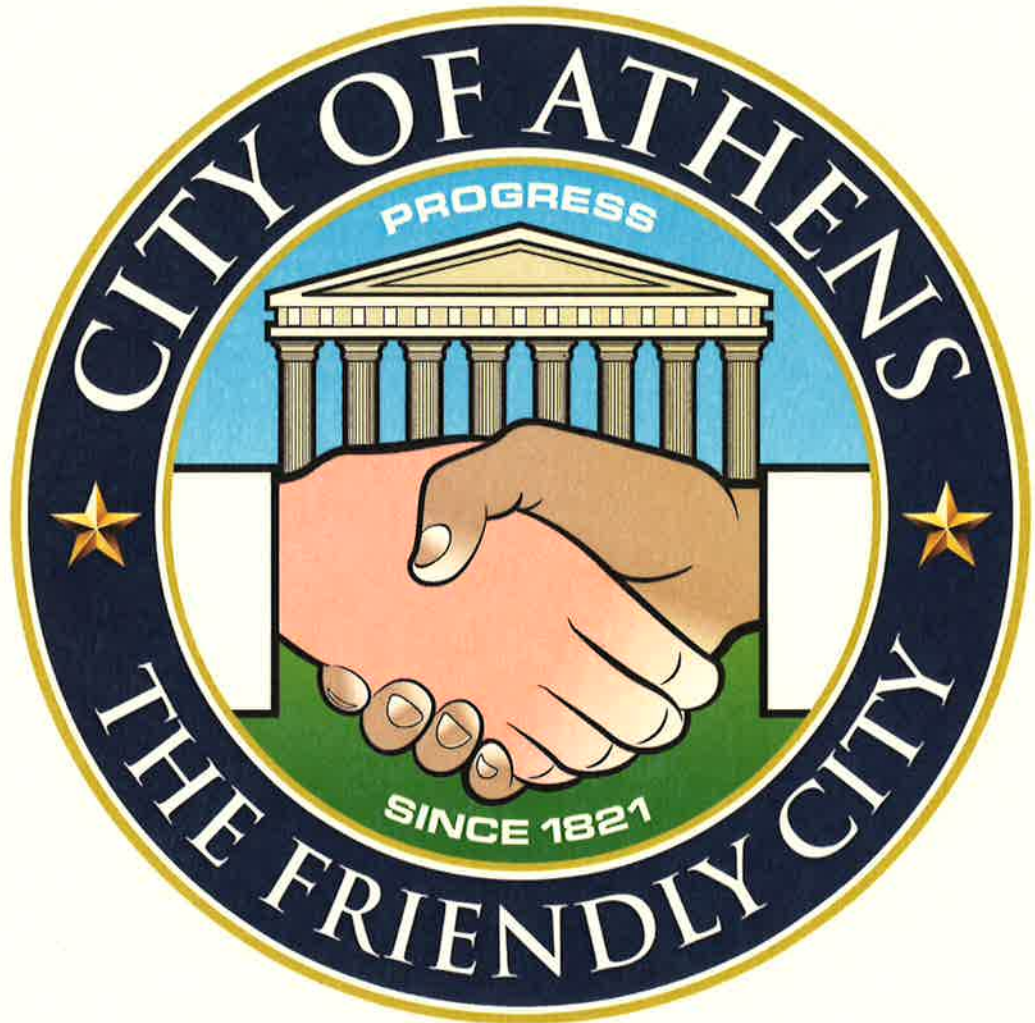


City of Athens, Tennessee



*Comprehensive Annual
Financial Report
For the Year Ended June 30, 2019*

CITY OF ATHENS, TENNESSEE

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**FOR THE YEAR ENDED
JUNE 30, 2019**

**Prepared by:
Department of Finance**

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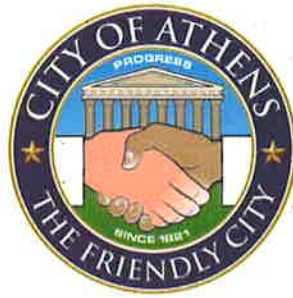
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INTRODUCTORY SECTION



FINANCE DEPARTMENT

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

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Athens for the fiscal year ended June 30, 2019.

This report consists of management's representations concerning the finances of the City of Athens. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Athens has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Athens' financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Athens' comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Athens' financial statements have been audited by Neal, Scouten and McConnell, P.C., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Athens, for the fiscal year ended June 30, 2019, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Athens' financial statements, for the fiscal year ended June 30, 2019, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

MICHAEL L. KEITH, CPA
DIRECTOR OF FINANCE

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

PROFILE OF THE CITY OF ATHENS

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

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

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

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

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

Factors Affecting Financial Condition

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

Local Economy

Major industries located within the City include several automotive parts suppliers, manufacturers of electrical components and plastics, and a producer of dairy products. Denso, the City's largest employer, has expanded three times in the past six years. This increases employment by over 400 employees for this one industry. E&E Manufacturing, Creative Foam and Maxwell Industries have expanded their facilities and hired additional employees. A new retail development is being planned that will include at least four new retail establishments and three outparcels.

The unemployment rate has varied over the past decade. In 2010, the rate was 12.7 percent, with that being the highest rate and the lowest rate being 4.6 percent in 2019. The rate was 4.7 percent for June 2018. By comparison, the state rate was 3.4 percent and the federal rate was 3.7 percent for June 2019.

During the past ten years, the government's expenses related to education have generally increased in both percentage and amount. This is due to the increased state funding for The Basic Education Program (BEP), grants, funding for renovations, an increase in sales tax collections and increases designed to meet the maintenance of effort as required by the state.

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

Long-Term Financial Planning

Include comments about sales tax referendum

Unassigned fund balance in the general fund (84.4 percent of total general fund revenues) has continued to grow for seven of the past ten years. The current year resulted in an increase in the unassigned fund balance. The policy has been to maintain approximately 2 to 3 months of expenditures in fund balance (approximately 17 to 25 percent). In past years the excess has typically been transferred to the capital improvement fund to accumulate funds for large capital items and grant matching funds. These funds are currently being held in the general fund and will be transferred to the capital improvement fund to be used for such items as designated by the council.

The City has identified approximately \$40,000,000 in capital funding items. The policy for the City has been to fund many of these types of projects with grant monies or the funds accumulated in the capital improvement fund. The City continues to do stream mitigation work and storm water projects to improve water quality in the local creeks and streams. The City and McMinn County, with assistance from the Athens Parks Foundation, have been making improvements to the Eureka Trail, which is 4.8 miles of abandoned rail line purchased from CSX and are working on an extension of the trail to Englewood. A splash pad is under contract to be built at the Athens Regional Park in the coming year.

In August of 2019 the voters in Athens approved a \$.75 increase in the local option sales tax. The City Council designated the first \$1,000,000 collected annually to go toward a school building project. Plans are to construct a \$30,000,000 The Athens City Schools and the City Council continue to work on options for new school construction and/or renovations to existing buildings. Costs are expected to

exceed \$40 million. The City Council has spent considerable time reviewing various options presented by the Schools and is working to determine the best answer for this request.

Relevant Financial Policies

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

Major Initiatives

The City has been working with Retail Strategies to promote the City and develop relationships with retail businesses to encourage opening a location in Athens. A housing task force was created to work on increasing the residential housing market as well. Workforce development has been a focus of the City, McMinn County and the Economic Development Authority to have trained workers for local employers. Tennessee Wesleyan University in cooperation with the City and McMinn County created The LITE House to assist entrepreneurs in developing their ideas.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Athens for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2018. This was the twenty-seventh consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this CAFR on a timely basis was made possible by the dedicated service of the entire staff of the finance department, in addition to the City's independent certified public accountants. Credit must also be given to the mayor, city council, and the city manager for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Athens' finances.

Respectfully submitted,

Michael L. Keith, CPA
Director of Finance

December 26, 2019



Government Finance Officers Association

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

Presented to

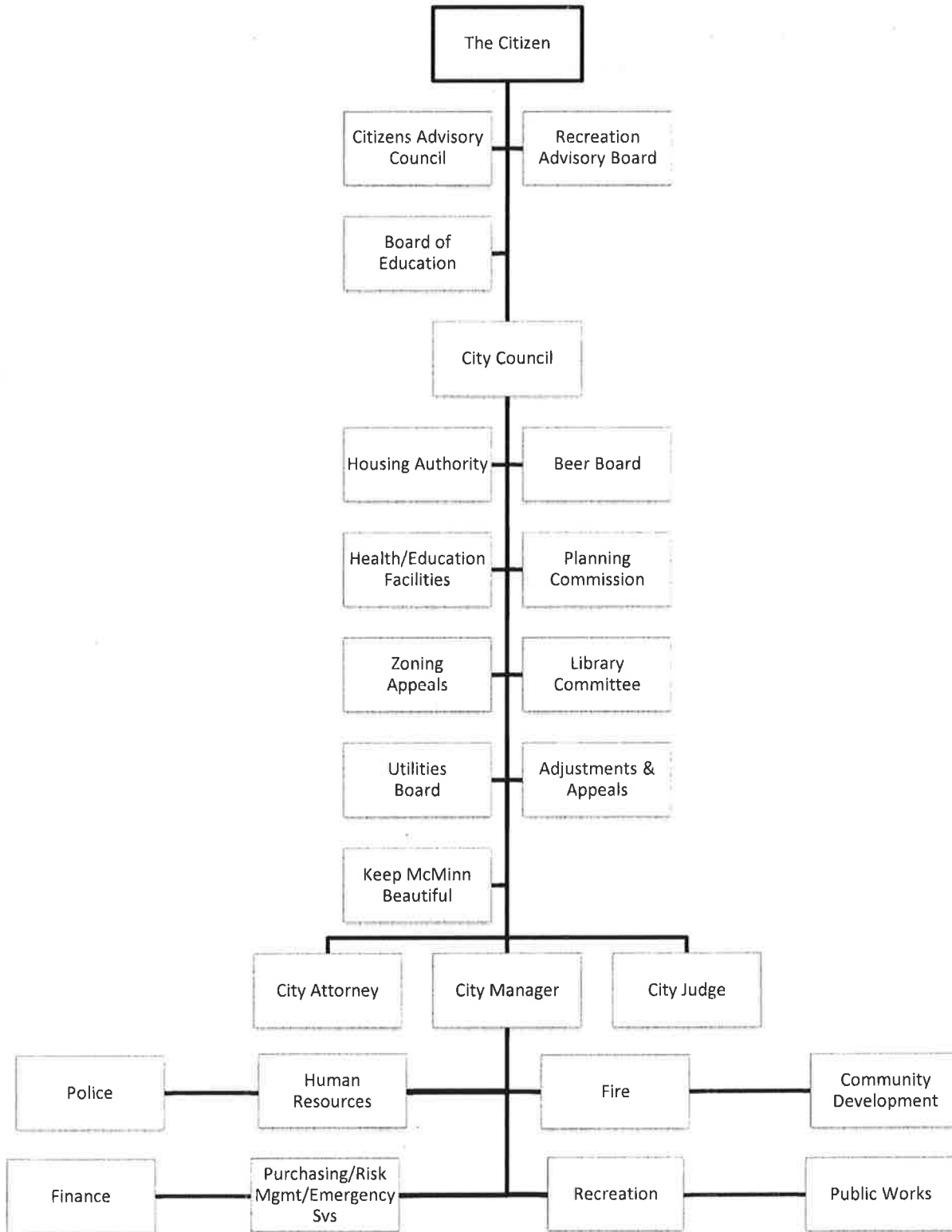
**City of Athens
Tennessee**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morrill

Executive Director/CEO



CITY OF ATHENS, TENNESSEE
LIST OF PRINCIPAL OFFICIALS
June 30, 2019

City of Athens

Chuck Burris
William Bo Perkinson
John Coker
Dick Pelley
Mark Lockmiller

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

Mayor
Vice-Mayor
Council Member
Council Member
Council Member

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

Athens City Board of Education

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

Dr. Melanie Miller
Melody Armstrong
Bob Harrison
Andrew Kimball
Molly McLean
Angie Newman
Robert Owens
Traci Bryant

Chairman
Vice-Chairman
Secretary
Treasurer
Board Member
Board Member

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

Athens Utilities Board

Stan Harrison
Tom Hughes
John Coker
Lou Pascarella
Bob Sevigny

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

Chairman
Vice-Chairman
Board Member
Board Member
Board Member

General Manager
Superintendent of Accounting
Superintendent of Power
Superintendent of Gas
Superintendent of Water/Wastewater
Assistant General Manager
Director of Management Service

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FINANCIAL SECTION

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

Report of Independent Certified Public Accountants
on Financial Statements

To the City Council
City of Athens
Athens, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Athens, Tennessee, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Athens, Tennessee, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and General Purpose School Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages B-1 through B-10 and other required supplemental information on pages 91 through 101 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Athens, Tennessee's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements on pages 102 through 103, the budgetary comparison schedules on pages 104 through 106, combining and individual internal service fund financial statements on pages 107 through 109, the statistical section and the financial schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the budgetary comparison schedules, combining and individual internal service fund financial statements and the financial schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 26, 2019, on our consideration of the City of Athens, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Athens, Tennessee's internal control over financial reporting and compliance.

Neal, Scooter & McConnell, P.C.

Chattanooga, Tennessee
December 26, 2019

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City of Athens, Tennessee
Management's Discussion and Analysis
June 30, 2019

As management of the City of Athens, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Athens for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in pages A-1 to A-4 of this report.

Financial Highlights

- The assets and deferred outflows of the City of Athens exceeded its liabilities and deferred inflows at June 30, 2019 by \$53,427,978 (net position). Of this amount, \$30,334,555 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- Net position increased by \$3,631,739, an increase of 7.29% compared to fiscal year 2018 total net position. The City of Athens' changes in net position is detailed in the chart on page B-6 of this report. Total revenues increased \$1,198,049, primarily due to an increase in intergovernmental revenues. Expenses increased \$2,746,057 primarily due to passthrough grants and education.
- The City's property tax rate decreased to \$1.2676 per hundred dollars of assessment.
- The City's residential sanitation fee remained at \$9.50 per month.
- As of the close of the current fiscal year, the City of Athens' governmental funds reported combined ending fund balances of \$25,002,478.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$13,947,862 or 118.12% of total General Fund expenditures. Expenditures do not include transfers to other funds, which totaled \$2,485,000 in the City's General Fund. The percentage drops to 97.58% if transfers are included with the total expenditures. This demonstrates the City's fiscal discipline and places the City in a strong financial position to meet unexpected emergencies, uncertainties at the State level or slowdowns in the economy.

Overview of the Financial Statements

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

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

The *statement of net position* presents information on all of the City of Athens' assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Athens is improving or deteriorating.

City of Athens, Tennessee
Management's Discussion and Analysis
June 30, 2019

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

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

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

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

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

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

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

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

City of Athens, Tennessee
Management's Discussion and Analysis
June 30, 2019

Improvement Fund, which are considered to be major funds. Data from the other four governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining and individual statements later in this report beginning on page 102.

The City of Athens adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the General Fund, the General Purpose School Fund and the Federal Projects Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 6-9 of this report.

Proprietary funds. The City of Athens maintains two different types of proprietary funds: enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Athens uses enterprise funds to account for its Southeast Tennessee Trade and Conference Center operations and sanitation services. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Athens' various functions. The City of Athens uses one internal service fund to account for its fleet of vehicles and another for employee medical benefits. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for the Southeast Tennessee Trade and Conference Center operations and the Sanitation Fund, both of which are considered to be major funds of the City of Athens. The internal service funds are presented in the proprietary fund financial statement. Individual data for each of the internal service funds is provided in the form of combining statements later in this report beginning on page 107.

The basic proprietary fund financial statements can be found on pages 15-17 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Athens' own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Athens Pension Trust Fund is the one fiduciary maintained by the City and is shown on pages 18 and 19 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 20-90 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Athens' progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 91-101 of this report.

City of Athens, Tennessee
Management's Discussion and Analysis
June 30, 2019

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual nonmajor governmental fund statements and schedules are found on pages 102-106 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Athens, assets exceeded liabilities by \$53,427,978 at the close of this fiscal year.

The largest portion of the City of Athens net position (56.8%) is unrestricted net position and may be used to meet the government's ongoing obligations to its citizens and creditors. The City has also accumulated funds for capital project needs as approved by Council and debt service. The net investment in capital assets (40.7% of net position) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any debt used to acquire those assets that is still outstanding. The City of Athens uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City of Athens' investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Restricted net position comprises 2.5% of net position. These resources are subject to external restrictions on how they may be used.

At June 30, 2019, the City of Athens is able to report positive balances in all categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities and its component units.

**City of Athens, Tennessee
Management's Discussion and Analysis
June 30, 2019**

**City of Athens
Net Position**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$41,133,814	\$39,115,959	\$2,695,165	\$2,385,284	\$43,828,979	\$41,501,243
Capital assets	20,857,369	19,491,006	899,650	1,068,385	21,757,019	20,559,391
Total assets	61,991,183	58,606,965	3,594,815	3,453,669	65,585,998	62,060,634
Deferred Outflows of Resources:	1,951,179	1,882,348	-	-	1,951,179	1,882,348
Long-term liabilities	1,802,450	2,319,873	-	17,410	1,802,450	2,337,283
Other liabilities	2,282,567	2,242,975	31,767	25,797	2,314,334	2,268,772
Total liabilities	4,085,017	4,562,848	31,767	43,207	4,116,784	4,606,055
Deferred Inflows of Resources:	9,983,224	9,529,411	9,191	11,277	9,992,415	9,540,688
Net investment in capital assets	20,849,207	19,491,006	899,650	1,068,385	21,748,857	20,559,391
Restricted	1,344,566	918,557	-	-	1,344,566	918,557
Unrestricted	27,680,348	25,987,491	2,654,207	2,330,800	30,334,555	28,318,291
Total net position	\$49,874,121	\$46,397,054	\$3,553,857	\$3,399,185	\$53,427,978	\$49,796,239

City of Athens' Changes in Net Position

Governmental activities. Governmental activities increased the City of Athens' net position by \$3,477,067 which accounts for the majority of the increase in the net position for the City of Athens. This increase is less than the prior year and results from total revenues continuing to exceed total expenses as in the prior year.

Business-type activities. Business-type activities increased the City of Athens' net position by \$154,672. This increase was due primarily to the operations in the Sanitation Fund.

City of Athens, Tennessee
Management's Discussion and Analysis
June 30, 2019

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

Revenues:

Program revenues:

Charges for services	\$ 766,585	\$ 888,709	\$ 1,007,829	\$ 981,258	\$ 1,774,414	\$ 1,869,967
Operating grants and contributions	4,201,316	5,011,745	-	-	4,201,316	5,011,745
Capital grants and contributions	1,459,594	344,456	-	-	1,459,594	344,456

General revenues:

Property taxes	8,194,198	7,916,052	-	-	8,194,198	7,916,052
Other taxes	7,457,073	7,211,960	-	-	7,457,073	7,211,960

Intergovernmental revenues not

restricted to specific programs	11,078,464	10,483,650	-	-	11,078,464	10,483,650
Other	589,374	740,900	51,658	29,312	641,032	770,212
Total revenues	33,746,604	32,597,472	1,059,487	1,010,570	34,806,091	33,608,042

Expenses:

General government	4,189,942	2,615,251	-	-	4,189,942	2,615,251
Public safety	4,571,553	4,258,395	-	-	4,571,553	4,258,395
Highways and streets	2,478,087	2,342,509	-	-	2,478,087	2,342,509
Culture and recreation	1,469,977	1,241,870	-	-	1,469,977	1,241,870
Education	17,406,885	17,032,100	-	-	17,406,885	17,032,100
Health and welfare	153,093	104,309	-	-	153,093	104,309
Conference center	-	-	77,790	74,280	77,790	74,280
Sanitation	-	-	827,025	759,581	827,025	759,581

Total expenses	30,269,537	27,594,434	904,815	833,861	31,174,352	28,428,295
Change in net position	3,477,067	5,003,038	154,672	176,709	3,631,739	5,179,747
Net position, beginning of year	46,397,054	41,394,016	3,399,185	3,222,476	49,796,239	44,616,492
Net position, end of year	\$ 49,874,121	\$ 46,397,054	\$ 3,553,857	\$ 3,399,185	\$ 53,427,978	\$ 49,796,239

Financial Analysis of the City's Funds

As noted earlier, the City of Athens' uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Athens' governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Athens' financing requirements. The unassigned fund balance may serve as a useful measure of a government's net resources available at the end of the fiscal year for future unforeseen emergencies.

As of the end of the current fiscal year, the City of Athens' governmental funds reported combined ending fund balances of \$25,002,478, an increase of \$300,894 in comparison to the prior year. Approximately

City of Athens, Tennessee
Management's Discussion and Analysis
June 30, 2019

55.8% of this total amount (\$13,947,862) constitutes unassigned fund balance, which is available for spending at the government's discretion. Pursuant to GASB Statement No. 54, the remainder of fund balance is classified as to: nonspendable -\$212,968; restricted for a specific purpose by external constraint or enabling legislation -\$480,970 (law enforcement - \$89,567; basic education - \$38,925; cemetery perpetual care - \$230,173; Drug Fund - \$122,305); committed for a specific purpose per action of the City Council - \$6,311,583 (law enforcement - \$20,782; capital projects - \$5,250,964; education capital projects - \$1,024,247; Drug Fund - \$15,590); or assigned – intended by the City to be used for a specific purpose - \$4,049,095 (education - \$3,817,647; cafeteria operations - \$231,448).

The General Fund is the chief operating fund of the City of Athens. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$13,947,862. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total General Fund expenditures. Unassigned fund balance represents 118.12% of total fund expenditures, but represents 97.58% when compared to total fund expenditures and transfers to other funds (General Purpose School Fund and Capital Improvement Fund).

The fund balance of the City of Athens' General Fund increased by \$2,225,002 during the current fiscal year. Revenues increased by \$601,447 while expenditures increased by \$1,181,386 before transfers to other funds. Property taxes, local sales tax and interest earnings increased, while state income tax and court fines decreased over the prior year. The transfer to the Athens City Schools remained consistent with the prior year. The transfer to the Capital Projects Fund decreased by \$320,000.

The fund balance of the General Purpose School Fund decreased by \$831,880. Much of this was due to salaries and benefits previously funded by grants in the Federal Projects Fund included in this fund.

The Capital Improvement Fund has a total fund balance of \$5,250,964. The net decrease was \$985,821 due to the \$370,000 transfer from the General Fund. Capital items consisted of sidewalk improvements, recreation projects, funding for building a workforce development center, Denso Eco Park and renovations of the Municipal Building. Some of the items were funded by grants and proceeds from the sale of electricity generated by the City-owned solar panels.

Proprietary funds. The City of Athens' proprietary funds provide the same type of information in the government-wide financial statements, but with more detail.

Unrestricted net position at the end of the year amounted to \$37,535 for the Conference Center Fund, \$2,616,672 for the Sanitation Fund, \$3,967,955 for the Fleet Management Fund and \$372,810 for the Employee Medical Benefits Fund.

City of Athens, Tennessee
Management's Discussion and Analysis
June 30, 2019

General Fund Budgetary Highlights

Differences in the original budget and the final amended budget for revenues were \$173,000 and consisted of increases in local sales taxes, recreation concessions, recreation programs, interest and grant revenues. Differences between the original budget and the final amended budgeted expenditures, including transfers, were \$975,000 and are summarized below:

\$594,000 for paving, fixed assets and guardrail for public works

\$36,000 for fixed assets in the police department.

\$240,000 for various maintenance projects, concessions, programs and pool items in parks and recreation.

\$35,000 for fixed assets in the fire department.

\$60,000 for demolition of condemned structures and \$10,000 for legal fees.

Final actual revenues exceeded amended budgeted revenues by \$1,110,586 and significant variances are summarized below:

\$449,073 more in property taxes.

\$350,076 more in other local taxes primarily because of the local sales tax, in lieu of taxes, wholesale beer taxes and wholesale liquor taxes.

\$206,387 more in intergovernmental revenues due to state sales tax, state excise tax, state gas tax and reimbursements from other governments.

\$5,146 less in charges for services due to building permits and concessions.

\$35,094 more in fines and forfeitures.

\$59,003 more in interest.

\$16,099 more in miscellaneous revenues.

Final amended budgeted expenditures, including transfers, exceeded actual expenditures by \$1,916,416 and are summarized below:

\$237,105 in general government expenditures, related primarily to only hiring a new employee for City Hall for half of the year, contracts for planning services not being completed and an employee vacancy in community development.

\$194,626 in public safety expenditures, primarily due to vacancies in police and fire and related employee benefits.

**City of Athens, Tennessee
Management's Discussion and Analysis
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\$1,390,062 in highways and streets due to traffic signals and loop repairs, sidewalk repairs and paving not completed in the current year.

\$90,474 in parks and recreation primarily due to engineering services not completed in the current year, an employee vacancy and fixed asset purchases not completed.

\$18,419 in health due to various items in animal control.

Capital Asset and Debt Administration

Capital assets. The City of Athens' investment in capital assets for its governmental and business-type fund activities as of June 30, 2019, was \$21,748,857 (net of accumulated depreciation). This investment in capital assets includes land, buildings, other improvements, equipment, and infrastructure.

Major capital asset events during the current fiscal year consisted primarily of the purchase of machinery and equipment for the various city departments and completing the splashpad at Regional Park.

**City of Athens
Capital Assets**

City of Athens' Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Buildings and improvements	\$22,030,209	\$21,566,442	\$1,517,930	\$1,517,930	\$23,548,139	\$23,084,372
Infrastructure	10,164,759	9,665,030	-	-	10,164,759	9,665,030
Furniture and office equipment	4,365,510	3,967,720	29,864	29,864	4,395,374	3,997,584
Machinery and equipment	9,182,513	7,633,410	1,705,006	1,696,132	10,887,519	9,329,542
Land	3,221,556	3,221,556	34,500	34,500	3,256,056	3,256,056
Construction in progress	239,523	696,537	-	-	239,523	696,537
	<u>\$49,204,070</u>	<u>\$46,750,695</u>	<u>\$3,287,300</u>	<u>\$3,278,426</u>	<u>\$52,491,370</u>	<u>\$50,029,121</u>

Additional information on the City of Athens' capital assets can be found in Note 2 on pages 36-39 of this report.

Long-term debt. At the end of the current fiscal year, the City of Athens had no bonded debt outstanding. The Athens Utilities Board has debt outstanding totaling \$24,127,696 to be repaid by user fees and Board funds. In the event of default, the City is required to establish ad valorem taxes to repay the outstanding debt. Detailed information on long-term debt activity can be found in Note 3 on pages 40-41 of this report.

**City of Athens, Tennessee
Management's Discussion and Analysis
June 30, 2019**

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

Economic Factors and Next Year's Budgets and Rates

The unemployment rate for the City of Athens is currently 4.6%, which is a decrease from the rate of 4.7% a year ago. Athens' rate is higher than the federal rate and the state rate.

Revenues were expected to increase by approximately 4.2% due to property taxes, local sales tax and state gas taxes. Management has been conservative in estimating all revenues for 2019-2020 and expenditures increased due salaries and related benefits and the funding of additional computer related items due to the hiring of a full-time IT employee. The property tax rate remained at \$1.2676 and the monthly residential refuse fee remained at \$9.50.

Requests for Information

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

**BASIC FINANCIAL
STATEMENTS**

CITY OF ATHENS, TENNESSEE
STATEMENT OF NET POSITION
June 30, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Proprietary
				Athens Utilities Board
ASSETS AND DEFERRED OUTFLOWS				
ASSETS				
Cash and cash equivalents	\$ 7,286,086	\$ 256,842	\$ 7,542,928	\$ 23,582,716
Investments	21,675,741	2,321,034	23,996,775	-
Receivables:				
Customers, net	-	28,775	28,775	5,956,023
Other	77,160	-	77,160	327,846
Property taxes, net	8,760,106	-	8,760,106	-
Other governments	2,387,610	-	2,387,610	-
Component unit/primary government	-	87,343	87,343	52,708
Prepaid items	-	-	-	160,618
Inventories	128,779	-	128,779	2,454,388
Net pension asset	779,407	1,171	780,578	-
Restricted stabilization reserve	38,925	-	38,925	-
Capital assets, net of depreciation	17,396,290	865,150	18,261,440	109,265,372
Nondepreciable capital assets	3,461,079	34,500	3,495,579	5,886,760
Total assets	<u>61,991,183</u>	<u>3,594,815</u>	<u>65,585,998</u>	<u>147,686,431</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to OPEB	213,253	-	213,253	-
Deferred outflows related to pensions	1,737,926	-	1,737,926	2,902,350
Total assets and deferred outflows	<u>\$ 63,942,362</u>	<u>\$ 3,594,815</u>	<u>\$ 67,537,177</u>	<u>\$ 150,588,781</u>
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION				
LIABILITIES				
Accounts payable	\$ 874,192	\$ 26,801	\$ 900,993	\$ 4,586,227
Retainage payable	8,162	-	8,162	9,894
Accrued payroll and withholdings	1,260,065	4,966	1,265,031	-
Retirement plan	-	-	-	800,000
Due to component unit/primary government	52,708	-	52,708	87,343
Other current liabilities	-	-	-	812,852
Unearned revenues	87,440	-	87,440	78,400
Customer deposits	-	-	-	635,060
Long-term liabilities:				
Due within one year	200,650	-	200,650	1,614,530
Due in more than one year	86,535	-	86,535	22,513,166
Net pension liability	37,692	-	37,692	4,272,015
OPEB liability	1,477,573	-	1,477,573	-
Total liabilities	<u>4,085,017</u>	<u>31,767</u>	<u>4,116,784</u>	<u>35,409,487</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to property tax	8,164,992	-	8,164,992	-
Deferred inflows related to OPEB	347,061	-	347,061	-
Deferred inflows related to pensions	1,471,171	9,191	1,480,362	320,280
Total deferred inflows	<u>9,983,224</u>	<u>9,191</u>	<u>9,992,415</u>	<u>320,280</u>
NET POSITION				
Net investment in capital assets	20,849,207	899,650	21,748,857	91,014,542
Restricted for:				
General	89,567	-	89,567	-
Drug	122,305	-	122,305	-
Education	38,925	-	38,925	-
Pensions	779,407	-	779,407	-
Cemetery perpetual care:				
Nonexpendable	84,189	-	84,189	-
Expendable	230,173	-	230,173	-
Unrestricted	<u>27,680,348</u>	<u>2,654,207</u>	<u>30,334,555</u>	<u>23,844,472</u>
Total net position	<u>49,874,121</u>	<u>3,553,857</u>	<u>53,427,978</u>	<u>114,859,014</u>
Total liabilities, deferred inflows, and net position	<u>\$ 63,942,362</u>	<u>\$ 3,594,815</u>	<u>\$ 67,537,177</u>	<u>\$ 150,588,781</u>

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

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CITY OF ATHENS, TENNESSEE
STATEMENT OF ACTIVITIES
Year Ended June 30, 2019

Functions/Programs	Net Revenues (Expenses) and Changes in Net Position							Component Unit
	Program Revenues			Primary Government			Total	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Athens Utilities Board		
Primary government:								
Governmental activities:								
General government	\$ 4,189,942	\$ 89,789	\$ 812,386	\$ (3,227,579)	\$ -	\$ (3,227,579)	\$ -	
Public safety	4,571,553	227,013	-	(4,281,449)	-	(4,281,449)	-	
Highways and streets	2,478,087	-	313,997	(1,644,600)	-	(1,644,600)	-	
Culture and recreation	1,469,977	132,712	333,211	(1,004,054)	-	(1,004,054)	-	
Education:								
Instructional	9,949,243	54,531	-	(8,039,906)	-	(8,039,906)	-	
Support services	5,927,090	203,862	-	(5,093,546)	-	(5,093,546)	-	
Non-instructional	1,171,125	56,746	-	(71,739)	-	(71,739)	-	
Unallocated depreciation	359,427	-	-	(359,427)	-	(359,427)	-	
Health and welfare	153,093	1,932	-	(119,742)	-	(119,742)	-	
Total governmental activities	30,269,537	766,585	1,459,594	(23,842,042)	-	(23,842,042)	-	
Business-type activities:								
Conference center	77,790	41,739	-	-	(36,051)	(36,051)	-	
Sanitation	827,025	966,090	-	-	139,065	139,065	-	
Total business-type activities	904,815	1,007,829	-	-	103,014	103,014	-	
Total primary government	\$ 31,174,352	\$ 1,774,414	\$ 1,459,594	(23,842,042)	103,014	(23,739,028)	\$ -	
Component unit:								
Public utilities	\$ 66,550,979	\$ 69,238,167	\$ 472,403	\$ -	\$ -	\$ 3,159,591	\$ 3,159,591	
Total component unit	\$ 66,550,979	\$ 69,238,167	\$ 472,403	\$ -	\$ -	\$ 3,159,591	\$ 3,159,591	
General revenues:								
Property taxes				8,194,198	-	8,194,198	-	
Local sales tax				4,821,329	-	4,821,329	-	
In lieu of taxes				1,201,185	-	1,201,185	-	
Wholesale beer tax				493,351	-	493,351	-	
Wholesale liquor tax				237,433	-	237,433	-	
Other local taxes				703,775	-	703,775	-	
Intergovernmental revenues not restricted to specific programs				11,078,464	-	11,078,464	-	
Investment income				458,095	44,842	502,937	221,951	
Gain (loss) on disposal of capital assets				(4,384)	-	(4,384)	(32,174)	
Insurance proceeds				3,594	-	3,594	17,570	
Miscellaneous				132,069	6,816	138,885	(48,041)	
Total general revenues				27,319,109	51,658	27,370,767	159,306	
Change in net position				3,477,067	154,672	3,631,739	3,318,897	
Net position, beginning of year				46,397,054	3,399,185	49,796,239	111,540,117	
Net position, end of year				\$ 49,874,121	\$ 3,553,857	\$ 53,427,978	\$ 114,859,014	

**CITY OF ATHENS, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019**

	General	General Purpose School	Capital Projects Fund Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,809,869	\$ 3,974,681	\$ 136,052	\$1,332,930	\$ 7,253,532
Investments	11,739,847	-	5,208,547	431,553	17,379,947
Receivables:					
Property taxes, net	6,992,114	1,767,992	-	-	8,760,106
Other governments	1,317,516	637,769	45,934	386,391	2,387,610
Interfund	5,948	615,409	-	-	621,357
Other	64,742	-	-	-	64,742
Inventories	101,813	-	-	26,966	128,779
Restricted stabilization reserve	-	38,925	-	-	38,925
Total assets	<u>\$ 22,031,849</u>	<u>\$ 7,034,776</u>	<u>\$5,390,533</u>	<u>\$2,177,840</u>	<u>\$36,634,998</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 368,143	\$ 449,612	\$ 56,436	\$ -	\$ 874,191
Retainage payable	-	-	8,162	-	8,162
Interfund payable	360,000	5,948	-	255,409	621,357
Accrued payroll and withholdings	117,900	954,652	-	187,513	1,260,065
Due to component unit	52,708	-	-	-	52,708
Unearned revenues	576,074	-	74,971	-	651,045
Total liabilities	1,474,825	1,410,212	139,569	442,922	3,467,528
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to property taxes	6,397,000	1,767,992	-	-	8,164,992
	<u>7,871,825</u>	<u>3,178,204</u>	<u>139,569</u>	<u>442,922</u>	<u>11,632,520</u>
FUND BALANCES					
Nonspendable	101,813	-	-	111,155	212,968
Restricted	89,567	38,925	-	352,478	480,970
Committed	20,782	-	5,250,964	1,039,837	6,311,583
Assigned	-	3,817,647	-	231,448	4,049,095
Unassigned	13,947,862	-	-	-	13,947,862
Total fund balances	<u>14,160,024</u>	<u>3,856,572</u>	<u>5,250,964</u>	<u>1,734,918</u>	<u>25,002,478</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 22,031,849</u>	<u>\$ 7,034,776</u>	<u>\$5,390,533</u>	<u>\$2,177,840</u>	<u>\$36,634,998</u>

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

CITY OF ATHENS, TENNESSEE
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
June 30, 2019

Total fund balances		\$ 25,002,478
Amounts for governmental activities in the statement of net position are different because:		
Capital assets and related accumulated depreciation are not financial resources or uses and not reported in the funds.		
Capital assets	\$ 43,268,859	
Accumulated depreciation	<u>(24,971,485)</u>	18,297,374
Certain property taxes and intergovernmental revenues are not available to pay for current period expenditures and therefore are deferred in the funds.		
Property taxes	526,205	
Intergovernmental revenue	<u>37,400</u>	563,605
Net pension asset		779,407
Net pension liability		(37,692)
Deferred outflows related to pensions		1,737,926
Deferred inflows related to pensions		(1,471,171)
Deferred outflows related to OPEB		213,253
Deferred inflows related to OPEB		(347,061)
Certain liabilities are not considered a use of current financial resources in the funds.		
Compensated absences	(231,931)	
OPEB liability	(1,477,573)	
Sick leave liability	<u>(55,254)</u>	(1,764,758)
Internal service funds are used by management to charge the cost of internal services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		
Cash	32,554	
Accounts receivable	12,417	
Investments	4,295,794	
Capital assets	5,935,211	
Accumulated depreciation	<u>(3,375,216)</u>	
		<u>6,900,760</u>
Net position		<u>\$ 49,874,121</u>

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

CITY OF ATHENS, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2019

	General	General Purpose School	Capital Projects Fund Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 6,244,073	\$ 1,827,376	\$ -	\$ -	\$ 8,071,449
Other local taxes	7,457,076	1,416,321	-	-	8,873,397
Intergovernmental	2,145,387	9,335,787	1,136,087	2,365,250	14,982,511
Charges for services	221,854	258,393	-	59,325	539,572
Fines and forfeitures	205,094	-	-	21,919	227,013
Investment and interest income	189,003	27,323	125,839	24,453	366,618
Miscellaneous	52,505	24,676	57,596	1,650	136,427
Total revenues	<u>16,514,992</u>	<u>12,889,876</u>	<u>1,319,522</u>	<u>2,472,597</u>	<u>33,196,987</u>
EXPENDITURES					
Current:					
General government	2,660,795	-	-	-	2,660,795
Public safety	5,151,074	-	-	58,619	5,209,693
Highways and streets	2,399,538	-	-	-	2,399,538
Culture and recreation	1,432,126	-	-	-	1,432,126
Education	-	16,156,956	-	2,514,552	18,671,508
Health and welfare	165,051	-	-	-	165,051
Capital outlay	-	-	2,545,343	59,833	2,605,176
Total expenditures	<u>11,808,584</u>	<u>16,156,956</u>	<u>2,545,343</u>	<u>2,633,004</u>	<u>33,143,887</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>4,706,408</u>	<u>(3,267,080)</u>	<u>(1,225,821)</u>	<u>(160,407)</u>	<u>53,100</u>
OTHER FINANCING SOURCES (USES)					
Transfers	(2,485,000)	2,435,000	50,000	-	-
Proceeds from sale of property	-	200	-	-	200
Insurance proceeds	3,594	-	-	-	3,594
Capital contributions	-	-	190,000	54,000	244,000
Total other financing sources (uses)	<u>(2,481,406)</u>	<u>2,435,200</u>	<u>240,000</u>	<u>54,000</u>	<u>247,794</u>
NET CHANGE IN FUND BALANCES	2,225,002	(831,880)	(985,821)	(106,407)	300,894
FUND BALANCES, beginning of year	<u>11,935,022</u>	<u>4,688,452</u>	<u>6,236,785</u>	<u>1,841,325</u>	<u>24,701,584</u>
FUND BALANCES, end of year	<u>\$14,160,024</u>	<u>\$ 3,856,572</u>	<u>\$ 5,250,964</u>	<u>\$ 1,734,918</u>	<u>\$ 25,002,478</u>

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

**CITY OF ATHENS, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2019**

Net change in fund balances		\$ 300,894
Amounts for governmental activities included in the statement of activities are different because:		
Property taxes are recognized as revenue in the period for which they are levied in the statement of activities while funds recognize revenue when collected and available.		
Current year levy	\$ 6,123,146	
Fund revenue recognized	<u>(6,000,397)</u>	122,749
Intergovernmental revenues that do not provide current financial resources are not reported as revenue in the funds.		
State income tax-full accrual	102,715	
State beer tax-full accrual	6,230	
Collected fund revenue	<u>(115,945)</u>	(7,000)
Funds report capital outlays as expenditures. Asset cost is capitalized and allocated over the estimated useful lives as depreciation expense in the statement of activities.		
Capital asset expenditures in the current period	2,137,460	
Net book value of capital assets retired	(4,584)	
Less current year depreciation	<u>(1,090,021)</u>	1,042,855
Internal service funds are used by management to charge the cost of internal services to individual funds. The change in net position of the internal service funds is reported with governmental activities.		
		456,623
Funds report proceeds from the issuance of long-term debt as financing sources and the related liabilities as expenditures when paid, but the proceeds and payments are recorded through a liability in the statement of net position.		
Net change in compensated absences	(9,540)	
Net change in sick leave liability	<u>(5,394)</u>	(14,934)
Pension expense in funds not expensed in government-wide		1,475,423
Negative pension expense not recognized in funds		6,466
OPEB expense not recognized in funds		(6,301)
OPEB expense in fund not expensed in government-wide		101,363
OPEB revenue in government-wide not in funds		1,008
Expense reported in government-wide not in funds		<u>(2,079)</u>
Change in net position		<u>\$ 3,477,067</u>

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

CITY OF ATHENS, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2019

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
PROPERTY TAXES				
Property taxes-current	\$ 5,550,000	\$ 5,550,000	\$ 6,000,397	\$ 450,397
Property taxes-prior	80,000	80,000	85,556	5,556
Property taxes-delinquent	70,000	70,000	57,000	(13,000)
Public utilities taxes	95,000	95,000	101,120	6,120
Total property taxes	<u>5,795,000</u>	<u>5,795,000</u>	<u>6,244,073</u>	<u>449,073</u>
OTHER LOCAL TAXES				
Penalty and interest on property tax-prior	15,000	15,000	24,308	9,308
Penalty and interest on property tax-current	25,000	25,000	21,585	(3,415)
In lieu of taxes	1,160,000	1,160,000	1,201,185	41,185
TVA impact	-	-	7	7
Local sales tax	4,500,000	4,560,000	4,821,329	261,329
Wholesale beer tax	470,000	470,000	493,351	23,351
Wholesale liquor tax	210,000	210,000	237,433	27,433
Cable TV franchise tax	185,000	185,000	181,845	(3,155)
Business license fee	2,000	2,000	1,040	(960)
Business tax - state clerk fee	40,000	40,000	45,426	5,426
Business tax - state collected	440,000	440,000	429,567	(10,433)
Total other local taxes	<u>7,047,000</u>	<u>7,107,000</u>	<u>7,457,076</u>	<u>350,076</u>
INTERGOVERNMENTAL				
State sales tax	1,150,000	1,150,000	1,210,415	60,415
State beer tax	6,000	6,000	6,230	230
State income tax	70,000	70,000	109,715	39,715
State gas and motor fuel tax	450,000	450,000	476,200	26,200
State gasoline inspection tax	28,000	28,000	26,754	(1,246)
State mixed drink tax	45,000	45,000	59,179	14,179
State excise tax	40,000	40,000	77,572	37,572
Reimbursements-other government agencies	127,000	127,000	143,831	16,831
Grants	-	23,000	35,491	12,491
Total intergovernmental	<u>1,916,000</u>	<u>1,939,000</u>	<u>2,145,387</u>	<u>206,387</u>

(continued)

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

CITY OF ATHENS, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2019
(continued)

	Budget		Actual	Variance
	Original	Final		With Final Budget
CHARGES FOR SERVICES				
Utility damage reimbursements	\$ 25,000	\$ 25,000	\$ 37,905	\$ 12,905
Animal control	3,000	3,000	1,932	(1,068)
Recreation fees	74,000	94,000	103,358	9,358
Building permits	65,000	65,000	49,305	(15,695)
Recreation concessions	30,000	40,000	29,354	(10,646)
Total charges for services	<u>197,000</u>	<u>227,000</u>	<u>221,854</u>	<u>(5,146)</u>
FINES AND FORFEITURES				
Court fines	170,000	170,000	183,175	13,175
Law enforcement forfeitures	-	-	21,919	21,919
Total fines and forfeitures	<u>170,000</u>	<u>170,000</u>	<u>205,094</u>	<u>35,094</u>
INTEREST				
	<u>70,000</u>	<u>130,000</u>	<u>189,003</u>	<u>59,003</u>
MISCELLANEOUS				
	<u>40,000</u>	<u>40,000</u>	<u>56,099</u>	<u>16,099</u>
Total revenues	<u>15,235,000</u>	<u>15,408,000</u>	<u>16,518,586</u>	<u>1,110,586</u>
EXPENDITURES				
GENERAL GOVERNMENT				
Administrative:				
City Manager's Office	325,700	325,700	310,357	15,343
City Council	55,500	55,500	47,569	7,931
City Judge	13,000	13,000	12,918	82
City Attorney	30,000	40,000	29,152	10,848
Special appropriations	354,900	354,900	354,134	766
Athens Utilities Board	480,000	480,000	471,048	8,952
Finance	469,400	469,400	457,048	12,352
Personnel	218,200	218,200	211,633	6,567
Administrative services:				
Administration	89,300	89,300	79,376	9,924
City Hall	248,600	248,600	203,347	45,253
Community development:				
Administration	225,800	225,800	198,180	27,620
Codes enforcement	288,300	348,300	257,103	91,197
Cemeteries	29,200	29,200	28,930	270
Total general government	<u>2,827,900</u>	<u>2,897,900</u>	<u>2,660,795</u>	<u>237,105</u>

(continued)

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

CITY OF ATHENS, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2019
(continued)

	Budget		Actual	Variance With Final Budget
	Original	Final		
PUBLIC SAFETY				
Police:				
Administration	\$ 349,000	\$ 349,000	\$ 336,594	\$ 12,406
Patrol	2,106,700	2,142,700	2,085,743	56,957
Detective	454,500	454,500	411,116	43,384
Fire:				
Administration	120,300	120,300	118,035	2,265
Prevention	18,500	18,500	11,400	7,100
Suppression	1,965,700	2,000,700	1,940,102	60,598
Administrative services:				
Communications	260,000	260,000	248,084	11,916
Total public safety	<u>5,274,700</u>	<u>5,345,700</u>	<u>5,151,074</u>	<u>194,626</u>
HIGHWAYS AND STREETS				
Public Works:				
Administration	239,900	239,900	226,231	13,669
Traffic control	262,800	278,800	189,951	88,849
Street maintenance	986,700	1,486,700	387,137	1,099,563
Street construction	533,000	611,000	509,893	101,107
Street cleaning	855,000	855,000	792,019	62,981
City garage	318,200	318,200	294,307	23,893
Total highways and streets	<u>3,195,600</u>	<u>3,789,600</u>	<u>2,399,538</u>	<u>1,390,062</u>
CULTURE AND RECREATION				
Parks and Recreation:				
Administration	266,300	266,300	244,672	21,628
Maintenance	647,400	842,400	827,576	14,824
Swimming pools	77,700	81,700	44,823	36,877
Program planning	291,200	332,200	315,055	17,145
Total culture and recreation	<u>1,282,600</u>	<u>1,522,600</u>	<u>1,432,126</u>	<u>90,474</u>
HEALTH AND WELFARE				
Public Works:				
Animal control	183,200	183,200	165,051	18,149
Total expenditures	<u>12,764,000</u>	<u>13,739,000</u>	<u>11,808,584</u>	<u>1,930,416</u>
REVENUES OVER EXPENDITURES	<u>2,471,000</u>	<u>1,669,000</u>	<u>4,710,002</u>	<u>3,041,002</u>

(continued)

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

CITY OF ATHENS, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2019
(continued)

	Budget		Actual	Variance With Final Budget
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Transfer to general purpose school fund	\$ (2,421,000)	\$ (2,421,000)	\$ (2,435,000)	\$ (14,000)
Transfer to capital improvement fund	(50,000)	(50,000)	(50,000)	-
Total other financing sources (uses)	(2,471,000)	(2,471,000)	(2,485,000)	(14,000)
Net change in fund balance	-	(802,000)	2,225,002	3,027,002
FUND BALANCE, beginning of year	11,935,022	11,935,022	11,935,022	-
FUND BALANCE, end of year	\$11,935,022	\$11,133,022	\$14,160,024	\$ 3,027,002

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

CITY OF ATHENS, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL PURPOSE SCHOOL FUND
Year Ended June 30, 2019

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Property taxes	\$ 1,624,000	\$ 1,624,000	\$ 1,827,376	\$ 203,376
County revenue	1,198,400	1,198,400	1,416,321	217,921
State funds	8,924,230	8,989,842	9,086,525	96,683
Federal funds received through state	250,000	250,000	248,660	(1,340)
Direct federal funds	-	-	602	602
Tuition	271,272	271,272	258,393	(12,879)
Interest	32,000	32,000	27,323	(4,677)
Other	29,000	29,000	24,676	(4,324)
Total revenues	<u>12,328,902</u>	<u>12,394,514</u>	<u>12,889,876</u>	<u>495,362</u>
EXPENDITURES				
Current:				
Instruction				
Regular instruction	8,489,104	8,763,991	8,741,647	22,344
Special education	590,468	580,468	543,031	37,437
Early childhood education	649,610	649,610	629,038	20,572
Other instruction	11,500	11,500	5,458	6,042
	<u>9,740,682</u>	<u>10,005,569</u>	<u>9,919,174</u>	<u>86,395</u>
Support services				
Instructional support	1,218,287	1,196,027	1,167,971	28,056
Student support	298,741	298,741	364,289	(65,548)
Administration	1,513,957	1,514,257	1,493,422	20,835
Operation and maintenance of plant	1,233,885	1,233,885	1,193,230	40,655
Transportation	516,198	557,859	563,807	(5,948)
Other support services	956,294	934,623	866,316	68,307
	<u>5,737,362</u>	<u>5,735,392</u>	<u>5,649,035</u>	<u>86,357</u>
Non-instructional services				
Capital outlay	562,000	562,000	588,747	(26,747)
Total expenditures	<u>16,040,044</u>	<u>16,302,961</u>	<u>16,156,956</u>	<u>146,005</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(3,711,142)</u>	<u>(3,908,447)</u>	<u>(3,267,080)</u>	<u>641,367</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	200	200
Transfer from general fund	2,435,000	2,435,000	2,435,000	-
	<u>2,435,000</u>	<u>2,435,000</u>	<u>2,435,200</u>	<u>200</u>
NET CHANGE IN FUND BALANCE	(1,276,142)	(1,473,447)	(831,880)	641,567
FUND BALANCE, beginning of year	<u>4,688,452</u>	<u>4,688,452</u>	<u>4,688,452</u>	<u>-</u>
FUND BALANCE, end of year	<u>\$ 3,412,310</u>	<u>\$ 3,215,005</u>	<u>\$ 3,856,572</u>	<u>\$ 641,567</u>

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

**CITY OF ATHENS, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2019**

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Conference Center	Sanitation	Total	Internal Service Funds
ASSETS				
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 36,917	\$ 219,925	\$ 256,842	\$ 32,554
Investments	-	2,321,034	2,321,034	4,295,794
Accounts receivable	1,163	27,612	28,775	12,417
Due from component units	-	87,343	87,343	-
Total current assets	<u>38,080</u>	<u>2,655,914</u>	<u>2,693,994</u>	<u>4,340,765</u>
Capital assets:				
Land	34,500	-	34,500	-
Other capital assets, net	<u>608,157</u>	<u>256,993</u>	<u>865,150</u>	<u>2,559,995</u>
Total capital assets	<u>642,657</u>	<u>256,993</u>	<u>899,650</u>	<u>2,559,995</u>
Net pension asset	<u>-</u>	<u>1,171</u>	<u>1,171</u>	<u>-</u>
Total assets	<u>\$ 680,737</u>	<u>\$ 2,914,078</u>	<u>\$ 3,594,815</u>	<u>\$ 6,900,760</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 545	\$ 26,256	\$ 26,801	\$ -
Accrued payroll and withholdings	<u>-</u>	<u>4,966</u>	<u>4,966</u>	<u>-</u>
Total current liabilities	<u>545</u>	<u>31,222</u>	<u>31,767</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	<u>-</u>	<u>9,191</u>	<u>9,191</u>	<u>-</u>
Total liabilities and deferred inflows	<u>545</u>	<u>40,413</u>	<u>40,958</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	642,657	256,993	899,650	2,559,995
Unrestricted	<u>37,535</u>	<u>2,616,672</u>	<u>2,654,207</u>	<u>4,340,765</u>
Total net position	<u>680,192</u>	<u>2,873,665</u>	<u>3,553,857</u>	<u>6,900,760</u>
Total liabilities and net position	<u>\$ 680,737</u>	<u>\$ 2,914,078</u>	<u>\$ 3,594,815</u>	<u>\$ 6,900,760</u>

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

CITY OF ATHENS, TENNESSEE
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2019

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Conference Center	Sanitation	Total	Internal Service Funds
OPERATING REVENUES				
Charges for services	\$ -	\$ 966,090	\$ 966,090	\$ 692,000
Rental income	41,739	-	41,739	-
Miscellaneous	-	6,816	6,816	-
Total operating revenues	<u>41,739</u>	<u>972,906</u>	<u>1,014,645</u>	<u>692,000</u>
OPERATING EXPENSES				
Salaries and employee benefits	10,087	281,082	291,169	-
Operation	13,979	172,450	186,429	-
Maintenance	3,144	14,754	17,898	-
Depreciation	50,580	127,029	177,609	425,027
Landfill services	-	231,710	231,710	-
Total operating expenses	<u>77,790</u>	<u>827,025</u>	<u>904,815</u>	<u>425,027</u>
OPERATING INCOME (LOSS)	<u>(36,051)</u>	<u>145,881</u>	<u>109,830</u>	<u>266,973</u>
NONOPERATING REVENUES				
Interest income	-	44,842	44,842	91,477
Total nonoperating revenues	<u>-</u>	<u>44,842</u>	<u>44,842</u>	<u>91,477</u>
Income (loss) before capital contributions	(36,051)	190,723	154,672	358,450
CAPITAL CONTRIBUTIONS	<u>-</u>	<u>-</u>	<u>-</u>	<u>98,173</u>
CHANGE IN NET POSITION	(36,051)	190,723	154,672	456,623
NET POSITION, beginning of year	<u>716,243</u>	<u>2,682,942</u>	<u>3,399,185</u>	<u>6,444,137</u>
NET POSITION, end of year	<u>\$ 680,192</u>	<u>\$ 2,873,665</u>	<u>\$ 3,553,857</u>	<u>\$ 6,900,760</u>

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

**CITY OF ATHENS, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2019**

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Conference Center	Sanitation	Total	Internal Service Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 40,853	\$ 975,683	\$ 1,016,536	\$ 692,000
Payments to employees	(9,371)	(214,137)	(223,508)	-
Payments to suppliers and vendors	(17,678)	(480,351)	(498,029)	-
Net cash provided by operating activities	<u>13,804</u>	<u>281,195</u>	<u>294,999</u>	<u>692,000</u>
CASH FLOWS USED IN NONCAPITAL FINANCING ACTIVITIES				
Payment to pension plan	-	(20,366)	(20,366)	-
CASH FLOWS USED IN CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	-	(8,874)	(8,874)	(650,362)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment and interest earnings	-	44,842	44,842	84,999
Purchase of investments	-	(380,329)	(380,329)	(146,998)
Net cash used in investing activities	<u>-</u>	<u>(335,487)</u>	<u>(335,487)</u>	<u>(61,999)</u>
Net increase (decrease) in cash and cash equivalents	13,804	(74,658)	(60,854)	630,001
Cash and cash equivalents, beginning of year	<u>23,113</u>	<u>303,457</u>	<u>326,570</u>	<u>52,915</u>
Cash and cash equivalents, end of year	<u>\$ 36,917</u>	<u>\$ 228,799</u>	<u>\$ 265,716</u>	<u>\$ 682,916</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (36,051)	\$ 145,881	\$ 109,830	\$ 266,973
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	50,580	127,029	177,609	425,027
Pension expense	-	1,683	1,683	-
Other income	-	(1,984)	(1,984)	-
Changes in assets and liabilities:				
Accounts receivable	(886)	2,777	1,891	-
Accounts payable and accrued liabilities	<u>161</u>	<u>5,809</u>	<u>5,970</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ 13,804</u>	<u>\$ 281,195</u>	<u>\$ 294,999</u>	<u>\$ 692,000</u>
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES				
Interfund transfer of property	\$ -	\$ -	\$ -	\$ 98,173

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

**CITY OF ATHENS, TENNESSEE
STATEMENT OF FIDUCIARY NET POSITION
ATHENS PENSION TRUST FUND
FIDUCIARY FUND
June 30, 2019**

ASSETS

Cash	\$ 73
Interest receivable	39,017
	<u>39,090</u>
Investments, at fair value:	
U.S. government and agency securities	1,944,051
Foreign stocks	1,472,608
Foreign bonds and notes	415,498
Corporate bonds	2,302,308
Common stocks	1,784,645
Mutual funds	7,461,107
Money market funds	234,029
Municipal bonds	614,853
Index fund	334,183
	<u>16,563,282</u>
Total investments	<u>16,563,282</u>
Total assets	<u>\$ 16,602,372</u>
NET POSITION	
Net position restricted for pensions	<u>\$ 16,602,372</u>

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

CITY OF ATHENS, TENNESSEE
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
ATHENS PENSION TRUST FUND
FIDUCIARY FUND
Year Ended June 30, 2019

ADDITIONS	
Employer contributions	\$ 600,000
Net investment income:	
Interest and dividend income	504,224
Net appreciation in the fair value of investments	<u>485,849</u>
Total additions	<u>1,590,073</u>
DEDUCTIONS	
Benefits paid	1,100,871
Administrative expenses	<u>69,610</u>
Total deductions	<u>1,170,481</u>
CHANGE IN NET POSITION HELD IN TRUST FOR PENSION BENEFITS	419,592
NET POSITION, restricted for pensions, beginning of year	<u>16,182,780</u>
NET POSITION, restricted for pensions, end of year	<u>\$ 16,602,372</u>

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

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 1. Summary of Significant Accounting Policies

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

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

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

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

A. *Financial Reporting Entity*

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

Blended Component Unit:

Athens City Board of Education

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

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 1. Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity (continued)

Blended Component Unit: (continued)

Athens City Board of Education (continued)

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

Discretely Presented Component Unit:

Athens Utilities Board

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

Other Related Organizations:

Athens Housing Authority

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

McMinn County Economic Development Authority

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

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 1. Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity (continued)

Other Related Organizations: (continued)

E. G. Fisher Public Library

The City of Athens and McMinn County participate in the joint operation of E. G. Fisher Public Library. The McMinn County Library Board is responsible for administering the joint library. This Board consists of seven members, of which four are appointed by the County Commission and three are appointed by the City Council. The Board directs all the internal affairs of the library, and such assistants or employees as may be necessary.

Athens Health and Education Facilities Board

The Athens Health and Education Facilities Board's activities include acquiring, owning, leasing and disposing of property as well as issuing bonds to promote higher education and health in Athens. The City is not liable for the debt of the Health and Education Facilities Board nor does the City finance their deficits. The Board is directed by volunteer Board members appointed by the City.

B. Basic Financial Statements, Presentation, Basis of Accounting and Measurement Focus

Government-wide Financial Statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City. As a general rule, the effect of interfund activity has been eliminated from these statements. Activity which represents services provided or used are not eliminated in the government-wide statements. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities rely to a significant extent on fees and charges for services.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. This means that revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 1. Summary of Significant Accounting Policies (continued)

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

Government-wide Financial Statements: (continued)

In applying the “susceptible to accrual” concept to intergovernmental revenues pursuant to GASB Statement No. 33, “Accounting and Financial Reporting for Nonexchange Transactions” (the City may act as either provider or recipient), the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met should be reported as advances by the provider and unearned revenue by the recipient. Certain nonexchange transactions where revenues are collected by other governments are not recognized in the statement of activities because they are not measurable at year end. The statement of activities reflects these transactions (bank excise tax and gross receipts tax) on the same basis as the fund financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. The City does not allocate indirect expenses to functions or activities in the statement of activities. Program revenues include: (1) charges to individuals who purchase, use or directly benefit from goods, services, or privileges provided by a given function, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not considered program revenues are reported as general revenues. When both restricted and unrestricted resources are available for use, the City’s policy is to use restricted resources first.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows, liabilities, deferred inflows, equity, revenues, and expenditures/expenses.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 1. Summary of Significant Accounting Policies (continued)

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

Fund Financial Statements: (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within sixty days of the end of the current fiscal period.

Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

State and federal funding is recognized as revenue in the period the City is entitled to the resources and the amounts are available. Reimbursements from expenditure-driven programs are recognized as revenue when the qualifying expenditures have been incurred and the amounts are available. For governmental fund financial statements, unearned revenues arise when a potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenues also arise when resources are received before the City has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the unearned revenue liability is removed and revenue is recognized.

Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide statements described above. The two internal service funds of the City and the City’s two enterprise funds are included in the proprietary fund financial statements. Since the principal users of the internal services are the City’s governmental activities, financial statements of the internal service funds are consolidated into the governmental column when presented at the government-wide level. Proprietary funds report activity and transactions as operating if the transaction constitutes activity that is the funds’ principal ongoing operations. Activity not pertaining to the funds’ ongoing operations is reported as nonoperating.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 1. Summary of Significant Accounting Policies (continued)

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

Fund Financial Statements: (continued)

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The reporting focus is on net position and changes in net position and employs accounting principles similar to proprietary funds. The City's fiduciary fund is presented in the fund financial statements. Since by definition these assets are being held for the benefit of a third party and cannot be used to finance activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Governmental Funds:

The measurement focus of governmental funds is based upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income determination. These funds are maintained on the modified accrual basis of accounting. The following are the City's governmental fund types:

General Fund: The General Fund is the principal fund of the City and is used to account for the financial resources of the City which are not accounted for in other funds. The principal sources of revenues are taxes and state-shared revenue. Primary expenditures are for public safety, education and general administration.

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

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

General Purpose School Fund: This fund is used to account for the financial resources of the Board of Education, which are not accounted for in other Board of Education funds. The primary sources of revenues are taxes and state-shared revenue. Primary expenditures are for regular and special instruction, staff, and maintenance and operation of schools.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 1. Summary of Significant Accounting Policies (continued)

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

Fund Financial Statements: (continued)

Governmental Funds: (continued)

Special Revenue Funds: (continued)

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

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

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

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

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

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

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

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

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 1. Summary of Significant Accounting Policies (continued)

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

Fund Financial Statements: (continued)

Proprietary Funds:

Proprietary funds include the Internal Service Funds and Enterprise Funds. The measurement focus is upon determination of net income, financial position, and changes in financial position. The generally accepted accounting principles used are those applicable to similar businesses in the private sector and, accordingly, these funds are maintained on the accrual basis of accounting. The following are the City's proprietary fund types:

Internal Service Funds: This fund accounts for operations that provide service to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis.

Fleet Management Fund: This fund is used to account for the acquisition and depreciation of motorized vehicles and equipment used by the City.

Employee Medical Benefits Fund: This fund was established to account for the potential health insurance changes required under the Affordable Health Care Act. Funds may be used for premiums paid for fully-insured health care coverage or to provide initial funding for claims paid through a self-insured plan, should the City be required to make plan changes due to the new legislation.

Enterprise Funds: These funds account for the acquisition, operations and maintenance of City facilities and services which are entirely or predominantly self-supporting through user charges.

Conference Center Fund: This fund was established to provide a facility for recreational, cultural and educational activities and to promote regional awareness.

Sanitation Fund: This fund was established expressly to account for financial activities related to the management of solid waste. This includes the collection, transportation and disposal of industrial, commercial and residential refuse.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 1. Summary of Significant Accounting Policies (continued)

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

Fund Financial Statements: (continued)

Fiduciary Funds:

Fiduciary funds include trust and agency funds. The following is the City's fiduciary fund type:

Trust Fund: This fund is used to account for assets held by the City in a trustee capacity.

Athens Pension Trust Fund: This fund is used to account for the accumulation of resources for pension benefit payments to qualified City retirees.

Funds are classified as major funds or nonmajor funds within the statements. An emphasis is placed on major funds with all nonmajor funds presented in total in one column on the governmental and proprietary funds financial statements.

The City's major governmental funds are the General Fund, Capital Improvement Fund, and General Purpose School Fund. The City's major proprietary funds are the Conference Center Fund and Sanitation Fund.

C. Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City holds budget hearings in April of each year with all department heads submitting requests. The operating budget includes proposed expenditures and the means of financing them.
2. In early May, the City Manager and/or the Director of Finance makes a formal presentation to the City Council.
3. Prior to July 1, the Council will pass on second reading an ordinance to adopt the budget and set the tax rate.
4. Management may transfer budgeted amounts between line items within a department; however, any revision that alters the total expenditures of any department and/or fund must be approved by the City Council.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 1. Summary of Significant Accounting Policies (continued)

C. Budgets and Budgetary Accounting (continued)

5. Formal budgets are adopted for the General Fund, the General Purpose School Fund, the Debt Service Fund and the Special Revenue Funds on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts reflected in the accompanying budget and actual comparison are as originally adopted, unless amended by the City Council.
6. All appropriations which are not expensed or encumbered lapse at year end.

D. Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

E. Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits and certificates of deposit with original maturities of 90 days or less. In accordance with governmental accounting standards, certain restricted assets are considered cash equivalents for purposes of the statements of cash flows.

F. Investments

Investments are valued at fair value. Legal provisions require that all investments be properly insured or collateralized with a financial depository. State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, equity securities, repurchase agreements, and pooled investment funds.

G. Inventories and Prepaid Items

Inventories consist primarily of supplies and gravesites, valued at weighted average cost, which approximates market. The cost of inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Inventory recorded in the Centralized Cafeteria Fund consists of commodities granted by the United States Department of Agriculture (USDA), nonperishable food and nonfood supplies. All purchased inventory items are recorded at the lower of cost (first-in, first-out method) or market. Commodities are assigned values based on information provided by the USDA.

Prepaid items consist of payments to vendors for costs applicable to future accounting periods. These items are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditure/expenses when consumed rather than when purchased.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 1. Summary of Significant Accounting Policies (continued)

G. Inventories and Prepaid Items (continued)

Reported inventories and prepaid items in governmental funds are equally offset by a fund balance reserve, which indicates they are unavailable for appropriation even though they are a component of reported assets.

H. Capital Assets

In the government-wide financial statements, capital expenditures are accounted for as capital assets. Capital assets are defined by the City as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. All capital assets are valued at historical cost, except for donated capital assets which are recorded at acquisition value at the date of donation. The City charges maintenance and repairs, including the costs of renewals of minor items of property, to maintenance expense accounts.

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

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

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

Component Unit - Athens Utilities Board:

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

The composite straight-line depreciation rate, expressed as a percentage of average depreciable plant, property and equipment, ranged from 2.67 to 3.33 percent. The depreciation and amortization in the Utilities Board's statement of revenues, expenses and changes in net position does not include depreciation on certain transportation equipment, which is allocated to other expense classifications based on relative usage.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 1. Summary of Significant Accounting Policies (continued)

I. Debt Issue Costs

Debt issue costs are accounted for as expenditures when incurred.

J. Interfund Transactions

During the normal course of the City's operations, transactions occur between individual funds that are classified as transfers or as receivables/payables in the fund financial statements. These fund transactions are eliminated in the government-wide financial statements within the governmental activities column and the business-type activities column.

K. Long-Term Debt

Bonds and Notes Payable:

General obligation bonds and notes payable which have been issued to fund capital projects of the general government and Athens City Schools are to be repaid from tax revenues of the City.

Compensated Absences:

Employees of the City are granted vacation and sick leave in varying amounts based on years of service. Sick leave is not vested and employees who resign or are dismissed from employment will lose any accrued sick leave benefits.

Vacation leave is vested and employees who resign or are dismissed from employment are compensated for unused vacation upon termination. Employees of the City may accrue vacation leave to a maximum of the leave earned in a one and one-half year period.

Accordingly, the City has accrued a liability for vacation leave which has been earned but not taken by City employees.

Vacation Pay and Sick Leave:

Board of Education employees are paid for vacation and absence due to sickness by prescribed formulas based on length of service with all unused vacation days expiring annually. Vacation and sick leave for employees are recorded as expenditures in the period used and considered payable from current financial resources.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 1. Summary of Significant Accounting Policies (continued)

K. Long-Term Debt (continued)

Vacation Pay and Sick Leave: (continued)

Upon retirement, the Board will pay monetary compensation for unused sick days as follows:

- \$12 per day
 - Professional personnel with 5 full years with Athens City Schools and a total of 25 years of teaching or administrative service.
 - Support staff with 25 years of service with Athens City Schools.
- \$24 per day
 - Professional personnel with 5 full years with Athens City Schools and a total of 30 years of teaching or administrative service.
 - Support staff with 30 years of service with Athens City Schools.

An estimated liability for this unpaid sick leave is recorded in the government-wide financial statements.

The accounting treatment of long-term debt differs between the government-wide and governmental fund financial statements. All long-term debt to be repaid from governmental resources is reported as a liability in the government-wide statements. The fund financial statements for governmental funds report long-term debt principal and interest payments as expenditures and do not reflect a liability.

L. Net Position and Fund Balances

Net position in the government-wide financial statements are classified in three components:

- a. Net investment in capital assets – Consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any related debt that is attributable to the acquisition, construction, or improvement of those assets. If there are unspent debt proceeds, these proceeds are not included in the calculation of net investment in capital assets.
- b. Restricted net position – Consists of assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – Consists of all other assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 1. Summary of Significant Accounting Policies (continued)

L. Net Position and Fund Balances (continued)

GASB No. 54 establishes standards for fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported.

Fund balance in the fund financial statements is reported in five classifications of fund balances based on the constraints imposed on the use of these resources.

Nonspendable fund balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form such as prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned and unassigned.

Restricted fund balance – This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolution of the City. Those committed amounts cannot be used for any other purpose unless the City removes the specified use by taking the same type of formal action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance – Assigned fund balance includes amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by formal action (approval of resolution) of the City Council.

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

When an expenditure is incurred for purposes of which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City Council has approved otherwise in its commitment or assignment actions.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 1. Summary of Significant Accounting Policies (continued)

M. Property Taxes

In the government-wide financial statements, property tax revenues are recognized as revenue in the fiscal year for which the taxes are levied. Property taxes are based on the assessed value of property as of January 1. Property taxes attach as an enforceable lien on the assessment date and are therefore recognized on this date. In October, property taxes are due and are considered delinquent if not paid before the first day of March. Amounts owed to the City as of year end, which are not available, are recorded as receivables and unearned revenue in the fund financial statements.

The City's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the City. City property tax revenues are recognized when levied to the extent that they result in current receivables. Taxes not collected as of March 1 of the following year are considered delinquent and are subject to lien on March 1 of the succeeding year.

Assessed values are established by the State of Tennessee at the following rates of assumed market value:

Public Utility Property	55%	(Railroads 40%)
Industrial and Commercial Property:		
Real	40	
Personal	30	
Residential Property	25	

The assessed value for the list of January 1, 2018, was \$516,217,595 based upon a reappraisal completed for the list as of January 1, 2018. The estimated actual value was \$1,621,870,015 making the total assessed value 31.8 percent of the total actual value.

Taxes were levied at a rate of \$1.2676 per \$100 of assessed value. Current tax collections of \$6,063,870 for the fiscal year ended June 30, 2019, were 95 percent of the 2018 tax levy. An allowance has been established for delinquent taxes to the extent that their collectability is improbable. The allowance at June 30, 2019, for the 2018 tax levy was \$87,259.

The 2019 taxes were levied at a rate of \$1.2676 per \$100 of assessed value and have been recorded as a receivable at June 30, 2019. An allowance for doubtful collection of \$60,000 has been estimated and established for this levy at June 30, 2019. There are no current tax collections related to the 2019 levy.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 1. Summary of Significant Accounting Policies (continued)

N. Allowances for Doubtful Property Taxes

The following allowances have been established for uncollectible property taxes at June 30, 2019:

General Fund	\$ 147,259
General Purpose School Fund	93,053

O. Employee Retirement Plans

Employee Retirement Plan. Investments are reported at fair value. Asset statements are provided by Branch Banking and Trust Company.

Public Employee Retirement Plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of Athens City Board of Education's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Athens City Board of Education's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan. Investments are reported at fair value.

Teacher Legacy Plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Teacher Legacy Pension Plan in the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the TCRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Teacher Legacy Pension Plan. Investments are reported at fair value.

Teacher Retirement Plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Teacher Retirement Plan in the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the TCRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Teacher Retirement Plan. Investments are reported at fair value.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 1. Summary of Significant Accounting Policies (continued)

P. Other Postemployment Benefits (OPEB)

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

Note 2. Capital Assets

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

	Governmental Activities At City of Athens			Balance June 30, 2019
	Balance July 1, 2018	Additions	Deletions	
Capital assets being depreciated:				
Buildings and improvements	\$ 6,651,572	\$ -	\$ -	\$ 6,651,572
Infrastructure	9,627,380	499,729	-	10,127,109
Furniture and office equipment	1,154,273	335,633	-	1,489,906
Machinery and equipment	7,633,410	1,549,103	-	9,182,513
Total depreciable capital assets	<u>25,066,635</u>	<u>2,384,465</u>	<u>-</u>	<u>27,451,100</u>
Accumulated depreciation:				
Buildings and improvements	4,364,995	138,719	-	4,503,714
Infrastructure	4,187,735	256,832	-	4,444,567
Furniture and office equipment	688,278	93,245	-	781,523
Machinery and equipment	5,074,640	533,133	-	5,607,773
Total accumulated depreciation	<u>14,315,648</u>	<u>1,021,929</u>	<u>-</u>	<u>15,337,577</u>
Net depreciable capital assets	<u>10,750,987</u>	<u>1,362,536</u>	<u>-</u>	<u>12,113,523</u>
Capital assets not being depreciated:				
Land	3,008,070	-	-	3,008,070
Construction in progress	222,559	984,619	1,207,178	-
Nondepreciable capital assets	<u>3,230,629</u>	<u>984,619</u>	<u>1,207,178</u>	<u>3,008,070</u>
Net capital assets	<u>\$ 13,981,616</u>	<u>\$ 2,347,155</u>	<u>\$ 1,207,178</u>	<u>\$ 15,121,593</u>

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 2. Capital Assets (continued)

	Governmental Activities - At Board of Education			
	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Capital assets being depreciated:				
Buildings and improvements	\$ 14,914,870	\$ 463,767	\$ -	\$ 15,378,637
Infrastructure	37,650	-	-	37,650
Furniture, equipment, and vehicles	2,813,447	494,777	432,620	2,875,604
Total depreciable capital assets	<u>17,765,967</u>	<u>958,544</u>	<u>432,620</u>	<u>18,291,891</u>
Accumulated depreciation:				
Buildings and improvements	10,478,747	350,974	-	10,829,721
Infrastructure	24,152	915	-	25,067
Furniture, equipment, and vehicles	2,441,142	141,230	428,036	2,154,336
Total accumulated depreciation	<u>12,944,041</u>	<u>493,119</u>	<u>428,036</u>	<u>13,009,124</u>
Net depreciable capital assets	<u>4,821,926</u>	<u>465,425</u>	<u>4,584</u>	<u>5,282,767</u>
Capital assets not being depreciated:				
Land	213,486	-	-	213,486
Construction in progress	473,978	19,075	253,530	239,523
Nondepreciable capital assets	<u>687,464</u>	<u>19,075</u>	<u>253,530</u>	<u>453,009</u>
Net capital assets	<u>\$ 5,509,390</u>	<u>\$ 484,500</u>	<u>\$ 258,114</u>	<u>\$ 5,735,776</u>
	Total Governmental Activities Capital Assets			
	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Capital assets being depreciated:				
Buildings and improvements	\$ 21,566,442	\$ 463,767	\$ -	\$ 22,030,209
Infrastructure	9,665,030	499,729	-	10,164,759
Furniture, equipment and vehicles	3,967,720	830,410	432,620	4,365,510
Machinery and equipment	7,633,410	1,549,103	-	9,182,513
Total depreciable capital assets	<u>42,832,602</u>	<u>3,343,009</u>	<u>432,620</u>	<u>45,742,991</u>
Accumulated depreciation:				
Buildings and improvements	14,843,742	489,693	-	15,333,435
Infrastructure	4,211,887	257,747	-	4,469,634
Furniture, equipment and vehicles	3,129,420	234,475	428,036	2,935,859
Machinery and equipment	5,074,640	533,133	-	5,607,773
Total accumulated depreciation	<u>27,259,689</u>	<u>1,515,048</u>	<u>428,036</u>	<u>28,346,701</u>
Net depreciable capital assets	<u>15,572,913</u>	<u>1,827,961</u>	<u>4,584</u>	<u>17,396,290</u>
Capital assets not being depreciated:				
Land	3,221,556	-	-	3,221,556
Construction in progress	696,537	1,003,694	1,460,708	239,523
Nondepreciable capital assets	<u>3,918,093</u>	<u>1,003,694</u>	<u>1,460,708</u>	<u>3,461,079</u>
Net capital assets	<u>\$ 19,491,006</u>	<u>\$ 2,831,655</u>	<u>\$ 1,465,292</u>	<u>\$ 20,857,369</u>

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 2. Capital Assets (continued)

	Total Business-Type Activities Capital Assets			Balance June 30, 2019
	Balance July 1, 2018	Additions	Deletions	
Capital assets being depreciated:				
Buildings and improvements	\$ 1,517,930	\$ -	\$ -	\$ 1,517,930
Furniture and office equipment	29,864	-	-	29,864
Machinery and equipment	1,696,132	8,874	-	1,705,006
Total depreciable capital assets	3,243,926	8,874	-	3,252,800
Accumulated depreciation:				
Buildings and improvements	859,193	50,580	-	909,773
Furniture and office equipment	29,864	-	-	29,864
Machinery and equipment	1,320,984	127,029	-	1,448,013
Total accumulated depreciation	2,210,041	177,609	-	2,387,650
Net depreciable capital assets	1,033,885	(168,735)	-	865,150
Capital assets not being depreciated:				
Land	34,500	-	-	34,500
Net capital assets	\$ 1,068,385	\$ (168,735)	\$ -	\$ 899,650

Depreciation expense was charged to functions as follows:

Governmental Activities	
General government	\$ 53,224
Public safety	301,919
Highways and streets	506,804
Culture and recreation	159,982
Schools:	
Regular instruction	51,312
Administration	26,321
Operation and maintenance	4,076
Transportation	46,797
Food services	5,186
Unallocated depreciation	359,427
	\$ 1,515,048

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

Business-Type Activities	
Conference Center	\$ 50,580
Sanitation	127,029
	\$ 177,609

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 2. Capital Assets (continued)

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

Utilities Board:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Capital assests being depreciated:				
Plant in service	\$ 152,610,678	\$ 13,568,411	\$ 2,756,398	\$ 163,422,691
Equipment and furniture	7,579,924	828,706	197,343	8,211,287
Transporation equipment	4,375,478	562,395	517,226	4,420,647
Total depreciable capital assets	<u>164,566,080</u>	<u>14,959,512</u>	<u>3,470,967</u>	<u>176,054,625</u>
Accumulated depreciation:				
Plant in service	57,834,790	4,750,985	2,947,166	59,638,609
Equipment and furniture	4,223,906	530,103	196,431	4,557,578
Transporation equipment	2,676,145	376,622	459,701	2,593,066
Total accumulated depreciation	<u>64,734,841</u>	<u>5,657,710</u>	<u>3,603,298</u>	<u>66,789,253</u>
Net depreciable capital assets	<u>99,831,239</u>	<u>9,301,802</u>	<u>(132,331)</u>	<u>109,265,372</u>
Capital assets not being depreciated:				
Land	819,523	17,500	-	837,023
Construction in progress	12,700,073	7,895,525	15,545,861	5,049,737
Nondepreciable capital assets	<u>13,519,596</u>	<u>7,913,025</u>	<u>15,545,861</u>	<u>5,886,760</u>
Net capital assets	<u>\$ 113,350,835</u>	<u>\$ 17,214,827</u>	<u>\$ 15,413,530</u>	<u>\$ 115,152,132</u>

Depreciation was charged as follows:

	Charged to Depreciation and Amortization	Charged to Other Accounts	Total Depreciation and Amortization
Power Division	\$ 2,144,610	\$ 200,966	\$ 2,345,576
Water Division	917,612	37,767	955,379
Gas Division	629,477	78,793	708,270
Department of Sewer	1,582,313	66,172	1,648,485
	<u>\$ 5,274,012</u>	<u>\$ 383,698</u>	<u>\$ 5,657,710</u>

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 3. Long-Term Debt

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

	Balance 7/1/2018	Additions	Reductions	Balance 6/30/2019	Due within one year
City of Athens:					
Compensated absences	\$ 222,391	\$ 233,120	\$ 223,580	\$ 231,931	\$ 154,628
Board of Education:					
Sick leave	49,860	29,567	24,173	55,254	46,022
Total	<u>\$ 272,251</u>	<u>\$ 262,687</u>	<u>\$ 247,753</u>	<u>\$ 287,185</u>	<u>\$ 200,650</u>

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

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

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

Utilities Board:

	Balance 7/1/2018	Additions	Reductions	Balance 6/30/2019	Due within one year
Revenue and tax bonds	\$ 1,234,758	\$ -	\$ 25,084	\$ 1,209,674	\$ 25,909
Notes payable	24,502,980	-	1,584,958	22,918,022	1,588,621
Total	<u>\$ 25,737,738</u>	<u>\$ -</u>	<u>\$ 1,610,042</u>	<u>\$ 24,127,696</u>	<u>\$ 1,614,530</u>

The Power Division and the Department of Sewer debt is payable from and are secured by a first pledge of the revenues derived from the operation of the respective systems. The above debt and certain Water Division notes payable are collateralized by a statutory lien on the respective systems.

The principal and interest payments on all long-term debt were current as of June 30, 2019.

The Athens Utilities Board has debt issues with outstanding balances totaling \$24,127,696, representing debt issued by the City where the Utilities Board has assumed all responsibility through resolution. This long-term debt is reported in the Athens Utilities Board financial statements. The debt service is to be paid through user fees and Utilities Board funds. If Utilities Board funds are not sufficient to service the debt, the City is required to establish ad valorem taxes under each debt issue.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 3. Long-Term Debt (continued)

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

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 1,614,530	\$ 527,678	\$ 2,142,208
2021	1,626,329	492,755	2,119,084
2022	1,637,332	457,543	2,094,875
2023	1,649,541	422,063	2,071,604
2024	1,661,962	386,287	2,048,249
2025-2029	8,506,048	1,383,928	9,889,976
2030-2034	5,850,605	485,866	6,336,471
2035-2039	1,090,550	128,475	1,219,025
2040-2044	271,529	53,431	324,960
2045-2048	219,270	19,820	239,090
	<u>\$ 24,127,696</u>	<u>\$ 4,357,846</u>	<u>\$ 28,485,542</u>

Note 4. Cash Deposits and Investments

Cash Deposits:

Primary government

City of Athens:

State statutes require that all deposits with financial institutions must be collateralized in an amount equal to 105 percent of the face amount of uninsured deposits. Under these statutes, the deposits must be either covered by state or federal depository insurance, by collateral held by the City's agent in the City's name, or by the Federal Reserve Banks acting as third-party agents. At June 30, 2019, all the City's deposits were insured or collateralized.

Board of Education:

At June 30, 2019, all cash deposits of the Board were insured or collateralized in accordance with state statutes.

Component unit

At June 30, 2019, all cash deposits of the Athens Utilities Board were covered by state or federal depository insurance or collateralized with securities held by the Board's agents in the Board's name.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 4. Cash Deposits and Investments (continued)

Investments:

Primary government

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

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

As of June 30, 2019, the City had \$17,219,916 invested in the LGIP and \$6,467,556 in certificates of deposit which represent all of the City's investments excluding those included in the Cemetery Perpetual Care Fund and the Athens Pension Trust Fund. The certificates of deposit included in investments had original maturity dates in excess of 90 days. At June 30, 2019, the investments of the LGIP had a weighted average maturity of 43 days. Investments in the LGIP are reported at fair value. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with SEC Rule 2a7 of the Investment Company Act of 1940. Accordingly, the pool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. Regulatory oversight for the LGIP is provided by the State legislature, the State Comptroller and the State Funding Board.

Cemetery Perpetual Fund:

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

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 4. Cash Deposits and Investments (continued)

Investments: (continued)

Primary government (continued)

As of June 30, 2019, the Cemetery Perpetual Care Fund's investments consisted of the following:

	Fair Value
Money market funds - cash	\$ 5,059
Mutual funds	309,303
	\$ 314,362

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

Athens Pension Trust Fund:

As of June 30, 2019, the Pension Trust Fund's investments consisted of the following:

	Weighted Average Maturity	Fair Value
U.S. government and agency securities	3.09 years	\$ 1,944,051
Foreign stocks	N/A	1,472,608
Foreign bonds and notes	3.98 years	415,498
Corporate bonds	5.64 years	2,302,308
Common stocks	N/A	1,784,645
Mutual funds	N/A	7,461,107
Municipal bonds	3.46 years	614,853
Money market funds	N/A	234,029
Index fund	N/A	334,183
		\$ 16,563,282

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

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

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 4. Cash Deposits and Investments (continued)

Investments: (continued)

Primary government (continued)

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

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

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

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

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2019.

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

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

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 4. Cash Deposits and Investments (continued)

Investments: (continued)

Primary government (continued)

The following table sets forth by level, within the fair value hierarchy, the City's assets at fair value as of June 30, 2019:

<u>Investment type</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Athens Pension Trust Fund:				
U.S. government and agency securities	\$ 1,944,051	\$ 1,944,051	\$ -	\$ -
Foreign stocks	1,472,608	1,472,608	-	-
Foreign bonds and notes	415,498	-	415,498	-
Corporate bonds	2,302,308	-	2,302,308	-
Common stocks	1,784,645	1,784,645	-	-
Mutual funds	7,461,107	-	7,461,107	-
Municipal bonds	614,853	-	614,853	-
Money market funds	234,029	-	234,029	-
Index fund	334,183	-	334,183	-
	<u>16,563,282</u>	<u>5,201,304</u>	<u>11,361,978</u>	<u>-</u>
Cemetery Perpetual Fund:				
Mutual funds	309,303	-	309,303	-
Money market funds - cash	5,059	-	5,059	-
	<u>314,362</u>	<u>-</u>	<u>314,362</u>	<u>-</u>
	<u>\$ 16,877,644</u>	<u>\$ 5,201,304</u>	<u>\$ 11,676,340</u>	<u>\$ -</u>

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

Note 5. Interfund Transactions

Interfund Balances:

At June 30, 2019, the General Purpose School Fund had interfund receivables that consist of \$360,000 due from the General Fund and \$255,409 due from the Federal Projects Fund. General Purpose School Fund had an interfund payable of \$5,948 due to the General Fund.

Interfund transfers during the year consisted of the General Fund transferring \$2,435,000 to the Board of Education General Purpose Fund and \$50,000 to the Capital Projects Fund. Interfund transactions were for the purpose of funding annual appropriations, debt service requirements and capital outlay. Interfund activity is netted in the government-wide statements within the governmental activities column.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 6. Component Unit Transactions

Utilities Board:

Generally, all transactions with the Utilities Board are as a result of services being provided. The Utilities Board provides utilities to the City. In addition, the Utilities Board bills and collects residential sanitation services for the City. At June 30, 2019, the Utilities Board has a due from the primary government of \$52,708 and a due to the primary government of \$88,343.

Note 7. Detail of Net Position and Fund Balances

Net Position:

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

	Governmental Activities	Business - Type Activities	Total
Capital assets	\$ 49,204,070	\$ 3,287,300	\$ 52,491,370
Accumulated depreciation	(28,346,701)	(2,387,650)	(30,734,351)
Retainage payable	(8,162)	-	(8,162)
Net investment in capital assets	20,849,207	899,650	21,748,857
Restricted	1,344,566	-	1,344,566
Unrestricted	27,680,348	2,654,207	30,334,555
Total net position	<u>\$ 49,874,121</u>	<u>\$ 3,553,857</u>	<u>\$ 53,427,978</u>

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

Fund Balances:

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

Nonspendable	
General Fund-Inventory	\$ 101,813
Centralized Cafeteria Fund-Inventory	26,966
Cemetery Perpetual Care Fund-Nonexpendable	84,189
Total nonspendable fund balances	<u>212,968</u>
Restricted	
General Fund-Law Enforcement	89,567
General Purpose School Fund-Pensions	38,925
Cemetery Perpetual Care Fund-Expendable	230,173
Drug Fund	122,305
Total restricted fund balances	<u>480,970</u>
Committed	
General Fund-Police benefit	20,782
Capital Improvement Fund-Capital improvements	5,250,964
Education Capital Projects Fund-Education capital projects	1,024,247
Drug Fund	15,590
Total committed fund balances	<u>6,311,583</u>
Assigned	
General Purpose School Fund-Education	3,817,647
Centralized Cafeteria Fund	231,448
Total assigned fund balances	<u>4,049,095</u>
Unassigned	
General Fund	<u>13,947,862</u>
Total fund balances	<u>\$ 25,002,478</u>

Utilities Board

Net position of the Utilities Board consist of the following:

Net investment in capital assets	\$ 91,014,542
Unrestricted	<u>23,844,472</u>
	<u>\$ 114,859,014</u>

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 8. Employee Retirement Plans

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

Employee Retirement Plan

Plan Description

Plan Administration: The City of Athens, Tennessee Pension Plan is a single-employer defined benefit pension plan that provides pensions to all eligible employees hired by the City prior to July 1, 2010. The City Council has the authority under the Plan to establish contribution rates, change benefit terms, or amend the Plan. A three-member committee is charged with the general administration of the Plan and carrying out the provisions of the Plan. The Committee works in conjunction with the Plan's Trustee, Branch Banking and Trust Company (BB&T). The Committee consists of the Mayor, the City Manager, and a private city resident appointed by the City Council.

Plan Membership:

	<u>July 1, 2019</u>
Inactive Plan participants or beneficiaries currently receiving benefits	72
Inactive Plan participants entitled to deferred benefits	33
Active vested Plan participants	<u>35</u>
Total	<u><u>140</u></u>

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

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 8. Employee Retirement Plans (continued)

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

Employee Retirement Plan (continued)

Plan Provisions: Plan provisions in effect at June 30, 2019:

Eligibility and Benefits

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

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

Normal Retirement Benefit
Benefit Formula

The annual normal retirement benefit, based on service to normal retirement date, is equal to the sum of (a) and (b) below,

- a) 30% of average compensation, reduced by 1/10 for each year of continuous service less than 10 (reduced by 1/20 for each year of continuous service less than 20 for employees hired after 6/30/1999), plus
- b) One percent of average compensation in excess of the average covered wage, given by the table below, for each year of service up to 35 years.

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

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

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 8. Employee Retirement Plans (continued)

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

Employee Retirement Plan (continued)

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

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 8. Employee Retirement Plans (continued)

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

Employee Retirement Plan (continued)

Pre-Retirement Death Benefit Effective January 1, 2009:

Minimum Age: 45

Minimum Service: 10 Years

Prior to January 1, 2009:

Minimum Age: 55

Minimum Service: 15 Years

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

Disability Benefit

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

Vested Termination Benefit

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

Vesting Service

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

Contribution Required

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

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 8. Employee Retirement Plans (continued)

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

Employee Retirement Plan (continued)

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

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

Investments

Investment Policy: The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the City of Athens by a majority vote of its members. It is the policy of the City to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The Plan Trustee, Branch Banking and Trust Company, is responsible for implementing the investment policy. The following was the Board's adopted asset allocation as of June 30, 2019:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	40.0%
International equity	20.0
Fixed income	23.0
Hedge fund	3.0
Commodities	2.0
Cash and cash equivalents	12.0
Total	<u>100.0%</u>

**CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

Note 8. Employee Retirement Plans (continued)

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

Employee Retirement Plan (continued)

Rate of return: For the year ended June 30, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 6.08 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability (Asset) of the City

The components of the net pension liability (asset) at June 30, 2019, was as follows:

Total pension liability	\$ 16,572,131
Plan fiduciary net position	<u>16,602,372</u>
City net pension liability (asset)	<u>\$ (30,241)</u>
Plan fiduciary net position as a percentage of the total pension liability	100.18%
Covered payroll	\$ 2,097,532
Net pension liability (asset) as a percentage of covered payroll	(1.44%)

The Plan's fiduciary net position is reported in the Pension Trust Fund as of June 30, 2019. The City's net pension liability (asset) is reported in the government-wide activities and enterprise funds as of the measurement date of June 30, 2019.

Actuarial Assumptions for Calculation of the Net Pension Liability (Asset)

Measurement Date – June 30, 2019

Valuation Date – July 1, 2019

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

Post-Retirement: Tennessee Consolidated Retirement System Mortality Table

Discount Rate – 7.00% per annum

Inflation – 2.00% per annum

Salary Projection – 3.00% per annum

Cost of Living Increase – N/A

**CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

Note 8. Employee Retirement Plans (continued)

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

Employee Retirement Plan (continued)

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

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

Withdrawal rates – TCRS Mortality Table

Disability rates – TCRS Mortality Table

Long-Term Expected Rate of Return on Pension Plan Investments

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2019, (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	6.54%
International equity	6.19
Fixed income	2.10
Hedge fund	4.03
Commodities	3.89
Cash and cash equivalents	0.70

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 8. Employee Retirement Plans (continued)

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

Employee Retirement Plan (continued)

Discount rate

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

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

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

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

	<u>1% Decrease</u> <u>(6.00%)</u>	<u>Current Discount</u> <u>Rate (7.00%)</u>	<u>1% Increase</u> <u>(8.00%)</u>
City of Athens' Net Pension Liability (Assets) - June 30, 2019	\$ 1,623,794	\$ (30,241)	\$ (1,446,411)

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 8. Employee Retirement Plans (continued)

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

Employee Retirement Plan (continued)

Additional Defined Benefit Plan disclosures for the City of Athens

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

Additional City disclosures are made as of the measurement date, June 30, 2019, elected by the City under GASB No. 68.

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at June 30, 2018	\$ 16,635,130	\$ 16,182,780	\$ 452,350
Changes for the year:			
Service cost	130,864	-	130,864
Interest	1,135,933	-	1,135,933
Differences between expected and actual experience	(234,506)	-	(234,506)
Contributions - employer	-	600,000	(600,000)
Net investment income	-	914,882	(914,882)
Benefit payments, including refunds of employee contributions	(1,095,290)	(1,095,290)	-
Net changes	(62,999)	419,592	(482,591)
Balance at June 30, 2019	\$ 16,572,131	\$ 16,602,372	\$ (30,241)

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 8. Employee Retirement Plans (continued)

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

Employee Retirement Plan (continued)

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

	Governmental Activities	Sanitation	Total
Pension expense	\$ 41,825	\$ 1,683	\$ 43,508

For the measurement period ended June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 154,686
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	82,912
Total	\$ -	\$ 237,598

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2020	\$ (104,669)
2021	(164,562)
2022	(8,542)
2023	40,175

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

Defined Contribution Plan:

Plan description – 401(a) Retirement Plan

The City of Athens established a Money Purchase Plan and Trust, The City of Athens 401(a) Retirement Plan on July 1, 2010. Full-time employees hired on or after July 1, 2010, are eligible to participate on the first day of the month after 60 days of employment. Participants are required to make a pretax contribution of 3% of their regular earnings, which is matched by the City. Participants may make an additional after tax contribution of up to 4% of their regular earnings, which the City also matches. The after tax contribution percentage can be adjusted annually by the

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 8. Employee Retirement Plans (continued)

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

Defined Contribution Plan (continued)

City. Participants' interest in the contributions of the City vest at 100% upon 3 years of completed service. The Plan is established with ICMA Retirement Corporation as the Plan administrator. The City made Plan contributions of \$125,603 during 2019.

Primary Government (Board of Education employees)

Public Employee Retirement Plan

Plan description. Certain non-teacher employees of Athens City Board of Education are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

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

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

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 8. Employee Retirement Plans (continued)

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

Public Employee Retirement Plan (continued)

between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees covered by benefit terms. At the measurement date of June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	56
Inactive employees entitled to but not yet receiving benefits	116
Active employees	<u>85</u>
	<u>257</u>

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. Athens City Board of Education makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2019, contributions for Athens City Board of Education were \$177,242 based on a rate of 8.40 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Athens City Board of Education's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the cost of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

Athens City Board of Education's net pension liability (asset) was measured as of June 30, 2018, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total pension liability as of June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4.00%
Investment rate of return	7.25%, net of pension plan investment expenses, including inflation
Cost of living adjustment	2.25%.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 8. Employee Retirement Plans (continued)

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

Public Employee Retirement Plan (continued)

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

The actuarial assumptions used in the June 30, 2018, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012, through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016, actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best estimate of expected real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best estimates are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.50 percent. The best estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

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

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

Discount rate. The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from Athens City Board of Education will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 8. Employee Retirement Plans (continued)

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

Public Employee Retirement Plan (continued)

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the net pension liability are as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance at June 30, 2017	\$ 7,426,166	\$ 7,389,135	\$ 37,031
Changes for the year:			
Service cost	217,353	-	217,353
Interest	537,932	-	537,932
Differences between expected and actual experience	112,311	-	112,311
Contributions - Employer	-	168,249	(168,249)
Contributions - Employees	-	101,278	(101,278)
Net investment income	-	605,614	(605,614)
Benefit payments, including refunds of employee contributions	(447,523)	(447,523)	-
Administrative expense	-	(8,206)	8,206
Net changes	420,073	419,412	661
Balance at June 30, 2018	\$ 7,846,239	\$ 7,808,547	\$ 37,692

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of Athens City Board of Education calculated using the discount rate of 7.25 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Athens City Board of Education's net pension liability (asset)	\$ 980,454	\$ 37,692	\$ (750,720)

**CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

Note 8. Employee Retirement Plans (continued)

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

Public Employee Retirement Plan (continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension expense. For the year ended June 30, 2019, Athens City Board of Education recognized pension expense of \$83,616.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2019, Athens City Board of Education reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 106,026	\$ 116,156
Net difference between projected and actual earnings on pension plan investments	-	31,272
Changes in assumptions	89,252	-
Contributions subsequent to the measurement date of June 30, 2018	<u>177,242</u>	<u>-</u>
Total	<u>\$ 372,520</u>	<u>\$ 147,428</u>

The amount shown above for contributions subsequent to the measurement date of June 30, 2018, will be recognized as a reduction (increase) to net pension liability in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2020	\$ 84,862
2021	6,631
2022	(28,303)
2023	(15,340)

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

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 8. Employee Retirement Plans (continued)

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

Teacher Legacy Pension Plan

Plan description. Teachers with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014, of Athens City Board of Education are provided with pensions through the Teacher Legacy Pension Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by Local Education Agencies (LEAs) after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

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

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 8. Employee Retirement Plans (continued)

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

Teacher Legacy Pension Plan (continued)

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The LEAs make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by Athens City Board of Education for the year ended June 30, 2019, to the Teacher Legacy Pension Plan were \$678,290 which is 10.46 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the cost of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Liability (Asset), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension liability (asset). At June 30, 2019, the Athens City Board of Education reported a liability (asset) of \$(665,750) for its proportionate share of net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. Athens City Board of Education's proportion of the net pension liability (asset) was based on Athens City Board of Education's employer share of contributions to the pension plan, relative to the contributions of all participating LEAs. At the June 30, 2018, measurement date, Athens City Board of Education's proportion was 0.189192 percent. The proportion measured as of June 30, 2017, was 0.195561 percent.

Pension expense. For the year ended June 30, 2019, Athens City Board of Education recognized a negative pension expense of \$(161,006).

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 8. Employee Retirement Plans (continued)

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

Teacher Legacy Pension Plan (continued)

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2019, Athens City Board of Education reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 134,571	\$ 898,149
Changes in assumptions	393,195	-
Net difference between projected and actual earnings on pension plan investments	-	144,895
Changes in proportion of net pension liability (asset)	103,860	39,668
LEA's contributions subsequent to the measurement date of June 30, 2018	678,290	-
Total	\$ 1,309,916	\$ 1,082,712

Athens City Board of Education employer contributions of \$678,290, reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as an increase in net pension liability (asset) in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2020	\$ 166,809
2021	(183,041)
2022	(368,961)
2023	(65,893)

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

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 8. Employee Retirement Plans (continued)

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

Teacher Legacy Pension Plan (continued)

Actuarial assumptions. The total pension liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4.00%
Investment rate of return	7.25%, net of pension plan investment expenses, including inflation
Cost of living adjustment	2.25%

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

The actuarial assumptions used in the June 30, 2018, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012, through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016, actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best estimate of expected real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best estimates are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.50 percent. The best estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 8. Employee Retirement Plans (continued)

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

Teacher Legacy Pension Plan (continued)

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

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

Discount rate. The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from all LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of net pension liability (asset) to changes in the discount rate. The following presents Athens City Board of Education's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.25 percent, as well as what Athens City Board of Education's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Athens City Board of Education's proportionate share of the net pension liability (asset)	\$ 5,132,020	\$ (665,750)	\$ (5,462,597)

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 8. Employee Retirement Plans (continued)

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

Teacher Legacy Pension Plan (continued)

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

Teacher Retirement Plan

Plan description. Teachers with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014, of Athens City Board of Education are provided with pensions through the Teacher Legacy Pension Plan, a cost sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by LEAs after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

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

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 8. Employee Retirement Plans (continued)

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

Teacher Retirement Plan (continued)

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

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5 percent of salary. The Local Education Agencies (LEA) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4 percent, except in years when the maximum funded level, as established by the TCRS Board of Trustees, is reached. The actuarially determined contribution rate of 4 percent has been split between the Teacher Retirement Plan and TCRS Stabilization Reserve Trust. The Board placed the actuarially determined contribution rate of 1.94 percent of covered payroll into the Teacher Retirement Plan and 2.06 percent of covered payroll into the TCRS Stabilization Reserve Trust. By law, employer contributions for the Teacher Retirement Plan are required to be paid. TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2019, to the Teacher Retirement Plan were \$40,257 which is 1.94 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the cost of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Liability (Asset), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension liability (asset). At June 30, 2019, Athens City Board of Education reported an asset of (\$84,587) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2018, and the total pension asset used to calculate the net pension liability (asset) was determined by an actuarial value as of that date. Athens City Board of Education's proportion of the net pension liability (asset) was based on Athens City Board of Education's share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2018, Athens City Board of Education's proportion was 0.186509 percent. The proportion measured as of June 30, 2017, was 0.168014 percent.

Pension expense. For the year ended June 30, 2019, Athens City Board of Education recognized pension expense of \$29,099.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 8. Employee Retirement Plans (continued)

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

Teacher Retirement Plan (continued)

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2019, Athens City Board of Education reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 4,791	\$ 3,369
Net difference between projected and actual earnings on pension plan investments	-	4,778
Changes in assumptions	3,991	-
Changes in proportion of net pension liability (asset)	6,451	4,477
LEA's contributions subsequent to the measurement date of June 30, 2018	<u>40,257</u>	<u>-</u>
Total	<u>\$ 55,490</u>	<u>\$ 12,624</u>

Athens City Board of Education's employer contributions of \$40,257 reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as an increase in net pension liability (asset) in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2020	\$ (407)
2021	(559)
2022	(1,240)
2023	9
2024	645
Thereafter	4,161

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

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 8. Employee Retirement Plans (continued)

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

Teacher Retirement Plan (continued)

Actuarial assumptions. The total pension liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4.00%
Investment rate of return	7.25%, net of pension plan investment expenses, including inflation
Cost of living adjustment	2.25%

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

The actuarial assumptions used in the June 30, 2018, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012, through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016, actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best estimate of expected real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best estimates are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.50 percent. The best estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

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

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 8. Employee Retirement Plans (continued)

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

Teacher Retirement Plan (continued)

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

Discount rate. The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from all LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of net pension liability (asset) to changes in the discount rate. The following presents Athens City Board of Education's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.25 percent, as well as what Athens City Board of Education's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Athens City Board of Education's proportionate share of the net pension liability (asset)	\$ 13,077	\$ (84,587)	\$ (156,543)

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

TCRS Stabilization Trust

Legal provisions. The Athens City Board of Education is a member of the Tennessee Consolidated Retirement System (TCRS) Stabilization Reserve Trust. The Board has placed funds into the irrevocable trust as authorized by statute under Tennessee Code Annotated (TCA), Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the trust. Funds of trust members are held and invested in the name of the trust for the benefit of each member. Each member's funds are restricted for the payment of retirement benefits of that member's employees. Trust funds are not subject to the claims of general creditors of the Board.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 8. Employee Retirement Plans (continued)

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

Teacher Retirement Plan (continued)

TCRS Stabilization Trust (continued)

The trust is authorized to make investments as directed by the TCRS Board of Trustees. The Athens City Board of Education may not impose any restrictions on investments placed by the trust on their behalf.

Investment balances. Assets of the TCRS, including the Stabilization Reserve Trust, are invested in the Tennessee Retiree Group Trust (TRGT). The TRGT is not registered with the Securities and Exchange Commission (SEC) as an investment company. The State of Tennessee has not obtained a credit quality rating for the TRGT from a nationally recognized credit ratings agency. The fair value of investment positions in the TRGT is determined daily based on the fair value of the pool's underlying portfolio. Furthermore, TCRS had not obtained or provided any legally binding guarantees to support the value of participant shares during the fiscal year. There are no restrictions on the sale or redemption of shares.

Investments are reported at fair value or amortized cost which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price. Investment income consists of realized and unrealized appreciation (depreciation) in the fair value of Securities. Securities transactions are recorded in the financial statements on a trade-date basis. The fair value of assets of the TRGT held at June 30, 2019, represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Assets held are categorized for fair value measurement within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

- **Level 1** - Unadjusted quoted prices for identical assets or liabilities in active markets that can be accessed at the measurement date.
- **Level 2** - Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; assets or liabilities that have a bid-ask spread price in an inactive dealer market, brokered market and principal-to-principal market; and Level 1 assets or liabilities that are adjusted
- **Level 3** - Valuations derived from valuation techniques in which significant inputs are unobservable.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 8. Employee Retirement Plans (continued)

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

Teacher Retirement Plan (continued)

TCRS Stabilization Trust (continued)

Investments using the Net Asset Value (NAV) per share have no readily determinable fair value and have been determined using amortized cost which approximates fair value.

Where inputs used in the measurement of fair value fall into different levels of the hierarchy, fair value of the instrument in its entirety is categorized based on the lowest level input that is significant to the valuation. This assessment requires professional judgement and as such, management of the TRGT developed a fair value committee that worked in conjunction with the plan's custodian and investment professionals to make these valuations. All assets held were valued individually and aggregated into classes represented in the table below.

Short-term securities generally include investments in money market-type securities reported at cost plus accrued interest.

Equity and equity derivative securities classified in Level 1 are valued using last reported sales prices quoted in active markets that can be accessed at the measurement date. Equity and equity derivative securities classified in Level 2 are securities whose values are derived daily from associated traded securities. Equity securities classified in Level 3 are valued with last trade date having limited trading volume.

U.S. Treasury Bills, Bonds, Notes and Futures classified in Level 1 are valued using last reported sales prices quoted in active markets that can be accessed at the measurement date. Debt and debt derivative securities classified in Level 2 are valued using a bid-ask spread price from multiple independent brokers, dealers, or market principals, which are known to be actively involved in the market. Level 3 debt securities are valued using proprietary information, a single pricing source, or other unobservable inputs related to similar assets or liabilities.

Real estate investments classified in Level 3 are valued using the last valuations provided by external investment advisors or independent external appraisers. Generally, all direct real estate investments are appraised by a qualified independent appraiser(s) with the professional designation of Member of the Appraisal Institute, or its equivalent, every three years beginning from the acquisition date of the property. The appraisals are performed using generally accepted valuation approaches applicable to the property type. Investments in private mutual funds, traditional private equity funds, strategic lending funds and real estate funds that report using GAAP, the fair value, as well as the unfunded commitments, were determined using the prior quarter's NAV, as reported by the fund managers, plus the current cash flows. These assets were then categorized by investment strategy. In instances where the fund investment reported using non-GAAP standards, the investment was valued using the same method, but was classified in Level 3.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 8. Employee Retirement Plans (continued)

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

Teacher Retirement Plan (continued)

TCRS Stabilization Trust (continued)

At June 30, 2019, the Athens City Board of Education had the following investments held by the trust on its behalf:

<u>Investment</u>	<u>Target Allocation</u>	<u>Fair Value</u>
Investments at fair value:		
U.S. equity	31 %	\$ 12,067
Developed market international equity	14	5,450
Emerging market international equity	4	1,557
U.S. fixed income	20	7,785
Real estate	10	3,892
Short-term securities	1	389
Investments at amortized cost using the NAV:		
Private equity and strategic lending	20	<u>7,785</u>
Total		<u>\$ 38,925</u>

<u>Investment by Fair Value Level</u>	<u>Fair Value 6/30/2019</u>	<u>Fair Value Measurements Using</u>			<u>Amortized Cost</u>
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	<u>NAV</u>
U.S. equity	\$ 12,067	\$ 12,067	\$ -	\$ -	\$ -
Developed market international equity	5,450	5,450	-	-	-
Emerging market international equity	1,557	1,557	-	-	-
U.S. fixed income	7,785	-	7,785	-	-
Real estate	3,892	-	-	3,892	-
Short-term securities	389	-	389	-	-
Private equity and strategic lending	<u>7,785</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,785</u>
Total	<u>\$ 38,925</u>	<u>\$ 19,074</u>	<u>\$ 8,174</u>	<u>\$ 3,892</u>	<u>\$ 7,785</u>

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 8. Employee Retirement Plans (continued)

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

Teacher Retirement Plan (continued)

TCRS Stabilization Trust (continued)

Risks and uncertainties. The trust's investments include various types of investment funds, which in turn invest in any combination of stocks, bonds and other investments exposed to various risks, such as interest rate, credit, and market risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported for trust investments.

Interest rate risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Board does not have the ability to limit trust investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Board does not have the ability to limit the credit ratings of individual investments made by the trust.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the Board's investment in a single issuer. The Board places no limit on the amount the Board may invest in one issuer.

Custodial Credit Risk. Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the Board will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Pursuant to the trust agreement, investments are held in the name of the trust for the benefit of the Board to pay retirement benefits of the Board employees.

For further information concerning the Board's investments with the TCRS Stabilization Reserve Trust, audited financial statements of the Tennessee Consolidated Retirement System may be obtained at <https://comptroller.tn.gov/content/dam/cot/sa/advancedsearch/disclaimer/2019/ag18092.pdf>

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 8. Employee Retirement Plans (continued)

Aggregation of all pension plans

The following is an aggregation of deferred outflows of resources and deferred inflows of resources related to the City's and the Board of Education's various pension plans:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 245,388	\$ 1,172,360
Changes of assumptions	486,438	-
Net difference between projected and actual earnings on pension plan investments	-	263,857
Changes in proportion of net position liability (asset)	110,311	44,145
Contributions subsequent to the measurement date	<u>895,789</u>	<u>-</u>
Total	<u>\$ 1,737,926</u>	<u>\$ 1,480,362</u>

Deferred outflows of resources related to contributions to pension plans subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2020.

Amounts reported as deferred outflows of resources and deferred inflows of resources from all pension plans will be recognized in pension expense as follows:

Year Ended June 30:	
2020	\$ 146,595
2021	341,531
2022	407,046
2023	41,049
2024	645
Thereafter	4,161

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

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 8. Employee Retirement Plans (continued)

Aggregation of all pension plans (continued)

The retirement plan resulted in the following net pension assets and net pension liability:

	Net Pension Asset	Net Pension Liability
City - Employee Retirement Plan	\$ 30,241	\$ -
Board of Education - Public Employee Retirement Plan	-	37,692
Board of Education - Teacher Legacy Plan	665,750	-
Board of Educaiton - Teacher Retirement Plan	84,587	-
	\$ 780,578	\$ 37,692

Pension expense (negative pension expense) related to all plans were as follows:

City - Employee Retirement Plan	\$ 43,508
Board of Education - Public Employee Retirement Plan	83,616
Board of Education - Teacher Legacy Plan	(161,006)
Board of Education - Teacher Retirement Plan	29,099
	\$ (4,783)

Defined Contribution Plan

As a component of the Teacher Retirement Plan, a defined contribution plan has been established for all teachers hired on or after July 1, 2014. Athens City Board of Education is required to contribute 5 percent of salaries, while participants may contribute up to 2 percent of salary. Participants are immediately vested. The Plan is established with Great-West Financial as Plan Administrators. The Board contributed \$94,180 to the Plan in 2019.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 9. Other Postemployment Benefits (OPEB)

Teacher Group OPEB Plan

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

Benefits provided. The Board offers the TGOP to provide health insurance coverage to eligible pre-65 retired teachers, support staff and disabled participants of local education agencies. Insurance coverage is the only postemployment benefit provided to retirees. An insurance committee created in accordance with TCA 8-27-301 establishes and amends the benefit terms of the TGOP. All members have the option of choosing between the partnership promise preferred provider organization (PPO), no partnership promise PPO, standard PPO, limited PPO or the wellness healthsavings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members of the TGOP receive the same plan benefits as active employees, at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Participating employers determine their own policy related to direct subsidies provided for the retiree premiums. The Board does not directly subsidize the retiree premium. The state, as a governmental nonemployer contributing entity, provides a direct subsidy for eligible retirees premiums, based on years of service. Therefore, retirees with 30 or more years of service will receive 45 percent; 20 but less than 30 years, 35 percent; and less than 20 years, 20 percent of the scheduled premium. No subsidy is provided for enrollees of the healthsavings CDHP. The TGOP is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

Employees covered by benefit terms. At July 1, 2018, the following employees were covered by the benefit terms of the TGOP:

Inactive employees or beneficiaries currently receiving benefits	18
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>169</u>
	<u>187</u>

**CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019**

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

Teacher Group OPEB Plan (continued)

An insurance committee, created in accordance with TCA 8-27-301, established the required payments to the TGOP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants. Employers contribute towards employee costs based on their own developed policies. During 2019, the Board paid \$101,363 to the TGOP for OPEB benefits as they came due.

Total OPEB Liability

Actuarial assumptions. The collective total OPEB liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary increases	Graded salary ranges from 3.44% to 8.72% based on age, including inflation, averaging 4.00%
Healthcare cost trend rates	6.75% for 2019, decreasing annually to an ultimate rate of 3.85% for 2050 and later
Retiree's share of benefit-related costs	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this valuation a weighted average has been used with weights derived from the current distribution of members among plans.

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

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

Teacher Group OPEB Plan (continued)

Discount rate. The discount rate used to measure the total OPEB liability was 3.62 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Fidelity 20-Year Municipal GO AA index.

Changes in the collective total OPEB liability are as follows:

Balance at June 30, 2017	<u>\$ 2,637,900</u>
Changes for the year:	
Service cost	139,034
Interest	95,367
Changes of benefit terms	(190,235)
Differences between expected and actual experience	(433,868)
Changes in assumptions and other inputs	44,973
Benefit payments	<u>(196,195)</u>
Net changes	<u>(540,924)</u>
Balance at June 30, 2018	<u>\$ 2,096,976</u>
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 619,403
Employer's proportionate share of the collective total OPEB liability	\$ 1,477,573
Employer's proportion of the collective total OPEB liability	70.46%

The Board has a special funding situation related to benefits paid by the State of Tennessee for its eligible retired employees participation in the TGOP. The Board's proportionate share of the collective total OPEB liability was based on a projection of the employers long term share of benefit payments to the OPEB plan relative to the projected share of benefit payments of all participating employers and nonemployer contributing entities, actuarially determined. The proportion changed 3.56 percent from the prior measurement date. The Board recognized \$10,213 of negative revenue for subsidies provided by nonemployer contributing entities for benefits paid by the TGOP for Board retirees.

Changes in assumptions. The discount rate was changed from 3.56 percent as of the beginning of the measurement period to 3.62 percent as of June 30, 2018. This change in assumptions decreased the total OPEB liability.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

Teacher Group OPEB Plan (continued)

Sensitivity of proportionate share of the collective total OPEB liability to changes in the discount rate. The following presents the proportionate share of the collective total OPEB liability related to the TGOP, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.62 percent) or 1 percentage point higher (4.62 percent) than the current discount rate.

	1% Decrease (2.62%)	Current Discount Rate (3.62%)	1% Increase (4.62%)
Proportionate share of the collective total OPEB liability	\$ 1,588,238	\$ 1,477,573	\$ 1,373,874

Sensitivity of proportionate share of the collective total OPEB liability to changes in the healthcare cost trend rate. The following presents the proportionate share of the collective total OPEB liability related to the TGOP, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower (5.75 percent to 2.85 percent) or 1 percentage point higher (7.75 percent to 4.85 percent) than the current healthcare cost trend rate.

	1% Decrease (5.75% decreasing to 2.85%)	Healthcare Cost Trend Rate (6.75% decreasing to 3.85%)	1% Increase (7.75% decreasing to 4.85%)
Proportionate share of the collective total OPEB liability	\$ 1,313,312	\$ 1,477,573	\$ 1,675,418

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

OPEB expense. For the year ended June 30, 2019, the Board recognized OPEB negative expense of \$4,920.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

Teacher Group OPEB Plan (continued)

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2019, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the TGOP from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 276,597
Changes in assumptions	28,671	70,464
Changes in proportion and difference between amounts paid as benefits came due and proportionate share certain amounts paid by the employer and nonemployer contributors as the benefits came due	83,219	-
Employer payments subsequent to the measurement date	101,363	-
Total	\$ 213,253	\$ 347,061

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

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

Year Ended June 30:	
2020	\$ (25,827)
2021	(25,827)
2022	(25,827)
2023	(25,827)
2024	(25,827)
Thereafter	(106,036)

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

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

Tennessee OPEB Plan (continued)

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

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

Employees covered by benefit terms. At July 1, 2018, the following employees were covered by the benefit terms of the TNP:

Inactive employees or beneficiaries currently receiving benefits	77
Inactive employees entitled to but not yet receiving benefits	18
Active employees	<u>107</u>
	<u>202</u>

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

Tennessee OPEB Plan (continued)

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

Actuarial assumptions. The collective total OPEB liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

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

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

Discount rate. The discount rate used to measure the total OPEB liability was 3.62 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Fidelity 20-Year Municipal GO AA index.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

Tennessee OPEB Plan (continued)

Changes in the collective total OPEB liability are as follows:

Balance at June 30, 2017	\$ 688,300
Changes for the year:	
Service cost	6,482
Interest	24,002
Differences between expected and actual experience	(79,587)
Changes in assumptions and other inputs	(3,957)
Benefit payments	<u>(41,143)</u>
Net changes	<u>(94,203)</u>
Balance at June 30, 2018	<u>\$ 594,097</u>
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 594,097
Employer's proportionate share of the collective total OPEB liability	\$ -
Employer's proportion of the collective total OPEB liability	- %

The Board has a special funding situation related to benefits paid by the State of Tennessee for its eligible retired employees participation in the TNP. The Board's proportionate share of the collective total OPEB liability was based on projection of the employers long-term share of benefit payments to the OPEB plan relative to the projected share of benefit payments of all participating employers and nonemployer contributing entities, actuarially determined. The Board proportion of zero percent did not change from the prior measurement date. The Board recognized \$11,221 in revenue for support provided by nonemployer contributing entities for benefits paid to the TNP for the Board's retired employees.

Changes in assumptions. The discount rate was changed from 3.56 percent as of the beginning of the measurement period to 3.62 percent as of June 30, 2018. This change in assumption decreased the total OPEB liability.

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

OPEB expense. For the year ended June 30, 2019, the Board recognized OPEB expense of \$11,221.

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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

Aggregation of all OPEB Plans

The following is an aggregation of deferred outflows of resources and deferred inflows of resources related to the Board of Education's various OPEB plans. The City has no OPEB plan:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 276,597
Changes of assumptions	28,671	70,464
Changes in proportion and difference between amounts paid as benefits came due and proportionate share		
certain amounts paid by the employer and nonemployer contributors as the benefits came due	83,219	-
Employer payments subsequent to the measurement date	<u>101,363</u>	<u>-</u>
Total	<u>\$ 213,253</u>	<u>\$ 347,061</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources from all OPEB plans will be recognized expense as follows:

Year ended June 30:	
2020	\$ (25,827)
2021	(25,827)
2022	(25,827)
2023	(25,827)
2024	(25,827)
Thereafter	(106,036)

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

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 10. Other Postemployment Benefits (OPEB) (continued)

Aggregation of all OPEB plans (continued)

The OPEB plans resulted in the following net OPEB liability:

	Net OPEB Liability
Teacher Group OPEB Plan	\$ 1,477,573
Tennessee OPEB Plan	-
	\$ 1,477,573

OPEB expense (negative OPEB expense) related to all plans were as follows:

Teacher Group OPEB Plan	\$ (4,920)
Tennessee OPEB Plan	11,221
	\$ 6,301

In addition, the Board of Education's Teacher Group OPEB Plan and Tennessee OPEB Plan recognized \$10, 213 of negative revenue and \$11,221 in revenue, respectively.

Note 11. On-Behalf Payments

The State of Tennessee makes on-behalf payments to the State's Tennessee OPEB Plan and the Teacher Group OPEB Plan for retired teachers of Athens City Board of Education. GASB Statement No. 24 requires that on-behalf payments be recognized in the Board's financial statements. During the year ended June 30, 2019, the State of Tennessee made contributions to healthcare plans on behalf of the Board as follows:

Plan	Amount
Teacher Group OPEB Plan	\$ 55,665
Tennessee OPEB Plan	37,898

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

CITY OF ATHENS, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 14. Contingencies

The Athens Utilities Board has debt issues with outstanding balances totaling \$24,127,696, representing debt issued by the City where the Utilities Board has assumed all responsibility through resolution. This long-term debt is reported in the Athens Utilities Board financial statements. The debt service is to be paid through user fees and Board funds, but the City is required to establish ad valorem taxes under each debt issue if Utilities Board funds are not sufficient to service the debts.

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

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

Note 15. Risk Management

The City is exposed to various risks of loss to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the government carries commercial insurance or participates in the Public Entity Partners Risk Management Pool. The Public Entity Partners Risk Management Pool is a public entity risk pool which provides coverage for a variety of risks to Tennessee governments. The City does not retain the risk of loss under coverages with the pool. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**CITY OF ATHENS, TENNESSEE
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
AND RELATED RATIOS
EMPLOYEE RETIREMENT PLAN
LAST FIVE FISCAL YEARS
June 30, 2019**

	2019	2018	2017	2016	2015
Total Pension Liability					
Service cost	\$ 130,864	\$ 134,000	\$ 181,239	\$ 202,251	\$ 219,376
Interest	1,135,933	1,136,290	1,142,721	1,086,325	1,094,369
Differences between expected and actual experience	(234,506)	(249,085)	(460,714)	327,458	45,954
Changes in assumptions	-	-	-	-	277,477
Benefit payments	(1,095,290)	(953,466)	(863,801)	(717,399)	(668,078)
Net change in total pension liability	(62,999)	67,739	(555)	898,635	969,098
Total pension liability - beginning	<u>16,635,130</u>	<u>16,567,391</u>	<u>16,567,946</u>	<u>15,669,311</u>	<u>14,700,213</u>
Total pension liability - ending (a)	<u>\$16,572,131</u>	<u>\$16,635,130</u>	<u>\$16,567,391</u>	<u>\$16,567,946</u>	<u>\$15,669,311</u>
Plan Fiduciary Net Position					
Contributions - employer	\$ 600,000	\$ 600,000	\$ 650,000	\$ 1,300,000	\$ 1,610,000
Net investment income	914,882	1,320,179	1,737,667	(116,640)	200,379
Benefit payments	(1,095,290)	(953,466)	(863,801)	(717,399)	(668,078)
Administrative expense	-	(64,193)	(55,593)	(55,550)	(66,580)
Net change in plan fiduciary net position	419,592	902,520	1,468,273	410,411	1,075,721
Plan fiduciary net position - beginning	<u>16,182,780</u>	<u>15,280,260</u>	<u>13,811,987</u>	<u>13,401,576</u>	<u>12,325,855</u>
Plan fiduciary net position - ending (b)	<u>\$16,602,372</u>	<u>\$16,182,780</u>	<u>\$15,280,260</u>	<u>\$13,811,987</u>	<u>\$13,401,576</u>
Net pension liability (asset) - ending (a) - (b)	<u>\$ (30,241)</u>	<u>\$ 452,350</u>	<u>\$ 1,287,131</u>	<u>\$ 2,755,959</u>	<u>\$ 2,267,735</u>
Plan fiduciary net position as a percentage of the total pension liability	100.18%	92.23%	92.23%	83.37%	85.53%
Covered payroll	\$ 2,097,532	\$ 2,217,599	\$ 2,445,296	\$ 3,067,660	\$ 3,406,196
Net pension liability as a percentage of covered payroll	-1.44%	20.40%	52.64%	89.84%	66.58%

Notes to Schedule

Changes in assumptions:

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

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

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

**CITY OF ATHENS, TENNESSEE
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF CONTRIBUTIONS
EMPLOYEE RETIREMENT PLAN
LAST FIVE FISCAL YEARS
June 30, 2019**

	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 398,633	\$ 393,842	\$ 359,139	\$ 359,396	\$ 465,803
Contributions in relation to the actuarially determined contribution	<u>600,000</u>	<u>600,000</u>	<u>650,000</u>	<u>1,300,000</u>	<u>1,610,000</u>
Contribution deficiency (excess)	<u>\$ (201,367)</u>	<u>\$ (206,158)</u>	<u>\$ (290,861)</u>	<u>\$ (940,604)</u>	<u>\$ (1,144,197)</u>
Covered payroll	\$ 2,097,532	\$ 2,217,599	\$ 2,445,296	\$ 3,067,660	\$ 3,406,196
Contributions as a percentage of covered payroll	28.61%	27.06%	26.58%	42.38%	47.27%

Notes to Schedule

Valuation date:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Individual entry age normal, level percentage of compensation
Amortization method	Level dollar, closed
Remaining amortization period	26.5 years as of July 1, 2018
Asset valuation method	Five-year asset average spreading, 20% corridor around market value
Salary increases	3.00% per annum
Investment rate of return	7.00% per annum
Retirement age	5.00% at ages 55-61, 75% at age 62, 50% at ages 63-64, 100% at Age 65
Mortality	Pre-Retirement: 2014 IRS Combined Static Mortality Table Post-Retirement: Tennessee Consolidated Retirement System Mortality Table

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

CITY OF ATHENS, TENNESSEE
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF INVESTMENT RETURNS
EMPLOYEE RETIREMENT PLAN
LAST SIX FISCAL YEARS
June 30, 2019

	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	6.08%	8.58%	12.38%	(0.85)%	1.57%	15.41%

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

**CITY OF ATHENS, TENNESSEE
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF CHANGES IN NET PENSION
LIABILITY (ASSET) AND RELATED RATIOS
ATHENS CITY BOARD OF EDUCATION
PUBLIC EMPLOYEE PENSION PLAN
LAST FIVE FISCAL YEARS
June 30, 2019**

	2014	2015	2016	2017	2018
TOTAL PENSION LIABILITY (ASSET)					
Service cost	\$ 183,637	\$ 192,930	\$ 202,468	\$ 197,805	\$ 217,353
Interest	456,115	470,972	507,194	525,704	537,932
Differences between expected and actual experience	(170,142)	108,969	(142,126)	(98,841)	112,311
Changes in assumptions	-	-	-	148,754	-
Benefit payments, including refunds of employee contributions	(277,253)	(284,381)	(314,496)	(317,667)	(447,523)
Net change in total pension liability	192,357	488,490	253,040	455,755	420,073
Total pension liability-beginning	6,036,524	6,228,881	6,717,371	6,970,411	7,426,166
Total pension liability-ending (a)	<u>\$ 6,228,881</u>	<u>\$ 6,717,371</u>	<u>\$ 6,970,411</u>	<u>\$ 7,426,166</u>	<u>\$ 7,846,239</u>
PLAN FIDUCIARY NET POSITION					
Contributions - employer	\$ 156,714	\$ 158,450	\$ 164,526	\$ 174,295	\$ 168,249
Contributions - employees	94,521	95,605	100,581	105,188	101,278
Net investment income	914,930	196,626	173,363	754,503	605,614
Benefit payments, including refunds of employee contributions	(277,253)	(284,381)	(314,496)	(317,667)	(447,523)
Administrative expense	(3,263)	(4,335)	(6,525)	(8,045)	(8,206)
Net change in plan fiduciary net position	885,649	161,965	117,449	708,274	419,412
Plan fiduciary net position-beginning	5,515,798	6,401,447	6,563,412	6,680,861	7,389,135
Plan fiduciary net position-ending (b)	<u>\$ 6,401,447</u>	<u>\$ 6,563,412</u>	<u>\$ 6,680,861</u>	<u>\$ 7,389,135</u>	<u>\$ 7,808,547</u>
Net pension liability (asset)-ending (a)-(b)	<u>\$ (172,566)</u>	<u>\$ 153,959</u>	<u>\$ 289,550</u>	<u>\$ 37,031</u>	<u>\$ 37,692</u>
Plan fiduciary net position as a percentage of the total pension liability (asset)	(102.77)%	97.71%	95.85%	99.50%	99.52%
Covered payroll	\$ 1,888,122	\$ 1,904,451	\$ 1,976,171	\$ 2,094,909	\$ 2,022,221
Net pension liability (asset) as a percentage of covered payroll	(9.14)%	8.08%	14.65%	1.77%	1.86%

Notes to Schedule

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

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

**CITY OF ATHENS, TENNESSEE
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF CONTRIBUTIONS
ATHENS CITY BOARD OF EDUCATION
PUBLIC EMPLOYEE PENSION PLAN
LAST SIX FISCAL YEARS
June 30, 2019**

	2014	2015	2016	2017	2018	2019
Actuarially determined contribution	\$ 156,714	\$ 158,450	\$ 164,526	\$ 174,295	\$ 168,249	\$ 177,242
Contributions in relation to the actuarially determined contribution	<u>156,714</u>	<u>158,450</u>	<u>164,526</u>	<u>174,295</u>	<u>168,249</u>	<u>177,242</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,888,122	\$ 1,904,451	\$ 1,976,171	\$ 2,094,909	\$ 2,022,221	\$ 2,110,023
Contributions as a percentage of covered payroll	8.30%	8.32%	8.33%	8.32%	8.32%	8.40%

Notes to Schedule

Valuation date:

Actuarially determined contribution rates for 2019 were calculated based on the June 30, 2017, actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by year
Asset valuation	10-year smoothed within a 20% corridor to market value
Inflation	2.50%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation
Investment rate of return	7.25%, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living adjustments	2.25%

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

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

**CITY OF ATHENS, TENNESSEE
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY (ASSET)
ATHENS CITY BOARD OF EDUCATION
TEACHER LEGACY PENSION PLAN
LAST FIVE FISCAL YEARS
June 30, 2019**

	2015	2016	2017	2018	2019
Athens City Board of Education's proportion of the net pension liability (asset)	(0.188902)%	0.191783%	0.201213%	(0.195561)%	(0.189192)%
Athens City Board of Education's proportionate share of the net pension liability (asset)	\$ (30,696)	\$ 78,561	\$ 1,257,467	\$ (63,984)	\$ (665,750)
Athens City Board of Education's covered payroll	\$ 7,414,378	\$ 7,179,415	\$ 7,263,369	\$ 6,856,088	\$ 6,624,524
Athens City Board of Education's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	(0.414002)%	1.094252%	17.31%	(0.93)%	(10.05)%
Plan fiduciary net position as a percentage of the total pension liability	100.08%	99.81%	97.14%	100.14%	101.49%

Notes to Schedule

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

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

**CITY OF ATHENS, TENNESSEE
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF CONTRIBUTIONS
ATHENS CITY BOARD OF EDUCATION
TEACHER LEGACY PENSION PLAN
LAST SIX FISCAL YEARS
June 30, 2019**

	2014	2015	2016	2017	2018	2019
Contractually required contribution	\$ 658,397	\$ 649,018	\$ 656,609	\$ 624,934	\$ 601,539	\$ 678,290
Contribution in relation to the contractually required contribution	<u>658,397</u>	<u>649,018</u>	<u>656,609</u>	<u>624,934</u>	<u>601,539</u>	<u>678,290</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Athens City Board of Education's covered payroll	\$7,414,378	\$7,179,415	\$7,263,369	\$6,856,088	\$6,624,524	\$6,484,608
Contributions as a percentage of Athens City Board of Education's covered payroll	8.88%	9.04%	9.04%	9.12%	9.08%	10.46%

Notes to Schedule

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

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

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

June 30, 2019

	2016	2017	2018	2019
Athens City Board of Education's proportion of the net pension liability (asset)	(0.339025)%	(0.199142)%	(0.168014)%	(0.186509)%
Athens City Board of Education's proportionate share of the net pension liability (asset)	\$ (13,926)	\$ (20,731)	\$ (44,329)	\$ (84,587)
Athens City Board of Education's covered payroll	\$ 719,244	\$ 876,231	\$ 1,159,644	\$ 1,629,866
Athens City Board of Education's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	(1.94)%	(2.37)%	(3.82)%	(5.19)%
Plan fiduciary net position as a percentage of the total pension liability	127.46%	121.88%	126.81%	126.97%

Notes to Schedule

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

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

**CITY OF ATHENS, TENNESSEE
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF CONTRIBUTIONS
ATHENS CITY BOARD OF EDUCATION
TEACHER RETIREMENT PLAN
LAST FIVE FISCAL YEARS
June 30, 2019**

	2015	2016	2017	2018	2019
Contractually required contribution	\$ 17,981	\$ 21,934	\$ 44,110	\$ 26,579	\$ 40,257
Contribution in relation to the contractually required contribution	<u>28,770</u>	<u>35,049</u>	<u>44,110</u>	<u>65,195</u>	<u>40,257</u>
Contribution deficiency (excess)	<u><u>\$ (10,789)</u></u>	<u><u>\$ (13,115)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (38,616)</u></u>	<u><u>\$ -</u></u>
 Athens City Board of Education's covered payroll	 \$719,244	 \$876,231	 \$1,159,644	 \$1,629,866	 \$2,075,103
 Contributions as a percentage of Athens City Board of Education's covered payroll	 4.00%	 4.00%	 3.80%	 4.00%	 1.94%

Notes to Schedule

Changes in assumptions: In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost of living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions. This schedule will present 10 years of information as it becomes available.

**CITY OF ATHENS, TENNESSEE
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF CHANGES IN TOTAL
OPEB LIABILITY AND RELATED RATIOS
ATHENS CITY BOARD OF EDUCATION
TEACHER GROUP OPEB PLAN
June 30, 2019**

	2018	2019
TOTAL OPEB LIABILITY		
Service cost	\$ 150,653	\$ 139,034
Interest	81,018	95,367
Changes of benefit terms	-	(190,235)
Differences between expected and actual experience	-	(433,868)
Changes in assumptions and other inputs	(124,099)	44,973
Benefit payments	(187,183)	(196,195)
Net change in total OPEB liability	(79,611)	(540,924)
Total OPEB liability-beginning	2,717,511	2,637,900
Total OPEB liability-ending	\$ 2,637,900	\$ 2,096,976
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 873,148	\$ 619,403
Employer's proportionate share of the collective total OPEB liability	\$ 1,764,752	\$ 1,477,573
Covered-employee payroll	N/A	N/A
Employer's proportionate share of collective total OPEB liability as a percentage of covered-employee payroll	N/A	N/A

Notes to Schedule

Valuation date: June 30, 2018

Measurement date: June 30, 2018

Methods and assumptions used to determine total OPEB liability:

Actuarial cost method	Entry age normal
Inflation	2.25%
Discount rate	3.62%
Salary increases	Salary rates used in the July 1, 2018, actuarial valuation of the Tennessee Consolidated Retirement System (TCRS); 3.44% - 8.72%, including inflation.
Retirement age	Retirement rates used in the July 1, 2018, actuarial valuation of the TCRS. They are based on the results of a statewide experience study (undertaken on behalf of TCRS).
Mortality	Mortality tables used in the July 1, 2018, actuarial valuation of the TCRS. They are based on the results of a statewide experience study (undertaken on behalf of TCRS).
Healthcare cost trend rates	Based on the Getzen Model, with trend starting at 6.75% for 2019 calendar year, and gradually decreasing over a 32-year period to an ultimate trend rate of 3.53% with 0.32% added to approximate the effect of the excise tax.
Aging factors	Based on the 2013 SOA Study "Health Care Costs - From Birth to Death".
Expenses	Administrative expenses are included in the per capita health costs.

See the Actuarial Valuation Report as of July 1, 2018.

Following changes in assumptions and other inputs were made:

The discount rate was changed for 3.56% as of the beginning of the measurement period to 3.62% as of June 30, 2018.

The assumed initial cost and premium amounts were revised to reflect rates adopted for the 2019 plan year. The assumed initial trend rate applicable to 2019 plan year was revised from 5.40% to 6.75%. These changes are reflected in the Schedule of Changes in Total OPEB Liability.

Benefit changes reflect the change in the subsidy level of the Employer's direct premium subsidy.

**CITY OF ATHENS, TENNESSEE
REQUIRED SUPPLEMENT INFORMATION
SCHEDULE OF CHANGES IN TOTAL
OPEB LIABILITY AND RELATED RATIOS
ATHENS CITY BOARD OF EDUCATION
TENNESSEE OPEB PLAN
June 30, 2019**

	2018	2019
TOTAL OPEB LIABILITY		
Service cost	\$ 8,015	\$ 6,482
Interest	21,642	24,002
Differences between expected and actual experience	-	(79,587)
Changes in assumptions and other inputs	(53,724)	(3,957)
Benefit payments	(41,550)	(41,143)
Net change in total OPEB liability	(65,617)	(94,203)
Total OPEB liability-beginning	753,917	688,300
Total OPEB liability-ending	\$ 688,300	\$ 594,097
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 688,300	\$ 594,097
Employer's proportionate share of the collective total OPEB liability	\$ -	\$ -
Covered-employee payroll	N/A	N/A
Employer's proportionate share of collective total OPEB liability as a percentage of covered-employee payroll	N/A	N/A

Notes to Schedule

Valuation date: June 30, 2018

Measurement date: June 30, 2018

Methods and assumptions used to determine total OPEB liability:

Actuarial cost method	Entry age normal
Inflation	2.25%
Discount rate	3.62%
Salary increases	Salary rates used in the July 1, 2018, actuarial valuation of the Tennessee Consolidated Retirement System (TCRS); 3.44% - 8.72%, including inflation.
Retirement age	Retirement rates used in the July 1, 2018, actuarial valuation of the TCRS. They are based on the results of a statewide experience study (undertaken on behalf of TCRS).
Mortality	Mortality tables used in the July 1, 2018, actuarial valuation of the TCRS. They are based on the results of a statewide experience study (undertaken on behalf of TCRS).
Healthcare cost trend rates	None, premium subsidies provided by the State and the Employer are assumed to remain the projection.
Aging factors	Based on the 2013 SOA Study "Health Care Costs - From Birth to Death".
Expenses	Administrative expenses are included in the per capita health costs.

See the Actuarial Valuation Report as of July 1, 2018.

Changes in assumptions and other inputs include the change in the discount rate from 3.56% as of the beginning of the measurement period to 3.62% as of June 30, 2018. This change is reflected in the Schedule of Changes in Total OPEB Liability. There were no benefit changes during the measurement period.

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**NON-MAJOR
GOVERNMENTAL FUNDS**

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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

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

Capital Projects Fund

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

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

Permanent Fund

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

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

**CITY OF ATHENS, TENNESSEE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2019**

	Federal Projects	Special Revenue Funds Drug	Centralized Cafeteria	Capital Projects Fund Education Capital Projects	Permanent Fund Cemetery Perpetual Care	Total Nonmajor Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 70,697	\$ 10,007	\$222,920	\$ 1,024,247	\$ 5,059	\$ 1,332,930
Investments	-	122,250	-	-	309,303	431,553
Due from other governments	319,014	5,638	61,739	-	-	386,391
Inventories	-	-	26,966	-	-	26,966
Total assets	<u>\$ 389,711</u>	<u>\$ 137,895</u>	<u>\$ 311,625</u>	<u>\$ 1,024,247</u>	<u>\$ 314,362</u>	<u>\$ 2,177,840</u>
 LIABILITIES AND FUND BALANCES						
LIABILITIES						
Interfund payable	\$ 255,409	\$ -	\$ -	\$ -	\$ -	\$ 255,409
Accrued payroll and withholdings	134,302	-	53,211	-	-	187,513
Total liabilities	<u>389,711</u>	<u>-</u>	<u>53,211</u>	<u>-</u>	<u>-</u>	<u>442,922</u>
 FUND BALANCES						
Nonspendable	-	-	26,966	-	84,189	111,155
Restricted	-	122,305	-	-	230,173	352,478
Committed	-	15,590	-	1,024,247	-	1,039,837
Assigned	-	-	231,448	-	-	231,448
Total fund balances	<u>-</u>	<u>137,895</u>	<u>258,414</u>	<u>1,024,247</u>	<u>314,362</u>	<u>1,734,918</u>
Total liabilities and fund balances	<u>\$ 389,711</u>	<u>\$ 137,895</u>	<u>\$ 311,625</u>	<u>\$ 1,024,247</u>	<u>\$ 314,362</u>	<u>\$ 2,177,840</u>

CITY OF ATHENS, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2019

	Federal Projects	Special Revenue Funds		Capital Projects Fund Education Capital Projects	Permanent Fund Cemetery Perpetual Care	Total Nonmajor Governmental Funds
		Drug	Centralized Cafeteria			
REVENUES						
Intergovernmental	\$ 1,322,610	\$ -	\$ 1,042,640	\$ -	\$ -	\$ 2,365,250
Fines and forfeitures	-	21,919	-	-	-	21,919
Investment and interest income	-	3,779	1,179	-	19,495	24,453
Charges for services	-	-	56,746	-	2,579	59,325
Miscellaneous	-	1,650	-	-	-	1,650
Total revenues	<u>1,322,610</u>	<u>27,348</u>	<u>1,100,565</u>	<u>-</u>	<u>22,074</u>	<u>2,472,597</u>
EXPENDITURES						
Current:						
Public safety	-	58,619	-	-	-	58,619
Education	1,322,610	-	1,191,942	-	-	2,514,552
Capital outlay	-	59,833	-	-	-	59,833
Total expenditures	<u>1,322,610</u>	<u>118,452</u>	<u>1,191,942</u>	<u>-</u>	<u>-</u>	<u>2,633,004</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(91,104)</u>	<u>(91,377)</u>	<u>-</u>	<u>22,074</u>	<u>(160,407)</u>
OTHER FINANCING SOURCES						
Capital contributions	-	-	-	-	54,000	54,000
FUND BALANCES, beginning of year	<u>-</u>	<u>228,999</u>	<u>349,791</u>	<u>1,024,247</u>	<u>238,288</u>	<u>1,841,325</u>
FUND BALANCES, end of year	<u>\$ -</u>	<u>\$ 137,895</u>	<u>\$ 258,414</u>	<u>\$ 1,024,247</u>	<u>\$ 314,362</u>	<u>\$ 1,734,918</u>

**CITY OF ATHENS, TENNESSEE
BUDGETARY COMPARISON SCHEDULE
FEDERAL PROJECTS FUND
Year Ended June 30, 2019**

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Federal funds received through state	\$ 1,265,028	\$ 1,578,470	\$ 1,286,610	\$ (291,860)
Direct federal funds	-	-	36,000	36,000
Total revenues	<u>1,265,028</u>	<u>1,578,470</u>	<u>1,322,610</u>	<u>(255,860)</u>
EXPENDITURES				
Current:				
Instruction				
Regular instruction	433,053	546,405	490,562	55,843
Special education	<u>350,257</u>	<u>341,674</u>	<u>328,896</u>	<u>12,778</u>
	783,310	888,079	819,458	68,621
Support services				
Instructional support	313,786	440,264	326,283	113,981
Student support	167,932	238,224	174,833	63,391
Transportation	-	11,862	2,022	9,840
Food services	-	41	14	27
	<u>481,718</u>	<u>690,391</u>	<u>503,152</u>	<u>187,239</u>
Total expenditures	<u>1,265,028</u>	<u>1,578,470</u>	<u>1,322,610</u>	<u>255,860</u>
REVENUES OVER (UNDER) EXPENDITURES				
	-	-	-	-
FUND BALANCE, beginning of year				
	-	-	-	-
FUND BALANCE, end of year				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF ATHENS, TENNESSEE
BUDGETARY COMPARISON SCHEDULE
DRUG FUND
Year Ended June 30, 2019

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Drug fines and forfeitures	\$ 20,000	\$ 20,000	\$ 23,569	\$ 3,569
Investment and interest income	-	-	3,779	3,779
Total revenues	<u>20,000</u>	<u>20,000</u>	<u>27,348</u>	<u>7,348</u>
EXPENDITURES				
Drug investigation	10,000	10,000	-	10,000
Supplies	71,000	71,000	58,619	12,381
Awareness, education and training	5,000	5,000	-	5,000
Capital outlay	<u>16,600</u>	<u>66,600</u>	<u>59,833</u>	<u>6,767</u>
Total expenditures	<u>102,600</u>	<u>152,600</u>	<u>118,452</u>	<u>34,148</u>
REVENUES (UNDER) EXPENDITURES	(82,600)	(132,600)	(91,104)	41,496
FUND BALANCE, beginning of year	<u>228,999</u>	<u>228,999</u>	<u>228,999</u>	<u>-</u>
FUND BALANCE, end of year	<u>\$ 146,399</u>	<u>\$ 96,399</u>	<u>\$ 137,895</u>	<u>\$ 41,496</u>

**CITY OF ATHENS, TENNESSEE
BUDGETARY COMPARISON SCHEDULE
CENTRALIZED CAFETERIA FUND
Year Ended June 30, 2019**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
State funds	\$ 10,500	\$ 10,500	\$ 11,025	\$ 525
Federal funds received through state	1,176,404	1,176,404	1,031,615	(144,789)
Charges for services	66,000	66,000	56,746	(9,254)
Interest	950	950	1,179	229
Other	80,000	80,000	-	(80,000)
Total revenues	<u>1,333,854</u>	<u>1,333,854</u>	<u>1,100,565</u>	<u>(233,289)</u>
EXPENDITURES				
Adminstration	10,500	10,500	-	10,500
Food services	1,323,354	1,323,354	1,191,942	131,412
Total expenditures	<u>1,333,854</u>	<u>1,333,854</u>	<u>1,191,942</u>	<u>141,912</u>
REVENUES (UNDER) EXPENDITURES	-	-	(91,377)	(91,377)
FUND BALANCE, beginning of year	<u>349,791</u>	<u>349,791</u>	<u>349,791</u>	<u>-</u>
FUND BALANCE, end of year	<u>\$ 349,791</u>	<u>\$ 349,791</u>	<u>\$ 258,414</u>	<u>\$ (91,377)</u>

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INTERNAL SERVICE FUNDS

INTERNAL SERVICE FUNDS

The Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

Fleet Management Fund: This fund is used to account for the acquisition and depreciation of motorized vehicles and equipment used by the City.

Employee Medical Benefits Fund: This fund was established to account for the potential health insurance changes required under the Affordable Health Care Act. Funds may be used for premiums paid for fully-insured health care coverage or to provide initial funding for claims paid through a self-insured plan, should the City be required to make plan changes due to the new legislation.

CITY OF ATHENS, TENNESSEE
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2019

	Fleet Fund	Employee Medical Benefits Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 32,554	\$ -	\$ 32,554
Investments	3,922,984	372,810	4,295,794
Interest receivable	12,417	-	12,417
Total current assets	3,967,955	372,810	4,340,765
Capital assets:			
Capital assets, net	2,559,995	-	2,559,995
Total assets	\$ 6,527,950	\$ 372,810	\$ 6,900,760
 LIABILITIES AND NET POSITION			
LIABILITIES	\$ -	\$ -	\$ -
NET POSITION			
Net investment in capital assets	2,559,995	-	2,559,995
Unrestricted	3,967,955	372,810	4,340,765
Total net position	6,527,950	372,810	6,900,760
Total liabilities and net position	\$ 6,527,950	\$ 372,810	\$ 6,900,760

**CITY OF ATHENS, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
Year Ended June 30, 2019**

	<u>Fleet Fund</u>	<u>Employee Medical Benefits Fund</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services	\$ 692,000	\$ -	\$ 692,000
OPERATING EXPENSES			
Depreciation	<u>425,027</u>	<u>-</u>	<u>425,027</u>
OPERATING INCOME	266,973	-	266,973
NONOPERATING REVENUES			
Interest income	<u>83,337</u>	<u>8,140</u>	<u>91,477</u>
Income before capital contributions	350,310	8,140	358,450
CAPITAL CONTRIBUTIONS	<u>98,173</u>	<u>-</u>	<u>98,173</u>
CHANGE IN NET POSITION	448,483	8,140	456,623
NET POSITION, beginning of year	<u>6,079,467</u>	<u>364,670</u>	<u>6,444,137</u>
NET POSITION, end of year	<u>\$ 6,527,950</u>	<u>\$ 372,810</u>	<u>\$ 6,900,760</u>

**CITY OF ATHENS, TENNESSEE
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 Year Ended June 30, 2019**

	<u>Fleet Fund</u>	<u>Employee Medical Benefits Fund</u>	<u>Total</u>
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES			
Receipts from customers	\$ 692,000	\$ -	\$ 692,000
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
	-	-	-
CASH FLOWS USED IN CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(650,362)	-	(650,362)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment and interest earnings	76,859	8,140	84,999
Purchase of investments	(138,858)	(8,140)	(146,998)
Net cash used in investing activities	(61,999)	-	(61,999)
Net decrease in cash and cash equivalents	(20,361)	-	(20,361)
Cash and cash equivalents, beginning of year	52,915	-	52,915
Cash and cash equivalents, end of year	<u>\$ 32,554</u>	<u>\$ -</u>	<u>\$ 32,554</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 266,973	\$ -	\$ 266,973
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	425,027	-	425,027
Net cash provided by operating activities	<u>\$ 692,000</u>	<u>\$ -</u>	<u>\$ 692,000</u>
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES			
Interfund transfer of property	\$ 98,173	\$ -	\$ 98,173

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OTHER

CITY OF ATHENS, TENNESSEE
SCHEDULE OF UNCOLLECTED DELINQUENT TAXES FILED
LAST TEN YEARS
June 30, 2019

<u>Tax Year</u>	<u>Delinquent Taxes Filed</u>	<u>July 1, 2018 Delinquent Taxes Receivable</u>	<u>Current Collections and Adjustments</u>	<u>June 30, 2019 Delinquent Taxes Receivable</u>
2008 and Prior	\$ *	\$ 378	\$ -	-
2009	69,472	3,268	535	2,733
2010	77,158	13,232	558	12,674
2011	97,583	18,175	1,020	17,155
2012	78,451	23,180	2,081	21,099
2013	72,120	25,646	6,996	18,650
2014	83,863	30,663	5,550	25,113
2015	116,012	50,418	8,263	42,155
2016	94,263	79,833	24,901	54,932
2017	158,360	240,405	90,906	149,499

* Not available.

CITY OF ATHENS, TENNESSEE
SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE
Year Ended June 30, 2019

	<u>Total</u>	<u>2019 Assessment</u>	<u>2018 Assessment</u>	<u>Prior Years</u>
PROPERTY TAXES RECEIVABLE				
July 1, 2018	<u>\$ 6,432,198</u>	<u>\$ -</u>	<u>\$ 5,947,000</u>	<u>\$ 485,198</u>
Add -				
Taxes assessed	6,457,000	6,457,000	-	-
Late listings	<u>649,949</u>	<u>-</u>	<u>624,566</u>	<u>25,383</u>
	<u>7,106,949</u>	<u>6,457,000</u>	<u>624,566</u>	<u>25,383</u>
Deduct -				
Collections	6,203,374	-	6,063,870	139,504
Adjustments and abatements	<u>196,400</u>	<u>-</u>	<u>169,711</u>	<u>26,689</u>
	<u>6,399,774</u>	<u>-</u>	<u>6,233,581</u>	<u>166,193</u>
PROPERTY TAXES RECEIVABLE				
June 30, 2019	<u><u>\$ 7,139,373</u></u>	<u><u>\$ 6,457,000</u></u>	<u><u>\$ 337,985</u></u>	<u><u>\$ 344,388</u></u>

CITY OF ATHENS, TENNESSEE
SCHEDULE OF INVESTMENTS
June 30, 2019

	Interest Rate	Maturity Date	Cost	Market Value
<u>FUNDS GOVERNED BY THE CITY COUNCIL</u>				
Cemetery Perpetual Care Fund:				
BB&T US Treas Money Market Fund - Cash	-	-	\$ 5,059	\$ 5,059
Causeway International Value Fund	-	-	6,092	6,047
Doubleline Total Return Bond Fund	-	-	48,528	47,497
Federated MDT Small Cap Growth Fund	-	-	2,302	2,758
Fidelity Short Term Treasury Bond Index Fund	-	-	11,202	11,384
Harding Loevner International Equity Institutional Fund	-	-	3,015	3,982
Ishares MSCI EAFE Small Cap Index fund	-	-	2,626	2,755
Lazard Emerging Markets Equity Institutional Fund	-	-	2,948	3,033
Metropolitan West Total Return Fund	-	-	39,176	39,770
Morgan Stanley Institutional Fund	-	-	2,786	4,097
Natixis Loomis Say Growth	-	-	7,579	10,178
Neuberger Berman Strategic Income Fund	-	-	21,581	21,739
Oppenheimer Developing Markets Fund	-	-	1,922	2,405
PGIM Total Return	-	-	44,509	45,331
Sterling Capital Equity Income Fund	-	-	6,140	7,820
Sterling Capital Total Return Bond Fund	-	-	64,072	63,238
Touchstone Mid Cap Grow Inst	-	-	5,722	5,964
Touchstone Mid Cap Value Fund	-	-	6,220	6,382
Vanguard 500 Index Fund	-	-	13,881	17,879
Vanguard Developed Markets Index Fund	-	-	3,067	3,325
Virtus Quality Small Cap Fund	-	-	3,326	3,719
Total investment funds			296,694	309,303
Total Cemetery Perpetual Care Fund			\$ 301,753	\$ 314,362
Athens Pension Trust Fund:				
Federal Home Loan Mortgage Corporation	1.250	10/02/19	\$ 59,101	\$ 59,855
Federal Home Loan Mortgage Corporation	2.375	01/13/22	118,850	116,699
Federal Home Loan Mortgage Corporation	3.250	11/16/28	76,668	81,503
Federal National Mortgage Association	1.625	01/21/20	100,321	99,741
Federal National Mortgage Association	1.375	02/26/21	99,687	99,231
Federal National Mortgage Association	2.125	04/24/26	108,910	115,836
Federal National Mortgage Association	2.375	01/19/23	59,036	61,180
Federal National Mortgage Association	2.625	09/06/24	101,476	103,772
US Treasury Note	1.375	01/31/20	59,090	59,756
US Treasury Note	1.375	01/31/21	60,049	60,571
US Treasury Note	1.875	01/31/22	59,442	60,211
US Treasury Note	1.875	12/15/20	58,920	60,028
US Treasury Note	2.000	02/15/23	17,857	18,170
US Treasury Note	2.000	02/28/21	168,966	170,512
US Treasury Note	2.000	07/31/20	76,801	75,050
US Treasury Note	2.125	12/31/22	92,892	96,295
US Treasury Note	2.125	06/30/22	86,539	86,003

(continued)

CITY OF ATHENS, TENNESSEE
SCHEDULE OF INVESTMENTS
June 30, 2019
(continued)

	Interest Rate	Maturity Date	Cost	Market Value
Athens Pension Trust Fund: (continued)				
US Treasury Note	2.500	08/15/23	\$ 77,781	\$ 77,265
US Treasury Note	2.625	12/31/25	60,028	61,791
US Treasury Note	2.625	08/15/20	86,647	87,680
US Treasury Note	3.125	05/15/21	110,784	102,461
US Treasury Note	3.375	11/15/19	88,121	85,378
US Treasury Bond	3.125	11/15/28	47,800	49,358
US Treasury Inflation Protected Security	0.625	01/15/24	55,309	55,705
ABB Limited - Sponsored ADR	-	-	24,499	23,275
Accenture PLC CL A	-	-	18,174	32,520
Adidas	-	-	6,252	8,348
AIA Group, Limited	-	-	8,452	16,866
Air Liquide	-	-	3,686	4,652
Akbank TAS	-	-	3,231	3,063
Akzo N V - Sponsored ADR	-	-	15,148	16,657
Alfa Laval	-	-	4,226	5,437
Alibaba Group Holding	-	-	32,806	60,494
Allianz, Group	-	-	9,754	14,920
Ambev SA ADR	-	-	7,350	7,706
Aspen Pharmacare - Un-sponsored ADR	-	-	4,723	1,781
Astrazeneca PLC	-	-	17,947	22,044
Atlas Copco Group	-	-	9,784	12,060
Aviva PLC	-	-	13,239	11,567
BASF AG - Sponsored ADR	-	-	28,064	24,112
BP PLC - Sponsored ADR	-	-	16,592	18,598
BNP Paribas	-	-	17,187	14,934
Baidu, Inc.	-	-	29,660	19,834
Balfour Beatty PLC	-	-	4,576	3,413
Banco Bilbao Vizcaya - Sponsored ADR	-	-	13,676	10,681
Barclays PLC	-	-	27,480	20,912
Bayerische Motoren - Sponsored ADR	-	-	5,609	4,082
British American Tobacco, PLC	-	-	31,505	23,049
Caixabank - Un-sponsored ADR	-	-	8,516	6,195
Canadian Imperial Bank	-	-	6,031	5,578
Canadian National RY Company	-	-	5,930	9,988
Carrefour	-	-	7,437	7,521
Carnival Corporation PLC	-	-	37,268	30,770
Checkpoint Software Technology	-	-	11,437	14,914
China Mobile HK, Limited	-	-	36,235	30,978
Chubb Limited	-	-	26,298	30,194
Chugal Pharmaceutic	-	-	7,004	6,665
Compagnie Financiere Richemont, S.A.	-	-	4,100	4,817
DBS Group Holdings, Limited	-	-	8,888	13,124
Danone - Sponsored ADR	-	-	33,603	40,435
Dassault Systems	-	-	3,568	8,148

(continued)

CITY OF ATHENS, TENNESSEE
SCHEDULE OF INVESTMENTS
June 30, 2019
(continued)

	Interest Rate	Maturity Date	Cost	Market Value
Athens Pension Trust Fund: (continued)				
Dentsu Inc - Unsponsored	-	-	\$ 3,873	\$ 3,106
Deutsche post AG Spon ADR	-	-	12,384	12,802
Diageo, PLC - Sponsored ADR	-	-	8,968	9,478
East Japan Railway Company	-	-	15,556	16,186
Encana Corporation	-	-	19,139	11,199
Enbridge, Inc.	-	-	29,869	32,761
Epiroc	-	-	5,016	5,127
Fanuc, Limited	-	-	21,992	23,233
Fomento Economico Mexicano	-	-	7,265	7,837
Fuchs Petrolu Se-Pref ADR	-	-	4,642	4,224
Gildan Activewear, Inc.	-	-	10,524	13,963
Grifols, S.A.	-	-	3,744	4,515
HDFC Bank, Limited ADR	-	-	4,669	6,242
HSBC Holdings PLC - Sponsored ADR	-	-	5,006	5,092
Icici Bank Limited - Sponsored ADR	-	-	4,131	7,176
Infineon Technology	-	-	12,083	9,562
ING Groep NV - Sponsored ADR	-	-	10,258	9,649
Itau Unibanco Banco Multiplo S.A.	-	-	3,946	5,671
Johnson Matthey PLC Sponsored	-	-	7,755	7,881
KDDI Corporation - Unsponsored ADR	-	-	20,515	23,198
Komatsu LTD	-	-	3,785	3,909
Kubota Corporation	-	-	6,552	7,905
Linde AG Spon ADR	-	-	22,249	27,108
L'Oreal - Unsponsored ADR	-	-	7,975	13,693
Lloyds Banking Group PLC	-	-	9,630	7,850
Lonza Group	-	-	8,156	10,169
Lukoil PJSC Sponsored	-	-	5,599	5,383
Manulife Financial Corporation	-	-	9,420	9,944
Medtronic PLC	-	-	26,474	31,262
Micro Focus International	-	-	12,921	12,309
Naspers Limited	-	-	2,446	4,171
Nestle S.A.	-	-	13,281	20,005
Novartis	-	-	25,906	37,790
Novo-Nordisk A/S	-	-	29,525	32,461
Novozymes	-	-	4,320	4,157
Ping AN Insurance	-	-	8,860	8,789
Prudential PLC	-	-	23,067	24,671
Reix PLC Sponsored	-	-	5,443	6,175
Rio Tinto	-	-	4,902	4,925
Roche Holding, Limited ADR	-	-	27,409	33,064
Rolls Royce PLC	-	-	21,257	18,975
Royal Dutch Shell PLC ADR	-	-	22,144	27,019
Ryanair Holdings PLC	-	-	8,029	7,440
SAP SE ADR	-	-	24,889	39,946
Sasol Limited	-	-	4,385	3,057
Schlumberger, Limited	-	-	42,713	21,936

(continued)

CITY OF ATHENS, TENNESSEE
SCHEDULE OF INVESTMENTS
June 30, 2019
(continued)

	Interest Rate	Maturity Date	Cost	Market Value
Athens Pension Trust Fund: (continued)				
SGS SA Unsponsored ADR	-	-	\$ 4,809	\$ 4,770
SK Telecom Company, Limited	-	-	16,794	17,746
Sonova Holding AG	-	-	4,084	7,416
SSE PLC - Sponsored ADR	-	-	21,307	16,222
Sumitomo Mitsui - Sponsored ADR	-	-	10,315	9,376
Symrise AG ADR	-	-	4,724	7,229
Sysmex Corporation	-	-	4,436	6,163
Taiwan Semiconductor Manufacturing Company	-	-	11,513	19,311
Takeda Pharmaceutical Company	-	-	37,349	30,179
Temenos Group AG SP ADR	-	-	6,275	7,523
Tencent Holdings Limited LTD	-	-	5,016	5,055
Total SA Sponsored	-	-	18,035	17,964
Unicharm Corporation	-	-	4,834	4,203
Unicredit SPA	-	-	35,023	25,950
Unilever PLC	-	-	5,925	8,986
Vodafone Group PLC	-	-	19,182	11,251
Volkswagen AG	-	-	34,944	34,445
Yandex NV	-	-	4,100	5,472
Bank of Montreal	2.500	06/28/24	59,992	60,011
HSBC Holdings PLC	5.100	04/05/21	65,267	62,696
Invesco Finance PLC	3.125	11/30/22	50,549	51,136
Ireland DA	2.400	09/23/21	60,617	60,925
Mitsubishi UJF Financial Group	3.677	02/22/27	59,164	63,573
Sumitomo Mitsui Financial Group	2.846	01/11/22	55,577	55,606
Toronto Dominion Bank	2.650	06/12/24	61,561	61,551
AbbVie, Inc.	4.250	11/14/28	59,245	62,001
American Electric Power	3.200	11/13/27	61,118	62,244
AT&T, Inc.	4.125	02/17/26	50,250	53,187
Bank of America Corporation	3.300	01/11/23	61,262	61,847
BP Cap Markets America	3.790	02/06/24	62,260	63,530
Carlisle Cos, Inc.	2.040	12/01/24	40,094	40,927
Cintas Corporation No. 2	2.370	04/01/27	57,082	58,562
Citigroup, Inc.	3.750	06/16/24	60,505	63,274
Comcast Corporation	3.600	03/01/24	60,653	61,159
Conagra Brands Inc.	4.600	11/01/25	52,589	54,431
Constellation Brands	4.650	11/15/28	60,035	63,637
Crown Castle International Corporation	4.875	04/15/22	54,697	53,159
Duke Energy Corporation	3.950	10/15/23	56,844	58,044
Energy Transfer Partners	5.200	02/01/22	46,719	47,537
ERP Operating LP	3.000	04/15/23	54,968	56,349
Fiserve, Inc.	3.200	07/01/26	60,108	61,241
Fifth Third Bancorp	2.875	07/27/20	60,257	60,275
Goldman Sachs Group, Inc.	2.875	02/25/21	49,951	50,359
Hollyfrontier Corporation	5.875	04/01/26	21,551	21,903

(continued)

CITY OF ATHENS, TENNESSEE
SCHEDULE OF INVESTMENTS

June 30, 2019

(continued)

	Interest Rate	Maturity Date	Cost	Market Value
Athens Pension Trust Fund: (continued)				
Huntington Bancshares	4.000	05/15/25	\$ 54,827	\$ 58,679
Hyatt Hotels Corporation	4.375	09/15/28	47,932	50,782
JP Morgan Chase & Company	3.200	01/15/23	60,829	61,569
Kimco Realty Corporation	3.400	11/01/22	51,631	51,436
Morgan Stanley	4.000	07/23/25	51,372	53,556
Nucor Corporation	3.950	05/01/28	29,956	32,425
Oracle Corporation	1.900	09/15/21	50,042	49,747
Pioneer National Resource	3.950	07/15/22	47,610	46,817
Prudential Financial, Inc.	3.878	03/27/28	61,090	61,968
Republic Services, Inc.	3.550	06/01/22	61,337	61,861
Ryder System, Inc.	3.875	12/01/23	59,963	62,915
Sherwin Williams Company	3.450	06/01/27	55,013	56,605
Simon Property	2.625	06/15/22	50,315	50,476
Target	3.375	04/15/29	62,347	63,651
TJX Companies	2.250	09/15/26	55,193	58,876
United Tech Corporation	4.125	11/16/28	68,246	68,113
Ventas Realty	4.400	01/15/29	62,899	65,165
Vereit Operating Partner	4.125	06/01/21	57,775	58,496
Verizon Communications, Inc.	4.329	09/21/28	60,469	63,167
Virginia Electric & Power	2.950	01/15/22	59,483	60,841
VMware	2.300	08/21/20	49,935	49,866
Wells Fargo & Company	3.000	10/23/26	60,611	61,631
Abbott Laboratories Corporation	-	-	16,351	33,976
AbbVie, Inc.	-	-	30,426	33,451
Alphabet, Class A	-	-	21,765	30,318
Alphabet, Class C	-	-	17,487	30,265
Amazon.com, Inc.	-	-	28,033	79,532
American Express Company Corporation	-	-	8,790	14,442
Amgen, Inc.	-	-	15,526	18,428
Analog Devices, Inc.	-	-	26,036	33,974
Anthem, Inc.	-	-	12,045	23,706
Autodesk, Inc.	-	-	21,232	50,825
Automatic Data Processing	-	-	6,714	11,904
CVS	-	-	44,514	34,329
Cerner Corporation	-	-	21,463	27,634
Cisco Systems, Inc.	-	-	19,594	36,833
The Coca-Cola Company	-	-	25,541	29,890
Colgate Palmolive Company	-	-	21,548	23,149
Crown Castle International Corporation	-	-	22,951	30,632
Deere & Company	-	-	21,479	31,319
Delta Air Lines, Inc.	-	-	22,317	26,275
Discover Financial Services	-	-	25,827	34,140
Expeditors International Wash, Inc.	-	-	22,724	33,303
Facebook, Inc.	-	-	45,158	73,147
Factset Research Systems, Inc.	-	-	14,609	24,931

(continued)

CITY OF ATHENS, TENNESSEE
SCHEDULE OF INVESTMENTS

June 30, 2019

(continued)

	Interest Rate	Maturity Date	Cost	Market Value
Athens Pension Trust Fund: (continued)				
General Motors Company	-	-	\$ 29,507	\$ 33,906
Home Depot	-	-	29,630	32,651
Honeywell International, Inc.	-	-	19,639	30,728
Johnson & Johnson	-	-	20,990	26,324
Maxim Integrated Products	-	-	14,855	24,347
Merck & Company, Inc.	-	-	32,071	48,968
Microsoft Corporation	-	-	25,029	67,516
Monster Beverage Corporation	-	-	30,709	40,979
Morgan Stanley	-	-	29,653	28,477
NASDAQ, Inc.	-	-	17,986	24,235
NVIDIA Corporation	-	-	21,816	23,321
Occidental Petroleum Company	-	-	29,725	25,342
Oracle Corporation	-	-	45,519	60,559
Pepsico, Inc.	-	-	21,839	31,733
Pfizer, Inc.	-	-	17,112	24,086
Phillips 66	-	-	28,867	30,213
Proctor & Gamble Company	-	-	25,559	35,527
Qualcomm, Inc.	-	-	40,342	52,412
Regeneron Pharmaceuticals, Inc.	-	-	34,135	29,109
SEI Investments Company	-	-	23,287	25,582
Starbucks Corporation	-	-	48,044	72,010
United Parcel Services	-	-	25,723	28,193
Varian Medical Systems, Inc.	-	-	12,631	22,053
Verizon Communications, Inc.	-	-	30,662	34,449
Visa, Inc.	-	-	37,423	82,783
Wells Fargo & Company	-	-	36,487	33,408
Weyerhaeuser Company	-	-	8,924	9,588
Yum! Brands, Inc.	-	-	13,289	23,573
Yum! China Holdings, Inc.	-	-	10,180	16,170
Federated MDT Small Cap Growth Fund	-	-	282,141	328,164
Highland Long/Short Equity Fund	-	-	504,983	460,321
Lazard Emerging Markets Equity Institutional Fund	-	-	324,951	343,165
Morgan Stanley Institutional Fund	-	-	285,485	479,390
Oppenheimer Developing Markets Fund	-	-	288,513	352,427
Sterling Capital Securitized Opportunities Fund	-	-	825,958	827,715
Suisse Commodity Return Strategy Fund	-	-	259,746	251,781
Touchstone Mid Cap Value Fund	-	-	742,246	764,701
Touchstone Mid Cap Growth Institutional Fund	-	-	674,982	702,608
Vanguard 500 Index Fund	-	-	1,547,583	2,122,086
Vanguard Developed Markets Fund	-	-	355,098	385,814
Virtus Quality Small Cap Fund	-	-	417,227	442,935
Sterling Capital Prime Money Market Fund	-	-	234,029	234,029

(continued)

CITY OF ATHENS, TENNESSEE
SCHEDULE OF INVESTMENTS
June 30, 2019
(continued)

	Interest Rate	Maturity Date	Cost	Market Value
Athens Pension Trust Fund: (continued)				
Energy NW Wa Electric Bond	5.710	07/01/24	\$ 66,239	\$ 64,258
Frisco TX Bond	2.750	02/15/20	51,973	50,111
Los Angeles CA Community Bond	3.009	08/01/23	41,394	41,544
Marlboro County SC School District Bond	5.440	06/01/25	60,450	58,246
Miami-Dade County FL Aviation Bond	1.917	10/01/20	65,000	64,850
Michigan ST Bond	3.450	05/15/23	40,816	41,607
New Jersey St Econ Dev Auth Bond	4.400	06/15/24	66,746	68,966
New York NY Build America Bond	5.049	12/01/21	22,686	21,214
Palm Beach County FL Bond	1.789	10/01/20	65,000	64,764
Port Authority NY & NJ Consolidated Bond	5.859	12/01/24	84,951	89,019
Union Elementary School District CA Bond	2.564	09/01/20	50,468	50,274
Equity ETF/Closed End FDS Index Fund	-	-	319,447	334,183
Total			<u>\$ 14,936,012</u>	<u>\$ 16,563,282</u>

CITY OF ATHENS, TENNESSEE
SCHEDULE OF INVESTMENTS
June 30, 2019
(continued)

	Interest Rate	Maturity Date	Cost	Market Value
INVESTMENT - OTHER FUNDS				
General Fund				
Participation in the State of Tennessee Local				
Government Investment Pool (LGIP):	-	-	\$ 7,860,470	\$ 7,860,470
Certificate of Deposit	2.46%	4/30/21	<u>3,879,377</u>	<u>3,879,377</u>
			<u>\$ 11,739,847</u>	<u>\$ 11,739,847</u>
Drug Fund - LGIP	-	-	<u>\$ 122,250</u>	<u>\$ 122,250</u>
Capital Improvement Fund - LGIP	-	-	<u>\$ 5,208,547</u>	<u>\$ 5,208,548</u>
Employee Medical Benefits Fund - LGIP	-	-	<u>\$ 372,810</u>	<u>\$ 372,810</u>
Sanitation Fund - LGIP	-	-	<u>\$ 2,321,034</u>	<u>\$ 2,321,034</u>
Fleet Fund	-	-		
LGIP			\$ 1,334,805	\$ 1,334,805
Certificate of Deposit	1.99%	10/6/19	<u>2,588,179</u>	<u>2,588,179</u>
			<u>\$ 3,922,984</u>	<u>\$ 3,922,984</u>

CITY OF ATHENS, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Accrued (Unearned) Grant Revenues July 1, 2018	Grant Revenues Received	Expenditures	Accrued (Unearned) Grant Revenues June 30, 2019
PRIMARY GOVERNMENT:						
CITY OF ATHENS						
FEDERAL AWARDS						
U.S. DEPARTMENT OF TRANSPORTATION						
Passed through TN Department of Transportation: Highway Planning and Construction	20.205	STP-M-9201 (15)	\$ 32	\$ 15,970	\$ 15,938	\$ -
Resurfacing Streets	20.607	Z-18-THS-014	498	498	-	-
Tennessee Highway Safety Office	20.607	Z-19-THS-013	-	17,968	19,651	1,683
Alcohol Open Container			530	34,436	35,589	1,683
Tennessee Highway Safety Office						
Alcohol Open Container						
U.S. DEPARTMENT OF THE INTERIOR						
Passed through TN Department of Environment & Conservation:	15.904	32701-03561	-	6,531	6,531	-
Tennessee Historical Commission Design Guidelines						
U.S. DEPARTMENT OF JUSTICE						
Passed through TN Department of Environment & Conservation:	16.738	2018-DJ-BX-0943	-	11,361	11,361	-
Edward Byrne Memorial Justice Assistance	16.607	N/A	-	4,479	4,479	-
Bulletproof Vest Partnership Program			-	15,840	15,840	-
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT						
Passed through TN Department of Economic & Community Development:	14.228	33004-94617	1,800	1,800	17,211	17,211
Community Development Block Grants	14.228	33004-55117	19,500	489,713	470,213	-
Community Development Block Grants			21,300	491,513	487,424	17,211
Total Federal Awards-Primary Government City of Athens			21,830	548,320	545,384	18,894
STATE AWARDS						
Tennessee Department of Transportation		54LPLAM-S3-023	80,142	378,201	298,059	-
Athens Multimodal Connections Project			-	316,000	316,000	-
Tennessee Department of Environment and Conservation		32701-03014	-	-	10,285	10,285
LPRF Program		32701-02956	-	-	-	-
Household Hazardous Waste		52639	-	1,200	8,382	7,182
Tennessee Department of Agriculture			80,142	695,401	632,726	17,467
Denso Eco Park/North Mouse Creek Restoration			101,972	1,243,721	1,178,110	36,361
Total State Awards - Primary Government City of Athens			\$ 101,972	\$ 1,243,721	\$ 1,178,110	\$ 36,361
Total Primary Government City of Athens			\$ 101,972	\$ 1,243,721	\$ 1,178,110	\$ 36,361

CITY OF ATHENS, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2019
 (continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Accrued (Unearned) Grant Revenues July 1, 2018	Grant Revenues Received	Expenditures	Accrued (Unearned) Grant Revenues June 30, 2019
PRIMARY GOVERNMENT:						
ATHENS CITY BOARD OF EDUCATION						
FEDERAL AWARDS:						
U.S. DEPARTMENT OF AGRICULTURE						
Passed through the TN Department of Human Services:						
Child and Adult Food Care Program	10.558	N/A	\$ -	\$ 66,401	\$ 66,401	\$ -
Passed through the TN Department of Education:						
Child Nutrition Cluster:						
National School Lunch Program	10.555	N/A	-	596,452	596,452	-
School Breakfast Program	10.553	N/A	-	218,045	218,045	-
Summer Food Service Program for Children	10.559	N/A	54,513	81,965	89,191	61,739
Passed through the TN Department of Agriculture:						
Food Distribution	10.555	N/A	-	68,752	68,752	-
			<u>54,513</u>	<u>1,031,615</u>	<u>1,038,841</u>	<u>61,739</u>
U.S. DEPARTMENT OF EDUCATION						
Teacher Incentive Fund	84.374	N/A	194,924	230,924	36,000	-
Passed through the TN Department of Education:						
Special Education Cluster:						
Special Education - Grants to States	84.027	N/A	-	306,975	409,696	102,721
Special Education - Preschool Grants	84.173	N/A	-	17,725	22,050	4,325
Title I Grants to Local Educational Agencies	84.010	N/A	-	551,589	672,937	121,348
Twenty-First Century Community Learning Centers	84.287	N/A	45,832	208,106	248,200	85,926
Improving Teacher Quality - State Grants	84.367	N/A	-	49,129	53,080	3,951
Safe and Drug-Free Schools and Communities - State Grants	84.186	N/A	-	11,115	14,647	3,532
Innovative Program	84.298	N/A	-	29,880	29,888	8
			<u>240,756</u>	<u>1,405,443</u>	<u>1,486,498</u>	<u>321,811</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
Passed through the TN Department of Education:						
Read to Be Ready	93.575	N/A	76,410	76,665	83,384	83,129
Total Federal Awards - Primary Government Athens Board of Education			<u>\$ 371,679</u>	<u>\$ 2,513,723</u>	<u>\$ 2,608,723</u>	<u>\$ 466,679</u>

CITY OF ATHENS, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2019
(continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Accrued (Unearned) Grant Revenues July 1, 2018	Grant Revenues Received	Expenditures	Accrued (Unearned) Grant Revenues June 30, 2019
STATE AWARDS						
Tennessee Department of Education:						
Early Childhood Education - Lottery		N/A	\$ 308,553	\$ 729,897	\$ 630,589	\$ 209,245
Coordinated School Health		N/A	30,839	91,989	84,477	23,327
Read to Be Ready Coaching		N/A	7,608	9,479	9,914	8,043
Safe Schools		N/A	-	48,523	57,630	9,107
Total State Awards - Primary Government Athens Board of Education			<u>347,000</u>	<u>879,888</u>	<u>782,610</u>	<u>249,722</u>
Total Primary Government Athens Board of Education			<u>\$ 718,679</u>	<u>\$ 3,393,611</u>	<u>\$ 3,391,333</u>	<u>\$ 716,401</u>
PRIMARY GOVERNMENT:						
Total Federal Awards			\$ 393,509	\$ 3,062,043	\$ 3,154,107	\$ 485,573
Total State Awards			<u>427,142</u>	<u>1,575,289</u>	<u>1,415,336</u>	<u>267,189</u>
TOTAL AWARDS			<u>\$ 820,651</u>	<u>\$ 4,637,332</u>	<u>\$ 4,569,443</u>	<u>\$ 752,762</u>

- Note 1: The City of Athens received federal awards which were below the level requiring the City to have a "Single Audit" in accordance with the Uniform Guidance for the year ended June 30, 2019. The Schedule of Expenditures of Federal and State Awards includes the federal and state grant activity of the City of Athens and its blended component unit and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.
- Note 2: The Board of Education, a blended component unit of the City, received federal awards which made it subject to audit under the Uniform Guidance for the year ended June 30, 2019. The Board of Education awards have been reported on in the separately issued financial statements of Athens City Board of Education. The Board of Education awards have been included in the Schedule of Expenditures of Federal and State Awards to reflect the entire reporting entity. See separately issued Board of Education financial report regarding the Board's Schedule of Expenditures of Federal and State Awards.
- Note 3: Expenditures under the U.S. Department of Agriculture Food Distribution grant received by the Board of Education represent receipt and expenditures of noncash commodities as valued based on equivalent purchased product.
- Note 4: The City of Athens and the Board of Education have elected not to use the 10% de minimis indirect cost rate allowed under Uniform Guidance.

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STATISTICAL SECTION

STATISTICAL SECTION

The statistical section presents data to assist users of this report to assess the economic condition of the City. They are intended to provide a broader and more complete understanding of the City and its affairs than is possible from the financial statements, note disclosures and required supplementary information. Many of these schedules cover more than two fiscal years and present data from sources other than the accounting records. Therefore, the data contained in the Statistical Section has not been subjected to independent audit. The five categories of information are as follows:

Financial Trends

These schedules contain information to help the reader understand and assess how the City's financial position has changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant revenue source, the property tax.

Debt Capacity

These schedules contain information to help the reader assess the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operation Information

These schedules contain information to help the reader understand the City's operations and resources.

THE FOLLOWING TABLES ARE INAPPLICABLE

SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS: The City has made no special assessments during the last ten years.

COMPUTATION OF LEGAL DEBT MARGIN: The State of Tennessee imposes no legal debt margin on municipalities.

CITY OF ATHENS, TENNESSEE
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
June 30, 2019
 (Accrual Basis of Accounting)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
GOVERNMENTAL ACTIVITIES										
Net investment in capital assets	\$ 20,849,207	\$ 19,491,006	\$ 19,686,309	\$ 19,116,948	\$ 17,989,282	\$ 17,489,334	\$ 17,004,556	\$ 14,435,026	\$ 13,619,954	\$ 12,210,372
Restricted	1,344,567	918,557	942,859	1,037,679	1,322,190	1,344,973	1,329,154	563,958	539,331	3,544,712
Unrestricted	<u>27,680,347</u>	<u>25,987,491</u>	<u>22,062,417</u>	<u>19,379,552</u>	<u>16,406,946</u>	<u>22,497,971</u>	<u>21,586,035</u>	<u>13,725,546</u>	<u>13,028,236</u>	<u>9,479,418</u>
Total governmental activities net position	<u>\$ 49,874,121</u>	<u>\$ 46,397,054</u>	<u>\$ 42,691,585</u>	<u>\$ 39,534,179</u>	<u>\$ 35,718,418</u>	<u>\$ 41,332,278</u>	<u>\$ 39,919,745</u>	<u>\$ 28,724,530</u>	<u>\$ 27,187,521</u>	<u>\$ 25,234,502</u>
BUSINESS-TYPE ACTIVITIES										
Net investment in capital assets	\$ 899,650	\$ 1,068,385	\$ 1,213,388	\$ 1,166,634	\$ 1,087,417	\$ 1,051,952	\$ 1,250,026	\$ 1,448,098	\$ 1,394,936	\$ 1,548,913
Unrestricted	<u>2,654,207</u>	<u>2,330,800</u>	<u>2,009,088</u>	<u>1,843,698</u>	<u>1,735,631</u>	<u>1,722,010</u>	<u>1,439,227</u>	<u>1,190,353</u>	<u>1,193,483</u>	<u>938,929</u>
Total business-type activities net position	<u>\$ 3,553,857</u>	<u>\$ 3,399,185</u>	<u>\$ 3,222,476</u>	<u>\$ 3,010,332</u>	<u>\$ 2,823,048</u>	<u>\$ 2,773,962</u>	<u>\$ 2,689,253</u>	<u>\$ 2,638,451</u>	<u>\$ 2,588,419</u>	<u>\$ 2,487,842</u>
PRIMARY GOVERNMENT										
Net investment in capital assets	\$ 21,748,857	\$ 20,559,391	\$ 20,899,697	\$ 20,283,582	\$ 19,076,699	\$ 18,541,286	\$ 18,254,582	\$ 15,883,124	\$ 15,014,890	\$ 13,759,285
Restricted	1,344,567	918,557	942,859	1,037,679	1,322,190	1,344,973	1,329,154	563,958	539,331	3,544,712
Unrestricted	<u>30,334,554</u>	<u>28,318,291</u>	<u>24,071,505</u>	<u>21,223,250</u>	<u>18,142,577</u>	<u>24,219,981</u>	<u>23,025,262</u>	<u>14,915,899</u>	<u>14,221,719</u>	<u>10,418,347</u>
Total primary government net position	<u>\$ 53,427,978</u>	<u>\$ 49,796,239</u>	<u>\$ 45,914,061</u>	<u>\$ 42,544,511</u>	<u>\$ 38,541,466</u>	<u>\$ 44,106,240</u>	<u>\$ 42,608,998</u>	<u>\$ 31,362,981</u>	<u>\$ 29,775,940</u>	<u>\$ 27,722,344</u>

NOTE 1: The City adopted GASB No. 61 in fiscal year 2013, which required the inclusion of the Athens City Board of Education as a blended component unit. Information prior to fiscal 2013 is shown with the Board of Education meeting the requirements of a discretely presented component unit.

Source: Comprehensive Annual Financial Reports

**CITY OF ATHENS, TENNESSEE
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
June 30, 2019**
(Accrual Basis of Accounting)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
EXPENSES										
Governmental activities:										
General government	\$ 4,189,942	\$ 2,615,251	\$ 2,933,418	\$ 3,264,019	\$ 3,383,866	\$ 2,039,765	\$ 3,140,398	\$ 1,588,651	\$ 3,775,355	\$ 2,504,213
Public safety	4,571,553	4,258,395	3,766,146	3,872,018	3,842,422	4,290,714	4,348,906	4,534,214	3,980,447	4,224,580
Highways and streets	2,478,087	2,342,509	3,359,132	2,332,120	2,115,793	2,148,218	1,709,642	2,129,289	2,076,682	1,644,740
Culture and recreation	1,469,977	1,241,870	1,106,216	943,464	932,977	960,444	913,856	1,112,979	546,683	709,813
Education:								2,108,268	1,841,940	1,825,000
Instructional	9,949,243	9,281,529	9,340,964	8,755,499	8,523,347	9,309,345	9,653,532	-	-	-
Support services	5,927,090	6,200,354	6,246,659	6,599,401	6,239,889	5,927,266	5,077,403	-	-	-
Non-instructional	1,171,125	1,223,957	1,240,285	1,239,669	1,243,551	1,287,497	1,260,999	-	-	-
Unallocated depreciation	359,427	326,260	319,797	295,880	304,666	294,918	277,449	-	-	-
Health and welfare	153,093	104,309	97,281	93,581	95,333	106,926	111,079	105,949	93,479	97,091
Interest on long-term debt	-	-	19,659	17,533	21,927	28,568	33,823	33,938	61,531	63,175
Passthrough grants	-	-	2,279,544	303,616	1,373,723	1,096,736	-	500,000	2,980,680	3,423,715
Total governmental activities expenses	30,269,537	27,594,434	30,709,101	27,716,800	28,077,494	27,490,397	26,527,087	12,113,288	15,356,797	14,492,327
Business-type activities:										
Conference center	77,790	74,280	72,597	70,222	78,224	70,788	65,074	64,483	71,984	64,782
Sanitation	827,025	759,581	719,514	725,701	721,393	750,605	788,503	754,868	660,718	1,024,229
Total business-type activities expenses	904,815	833,861	792,111	795,923	799,617	821,393	853,577	819,351	732,702	1,089,011
Total primary government expenses	\$ 31,174,352	\$ 28,428,295	\$ 31,501,212	\$ 28,512,723	\$ 28,877,111	\$ 28,311,790	\$ 27,380,664	\$ 12,932,639	\$ 16,089,499	\$ 15,581,338
PROGRAM REVENUES										
Governmental activities:										
Charges for services:										
General government	\$ 89,789	\$ 189,261	\$ 134,040	\$ 109,955	\$ 166,047	\$ 91,301	\$ 133,031	\$ 106,902	\$ 70,957	\$ 68,970
Public safety	227,013	285,018	491,208	528,190	500,147	483,831	691,534	458,959	476,019	490,614
Culture and recreation	132,712	139,100	138,254	130,545	125,460	136,431	137,282	141,374	111,125	107,617
Education	315,139	272,035	282,624	273,801	280,239	419,058	467,264	-	-	-
Health and welfare	1,932	3,295	3,305	2,575	2,845	3,270	3,080	3,244	2,587	2,999

(continued)

**CITY OF ATHENS, TENNESSEE
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
June 30, 2019**

(Accrual Basis of Accounting)
(continued)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
PROGRAM REVENUES										
Governmental activities: (continued)										
Operating grants and contributions	\$ 4,201,316	\$ 5,011,745	\$ 4,953,863	\$ 5,204,178	\$ 4,824,958	\$ 4,532,151	\$ 4,045,399	\$ 495,710	\$ 549,773	\$ 682,455
Capital grants and contributions	1,459,594	344,456	2,465,099	389,535	1,492,666	1,289,952	483,264	704,762	3,752,321	4,484,478
Total governmental activities program revenues	6,427,495	6,244,910	8,468,393	6,638,779	7,392,362	6,955,994	5,960,854	1,910,951	4,962,782	5,837,133
Business-type activities:										
Charges for services:										
Conference center	41,739	25,355	27,490	25,785	23,281	24,024	20,503	17,606	18,508	17,712
Sanitation	966,090	955,903	909,285	932,616	893,352	868,330	870,916	795,608	796,442	806,638
Total business-type activities program revenues	1,007,829	981,258	936,775	958,401	916,633	892,354	891,419	813,214	814,950	824,350
Total primary government program revenues	\$ 7,435,324	\$ 7,226,168	\$ 9,405,168	\$ 7,597,180	\$ 8,308,995	\$ 7,848,348	\$ 6,852,273	\$ 2,724,165	\$ 5,777,732	\$ 6,661,483
NET (EXPENSES)/REVENUES										
Governmental activities	\$(23,842,042)	\$(21,349,524)	\$(22,240,708)	\$(21,078,021)	\$(20,685,132)	\$(20,534,403)	\$(20,566,233)	\$(10,202,337)	\$(10,394,015)	\$ (8,655,194)
Business-type activities	103,014	147,397	144,664	162,478	117,016	70,961	37,842	(6,137)	82,248	(264,661)
Total primary government net expenses	\$(23,739,028)	\$(21,202,127)	\$(22,096,044)	\$(20,915,543)	\$(20,568,116)	\$(20,463,442)	\$(20,528,391)	\$(10,208,474)	\$(10,311,767)	\$ (8,919,855)

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

June 30, 2019

(Accrual Basis of Accounting)
(continued)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION										
Governmental activities:										
Property taxes	\$ 8,194,198	\$ 7,916,052	\$ 7,498,856	\$ 7,580,694	\$ 6,057,188	\$ 5,830,296	\$ 5,650,152	\$ 4,374,135	\$ 4,470,852	\$ 4,433,632
Local sales tax	4,821,329	4,592,782	4,411,095	4,391,883	4,121,597	4,009,132	3,963,722	3,913,163	3,783,265	3,599,822
In lieu of taxes	1,201,185	1,184,317	1,190,047	1,155,672	1,099,075	1,073,663	1,046,664	1,007,421	998,026	985,411
Wholesale beer tax	493,351	478,662	477,240	499,443	504,260	500,748	515,558	510,549	498,443	489,083
Wholesale liquor tax	237,433	217,305	221,916	148,667	-	-	-	-	-	-
Business tax	474,994	498,806	492,395	425,161	364,399	432,454	423,898	392,867	378,279	406,089
Franchise tax	181,845	183,053	188,754	192,185	173,483	172,510	145,434	154,429	151,724	144,908
Other local taxes	46,936	57,035	72,430	108,862	77,011	85,455	82,858	87,076	83,875	106,587
Intergovernmental revenues not restricted to specific programs	11,078,464	10,483,650	10,447,295	10,094,663	9,915,955	9,544,232	9,223,315	1,140,201	1,109,583	1,110,439
Insurance proceeds	3,594	13,220	84,021	15,593	3,769	2,479	58,280	8,330	-	35,539
Investment income	458,095	260,103	123,918	70,802	39,615	77,599	62,608	85,889	59,713	91,129
Gain (loss) on disposal of capital assets	(4,384)	7,578	21,145	75,185	29,846	44,158	16,378	-	23,255	(4,264)
Miscellaneous	132,069	459,999	169,002	134,972	169,859	185,935	118,634	65,286	98,637	49,260
Transfers	-	-	-	-	-	-	-	-	-	(195,000)
Total governmental activities	27,319,109	26,352,562	25,398,114	24,893,782	22,556,057	21,958,661	21,307,501	11,739,346	11,655,652	11,252,635
Business-type activities:										
Investment income	44,842	22,194	10,409	6,555	1,458	1,229	1,723	6,524	2,489	4,763
Gain on disposal of capital assets	-	226	49,202	9,181	5,850	4,045	-	25,000	-	34,040
Miscellaneous	6,816	6,892	7,869	9,070	9,763	8,474	11,237	24,645	15,840	5,985
Transfers	-	-	-	-	-	-	-	-	-	195,000
Total business-type activities	51,658	29,312	67,480	24,806	17,071	13,748	12,960	56,169	18,329	239,788
Total primary government	\$ 27,370,767	\$ 26,381,874	\$ 25,465,594	\$ 24,918,588	\$ 22,573,128	\$ 21,972,409	\$ 21,320,461	\$ 11,795,515	\$ 11,673,981	\$ 11,492,423

(continued)

CITY OF ATHENS, TENNESSEE
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
June 30, 2019
 (Accrual Basis of Accounting)
 (continued)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
GOVERNMENTAL ACTIVITIES										
Prior period adjustments and restatements	\$ -	\$ (1,297,569)	\$ -	\$ -	\$ (7,484,785)	\$ (11,725)	\$ 10,453,947	\$ -	\$ 691,382	\$ -
BUSINESS-TYPE ACTIVITIES										
Prior period adjustments and restatements	-	-	-	-	(85,001)	-	-	-	-	-
Total primary government	\$ -	\$ (1,297,569)	\$ -	\$ -	\$ (7,569,786)	\$ (11,725)	\$ 10,453,947	\$ -	\$ 691,382	\$ -
CHANGES IN NET POSITION										
Governmental activities	\$ 3,477,067	\$ 5,003,038	\$ 3,157,406	\$ 3,815,761	\$ 1,870,925	\$ 1,424,258	\$ 741,268	\$ 1,537,009	\$ 1,261,637	\$ 2,597,441
Business-type activities	154,672	176,709	212,144	187,284	134,087	84,709	50,802	50,032	100,577	(24,873)
Total changes in net position	\$ 3,631,739	\$ 5,179,747	\$ 3,369,550	\$ 4,003,045	\$ 2,005,012	\$ 1,508,967	\$ 792,070	\$ 1,587,041	\$ 1,362,214	\$ 2,572,568

NOTE 1: The City adopted GASB No. 61 in fiscal year 2013, which required the inclusion of the Athens City Board of Education as a blended component unit. Information prior to fiscal 2013 is shown with the Board of Education meeting the requirements of a discretely presented component unit.

Source: Comprehensive Annual Financial Reports

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

June 30, 2019

(Modified Accrual Basis of Accounting)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
GENERAL FUND										
Nonspendable	\$ 101,813	\$ 103,132	\$ 101,485	\$ 165,778	\$ 116,334	\$ 183,917	\$ 107,345	\$ 391,001	\$ 391,570	\$ -
Reserved	-	-	-	-	-	-	-	-	-	288,287
Restricted	89,567	98,684	103,424	108,395	111,441	111,363	111,386	152,520	154,782	-
Committed	20,782	20,164	19,855	20,673	20,343	20,079	19,278	18,317	17,491	-
Assigned	-	-	-	-	-	-	-	32,000	2,175	-
Unassigned	13,947,862	11,713,042	9,214,911	8,495,582	7,579,861	7,881,265	7,854,881	7,671,422	8,487,832	-
Unreserved	-	-	-	-	-	-	-	-	-	7,645,767
Total General Fund	\$ 14,160,024	\$ 11,935,022	\$ 9,439,675	\$ 8,790,428	\$ 7,827,979	\$ 8,196,624	\$ 8,092,890	\$ 8,265,260	\$ 9,053,850	\$ 7,934,054
ALL OTHER GOVERNMENTAL FUNDS										
Nonspendable	\$ 111,155	\$ 265,700	\$ 254,797	\$ 203,719	\$ 166,829	\$ 168,636	\$ 187,933	\$ 47,283	\$ 57,283	\$ -
Reserved	-	-	-	-	-	-	-	-	-	3,544,712
Restricted	391,403	629,950	739,554	868,076	1,163,466	1,186,327	1,170,485	364,155	337,266	-
Committed	6,290,801	7,276,622	6,946,587	3,673,665	2,219,063	1,607,235	1,898,474	2,590,360	2,594,053	-
Assigned	4,049,095	4,594,290	3,762,204	6,108,592	6,778,853	7,711,584	7,322,172	3,554,467	3,473,885	-
Unreserved, reported in:										
Special revenue funds	-	-	-	-	-	-	-	-	-	182,621
Capital projects funds	-	-	-	-	-	-	-	-	-	4,197,480
Total all other governmental funds	\$ 10,842,454	\$ 12,766,562	\$ 11,703,142	\$ 10,854,052	\$ 10,328,211	\$ 10,673,782	\$ 10,579,064	\$ 6,556,265	\$ 6,462,487	\$ 7,924,813

NOTE 1: GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" was effective and implemented for the fiscal year ended June 30, 2011. Restricted Fund Balances were reported as Reserved Fund Balances in prior fiscal periods. Committed, Assigned and Unassigned Fund Balances were reported as Unreserved Fund Balances in prior periods.

NOTE 2: The City adopted GASB No. 61 in fiscal year 2013, which required the inclusion of the Athens City Board of Education as a blended component unit. Information prior to fiscal 2013 is shown with the Board of Education meeting the requirements of a discretely presented component unit.

Source: Comprehensive Annual Financial Reports

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

June 30, 2019

(Modified Accrual Basis of Accounting)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
REVENUES										
Property taxes	\$ 8,071,449	\$ 7,846,742	\$ 7,522,044	\$ 7,568,597	\$ 6,009,899	\$ 5,848,755	\$ 5,787,626	\$ 4,368,696	\$ 4,462,814	\$ 4,374,413
Other local taxes	8,873,397	8,486,616	8,339,742	8,152,947	7,504,028	7,382,746	9,594,041	6,065,506	5,893,612	5,731,900
Intergovernmental	14,982,511	14,512,526	16,545,054	14,351,909	15,014,618	14,257,121	10,293,399	2,341,673	5,410,476	6,459,025
Charges for services and tuition	539,572	603,691	558,223	516,877	574,590	650,060	740,657	251,520	184,670	179,586
Fines and forfeitures	227,013	285,018	491,208	528,190	500,148	483,831	691,534	458,960	476,019	490,613
Investment and interest income	366,618	212,246	102,114	57,162	36,950	52,655	59,830	74,728	55,374	80,737
Miscellaneous	136,427	369,798	173,200	230,364	203,915	205,043	160,425	71,692	98,638	84,799
Total revenues	<u>33,196,987</u>	<u>32,316,637</u>	<u>33,731,585</u>	<u>31,406,046</u>	<u>29,844,148</u>	<u>28,880,211</u>	<u>27,327,512</u>	<u>13,632,775</u>	<u>16,581,603</u>	<u>17,401,073</u>
EXPENDITURES										
General government	2,660,795	2,499,327	2,318,846	2,347,339	2,404,328	2,281,359	2,599,003	2,331,668	2,145,657	2,339,869
Public safety	5,209,693	4,606,257	4,239,143	4,676,698	4,899,076	4,429,497	4,496,635	4,608,530	4,023,473	4,310,585
Highways and streets	2,399,538	2,264,670	2,998,764	2,467,023	2,245,781	1,976,925	2,007,157	2,118,202	1,937,882	1,669,242
Culture and recreation	1,432,126	1,161,941	1,015,966	985,544	956,090	875,887	914,958	891,780	775,601	776,659
Education	18,671,508	17,614,052	17,587,158	18,047,303	16,947,592	16,554,903	15,970,471	2,108,268	1,841,940	1,825,000
Health and welfare	165,051	108,927	105,316	106,498	110,614	110,326	114,479	109,349	96,879	100,491
Capital outlay	2,605,176	516,126	2,425,843	525,497	2,230,090	1,667,273	1,406,633	1,451,621	5,380,256	4,564,530
Debt service:										
Principal	-	-	1,610,000	770,000	747,000	725,000	703,000	683,000	662,000	605,300
Interest and fiscal charges	-	-	19,660	17,533	21,927	28,568	33,823	33,938	61,531	63,175
Total expenditures	<u>33,143,887</u>	<u>28,771,300</u>	<u>32,320,696</u>	<u>29,943,435</u>	<u>30,562,498</u>	<u>28,649,738</u>	<u>28,246,159</u>	<u>14,336,356</u>	<u>16,925,219</u>	<u>16,254,851</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>53,100</u>	<u>3,545,337</u>	<u>1,410,889</u>	<u>1,462,611</u>	<u>(718,350)</u>	<u>230,473</u>	<u>(918,647)</u>	<u>(703,581)</u>	<u>(343,616)</u>	<u>1,146,222</u>

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

June 30, 2019

(Modified Accrual Basis of Accounting)
(continued)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
OTHER FINANCING SOURCES										
(USES)										
Capital contributions	\$ 244,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,080	\$ -	\$ -	\$ -
Transfers	-	-	-	-	-	(41,031)	-	-	-	-
Proceeds from the sale of capital assets	200	210	3,427	10,086	365	6,531	680	439	1,086	3,169
Insurance proceeds	3,594	13,220	84,021	15,593	3,769	2,479	58,280	8,330	-	-
	<u>247,794</u>	<u>13,430</u>	<u>87,448</u>	<u>25,679</u>	<u>4,134</u>	<u>(32,021)</u>	<u>69,040</u>	<u>8,769</u>	<u>1,086</u>	<u>3,169</u>
Total other financing resources										
NET CHANGE IN FUND BALANCES										
	\$ 300,894	\$ 3,558,767	\$ 1,498,337	\$ 1,488,290	\$ (714,216)	\$ 198,452	\$ (849,607)	\$ (694,812)	\$ (342,530)	\$ 1,149,391
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES										
	0.00%	0.00%	5.14%	2.72%	2.57%	2.71%	2.76%	5.56%	5.90%	5.72%

NOTE 1: The City adopted GASB No. 61 in fiscal year 2013, which required the inclusion of the Athens City Board of Education as a blended component unit. Information prior to fiscal year 2013 is shown with the Board of Education meeting the requirements of a discretely presented component unit.

Source: Comprehensive Annual Financial Reports

**CITY OF ATHENS, TENNESSEE
 ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS
 June 30, 2019**

Fiscal Year	Real Property		Personal Property	Public Utility Property		Total Taxable Assessed Value	Estimated Market Value	City Property Tax Rate	Taxable Assessed Value as a % of Actual Taxable Value
2010	\$ 296,151,030	\$ 103,168,031	\$ 7,124,829	\$ 406,443,890	\$ 1,281,162,243	1.1147	31.7		
2011	291,508,161	97,604,734	7,867,087	396,979,982	1,263,211,877	1.1147	31.4		
2012	297,938,950	88,125,866	6,984,848	393,049,664	1,237,942,071	1.1147	31.8		
2013 (1)	292,970,485	83,197,188	8,204,116	384,371,789	1,205,548,537	1.1328	31.9		
2014	290,338,620	85,473,263	7,053,398	382,865,281	1,204,540,874	1.1328	31.8		
2015	300,454,640	99,320,541	8,479,395	408,254,576	1,289,031,476	1.4770	31.7		
2016	301,608,970	104,469,997	8,847,818	414,926,785	1,310,260,486	1.3628	31.7		
2017	307,557,565	104,159,884	8,626,091	420,343,540	1,324,491,242	1.3628	31.7		
2018 (1)	342,899,510	119,882,970	9,066,486	471,848,966	1,488,482,543	1.2676	31.7		
2019	359,859,615	148,380,544	7,977,436	516,217,595	1,621,870,015	1.2676	31.8		

Data Source: McMinn County Tax Assessor's Office

(1) Reappraisal

**CITY OF ATHENS, TENNESSEE
DIRECT AND OVERLAPPING
PROPERTY TAX RATES
(PER \$100 OF ASSESSED VALUE)
LAST TEN FISCAL YEARS
June 30, 2019**

<u>Tax Year</u>	<u>City (Direct Rate)</u>	<u>County (Overlapping Rate)</u>	<u>Total</u>
2010	1.1147	1.5553	2.6700
2011	1.1147	1.5553	2.6700
2012	1.1147	1.5553	2.6700
2013 (1)	1.1328	1.6155	2.7483
2014	1.1328	1.6155	2.7483
2015	1.4770	1.6155	3.0925
2016	1.3628	1.6155	2.9783
2017	1.3628	1.6155	2.9783
2018 (1)	1.2676	1.5469	2.8145
2019	1.2676	1.5469	2.8145

(1) Reappraisal

Sources: Minutes of City Council and County Commission meetings

**CITY OF ATHENS, TENNESSEE
PRINCIPAL PROPERTY TAXPAYERS
CURRENT FISCAL YEAR AND NINE YEARS AGO
June 30, 2019**

2019			2010				
Taxpayer	Type of Business	Taxable Assessed Value	Percentage of Total Taxable Assessed Value	Taxpayer	Type of Business	Taxable Assessed Value	Percentage of Total Taxable Assessed Value
Denso Tennessee, Inc.	Automotive parts manufacturer	\$ 85,293,363	16.5 %	Denso Tennessee, Inc.	Automotive parts manufacturer	\$ 57,100,017	14.0 %
E&E Manufacturing Starr Regional Medical Center	Automotive parts supplier	13,615,152	2.6	Johnson Controls, Inc. Dean Foods/Mayfield	Automotive seating	18,571,053	4.6
Adient	Healthcare	12,276,059	2.4	Dairy Farms, Inc.	Dairy Products	9,112,605	2.2
MCR Acquisition	Automotive seating Electrical component manufacturer	11,656,591	2.3	Athens Regional Medical Center	Healthcare Retail	8,568,388 6,081,203	2.1 1.5
Dean Foods/Mayfield Dairy Farms, Inc.	Dairy products	11,255,475	2.2	Walmart	Plastic component manufacturer	4,447,442	1.1
HP Pelzer	Automotive parts supplier	9,752,718	1.9	Plastic Industries, Inc.	Electrical component manufacturer	4,161,547	1.0
Heil Trailer, International	Real estate investment	7,742,028	1.5	Thomas & Betts	Automotive parts supplier	3,972,611	1.0
Walmart	Retail	6,068,931	1.2	E & E Manufacturing	Real estate investment	3,749,080	0.9
RCG Athens	Real estate investment	4,660,868	0.9	New Plan of Tennessee	Trailer manufacturer	3,524,244	0.9
		4,357,960	0.8	Heil Trailer, International			

Note: Total assessed valuations for 2019 and 2010 are \$516,217,595 and \$406,443,890, respectively.

Source: Official records of the Department of Finance

CITY OF ATHENS, TENNESSEE
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
June 30, 2019
 (Modified Accrual Basis of Accounting)

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2010	\$ 4,440,776	\$ 4,179,963	94.13	\$ 257,855	\$ 4,437,818	99.93
2011	4,500,601	4,223,936	93.85	213,451	4,437,387	98.60
2012	4,399,152	4,149,785	94.33	228,660	4,378,445	99.53
2013	4,316,647	4,083,062	94.59	210,890	4,293,952	99.47
2014	4,359,762	4,161,945	95.46	180,481	4,342,426	99.60
2015	4,412,937	4,207,109	95.34	174,235	4,381,344	99.28
2016	5,965,875	5,729,519	96.04	187,408	5,916,927	99.18
2017	5,706,737	5,525,863	96.83	125,801	5,651,664	99.03
2018	6,059,372	5,818,967	96.03	92,506	5,911,473	97.56
2019	6,401,548	6,063,563	94.72	-	6,063,563	94.72

Source: Official records of Department of Finance

CITY OF ATHENS, TENNESSEE
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
June 30, 2019

Fiscal Year	General Obligation Bonds	Notes Payable	Total Primary Government	Percentage of Personal Income	Per Capita
2010	\$ -	\$ 5,900,000	\$ 5,900,000	2.06	\$ 413
2011	-	5,238,000	5,238,000	1.80	389
2012	-	4,555,000	4,555,000	1.85	338
2013	-	3,852,000	3,852,000	1.49	286
2014	-	3,127,000	3,127,000	1.22	232
2015	-	2,380,000	2,380,000	.89	177
2016	-	1,610,000	1,610,000	.65	120
2017	-	-	-	-	-
2018	-	-	-	-	-
2019	-	-	-	-	-

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

Source: Official records of Department of Finance

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

**CITY OF ATHENS, TENNESSEE
RATIO OF GENERAL DEBT OUTSTANDING
LAST TEN FISCAL YEARS
June 30, 2019**

Fiscal Year	General Debt Outstanding			Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Notes Payable	Total		
2010	\$ -	\$ 5,900,000	\$ 5,900,000	1.45	\$ 413
2011	-	5,238,000	5,238,000	1.32	389
2012	-	4,555,000	4,555,000	1.16	338
2013	-	3,852,000	3,852,000	1.00	286
2014	-	3,127,000	3,127,000	0.82	232
2015	-	2,380,000	2,380,000	0.58	177
2016	-	1,610,000	1,610,000	0.39	120
2017	-	-	-	-	-
2018	-	-	-	-	-
2019	-	-	-	-	-

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

Source: Official records of Department of Finance

Source: Per capita data from Table 14

Source: Actual taxable value of property data from Table 5

CITY OF ATHENS, TENNESSEE
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
June 30, 2019

The City of Athens has no direct and overlapping debt as of June 30, 2019; therefore , this schedule inapplicable.

**CITY OF ATHENS, TENNESSEE
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
June 30, 2019**

The State of Tennessee imposes no legal debt margin on municipalities. The City of Athens has not established a legal debt margin; therefore, this schedule is inapplicable.

**CITY OF ATHENS, TENNESSEE
PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS
June 30, 2019**

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

**CITY OF ATHENS, TENNESSEE
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
June 30, 2019**

Fiscal Year	Population	Personal Income		Median Age	School Enrollment	Civilian Labor Force	Unemployment Rate
		Personal Income	Per Capita Personal Income				
2010	14,275	\$ 286,779,594	\$ 20,090	37.9	1,673	9,825	12.70 %
2011	13,458	290,706,258	21,601	39.1	1,574	10,175	12.30
2012	13,458	245,729,622	18,259	39.1	1,494	10,419	10.00
2013	13,458	258,326,310	19,195	39.1	1,524	10,681	9.90
2014	13,458	255,527,046	18,987	39.1	1,592	10,691	8.20
2015	13,458	266,791,392	19,824	39.1	1,563	10,720	7.10
2016	13,458	247,842,528	18,416	39.1	1,546	10,692	5.60
2017	13,458	255,029,961	18,950	39.1	1,556	10,800	4.80
2018	13,458	260,130,560	19,329	39.1	1,609	10,850	4.70
2019	13,458	265,333,171	19,367	39.1	1,620	10,870	4.60

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

**CITY OF ATHENS, TENNESSEE
PRINCIPAL EMPLOYERS
CURRENT FISCAL YEAR AND NINE YEARS AGO
June 30, 2019**

	2019		2010		
	Employer	Taxable Employees	Employer	Taxable Employees	
				Percentage of Total City Employment	
Denso Tennessee, Inc.		1,485	Denso Tennessee, Inc.	890	9.06 %
Starr Regional Medical Center		750	Johnson Controls, Inc.	700	7.12
McMinn County Board of Education		732	McMinn County Board of Education	678	6.90
Heil Trailer, International		443	Dean Foods/Mayfield Dairy Farms, Inc.	385	3.92
Adient		476	Athens City Schools	350	3.56
Dean Foods/Mayfield Dairy Farms, Inc.		330	Athens Regional Medical Center	304	3.09
Thomas & Betts		314	Walmart	300	3.05
Walmart		300	Dynasty Spas	295	3.00
E & E Manufacturing		295	Thomas & Betts	285	2.90
Dynasty Spas		246	Heil Trailer, International	220	2.24
		<u>5,371</u>		<u>4,407</u>	<u>44.84 %</u>

Sources: McMinn County Economic Development Authority, McMinn County School System, Athens City Schools and local businesses.

**CITY OF ATHENS, TENNESSEE
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES
BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
June 30, 2019**

	Full-Time Equivalent Employees as of June 30									
Function/Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
City Manager	2	2	2	2	2	2	2	2	2	2
Finance	5	5	5	5	5	5	5	5	5	5
Human Resources	2	2	2	2	2	2	2	2	2	2
Purchasing	1	1	1	1	1	1	1	1	1	1
Information Technology	-	-	-	-	-	-	-	-	-	1
Communications	8	6	-	-	-	-	-	-	-	-
Community Development	4	4	4	4	4	4	4	4	5	5
Police	33	33	33	33	33	33	33	33	33	34
Fire	23	22	22	22	22	22	22	22	22	22
Parks and Recreation	10	10	10	9	9	9	9	9	10	10
Public Works	32	32	32	31	31	31	33	33	33	34
	<u>120</u>	<u>117</u>	<u>111</u>	<u>109</u>	<u>109</u>	<u>109</u>	<u>111</u>	<u>111</u>	<u>113</u>	<u>116</u>

Source: City Finance Department

**CITY OF ATHENS, TENNESSEE
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
June 30, 2019**

Function/Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental Activities:										
Community Development										
Number of building permits	49	353	382	360	347	313	318	370	374	355
Police:										
Number of arrests	1,422	1,497	1,488	1,113	1,097	1,292	997	1,017	1,353	1,648
Number of traffic citations issued	6,281	5,808	7,431	10,953	7,729	6,561	6,473	5,096	2,973	2,126
Fire:										
Total calls	510	528	520	418	515	567	631	659	670	780
Inspections	795	764	924	650	773	806	668	1,350	248	264
Business-type Activities:										
Conference center rentals	112	86	115	108	125	121	130	195	149	178

Source: Various City Departments

**CITY OF ATHENS, TENNESSEE
INFRASTRUCTURE STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS
June 30, 2019**

Function/Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	14	15	15	15	15	15	15	15	15	15
Fire:										
Stations	2	2	2	2	2	2	2	2	2	2
Fire trucks	6	6	6	6	6	6	6	6	6	6
Parks and recreation:										
Parks	10	10	10	10	10	10	10	10	10	10
Park acreage	233	233	233	233	233	233	233	233	233	233
Tennis courts	13	13	13	13	13	13	13	13	13	13
Softball fields	5	5	5	5	5	5	5	5	5	5
Baseball fields	3	3	3	3	3	3	3	3	3	3
Conference center	1	1	1	1	1	1	1	1	1	1
Soccer fields	3	3	3	3	3	3	3	3	3	3
Public works:										
Streets (miles)	126	126	126	126	126	126	126	126	126	126
Square feet of sidewalks	824,360	824,360	824,360	824,360	824,360	824,360	824,360	824,360	824,360	824,360
New traffic signals	1	-	-	-	-	-	-	-	-	-

Source: Various City Departments

CITY OF ATHENS, TENNESSEE
SCHEDULE OF BONDS OF PRINCIPAL OFFICIALS
June 30, 2019

CITY OF ATHENS

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

BOARD OF EDUCATION

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

BOARD MEMBERS

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

ADMINISTRATIVE STAFF

Dr. Melanie Miller	Director of Schools
Melody Armstrong	Supervisor of Instruction
Bob Harrison	Supervisor of Transportation
Andrew Kimball	Supervisor of Federal Programs
Molly McLean	Supervisor of Special Education
Angie Newman	Supervisor of Food Services
Robert Owens	Supervisor of Maintenance
Traci Bryant	Supervisor of Finance

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**OTHER REPORTS
SECTION**

NEAL, SCOUTEN & McCONNELL, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

633 Chestnut Street

Suite 1440 Republic Centre

Chattanooga, Tennessee 37450-1440

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

To the City Council
City of Athens
Athens, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Athens, Tennessee, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Athens, Tennessee's basic financial statements, and have issued our report thereon dated December 26, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Athens, Tennessee's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Athens, Tennessee's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Athens, Tennessee's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material

misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Neal, Switzer & McConnell, P.C.

Chattanooga, Tennessee
December 26, 2019

**CITY OF ATHENS, TENNESSEE
SCHEDULE OF PRIOR YEAR FINDINGS
AND QUESTIONED COSTS
June 30, 2019**

FINANCIAL STATEMENT FINDINGS

There were no prior year findings or questioned costs.

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