

CITY OF ATHENS, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2008

CITY OF ATHENS, TEXAS
TABLE OF CONTENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008

Table of Contents

<u>Exhibit</u>		<u>Page</u>
	Independent Auditor's Report	1-2
	MANAGEMENT'S DISCUSSION AND ANALYSIS	3-11
	FINANCIAL SECTION	
	Basic Financial Statements:	
1	Statement of Net Assets	12
2	Statement of Activities	13
3	Balance Sheet - Governmental Funds	14
4	Reconciliation of the Governmental Funds Balance Sheet to Statement of Net Assets	15
5	Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	16
6	Reconciliation in Fund Balance of Governmental Funds to the Statement of Activities	17
7	Statement of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual	18
8	Statement of Net Assets - Proprietary Fund	19
9	Statement of Revenues and Changes in Fund Net Assets - Proprietary Fund	20
10	Statement of Cash Flows - Proprietary Fund	21
	Notes to the General Purpose Financial Statements	22-37
	Combining and Other Financial Statements:	
A	Combining Balance Sheet - Nonmajor Governmental Funds	38
B	Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	39
C	Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Debt Service Fund	40

	<u>Page</u>
OTHER INDEPENDENT AUDITOR’S REPORT SECTION	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance With Government Auditing Standards	41-42
Report on Compliance With Requirements Applicable to Each Major Program And On Internal Control Over Compliance in Accordance With OMB Circular A-133	43-44
<u>Schedule</u>	
E Schedule of Expenditures of Federal Awards	45-46
Schedule of Findings and Questioned Costs	47
<u>Table</u>	<u>Page</u>
STATISTICAL SECTION	
1 Tax Levies and Tax Collections - Last Ten Fiscal Years	48
2 Schedule of General Obligation Bonds and Interest Requirements	49
3 Schedule of Certificates of Obligation and Interest Requirements	50
4 Schedule of Certificates of Obligation and Interest Requirements	51
5 Miscellaneous Statistical Data and Other Information	52

SMITH, LAMBRIGHT & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Marlin R. Smith, CPA
J. W. Lambright, CPA

Cheri E. Kirkland, CPA

P. O. Box 912
505 E. Tyler
Athens, Texas 75751
(903) 675-5674
FAX (903) 675-5676
smithlambright.com

INDEPENDENT AUDITOR'S REPORT

City Council
City of Athens, Texas
508 East Tyler Street
Athens, Texas 75751

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 City of Athens, Texas (the "City"), as of and for the year ended September 30, 2008, 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 an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

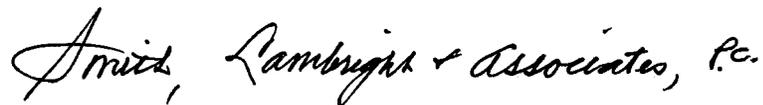
In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2009 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis and other required supplementary information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

Respectfully submitted,

A handwritten signature in black ink that reads "Smith, Lambright & Associates, P.C." in a cursive script.

SMITH, LAMBRIGHT AND ASSOCIATES, P. C.
Certified Public Accountants
June 29, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management for the City of Athens, we offer readers of the City of Athens financial statements this narrative overview and analysis of the financial activities of the City of Athens for the fiscal year ended September 30, 2008. We encourage readers to consider the information presented here in conjunction with the City's financial statements which begin on page 12. All amounts in this discussion and analysis, unless otherwise indicated, are expressed in whole dollars.

Financial Highlights

- The assets of the City of Athens exceeded its liabilities at September 30, 2008 by \$19,628,555. Of this amount, unrestricted net assets of \$3,912,646 may be used to meet the government's ongoing obligations to citizens and, creditors.
- Total net assets increased by \$351,345. Of this amount \$350,732 was associated with governmental and \$613 with business type activities.
- As of the close of the current fiscal year, the City of Athens governmental funds reported combined ending fund balances of \$3,481,466. This was a decrease of \$16,308 in comparison with the prior year.
- Sales taxes increased substantially with a 6.18% increase over prior years' actual. Actual receipts exceeded budget projections by approximately 1%.
- At the end of the current fiscal year, unreserved fund balance in the General Fund was \$3,065,908. Of this amount the City Council has currently restricted \$800,000 or 9.8% of total General Fund expenditures for emergency reserve. Council has also restricted \$200,000 for future capital improvements.
- Property tax values for 2007 tax rolls increased by \$40,043,623(7.34%) over the prior tax year (2006).
- The City implemented a new 5-year water and sewer rate plan effective with the December 2008 billing cycle. The rate plan was adopted by City Council after a utility rate study by the City's rate consultants.

Overview of the Financial Statements

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

Government-wide financial statements

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

The statement of net assets presents information on all of the City'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 most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Athens include general government, public safety, parks and recreation, culture, community services, community development and other charges. The business type activities include Water and Sewer Operations.

The government-wide financial statements can be found on pages 12 through 13 of this report.

Fund Financial Statements

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

Governmental Funds

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

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

The City maintains 12 governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Charges in Fund Balances for the General Fund, Debt Service Fund and Capital Projects Fund, which are considered to be major funds. Data from the other nine funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Athens adopts an annual budget for its General Fund, Debt Service, Capital Projects and certain Special Revenue Funds. Budgetary comparison statements have been provided for the General Fund, Debt Service Fund and Capital Projects Fund to demonstrate compliance with this budget and are presented as required supplemental information.

The basic governmental fund financial statements can be found on pages 15 through 18 of this report.

Proprietary Funds

The City of Athens maintains one proprietary fund in the form of an enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Information is presented in the proprietary statement of net assets and the proprietary statement of revenues, expenses and changes in fund net assets for the Utility fund which accounts for the City's water and sewer operations.

The basic proprietary fund financial statements can be found on pages 19 through 21 of this report.

Notes To The Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24 through 38 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain other required supplementary information concerning budgetary comparisons, combining balance sheets for the other governmental funds, debt service schedules and miscellaneous statistical information.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. As of September 30, 2008, the City's assets exceeded its liabilities by \$19,628,555. The largest portion of the City's net assets (59%) reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. Capital assets are used to provide services to citizens and they are not available for future spending. Although the investment in 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.

City of Athens Net Assets

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 4,347,958	\$ 4,159,622	\$ 5,642,059	\$ 6,582,572	\$ 9,990,017	\$ 10,742,194
Capital assets	10,073,607	9,597,239	11,460,713	10,753,935	21,534,320	20,351,174
Total assets	14,421,565	13,756,861	17,102,772	17,336,507	31,524,337	31,093,368
Long-term liabilities outstanding	4,357,365	3,866,745	298,286	6,338,888	4,655,651	10,205,633
Other liabilities	889,239	1,065,885	6,350,893	544,638	7,240,132	1,610,523
Total liabilities	5,246,604	4,932,630	6,649,179	6,883,526	11,895,783	11,816,156
Net assets:						
Invested in capital assets, net of related debt	6,436,525	6,103,852	5,170,714	4,168,934	11,607,239	10,272,786
Restricted	137,083	145,474	3,971,587	4,885,895	4,108,670	5,031,369
Unrestricted	2,601,353	2,574,903	1,311,293	1,398,152	3,912,646	3,973,055
Total net assets	\$ 9,174,961	\$ 8,824,229	\$ 10,453,594	\$ 10,452,981	\$ 19,628,555	\$ 19,277,210

An additional portion of net assets (21%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$3,912,646) may be used to meet the government's ongoing obligations to citizens and creditors.

The following chart shows the revenue and expenses of the total primary government.

City of Athens Changes in Net Assets

	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
REVENUES						
Program revenues:						
Charges for services	\$ 374,493	\$ 217,971	\$ 3,816,989	\$ 3,566,689	\$ 4,191,482	\$ 3,784,660
Operating grants and contributions	711,649	645,249	2,900		714,549	645,249
Capital grants and contributions	0	0			0	0
Total Program Revenues	<u>1,086,142</u>	<u>863,220</u>	<u>3,819,889</u>	<u>3,566,689</u>	<u>4,906,031</u>	<u>4,429,909</u>
General revenues:						
Taxes:						
Sales and use taxes	3,790,222	3,669,602			3,790,222	3,669,602
Property taxes	2,592,859	2,421,229			2,592,859	2,421,229
Franchise taxes	835,041	858,820			835,041	858,820
Unrestricted investment income	125,820	169,228	209,292	315,331	335,112	484,559
Donated Capital Assets	0	128,650		174,974	0	303,624
Miscellaneous	18,005	23,509			18,005	23,509
Premium on Bonds Sold			558	557	558	557
Gain(Loss) on sale of capital assets	23,705	(2,197)	4,326		28,031	(2,197)
Total General Revenue	<u>7,385,652</u>	<u>7,268,841</u>	<u>214,176</u>	<u>490,862</u>	<u>7,599,828</u>	<u>7,759,703</u>
Total Revenue	<u>8,471,794</u>	<u>8,132,061</u>	<u>4,034,065</u>	<u>4,057,551</u>	<u>12,505,859</u>	<u>12,189,612</u>
EXPENSES						
General	\$ 1,357,550	\$ 1,291,590			\$ 1,357,550	\$ 1,291,590
Public Safety:						0
Police	2,340,943	2,263,814			2,340,943	2,263,814
Fire	2,129,158	2,023,660			2,129,158	2,023,660
Other	351,618	312,969			351,618	312,969
Public Services					0	0
Highways and Streets	1,365,645	1,317,008			1,365,645	1,317,008
Health	320,224	302,441			320,224	302,441
Culture and Recreation	744,747	685,606			744,747	685,606
Conservation and Development	1,578				1,578	0
Interest on long-term debt	159,599	167,106		297,674	159,599	464,780
Water Utilities			3,383,451	2,874,769	3,383,451	2,874,769
Total Expense	<u>8,771,062</u>	<u>8,364,194</u>	<u>3,383,451</u>	<u>3,172,443</u>	<u>12,154,513</u>	<u>11,536,637</u>
Increase in net assets before transfers	(299,268)	(232,133)	650,614	885,108	351,346	652,975
Transfers	650,000	650,000	(650,000)	(650,000)	0	0
Change in net assets	350,732	417,867	614	235,108	351,346	652,975
Net assets October 1	8,824,228	8,406,361	10,452,981	10,217,873	19,277,209	18,624,234
Net assets September 30	<u>\$ 9,174,960</u>	<u>\$ 8,824,228</u>	<u>\$ 10,453,595</u>	<u>\$ 10,452,981</u>	<u>\$ 19,628,555</u>	<u>\$ 19,277,209</u>

Governmental Activities. Governmental activities increased the City's net assets by \$350,733 accounting for 99 percent of the total increase in the net assets. Excess revenue over expenditures especially sales tax accounted for most of the increase. Debt payment schedules and assets useful lives may differ slightly creating differences in the increases in accumulated depreciation and reductions in the related debt.

Business-type activities. Business type activities increased the City's net assets by \$613 accounting for 1 percent of the total increase in the government's net assets. This increase was due principally to excess interest earnings during the fiscal year.

Financial Analysis of the Governments' Funds

Governmental Funds

The focus of the City of Athens governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At the end of the current fiscal year, the City of Athens Governmental funds reported combined ending fund balances of \$3,481,446. Approximately 59% of this amount (\$2,065,908) constitutes unreserved and undesignated fund balance.

The General Fund is the chief operating fund of the City. For the fiscal year ended September 30, 2008, unreserved fund balance of the General Fund was \$3,065,908, while total fund balance reached \$3,065,908.

The General Fund's fund balance increased during the current fiscal year \$3,567. Key factors in this decrease are as follows:

- Actual expenditures below actual revenue received.

Financial Highlights of the City's other major governmental funds are as follows:

The Debt Service Fund's fund balance decreased from \$30,477 to \$19,697 due to variations in revenue from property tax collections over debt payments and receivables and allowance adjustments.

The Capital Projects Fund's fund balance increased by \$2,389. The increase was due to interest earnings on proceeds from donated cash held for future capital projects. Projects are determined based on specific donation restrictions and purposes.

Proprietary Funds

The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water and Sewer Fund at the end of the year amounted to \$1,311,293. This was an increase of \$613. Factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The General Fund budget was increased by \$169,479 (net) from the original budget to the final budget (an increase of 2.07%). These increases can be summarized as follows:

- \$76,349 for matching funds for airport grants.
- \$13,500 for a Fire Department management study.
- \$14,021 for replacement of a police vehicle (net).
- (\$4,775) for brush grinding (net).
- \$2,176 for excess dues for City Council.
- \$60,000 for fire truck purchase (down payment).
- \$2,000 for excess fuel costs.
- \$1,550 for annual July 4th fireworks celebration (net).
- \$10,580 for City Hall topo survey.
- \$3,600 for Police CID equipment.

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business type activities at September 30, 2008 amounts to \$21,534,221 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, easements, equipment, computer hardware, vehicles, capitalized software, as well as infrastructure assets such as roads, sidewalks, water and sewer lines, water and wastewater treatment facilities. The total increase in the City's investment in capital assets for the current fiscal year was 5.8%

Major capital assets events during the current fiscal year included the following:

- \$230,000 for purchase of a gradall in the Street Department.
- \$200,000 for street improvements.
- \$114,000 in water and sewer infrastructure improvements.

Additional information on the City’s capital assets can be found in note 3 on pages 30 and 31 of this report.

Long-term Debt

At the end of the current fiscal year, the City had \$10,697,889 in outstanding debt consisting of certificates of obligation, capital leases, compensated absences payable, post employment benefits and an installment loan. Additional information on the City’s long term debt can be found in note 6 on pages 32 through 35.

Outstanding Debt at September 30, 2008

	Governmental Activities	Business-type Activities	Total
General Obligation Bonds	\$ 3,050,000		\$ 3,050,000
Certificates of Obligation		6,290,000	6,290,000
Notes Payable	66,485		66,485
Capital Leases Payable	520,596		520,596
Compensated Absences Payable	703,500	50,526	754,026
Post Employment Benefits	16,782		16,782
Total	<u>\$ 4,357,363</u>	<u>\$ 6,340,526</u>	<u>10,681,107</u>

Economic Factors and Next Year's Budgets and Rates

- Property tax values continue to increase with the taxable valuations in 2008 increasing by \$31,461,323. The property tax rate for 2009 at .481808 per \$100 valuation.
- Sales tax revenue increases have slowed over the previous year. The sales tax revenue was above the prior year but below budget by \$34,705 in 2008. The 2009 budget anticipates a 2% increase in sales tax revenue over the prior year.
- Interest earnings on the 2004 bond proceeds have been used to cover cost over runs on projects due to dramatic increases in the cost of pipe brought about by increased oil prices. This along with any arbitrage rebates may affect the total number of projects which can be completed as compared to the scheduled projects to be done.
- A five-year utility rate plan is passed to help cover costs for water and sewer services. The first phase of the plan raised rates approximately 8% beginning with the December 2008 billing.

Requests for Information

This financial report is designed to provide a general overview of the City of Athens finances for all of Athens residents, taxpayers, customers, investors and creditors. This report seeks to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Director of Finance, 508 E. Tyler Athens, Texas 75751.

FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS

CITY OF ATHENS, TEXAS
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2008

	Government Activities	Business-type Activities	Total	Component Unit
Assets				
Cash	\$ 3 072 015	\$ 849 645	\$ 3 921 660	\$ 131 222
Investments	14 655	434 695	449 350	272 156
Receivables (net of allowances for doubtful accounts):				
Ad valorem taxes	142 957		142 957	
Accounts	764 649	520 369	1 285 018	1 151 879
Due from other governments	767	38 077	38 844	
Internal balances	304 769	(304 769)	0	
Inventories	5 821	132 455	138 276	
Prepaid items	25 109		25 109	
Restricted assets:				
Cash	17 216	3 957 808	3 975 024	
Investments		13 779	13 779	
Capital assets:				
Work in progress	1 123 910	1 752 334	2 876 244	
Land	2 152 329	152 200	2 304 529	217 722
Buildings	7 694 456	799 441	8 493 897	1 061 271
Improvements other than buildings	6 264 804	18 438 157	24 702 961	177 432
Machinery and equipment	5 098 625	1 155 194	6 253 819	49 613
Amortizable assets	104 679	237 832	342 511	
Accumulated depreciation	(12 267 250)	(10 984 878)	(23 252 128)	(387 277)
Accumulated amortization	(97 946)	(89 566)	(187 512)	
Total Assets	14 421 565	17 102 773	31 524 338	2 674 018
Liabilities				
Accounts payable	643 668	118 525	762 193	6 761
Wages and salaries payable	219 703		219 703	
Accrued interest	22 728	52 579	75 307	
Deposits	3 140	118 260	121 400	
Deferred revenue		8 922	8 922	
Noncurrent liabilities:				
Due within one year	442 248	320 367	762 615	6 250
Due in more than one year	3 915 117	6 030 526	9 945 643	190 750
Total Liabilities	5 246 604	6 649 179	11 895 783	203 761
Net Assets				
Invested in capital assets, net of related debt	6 436 525	5 170 714	11 607 239	1 118 761
Restricted for:				
Debt service	19 697		19 697	
Capital projects	117 386	3 971 587	4 088 973	
Unrestricted	2 601 353	1 311 293	3 912 646	1 351 496
Total Net Assets	\$ 9 174 961	\$ 10 453 594	\$ 19 628 555	\$ 2 470 257

See accompanying notes to the financial statements.

Program Activities	Expenses	Program Revenues	
		Fees, Fines & Charges for Services	Operating Grants and Contributions
Government Activities			
General Government	\$ 1 357 550	\$ 65 853	\$ 8 970
Police	2 340 943	245 042	15 197
Fire Protection	2 129 158		10 000
Other Public Safety	351 618		110 126
Highways Streets and Airport	1 365 645	63 598	567 356
Health	320 224		
Culture and Recreation	744 747		
Conservation and Development	1 578		
Bond Interest	159 599		
Total Government Activities	8 771 062	374 493	711 649
Business-type Activities			
Utility Fund	3 383 451	3 816 989	2 900
Total Business-type Activities	3 383 451	3 816 989	2 900
Total Primary Government	12 154 513	4 191 482	714 549
Component Unit:			
Athens Economic Development Corporation	1 359 333	68 617	
Total Component Unit	\$ 1 359 333	\$ 68 617	\$

General Revenue

Taxes:

 Property

 Sales

 Franchise

Investment Earnings

Miscellaneous

Premium on Bonds Sold

Gain (Loss) on Sale of Capital Assets

Transfers

 Total General Revenues and Transfers

 Changes in Net Assets

Net Assets at Beginning of Year

Net Assets at End of Year

See accompanying notes to the financial statements.

CITY OF ATHENS, TEXAS
 GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

Net (Expenses) Revenue and Changes in Net Assets			
Government Activities	Business-type Activities	Total	Component Unit
\$ (1 282 727)	\$	\$ (1 282 727)	\$
(2 080 704)		(2 080 704)	
(2 119 158)		(2 119 158)	
(241 492)		(251 492)	
(734 691)		(734 691)	
(320 224)		(320 224)	
(744 747)		(744 747)	
(1 578)		(1 578)	
(159 599)		(159 599)	
(7 684 920)	0	(7 684 920)	0
	436 438	440 749	
0	436 438	440 749	
(7 684 920)	436 438	(7 244 171)	0
			(1 290 716)
			(1 290 716)
2 592 859		2 592 859	
3 790 222		3 790 222	1 173 216
835 041		835 041	
125 820	209 292	335 112	12 297
18 005		18 005	
	558	558	
23 705	4 325	28 030	
650 000	(650 000)	0	
8 035 652	(435 825)	7 599 827	1 185 513
350 732	613	351 345	(105 203)
8 824 229	10 452 981	19 277 210	2 575 460
\$ 9 174 961	\$ 10 453 594	\$ 19 628 555	\$ 2 470 257

CITY OF ATHENS, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2008

	General Fund	Debt Service Fund	Capital Projects	Other Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 2 696 552	\$ 819	\$ 117 386	\$ 274 474	\$ 3 089 231
Investments - Current	14 655				14 655
Taxes Receivable (net of allow. for uncoll.)	114 078	28 878			142 956
Receivables (net of allowable for uncoll.)	764 213			166	764 379
Due from Other Governments					0
Intergovernmental Receivables	305 039			767	305 806
Due from Other Funds	25 670				25 670
Inventories	5 821				5 821
Prepaid Items	3 000			22 109	25 109
Other Assets					0
	<u>3 929 028</u>	<u>29 697</u>	<u>117 386</u>	<u>297 516</u>	<u>4 373 627</u>
Total Assets	\$ 3 929 028	\$ 29 697	\$ 117 386	\$ 297 516	\$ 4 373 627
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 642 336				\$ 642 336
Wages and Salaries Payable	219 703				219 703
Due to Other Funds		10 000		16 961	26 961
Deposits Payable	1 040			2 100	3 140
Deferred Revenues					0
Other Current Liabilities	41				41
	<u>863 120</u>	<u>10 000</u>	<u>0</u>	<u>19 061</u>	<u>892 181</u>
Total Liabilities	863 120	10 000	0	19 061	892 181
Fund Balances:					
Reserved for:					
Debt Service		19 697			19 697
Unreserved Designated for:					
Emergency Reserve	800 000				800 000
Capital Improvements	200 000		117 386		317 386
Unreserved and Undesignated:					
Reported in the General Fund	2 065 908				2 065 908
Reported in Special Revenue Funds				278 455	278 455
	<u>3 065 908</u>	<u>19 697</u>	<u>117 386</u>	<u>278 455</u>	<u>3 481 446</u>
Total Fund Balances	3 065 908	19 697	117 386	278 455	3 481 446
Total Liabilities and Fund Balances	\$ 3 929 028	\$ 29 697	\$ 117 386	\$ 297 516	\$ 4 373 627

See accompanying notes to basic financial statements.

CITY OF ATHENS, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO STATEMENT OF NET ASSETS
 SEPTEMBER 30, 2008

Total Fund Balance - Total Governmental Funds	\$	3 481 446
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital Assets used in governmental activities are not current Financial resources and therefore are not reported in the Governmental Funds Balance Sheet.		10 073 607
Interest payable on long-term debt does not require current financial resources. Therefore interest payable is not reported as a liability in Governmental Funds Balance Sheet.		(22 728)
Long-term liabilities are not due and payable in the current period and therefore, they are not reported in the Governmental Funds Balance Sheet.		
Due within one year		(442 248)
Due in more than one year		<u>(3 915 116)</u>
Net assets of governmental activities	\$	<u>9 174 961</u>

See accompanying notes to basic financial statements.

CITY OF ATHENS, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	General Fund	Debt Service Fund	Capital Projects	Other Funds	Total Governmental Funds
REVENUES:					
Taxes:					
Property	\$ 2 114 561	\$ 464 266		\$	\$ 2 578 827
General Sales and Use	3 541 473			248 748	3 790 221
Franchise	835 041				835 041
Penalty and Interest	11 518	2 513			14 031
Licenses and Permits	29 225				29 225
Intergovernmental Revenues and Grants	43 138			626 635	669 773
Charges for Services	33 872			1 319	35 191
Fines	239 581			5 994	245 575
Investment Income	107 270	6 866	3 541	8 143	125 820
Rents and Royalties	1 076			33 426	34 502
Contributions & Donations from Private Sources	8 970			52 223	61 193
Other Revenue	44 499			10 683	55 182
	<u>7 010 224</u>	<u>473 645</u>	<u>3 541</u>	<u>987 171</u>	<u>8 474 581</u>
Total Revenues					
EXPENDITURES:					
Current:					
General Government	1 132 607	119	1 152	3 031	1 136 909
Public Safety:					
Police	2 234 048			3 870	2 237 918
Fire	1 984 612			33 206	2 017 818
Other	345 481				345 481
Public Works:					
Highways, Streets and Airport	936 732			56 854	993 586
Health	316 670				316 670
Conservation and Development				1 578	1 578
Culture and Recreation	445 421			249 430	694 851
Debt Service:					
Principal		344 886		1 045	345 931
Interest		161 527		5	161 532
Fiscal Agent Fees		367			367
Capital Outlay:					
Capital Outlay	717 518			660 358	1 377 876
	<u>8 113 089</u>	<u>506 899</u>	<u>1 152</u>	<u>1 009 377</u>	<u>9 630 517</u>
Total Expenditures					
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1 102 865)</u>	<u>(33 254)</u>	<u>2 389</u>	<u>(22 206)</u>	<u>(1 155 936)</u>
OTHER FINANCING SOURCES (USES):					
Non-Current Loans	489 626				489 626
Transfers In	650 000	22 474		10 722	683 196
Transfers Out (Use)	(33 194)				(33 194)
	<u>1 106 432</u>	<u>22 474</u>	<u>0</u>	<u>10 722</u>	<u>1 139 628</u>
Total Other Financing Sources (Uses)					
Net Change in Fund Balances	3 567	(10 780)	2 389	(11 484)	(16 308)
Fund Balance - October 1 (Beginning)	<u>3 062 341</u>	<u>30 477</u>	<u>114 997</u>	<u>289 939</u>	<u>3 497 754</u>
Fund Balance - September 30 (Ending)	<u>\$ 3 065 908</u>	<u>\$ 19 697</u>	<u>\$ 117 386</u>	<u>\$ 278 455</u>	<u>\$ 3 481 446</u>

*Two additional local funds have been added to this group that were not reported in the previous year.

The accompanying notes are an integral part of this statement.

CITY OF ATHENS, TEXAS
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

Net change in fund balances - total governmental funds	\$	(16 308)
--	----	----------

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Governmental funds report capital outlay as expenditures. However, in the government-wide Statement of Activities and Changes in Net Assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.		1 377 876
--	--	-----------

Depreciation expense on capital assets is reported in the government-wide Statement of Activities and Changes in Net Assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not expenditure in governmental funds.		(898 718)
--	--	-----------

Donations of capital assets are reported as income in the Government-Wide Statement of Activities and Changes in Net Assets, but they do not provide current financial resources. Therefore donations of capital assets is not revenue in governmental funds.

The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance cost, premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		(143 695)
---	--	-----------

Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the government funds.

Compensated Absences		32 434
Accrued Interest on Debt		1 932
Loss on Sale of Capital Assets		<u>(2 789)</u>

Change in Net Assets of Governmental Activities	\$	<u>350 732</u>
---	----	----------------

See accompanying notes to basic financial statements.

CITY OF ATHENS, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variances With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property	\$ 2 173 733	\$ 2 173 733	\$ 2 114 561	\$ (59 172)
General Sales and Use	3 574 697	3 574 697	3 541 473	(33 224)
Franchise	896 600	896 600	835 041	(61 559)
Penalty and Interest	28 000	28 000	11 518	(16 482)
Licenses and Permits	46 125	46 125	29 225	(16 900)
Intergovernmental Revenues and Grants	41 300	41 300	43 138	1 838
Charges for Services	27 500	27 500	33 872	6 372
Fines	299 100	299 100	239 581	(59 519)
Investment Income	151 466	151 466	107 270	(44 196)
Rents and Royalties	1 500	1 500	1 076	(424)
Contributions & Donations from Private Sources	0	9 000	8 970	(30)
Other Revenue	37 050	44 529	44 499	(30)
Total Revenues	<u>7 277 071</u>	<u>7 293 550</u>	<u>7 010 224</u>	<u>(283 326)</u>
EXPENDITURES:				
Current:				
General Government	1 156 800	1 180 570	1 132 607	47 963
Public Safety:				
Police	2 445 043	2 413 158	2 234 048	179 110
Fire	2 030 094	2 042 379	1 984 612	57 767
Other	348 017	348 019	345 481	2 538
Public Works:				
Highways, Streets and Airport	764 791	761 506	936 732	(175 226)
Health	336 613	356 113	316 670	39 443
Culture and Recreation	475 829	483 829	445 421	38 408
Capital Outlay:				
Capital Outlay	623 095	918 258	717 518	200 740
Total Expenditures	<u>8 180 282</u>	<u>8 503 832</u>	<u>8 113 089</u>	<u>390 743</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(903 211)</u>	<u>(1 210 282)</u>	<u>(1 102 865)</u>	<u>(107 417)</u>
OTHER FINANCING SOURCES (USES):				
Note Proceeds	258 000	489 626	489 626	0
Transfers In	650 000	650 000	650 000	0
Transfers Out (Use)	(4 789)	(98 823)	(33 194)	65 629
Total Other Financing Sources (Uses)	<u>903 211</u>	<u>1 040 803</u>	<u>1 106 432</u>	<u>65 629</u>
Net Change in Fund Balances	(40 600)	(169 479)	3 567	173 046
Fund Balance - October 1 (Beginning)	<u>3 062 341</u>	<u>3 062 341</u>	<u>3 062 341</u>	<u>0</u>
Fund Balance - September 30 (Ending)	<u>\$ 3 062 341</u>	<u>\$ 2 892 862</u>	<u>\$ 3 065 908</u>	<u>\$ 173 046</u>

See accompanying notes to the basic financial statements.

CITY OF ATHENS, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
FOR YEAR ENDED SEPTEMBER 30, 2008

ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 849 645
Investments - Current	434 695
Accounts Receivable - Net of Uncollectible Allowance	520 369
Intergovernmental Receivables	38 077
Inventories	132 455
Restricted Assets:	
Cash and Cash Equivalents	3 971 587
Total Current Assets	<u>5 946 828</u>
Non-Current Assets:	
Capital Assets:	
Work in Progress	1 752 334
Land Purchase and Improvements	152 200
Buildings	799 441
Improvement Other Than Buildings	18 438 157
Machinery and Equipment	1 155 194
Amortizable Assets	237 832
Accumulated Depreciation	(10 984 878)
Accumulated Amortization	(89 566)
Total Non-Current Assets	<u>11 460 714</u>
Total Assets	<u>17 407 542</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	118 525
Accrued Interest Payable	52 579
Internal Balances	304 769
Certificates of Obligation Payable	310 000
Post Employment Benefits Payable	10 367
Deferred Revenue	8 922
Deposits	118 260
Total Current Liabilities	<u>923 422</u>
Non-Current Liabilities	
Compensated Absences Payable	50 526
Certificates of Obligation Payable	5 980 000
Total Non-Current Liabilities	<u>6 030 526</u>
Total Liabilities	<u>6 953 948</u>
NET ASSETS	
Investments in Capital Assets, Net of Debt	5 170 714
Restricted for Construction	3 971 587
Unrestricted Net Assets	1 311 293
Total Net Assets	<u>\$ 10 453 594</u>

See accompanying notes to basic financial statements.

CITY OF ATHENS, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
FOR YEAR ENDED SEPTEMBER 30, 2008

OPERATING REVENUES	
Charges for Water Services	\$ 1 961 258
Charges for Waste Water Services	1 570 059
Fees	265 599
Other Revenue	<u>20 073</u>
Total Operating Revenues	<u>3 816 989</u>
OPERATING EXPENSES:	
Personnel Services	1 361 079
Supplies	391 145
Contractual Services	795 442
Depreciation	519 705
Bad Debt Expense	<u>30 995</u>
Total Operating Expenses	<u>3 098 366</u>
Operating Income	<u>718 623</u>
NON-OPERATING REVENUES (EXPENSES):	
Grants	2 900
Investment Earnings	209 292
Interest Expense - Non-Operating	(284 207)
Gain on Sale of Fixed Assets	4 326
Fiscal Agent Fees	(879)
Premium on Bonds Sold	<u>558</u>
Total Non-Operating Revenue (Expenses)	<u>(68 010)</u>
Income Before Transfers	650 613
Transfers Out	<u>(650 000)</u>
Change in Net Assets	613
Total Net Assets - October 1 (Beginning)	<u>10 452 981</u>
Total Net Assets - September 20 (Ending)	<u>\$ 10 453 594</u>

See accompanying notes to basic financial statements.

CITY OF ATHENS, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR YEAR ENDED SEPTEMBER 30, 2008

<u>Cash Flows From Operating Activities:</u>	
Cash Received From User Charges	\$ 3 762 685
Other Operating Revenues	20 072
Other Payments	(29 575)
Cash Payments to Employees for Services	(1 349 074)
Cash Payments to Suppliers	(1 161 403)
Net Cash Provided by Operating Activities	<u>1 242 705</u>
<u>Cash Flows from non-Capital Financing Activities:</u>	
Operating Transfers Out	<u>(650 000)</u>
<u>Cash Flows from Capital & Related Financing Activities:</u>	
Acquisition of Capital Assets	(1 226 757)
Sale of Capital Assets	4 598
Interest Paid on Bonds	(287 139)
Retirement of Bonds	(295 000)
Grants	2 900
Fiscal Agent Fees	(879)
Net Cash Provided by (Used for) Capital & Related Financing Activities	<u>(1 802 277)</u>
<u>Cash Flows from Investing Activities:</u>	
Interest and Dividends on Investments	<u>209 292</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1 000 280)
Cash and Cash Equivalents at Beginning of the Year	<u>6 256 207</u>
Cash and Cash Equivalent at End of the Year	<u>\$ 5 255 927</u>
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>	
Operating Income	\$ 718 623
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	519 705
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (Increase) in Receivables	(34 231)
Decrease (Increase) in Inventories	(18 144)
Increase (Decrease) in Accounts Payable	50 719
Increase (Decrease) in Internal Balances	(7 391)
Increase (Decrease) in Deposits	1 420
Increase (Decrease) in Post-Employment Benefits Payable	10 367
Increase (Decrease) in Compensated Absences	<u>1 637</u>
Net Cash Provided by Operating Activities	<u>\$ 1 242 705</u>

See accompanying notes to basic financial statement.

CITY OF ATHENS, TEXAS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Athens, Texas (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The City applied all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds and similar component units apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements; in which case, GASB prevails.

A. The Reporting Entity

The City of Athens, Texas is a political subdivision of the State of Texas. The City was incorporated in 1902 under the provisions of the State of Texas. The City operates under a council-manager form of government and provides the following services as authorized by its charter: public safety (police and fire, animal control and inspection), streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning and general administrative services. Other services include utilities and airport operations.

The City's basic financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City

Based on the aforementioned criteria, the City of Athens, Texas has one component unit.

DISCRETELY PRESENTED COMPONENT UNIT:

ATHENS ECONOMIC DEVELOPMENT CORPORATION (AEDC) - The AEDC was authorized by the voters of Athens in an election on May 5, 1990. The corporation received its charter/certificate of authority on October 11, 1990, and immediately began operations. The AEDC is funded by a .5% sales tax. It also earns interest on funds temporarily invested pending expenditure on approved economic programs. The AEDC is separately managed and audited and issues its own financial statements. The City appoints directors and approves budgets..

Excluded from the reporting entity:

ATHENS MUNICIPAL WATER AUTHORITY - The Athens Municipal Water Authority (the Water Authority) was established by a special state act in 1958. The Water Authority's governing board (a separately elected board) selects management staff, sets user charges, establishes budgets and controls all aspects of general management and production of water from the Water Authority except for water purchases. Additionally, the City does not hold title to any of the Water Authority's assets, nor does it have any right to the Water Authority's surpluses.

CITY OF ATHENS HOUSING AUTHORITY - This is the Section 8 Housing Assistance Payments Program. This entity receives federal grant funds and administers a housing/rent subsidy program inside the city limits of Athens. This entity is subject to the City's control and oversight through the City Council and City Administrator's office, but is audited as a separate program based upon an understanding with the federal funding agency (HUD). This entity operates on a calendar year basis and has been audited in prior years by other auditors without being combined with the City of Athens. Consequently, an audit of this entity was not included in the Request for Proposal for performing the September 30, 2008 audit of the City.

B. Basis of Presentation

The government-wide financial statements (the statement of net assets and the statement of activities report information on all of the activities of the City. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements:

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of government funds is on the sources, uses and balance of current financial resources. The City has presented the following major governmental funds:

General Fund -

The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Debt Service Fund -

The Debt Service Fund is used to account for the accumulation of financial resources for the payment of principal, interest and related costs on general long-term debt paid primarily from taxes levied by the City. The fund balance of the Debt Service Fund is reserved to signify the amounts that are restricted exclusively for debt service expenditures.

Capital Projects Fund -

The Capital Projects Fund is used to account for funds received and expended for construction, renovation, expansion and major improvement of various City facilities, acquisition of land and other large nonrecurring projects.

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Assets. The City has presented the following major proprietary fund:

Water and Sewer Fund -

The Water and Sewer Fund is used to account for the provision of water and sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water and sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to assure integrity of the funds.

C. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the account and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The *government-wide* statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A one-year availability period is used for recognition of all governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. All governmental fund revenues are recognized when received.

D. Budgetary Control

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all major funds. All annual appropriations lapse at fiscal year end.

Before the first regular meeting in August, the proposed budget is presented to the City's council for review. The City's council holds public hearings and may add to, subtract from or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated as available by the City's manager.

Amendments can be made to the budget during the fiscal year. Although there are no legal requirements of allowing actual expenditures to exceed budget appropriations, the City charter seems to imply such limitation.

The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund presents a comparison of budgetary date to actual results. The General Fund utilizes the same basis of accounting for both budgetary purposes and actual results.

E. Cash and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities one year or less from the date of acquisition.

All investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

F. Prepaid Items

Prepaid balances are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year, and the reserve for prepaid items has been recorded to signify that a portion of fund balance is not available for other subsequent expenditures.

G. Inventories

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

H. Restricted Assets

Certain assets of the City are classified as restricted assets because of ordinance or other legal restrictions such as funds set aside under provisions of bond covenants.

I. Interfund Receivables and Payables

Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances."

J. Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

The City allocates to the Proprietary funds an indirect cost percentage of information technology services and salaries and wages and related costs of personnel who perform administrative services for those funds but are paid through the General Fund along with other indirect costs deemed necessary for their operations. During the year ended September 30, 2008, the City allocated \$650,000 as a transfer for such services.

K. Capital Assets

Capital assets, which include property, plant and infrastructure assets, are reported in the applicable governmental or business type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

Assets capitalized have an original cost of \$500 or more and over three years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

<u>Assets</u>	<u>Years</u>
Buildings	25
Machinery & Equipment	3-20
System Infrastructure	20-40
Vehicles	5-10
Office Equipment	5
Computer Equipment	5

L. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is reported for non-civil service employees' unpaid accumulated sick leave. Vacation pay is accrued when incurred in proprietary funds and reported as a fund liability. Vacation pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts not expected to be liquidated with expendable available financial resources are shown as non-current liabilities on the government-wide statement of net assets and current expense for that portion of the debt incurred for the current year.

M. Nature and Purpose of Reservation and Designations of Fund Equity

The fund equity reserves for revenue bond retirement and construction, prepaid items and debt service are discussed in notes 6, 1(F), and 1(B) respectively. The fund equity designation for subsequent years' expenditures primarily represents Capital Projects Fund Balances specifically identified for capital outlays.

N. 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 borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. 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.

2. DEPOSITS AND INVESTMENTS

The Public funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar - weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

State statutes authorize the City to invest in 1) Obligations of, or guaranteed by, governmental entities as permitted by Government Code 2256.009.; 2) Certificates of deposit and share certificates as permitted by Government Code 2256.010.; 3) Fully collateralized repurchase agreements permitted by Government Code 2256.011.; 4) A securities lending program as permitted by Government Code 2256.0115.; 5) Banker's acceptances as permitted by Government Code 2256.012.; 6) Commercial paper as permitted by Government Code 2256.013.; 7) No load money market mutual funds and no load mutual funds as permitted by Government Code 2256.014.; 8) A guaranteed investment contract as an investment vehicle for bond proceeds, provided it meets the criteria and eligibility requirements established by Government Code 2256.015.; and 9) Public funds investment pools as permitted by Government Code 2256.016.

In compliance with the Public Funds Investment Act, the City has adopted an investment policy. The City is in substantial compliance with the requirements of the Act. The risks that the City may be subject are:

- a. Custodial Credit Risk - Deposits: This is the risk that in the event of a bank failure, the City's deposits, including checking, money market accounts and certificates of deposit, may not be returned to it.

The funds of the City must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the City's agent bank in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. During 2007-2008 the City's combined deposits were fully insured by federal depository insurance or collateralized with securities pledged to the City and held by the City's agent.

The largest combined balances of cash, savings and time deposit accounts amounted to \$8,428,564.97 and occurred on September 30, 2008. The amount of bond or market value of securities pledged as of the date of the highest combined balance on deposit was \$12,964,395.00. The total amount of FDIC coverage at the time of the highest combined balance was \$300,000.

- b. Custodial Credit Risk - Investments: This is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Any investment that is both uninsured and unregistered is exposed to custodial credit risk if the investment is held by the counterparty, or if the investment is held by the counterparty's trust department or agent, but not in the name of the investor government. Investments are subject to custodial credit risk only if they are evidenced by securities that exist in physical or book entry form. Positions in external investment pools are not subject to custodial credit risk.
- c. Interest Rate Risk: Interest rate risk occurs when potential purchasers of debt securities do not agree to pay face value for those securities if interest rates rise. Investments with interest rates that are fixed for longer periods are likely to be subject to more variability in their fair values as a result of future changes in interest rates.
- d. Concentration of Credit Risk: Concentration risk is defined as positions of five percent or more in the securities of a single issuer. This is the issuer of the underlying investment, and not a pool. This does not apply to U.S. Government securities.

CASH DEPOSITS

At September 30, 2008, the amount of the City's cash balance accounts was \$7,896,684. The cash balance in interest bearing accounts was \$7, 895,364.

INVESTMENTS

The City's investments at September 30, 2008, are shown below:

<u>Investment Type</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Money Market Time Deposits	\$ 7 895 364	\$ 7 895 364	.083
Certificates of Deposit	426 000	426 000	.083
TexPool	<u>37 129</u>	<u>37 129</u>	.99954
Total Investments	<u>\$ 8 358 493</u>	<u>\$ 8 358 493</u>	

Local government investment pools operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Local government investment pools use amortized cost rather than market value to report net assets to compute share prices. Accordingly the market value of the position in these pools is the same as the value of the shares in each pool, which approximates the carrying amount. The investment pools are organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code.

For the purpose of the statement of cash flows for proprietary fund types, the City considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

3. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2008, was as follows:

	Balance 10/01/07	Additions	Retirements	Adjustments	Balance 9/30/2008
Government Activities:					
Capital assets not being depreciated:					
Land	\$ 2 152 329	\$	\$	\$	\$ 2 152 329
Construction in progress	540 616	583 294			1 123 910
Total capital assets not being depreciated	<u>2 692 945</u>	<u>583 294</u>			<u>3 276 239</u>
Capital asset being depreciated:					
Buildings	7 674 876	19 580			7 694 456
Equipment	4 639 595	775 001	211 292		5 203 304
Improvements	1 458 271				1 458 271
Infrastructure	4 806 533				4 806 533
Total capital assets being depreciated	<u>18 579 275</u>	<u>794 581</u>	<u>211 292</u>		<u>19 162 564</u>
Less: accumulated depreciation for:					
Buildings	(6 070 178)	(239 756)			(6 309 934)
Equipment	(3 572 930)	(326 343)	208 603		(3 690 670)
Improvements	(723 143)	(92 376)			(815 519)
Infrastructure	(1 308 730)	(240 343)			(1 549 073)
Total accumulated depreciation	<u>(11 674 981)</u>	<u>(898 818)</u>	<u>208 603</u>		<u>(12 365 196)</u>
Total capital assets being depreciated, net	<u>6 904 294</u>	<u>(104 237)</u>	<u>(2 689)</u>		<u>6 797 368</u>
Governmental activities capital assets, net	<u>\$ 9 597 239</u>	<u>\$ 479 057</u>	<u>\$ (2 689)</u>	<u>\$</u>	<u>\$ 10 073 607</u>
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 152 200	\$	\$	\$	\$ 152 200
Construction in progress	696 612	1 047 127			1 743 739
Total capital assets not being depreciated	<u>848 812</u>	<u>1 047 127</u>			<u>1 895 939</u>
Capital assets being depreciated:					
Buildings	799 441				799 441
Equipment	1 168 334	38 818	51 958		1 155 194
Amortizable assets	237 832				237 832
Improvements	1 454				1 454
Infrastructure	18 303 595	133 109			18 436 704
Total capital asset being depreciated	<u>20 510 656</u>	<u>171 927</u>	<u>51 958</u>		<u>20 630 625</u>
Less: accumulated depreciation for:					
Buildings	(659 646)	(9 222)			(668 868)
Equipment	(845 996)	(82 174)	50 795		(877 375)
Amortizable assets	(69 204)	(20 362)			(89 566)
Improvements	(1 453)				(1 453)
Infrastructure	(9 029 235)	(407 946)			(9 437 181)
Total accumulated depreciation	<u>(10 605 534)</u>	<u>(519 704)</u>	<u>50 795</u>		<u>(11 074 443)</u>
Total capital assets being depreciated, net	<u>9 905 122</u>	<u>(347 777)</u>	<u>1 163</u>		<u>9 556 182</u>
Business-type activities capital assets, net	<u>\$ 10 753 934</u>	<u>\$ 699 350</u>	<u>\$ 1 163</u>	<u>\$</u>	<u>\$ 11 452 121</u>

Depreciation expense was charged as direct expense to programs of the primary government as follows:

Governmental activities:	
General government and administration	\$ 223 270
Public safety	250 878
Public services	371 393
Culture and recreation	48 889
Health	4 388
	<u>898 818</u>
Total depreciation expense-Governmental activities	
Business-type activities:	
Water and sewer	<u>\$ 519 705</u>

4. Interfund Assets/Liabilities

The compositions of interfund balances as of September 30, 2008, is as follows:

Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Debt Service	\$ 10 000
General	Airport	731
General	Special Donations	270
General	Law Enforcement	2 353
General	TDHCA Home Grant	422
General	Utility	304 769
General	Airport Grants	<u>13 185</u>
Total		<u>\$ 331 730</u>

5. Operating Leases

The City has entered into operating lease agreements for equipment. Commitments under the agreements provide for future rental payments as of September 30, 2008 as follows:

<u>Fiscal Year Ending September 30</u>	<u>Amount</u>
2009	\$ 9 355
2010	9 355
2011	6 473
2012	5 512
2013	<u>3 675</u>
Total	<u>\$ 34 370</u>

Rental expenditures in 2007-2008 were \$9,356.

6. Long-term Debt

A. Capital Leases Payable

The City has entered into lease agreements as lessee for the acquisition of police vehicles, municipal court technology, an excavator and a fire engine pumper. These lease agreements qualify as capital leases for accounting purposes (as titles transfer at the end of the lease terms or bargain purchase options are present) and therefore have recorded at the present value of future minimum lease payments as of the date of their inception. The interest rates are 4.84%, 5.29%, 3.62% and 4.415%.

The following is a summary of changes in long-term debt for the capital leases for the year ended September 30, 2008:

	<u>Balance 10/01/07</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance 9/30/08</u>
Police Vehicles	\$ 90 617	\$	\$ 37 589	\$ 53 028
Municipal Court Technology	1 045		1 045	0
Hydraulic Excavator		205 249	22 058	183 191
Fire Engine Pumper		<u>284 377</u>	<u>0</u>	<u>284 377</u>
Totals	<u>\$ 91 662</u>	<u>\$ 489 626</u>	<u>\$ 60 692</u>	<u>\$ 520 596</u>

Debt service requirements for the capital leases payable are as follows:

<u>Fiscal Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2009	\$ 100 762	\$ 20 793	\$ 121 555
2010	78 133	15 990	94 123
2011	67 151	13 256	80 407
2012	69 854	10 553	80 407
2013	46 192	7 995	54 187
2014	28 919	6 541	35 460
2015	30 247	5 213	35 460
2016	31 637	3 823	35 460
2017	33 090	2 370	35 460
2018	<u>34 611</u>	<u>849</u>	<u>35 460</u>
Total	<u>\$ 520 596</u>	<u>\$ 87 383</u>	<u>\$ 607 979</u>

B. Long-term Debt - Notes Payable

A note is owed to a bank for financing the purchase of the City of Athens Administrative Office. The current interest rate is 6.0% and the monthly payments are \$2,076. The note is renewable annually.

	<u>Balance 10/01/07</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance 9/30/08</u>
Administrative Office	\$ 86 725	\$	\$ 20 240	\$ 66 485
Totals	<u>\$ 86 725</u>	<u>\$ 0</u>	<u>\$ 20 240</u>	<u>\$ 66 485</u>

Debt service requirements for the notes payable are as follows:

<u>Fiscal Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2009	\$ 66 485	\$ 2 984	\$ 69 469
Total	<u>\$ 66 485</u>	<u>\$ 2 984</u>	<u>\$ 69 469</u>

C. General Obligation Bonds Payable

The City issues general obligation bonds to provide funds for acquisition and construction of major capital facilities for general government activities. General obligation bonds are direct obligations and pledge the full faith and credit of the City.

The following is a summary of changes in long-term debt for the general obligation bonds for the year ended September 30, 2008:

	<u>Balance 10/01/07</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance 9/30/08</u>
General Obligation Improvement and Refunding Bonds Series 1998: Original issue \$5,060,000 with interest rates of 4.25% to 7.25%	\$ 3 315 000	\$ 0	\$ 265 000	\$ 3 050 000
Totals	<u>\$ 3 315 000</u>	<u>\$ 0</u>	<u>\$ 265 000</u>	<u>\$ 3 050 000</u>

Debt service requirements for the general obligation bonds are as follows:

<u>Fiscal Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2009	\$ 275 000	\$ 137 112	\$ 412 112
2010	290 000	124 875	414 875
2011	305 000	111 825	416 825
2012	320 000	98 100	418 100
2013	335 000	83 700	418 700
2014 - 2017	<u>1 525 000</u>	<u>175 725</u>	<u>1 700 725</u>
Total	<u>\$ 3 050 000</u>	<u>\$ 731 337</u>	<u>\$ 3 781 337</u>

Detailed debt service requirement data may be found in Table 2 in the Statistical Section of this report.

D. Revenue Bonds Payable

The City issues bonds whereby the City pledges income derived from the acquired or constructed assets to pay debt service.

As of September 30, 2008 the City had no revenue bonds outstanding.

E. Prior year Defeasance of Debt

In prior years, certain outstanding bonds were defeased by placing proceeds of new bonds in an irrevocable trust to provide for all future debt service payments of the old bonds. Accordingly, the trust accounts and the defeased bonds are not included in the financial statements of the City of Athens. As of September 30, 2008, none of the revenue bonds and none of general obligation bonds considered defeased are still outstanding.

F. Certificates of Obligation

On April 10, 2000, the City issued \$2,000,000 of Tax and Utility System Surplus Revenue Certificates of Obligation, Series 2000. Proceeds from the sale of the Certificates will be used to pay for improvements and extensions to the City’s combined Waterworks and Sanitary Sewer System, including wastewater treatment and collection facilities, and to pay for professional services rendered in relation to the project, including the payment of costs related to the issuance of the Certificates.

On October 15, 2004 the City issued \$5,500,000 of Tax and Utility System Surplus Revenue Certificates of Obligation, Series 2004. Proceeds from the sale of the Certificates will be used for (1) the construction of public works, to wit, improvements and extensions to the City’s combined Waterworks and Sanitary Sewer System, including wastewater treatment and collection facilities, and (2) to pay for professional services rendered in relation to the project, including the payment of costs related to the issuance of the Certificates.

The following is a summary of changes in long term debt for the Certificates of Obligation for the year ended September 30, 2008:

	<u>Balance 10/01/07</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance 9/30/08</u>
Tax and Utility System Surplus Revenue Certificates of Obligation, Series 2000	\$ 1 690 000	\$ 0	\$ 90 000	\$ 1 600 000
Tax and Utility System Surplus Revenue Certificates of Obligations, Series 2004	4 895 000	0	205 000	4 690 000
	<u>\$ 6 585 000</u>	<u>\$ 0</u>	<u>\$ 295 000</u>	<u>\$ 6 290 000</u>

Debt service requirements for the Certificates of Obligation are as follows:

<u>Fiscal Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2009	\$ 310 000	\$ 272 990	\$ 582 990
2010	320 000	257 566	577 566
2011	335 000	241 564	576 564
2012	355 000	225 488	580 488
2013	370 000	210 137	580 137
2014 - 2018	2 130 000	801 620	2 931 620
2019 - 2023	2 075 000	332 870	2 407 870
2024	<u>395 000</u>	<u>16 985</u>	<u>411 985</u>
Total	<u>\$ 6 290 000</u>	<u>\$ 2 359 220</u>	<u>\$ 8 649 220</u>

Detailed debt service requirement data may be found in Table 3 and Table 4 in the Statistical Section of this report.

G. Changes in Long-term Liabilities

Long-term liabilities activity for the year ended September 30, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds Payable					
General Obligation Bonds	\$ 3 315 000	\$ _____	\$ 265 000	\$ 3 050 000	\$ 275 000
Notes Payable:					
Administrative Office	86 725	_____	20 240	66 485	66 485
Capital Leases Payable:					
Vehicles and Equipment	91 662	489 626	60 692	520 596	100 762
Compensated Absences	752 717	_____	49 217	703 500	_____
Post Employment Benefits	0	16 782	_____	16 782	_____
Total Governmental Activities Long-term Liabilities	<u>\$ 4 246 104</u>	<u>\$ 506 408</u>	<u>\$ 395 149</u>	<u>\$ 4 357 363</u>	<u>\$ 442 247</u>
Business Type Activities:					
Bonds Payable:					
Certificates of Obligation	\$ 6 585 000	\$ _____	\$ 295 000	\$ 6 290 000	\$ 310 000
Compensated Absences	48 888	1 638	_____	50 526	_____
Total Business Type Activities Long-term Liabilities	<u>\$ 6 633 888</u>	<u>\$ 1 638</u>	<u>\$ 295 000</u>	<u>\$ 6 340 526</u>	<u>\$ 310 000</u>

7. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance.

B. Segment Information - Enterprise Funds

The City maintains one enterprise fund. The City accounts for the provision of basic utility service to all citizens through its Water and Sewer fund. Selected segment information for the year ended September 30, 2008 is as follows:

Operating Revenues	\$ 3 817 574
Depreciation Expense	519 705
Operating Income	718 623
Operating Transfers (Out)	(650 000)
Change in Net Assets	613
Fixed Asset Additions	1 219 054
Net Working Capital (Deficiency)	5 023 406
Total Assets	17 407 542
Total Net Assets	10 453 594
Certificates of Obligation Payable	6 290 000

C. Pension Benefits Plan

Plan Description

The City provides pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 821 currently administered by TMRS, an agent multiple-employer public employee retirement system.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and city matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

The plan provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes. Plan provisions for the City were as follows:

Deposit Rate:	7%
Matching Ratio (City to Employee):	2 to 1
A member is vested after	5 years

Members can retire at certain ages, based on the years of service with the City.
The Service Retirement Eligibilities for the City are: 5 years/age 60, 20 years/any age.

Contributions

Under the state law governing TMRS, the actuary annually determines the City's contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City's contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. (i.e. December 31, 2005 valuation is effective for rates beginning January, 2007.)

Schedule of Actuarial Liabilities and Funding Progress

Actuarial Valuation Date	<u>12/31/07</u>	<u>12/31/06</u>	<u>12/31/05</u>	<u>12/31/04</u>	<u>12/31/03</u>	<u>12/31/02</u>
Actuarial Value of Assets	\$ 9 692 705	\$ 8 422 450	\$ 7 708 934	\$ 6 574 522	\$ 6 089 248	\$ 5 866 549
Actuarial Accrued Liability	\$ 17 886 771	\$ 13 639 437	\$ 12 498 234	\$ 10 892 201	\$ 8 999 404	\$ 7 362 413
Percentage Funded	54.2%	61.75%	61.7%	60.4%	67.7%	79.7%
Underfunded (Over-funded) Actuarial Accrued Liability (UAAL)	\$ 8 174 066	\$ 5 216 987	\$ 4 789 300	\$ 4 317 679	\$ 2 910 156	\$ 1 495 864
Annual Covered Payroll	\$ 4 865 428	\$ 4 658 742	\$ 4 536 189	\$ 4 527 284	\$ 4 247 718	\$ 4 003 466
AAL as a Percentage of Covered Payroll	168.0%	111.98%	105.6%	95.4%	68.5%	37.4%
Net Pension Obligation (NPO) at the Beginning of Period	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Annual Pension Cost: Annual required Contribution (ARC)	\$ 691 207	\$ 603 333	\$ 973 887	\$ 867 092	\$ 653 063	\$ 574 383
Contributions Made	\$ 691 207	\$ 603 333	\$ 973 887	\$ 867 092	\$ 653 063	\$ 574 383
Increase in NPO	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
NPO at the End of the Period	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Note: Trend data presented is audited information as of December 31st of the previous year, which is the fiscal year of the Texas Municipal Retirement System.

9. EXPENDITURES OF STATE AWARDS

A “Single Audit” of State of Texas Grant Award Programs was not required by the State of Texas Single Audit Circular for the City of Athens, Texas for the fiscal year ended September 30, 2008.

COMBINING FINANCIAL STATEMENTS

CITY OF ATHENS, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2008

	Airport Fund	Community Improvement Fund	Law Enforcement Grant	TDHCA Home Grant
ASSETS				
Cash and Cash Equivalents	\$ 51 034	\$ 49	\$ 1 586	\$ 422
Receivables (net of allowance for uncollectibles)	166			
Intergovernmental Receivables			767	
Prepaid Items				
Total Assets	<u>\$ 51 200</u>	<u>\$ 49</u>	<u>\$ 2 353</u>	<u>\$ 422</u>
LIABILITIES AND FUND BALANCES				
Due to Other Funds	\$ 731	\$	\$ 2 353	\$ 422
Deposits	2 100			
Total Liabilities	<u>\$ 2 831</u>	<u>\$ 0</u>	<u>\$ 2 353</u>	<u>\$ 422</u>
FUND BALANCES				
Unreserved and Undesignated:				
Reported in the Special Revenue Fund	<u>48 369</u>	<u>49</u>	<u>0</u>	<u>0</u>
Total Fund Balances	<u>48 369</u>	<u>49</u>	<u>0</u>	<u>0</u>
Total Liabilities and Fund Balances	<u>\$ 51 200</u>	<u>\$ 49</u>	<u>\$ 2 353</u>	<u>\$ 422</u>

The accompanying notes are an integral part of this statement.

EXHIBIT A

Domestic Preparedness Grant	Airport Grant Funds	Special Donations Fund	Municipal Court Technology Fund	Local Forfeited Cash	Federal Forfeited Cash	Total Nonmajor Governmental Funds
\$	\$ 13 185	\$ 181 483	\$ 9 499	\$ 7 720	\$ 9 496	\$ 274 474
	22 109					166
						767
						22 109
<u>\$ 0</u>	<u>\$ 35 294</u>	<u>\$ 181 483</u>	<u>\$ 9 499</u>	<u>\$ 7 720</u>	<u>\$ 9 496</u>	<u>\$ 297 516</u>
\$	\$ 13 185	\$ 270	\$	\$	\$	\$ 16 961
						2 100
<u>\$ 0</u>	<u>\$ 13 185</u>	<u>\$ 270</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>\$ 19 061</u>
0	22 109	181 213	9 499	7 720	9 496	278 455
0	22 109	181 213	9 499	7 720	9 496	278 455
<u>\$ 0</u>	<u>35 294</u>	<u>\$ 181 483</u>	<u>9 499</u>	<u>\$ 7 720</u>	<u>\$ 9 496</u>	<u>\$ 297 516</u>

CITY OF ATHENS, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Airport Fund	Community Improvement Fund	Law Enforcement Grant	TDHCA Home Grant
REVENUES:				
Taxes:				
General Sales and Use Taxes	\$	\$ 248 748	\$	\$
Intergovernmental Revenue and Grants			1 376	
Charges for Services	1 319			
Fines				
Investment Earnings	1 149	731		
Rents and Royalties	33 426			
Miscellaneous Revenue				
Contributions & Donation from Private Sources				
Total Revenues	<u>35 894</u>	<u>249 479</u>	<u>1 376</u>	<u>0</u>
EXPENDITURES:				
Current:				
General Government				
Public Safety - Police			3 775	
Public Safety - Fire				
Public Works:				
Highways and Streets	9 219			
Conservation and Development				1 578
Culture and Recreation		249 430		
Debt Service:				
Principal				
Interest				
Capital Outlay:				
Capital Outlay				
Total Expenditures	<u>9 219</u>	<u>249 430</u>	<u>3 775</u>	<u>1 578</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>26 675</u>	<u>49</u>	<u>(2 399)</u>	<u>(1 578)</u>
OTHER FINANCING SOURCES (USES):				
Transfers In			2 399	1 578
Transfers Out (Use)				
Total Other Financing Sources(Uses)	<u>0</u>	<u>0</u>	<u>2 399</u>	<u>1 578</u>
Net Change in Fund Balance	<u>26 675</u>	<u>49</u>	<u>0</u>	
Fund Balance - October 1 (Beginning)	<u>21 694</u>	<u>0</u>		
Fund Balance - September 30 (Ending)	<u>\$ 48 369</u>	<u>\$ 49</u>	<u>\$ 0</u>	<u>\$ 0</u>

The accompanying notes are an integral part of this statement.

EXHIBIT B

Domestic Preparedness Grant	Airport Grants Fund	Special Donations Fund	Municipal Court Technology Fund	Local Forfeited Cash	Federal Forfeited Cash	Total Nonmajor Governmental Funds
\$ 57 903	567 356				\$	\$ 248 748
						626 635
			5 994			1 319
		5 847	228	72	116	5 994
						8 143
				1 303	9 380	33 426
		52 223				10 683
						52 223
<u>57 903</u>	<u>567 356</u>	<u>58 070</u>	<u>6 222</u>	<u>1 375</u>	<u>9 496</u>	<u>987 171</u>
			3 031			3 031
		95				3 870
		33 206				33 206
	47 635					56 854
						1 578
						249 430
			1 045			1 045
			5			5
<u>57 903</u>	<u>583 296</u>	<u>18 460</u>	<u>699</u>			<u>660 358</u>
<u>57 903</u>	<u>630 931</u>	<u>51 761</u>	<u>4 780</u>	<u>0</u>	<u>0</u>	<u>1 009 377</u>
<u>0</u>	<u>(63 575)</u>	<u>6 309</u>	<u>1 442</u>	<u>1 375</u>	<u>9 496</u>	<u>(22 206)</u>
	400			6 345		10 722
						0
<u>0</u>	<u>400</u>	<u>0</u>	<u>0</u>	<u>6 345</u>	<u>0</u>	<u>10 722</u>
	(63 175)	6 309	1 442	7 720	9 496	(11 484)
	85 284	174 904	8 057	0	0	289 939
<u>\$ 0</u>	<u>\$ 22 109</u>	<u>\$ 181 213</u>	<u>\$ 9 499</u>	<u>\$ 7 720</u>	<u>\$ 9 496</u>	<u>\$ 278 455</u>

CITY OF ATHENS, TEXAS
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property	\$ 471 333	\$ 471 333	\$ 464 266	\$ (7 067)
Penalty and Interest	3 500	3 500	2 513	(987)
Investment Income	<u>6 000</u>	<u>6 000</u>	<u>6 866</u>	<u>866</u>
Total Revenues	<u>480 833</u>	<u>480 833</u>	<u>473 645</u>	<u>(7 188)</u>
EXPENDITURES:				
General Government:			119	(119)
Debt Service:				
Principal	322 450	341 309	344 886	(3 577)
Interest	157 383	160 998	161 527	(529)
Fiscal Agent Fees	<u>1 000</u>	<u>1 000</u>	<u>367</u>	<u>633</u>
Total Expenditures	<u>480 833</u>	<u>503 307</u>	<u>506 899</u>	<u>(3 592)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(22 474)	(33 254)	(10 780)
OTHER FINANCING SOURCES (USES)				
Transfers In		<u>22 474</u>	<u>22 474</u>	<u>0</u>
Net Change in fund Balances	0	0	(10 780)	(10 780)
Fund Balance - October 01 (Beginning)	<u>30 477</u>	<u>30 477</u>	<u>30 477</u>	<u>0</u>
Fund Balance - September 30 (Ending)	<u>\$ 30 477</u>	<u>\$ 30 477</u>	<u>\$ 19 697</u>	<u>\$ (10 780)</u>

See accompanying notes to the basic financial statements.

OTHER INDEPENDENT AUDITOR'S REPORTS SECTION

SMITH, LAMBRIGHT & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Marlin R. Smith, CPA
J. W. Lambright, CPA

Cheri E. Kirkland, CPA

P. O. Box 912
505 E. Tyler
Athens, Texas 75751
(903) 675-5674
FAX (903) 675-5676
smithlambright.com

INDEPENDENT AUDITOR'S REPORT

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

City Council
City of Athens, Texas
508 East Tyler Street
Athens, Texas 75751

We have audited the financial statements of The City of Athens, Texas as of and for the year ended September 30, 2008, and have issued our report thereon dated June 29, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered The City of Athens, Texas' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

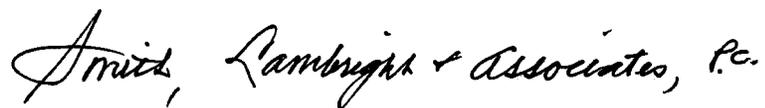
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the City Council, management, federal and state awarding agencies, and pass-through entities, and is not intended to be used and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in cursive script that reads "Smith, Lambright & Associates, P.C.".

SMITH, LAMBRIGHT AND ASSOCIATES, P. C.
Certified Public Accountants
June 29, 2009

SMITH, LAMBRIGHT & ASSOCIATES, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Marlin R. Smith, CPA
J. W. Lambright, CPA

Cheri E. Kirkland, CPA

P. O. Box 912
505 E. Tyler
Athens, Texas 75751
(903) 675-5674
FAX (903) 675-5676
smithlambright.com

INDEPENDENT AUDITOR'S REPORT

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

The Board of Trustees
Trinity Valley Community College
100 Cardinal Drive
Athens, Texas 75751

Members of the Board of Trustees:

Compliance

We have audited the compliance of The City of Athens, Texas with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2008. The City of Athens, Texas' major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of The City of Athens, Texas' management. Our responsibility is to express an opinion on The City of Athens, Texas' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB *Circular A-133 Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB *Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The City of Athens, Texas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on The City of Athens, Texas' compliance with those requirements.

In our opinion, The City of Athens, Texas complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2008.

Internal Control Over Compliance

The management of the City 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 have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

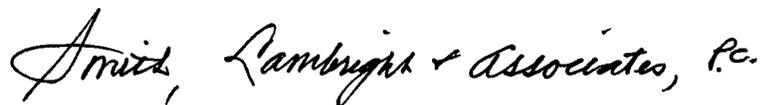
A control deficiency in the City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control.

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 that might be 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.

This report is intended solely for the information and use of the City Council, management, federal awarding agencies and pass-through entities, and is not intended to be used and should not be used by anyone other than these specified parties.

Respectfully submitted,
SMITH, LAMBRIGHT & ASSOCIATES, P. C.

A handwritten signature in cursive script that reads "Smith, Lambright & Associates, P.C.".

Certified Public Accountants
June 29, 2009

SCHEDULES

CITY OF ATHENS, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures and Pass-Through Disbursements
U.S. FEDERAL AVIATION ADMINISTRATION			
Pass Through from Texas Department of Transportation:			
Airport Runway Rehab Design	20.106	6XXAV003	\$ 17 406
Airport Development Grant	20.106	6XXAV004	42 872
Airport Hangar Construction	20.106	6XXAV005	2 410
Airport Runway Rehab	20.106	0810ATHNS	504 669
TOTAL U.S. FEDERAL AVIATION ADMINISTRATION			\$ 567 357
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Pass Through from Texas Department of Housing and Community Affairs:			
First Time Server Grant	14.228	728019	2 900
TOTAL U.S. DEPT. OF HOUSING AN DURBAN DEVELOPMENT			2 900
U.S. DEPARTMENT OF JUSTICE			
Direct:			
Bulletproof Vest Partnership Grant	16.607	-	1 376
TOTAL U.S. DEPARTMENT OF JUSTICE			1 376
U.S. DEPARTMENT OF HOMELAND SECURITY			
Pass Through from Division of Emergency Management, Office of the Governor - Texas:			
Homeland Security Grant	97.073	06-GA-4504-02	57 903
TOTAL U. S. DEPT. OF HOMELAND SECURITY			57 903
TOTAL FEDERAL FINANCIAL ASSISTANCE EXPENDITURES			\$ 629 536

See auditor's reports and notes. The notes to this schedule are on the following pages.

CITY OF ATHENS, TEXAS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008

Note 1: Federal Assistance Reconciliation

Federal Grants Revenues	\$ 629 536
Administration	<u> </u>
Total per Schedule of Expenditures of Federal Awards	<u>\$ 629 536</u>

Note 2: Significant Accounting Policies Used in Preparing the Schedule

The expenditures included in the schedule are reported for the City of Athens, Texas' fiscal year. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported above represent funds which have been expended by the City for the purposes of the award. The expenditures reported above may not have been reimbursed by the funding agencies as of the end of the fiscal year. Some amounts reported in the schedule may differ from amounts used in the preparation of the basic financial statements. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies. The City has followed all applicable guidelines issued by various entities in the preparation of the schedule.

Note 3: Expenditures from Federal Funds Not Subject to A-133 Audit (Single Audit)

None

Note 4: Nonmonetary Federal Assistance Received

None

Note 5: Amounts Passed Through by the College

None

CITY OF ATHENS, TEXAS
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2008

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified
 Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiency (ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards and State Awards

Internal control over major programs:

III. Material weakness(es) identified? _____ Yes X No

IV. Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? _____ Yes X No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal or State Program or Cluster</u>
20.106	Airport - Cluster
Dollar threshold used to distinguish between type A and type B programs:	\$ 300,000
Auditee qualified as low-risk auditee?	_____ Yes <u> X </u> No
City Contact Person	David Hopkins, CPA Director of Finance and Technology; Assistant City Manager

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

STATISTICAL SECTION

TABLE 1

CITY OF ATHENS, TEXAS
TAX LEVIES AND TAX COLLECTIONS
LAST TEN FISCAL YEARS
SEPTEMBER 30, 2008
UNAUDITED

<u>Year of Levy</u>	<u>Adjusted City Tax Levy</u>	<u>Collections to September 30, 2008</u>	<u>Percentage of Total Collections to Adjusted Levy</u>
1998	\$ 1 049 193	\$ 1 048 049	99.89
1999	1 099 579	1 098 110	99.87
2000	1 225 818	1 223 862	99.84
2001	1 281 685	1 278 759	99.77
2002	1 528 056	1 524 496	99.77
2003	1 658 795	1 653 543	99.68
2004	1 747 987	1 740 659	99.58
2005	2 278 838	2 264 028	99.35
2006	2 470 363	2 442 118	98.86
2007	2 624 601	2 551 758	97.24
	<u>\$ 16 964 915</u>	<u>\$ 16 825 382</u>	99.18

The notes to the financial statements are an integral part of this statement.

TABLE 2

CITY OF ATHENS, TEXAS
 SCHEDULE OF GENERAL OBLIGATION BONDS
 AND INTEREST REQUIREMENTS
 BONDS OUTSTANDING AT SEPTEMBER 30, 2008

Series 1998 General Obligation Improvement and Refunding Bonds				
Original Bond Issue \$5,060,000				
Requirements for Fiscal Year Ended	Annual Rate	Principal	Interest	Total Requirements
9-30-09	4.45%	\$ 275 000	\$ 137 112	\$ 412 112
9-30-10	4.50%	290 000	124 875	414 875
9-30-11	4.50%	305 000	111 825	416 825
9-30-12	4.50%	320 000	98 100	418 100
9-30-13	4.50%	335 000	83 700	418 700
9-30-14	4.50%	355 000	68 625	423 625
9-30-15	4.50%	370 000	52 650	422 650
9-30-16	4.50%	390 000	36 000	426 000
9-30-17	4.50%	410 000	18 450	428 450
TOTAL		\$ 3 050 000	\$ 731 337	\$ 3 781 337

The notes to the financial statements are an integral part of this statement.

TABLE 3

CITY OF ATHENS, TEXAS
 SCHEDULE OF CERTIFICATES OF OBLIGATION
 AND INTEREST REQUIREMENTS
 CERTIFICATES OUTSTANDING AT SEPTEMBER 30, 2008

<u>Requirements for Fiscal Year Ended</u>	<u>Taxes and Utility System Surplus Revenue Certificates of Obligation, Series 2000</u>			
	<u>Annual Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
9-30-09	7.75%	\$ 95 000	\$ 86 990	\$ 181 990
9-30-10	7.75%	100 000	79 628	179 628
9-30-11	6.65%	105 000	71 877	176 877
9-30-12	5.00%	115 000	65 000	180 000
9-30-13	5.00%	120 000	59 250	179 250
9-30-14	5.00%	125 000	53 250	178 250
9-30-15	5.00%	135 000	47 000	182 000
9-30-16	5.00%	145 000	40 250	185 250
9-30-17	5.00%	150 000	33 000	183 000
9-30-18	5.00%	160 000	25 500	185 500
9-30-19	5.00%	170 000	17 500	187 500
9-30-20	5.00%	<u>180 000</u>	<u>9 000</u>	<u>189 000</u>
TOTAL		<u>\$ 1 600 000</u>	<u>\$ 588 245</u>	<u>\$ 2 188 245</u>

The notes to the financial statements are an integral part of this statement.

TABLE 4

CITY OF ATHENS, TEXAS
 SCHEDULE OF CERTIFICATES OF OBLIGATION
 AND INTEREST REQUIREMENTS
 CERTIFICATES OUTSTANDING AT SEPTEMBER 30, 2008

Requirements for Fiscal Year Ended	Taxes and Utility System Surplus Revenue Certificates of Obligation, Series 2004			
	Annual Rate	Principal	Interest	Total Requirements
9-30-09	3.75%	\$ 215 000	\$ 186 000	\$ 401 000
9-30-10	3.75%	220 000	177 938	397 938
9-30-11	4.00%	230 000	169 687	399 687
9-30-12	4.00%	240 000	160 488	400 488
9-30-13	4.00%	250 000	150 887	400 887
9-30-14	4.00%	260 000	140 888	400 888
9-30-15	3.50%	270 000	130 487	400 487
9-30-16	3.65%	285 000	121 038	406 038
9-30-17	3.75%	295 000	110 635	405 635
9-30-18	3.85%	305 000	99 573	404 573
9-30-19	3.95%	315 000	87 830	402 830
9-30-20	4.00%	330 000	75 387	405 387
9-30-21	4.10%	345 000	62 188	407 188
9-30-22	4.20%	360 000	48 042	408 042
9-30-23	4.25%	375 000	32 922	407 922
9-30-24	4.30%	<u>395 000</u>	<u>16 985</u>	<u>411 985</u>
TOTAL		<u>\$ 4 690 000</u>	<u>\$ 1 770 975</u>	<u>\$ 6 460 975</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ATHENS, TEXAS
 MISCELLANEOUS STATISTICAL DATA AND OTHER INFORMATION
 SEPTEMBER 30, 2008
 UNAUDITED

Date of Incorporation	1902	
Date City Charter Adopted	December, 1966	
Form of City Government	Council - Administrator	
City Council	Randy Daniel, Mayor Carroll Maberry, Jerry Don Vaught, Elaine Jenkins, Carol Barton	
Other Officials	City Administrator - Pam Burton Assistant City Administrator & Director of Finance/Technology -David Hopkins, CPA City Judge - Elaine Coffman City Secretary - Pam Watson City Attorney - Jack Holland Assistant City Administrator & Director of Public Works/Utilities - Don Herriage Chief of Police - Michael Hill Fire Chief - Dan Barnes	
City Area	19.3 Square Miles	
Miles of Streets	Paved	100
	Graded	2
Fire Protection	Number of Stations	2
	Number of Employees	27
Police Protection	Number of Stations	1
	Number of Policemen	34
Education	Community College	1
	High School	1
	Middle School	2
	Elementary School	4
Hospital	East Texas Medical Center - Athens	
Number of City Employees	122	
Population	<u>Years</u>	<u>Federal Census</u>
	1910	2 261
	1920	3 176
	1930	4 342
	1940	4 765
	1950	5 194
	1960	7 086
	1970	9 553
	1980	10 197
	1990	10 818
	2000	11 297