033
Debt Service	384,383	0	384,383
Capital Outlay	1,504,287	0	1,504,287
Other Purposes	2,770,322	0	2,770,322
Unrestricted	1,523,671	4,202,898	5,726,569
<i>Total Net Assets</i>	<u>\$71,948,115</u>	<u>\$18,558,166</u>	<u>\$90,506,281</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, 2011

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$4,904,924	\$3,205,741	\$124,419	\$36,893
<i>Security of Persons and Property:</i>				
Police	3,490,329	25,818	138,995	0
Fire	2,627,684	0	0	0
Transportation	4,617,343	82,751	964,003	2,812,101
Community and Economic Development	754,092	0	194,767	0
Leisure Time Activities	2,154,962	821,786	208,229	0
Interest and Fiscal Charges	80,308	0	0	0
<i>Total Governmental Activities</i>	<u>18,629,642</u>	<u>4,136,096</u>	<u>1,630,413</u>	<u>2,848,994</u>
Business-Type Activities:				
Garbage	1,147,034	1,235,954	0	0
Parking Garage	249,204	214,981	0	0
Water	3,039,382	2,876,945	0	0
Sewer	2,610,551	3,214,886	0	0
<i>Total Business-Type Activities</i>	<u>7,046,171</u>	<u>7,542,766</u>	<u>0</u>	<u>0</u>
<i>Totals</i>	<u>\$25,675,813</u>	<u>\$11,678,862</u>	<u>\$1,630,413</u>	<u>\$2,848,994</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

Change in Net Assets

Net Assets at Beginning of Year, As Restated (See Note 4)

Net Assets at End of Year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$1,537,871)	\$0	(\$1,537,871)
(3,325,516)	0	(3,325,516)
(2,627,684)	0	(2,627,684)
(758,488)	0	(758,488)
(559,325)	0	(559,325)
(1,124,947)	0	(1,124,947)
(80,308)	0	(80,308)
<u>(10,014,139)</u>	<u>0</u>	<u>(10,014,139)</u>
0	88,920	88,920
0	(34,223)	(34,223)
0	(162,437)	(162,437)
0	604,335	604,335
<u>0</u>	<u>496,595</u>	<u>496,595</u>
<u>(10,014,139)</u>	<u>496,595</u>	<u>(9,517,544)</u>
602,349	0	602,349
8,262,313	0	8,262,313
570,175	0	570,175
1,286,370	0	1,286,370
282,843	0	282,843
459,033	0	459,033
1,025,450	0	1,025,450
143,230	47,003	190,233
483,698	152,807	636,505
<u>13,115,461</u>	<u>199,810</u>	<u>13,315,271</u>
3,101,322	696,405	3,797,727
<u>68,846,793</u>	<u>17,861,761</u>	<u>86,708,554</u>
<u>\$71,948,115</u>	<u>\$18,558,166</u>	<u>\$90,506,281</u>

CITY OF ATHENS, OHIO

Balance Sheet

Governmental Funds

December 31, 2011

	General	Transportation Assistance	Street	East State Street
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$1,743,262	\$113,142	\$857,610	\$15,953
Cash and Cash Equivalents in Segregated Accounts	55,035	0	0	0
Accrued Interest Receivable	2,134	0	0	0
Accounts Receivable	27,623	0	0	0
Intergovernmental Receivable	115,831	0	69,638	0
Income Taxes Receivable	628,131	0	161,277	0
Property Taxes Receivable	916,499	0	0	0
Other Local Taxes Receivable	33,577	0	0	0
Loans Receivable	0	0	0	0
Special Assessments Receivable	10,586	0	0	0
Materials and Supplies Inventory	22,981	0	52,390	0
Prepaid Items	30,944	0	365	0
<i>Total Assets</i>	<u>\$3,586,603</u>	<u>\$113,142</u>	<u>\$1,141,280</u>	<u>\$15,953</u>
Liabilities:				
Accounts Payable	204,908	43,541	113,827	0
Contracts Payable	0	0	21,664	0
Accrued Wages Payable	259,128	0	26,516	0
Matured Compensated Absences	1,856	0	11,998	0
Accrued Interest Payable	94	0	0	7,479
Intergovernmental Payable	134,262	3,720	16,494	0
Deferred Revenue	924,341	0	0	0
Notes Payable	400,000	0	0	750,000
<i>Total Liabilities</i>	<u>1,924,589</u>	<u>47,261</u>	<u>190,499</u>	<u>757,479</u>
Fund Balances:				
Nonspendable	57,497	0	52,755	0
Restricted	0	65,881	898,026	0
Assigned	543,326	0	0	0
Unassigned	1,061,191	0	0	(741,526)
<i>Total Fund Balances</i>	<u>1,662,014</u>	<u>65,881</u>	<u>950,781</u>	<u>(741,526)</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$3,586,603</u>	<u>\$113,142</u>	<u>\$1,141,280</u>	<u>\$15,953</u>

See accompanying notes to the basic financial statements.

Community Center	Small Cities Grant	Other Governmental Funds	Total Governmental Funds
\$354,941	\$0	\$4,104,324	\$7,189,232
0	0	17,348	72,383
0	0	0	2,134
0	0	37,585	65,208
0	0	29,125	214,594
60,631	0	210,993	1,061,032
0	0	0	916,499
0	0	33,577	67,154
0	0	14,951	14,951
0	0	0	10,586
0	0	0	75,371
0	0	11,361	42,670
<u>\$415,572</u>	<u>\$0</u>	<u>\$4,459,264</u>	<u>\$9,731,814</u>
17,748	0	41,156	421,180
0	0	97,345	119,009
0	0	21,442	307,086
0	0	0	13,854
0	0	0	7,573
3,599	0	16,619	174,694
0	0	0	924,341
0	0	30,000	1,180,000
<u>21,347</u>	<u>0</u>	<u>206,562</u>	<u>3,147,737</u>
0	0	218,149	328,401
394,225	0	4,034,553	5,392,685
0	0	0	543,326
0	0	0	319,665
<u>394,225</u>	<u>0</u>	<u>4,252,702</u>	<u>6,584,077</u>
<u>\$415,572</u>	<u>\$0</u>	<u>\$4,459,264</u>	<u>\$9,731,814</u>

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CITY OF ATHENS, OHIO
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 December 31, 2011*

Total Governmental Funds Balances		\$6,584,077
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		68,714,261
 Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Taxes		120,799
 In the statement of activities, interest is accrued on outstanding debt, whereas in the governmental funds, an interest expenditure is reported when due.		 (5,668)
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	(2,320,000)	
Premium On Bonds	(54,871)	
Deferred Charges	42,029	
Long-Term Energy Notes	(270,000)	
Landfill Postclosure Care Obligations	(4,174)	
Compensated Absences Payable (less: Internal Service Fund amount)	(1,099,886)	
Total		(3,706,902)
 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.		 <u>241,548</u>
 <i>Net Assets of Governmental Activities</i>		 <u><u>\$71,948,115</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, 2011

	General	Transportation Assistance	Street	East State Street
Revenues:				
Property Taxes	\$778,973	\$0	\$0	\$0
Municipal Income Taxes	5,961,113	0	1,592,282	0
Other Local Taxes	140,221	0	0	0
Payments in Lieu of Taxes	0	0	0	0
Charges for Services	917,873	67,263	0	0
Licenses and Permits	606,345	0	0	0
Fines and Forfeitures	1,329,496	0	0	0
Intergovernmental	1,170,855	1,877,408	504,908	0
Special Assessments	1,759	0	0	0
Interest	36,566	0	9,623	0
Contributions and Donations	300	0	0	0
Other	240,460	96,203	26,775	0
<i>Total Revenues</i>	<u>11,183,961</u>	<u>2,040,874</u>	<u>2,133,588</u>	<u>0</u>
Expenditures:				
<i>Current:</i>				
General Government	4,409,182	0	0	0
Security of Persons and Property:				
Police	3,390,717	0	0	0
Fire	2,802,668	0	0	0
Transportation	445,690	2,030,833	1,766,954	0
Community Environment	509,341	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	0
Interest and Fiscal Charges	94	6,651	0	15,000
<i>Total Expenditures</i>	<u>11,557,692</u>	<u>2,037,484</u>	<u>1,766,954</u>	<u>15,000</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(373,731)</u>	<u>3,390</u>	<u>366,634</u>	<u>(15,000)</u>
Other Financing Sources (Uses):				
Notes Issued	0	0	0	0
Transfers In	4,000	0	0	200,000
Transfers Out	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>4,000</u>	<u>0</u>	<u>0</u>	<u>200,000</u>
<i>Net Change in Fund Balances</i>	<u>(369,731)</u>	<u>3,390</u>	<u>366,634</u>	<u>185,000</u>
<i>Fund Balances at Beginning of Year, As Restated (See Note 4)</i>	<u>2,031,745</u>	<u>62,491</u>	<u>584,147</u>	<u>(926,526)</u>
<i>Fund Balances at End of Year</i>	<u><u>\$1,662,014</u></u>	<u><u>\$65,881</u></u>	<u><u>\$950,781</u></u>	<u><u>(\$741,526)</u></u>

See accompanying notes to the basic financial statements.

Community Center	Small Cities Grant	All Other Governmental Funds	Total Governmental Funds
\$0	\$0	\$0	\$778,973
570,175	0	1,995,288	10,118,858
0	0	142,622	282,843
0	0	459,033	459,033
0	0	869,817	1,854,953
0	0	110,052	716,397
0	0	218,003	1,547,499
0	1,037,959	896,146	5,487,276
0	0	15,488	17,247
11,450	0	76,018	133,657
0	0	17,281	17,581
0	0	120,260	483,698
<u>581,625</u>	<u>1,037,959</u>	<u>4,920,008</u>	<u>21,898,015</u>
0	0	456,888	4,866,070
0	0	86,033	3,476,750
0	0	0	2,802,668
0	0	103,372	4,346,849
0	0	243,649	752,990
21,347	0	2,098,503	2,119,850
0	1,037,959	2,079,773	3,117,732
410,000	0	0	410,000
60,247	0	0	81,992
<u>491,594</u>	<u>1,037,959</u>	<u>5,068,218</u>	<u>21,974,901</u>
<u>90,031</u>	<u>0</u>	<u>(148,210)</u>	<u>(76,886)</u>
0	0	270,000	270,000
0	0	0	204,000
0	0	(204,000)	(204,000)
<u>0</u>	<u>0</u>	<u>66,000</u>	<u>270,000</u>
90,031	0	(82,210)	193,114
304,194	0	4,334,912	6,390,963
<u>\$394,225</u>	<u>\$0</u>	<u>\$4,252,702</u>	<u>\$6,584,077</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, 2011*

Net Change in Fund Balances - Total Governmental Funds \$193,114

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

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	4,587,098	
Current Year Depreciation	<u>(1,324,024)</u>	
Total		3,263,074

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. (135,659)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:
Property Taxes (176,624)

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. 410,000

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (884)

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. (8,406)

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	23,669	
Landfill Postclosure Care	3,000	
Premium on Bonds	<u>10,974</u>	
Total		37,643

Other financing sources in the governmental funds that increase long-term liabilities in the Statement of Net Assets are not reported as revenues in the Statement of Activities:
Notes Issued (270,000)

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. (210,936)

Change in Net Assets of Governmental Activities \$3,101,322

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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property Taxes	\$905,210	\$782,076	\$778,973	(\$3,103)
Municipal Income Taxes	6,000,000	6,350,000	6,255,879	(94,121)
Other Local Taxes	145,000	136,000	135,978	(22)
Charges for Services	951,000	925,400	918,319	(7,081)
Licenses and Permits	593,300	605,019	608,046	3,027
Fines and Forfeitures	1,270,200	1,309,750	1,335,061	25,311
Intergovernmental	874,700	1,232,251	1,215,710	(16,541)
Special Assessments	0	1,912	1,759	(153)
Interest	15,000	41,000	38,241	(2,759)
Contributions and Donations	2,000	400	300	(100)
Other	224,425	251,145	238,281	(12,864)
<i>Total Revenues</i>	10,980,835	11,634,953	11,526,547	(108,406)
Expenditures:				
<i>Current:</i>				
General Government	4,871,806	5,088,306	4,564,646	523,660
<i>Security of Persons and Property:</i>				
Police	3,630,214	3,633,314	3,510,161	123,153
Fire	2,576,043	3,023,643	2,940,374	83,269
Transportation	526,359	526,359	456,577	69,782
Community Environment	570,335	570,335	524,112	46,223
<i>Total Expenditures</i>	12,174,757	12,841,957	11,995,870	846,087
<i>Excess of Revenues Over (Under) Expenditures</i>	(1,193,922)	(1,207,004)	(469,323)	737,681
Other Financing Sources (Uses):				
Notes Issued	0	400,000	400,000	0
Transfers - In	0	4,000	4,000	0
<i>Total Other Financing Sources (Uses)</i>	0	404,000	404,000	0
<i>Net Change in Fund Balance</i>	(1,193,922)	(803,004)	(65,323)	737,681
Fund Balances at Beginning of Year	835,557	835,557	835,557	0
Prior Year Encumbrances Appropriated	426,131	426,131	426,131	0
Fund Balances at End of Year	\$67,766	\$458,684	\$1,196,365	\$737,681

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)
 Transportation Assistance Fund
 For the Year Ended December 31, 2011*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for Services	\$55,000	\$67,580	\$67,263	(\$317)
Intergovernmental	1,850,200	1,871,624	1,877,408	5,784
Other	92,000	84,700	96,203	11,503
<i>Total Revenues</i>	1,997,200	2,023,904	2,040,874	16,970
Expenditures:				
<i>Current:</i>				
Transportation	2,139,617	2,168,617	2,139,572	29,045
<i>Debt Service:</i>				
Principal Retirement	1,510,000	1,500,000	1,500,000	0
Interest and Fiscal Charges	0	7,000	6,651	349
<i>Total Expenditures</i>	3,649,617	3,675,617	3,646,223	29,394
<i>Excess of Revenues Over (Under) Expenditures</i>	(1,652,417)	(1,651,713)	(1,605,349)	46,364
Other Financing Sources (Uses):				
Notes Issued	60,000	0	0	0
Transfers - In	0	0	0	0
<i>Total Other Financing Sources (Uses)</i>	60,000	0	0	0
<i>Net Change in Fund Balance</i>	(1,592,417)	(1,651,713)	(1,605,349)	46,364
Fund Balances at Beginning of Year	100,718	100,718	100,718	0
Prior Year Encumbrances Appropriated	1,565,616	1,565,616	1,565,616	0
Fund Balances at End of Year	\$73,917	\$14,621	\$60,985	\$46,364

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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Municipal Income Taxes	\$1,540,000	\$1,625,600	\$1,606,239	(\$19,361)
Intergovernmental	368,000	508,809	511,429	2,620
Interest	4,000	10,200	9,623	(577)
Other	70,000	26,600	26,775	175
<i>Total Revenues</i>	1,982,000	2,171,209	2,154,066	(17,143)
Expenditures:				
<i>Current:</i>				
Transportation	2,339,340	2,648,940	2,357,666	291,274
<i>Total Expenditures</i>	2,339,340	2,648,940	2,357,666	291,274
<i>Net Change in Fund Balance</i>	(357,340)	(477,731)	(203,600)	274,131
Fund Balances at Beginning of Year	249,211	249,211	249,211	0
Prior Year Encumbrances Appropriated	428,091	428,091	428,091	0
Fund Balances at End of Year	\$319,962	\$199,571	\$473,702	\$274,131

See accompanying notes to the basic financial statements.

CITY OF ATHENS, OHIO
Statement of Fund Net Assets
Proprietary Funds
December 31, 2011

	Business-Type Activities					Governmental Activities
	Parking Garage	Water	Sewer	All Other Enterprise Funds	Totals	Internal Service Funds
Assets:						
<i>Current:</i>						
Equity in Pooled Cash & Cash Equivalents	\$243,938	\$792,599	\$2,378,887	\$701,538	\$4,116,962	\$477,171
Accounts Receivable	5,355	244,788	287,441	135,551	673,135	14,340
Special Assessments Receivable	0	27,551	0	0	27,551	0
Materials and Supplies Inventory	0	222,606	13,442	0	236,048	0
Prepaid Items	0	11,217	922	394	12,533	60
<i>Noncurrent:</i>						
Nondepreciable Capital Assets	319,554	218,502	817,247	14,675	1,369,978	0
Depreciable Capital Assets, Net	1,380,369	6,448,196	9,251,621	0	17,080,186	0
<i>Total Assets</i>	<u>1,949,216</u>	<u>7,965,459</u>	<u>12,749,560</u>	<u>852,158</u>	<u>23,516,393</u>	<u>491,571</u>
Liabilities:						
<i>Current:</i>						
Accounts Payable	1,970	75,050	101,191	657	178,868	5,000
Contracts Payable	0	23,473	139,159	80,849	243,481	38,645
Accrued Wages Payable	0	38,684	40,102	1,624	80,410	5,525
Compensated Absences Payable	0	104,463	94,719	700	199,882	18,890
Intergovernmental Payable	784	22,826	19,903	631	44,144	42,620
Accrued Interest Payable	0	0	21,833	0	21,833	0
Claims Payable	0	0	0	0	0	134,431
Notes Payable	0	0	1,350,000	0	1,350,000	0
OWDA Loans Payable	0	24,000	272,626	0	296,626	0
<i>Noncurrent:</i>						
Compensated Absences Payable	0	50,320	44,006	387	94,713	4,912
OWDA Loans Payable	0	432,000	2,016,270	0	2,448,270	0
<i>Total Liabilities</i>	<u>2,754</u>	<u>770,816</u>	<u>4,099,809</u>	<u>84,848</u>	<u>4,958,227</u>	<u>250,023</u>
Net Assets:						
Investments in Capital Assets, Net of Related Debt	1,699,923	6,210,698	6,429,972	14,675	14,355,268	0
Unrestricted	246,539	983,945	2,219,779	752,635	4,202,898	241,548
<i>Total Net Assets</i>	<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>

See accompanying notes to the basic financial statements.

CITY OF ATHENS, OHIO
*Statement of Revenues, Expenses and
Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2011*

	Business-Type Activities				Governmental Activities	
	Parking Garage	Water	Sewer	All Other Enterprise Funds	Totals	Internal Service Funds
Operating Revenues:						
Charges for Services	\$214,981	\$2,876,945	\$3,214,886	\$1,235,954	\$7,542,766	\$2,417,823
Other	0	83,040	6,230	17,375	106,645	7,883
<i>Total Operating Revenues</i>	<u>214,981</u>	<u>2,959,985</u>	<u>3,221,116</u>	<u>1,253,329</u>	<u>7,649,411</u>	<u>2,425,706</u>
Operating Expenses:						
Personal Services	38,399	915,904	934,813	28,714	1,917,830	180,887
Fringe Benefits	6,960	424,295	419,857	13,462	864,574	79,139
Contractual Services	137,826	435,327	205,294	1,005,799	1,784,246	498,902
Materials and Supplies	4,585	479,344	253,894	99,032	836,855	108,894
Utilities	20,265	324,247	316,932	0	661,444	3,109
Claims	0	0	0	0	0	2,037,778
Depreciation	41,169	317,612	408,260	0	767,041	0
<i>Total Operating Expenses</i>	<u>249,204</u>	<u>2,896,729</u>	<u>2,539,050</u>	<u>1,147,007</u>	<u>6,831,990</u>	<u>2,908,709</u>
<i>Operating Income (Loss)</i>	<u>(34,223)</u>	<u>63,256</u>	<u>682,066</u>	<u>106,322</u>	<u>817,421</u>	<u>(483,003)</u>
Non-Operating Revenues (Expenses):						
Interest Income	3,727	13,706	14,541	15,029	47,003	9,573
Loss on Sale of Capital Assets	0	(141,829)	0	0	(141,829)	0
Other Non-Operating Revenues	41,225	3,764	1,173	0	46,162	262,494
Interest and Fiscal Charges	0	(824)	(71,362)	0	(72,186)	0
Other Non-Operating Expenses	0	0	(139)	(27)	(166)	0
<i>Total Non-Operating Revenues (Expenses)</i>	<u>44,952</u>	<u>(125,183)</u>	<u>(55,787)</u>	<u>15,002</u>	<u>(121,016)</u>	<u>272,067</u>
<i>Change in Net Assets</i>	<u>10,729</u>	<u>(61,927)</u>	<u>626,279</u>	<u>121,324</u>	<u>696,405</u>	<u>(210,936)</u>
Net Assets at Beginning of Year, <i>As Restated (Note 4)</i>	<u>1,935,733</u>	<u>7,256,570</u>	<u>8,023,472</u>	<u>645,986</u>	<u>17,861,761</u>	<u>452,484</u>
Net Assets at End 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>

See accompanying notes to the basic financial statements.

CITY OF ATHENS, OHIO
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2011

	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	\$212,601	\$2,960,067	\$3,257,271	\$1,237,570	\$7,667,509	\$2,417,823
Cash from Other Receipts	0	83,040	6,230	17,375	106,645	212
Cash Payments to Employees	(44,575)	(1,339,605)	(1,341,715)	(40,696)	(2,766,591)	(278,857)
Cash Payments for Contractual Services	(137,826)	(499,057)	(103,194)	(1,098,726)	(1,838,803)	(530,394)
Cash Payments for Insurance Claims	0	0	0	0	0	(1,998,579)
Cash Payments for Supplies and Materials	(25,087)	(828,106)	(524,446)	(10,079)	(1,387,718)	(21,973)
<i>Net Cash from Operating Activities</i>	<u>5,113</u>	<u>376,339</u>	<u>1,294,146</u>	<u>105,444</u>	<u>1,781,042</u>	<u>(411,768)</u>
Cash Flows from Noncapital Financing Activities:						
Other Nonoperating Receipts	41,225	3,764	1,173	0	46,162	262,494
Other Nonoperating Payments	0	0	(139)	(27)	(166)	0
<i>Net Cash from Noncapital Financing Activities</i>	<u>41,225</u>	<u>3,764</u>	<u>1,034</u>	<u>(27)</u>	<u>45,996</u>	<u>262,494</u>
Cash Flows from Capital and Related Financing Activities:						
Proceeds Received from Notes and Loans	0	60,000	1,350,000	0	1,410,000	0
Interest Paid on Notes and Loans	0	(1,235)	(105,595)	0	(106,830)	0
Principal Paid on Notes and Loans	0	(239,000)	(564,312)	0	(803,312)	0
Cash Paid to Acquire/Construct Capital Assets	0	(331,615)	(832,533)	0	(1,164,148)	0
<i>Net Cash from Capital and Related Financing Activities</i>	<u>0</u>	<u>(511,850)</u>	<u>(152,440)</u>	<u>0</u>	<u>(664,290)</u>	<u>0</u>
Cash Flows from Investing Activities:						
Interest Received on Investments	3,727	13,706	14,541	15,029	47,003	9,573
<i>Net Cash from Investing Activities</i>	<u>3,727</u>	<u>13,706</u>	<u>14,541</u>	<u>15,029</u>	<u>47,003</u>	<u>9,573</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	50,065	(118,041)	1,157,281	120,446	1,209,751	(139,701)
Cash and Cash Equivalents at Beginning of Year	193,873	910,640	1,221,606	581,092	2,907,211	616,872
Cash and Cash Equivalents at End of Year	<u>\$243,938</u>	<u>\$792,599</u>	<u>\$2,378,887</u>	<u>\$701,538</u>	<u>\$4,116,962</u>	<u>\$477,171</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, 2011

	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)	(\$34,223)	\$63,256	\$682,066	\$106,322	\$817,421	(\$483,003)
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities:						
Depreciation Expense	41,169	317,612	408,260	0	767,041	0
Changes in Assets and Liabilities:						
(Increase) Decrease in Accounts Receivable	(2,380)	83,122	42,385	1,616	124,743	(7,671)
(Increase) Decrease in Material and Supply Inventory	0	(16,014)	1,971	0	(14,043)	0
(Increase) Decrease in Prepaid Items	0	(9,788)	278	(82)	(9,592)	12,286
Increase (Decrease) in Accounts Payable	(237)	(12,152)	42,612	(1,799)	28,424	(2,688)
Increase (Decrease) in Contracts Payable	0	(53,942)	101,822	(2,175)	45,705	10,238
Increase (Decrease) in Accrued Wages Payable	0	(783)	1,869	1,624	2,710	(1,580)
Increase (Decrease) in Compensated Absences	0	4,267	13,052	(46)	17,273	(17,211)
Increase (Decrease) in Intergovernmental Payable	784	761	(169)	(16)	1,360	38,662
Increase (Decrease) in Claims and Judgements Payable	0	0	0	0	0	39,199
<i>Net Cash from Operating Activities</i>	<u>\$5,113</u>	<u>\$376,339</u>	<u>\$1,294,146</u>	<u>\$105,444</u>	<u>\$1,781,042</u>	<u>(\$411,768)</u>

See accompanying notes to the basic financial statements.

CITY OF ATHENS, OHIO
Statement of Fiduciary Assets and Liabilities
Fiduciary Fund
December 31, 2011

	<u>Agency</u>
Assets:	
Equity in Pooled Cash & Cash Equivalents	\$3,495
Cash and Cash Equivalents in Segregated Accounts	<u>345,923</u>
<i>Total Assets</i>	<u>349,418</u>
Liabilities:	
Deposits Held and Due to Others	<u>349,418</u>
<i>Total Liabilities</i>	<u><u>\$349,418</u></u>

See accompanying notes to the basic financial statements.

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

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, 2011

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 assets 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 assets 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 assets 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:

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

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.

Transportation Assistance Fund: This fund accounts for fare box revenue, ODOT Grant funds, loans and City General Funds transferred to support operation of the public transit system.

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.

Small Cities Grant Fund: This fund accounts for revenue from multi-million dollar ODOT grants designated for reconstruction of an intersection and adjacent bridge on a major city thoroughfare.

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 assets, 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 assets and changes in net assets. 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 only fiduciary fund is an agency fund, Mansfield House Maintenance which receives donations to handle repairs to the Mansfield House.

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

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 assets.

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 net assets. 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 revenue 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, 2011

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.

Deferred Revenue: Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of December 31, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

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.

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 2011.

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 2011, 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 assets/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 2011, the General Fund earned interest revenue of \$36,566, of which \$12,653 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.

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2011 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.

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 assets 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 assets 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.

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt 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 assets are 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 assets are 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.

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

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 2011.

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, 2011

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	Transportation Assistance	Street
Budget Basis	(\$65,323)	(\$1,605,349)	(\$203,600)
<i>Adjustments:</i>			
Revenue Accruals	(344,414)	0	(20,478)
Expenditure Accruals	(103,613)	1,556,582	206,803
Encumbrances	543,326	52,157	383,909
Other Financing Sources	(400,000)	0	0
<i>Prospective Difference:</i>			
Activity of Funds Reclassified For GAAP Reporting Purposes	293	0	0
GAAP Basis	(\$369,731)	\$3,390	\$366,634

NOTE 4 - NEW GASB PRONOUNCEMENTS

A. Changes in Accounting Principles

During 2011, the City implemented GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions”, and GASB Statement No. 59, “Financial Instruments Omnibus”.

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that compromise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the reclassification of certain funds and restatement of the City’s financial statements.

GASB Statement No. 59 addresses significant practice issues that have arisen when accounting for financial instruments and external investment pools. The implementation of this statement did not result in any change in the City’s financial statements.

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 4 - NEW GASB PRONOUNCEMENTS(Continued)

B. Restatement of Prior Year's Fund Balance and Net Assets

During 2011, the City added omitted roads and a bridge to their Infrastructure, which resulted in prior period adjustments to the December 31, 2010 net assets balance. During 2011, it was determined that the implementation of GASB Statement No. 54 had the following effect on the General fund balance due to the reclassification of funds. In addition, the City increased their capital assets threshold from \$2,000 to \$5,000, which resulted in prior period adjustments to December 31, 2010 net asset balance.

	General	Governmental Activities
Fund Balances/Net Assets , December 31, 2010	\$2,028,466	\$65,533,222
Infrastructure Change	0	3,489,587
GASB 54 Change in Fund Structure	3,279	3,279
Increase in Threshold for Capital Assets	0	(179,295)
Adjusted Fund Balances/Net Assets, December 31, 2010	\$2,031,745	\$68,846,793

	Water	Sewer	Business-Type Activities
Net Assets, December 31, 2010	\$7,275,797	\$8,046,148	\$17,903,664
Change in Threshold	(19,227)	(22,676)	(41,903)
Adjusted Net Assets, December 31, 2010	\$7,256,570	\$8,023,472	\$17,861,761

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;
- (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 banker's 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.

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 5 - CASH, DEPOSITS AND INVESTMENTS (Continued)

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.

At December 31, 2011, the carrying amount of all City deposits was \$12,205,166. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosures", as of December 31, 2011, \$12,146,670 of the City's bank balance of \$13,197,976 was exposed to custodial risk as discussed above while \$1,051,306 was covered by Federal Deposit Insurance. The \$12,146,670 exposed to custodial risk was collateralized with securities held by the City or its agency in the City's name.

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

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 2011.

The assessed value upon which the 2011 taxes were collected was \$326,779,210. The full tax rate for all City operations that was applied to real property for the year ended December 31, 2011 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 - 2011 Valuation:

Residential/Agricultural	\$182,328,930
Commercial/Industrial	135,176,500
Total Real Property	317,505,430

Tangible Personal Property - 2011 Valuation:

Public Utilities	9,273,780
Total Personal Property	9,273,780
Total Assessed Valuation	\$326,779,210

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.

Accrued property taxes receivable represent delinquent taxes outstanding and real, tangible personal, and public utility taxes which were measurable as of December 31, 2011. 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 2011 operations. The receivable is therefore offset by a credit to deferred revenue.

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

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 2011, the income tax generated a total of \$10,118,858 in income tax revenue.

NOTE 8 - INTERFUND ACTIVITY

A summary of interfund transfers for 2011 were as follows:

Fund	Transfers In	Transfers Out
<i>Governmental Funds:</i>		
General Fund	\$4,000	\$0
East State Steet	200,000	0
Other Nonmajor Governmental Funds	0	204,000
Total - All Funds	\$204,000	\$204,000

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 Cable Access and Tax Increment Financing Funds (a nonmajor governmental fund) to properly identify distribution and use of reviews as stipulated.

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 9 - INTERGOVERNMENTAL RECEIVABLE

Receivables at December 31, 2011 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.

A summary of the principal items of intergovernmental receivable follows:

Governmental Activities	
<i>General Fund:</i>	
Local Government Distributions	115,831
<i>Street Fund:</i>	
Street Maintenance Distributions	69,638
Nonmajor Special Revenue Funds	<u>29,125</u>
Total Intergovernmental Receivable	<u><u>\$214,594</u></u>

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 10 - CAPITAL ASSETS

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

	Restated Balance January 1, 2011	Additions/ Transfers	Deletions/ Transfers	Balance December 31, 2011
<u>Governmental Activities:</u>				
<i>Nondepreciable Capital Assets:</i>				
Land	\$3,206,876	\$0	\$0	\$3,206,876
Infrastructure	36,189,475	6,026,564	0	42,216,039
Construction in Progress	6,056,723	1,768,798	(6,428,099)	1,397,422
Total Nondepreciable Capital Assets	45,453,074	7,795,362	(6,428,099)	46,820,337
<i>Depreciable Capital Assets:</i>				
Land Improvements	304,967	151,054	0	456,021
Buildings	13,587,309	381,628	0	13,968,937
Machinery, Equipment and Vehicles	7,122,849	2,687,153	(185,602)	9,624,400
Infrastructure	15,680,125	0	(112,000)	15,568,125
Total Depreciable Capital Assets	36,695,250	3,219,835	(297,602)	39,617,483
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(228,093)	(9,938)	0	(238,031)
Buildings	(5,167,665)	(297,735)	0	(5,465,400)
Machinery, Equipment and Vehicles	(5,108,257)	(812,688)	160,903	(5,760,042)
Infrastructure	(6,057,463)	(203,663)	1,040	(6,260,086)
Total Accumulated Depreciation	(16,561,478)	(1,324,024)	161,943	(17,723,559)
Total Depreciable Capital Assets, Net	20,133,772	1,895,811	(135,659)	21,893,924
Governmental Activities Capital Assets, Net	\$65,586,846	\$9,691,173	(\$6,563,758)	\$68,714,261

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 10 - CAPITAL ASSETS (Continued)

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

Governmental Activities	
General Government	\$161,728
<i>Security of Persons and Property:</i>	
Police	48,175
Fire	212,153
Transportation	701,447
Leisure Time Activities	200,521
Governmental Activities Depreciation Expense	\$1,324,024

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

	Restated Balance January 1, 2011	Additions/ Transfers	Deletions/ Transfers	Balance December 31, 2011
<u>Business-Type Activities:</u>				
<i>Nondepreciable Capital Assets:</i>				
Land	\$463,489	\$0	\$0	\$463,489
Construction in Progress	35,439	871,050	0	906,489
Total Nondepreciable Capital Assets	498,928	871,050	0	1,369,978
<i>Depreciable Capital Assets:</i>				
Land Improvements	8,555	0	0	8,555
Buildings	11,160,413	0	0	11,160,413
Machinery, Equipment and Vehicles	2,324,388	193,089	(228,565)	2,288,912
Infrastructure	25,175,604	100,009	(7,871)	25,267,742
Total Depreciable Capital Assets	38,668,960	293,098	(236,436)	38,725,622
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(8,555)	0	0	(8,555)
Buildings	(5,561,149)	(190,871)	0	(5,752,020)
Machinery, Equipment and Vehicles	(1,918,123)	(121,298)	89,688	(1,949,733)
Infrastructure	(13,485,175)	(454,872)	4,919	(13,935,128)
Total Accumulated Depreciation	(20,973,002)	(767,041)	94,607	(21,645,436)
Total Depreciable Capital Assets, Net	17,695,958	(473,943)	(141,829)	17,080,186
Business-Type Activities Capital Assets, Net	\$18,194,886	\$397,107	(\$141,829)	\$18,450,164

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, 2011

NOTE 11 - 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, 2011:

Purpose/ Description	Maturity Date	Interest Rate	Balance January 1, 2011	Additions	Deletions	Balance December 31, 2011
<u>Governmental Activities:</u>						
<i>Notes Payable:</i>						
East State Street	2011	1.50%	\$1,000,000	\$0	\$1,000,000	\$0
East State Street	2012	1.50%	0	750,000	0	750,000
Bus Acquisition Note	2011	0.65%	1,500,000	0	1,500,000	0
Fire Dept. Ladder Truck	2012	0.45%	0	400,000	0	400,000
Community Center Energy Note	2012	0.70%	0	30,000	0	30,000
Governmental Activities Notes Payable			<u>\$2,500,000</u>	<u>\$1,180,000</u>	<u>\$2,500,000</u>	<u>\$1,180,000</u>
<u>Business-Type Activities:</u>						
<i>Notes Payable:</i>						
EPA Litigation	2011	0.65%	\$155,000	\$0	\$155,000	\$0
EPA Litigation	2011	0.45%	0	60,000	60,000	0
WWTP Improvements	2012	0.45%	0	850,000	0	850,000
WWTP Energy Improvements	2012	0.45%	0	500,000	0	500,000
Business-Type Activities Notes Payable			<u>\$155,000</u>	<u>\$1,410,000</u>	<u>\$215,000</u>	<u>\$1,350,000</u>

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 12 - LONG-TERM DEBT AND OTHER OBLIGATIONS

The City's long-term obligations activity for the year ended December 31, 2011 was as follows:

Purpose/ Description	Maturity Date	Interest Rate	Balance January 1, 2011	Additions	Deletions	Balance December 31, 2011	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%	\$2,730,000	\$0	\$410,000	\$2,320,000	\$450,000
Premium on Bonds Issued			65,845	0	10,974	54,871	0
<i>Other Long-Term Obligations:</i>							
Community Center Energy Notes			0	270,000	0	270,000	0
Compensated Absences			1,164,568	554,385	595,265	1,123,688	962,389
Landfill Postclosure Care			7,174	0	3,000	4,174	3,000
Governmental Activities Long-Term Obligations			<u>\$3,967,587</u>	<u>\$824,385</u>	<u>\$1,019,239</u>	<u>\$3,772,733</u>	<u>\$1,415,389</u>
<u>Business-Type Activities:</u>							
<i>OWDA Loans Payable:</i>							
Loan No. 2669 Original Issue Date - 1991 Original Issue Amount - \$3,943,837	2011	5.00%	\$302,872	\$0	\$302,872	\$0	\$0
Loan No. 2670 Original Issue Date - 1992 Original Issue Amount - \$1,282,133	2013	5.02%	285,135	0	90,209	194,926	94,961
Loan No. 2672/2673 Original Issue Dates - 1995 & 1996 Original Issue Amount - \$908,787	2016	4.16%	353,592	0	53,047	300,545	55,272
Loan No. 3873 Original Issue Date - 2004 Original Issue Amount - \$2,632,603	2023	3.53%	1,911,609	0	118,184	1,793,425	122,393
Loan No. 5259 Original Issue Date - 2009 Original Issue Amount - \$480,000	N/A	0.00%	480,000	0	24,000	456,000	24,000
<i>Other Long-Term Obligations:</i>							
Compensated Absences			277,322	218,003	200,730	294,595	199,882
Business-Type Activities Long-Term Obligations			<u>\$3,610,530</u>	<u>\$218,003</u>	<u>\$789,042</u>	<u>\$3,039,491</u>	<u>\$496,508</u>

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 12 - 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, 2011, are as follows:

Governmental Activities		
Year Ending December 31	Payments	
	Principal	Interest
2012	\$450,000	\$49,762
2013	480,000	40,763
2014	485,000	31,162
2015	465,000	21,463
2016	440,000	11,000
Total	\$2,320,000	\$154,150

Business-Type Activities		
Year Ending December 31	Payments	
	Principal	Interest
2012	\$296,626	\$83,065
2013	308,308	71,365
2014	215,273	60,541
2015	222,465	53,349
2016	229,928	45,885
2017 – 2021	902,772	140,878
2022 – 2026	473,524	15,737
2027 – 2030	96,000	0
Total	\$2,744,896	\$470,820

NOTE 12 - LONG-TERM DEBT AND OTHER OBLIGATIONS (Continued)

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 13 - PENSION OBLIGATIONS AND OTHER POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

Plan Description: The City contributes to the Ohio Public Employees Retirement System (the System). The System administers three separate pension plans: The Traditional Pension Plan (TP) - a cost-sharing multiple-employer defined benefit pension plan; the Member-Directed Plan (MD) - a defined contribution plan; and the Combined Plan (CO) - a cost-sharing multiple employer defined benefit pension plan that has elements of both a defined benefit and defined contribution 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% per year). Under the Member Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. Under the Combined Plan, employer contributions are invested by OPERS to provide a formula retirement benefit similar in nature to the Traditional Plan benefit. Member contributions, whose investment is self-directed by the members, accumulate retirement assets in a manner similar to the Member Directed Plan.

OPERS provides retirement and disability benefits, annual cost-of-living adjustments, survivor and death benefits to plan members of the Traditional Pension and Combined Plans. Members of the Member- Directed Plan do not qualify for ancillary benefits. Benefits are established and amended by state statute and are contained in Chapter 145 of the Ohio Revised Code. The OPERS issues a stand-alone, publicly available annual financial report that includes financial statements and required supplementary information. This report may be obtained by writing to Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-PERS (7377).

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.

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 13 - PENSION OBLIGATIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Funding Policy: The Ohio Revised Code provides statutory authority for employee and employer contribution rates. The employee contribution rates are 10.0% for employees other than law enforcement and for 2011, the City is required to contribute 14.0%. In January 2001, House Bill 416 divided the OPERS law enforcement program into two separate divisions with separate employee contribution rates and benefits. The law enforcement classification consisted of sheriffs, deputy sheriffs, and township police with an employee contribution rate of 11.6%. All other members of the OPERS law enforcement program were placed in a newly named public safety division and continued to contribute at 17.87%. The City's required contributions to OPERS for the years ending December 31, 2011, 2010 and 2009 were \$646,709, \$447,790, and \$439,063 respectively; 86.80% has been contributed for 2011 and 100% for years 2010 and 2009. Of the 2011 amount, \$119,549 was unpaid at December 31, 2011 and is recorded as a liability within the basic financial statements.

Postemployment Benefits: The OPERS also provides postemployment health care benefits to age and service retirees with ten (10) or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45. A portion of each employer's contribution to OPERS is set aside for the funding of postemployment health care. The Ohio Revised Code provides statutory authority for employer contributions. The OPERS law enforcement program was separated into two divisions; law enforcement and public safety, with separate employee contribution rates and benefits. In 2011 state and local employers contributed at a rate of 14.0% of covered payroll and public safety and law enforcement employer units contributed at 18.10%. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0% during calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar year 2011.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

Of the employer contributions made by the City for the year 2011, \$258,684 was the amount used to fund postemployment health care.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs. Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that be used to fund future health care expenses.

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 13 - PENSION OBLIGATIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

Ohio Police and Fire Pension Fund

Plan Description: The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides healthcare 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.

Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. The OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. This report may be obtained by writing to Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43125-5164 or by calling (614) 228-2975.

Funding Policy: Plan members (both police officers and firefighters) are required to contribute 10% of their annual covered salary and the City is required to contribute 19.5% of annual covered payroll for police officers and 24% of annual covered payroll for firefighters. The City's contributions to OP&F for the years ending December 31, 2011, 2010 and 2009 were \$232,572, \$161,283, and \$232,121, for police officers; and \$262,833, \$189,385, and \$234,768, for firefighters, respectively; 72.04% has been contributed for 2011, and 100% for 2010 and 2009 for police officers; and 68.19% has been contributed for 2011, and 100% for year 2010 and 2009 for firefighters. Of the 2011 amount, \$99,468 for police officers and \$116,336 for firefighters was unpaid at December 31, 2011 and is recorded as a liability within the basic financial statements. Of the previously mentioned contributions, for the years ending December 31, 2011, 2010, 2009 \$1,220, \$846, and \$1,225 respectively, were allocated to the healthcare plan for police officers and \$973, \$737, and \$915 respectively, were allocated to the healthcare plan for firefighters.

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 administrated 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 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.

Postemployment Benefits: The OP&F System of Ohio provides postemployment health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of eighteen (18) whether or not the child is attending school or under the age of twenty-two (22) if attending school full-time or on a two-thirds (2/3) basis. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45. The Ohio Revised Code provides that health care costs paid from the funds of the OP&F shall be included in the employer's contribution rate which is 19.5% of covered payroll for police officers and 24% of covered payroll for firefighters.

The Ohio Revised Code provides the statutory authority allowing the OP&F Board of Trustees to provide health care coverage to all eligible individuals. Health care funding and accounting are on a pay-as-you-go basis. A percentage of covered payroll, as defined by the Board, is used to pay retiree health care expenses. The Board defined allocation was 6.75% of covered payroll in 2011. The portion of the 2011 covered payroll that was used to fund postemployment health care benefits was \$123,126 for police officers and \$102,848 for firefighters. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

Beginning in 2001, all retirees and survivors have monthly healthcare contributions.

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 14 - 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, hired prior to April 12, 1991 who have sick leave accumulated receive payment upon retirement at a rate of one hour for each hour of accumulated and unused sick leave, to a maximum of 960 hours. Employees who have ten years of service, hired after April 12, 1991 who have sick leave accumulated receives 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 50 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:

Employee Service	Vacation Credit
After 1 year	2 weeks
After 10 years	3 weeks
After 15 years	4 weeks
After 22 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 15 - 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.

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 15 - RISK MANAGEMENT - (Continued)

In addition, the City maintains replacement cost insurance on buildings and contents in the amount of \$110,425,965. 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.

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 \$65,000 to \$75,000 per person and \$2,353,529 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 2010 and 2011 were as follows:

	Beginning Year Balance	Current Year Claims	Claim Payments	Ending Year Balance
2010	\$63,910	\$1,795,772	\$1,764,450	\$95,232
2011	95,232	2,037,778	1,998,579	134,431

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.

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 16 - 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 performed 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 2012 are expected to be \$3,000. The City has projected costs, with built-in inflation, for the remaining 2 years.

The City has recorded a liability of \$4,174 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 17 - ACCOUNTABILITY

Deficit Fund Balance

The following fund had a deficit fund balance as of December 31, 2011:

East State Street Fund	\$741,526
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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.

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 18 – FUND CASH BALANCES

As of December 31, 2011 fund balances are composed of the following:

	<u>General</u>	<u>Transportation Assistance</u>	<u>Street</u>	<u>East State Street</u>	<u>Community Center</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<i>Nonspendable:</i>							
Prepaid Items	\$30,944	\$0	\$365	\$0	\$0	\$11,361	\$42,670
Materials & Supplies	22,981	0	52,390	0	0	0	75,371
Unclaimed Monies	3,572	0	0	0	0	0	3,572
Loans Receivable	0	0	0	0	0	206,788	206,788
<i>Assigned:</i>							
Administration	263,090	0	0	0	0	0	263,090
Police	102,598	0	0	0	0	0	102,598
Fire	153,578	0	0	0	0	0	153,578
Community Development	7,486	0	0	0	0	0	7,486
Transportation	16,574	0	0	0	0	0	16,574
<i>Restricted:</i>							
Transportation	0	65,881	898,026	0	0	158,110	1,122,017
Parks & Recreation	0	0	0	0	394,225	658,001	1,052,226
Capital Projects	0	0	0	0	0	1,495,813	1,495,813
Tourism	0	0	0	0	0	45,532	45,532
Cable Access	0	0	0	0	0	157,789	157,789
Court	0	0	0	0	0	1,050,928	1,050,928
Community Development	0	0	0	0	0	403,362	403,362
Police	0	0	0	0	0	61,978	61,978
Expendable Trust	0	0	0	0	0	3,040	3,040
<i>Unassigned</i>	<u>1,061,191</u>	<u>0</u>	<u>0</u>	<u>(741,526)</u>	<u>0</u>	<u>0</u>	<u>319,665</u>
Total Fund Balances	<u><u>\$1,662,014</u></u>	<u><u>\$65,881</u></u>	<u><u>\$950,781</u></u>	<u><u>(\$741,526)</u></u>	<u><u>\$394,225</u></u>	<u><u>\$4,252,702</u></u>	<u><u>\$6,584,077</u></u>

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

NOTE 19 – ENCUMBRANCE COMMITMENTS

At December 31, 2011, the City had encumbrance commitments in the Governmental Funds as Follows:

<u>Major Funds</u>	
General	\$543,326
Transportation Assistance	52,157
Street	383,909
<u>Nonmajor Funds</u>	
Tourism	31
Cable Access	1,195
State Highway	25,352
Permissive Wheel Tax	117,890
Judges Court Computer	2,395
Clerk Court Computer	3,001
Underage Drinkers	2,111
House Arrest	1,579
Community Correction Grant	6,053
DUI Court Grant	2,392
Athens City Enhancement	6,900
Indigent Driver Alcohol Treatment	21,437
Recreation	65,560
Street Rehabilitation	68,604
Capital Improvements	94,148
Armory/Hudson Street Buildings	699
Total Nonmajor Funds	<u>419,347</u>
 Total Encumbrances	 <u><u>\$1,398,739</u></u>

NOTE 20 - 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, 2011

Value of Streets

	Rating	2011		2010		2009		2008		2007	
		Value	%								
Acceptable	9 - 10	\$8,376,731	19.84%	\$4,673,256	14.08%	\$7,766,740	24.20%	\$6,375,321	20.30%	\$4,509,317	15.41%
Moderately Deficient	7 - 8	17,918,305	42.44%	12,299,982	37.07%	9,401,520	29.29%	11,640,873	37.07%	13,322,190	45.53%
Marginally Deficient	5 - 6	11,721,631	27.77%	10,835,088	32.65%	11,697,241	36.44%	10,762,645	34.27%	8,677,616	29.66%
Substantially Deficient	3 - 4	4,001,423	9.48%	4,332,669	13.06%	2,483,238	7.74%	2,161,091	6.88%	2,107,482	7.20%
Severely Deficient	1 - 2	197,949	0.47%	1,042,572	3.14%	748,318	2.33%	463,504	1.48%	643,480	2.20%
<i>Total</i>		<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>	<u>\$29,260,085</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
2011	\$2,033,164	\$2,001,256	\$31,908
2010	2,023,795	1,839,199	184,596
2009	1,707,950	1,254,108	453,842
2008	1,596,243	1,496,670	99,573
2007	1,626,510	1,485,062	141,448

**CITY OF ATHENS
ATHENS COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2011**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Number	Disbursements
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-09-2AE-01	\$ 93,000
Community Development Block Grant Formula Program	14.228	A-F-10-2AE-01	<u>106,000</u>
Total Community Development Block Grant Formula Program			199,000
Total United States Department of Housing and Urban Development			199,000
UNITED STATES DEPARTMENT OF JUSTICE			
<i>Direct from the Department of Justice</i>			
Office of Community Oriented Policing Services Secure Our Schools Grant	16.710	2009-CKW-X0-738	70,046
<i>Passed through the Ohio Department of Public Safety</i>			
Violence Against Women Formula Grants	16.588	2009-WF-VA2-8414	25,525
Violence Against Women Formula Grants	16.588	2010-WF-VA2-8414	<u>32,558</u>
Total Violence Against Women Formula Grants			58,083
ARRA Edward Byrne Justice Assistance Grant Formula Program	16.803	2009-RA-E01-2222	<u>7,657</u>
Total United States Department of Justice			135,786
UNITED STATES DEPARTMENT OF TRANSPORTATION			
<i>Passed through the Ohio Department of Transportation</i>			
Formula Grants for Other Than Urbanized Areas	20.509	RPT-4005-030-101	16,086
Formula Grants for Other Than Urbanized Areas	20.509	RPT-0005-030-102	57,207
Formula Grants for Other Than Urbanized Areas	20.509	RPT-0005-031-112	25,940
Formula Grants for Other Than Urbanized Areas	20.509	RPT-4005-029-093	3,874
Formula Grants for Other Than Urbanized Areas	20.509	RPT-4005-029-094	15,656
Formula Grants for Other Than Urbanized Areas	20.509	RPT-4005-031-111	193,436
ARRA Formula Grants for Other Than Urbanized Areas	20.509	RPTS-0005-001-092	<u>1,463,854</u>
Total Public Transportation for Nonurbanized Areas			1,776,053
Highway Planning and Construction	20.205	Federal Project # E091(259)	12,800
Highway Planning and Construction	20.205	Federal Project # E091(093)	98,000
Highway Planning and Construction	20.205	Federal Project # E081(080)	1,000
Highway Planning and Construction	20.205	Federal Project # E110(829)	227,463
Highway Planning and Construction	20.205	Federal Project # E070(745)	<u>1,093,558</u>
Total Highway Planning and Construction			1,432,821
Total United States Department of Transportation			3,208,874
UNITED STATES DEPARTMENT OF HOMELAND SECURITY			
<i>Passed through Ohio Emergency Management Agency</i>			
Assistance to Firefighters Grant Program - Operations and Safety Program	97.044	EMW-2009-FO-00908	45,309
Assistance to Firefighters Grant Program - Operations and Safety Program	97.044	EMW-2010-FO-01607	<u>8,582</u>
Total Assistance to Firefighters Grant Program - Operations and Safety Program			53,891
Community Assistance Program State Support Services Element	97.023	FEMA-4002-DR-009-02736	\$ 23,736
Total United States Department of Homeland Security			<u>77,627</u>
Total Federal Financial Assistance			<u>\$ 3,621,287</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, 2011**

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

June 25, 2012

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

To the City Council:

We have audited 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, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 25, 2012, in which we noted the City implemented Government Accounting Standards Board Statement No. 54, "Fund Balance Reporting and Government Fund Type Definitions" and GASB Statement No. 59, "Financial Instruments Omnibus." We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the City's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City's internal control over financial reporting.

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 more than a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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, providing an opinion 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 25, 2012.

We intend the report solely for the information and use of management, City Council, federal awarding agencies, pass-through entities, and others with the City. We intend it for no one other than these specified parties.

Respectfully Submitted,



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

June 25, 2012

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

To the City Council:

Compliance

We have audited the compliance of the **City of Athens**, Athens County, Ohio (the City) with the types of compliance 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, 2011. The summary of auditor's results section of the accompanying schedule of audit findings identifies the City's major federal program. The City's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the City's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the City's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with these requirements.

In our opinion, the City of Athens, Athens County, Ohio complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2011.

Internal Control Over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of opining on compliance, but not for the purpose of opining 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 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of management, City Council, federal awarding agencies, pass-through entities, and others within the City. It is not intended for anyone other than these specified parties.

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, 2011**

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 # 20.209: Formula Grants for Other Than Urbanized Areas
<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
JULY 31, 2012