

# OFFICIAL STATEMENT

## NEW ISSUE

BOOK-ENTRY-ONLY

Rating: Moody's – "Aa3"  
(See "MISCELLANEOUS-Rating" herein)

*In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the City, as hereafter defined, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. For an explanation of certain tax consequences under federal law which may result from the ownership of the Bonds, see the discussion under the heading "LEGAL MATTERS – Tax Matters" herein. Under existing law, the Bonds and the income therefrom will be exempt from all state, county and municipal taxation in the State of Tennessee, except Tennessee franchise and excise taxes. (See "LEGAL MATTERS -Tax Matters" herein.)*

## \$7,350,000

### CITY OF ATHENS, TENNESSEE General Obligation Bonds, Series 2021

Dated: October 15, 2021

Due: June 1, as shown below.

The \$7,350,000 General Obligation Bonds, Series 2021 (the "Bonds") issued by the City of Athens, Tennessee (the "City") are issuable in fully registered form in denominations of \$5,000 and authorized integral multiples thereof. The Bonds will be issued in book-entry-only form and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as the nominee for DTC, principal, and interest with respect to the Bonds shall be payable to Cede & Co., as nominee for DTC, which will, in turn, remit such principal and interest to the DTC participants for subsequent disbursements to the beneficial owners of the Bonds. Individual purchases of the Bonds will be made in book-entry-only form, in denominations of \$5,000 or integral multiples thereof and will bear interest at the annual rates as shown below. Interest on the Bonds is payable semi-annually from the date thereof commencing on June 1, 2022 and thereafter on each June 1 and December 1 by check or draft mailed to the owners thereof as shown on the books and records of Regions Bank, Nashville, Tennessee, the registration and paying agent (the "Registration Agent"). In the event of discontinuation of the book-entry-only system, principal of and interest on the Bonds are payable at the designated corporate trust office of the Registration Agent.

The Bonds are payable from unlimited *ad valorem* taxes to be levied on all taxable property within the City. For the prompt payment of principal of and interest on the Bonds, the full faith and credit of the City are irrevocably pledged. See section entitled "SECURITIES OFFERED – Security".

The Bonds maturing June 1, 2030 and thereafter are subject to optional redemption prior to maturity on or after June 1, 2029.

<u>Due</u> <u>(June 1)</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP**</u>	<u>Due</u> <u>(June 1)</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP**</u>
2022	\$275,000	3.00 %	0.20 %	047285LE9	2027	\$245,000	3.00 %	0.75 %	047285LK5
2023	220,000	3.00	0.24	047285LF6	2028	255,000	3.00	0.90	047285LL3
2024	225,000	3.00	0.30	047285LG4	2029	260,000	3.00	0.95	047285LM1
2025	235,000	3.00	0.43	047285LH2	2030	270,000	2.00	1.00	c 047285LN9
2026	240,000	3.00	0.60	047285LJ8	2031	275,000	2.00	1.20	c 047285LP4
		\$ 565,000	2.00 %	Term Bond Due June 1, 2033			@ 1.30 %	c	047285LR0
		\$ 590,000	2.00 %	Term Bond Due June 1, 2035			@ 1.44 %	c	047285LT6
		\$ 615,000	2.00 %	Term Bond Due June 1, 2037			@ 1.55 %	c	047285LV1
		\$ 635,000	2.00 %	Term Bond Due June 1, 2039			@ 1.75 %	c	047285LX7
		\$ 665,000	2.00 %	Term Bond Due June 1, 2041			@ 1.90 %	c	047285LZ2
		\$1,045,000	2.10 %	Term Bond Due June 1, 2044			@ 2.10 %		047285MC2
		\$ 735,000	2.20 %	Term Bond Due June 1, 2046			@ 2.20 %		047285ME8

c = Yield to call on June 1, 2029

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire *Official Statement* to obtain information essential to make an informed investment decision.

The Bonds are offered when, as and if issued, subject to the approval of the legality thereof by Bass, Berry & Sims PLC, Knoxville, Tennessee, Bond Counsel, whose opinion will be delivered with the Bonds. Certain legal matters will be passed upon for the City by H. Chris Trew, counsel to the City. It is expected that the Bonds will be available for delivery through the facilities of Depository Trust Company in New York, New York, on or about October 15, 2021.

**Cumberland Securities Company, Inc.**  
Municipal Advisor

September 22, 2021

This *Official Statement* speaks only as of its date, and the information contained herein is subject to change.

This *Official Statement* may contain forecasts, projections, and estimates that are based on current expectations but are not intended as representations of fact or guarantees of results. If and when included in this *Official Statement*, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," and analogous expressions are intended to identify forward-looking statements as defined in the Securities Act of 1933, as amended, and any such statements inherently are subject to a variety of risks and uncertainties, which could cause actual results to differ materially from those contemplated in such forward-looking statements. These forward-looking statements speak only as of the date of this *Official Statement*. The Issuer disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Issuer's expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based.

This *Official Statement* and the Appendices hereto contain brief descriptions of, among other matters, the Issuer, the Bonds, the Resolution, the Disclosure Certificate, and the security and sources of payment for the Bonds. Such descriptions and information do not purport to be comprehensive or definitive. The summaries of various constitutional provisions and statutes, the Resolution, the Disclosure Certificate, and other documents are intended as summaries only and are qualified in their entirety by reference to such documents and laws, and references herein to the Bonds are qualified in their entirety to the forms thereof included in the Bond Resolution.

The Bonds have not been registered under the Securities Act of 1933, as amended, and the Resolution has not been qualified under the Trust Indenture Act of 1939, in reliance on exemptions contained in such Acts. This *Official Statement* does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale.

No dealer, broker, salesman, or other person has been authorized by the Issuer, the Municipal Advisor or the Underwriter to give any information or to make any representations other than those contained in this *Official Statement*, and, if given or made, such other information or representations should not be relied upon as having been authorized by the Issuer, the Municipal Advisor or the Underwriter. Except where otherwise indicated, all information contained in this *Official Statement* has been provided by the Issuer. The information set forth herein has been obtained by the Issuer from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Municipal Advisor or the Underwriter. The information contained herein is subject to change without notice, and neither the delivery of this *Official Statement* nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the Issuer, or the other matters described herein since the date hereof or the earlier dates set forth herein as of which certain information contained herein is given.

In connection with this offering, the Underwriter may over-allot or effect transactions which stabilize or maintain the market prices of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

\*\*Copyright, American Bankers Association (the "ABA"). CUSIP data herein are provided by CUSIP Global Services, which is managed on behalf of the ABA by S&P Global Market Intelligence, a division of S&P Global Inc. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Bonds and the Issuer makes no representation with respect to such numbers nor undertakes any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

# CITY OF ATHENS, TENNESSEE

## **OFFICIALS**

Honorable William Bo Perkinson	<i>Mayor</i>
C. Seth Sumner	<i>City Manager</i>
Michael L. Keith	<i>Finance Director</i>
H. Chris Trew	<i>City Attorney</i>
Eric Newberry	<i>Utilities General Manager</i>

## **COUNCIL MEMBERS**

Mark Lockmiller, Vice Mayor  
Jordan Curtis  
Dick Pelley  
Frances Witt-McMahan

## **UNDERWRITER**

FHN Financial Capital Markets  
Memphis, Tennessee

## **BOND REGISTRATION AND PAYING AGENT**

Regions Bank  
Nashville, Tennessee

## **BOND COUNSEL**

Bass, Berry & Sims PLC  
Knoxville, Tennessee

## **MUNICIPAL ADVISOR**

Cumberland Securities Company, Inc.





## TABLE OF CONTENTS

<b>SUMMARY STATEMENT</b> .....	i
<b>SECURITIES OFFERED</b>	
Authority and Purpose .....	1
Description of the Bonds .....	1
Security .....	1
Qualified Tax-Exempt Obligations .....	2
Optional Redemption of the Bonds .....	2
Mandatory Redemption .....	2
Notice of Redemption.....	4
Payment of Bonds.....	4
<b>BASIC DOCUMENTATION</b>	
Registration Agent .....	5
Book-Entry-Only System .....	5
Discontinuance of Book-Entry-Only System.....	7
Disposition of Bond Proceeds .....	8
Discharge and Satisfaction of Bonds.....	8
Remedies of Bondholders.....	9
<b>LEGAL MATTERS</b>	
Litigation.....	10
Tax Matters	
<i>Federal</i> .....	10
<i>State Tax</i> .....	11
Changes in Federal and State Tax Law .....	12
Closing Certificates.....	12
Approval of Legal Proceedings .....	13
<b>MISCELLANEOUS</b>	
Rating.....	14
Competitive Public Sale .....	14
Municipal Advisor; Related Parties; Other .....	14
Additional Debt.....	15
Debt Limitations .....	16
Debt Record .....	16
Continuing Disclosure .....	16
<i>Five-Year History of Filing</i> .....	16
<i>Content of Annual Report</i> .....	16
<i>Reporting of Significant Events</i> .....	17
<i>Termination of Reporting Obligation</i> .....	18
<i>Amendment; Waiver</i> .....	18
<i>Default</i> .....	19
Bondholder Risk .....	19
Additional Information.....	22
<b>CERTIFICATION OF THE CITY</b> .....	24

### APPENDIX A: LEGAL OPINION

**APPENDIX B: SUPPLEMENTAL INFORMATION STATEMENT**

**City of Athens**

**GENERAL INFORMATION**

Location ..... B-1  
General..... B-1  
Transportation..... B-2  
Education ..... B-2  
Healthcare ..... B-3  
Manufacturing and Commerce ..... B-3  
    *Major Employers* ..... B-4  
Employment Information ..... B-5  
Economic Data ..... B-5  
Recent Developments..... B-6

**DEBT STRUCTURE**

Summary of Bonded Indebtedness ..... B-7  
Indebtedness and Debt Ratios ..... B-8  
Debt Service Requirements - General Obligation ..... B-10  
Bonded Debt Service Requirements – Electric System Supported Debt..... B-11  
Bonded Debt Service Requirements – Water System Supported Debt ..... B-12  
Bonded Debt Service Requirements – Sewer System Supported Debt..... B-13

**FINANCIAL OPERATIONS**

Basis of Accounting and Presentation ..... B-14  
Fund Balances and Retained Earnings..... B-14  
Five-Year Summary of Revenues, Expenditures and  
    Changes in Fund Balance – General Fund ..... B-15  
Investment and Cash Management Practices ..... B-16  
Real Property Assessment, Tax Levy and Collection Procedures  
    *State Taxation of Property* ..... B-16  
    *County Taxation of Property*..... B-17  
    *Assessment of Property* ..... B-17  
    *Periodic Reappraisal and Equalization*..... B-18  
    *Valuation for Property Tax Purposes* ..... B-19  
    *Certified Tax Rate* ..... B-19  
    *Tax Freeze for the Elderly Homeowners* ..... B-20  
    *Tax Collection and Tax Lien*..... B-20  
    *Assessed Valuations* ..... B-21  
    *Property Tax Rates and Collections* ..... B-21  
    *Ten Largest Taxpayers* ..... B-22  
Pension Plan ..... B-22

**APPENDIX C: GENERAL PURPOSE FINANCIAL STATEMENTS – THE CITY OF ATHENS, TENNESSEE**

## SUMMARY STATEMENT

The information set forth below is provided for convenient reference and does not purport to be complete and is qualified in its entirety by the information and financial statements appearing elsewhere in this *Official Statement*. This Summary Statement shall not be reproduced, distributed or otherwise used except in conjunction with the remainder of this *Official Statement*.

The Issuer .....	City of Athens, Tennessee (the “City” or “Issuer”). See APPENDIX B contained herein.
Securities Offered.....	\$7,350,000 General Obligation Bonds, Series 2021 (the “Bonds”) of the City, dated October 15, 2021. The Bonds mature each June 1 beginning June 1, 2022 through June 1, 2031, inclusive, June 1, 2033, June 1, 2035, June 1, 2037, June 1, 2039, June 1, 2041, June 1, 2044 and June 1, 2046. See the section entitled “SECURITIES OFFERED” herein for additional information.
Security .....	The Bonds shall be payable from unlimited ad valorem taxes to be levied on all taxable property within the City. For the prompt payment of principal and interest on the Bonds, the full faith and credit of the Issuer are irrevocably pledged.
Purpose .....	The Bonds are being issued for the purpose of providing funds for (i) the acquisition, constructing, improving, repairing, renovating and/or equipping of public buildings, including City Hall, a public works facility, an animal shelter and a fire training tower; (ii) constructing and improving roads, streets, sidewalks, bridges and highways, including rights of way and traffic signalization; (iii) equipment for public health and safety uses; (iv) payment of legal, fiscal, administrative, architectural and engineering costs incident to all of the foregoing; (v) reimbursement to the City for funds previously expended for any of the foregoing; (vi) interest on the bonds during the construction of the projects and for up to six (6) months thereafter; and (vii) payment of the costs related to the issuance and sale of the Bonds.
Optional Redemption .....	The Bonds maturing June 1, 2030 and thereafter are subject to optional redemption prior to maturity on or after June 1, 2029.
Tax Matters.....	In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the City, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. For an explanation of certain tax consequences under federal law which may result from the ownership of the Bonds, see the discussion under the heading “LEGAL MATTERS – Tax Matters” herein. Under existing law, the Bonds and the income therefrom will be exempt from all state, county and municipal taxation in the State of Tennessee, except Tennessee franchise and excise taxes. (See “LEGAL MATTERS -Tax Matters” herein.)
Bank Qualification.....	The Bonds will be treated as “qualified tax-exempt obligations” within the meaning of Section 265 of the Internal Revenue Code of 1986, as amended. See the section entitled “LEGAL MATTERS - Tax Matters” for additional information.
Rating.....	Moody’s: “Aa3”. See the section entitled “MISCELLANEOUS - Rating” for more information.
Municipal Advisor.....	Cumberland Securities Company, Inc., See the section entitled “MISCELLANEOUS-Municipal Advisor; Related parties; Other” herein.
Underwriter.....	FHN Financial Capital Markets, Memphis, Tennessee.
Bond Counsel .....	Bass, Berry & Sims PLC, Knoxville, Tennessee.

Book-Entry-Only.....The Bonds will be issued under the Book-Entry-Only System except as otherwise described herein. For additional information, see the section entitled “BASIC DOCUMENTATION - Book-Entry-Only System”.

Registration Agent.....Regions Bank, Nashville, Tennessee.

General.....The Bonds are being issued in full compliance with applicable provisions of Title 9, Chapter 21, *Tennessee Code Annotated*, as supplemented and revised. See “SECURITIES OFFERED” herein. The Bonds will be issued with CUSIP numbers and delivered through the facilities of The Depository Trust Company, New York, New York.

Disclosure .....In accordance with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as amended, the City will provide the Municipal Securities Rulemaking Board (the “MSRB”) through the operation of the Electronic Municipal Market Access system (“EMMA”) and the State Information Depository (“SID”), if any, annual financial statements and other pertinent credit or event information, including Comprehensive Annual Financial Reports, see the section entitled “MISCELLANEOUS-Continuing Disclosure.”

Other Information.....The information in this *Official Statement* is deemed “final” within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 as of the date which appears on the cover hereof. For more information concerning the City or this *Official Statement*, contact Seth Sumner, City Manager, 815 N. Jackson Street, Athens, Tennessee 37303, Telephone: (423) 744-2700, or the City's Municipal Advisor, Cumberland Securities Company, Inc., Telephone: (865) 988-2663.

**GENERAL FUND**  
**Summary of Changes In Fund Balances**  
**For the Fiscal Year Ended June 30**

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u> <b>(Unaudited)</b>
Beginning Fund Balance	\$8,790,428	\$9,439,675	\$11,935,022	\$14,160,024	\$13,884,604
Revenues	15,614,287	15,913,545	16,514,992	16,834,095	20,467,598
Expenditures	10,667,316	10,627,198	11,808,584	13,952,252	12,321,160
Other Financing Sources:					
Transfers	(4,325,000)	(2,791,000)	(2,485,000)	(3,181,000)	(4,381,000)
Proceeds from Sale of Property	26,714	-	-	15,752	1,401
Insurance Proceeds	562	-	3,594	7,985	101,464
Adjustments	-	-	-	-	-
<b>Ending Fund Balance</b>	<b><u>\$9,439,675</u></b>	<b><u>\$11,935,022</u></b>	<b><u>\$14,160,024</u></b>	<b><u>\$13,884,604</u></b>	<b><u>\$17,752,907</u></b>

Source: Comprehensive Annual Financial Reports of the City of Athens, Tennessee and the City

**\$7,350,000**  
**CITY OF ATHENS, TENNESSEE**  
**General Obligation Bonds, Series 2021**

**SECURITIES OFFERED**

**AUTHORITY AND PURPOSE**

This *Official Statement* which includes the Summary Statement hereof and appendices hereto, is furnished in connection with the offering by the City of Athens, Tennessee (the “City”) of \$7,350,000 General Obligation Bonds, Series 2021 (the “Bonds”).

The Bonds are authorized to be issued pursuant to the provisions of Sections 9-21-101 *et. seq.*, *Tennessee Code Annotated*, and other applicable provisions of law and pursuant to a resolution duly adopted by the Board of Mayor and City Council on August 17, 2021 (the “Resolution”).

The Bonds are being issued for the purpose of providing funds for (i) the acquisition, constructing, improving, repairing, renovating and/or equipping of public buildings, including City Hall, a public works facility, an animal shelter and a fire training tower; (ii) constructing and improving roads, streets, sidewalks, bridges and highways, including rights of way and traffic signalization; (iii) equipment for public health and safety uses; (iv) payment of legal, fiscal, administrative, architectural and engineering costs incident to all of the foregoing; (v) reimbursement to the City for funds previously expended for any of the foregoing; (vi) interest on the bonds during the construction of the projects and for up to six (6) months thereafter; and (vii) payment of the costs related to the issuance and sale of the Bonds.

**DESCRIPTION OF THE BONDS**

The Bonds will be dated and bear interest from October 15, 2021. Interest on the Bonds will be payable semi-annually on June 1 and December 1, commencing June 1, 2022. The Bonds are issuable in Book-Entry-Only Form in \$5,000 denominations or integral multiples thereof as shall be requested by each respective registered owner.

The Bonds shall be signed by the Mayor and shall be attested by the City Manager. No Bond shall be valid until it has been authorized by the manual signature of an authorized officer or employee of the Registration Agent and the date of the authentication noted thereon.

**SECURITY**

The Bonds shall be payable from unlimited ad valorem taxes to be levied on all taxable property within the City. For the prompt payment of principal of and interest on the Bonds, the full faith and credit of the City are irrevocably pledged.

The City, through its governing body, shall annually levy and collect a tax on all taxable property within the City, in addition to all other taxes authorized by law, sufficient to pay the principal of and interest on the Bonds when due. Principal and interest on the Bonds falling due at any time when there are insufficient funds from such tax shall be paid from the current funds of the City and reimbursement therefore shall be made out of taxes provided by the Resolution when the same shall have been collected. The taxes may be reduced to the extent of direct appropriations from the General Fund of the City to the payments of debt service on the Bonds.

The Bonds are not obligations of the State of Tennessee (the "State") or any political subdivision thereof other than the City.

## **QUALIFIED TAX-EXEMPT OBLIGATIONS**

Under the Internal Revenue Code of 1986, as amended (the "Code"), in the case of certain financial institutions, no deduction from income under the federal tax law will be allowed for that portion of such institution's interest expense which is allocable to tax-exempt interest received on account of tax-exempt obligations acquired after August 7, 1986. The Code, however, provides that certain "qualified tax-exempt obligations," as defined in the Code, will be treated as if acquired on August 7, 1986. Based on an examination of the Code and the factual representations and covenants of the City as to the Bonds, Bond Counsel has determined that the Bonds upon issuance will be "qualified tax-exempt obligations" within the meaning of the Code.

## **OPTIONAL REDEMPTION OF THE BONDS**

Bonds maturing June 1, 2030, and thereafter, shall be subject to optional redemption prior to maturity at the option of the City on June 1, 2029 and thereafter, as a whole or in part, at any time, at the redemption price of par plus accrued interest to the redemption date.

If less than all the Bonds shall be called for redemption, the maturities to be redeemed shall be designated by the Board of the City, in its discretion. If less than all the principal amount of the Bonds of a maturity shall be called for redemption, the interests within the maturity to be redeemed shall be selected as follows:

(i) if the Bonds are being held under a Book-Entry-Only System by DTC, or a successor Depository, the amount of the interest of each DTC Participant in the Bonds to be redeemed shall be determined by DTC, or such successor Depository, by lot or such other manner as DTC, or such successor Depository, shall determine; or

(ii) if the Bonds are not being held under a Book-Entry-Only System by DTC, or a successor Depository, the Bonds within the maturity to be redeemed shall be selected by the Registration Agent by lot or such other random manner as the Registration Agent in its discretion shall determine.

## **MANDATORY REDEMPTION**

Subject to the credit hereinafter provided, the City shall redeem Bonds maturing June 1, 2033, June 1, 2035, June 1, 2037, June 1, 2039, June 1, 2041, June 1, 2044 and June 1, 2046 on the

redemption dates set forth below, in aggregate principal amounts equal to the respective dollar amounts set forth below opposite the respective redemption dates at a price of par plus accrued interest thereon to the date of redemption. Specific Bonds to be so redeemed shall be selected in the manner described above relating to optional redemption.

The dates of redemption and principal amount of Bonds to be redeemed on said dates are as follows:

<u>Maturity</u>	<u>Redemption Date</u>	<u>Principal Amount of Bonds Redeemed</u>
June 1, 2033	June 1, 2032	\$280,000
	June 1, 2033*	\$285,000
June 1, 2035	June 1, 2034	\$290,000
	June 1, 2035*	\$300,000
June 1, 2037	June 1, 2036	\$305,000
	June 1, 2037*	\$310,000
June 1, 2039	June 1, 2038	\$315,000
	June 1, 2039*	\$320,000
June 1, 2041	June 1, 2040	\$330,000
	June 1, 2041*	\$335,000
June 1, 2044	June 1, 2042	\$340,000
	June 1, 2043	\$350,000
	June 1, 2044 *	\$355,000
June 1, 2046	June 1, 2045	\$365,000
	June 1, 2046*	\$370,000

\*Final Maturity

At its option, to be exercised on or before the forty-fifth (45) day next preceding any such redemption date, the City may (i) deliver to the Registration Agent for cancellation Bonds of the maturity to be redeemed, in any aggregate principal amount desired, and/or (ii) receive a credit in respect of its redemption obligation for any Bonds of the maturity to be redeemed which prior to said date have been purchased or redeemed (otherwise than through the operation of this section) and canceled by the Registration Agent and not theretofore applied as a credit against any redemption obligation. Each Bond so delivered or previously purchased or redeemed shall be credited by the Registration Agent at 100% of the principal amount thereof on the obligation of the City on such payment date and any excess shall be credited on future redemption obligations in chronological order, and the principal amount of Bonds to be redeemed by operation shall be accordingly reduced. The City shall on or before the forty-fifth (45) day next preceding each payment date furnish the Registration Agent with its certificate indicating whether or not and to what extent the provisions of clauses (i) and (ii) described above are to be availed of with respect to such payment and confirm that

funds for the balance of the next succeeding prescribed payment will be paid on or before the next succeeding payment date.

## **NOTICE OF REDEMPTION**

Notice of call for redemption, whether optional or mandatory, shall be given by the Registration Agent on behalf of the City not less than twenty (20) nor more than sixty (60) days prior to the date fixed for redemption by sending an appropriate notice to the registered owners of the Bonds to be redeemed by first-class mail, postage prepaid, at the addresses shown on the Bond registration records of the Registration Agent as of the date of the notice; but neither failure to mail such notice nor any defect in any such notice so mailed shall affect the sufficiency of the proceedings for redemption of any of the Bonds for which proper notice was given. The notice may state that it is conditioned upon the deposit of moneys in an amount equal to the amount necessary to affect the redemption with the Registration Agent no later than the redemption date (“Conditional Redemption”). As long as DTC, or a successor Depository, is the registered owner of the Bonds, all redemption notices shall be mailed by the Registration Agent to DTC, or such successor Depository, as the registered owner of the Bonds, as and when above provided, and neither the City nor the Registration Agent shall be responsible for mailing notices of redemption to DTC Participants or Beneficial Owners. Failure of DTC, or any successor Depository, to provide notice to any DTC Participant or Beneficial Owner will not affect the validity of such redemption. The Registration Agent shall mail said notices as and when directed by the City pursuant to written instructions from an authorized representative of the City (other than for a mandatory sinking fund redemption, notices of which shall be given on the dates provided herein) given at least forty-five (45) days prior to the redemption date (unless a shorter notice period shall be satisfactory to the Registration Agent). From and after the redemption date, all Bonds called for redemption shall cease to bear interest if funds are available at the office of the Registration Agent for the payment thereof and if notice has been duly provided as set forth herein. In the case of a Conditional Redemption, the failure of the City to make funds available in part or in whole on or before the redemption date shall not constitute an event of default, and the Registration Agent shall give immediate notice to the Depository or the affected Bondholders that the redemption did not occur and that the Bonds called for redemption and not so paid remain outstanding.

## **PAYMENT OF BONDS**

The Bonds will bear interest from their date or from the most recent interest payment date to which interest has been paid or duly provided for, on the dates provided herein, such interest being computed upon the basis of a 360-day year of twelve 30-day months. Interest on each Bond shall be paid by check or draft of the Registration Agent to the person in whose name such Bond is registered at the close of business on the 15th day of the month next preceding the interest payment date. The principal of and premium, if any, on the Bonds shall be payable in lawful money of the United States of America at the designated corporate trust office of the Registration Agent.

*(The remainder of this page left blank intentionally.)*



## BASIC DOCUMENTATION

### REGISTRATION AGENT

The Registration Agent, Regions Bank, Nashville, Tennessee, its successor or the City will make all interest payments with respect to the Bonds on each interest payment date directly to Cede & Co., as nominee of DTC, the registered owner as shown on the Bond registration records maintained by the Registration Agent, except as follows.

So long as Cede & Co. is the Registered Owner of the Bonds, as nominee of DTC, references herein to the Bondholders, Holders or Registered Owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds. For additional information, see the following section.

### BOOK-ENTRY-ONLY SYSTEM

The Registration Agent, its successor or the Issuer will make all interest payments with respect to the Bonds on each interest payment date directly to Cede & Co., as nominee of DTC, the registered owner as shown on the Bond registration records maintained by the Registration Agent as of the close of business on the fifteenth day of the month next preceding the interest payment date (the “Regular Record Date”) by check or draft mailed to such owner at its address shown on said Bond registration records, without, except for final payment, the presentation or surrender of such registered Bonds, and all such payments shall discharge the obligations of the Issuer in respect of such Bonds to the extent of the payments so made, except as described above. Payment of principal of the Bonds shall be made upon presentation and surrender of such Bonds to the Registration Agent as the same shall become due and payable.

So long as Cede & Co. is the Registered Owner of the Bonds, as nominee of DTC, references herein to the Bondholders, Holders or Registered Owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the Bonds.

The Bonds, when issued, will be registered in the name of Cede & Co., DTC’s partnership nominee, except as described above. When the Bonds are issued, ownership interests will be available to purchasers only through a book-entry-only system maintained by DTC (the “Book-Entry-Only System”). One fully registered bond certificate will be issued for each maturity, in the entire aggregate principal amount of the Bonds and will be deposited with DTC.

*DTC and its Participants.* DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in

deposited securities, through electronic computerized Book-Entry-Only transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

*Purchase of Ownership Interests.* Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the Book-Entry-Only System for the Bonds is discontinued.

*Payments of Principal and Interest.* Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Registration Agent on the payable date in accordance with their respective holdings shown on DTC's records, unless DTC has reason to believe it will not receive payment on such date. Payments by Direct and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with municipal securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Issuer or the Registration Agent subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, tender price and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Registration Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

*Notices.* Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the

Security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as practicable after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

NONE OF THE ISSUER, THE UNDERWRITER, THE BOND COUNSEL, THE MUNICIPAL ADVISOR OR THE REGISTRATION AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENT TO, OR THE PROVIDING OF NOTICE FOR, SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES.

*Transfers of Bonds.* To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

None of the Issuer, the Bond Counsel, the Registration Agent, the Municipal Advisor or the Underwriter will have any responsibility or obligation, legal or otherwise, to any party other than to the registered owners of any Bond on the registration books of the Registration Agent.

## **DISCONTINUANCE OF BOOK-ENTRY-ONLY SYSTEM**

In the event that (i) DTC determines not to continue to act as securities depository for the Bonds or (ii) to the extent permitted by the rules of DTC, the City determines to discontinue the Book-Entry-Only System, the Book-Entry-Only System shall be discontinued. Upon the occurrence of the event described above, the City will attempt to locate another qualified securities depository, and if no qualified securities depository is available, Bond certificates will be printed and delivered to Beneficial Owners.

*No Assurance Regarding DTC Practices.* The foregoing information in this section concerning DTC and DTC's Book-Entry-Only System has been obtained from sources that the City believes to be reliable, but the City, the Bond Counsel, the Registration Agent and the Municipal Advisor do not take any responsibility for the accuracy thereof. So long as Cede & Co.

is the registered owner of the Bonds as nominee of DTC, references herein to the holders or registered owners of the Bonds will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds. None of the City, the Bond Counsel, the Registration Agent or the Municipal Advisor will have any responsibility or obligation to the Participants, DTC or the persons for whom they act with respect to (i) the accuracy of any records maintained by DTC or by any Direct or Indirect Participant of DTC, (ii) payments or the providing of notice to Direct Participants, the Indirect Participants or the Beneficial Owners or (iii) any other action taken by DTC or its partnership nominee as owner of the Bonds.

For more information on the duties of the Registration Agent, please refer to the Resolution. Also, please see the section entitled “SECURITIES OFFERED – Redemption.”

## **DISPOSITION OF BOND PROCEEDS**

The proceeds of the sale of the Bonds shall be deposited with a financial institution regulated by the Federal Deposit Insurance Corporation or similar federal agency in a special fund known as the 2021 Construction Fund (the "Project Fund"), or such other designation as shall be determined by the Mayor to be kept separate and apart from all other funds of the City. The City shall disburse funds in the Project Fund to pay costs of issuance of the Bonds, including necessary legal, accounting and fiscal expenses, printing, engraving, advertising and similar expenses, administrative and clerical costs, Registration Agent fees, bond insurance premiums, if any, and other necessary miscellaneous expenses incurred in connection with the issuance and sale of the Bonds. Notwithstanding the foregoing, costs of issuance of the Bonds may be withheld from the good faith deposit or purchase price of the Bonds and paid to the Municipal Advisor to be used to pay costs of issuance of the Bonds. The remaining funds in the Project Fund shall be disbursed solely to pay the costs of the Projects and to reimburse the City for any funds previously expended for costs of the Projects. Money in the Project Fund shall be invested, to the extent possible, in such investments as shall be permitted by applicable law, which investment earnings shall be applied by the City as required by law.

## **DISCHARGE AND SATISFACTION OF BONDS**

If the City shall pay and discharge the indebtedness evidenced by any of the Bonds in any one or more of the following ways:

1. By paying or causing to be paid, by deposit of sufficient funds as and when required with the Registration Agent, the principal of and interest on such Bonds as and when the same become due and payable;

2. By depositing or causing to be deposited with any trust company or financial institution whose deposits are insured by the Federal Deposit Insurance Corporation or similar federal agency and which has trust powers (“an Agent”; which Agent may be the Registration Agent) in trust or escrow, on or before the date of maturity or redemption, sufficient money or Defeasance Obligations, as hereafter defined, the principal of and interest on which, when due and payable, will provide sufficient moneys to pay or redeem such Bonds and to pay interest thereon when due until the maturity or redemption date (provided, if such Bonds are to be redeemed prior to maturity thereof,

proper notice of such redemption shall have been given or adequate provision shall have been made for the giving of such notice); or

3. By delivering such Bonds to the Registration Agent, for cancellation by it;

and if the City shall also pay or cause to be paid all other sums payable hereunder by the City with respect to such Bonds, or make adequate provision therefor, and by resolution of the Governing Body instruct any such Escrow Agent to pay amounts when and as required to the Registration Agent for the payment of principal of and interest on such Bonds when due, then and in that case the indebtedness evidenced by such Bonds shall be discharged and satisfied and all covenants, agreements and obligations of the City to the holders of such Bonds shall be fully discharged and satisfied and shall thereupon cease, terminate and become void.

If the City shall pay and discharge the indebtedness evidenced by any of the Bonds in the manner provided in either clause (a) or clause (b) above, then the registered owners thereof shall thereafter be entitled only to payment out of the money or Defeasance Obligations deposited as aforesaid.

Except as otherwise described below, neither Defeasance Obligations nor moneys deposited with the Registration Agent pursuant to this Section nor principal or interest payments on any such Defeasance Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal and interest on said Bonds; provided that any cash received from such principal or interest payments on such Defeasance Obligations deposited with the Registration Agent, (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to the City as received by the Registration Agent and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Defeasance Obligations maturing at times and in amounts sufficient to pay when due the principal and interest to become due on said Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the City, as received by the Registration Agent. For the purposes described above, Defeasance Obligations shall mean direct obligations of, or obligations, the principal of and interest on which are guaranteed by, the United States of America, or obligations of any agency or instrumentality of the United States of America, which obligations shall not be subject to redemption prior to their maturity other than at the option of the registered owner thereof.

## **REMEDIES OF BONDHOLDERS**

Under Tennessee law, any Bondholder has the right, in addition to all other rights:

- (1) By mandamus or other suit, action or proceeding in any court of competent jurisdiction to enforce its rights against the City, including, but not limited to, the right to require the City to assess, levy and collect taxes adequate to carry out any agreement as to, or pledge of, such taxes, fees, rents, tolls, or other charges, and to require the City to carry out any other covenants and agreements, or

- (2) By action or suit in equity, to enjoin any acts or things which may be unlawful or a violation of the rights of such Bondholder.

## LEGAL MATTERS

### LITIGATION

There are no suits threatened or pending challenging the legality or validity of the Bonds or the right of the City to sell or issue the Bonds.

### TAX MATTERS

#### **Federal**

*General.* Bass, Berry & Sims PLC, Knoxville, Tennessee, is Bond Counsel for the Bonds. Their opinion under existing law, relying on certain statements by the City and assuming compliance by the City with certain covenants, is that interest on the Bonds:

- is excluded from a bondholder's federal gross income under the Internal Revenue Code of 1986, as amended (the "Code"), and
- is not a preference item for a bondholder under the federal alternative minimum tax.

The Code imposes requirements on the Bonds that the City must continue to meet after the Bonds are issued. These requirements generally involve the way that Bond proceeds must be invested and ultimately used. If the City does not meet these requirements, it is possible that a bondholder may have to include interest on the Bonds in its federal gross income on a retroactive basis to the date of issue. The City has covenanted to do everything necessary to meet these requirements of the Code.

A bondholder who is a particular kind of taxpayer may also have additional tax consequences from owning the Bonds. This is possible if a bondholder is:

- an S corporation,
- a United States branch of a foreign corporation,
- a financial institution,
- a property and casualty or a life insurance company,
- an individual receiving Social Security or railroad retirement benefits,
- an individual claiming the earned income credit or
- a borrower of money to purchase or carry the Bonds.

If a bondholder is in any of these categories, it should consult its tax advisor.

Bond Counsel is not responsible for updating its opinion in the future. It is possible that future events or changes in applicable law could change the tax treatment of the interest on the Bonds or affect the market price of the Bonds. See also section "CHANGES IN FEDERAL AND STATE TAX LAW" below.

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Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel on the federal income tax treatment of interest on the Bonds, or under State, local or foreign tax law.

*Bond Premium.* If a bondholder purchases a Bond for a price that is more than the principal amount, generally the excess is "bond premium" on that Bond. The tax accounting treatment of bond premium is complex. It is amortized over time and as it is amortized a bondholder's tax basis in that Bond will be reduced. The holder of a Bond that is callable before its stated maturity date may be required to amortize the premium over a shorter period, resulting in a lower yield on such Bonds. A bondholder in certain circumstances may realize a taxable gain upon the sale of a Bond with bond premium, even though the Bond is sold for an amount less than or equal to the owner's original cost. If a bondholder owns any Bonds with bond premium, it should consult its tax advisor regarding the tax accounting treatment of bond premium.

*Qualified Tax-Exempt Obligations.* Under the Code, in the case of certain financial institutions, no deduction from income under the federal tax law will be allowed for that portion of such institution's interest expense which is allocable to tax-exempt interest received on account of tax-exempt obligations acquired after August 7, 1986. The Code, however, provides that certain "qualified tax-exempt obligations", as defined in the Code, will be treated as if acquired on August 7, 1986. Based on an examination of the Code and the factual representations and covenants of the City as to the Bonds, Bond Counsel has determined that the Bonds, upon issuance, will be "qualified tax-exempt obligations" within the meaning of the Code.

*Information Reporting and Backup Withholding.* Information reporting requirements apply to interest on tax-exempt obligations, including the Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

## **State Taxes**

Under existing law, the Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) Tennessee excise taxes on interest on the Bonds during the period the Bonds are held or beneficially owned by any organization or entity,

or other than a sole proprietorship or general partnership doing business in the State of Tennessee, and (b) Tennessee franchise taxes by reason of the inclusion of the book value of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee.

## **CHANGES IN FEDERAL AND STATE TAX LAW**

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

## **CLOSING CERTIFICATES**

Upon delivery of the Bonds, the City will execute in a form satisfactory to Bond Counsel, certain closing certificates including the following: (i) a certificate as to the *Official Statement*, in final form, signed by the Mayor acting in his official capacity to the effect that to the best of his knowledge and belief, and after reasonable investigation, (a) neither the *Official Statement*, in final form, nor any amendment or supplement thereto, contains any untrue statements of material fact or omits to state any material fact necessary to make statements therein, in light of the circumstances in which they are made, misleading, (b) since the date of the *Official Statement*, in final form, no event has occurred which should have been set forth in such a memo or supplement, (c) there has been no material adverse change in the operation or the affairs of the City since the date of the *Official Statement*, in final form, and having attached thereto a copy of the *Official Statement*, in final form, and (d) there is no litigation of any nature pending or threatened seeking to restrain the issuance, sale, execution and delivery of the Bonds, or contesting the validity of the Bonds or any proceeding taken pursuant to which the Bonds were authorized; (ii) certificates as to the delivery and payment, signed by the Mayor acting in his official capacity, evidencing delivery of and payment for the Bonds; (iii) a signature identification and incumbency certificate, signed by the Mayor and City Manager acting in their official capacities certifying as to the due execution of the Bonds; and, (iv) a Continuing Disclosure Certificate regarding certain covenants of the City concerning the



preparation and distribution of certain annual financial information and notification of certain material events, if any.

## **APPROVAL OF LEGAL PROCEEDINGS**

Certain legal matters relating to the authorization and the validity of the Bonds are subject to the approval of Bass, Berry & Sims PLC, Knoxville, Tennessee, Bond Counsel. Bond Counsel has not prepared the *Preliminary Official Statement* or the *Official Statement*, in final form, or verified their accuracy, completeness or fairness. Accordingly, Bond Counsel expresses no opinion of any kind concerning the *Preliminary Official Statement* or *Official Statement*, in final form, except for the information in the section entitled “LEGAL MATTERS - Tax Matters.” The opinion of Bond Counsel will be limited to matters relating to authorization and validity of the Bonds and to the tax-exemption of interest on the Bonds under present federal income tax laws, both as described above. The legal opinion will be delivered with the Bonds and the form of the opinion is included in APPENDIX A. For additional information, see the section entitled “MISCELLANEOUS – “Competitive Public Sale”, “Additional Information” and “Continuing Disclosure.”

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## MISCELLANEOUS

### **RATING**

Moody's Investor Services, Inc. ("Moody's") has given the Bonds the rating of "Aa3".

There is no assurance that such rating will continue for any given period of time or that the ratings may not be suspended, lowered or withdrawn entirely by Moody's, if circumstances so warrant. Due to the ongoing uncertainty regarding the economy of the United States of America, including, without limitation, matters such as the future political uncertainty regarding the United States debt limit, obligations issued by state and local governments, such as the Bonds, could be subject to a rating downgrade. Additionally, if a significant default or other financial crisis should occur in the affairs of the United States or of any of its agencies or political subdivisions, then such event could also adversely affect the market for and ratings, liquidity, and market value of outstanding debt obligations, including the Bonds. Any such downward change in or withdrawal of the rating may have an adverse effect on the secondary market price of the Bonds.

The rating reflects only the views of Moody's and any explanation of the significance of such rating should be obtained from Moody's.

### **COMPETITIVE PUBLIC SALE**

The Bonds were offered for sale at competitive public bidding on September 22, 2021. Details concerning the public sale were provided to potential bidders and others in the *Preliminary Official Statement* that was dated September 15, 2021.

The successful bidder for the Bonds was an account led by FHN Financial Capital Markets, Memphis, Tennessee (the "Underwriters") who contracted with the City, subject to the conditions set forth in the Official Notice of Sale and Bid Form to purchase the Bonds at a purchase price of \$7,602,971.81 (consisting of the par amount of the Bonds, plus an original premium of \$306,329.65 and less an underwriter's discount of \$53,357.84) or 103.442% of par.

### **MUNICIPAL ADVISOR; RELATED PARTIES; OTHER**

*Municipal Advisor.* Cumberland Securities Company, Inc., has served as Municipal Advisor (the "Municipal Advisor") to the City for purposes of assisting with the development and implementation of a bond structure in connection with the issuance of the Bonds. The Municipal Advisor has not been engaged by the City to compile, create, or interpret any information in the *Preliminary Official Statement* and *Official Statement* relating to the City, including without limitation any of the City's financial and operating data, whether historical or projected. Any information contained in the *Preliminary Official Statement* and *Official Statement* concerning the City, any of its affiliates or contractors and any outside parties has not been independently verified by the Municipal Advisor, and inclusion of such information is not, and should not be construed as, a representation by the Municipal Advisor as to its accuracy or completeness or otherwise. The Municipal Advisor is not a public accounting firm and has not been engaged by the City to review

or audit any information in the *Preliminary Official Statement* and *Official Statement* in accordance with accounting standards.

*Regions Bank.* Regions Bank (the “Bank”) is a wholly-owned subsidiary of Regions Financial Corporation. The Bank provides, among other services, commercial banking, investments and corporate trust services to private parties and to State and local jurisdictions, including serving as registration, paying agent or filing agent related to debt offerings. The Bank will receive compensation for its role in serving as Registration and Paying Agent for the Bonds. In instances where the Bank serves the City in other normal commercial banking capacities, it will be compensated separately for such services.

*Official Statement.* Certain information relative to the location, economy and finances of the Issuer is found in the *Preliminary Official Statement*, in final form and the *Official Statement*, in final form. Except where otherwise indicated, all information contained in this *Official Statement* has been provided by the Issuer. The information set forth herein has been obtained by the Issuer from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Municipal Advisor or the Underwriter. The information contained herein is subject to change without notice, and neither the delivery of this *Official Statement* nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the Issuer, or the other matters described herein since the date hereof or the earlier dates set forth herein as of which certain information contained herein is given.

Cumberland Securities Company, Inc. distributed the *Preliminary Official Statement*, in final form, and the *Official Statement*, in final form on behalf of the City and will be compensated and/or reimbursed for such distribution and other such services.

*Bond Counsel.* From time to time, Bass, Berry & Sims PLC has represented the Bank on legal matters unrelated to the City and may do so again in the future.

*Other.* Among other services, Cumberland Securities Company, Inc. and the Bank may also assist local jurisdictions in the investment of idle funds and may serve in various other capacities, including Cumberland Securities Company’s role as serving as the City’s Dissemination Agent. If the City chooses to use one or more of these other services provided by Cumberland Securities Company, Inc. including Dissemination Agent and/or the Bank, then Cumberland Securities Company, Inc. and/or the Bank may be entitled to separate compensation for the performance of such services.

## **ADDITIONAL DEBT**

The City has authorized \$40,000,000 of bonds to fund school improvements and issued its \$35,000,000 General Obligation Bond Anticipation Notes, Series 2020, dated December 22, 2020 (the “Series 2020 BANs”) in anticipation of issuing such bonds. The Series 2020 BANs and the \$5,000,000 of bond anticipation notes expected to be issued next year will be permanently funded by a bond issue of the City that is expected to be purchased by U.S.D.A. Rural Development at interest rates of not to exceed 2.25% payable over a period of up to 40 years. Additionally, the City has ongoing capital needs that may or may not require the issuance of additional debt. The City may

also authorize the issuance of refundings of outstanding bonds as savings opportunities arise. The City expects to issue an additional \$5,000,000 of bond anticipation notes in 2022.

## **DEBT LIMITATIONS**

Pursuant to Title 9, Chapter 21, *Tennessee Code Annotated*, as amended, there is no limit on the amount of bonds that may be issued when the City uses the statutory authority granted therein to issue bonds. (see “DEBT STRUCTURE - Indebtedness and Debt Ratios” for additional information.)

## **DEBT RECORD**

There is no record of a default on principal and interest payments by the City from information available. Additionally, no agreements or legal proceedings of the City relating to securities have been declared invalid or unenforceable.

## **CONTINUING DISCLOSURE**

The City will at the time the Bonds are delivered execute a Continuing Disclosure Certificate under which it will covenant for the benefit of holders and Beneficial Owners of the Bonds to provide certain financial information relating to the City by not later than twelve months after the end of each fiscal year commencing with the fiscal year ending June 30, 2021 (the "Annual Report"), and to provide notice of the occurrence of certain significant events not later than ten business days after the occurrence of the events and notice of failure to provide any required financial information of the City. The issuer will provide notice in a timely manner to the MSRB of a failure by the City to provide the annual financial information on or before the date specified in the continuing disclosure agreement. The Annual Report (and audited financial statements if filed separately) and notices described above will be filed by the City with the Municipal Securities Rulemaking Board ("MSRB") at [www.emma.msrb.org](http://www.emma.msrb.org) and with any State Information Depository which may be established in Tennessee (the "SID"). The specific nature of the information to be contained in the Annual Report or the notices of events is summarized below. These covenants have been made in order to assist the Underwriters in complying with Securities Exchange Act Rule 15c2-12(b), as it may be amended from time to time (the "Rule 15c2-12").

*Five-Year Filing History.* For the past five years, the City has complied in all material respects with its existing continuing disclosure agreements, if any, in accordance with Rule 15c2-12.

*Content of Annual Report.* The City's Annual Report shall contain or incorporate by reference the General Purpose Financial Statements of the City for the fiscal year, prepared in accordance with generally accepted accounting principles; provided, however, if the City's audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained herein, and the audited financial statements shall be filed when available.

The Annual Report may be incorporated by reference from other documents, including *Official Statements* in final form for debt issues of the City or related public entities, which have been submitted to each of the Repositories or the U.S. Securities and Exchange Commission. If the document incorporated by reference is a final *Official Statement*, in final form, it will be available from the Municipal Securities Rulemaking Board. The City shall clearly identify each such other document so incorporated by reference.

*Reporting of Significant Events.* The City will file notice regarding material events with the MSRB and the SID, if any, as follows:

1. Upon the occurrence of a Listed Event (as defined in (3) below), the City shall in a timely manner, but in no event more than ten (10) business days after the occurrence of such event, file a notice of such occurrence with the MSRB and SID, if any.
2. For Listed Events where notice is only required upon a determination that such event would be material under applicable Federal securities laws, the City shall determine the materiality of such event as soon as possible after learning of its occurrence.
3. The following are the Listed Events:
  - a. Principal and interest payment delinquencies;
  - b. Non-payment related defaults, if material;
  - c. Unscheduled draws on debt service reserves reflecting financial difficulties;
  - d. Unscheduled draws on credit enhancements reflecting financial difficulties;
  - e. Substitution of credit or liquidity providers, or their failure to perform;
  - f. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
  - g. Modifications to rights of Bondholders, if material;
  - h. Bond calls, if material, and tender offers;
  - i. Defeasances;
  - j. Release, substitution, or sale of property securing repayment of the securities, if material;
  - k. Rating changes;
  - l. Bankruptcy, insolvency, receivership or similar event of the obligated person;

- m. The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- n. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- o. Incurrence of a financial obligation (which includes a debt obligation, or a derivative instrument entered into connection with, or pledged as security or as a source of payment for, an existing or planned debt obligation, or a guarantee of debt obligation or derivative instrument) of the City, if material, or agreement as to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material; and
- p. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation (as described above) of the City, any of which reflect financial difficulties.

*Termination of Reporting Obligation.* The City's obligations under the Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

*Amendment; Waiver.* Notwithstanding any other provision of the Disclosure Certificate, the City may amend the Disclosure Certificate, and any provision of the Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions concerning the Annual Report and Reporting of Significant Events it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of the Disclosure Certificate, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a

narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

*Default.* In the event of a failure of the City to comply with any provision of the Disclosure Certificate, any Bondholder or any beneficial owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under the Disclosure Certificate. A default under the Disclosure Certificate shall not be deemed an event of default, if any, under the Resolution, and the sole remedy under the Disclosure Certificate in the event of any failure of the City to comply with the Disclosure Certificate shall be an action to compel performance.

## **BONDHOLDER RISK**

The worldwide spread of COVID-19, a respiratory illness caused by a novel strain of coronavirus, is a pandemic that has affected the entire world and is considered by the World Health Organization to be a Public Health Emergency of International Concern. The Governor of the State issued a state of emergency for the State in mid-March 2020 in response to the COVID-19 pandemic. The spread of COVID-19 has led to quarantine and other "social distancing" measures throughout the United States, including the State of Tennessee. These measures have included, from to time, (i) the closure of nonessential businesses, (ii) recommendations and warnings to limit nonessential travel and promote telecommuting, (iii) the postponement or cancellation of or reduction of capacity at large-scale gatherings such as conventions, concerts and sporting events, (iv) limits on operations and customer capacity at commercial and retail establishments, and (v) the closure of school buildings. The Governor of the State lifted the state of emergency on April 27, 2021. However, the State and/or other local jurisdictions may issue future restrictions in response to the pandemic.

Multiple vaccines for the virus that causes COVID-19 were developed in late 2020. To date, three vaccines have been approved for distribution in the United States with each of these vaccines having an efficacy rate exceeding 65%. Multiple variants of the virus that causes COVID-19 have been documented in the United States and globally, but studies so far suggest that antibodies generated through vaccination with approved vaccines recognize these variants to varying extents. COVID-19 vaccines are currently available to all residents within the State, including the Issuer, who are over the age of 12.

The Issuer is unable to predict: (i) the extent or duration of the COVID-19 outbreak or any other epidemic or pandemic; (ii) the extent or duration of existing and additional quarantines, travel restrictions or other measures relating to COVID-19 or any other epidemic or pandemic; or (iii) whether and to what extent the COVID-19 outbreak or any other epidemic or pandemic may disrupt the local or global economy, manufacturing or the supply chain or whether any such disruption may adversely affect the operations of the Issuer. Given the evolving nature of the spread of the virus and the behavior of governments, businesses and individuals in response thereto, the Issuer cannot

accurately predict the magnitude of the impact of COVID-19 on the Issuer and its financial condition. The Issuer is proactively taking steps to mitigate the spread of COVID-19 and to preserve effective staffing for all essential Issuer operations.

Although the Issuer cannot accurately predict the magnitude of the ultimate impact of COVID-19 outbreak on the Issuer's finances, the Issuer is carefully monitoring the immediate effect of the COVID-19 outbreak on the Issuer's finances and is attempting to make projections as to the effect of the COVID-19 outbreak for the upcoming fiscal year.

For the current fiscal year, the Issuer's largest source of revenues is property tax revenues. Property tax revenues are due each year on October 1st and are delinquent on the last day of February of the following year, so all tax year 2020 taxes were required to be paid without any penalty by February 28, 2021. The Issuer has already collected over 95.52% of its billed property taxes for tax year 2020, which is comparable to prior years. Economic uncertainties resulting from the COVID-19 outbreak may result in collecting the remaining amount of tax year 2020 property taxes outstanding, which is a relatively small portion of the Issuer's revenues, and may also affect collections in future years if the COVID-19 outbreak and resulting economic restrictions continue.

The budget for the 2022 fiscal year which started on July 1, 2021 anticipated an increase in revenues. The sales tax rate was increased by \$0.75 effective November 2019. Given the uncertainties as to when businesses, including tourism-related businesses, will be fully operational, these projections are uncertain and the ultimate amount of revenues from sales and use taxes, hotel-motel taxes and other similar business taxes may be significantly less or more than what has been projected in the Issuer's adopted budget.

The Issuer's largest source of revenues is sales and use tax revenues. Such tax revenues are expected to comprise approximately 35% of the Issuer's revenues in the current 2022 fiscal year that ends June 30, 2022. All sales and use tax revenues are collected by the State, and the Issuer does not typically receive notice from the State of the Issuer's share of sales and use taxes collected for approximately 50 days after the close of each month.

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With respect to sales and use tax revenues for the most recent months for which information is available, the Issuer's local sales and use tax revenues were:

	<b>2019 Revenues</b>	<b>2020 Revenues</b>	<b>% Increase or Decrease</b>
<b>Jan</b>	\$ 407,412	\$ 397,155	(2.52%)
<b>Feb</b>	473,012	467,946	(1.07%)
<b>Mar</b>	352,481	350,046	(0.69%)
<b>Apr</b>	364,902	366,970	0.57%
<b>May</b>	434,856	406,952	(6.42%)
<b>Jun</b>	432,928	406,093	(6.20%)
<b>Jul</b>	419,968	453,598	8.01%
<b>Aug</b>	412,034	449,309	9.05%
<b>Sep</b>	397,036	575,563	44.96%
<b>Oct</b>	404,519	556,314	37.52%
<b>Nov</b>	392,730	590,513	50.36%
<b>Dec</b>	379,421	574,181	51.33%
	<b>2020 Revenues</b>	<b>2021 Revenues</b>	<b>% Increase or Decrease</b>
<b>Jan</b>	\$ 397,155	\$ 595,214	49.87%
<b>Feb</b>	467,946	731,404	56.30%
<b>Mar</b>	350,046	562,403	60.67%
<b>Apr</b>	366,970	522,689	42.43%
<b>May</b>	406,952	729,287	79.21%
<b>June</b>	406,093	668,216	64.55%
<b>TOTAL</b>	<b>\$7,266,461</b>	<b>\$9,403,853</b>	<b>29.41%</b>

The Issuer also collects other tax revenues such as business taxes that are expected to be materially affected by business closures and reduced economic activity resulting from the COVID-19 outbreak.

The Issuer expects to receive some federal and/or State assistance to offset costs to the Issuer of addressing the COVID-19 outbreak. As this point, the Issuer has not been informed as to the timing or amount of federal or State assistance that may be provided, nor does the Issuer know the scope of expenses that will be payable from such assistance. Therefore, the Issuer cannot provide any assurances to whether the projected decline in tax revenues will be mitigated, in whole or part, by such assistance. The Issuer's budget for the 2022 fiscal year does not include any such assistance as a source of revenue to provide for a balanced budget.

The Issuer's liquidity position remains strong. As of June 30, 2021, the Issuer had in excess of \$15 million in unassigned fund balance for the General Fund, which is approximately 75% of the Issuer's general fund budget, excluding grants. The Issuer's current liquidity position is expected to be adequate to fund essential services and make timely debt service payments on debt of the Issuer.

Various types of information regarding employment and income trends within the City and McMinn County are detailed in APPENDIX B. Most of this information was assembled prior to the COVID-19 outbreak and may not be reflective of current financial conditions. For example, unemployment rates throughout the United States, had increased significantly in the initial months of the COVID-19 outbreak but are currently declining. Furthermore, APPENDIX B lists the largest employers in the City. The COVID-19 outbreak has affected businesses throughout the United States, including businesses in the City and the County, and many of the employers listed in APPENDIX B have been forced to change their employment levels from the levels described in APPENDIX B. Given the fluidity of the current economic environment, the Issuer is not able to provide sufficiently accurate updates to this information.

*CLIMATE CHANGE.* Planning for climate change in the State and its impact on the City's operation is an unknown challenge. The State of Tennessee's climate is exceedingly variable and projections of future conditions range significantly. While projections in the State of Tennessee indicate rising average temperatures, precipitation projections are much less clear and often contradictory. Other potential impacts include changes in the length, intensity, and frequency of droughts and floods. The financial impact of the climate change is not yet known and therefore its future impact on the City cannot be quantified reliably at this time.

*CYBER-SECURITY.* Computer networks and data transmission and collection are vital to the efficient operations of the City. Despite security measures, information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions. Any such breach could compromise networks and the information stored there could be disrupted, accessed, publicly disclosed, lost or stolen. Any such disruption, access, disclosure or other loss of information could result in disruptions in operations and the services provided by the City, legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties and the services provided, and cause a loss of confidence in the City's operations, which could materially affect the City and its operations. The City maintains insurance to mitigate any potential financial losses from cyber-security threats.

## **ADDITIONAL INFORMATION**

Use of the words "shall," "must," or "will" in this *Official Statement* in summaries of documents or laws to describe future events or continuing obligations is not intended as a representation that such event will occur or obligation will be fulfilled but only that the document or law contemplates or requires such event to occur or obligation to be fulfilled.

Any statements made in this *Official Statement* involving estimates or matters of opinion, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates or matters of opinion will be realized. Neither this *Official Statement* nor any statement which may have been made orally or in writing is to be construed as a contract with the owners of the Bonds.

The references, excerpts and summaries contained herein of certain provisions of the laws of the State of Tennessee, and any documents referred to herein, do not purport to be complete statements of the provisions of such laws or documents, and reference should be made to the

complete provisions thereof for a full and complete statement of all matters of fact relating to the Bonds, the security for the payment of the Bonds, and the rights of the holders thereof.

The *Preliminary Official Statement* and *Official Statement*, in final form, and any advertisement of the Bonds, is not to be construed as a contract or agreement between the City and the purchasers of any of the Bonds. Any statements or information printed in the *Preliminary Official Statement* or this *Official Statement*, in final form, involving matters of opinions or of estimates, whether or not expressly so identified, is intended merely as such and not as representation of fact.

The City has deemed this *Official Statement* as “final” as of its date within the meaning of Rule 15c2-12.

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**CERTIFICATION OF THE CITY**

On behalf of the City, we hereby certify that to the best of our knowledge and belief, the information contained herein as of this date is true and correct in all material respects, and does not contain an untrue statement of material fact or omit to state a material fact required to be stated where necessary to make the statement made, in light of the circumstance under which they were made, not misleading.

/s/ William Bo Perkinson  
\_\_\_\_\_  
Mayor

ATTEST:

/s/ C. Seth Sumner  
\_\_\_\_\_  
City Manager



**APPENDIX A**

**LEGAL OPINION**





**LAW OFFICES OF  
BASS, BERRY & SIMS PLC  
900 SOUTH GAY STREET, SUITE 1700  
KNOXVILLE, TENNESSEE 37902**

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of Athens, Tennessee (the "Issuer") of the \$7,350,000 General Obligation Bonds, Series 2021 (the "Bonds") dated October 15, 2021. We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify such facts by independent investigation.

Based on our examination, we are of the opinion, as of the date hereof, as follows:

1. The Bonds have been duly authorized, executed and issued in accordance with the constitution and laws of the State of Tennessee and constitute valid and binding obligations of the Issuer.

2. The resolution of the City Council of the Issuer authorizing the Bonds has been duly and lawfully adopted, is in full force and effect and is a valid and binding agreement of the Issuer enforceable in accordance with its terms.

3. The Bonds constitute general obligations of the Issuer to which the Issuer has validly and irrevocably pledged its full faith and credit. The principal of and interest on the Bonds are payable from unlimited ad valorem taxes to be levied on all taxable property within the Issuer.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The Issuer has covenanted to comply with all such requirements. Except as set forth in this Paragraph 4 and Paragraph 6 below, we express no opinion regarding the federal tax consequences arising with respect to the Bonds.

5. Under existing law, the Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) Tennessee excise taxes on all or a portion of the interest on any of the Bonds during the period such Bonds are held or beneficially owned by any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee, and (b) Tennessee franchise taxes by reason of the inclusion of the book value of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership doing business in the State of Tennessee.

6. The Bonds are "qualified tax-exempt obligations" within the meaning of Section 265 of the Code.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds and the resolutions authorizing the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

This opinion is given as of the date hereof, and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Yours truly,

Bass, Berry & Sims PLC

**APPENDIX B**

**SUPPLEMENTAL INFORMATION STATEMENT**



*All of the following information, estimates and expressions of opinion are subject to change without notice. Though collected from sources the County believes to be reliable, the County has made no independent verification of the information provided by non-County sources, and the County takes no responsibility for the completeness or accuracy thereof. Except as otherwise provided, the information herein is often in relation to dates and periods prior to the COVID-19 pandemic and the resulting measures instituted to mitigate it. As provided in the section of the Official Statement entitled “BONDHOLDER RISK – COVID 19,” the economic and social impact of COVID-19 to the County is far-reaching, unprecedented and constantly evolving. Historical numbers, including but not limited to those regarding employment, presented herein cannot be relied upon as reflective of current conditions or predictive of future results, which may be materially different from the information presented herein. The delivery by the County of the information contained herein shall not, under any circumstances, create any implication that there has been no material change in the affairs of the County since the date of the Official Statement.*

## GENERAL INFORMATION

### LOCATION

The City of Athens (the “City”), the county seat, is located in Southeast Tennessee in McMinn County (the “County”). The County is bordered by Meigs County to the west, Roane and Loudon Counties to the north, Monroe County to the east, and Bradley and Polk Counties to the south. The City is located about 52 miles north from Chattanooga and 58 miles south from Knoxville. The City is the largest city in the County at a population of 13,458. According to the 2010 Census, the City of Etowah, also within the County, has a population of 3,490. The County has a population of 52,266 according to the 2010 Census.

### GENERAL

*Main Street Program.* Athens was accredited with Tennessee Main Street Accreditation. Athens has a historically significant downtown that it plans to improve through the Main Street program, encouraging new investment and entrepreneurship.

As of May 2021, there are 42 communities that are accredited through the state program Tennessee Main Street Accreditation and a program of the national Trust for Historic Preservation (called Main Street America). The Main Street Program provides training, support and grant opportunities to assist in downtown revitalization efforts to focus on historic preservation, community events and economic revitalization. In 2020, accredited Tennessee Main Street communities generated \$79 million of public and private investment and nearly 158 new businesses. The Tennessee Main Street Program requires communities to illustrate a commitment from local government and other local organizations, an adequate organizational budget, a strong historic preservation ethic, a collection of historic commercial buildings and a walkable district.

Athens was designated a Micropolitan Statistical Area (the “mSA”). The Athens mSA had a population of 52,266 according to the 2010 US Census. The Athens mSA is also part of the Chattanooga-Cleveland-Athens, TN-GA Combined Statistical Area (the “CSA”) of southeast Tennessee and northeast Georgia. According to the 2010 Census, the CSA had a population of 698,157. The CSA includes McMinn, Hamilton, Marion and Sequatchie Counties in Tennessee. The City of Chattanooga is the largest city in the CSA with a population of 167,674 according to the 2010 Census.

## TRANSPORTATION

The County has I-75 access located in Athens and has US Highway 411 and State Highway 30 going through Etowah. Other highways in the County are US 11 and State Highways 39, 305 and 309. Rail transportation is provided by CSX Transportation and Norfolk-Southern Railroad. The nearest port is in Chattanooga on the Hiwassee about 50 miles to the south. McMinn County Airport is the local airport with a 5,500-foot runway. The nearest commercial airports are the McGhee Tyson Airport in Knoxville and the Chattanooga Metro Airport both about 50 miles to the north and south, respectively.

## EDUCATION

The *City of Etowah School System* operates a single elementary school with a fall 2020 enrollment of about 387 with about 26 teachers. The *City of Athens School System* operates five schools. The 2020 fall enrollment is about 1,786 students with about 110 teachers. The *McMinn County School System* operates nine schools. The System had a fall 2020 enrollment of about 5,491 students with about 349 teachers. The County also has a vocational high school. There are a total of 3 schools within the city limits of Etowah: two elementary schools, one City operated and one County operated, and one County operated high school.

*Source:* Tennessee Department of Education.

*Cleveland State Community College* is a comprehensive two-year community college that operates within the governance of the Tennessee Board of Regents. The college is located in Cleveland, Tennessee, just 30 miles northeast of Chattanooga. The fall of 2019 semester had an enrollment of 3,272 students. The college has offices and classrooms in Athens and Vonore. Cleveland State's service area includes Bradley, Meigs, McMinn, Monroe, and Polk Counties.

*Source:* Cleveland State Community College and TN Higher Education Commission.

*Tennessee Wesleyan College* is a private, four-year liberal arts college located in Athens (McMinn County) and is affiliated with the Holston Conference of the United Methodist Church. The College offers baccalaureate programs in fine arts, humanities, natural and social sciences as well as business, nursing, other career-related areas, and teacher certification. The College was founded in 1857 and one of the original buildings on the forty-acre campus is Old College Hall, which is listed on the National Register of Historic Places. Tennessee Wesleyan College enrolls over 850 students. A sister school, Nagasaki Wesleyan, is located in Isahaya, Japan.

*Source:* Tennessee Wesleyan College.

*The Tennessee College of Applied Technology at Athens.* The Tennessee College of Applied Technology at Athens (the "TCAT-A") is part of a statewide system of 26 vocational-technical schools. The TCAT-A meets a Tennessee mandate that no resident is more than 50 miles from a vocational-technical shop. The institution's primary purpose is to meet the occupational and technical training needs of the citizens including employees of existing and prospective businesses and industries in the region. The TCAT-A serves the southeast region of the state including McMinn, Monroe, Bradley, Meigs, and Polk Counties. The TCAT-A began operations in 1963, and the main campus is located in McMinn County. Fall 2018 enrollment was 721 students.

*Source:* Tennessee Technology Center at Athens and TN Higher Education Commission.

## HEALTHCARE

*Starr Regional Medical Center – Athens* (the “SRMC-A”) is a 190-bed acute care facility in Athens. SRMC-A campus provides inpatient and outpatient services through its 118-bed acute care facility, outpatient rehabilitation services and physician practices.

*Starr Regional Medical Center – Etowah* (the “SRMC-E”) was formerly Woods Memorial Hospital. SRMC-E has an emergency department, outpatient services, an 88-bed skilled and long-term care nursing home, a senior care program and wound care center.

Both facilities are part of LifePoint Hospital, Inc. based in Brentwood, Tennessee. LifePoint, after being combined with Riverview Regional Medical Center Healthcare in 2018, has a network of 84 hospital hospitals in 30 states.

*Source:* LifePoint Hospitals, Inc.

## MANUFACTURING AND COMMERCE

*Industrial Parks.* Athens/McMinn Interstate Industrial Park (350 acres) and the Mt. Verd Interchange Industrial Park (233 acres) are both located in Athens.

*Select Tennessee Certified Sites.* The North Etowah Industrial Park (271 acres) and the 75 Regional Commerce Park (149 acres) are both certified as Select Tennessee Certified Sites. The Select Tennessee Certified Sites Program has helped communities prepare industrial sites for private investment and job creation since 2012. The certification process ensures that each certified site meets high quality standards and are primed for development. Certified sites must have documented environmental conditions and geotechnical analysis, existing onsite utilities or a formal plan to extend utilities to the site, and truck-quality road access. The program’s goal is to give companies detailed and reliable information during the site selection process and markets the sites to a targeted group of site selection consultants and business leaders in Tennessee’s key industry clusters. As of January 2021, sixty-five sites in Tennessee have been certified and 23 companies have invested over \$1.8 billion in capital investment to construct facilities on certified sites, accounting for more than 7,200 new job commitments.

*Source:* Tennessee Department of Economic and Community Development.

*DENSO Tennessee.* The automotive parts plant DENSO has three locations in the state – Maryville, Athens and Jackson – and employs roughly 5,000 people in Tennessee as of March 2019. DENSO’s Athens facility manufactures fuel injectors, fuel pumps, oxygen sensors, ignition coils, monolithic carriers and spark plugs. DENSO has invested approximately \$3 billion in Tennessee. DENSO is a leading global automotive supplier of advanced technology, systems and components in the areas of thermal, powertrain control, electronics and information and safety. The company provides parts for 20 automakers, including Toyota, Honda, Daimler Chrysler, General Motors, Ford and Subaru. DENSO employs more than 23,000 people across the North American region, and DENSO’s North American consolidated sales totaled \$10.9 billion for the fiscal year ending March 31, 2018.

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## Major Employers in McMinn County, Tennessee

<u>Company</u>	<u>Product/Service</u>	<u>Employment</u>
DENSO	Auto Exhaust System	1,481
Johnson Controls	Metal Seat Frames	705
McMinn County Schools	Education	697
Adient US	Manufacturer	574
Resolute Forest Products	Paper mil	567
Waupaca Foundry, INC	Gray, Aluminum Iron Castings	554
Starr Regional Medical Center	Hospital	500
E&E Manufacturing	Metal Stamping and Fasteners	367
Dean Foods/Mayfield Dairy Farms	Dairy Products	342
Manville Johns Corp.	Mat Fiber and Reinforcements	300
Walmart	Retail	300
ABB (formerly Thomas & Betts)	Switch Boxes, Outlets	296
Dynasty Spas	Hot Tubs	207
Crescent Hosiery Mills	Hosiery	200
Heil Trailer International	Aluminum Tanker Truck Trailers	193
Mills Products	Appliance Trim Parts	160
JM Huber	Silica	130

*Source:* Tennessee Department of Economic and Community Development (2021) and the CAFR of the City of Athens (2020).

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## EMPLOYMENT INFORMATION

For the month of May 2021, the unemployment rate for the Athens mSA and McMinn County stood at 5.0% with 22,243 persons employed out of a labor force of 23,404. As of May 2021, the unemployment rate in the Chattanooga-Cleveland-Dalton CSA stood at 4.0%, representing 435,494 persons employed out of a workforce of 453,642.

The following charts show unemployment trends in the area for the last 5 years:

	Unemployment				
	Annual Average	Annual Average	Annual Average	Annual Average	Annual Average
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
National	5.3%	4.9%	4.4%	3.6%	3.9%
Tennessee	5.6%	4.7%	3.8%	3.5%	3.4%
<b>Athens mSA &amp; McMinn County</b>	<b>6.3%</b>	<b>5.4%</b>	<b>4.4%</b>	<b>4.1%</b>	<b>3.8%</b>
Index vs. National	119	110	100	114	97
Index vs. State	113	115	116	117	112
<b>Chattanooga-Cleveland- Athens CSA</b>	<b>5.6%</b>	<b>4.9%</b>	<b>4.0%</b>	<b>3.7%</b>	<b>3.5%</b>
Index vs. National	106	100	91	103	90
Index vs. State	100	104	105	106	103

Source: Tennessee Department of Employment Security, CPS Labor Force Estimates Summary.

## ECONOMIC DATA

	Per Capita Personal Income				
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
National	\$49,019	\$50,015	\$52,118	\$54,606	\$56,490
Tennessee	\$42,626	\$43,626	\$45,233	\$47,210	\$48,684
<b>McMinn County</b>	<b>\$33,135</b>	<b>\$33,573</b>	<b>\$34,791</b>	<b>\$36,337</b>	<b>\$37,601</b>
Index vs. National	68	67	67	67	67
Index vs. State	78	77	77	77	77
<b>Chattanooga-Cleveland- Athens CSA</b>	<b>\$38,363</b>	<b>\$38,926</b>	<b>\$40,422</b>	<b>\$41,863</b>	<b>\$43,018</b>
Index vs. National	78	78	78	77	76
Index vs. State	90	89	89	89	88

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

## Social and Economic Characteristics

	<u>National</u>	<u>Tennessee</u>	<u>McMinn County</u>
Median Value Owner Occupied Housing	\$217,500	\$167,200	\$133,200
% High School Graduates or Higher Persons 25 Years Old and Older	85.2%	87.5%	84.5%
% Persons with Income Below Poverty Level	10.5%	13.9%	14.5%
Median Household Income	\$62,843	\$53,320	\$43,285

Source: U.S. Census Bureau State & County QuickFacts - 2019.

## RECENT DEVELOPMENTS

*DENSO Manufacturing.* DENSO's McMinn County facility completed a \$190 million expansion to build a new 224,000 square foot facility in 2018 that resulted in 320 jobs. DENSO underwent a \$85 million expansion that was completed in mid-2017 and hired an additional 400 people.

*Mayfield Dairy.* The Mayfield Dairy facility in Athens, owned by Dean Foods, employed 50 new people in 2018 due to an increase in volume.

Source: Chattanooga Times Free Press, Knoxville News Sentinel and WBIR news, Knoxville, TN.

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**CITY OF ATHENS, TENNESSEE**  
**SUMMARY OF BONDED INDEBTEDNESS**

<b>AMOUNT ISSUED</b>	<b>PURPOSE</b>	<b>DUE DATE</b>	<b>INTEREST RATE(S) (2)</b>	<b>AMOUNT OUTSTANDING</b>
\$ 35,000,000	(4) General Obligation Bond Anticipation Note, Series 2020	2022	Fixed	\$ 35,000,000
4,500,000	(3) Loan Agreement, Series 2003 - Electric	2032	Variable	1,934,337
2,600,000	(3) Loan Agreement, Series 2008 - Electric	2037	Variable	1,824,000
4,740,000	(3) Loan Agreement - State - Sewer	2031	Fixed	1,591,078
16,000,000	(3) Loan Agreement - Sewer	2032	Variable	11,508,078
1,414,000	(3) Rural Development Bond, Series 2009 - Water	2048	Fixed	1,158,161
2,000,000	(3) SRF Loan, Series 2013 - Water	2035	Fixed	1,192,368
2,550,000	(3) SRF Loan, Series 2014 - Water	2038	Fixed	1,664,837
\$ 68,804,000	<b>TOTAL BONDED DEBT - As of June 30, 2021 (Unaudited and Estimated)</b>			\$ 55,872,859
\$ 7,350,000	General Obligation Bonds, Series 2021	June 2046	Fixed	\$ 7,350,000
(33,804,000)	Less: Revenue Supported Debt			(20,872,859)
\$ 35,000,000	<b>NET BONDED DEBT</b>			\$ 42,350,000

**NOTES:**

(1) The above figures do not include all short-term notes and leases outstanding, if any. For more information, see the notes to the Financial Statements in the CAFR.

(2) The City budgets to account for interest rate and/or basis risk.

(3) Revenue Supported Debt

(4) The City has authorized \$40,000,000 of debt and issued its \$35,000,000 General Obligation Bond Anticipation Notes, Series 2020, dated December 22, 2020 (the "Series 2020 BANs") to fund school improvements. The Series 2020 BANs will be permanently funded by bonds from U.S.D.A. Rural Development at interest rates of not to exceed 2.25% payable over up to 40 years.

**CITY OF ATHENS, TENNESSEE**  
**INDEBTEDNESS AND DEBT RATIOS**

**INTRODUCTION**

The indebtedness information set forth in the following table is based upon information derived in part from the CAFR and the table should be read in conjunction with those statements. Property tax information is derived from the City and the Annual Tennessee Tax Aggregate Report.

	<b>For Year Ended June 30</b>			<b>Unaudited</b>	<b>After Issuance</b>
	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2021</b>	<b>2021</b>
<b>INDEBTEDNESS</b>					
<b>TAX SUPPORTED</b>					
General Obligation Bonds & Notes	\$ 1,610,000	\$ -	\$ -	\$ 35,000,000	\$ 42,350,000
Revenue Bonds	\$ 26,756,928	\$ 25,737,738	\$ 24,127,696	22,507,837	20,872,859
<b>TOTAL TAX SUPPORTED</b>	<b>\$ 28,366,928</b>	<b>\$ 25,737,738</b>	<b>\$ 24,127,696</b>	<b>\$ 22,507,837</b>	<b>\$ 63,222,859</b>
<b>TOTAL DEBT</b>	<b>\$ 28,366,928</b>	<b>\$ 25,737,738</b>	<b>\$ 24,127,696</b>	<b>\$ 22,507,837</b>	<b>\$ 63,222,859</b>
Less: Revenue Supported Debt	\$ (26,756,928)	\$ (25,737,738)	\$ (24,127,696)	\$ (22,507,837)	\$ (20,872,859)
Less: Debt Service Fund	-	-	1,003,009	-	-
<b>NET DIRECT DEBT</b>	<b>\$ 1,610,000</b>	<b>\$ -</b>	<b>\$ 1,003,009</b>	<b>\$ 35,000,000</b>	<b>\$ 42,350,000</b>
<b>PROPERTY TAX BASE</b>					
Estimated Actual Value	\$ 1,342,842,502	\$ 1,398,535,618	\$ 1,521,520,304	\$ 1,626,327,666	\$ 1,849,323,926
Appraised Value	\$ 1,303,765,785	\$ 1,312,665,531	\$ 1,521,520,304	\$ 1,626,327,666	\$ 1,849,323,926
Assessed Value	\$ 415,137,773	\$ 418,913,213	\$ 483,842,519	\$ 516,517,107	\$ 510,003,132

	For Year Ended June 30				Unaudited 2021	After Issuance 2021
	2017	2018	2019	2020		
<b>DEBT RATIOS</b>						
TOTAL DEBT to Estimated Actual Value	2.11%	1.84%	1.59%	1.38%	3.02%	3.42%
TOTAL DEBT to Appraised Value	2.18%	1.96%	1.59%	1.38%	3.02%	3.42%
TOTAL DEBT to Assessed Value	6.83%	6.14%	4.99%	4.36%	10.96%	12.40%
NET DIRECT DEBT to Estimated Actual Value	0.12%	0.00%	0.00%	0.06%	1.89%	2.29%
NET DIRECT DEBT to Appraised Value	0.12%	0.00%	0.00%	0.06%	1.89%	2.29%
NET DIRECT DEBT to Assessed Value	0.39%	0.00%	0.00%	0.19%	6.86%	8.30%
<b>PER CAPITA RATIOS</b>						
POPULATION (1)	13,458	13,458	13,458	13,458	13,458	13,458
PER CAPITA PERSONAL INCOME (2)	\$18,950 ##	\$19,329	\$19,367	\$20,387	\$20,387	\$20,387
Estimated Actual Value to POPULATION	99,780	103,919	113,057	120,845	137,414	137,414
Assessed Value to POPULATION	30,847	31,127	35,952	38,380	37,896	37,896
Total Debt to POPULATION	2,108	1,912	1,793	1,672	4,152	4,698
Net Direct Debt to POPULATION	120	-	-	75	2,601	3,147
Total Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	11.12%	9.89%	9.26%	8.20%	20.36%	23.04%
Net Direct Debt Per Capita as a percent of PER CAPITA PERSONAL INCOME	0.63%	0.00%	0.00%	0.37%	12.76%	15.44%

(1) Per Capita computations are based upon POPULATION data according to the U.S. Census.

(2) PER CAPITA PERSONAL INCOME is based upon the most current data available from the U. S. Department of Commerce.

**CITY OF ATHENS, TENNESSEE**  
**BONDED DEBT SERVICE REQUIREMENTS - GENERAL OBLIGATION**

F. Y. Ended	Estimated Amortization City Debt (1) (2)			General Obligation Bonds, Series 2021			% 2021 Principal Repaid			Total Bonded Debt Service Requirements (1)			Estimated % All Principal Repaid		
	Principal	Interest	TOTAL	Principal	Interest (3)	TOTAL	Principal	Interest (2)	TOTAL	Principal	Interest (2)	TOTAL	Principal	Interest (2)	TOTAL
2022	\$ -	\$ -	\$ -	\$ 275,000	\$ 106,135	\$ 381,135	\$ -	\$ 106,135	\$ 381,135	3.74%	\$ 275,000	\$ 106,135	\$ 381,135	\$ 381,135	0.58%
2023	410,671	448,075	858,746	220,000	160,815	380,815	-	608,890	1,239,561	-	630,671	608,890	1,239,561	1,858,396	7.24%
2024	594,552	884,629	1,479,181	225,000	154,215	379,215	-	1,038,844	1,858,396	-	1,018,577	1,038,844	2,057,421	2,895,817	11.7%
2025	608,068	871,112	1,479,180	235,000	147,465	382,465	-	1,018,577	1,859,595	-	861,892	997,703	1,859,595	2,351,415	9.2%
2026	621,892	857,288	1,479,180	240,000	140,415	380,415	-	861,892	1,859,595	16.26%	861,892	997,703	1,859,595	2,351,415	9.2%
2027	636,031	843,149	1,479,180	245,000	133,215	378,215	-	881,031	1,857,395	-	881,031	976,364	1,857,395	2,351,415	9.2%
2028	650,491	828,690	1,479,181	255,000	125,865	380,865	-	905,491	1,860,046	-	905,491	954,555	1,860,046	2,351,415	9.2%
2029	665,279	813,901	1,479,180	260,000	118,215	378,215	-	925,279	1,857,395	-	925,279	932,116	1,857,395	2,351,415	9.2%
2030	680,404	798,776	1,479,180	270,000	110,415	380,415	-	950,404	1,859,595	-	950,404	909,191	1,859,595	2,351,415	9.2%
2031	695,873	783,308	1,479,181	275,000	105,015	380,015	-	970,873	1,859,196	34.01%	970,873	888,323	1,859,196	2,351,415	9.2%
2032	711,693	767,487	1,479,180	280,000	99,515	379,515	-	991,693	1,858,695	-	991,693	867,002	1,858,695	2,351,415	9.2%
2033	727,873	751,307	1,479,180	285,000	93,915	378,915	-	1,012,873	1,858,095	-	1,012,873	845,222	1,858,095	2,351,415	9.2%
2034	744,421	734,760	1,479,181	290,000	88,215	378,215	-	1,034,421	1,857,396	-	1,034,421	822,975	1,857,396	2,351,415	9.2%
2035	761,345	717,836	1,479,181	300,000	82,415	382,415	-	1,061,345	1,861,596	-	1,061,345	800,251	1,861,596	2,351,415	9.2%
2036	778,653	700,527	1,479,180	305,000	76,415	381,415	-	1,083,653	1,860,595	53.88%	1,083,653	776,942	1,860,595	2,351,415	9.2%
2037	796,356	682,825	1,479,181	310,000	70,315	380,315	-	1,106,356	1,859,496	-	1,106,356	753,140	1,859,496	2,351,415	9.2%
2038	814,460	664,720	1,479,180	315,000	64,115	379,115	-	1,129,460	1,858,295	-	1,129,460	728,835	1,858,295	2,351,415	9.2%
2039	832,977	646,204	1,479,181	320,000	57,815	377,815	-	1,152,977	1,856,996	-	1,152,977	704,019	1,856,996	2,351,415	9.2%
2040	851,914	627,266	1,479,180	330,000	51,415	381,415	-	1,181,914	1,860,595	-	1,181,914	678,681	1,860,595	2,351,415	9.2%
2041	871,282	607,899	1,479,181	335,000	44,815	379,815	-	1,206,282	1,858,996	75.78%	1,206,282	652,714	1,858,996	2,351,415	9.2%
2042	891,090	588,090	1,479,180	340,000	38,115	378,115	-	1,231,090	1,857,295	-	1,231,090	626,205	1,857,295	2,351,415	9.2%
2043	911,348	567,832	1,479,180	350,000	30,975	380,975	-	1,261,348	1,860,155	-	1,261,348	598,807	1,860,155	2,351,415	9.2%
2044	932,067	547,113	1,479,180	355,000	23,625	381,625	-	1,287,067	1,857,805	-	1,287,067	570,738	1,857,805	2,351,415	9.2%
2045	953,257	525,923	1,479,180	365,000	16,170	381,170	-	1,318,257	1,860,350	-	1,318,257	542,093	1,860,350	2,351,415	9.2%
2046	974,929	504,251	1,479,180	370,000	8,140	378,140	-	1,344,929	1,857,320	100.00%	1,344,929	512,391	1,857,320	2,351,415	9.2%
2047	997,094	482,087	1,479,181	-	-	-	-	997,094	1,479,181	-	997,094	482,087	1,479,181	2,351,415	9.2%
2048	1,019,762	459,418	1,479,180	-	-	-	-	1,019,762	1,479,180	-	1,019,762	459,418	1,479,180	2,351,415	9.2%
2049	1,042,946	436,235	1,479,181	-	-	-	-	1,042,946	1,479,181	-	1,042,946	436,235	1,479,181	2,351,415	9.2%
2050	1,066,656	412,524	1,479,180	-	-	-	-	1,066,656	1,479,180	-	1,066,656	412,524	1,479,180	2,351,415	9.2%
2051	1,090,906	388,274	1,479,180	-	-	-	-	1,090,906	1,479,180	-	1,090,906	388,274	1,479,180	2,351,415	9.2%
2052	1,115,707	363,473	1,479,180	-	-	-	-	1,115,707	1,479,180	-	1,115,707	363,473	1,479,180	2,351,415	9.2%
2053	1,141,072	338,108	1,479,180	-	-	-	-	1,141,072	1,479,180	-	1,141,072	338,108	1,479,180	2,351,415	9.2%
2054	1,167,014	312,166	1,479,180	-	-	-	-	1,167,014	1,479,180	-	1,167,014	312,166	1,479,180	2,351,415	9.2%
2055	1,193,545	285,635	1,479,180	-	-	-	-	1,193,545	1,479,180	-	1,193,545	285,635	1,479,180	2,351,415	9.2%
2056	1,220,680	258,500	1,479,180	-	-	-	-	1,220,680	1,479,180	-	1,220,680	258,500	1,479,180	2,351,415	9.2%
2057	1,248,431	230,749	1,479,180	-	-	-	-	1,248,431	1,479,180	-	1,248,431	230,749	1,479,180	2,351,415	9.2%
2058	1,276,814	202,366	1,479,180	-	-	-	-	1,276,814	1,479,180	-	1,276,814	202,366	1,479,180	2,351,415	9.2%
2059	1,305,842	173,339	1,479,181	-	-	-	-	1,305,842	1,479,181	-	1,305,842	173,339	1,479,181	2,351,415	9.2%
2060	1,335,529	143,651	1,479,180	-	-	-	-	1,335,529	1,479,180	-	1,335,529	143,651	1,479,180	2,351,415	9.2%
2061	1,365,892	113,289	1,479,181	-	-	-	-	1,365,892	1,479,181	-	1,365,892	113,289	1,479,181	2,351,415	9.2%
2062	1,396,945	82,236	1,479,181	-	-	-	-	1,396,945	1,479,181	-	1,396,945	82,236	1,479,181	2,351,415	9.2%
2063	1,428,703	50,477	1,479,180	-	-	-	-	1,428,703	1,479,180	-	1,428,703	50,477	1,479,180	2,351,415	9.2%
2064	1,469,536	9,644	1,479,180	-	-	-	-	1,469,536	1,479,180	-	1,469,536	9,644	1,479,180	2,351,415	9.2%
	<u>\$ 40,000,000</u>	<u>\$ 21,505,135</u>	<u>\$ 61,505,135</u>	<u>\$ 7,350,000</u>	<u>\$ 2,147,745</u>	<u>\$ 9,497,745</u>		<u>\$ 47,350,000</u>	<u>\$ 23,652,880</u>		<u>\$ 47,350,000</u>	<u>\$ 23,652,880</u>	<u>\$ 71,002,880</u>		

**Notes:**  
(1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the CAFR.  
(2) The City has authorized \$40,000,000 of debt and issued its \$35,000,000 General Obligation Bond Anticipation Notes, Series 2020, dated December 22, 2020 (the "Series 2020 BANS") to fund school improvements. The Series 2020 BANS will be permanently funded by bonds from U.S.D.A. Rural Development at interest rates of not to exceed 2.25% payable over up to 40 years. An estimated amortization schedule has been created for illustration purposes only and is subject to change.  
(3) Average Coupon 2.14%.

**CITY OF ATHENS, TENNESSEE**  
**BONDED DEBT SERVICE REQUIREMENTS**  
**ELECTRIC SYSTEM SUPPORTED DEBT**

F.Y. Ended <u>6/30</u>	<b>Estimated Total Bonded Debt Service Requirements (1)</b>			% Principal Repaid
	<u>Principal</u>	<u>Interest (2)</u>	<u>TOTAL</u>	
2022	\$ 263,750	\$ 112,091	\$ 375,841	7.02%
2023	267,750	104,168	371,918	
2024	271,750	96,126	367,876	
2025	275,750	87,963	363,713	
2026	279,750	79,681	359,431	36.15%
2027	283,750	71,278	355,028	
2028	288,750	62,753	351,503	
2029	292,750	54,081	346,831	
2030	297,750	45,286	343,036	
2031	302,750	36,341	339,091	75.15%
2032	221,837	27,460	249,297	
2033	130,000	21,035	151,035	
2034	136,000	17,120	153,120	
2035	142,000	13,025	155,025	
2036	149,000	8,748	157,748	95.88%
2037	155,000	4,263	159,263	100.00%
	<u>\$3,758,337</u>	<u>\$ 841,418</u>	<u>\$ 4,599,755</u>	

**Notes:**

(1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the CAFR.

**CITY OF ATHENS, TENNESSEE**  
**BONDED DEBT SERVICE REQUIREMENTS**  
**WATER SYSTEM SUPPORTED DEBT**

F.Y. Ended 6/30	Estimated Total Bonded Debt Service Requirements (1)			% Principal Repaid
	Principal	Interest (2)	TOTAL	
2022	\$ 189,950	\$ 101,547	\$ 291,497	4.73%
2023	194,715	96,782	291,497	
2024	199,611	91,886	291,497	
2025	204,641	86,856	291,497	
2026	209,811	81,687	291,497	24.87%
2027	215,122	76,375	291,497	
2028	220,581	70,916	291,497	
2029	226,191	65,306	291,497	
2030	231,957	59,540	291,497	
2031	237,883	53,614	291,497	53.06%
2032	243,974	47,523	291,497	
2033	250,235	41,262	291,497	
2034	256,672	34,825	291,497	
2035	217,959	28,449	246,407	
2036	158,820	24,461	183,281	81.14%
2037	162,223	21,058	183,281	
2038	56,508	18,341	74,849	
2039	48,204	16,788	64,991	
2040	49,794	15,198	64,991	
2041	51,436	13,555	64,991	90.31%
2042	53,133	11,858	64,991	
2043	54,886	10,106	64,991	
2044	56,697	8,295	64,991	
2045	58,567	6,425	64,992	
2046	60,498	4,493	64,991	97.38%
2047	62,495	2,497	64,991	
2048	42,804	523	43,328	100.00%
	<u>\$ 4,015,366</u>	<u>\$ 1,090,163</u>	<u>\$ 5,105,528</u>	

**Notes:**

(1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the CAFR.



**CITY OF ATHENS, TENNESSEE**  
**BONDED DEBT SERVICE REQUIREMENTS**  
**SEWER SYSTEM SUPPORTED DEBT**

F.Y. Ended <u>6/30</u>	<b>Estimated</b>			%
	<b>Total Bonded Debt</b>			
	<b>Service Requirements (1)</b>			<b>Principal</b>
	<u>Principal</u>	<u>Interest (2)</u>	<u>TOTAL</u>	<u>Repaid</u>
2022	\$ 1,183,814	\$ 382,148	\$ 1,565,962	9.04%
2023	1,187,259	347,466	1,534,724	
2024	1,190,787	312,700	1,503,487	
2025	1,194,400	277,849	1,472,249	
2026	1,198,101	242,911	1,441,012	45.46%
2027	1,201,891	207,884	1,409,774	
2028	1,205,772	172,764	1,378,537	
2029	1,209,748	137,551	1,347,299	
2030	1,213,819	102,243	1,316,062	
2031	1,217,989	66,835	1,284,824	91.64%
2032	1,095,578	33,324	1,128,902	100.00%
	<u>\$ 13,099,156</u>	<u>\$ 2,283,675</u>	<u>\$ 15,382,831</u>	

**Notes:**

(1) The above figures do not include short-term notes outstanding, if any. For more information, see the notes to the Financial Statements in the CAFR.

## FINANCIAL INFORMATION

### BASIS OF ACCOUNTING AND PRESENTATION

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The modified accrual basis of accounting is used to account for all governmental funds of the City. Revenues for such funds are recognized when they become measurable and available as net current assets. Expenditures, other than interest or long-term debt, are recognized when incurred and measurable.

All proprietary funds are accounted for using the accrual basis of accounting, whereby revenues are recognized when they are earned and expenses are recognized when they are incurred except for prepaid expenses, such as insurance, which are fully expended at the time of payment.

### FUND BALANCES AND RETAINED EARNINGS

The following table depicts fund balances, net assets and retained earnings for the last five fiscal years ending June 30:

<u>Fund Type</u>	<u>For the Fiscal Year Ended June 30</u>				
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u> <u>(Unaudited)</u>
<i>Governmental Funds:</i>					
General	\$ 9,439,675	\$11,935,022	\$14,160,024	\$13,884,604	\$17,752,907
School Fund	4,035,163	4,688,452	3,856,572	4,773,787	\$6,544,913
Debt Service	-	-	-	-	-
Capital Projects Fund	5,909,095	6,236,785	5,250,964	6,921,446	6,473,480
Other Governmental	<u>1,758,884</u>	<u>1,841,325</u>	<u>1,734,918</u>	<u>1,875,375</u>	<u>2,846,590</u>
<b>Total</b>	<b><u>\$21,142,817</u></b>	<b><u>\$24,701,584</u></b>	<b><u>\$25,002,478</u></b>	<b><u>\$27,455,212</u></b>	<b><u>\$33,617,890</u></b>

*Source:* Comprehensive Annual Financial Report and Auditor's Report, City of Athens, Tennessee and the City

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**CITY OF ATHENS, TENNESSEE**  
 Five Year Summary of Revenues, Expenditures and  
 Changes In Fund Balances - General Fund  
 For the Fiscal Year Ended June 30

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>(Unaudited)</u> <u>2021</u>
<b>Revenues:</b>					
Property Taxes	\$ 5,721,801	\$ 5,987,563	\$ 6,244,073	\$ 6,513,001	\$ 6,642,990
Other Local Taxes	7,053,876	7,211,961	7,457,076	7,582,015	10,250,056
Intergovernmental	2,007,875	1,967,978	2,145,387	2,058,629	2,918,856
Charges for Services	273,764	329,196	221,854	210,608	296,092
Fines and Forfeitures	469,769	262,100	205,094	170,427	187,347
Investment & Interest Income	29,818	100,685	189,003	205,143	104,269
Other	57,384	54,062	52,505	94,272	67,988
<b>Total Revenues</b>	<u>\$ 15,614,287</u>	<u>\$ 15,913,545</u>	<u>\$ 16,514,992</u>	<u>\$ 16,834,095</u>	<u>\$ 20,467,598</u>
<b>Expenditures:</b>					
General Gov't	\$ 2,317,004	\$ 2,499,327	\$ 2,660,795	\$ 2,863,820	\$ 2,897,265
Public Safety	4,230,266	4,592,333	5,151,074	5,161,584	5,520,150
Highways and Streets	2,998,764	2,264,670	2,399,538	4,490,059	2,522,289
Culture and Recreation	1,015,966	1,161,941	1,432,126	1,266,971	1,258,052
Health and Welfare	105,316	108,927	165,051	169,818	123,404
Debt Service	-	-	-	-	-
Capital Outlay	-	-	-	-	-
<b>Total Expenditures</b>	<u>\$ 10,667,316</u>	<u>\$ 10,627,198</u>	<u>\$ 11,808,584</u>	<u>\$ 13,952,252</u>	<u>\$ 12,321,160</u>
Excess of Revenues Over (Under) Expenditures	\$ 4,946,971	\$ 5,286,347	\$ 4,706,408	\$ 2,881,843	\$ 8,146,438
<b>Other Financing Sources (Uses):</b>					
Transfers	\$ (4,325,000)	\$ (2,791,000)	\$ (2,485,000)	\$ (3,181,000)	\$ (4,381,000)
Proceeds from Sale of Property	26,714	-	-	15,752	1,401
Insurance Proceeds	562	-	3,594	7,985	101,464
<b>Total</b>	<u>\$ (4,297,724)</u>	<u>\$ (2,791,000)</u>	<u>\$ (2,481,406)</u>	<u>\$ (3,157,263)</u>	<u>\$ (4,278,135)</u>
Excess of Revenues Over (Under) Expenditures & Other Uses	\$ 649,247	\$ 2,495,347	\$ 2,225,002	\$ (275,420)	\$ 3,868,303
<b>Fund Balance July 1</b>	\$ 8,790,428	\$ 9,439,675	\$ 11,935,022	\$ 14,160,024	\$ 13,884,604
Adjustments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance June 30</b>	<u><u>\$ 9,439,675</u></u>	<u><u>\$ 11,935,022</u></u>	<u><u>\$ 14,160,024</u></u>	<u><u>\$ 13,884,604</u></u>	<u><u>\$ 17,752,907</u></u>

Source: Comprehensive Annual Financial Report for City of Athens, Tennessee.

## **INVESTMENT AND CASH MANAGEMENT PRACTICES**

Investment of idle City operating funds is controlled by state statute and local policies and administered by the City Clerk. Generally, such policies limit investment instruments to direct U. S. Government obligations, those issued by U.S. Agencies or Certificates of Deposit. As required by prevailing statutes, all demand deposits or Certificates of Deposit are secured by similar grade collateral pledged at 110% of market value for amounts in excess of that guaranteed through federally sponsored insurance programs. For reporting purposes, all investments are stated at cost which approximates market value.

## **REAL PROPERTY ASSESSMENT, TAX LEVY AND COLLECTION PROCEDURES**

### ***State Taxation of Property; Classifications of Taxable Property; Assessment Rates***

Under the Constitution and laws of the State of Tennessee, all real and personal property is subject to taxation, except to the extent that the General Assembly of the State of Tennessee (the "General Assembly") exempts certain constitutionally permitted categories of property from taxation. Property exempt from taxation includes federal, state and local government property, property of housing authorities, certain low cost housing for elderly persons, property owned and used exclusively for certain religious, charitable, scientific and educational purposes and certain other property as provided under Tennessee law.

Under the Constitution and laws of the State of Tennessee, property is classified into three separate classes for purposes of taxation: Real Property; Tangible Personal Property; and Intangible Personal Property. Real Property includes lands, structures, improvements, machinery and equipment affixed to realty and related rights and interests. Real Property is required constitutionally to be classified into four sub classifications and assessed at the rates as follows:

- (a) Public Utility Property (which includes all property of every kind used or held for use in the operation of a public utility, such as railroad companies, certain telephone companies, freight and private car companies, street car companies, power companies, express companies and other public utility companies), to be assessed at 55% of its value;
- (b) Industrial and Commercial Property (which includes all property of every kind used or held for use for any commercial, mining, industrial, manufacturing, business or similar purpose), to be assessed at 40% of its value;
- (c) Residential Property (which includes all property which is used or held for use for dwelling purposes and contains no more than one rental unit), to be assessed at 25% of its value; and
- (d) Farm Property (which includes all real property used or held for use in agriculture), to be assessed at 25% of its value.

Tangible Personal Property includes personal property such as goods, chattels and other articles of value, which are capable of manual or physical possession and certain machinery and equipment. Tangible Personal Property is required constitutionally to be classified into three sub classifications and assessed at the rates as follows:

- (a) Public Utility Property, to be assessed at 55% of its value;

- (b) Industrial and Commercial Property, to be assessed at 30% of its value; and
- (c) All other Tangible Personal Property (including that used in agriculture), to be assessed at 5% of its value, subject to an exemption of \$7,500 worth of Tangible Personal Property for personal household goods and furnishings, wearing apparel and other tangible personal property in the hands of a taxpayer.

Intangible Personal Property includes personal property, such as money, any evidence of debt owed to a taxpayer, any evidence of ownership in a corporation or other business organization having multiple owners and all other forms of property, the value of which is expressed in terms of what the property represents rather than its own intrinsic value. The Constitution of the State of Tennessee empowers the General Assembly to classify Intangible Personal Property into sub classifications and to establish a ratio of assessment to value in each class or subclass and to provide fair and equitable methods of apportionment of the value to the State of Tennessee for purposes of taxation.

The Constitution of the State of Tennessee requires that the ratio of assessment to value of property in each class or subclass be equal and uniform throughout the State of Tennessee and that the General Assembly direct the method to ascertain the value and definition of property in each class or subclass. Each respective taxing authority is constitutionally required to apply the same tax rate to all property within its jurisdiction.

### ***County Taxation of Property***

The Constitution of the State of Tennessee empowers the General Assembly to authorize the several counties and incorporated towns in the State of Tennessee to impose taxes for county and municipal purposes in the manner prescribed by law. Under the *Tennessee Code Annotated*, the General Assembly has authorized the counties in Tennessee to levy an *ad valorem* tax on all taxable property within their respective jurisdictions, the amount of which is required to be fixed by the county legislative body of each county based upon tax rates to be established on the first Monday of July of each year or as soon thereafter as practicable.

All property is required to be taxed according to its value upon the principles established in regard to State taxation as described above, including equality and uniformity. All counties, which levy and collect taxes to pay off any bonded indebtedness, are empowered, through the respective county legislative bodies, to place all funds levied and collected into a special fund of the respective counties and to appropriate and use the money for the purpose of discharging any bonded indebtedness of the respective counties.

### ***Assessment of Property***

*County Assessments; County Board of Equalization.* The function of assessment is to assess all property (with certain exceptions) to the person or persons owning or claiming to own such property on January 1 for the year for which the assessment is made. All assessment of real and personal property are required to be made annually and as of January 1 for the year to which the assessment applies. Not later than May 20 of each year, the assessor of property in each county is required to (a) make an assessment of all property in the county and (b) note upon the assessor's records the current classification and assessed value of all taxable property within the assessor's jurisdiction.

The assessment records are open to public inspection at the assessor's office during normal business hours. The assessor is required to notify each taxpayer of any change in the classification or assessed value of the taxpayer's property and to cause a notice to be published in a newspaper of general circulation stating where and when such records may be inspected and describing certain information concerning the convening of the county board of equalization. The notice to taxpayers and such published notice are required to be provided and published at least 10 days before the local board of equalization begins its annual session.

The county board of equalization is required (among other things) to carefully examine, compare and equalize the county assessments; assure that all taxable properties are included on the assessments lists and that exempt properties are eliminated from the assessment lists; hear and act upon taxpayer complaints; and correct errors and assure conformity to State law and regulations.

*State Assessments of Public Utility Property; State Board of Equalization.* The State Comptroller of the Treasury is authorized and directed under Tennessee law to assess for taxation, for State, county and municipal purposes, all public utility properties of every description, tangible and intangible, within the State. Such assessment is required to be made annually as of the same day as other properties are assessed by law (as described above) and takes into account such factors as are prescribed by Tennessee law.

On or before the first Monday in August of each year, the assessments are required to be completed and the State Comptroller of the Treasury is required to send a notice of assessment to each company assessable under Tennessee law. Within ten days after the first Monday in August of each year, any owner or user of property so assessed may file an exception to such assessment together with supporting evidence to the State Comptroller of the Treasury, who may change or affirm the valuation. On or before the first Monday in September of each year, the State Comptroller of the Treasury is required to file with the State Board of Equalization assessments so made. The State Board of Equalization is required to examine such assessments and is authorized to increase or diminish the valuation placed upon any property valued by the State Comptroller of the Treasury.

The State Board of Equalization has jurisdiction over the valuation, classification and assessment of all properties in the State. The State Board of Equalization is authorized to create an assessment appeals commission to hear and act upon taxpayer complaints. The action of the State Board of Equalization is final and conclusive as to all matters passed upon by the Board, subject to judicial review consisting of a new hearing in chancery court.

### ***Periodic Reappraisal and Equalization***

Tennessee law requires reappraisal in each county by a continuous six-year cycle comprised of an on-site review of each parcel of real property over a five-year period, or, upon approval of the State Board of Equalization, by a continuous four-year cycle comprised of an one-site review of each parcel of real property over a three-year period, followed by revaluation of all such property in the year following completion of the review period. Alternatively, if approved by the assessor and adopted by a majority vote of the county legislative body, the reappraisal program may be completed by a continuous five-year cycle comprised of an on-site

review of each parcel of real property over a four-year period followed by revaluation of all such property in the year following completion of the review period.

After a reappraisal program has been completed and approved by the Director of Property Assessments, the value so determined must be used as the basis of assessments and taxation for property that has been reappraised. The State Board of Equalization is responsible to determine whether or not property within each county of the State has been valued and assessed in accordance with the Constitution and laws of the State of Tennessee.

### ***Valuation for Property Tax Purposes***

*County Valuation of Property.* The value of all property is based upon its sound, intrinsic and immediate value for purposes of sale between a willing seller and a willing buyer without consideration of speculative values. In determining the value of all property of every kind, the assessor is to be guided by, and follow the instructions of, the appropriate assessment manuals issued by the division of property assessments and approved by the State Board of Equalization. Such assessment manuals are required to take into account various factors that are generally recognized by appraisers as bearing on the sound, intrinsic and immediate economic value of property at the time of assessment.

*State Valuation of Public Utility Property.* The State Comptroller of the Treasury determines the value of public utility property based upon the appraisal of the property as a whole without geographical or functional division of the whole (*i.e.*, the unit rule of appraisal) and on other factors provided by Tennessee law. In applying the unit rule of appraisal, the State Comptroller of the Treasury is required to determine the State's share of the unit or system value based upon factors that relate to the portion of the system relating to the State of Tennessee.

### ***Certified Tax Rate***

Upon a general reappraisal of property as determined by the State Board of Equalization, the county assessor of property is required to (1) certify to the governing bodies of the county and each municipality within the county the total assessed value of taxable property within the jurisdiction of each governing body and (2) furnish to each governing body an estimate of the total assessed value of all new construction and improvements not included on the previous assessment roll and the assessed value of deletions from the previous assessment roll. Exclusive of such new construction, improvements and deletions, each governing body is required to determine and certify a tax rate (herein referred to as the "*Certified Tax Rate*") which will provide the same *ad valorem* revenue for that jurisdiction as was levied during the previous year. The governing body of a county or municipality may adjust the Certified Tax Rate to reflect extraordinary assessment changes or to recapture excessive adjustments.

Tennessee law provides that no tax rate in excess of the Certified Tax Rate may be levied by the governing body of any county or of any municipality until a resolution or ordinance has been adopted by the governing body after publication of a notice of the governing body's intent to exceed the Certified Tax Rate in a newspaper of general circulation and the holding of a public hearing.

The Tennessee Local Government Public Obligations Act of 1986 provides that a tax sufficient to pay when due the principal of and interest on general obligation bonds (such as the Bonds) shall be levied annually and assessed, collected and paid, in like manner with the other taxes of the local government as described above and shall be in addition to all other taxes authorized or limited by law. Bonds issued pursuant to the Local Government Public Obligations Act of 1986 may be issued without regard to any limit on indebtedness provided by law.

### ***Tax Freeze for the Elderly Homeowners***

The Tennessee Constitution was amended by the voters in November 2006 to authorize the Tennessee General Assembly to enact legislation providing property tax relief for homeowners age 65 and older. The General Assembly subsequently adopted the Property Tax Freeze Act permitting (but not requiring) local governments to implement a program for "freezing" the property taxes of eligible taxpayers at an amount equal to the taxes for the year the taxpayer becomes eligible. For example, if a taxpayer's property tax bill is \$500 for the year in which he becomes eligible, his property taxes will remain at \$500 even if property tax rates or appraisals increase so long as he continues to meet the program's ownership and income requirements.

### ***Tax Collection and Tax Lien***

Property taxes are payable the first Monday in October of each year. The county trustee of each county acts as the collector of all county property taxes and of all municipal property taxes when the municipality does not collect its own taxes.

The taxes assessed by the State of Tennessee, a county, a municipality, a taxing district or other local governmental entity, upon any property of whatever kind, and all penalties, interest and costs accruing thereon become and remain a first lien on such property from January 1 of the year for which such taxes are assessed. In addition, property taxes are a personal debt of the property owner as of January and, when delinquent, may be collected by suit as any other personal debt. Tennessee law prescribes the procedures to be followed to foreclose tax liens and to pursue legal proceedings against property owners whose property taxes are delinquent.

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*Assessed Valuations.* According to the Tax Aggregate Report of Tennessee, property in the City reflected a ratio of appraised value to true market value of 1.00. The following table shows pertinent data for tax year 2020<sup>1</sup>.

<u>Class</u>	<u>Assessed Valuation</u>	<u>Rate</u>	<u>Appraised Value</u>
Public Utility Property	\$ 7,320,100	55%	\$ 16,722,376
Commercial/Industrial/Mineral	211,745,800	40%	609,586,020
Personal Tangible Property	148,130,932	30%	565,225,076
Residential, Farm and Open Space	<u>142,806,300</u>	25%	<u>657,790,454</u>
<b>Totals</b>	<b><u>\$510,003,132</u></b>		<b><u>\$1,849,323,926</u></b>

Source: 2020 Tax Aggregate Report of Tennessee.

<sup>1</sup> The tax year coincides with the calendar year, therefore, tax year 2020 is actually fiscal year 2020-2021.

The estimated assessed value of property in the City for the fiscal year ending June 30, 2021 (tax year 2020) is \$510,003,132 compared to \$516,517,107 for the fiscal year ending June 30, 2020 (tax year 2019). The estimated actual value of all taxable property for tax year 2020 is \$1,626,327,666 compared to \$1,626,327,666 for tax year 2019.

*Property Tax Rates and Collections.* The following table shows the property tax rates and collections of the City for tax years 2016 through 2020 as well as the aggregate uncollected balances for each fiscal year ending June 30.

<b>PROPERTY TAX RATES AND COLLECTIONS</b>				<b>Fiscal Yr Collections</b>		<b>Aggregate Uncollected Balance</b>	
<b>Tax Year<sup>2</sup></b>	<b>Assessed Valuation</b>	<b>Tax Rates</b>	<b>Taxes Levied</b>	<b>Amount</b>	<b>Pct</b>	<b>as of June 30, 2020</b>	
						<b>Amount</b>	<b>Pct</b>
2016	\$415,137,773	\$1.3628	\$5,706,737	\$5,525,863	96.8%	\$ 41,011	0.7%
2017	418,913,213	1.2676	6,059,372	5,818,967	96.0%	106,701	1.8%
2018	483,842,519	1.2676	6,401,548	6,063,563	94.7%	146,756	2.3%
2019	516,517,107	1.2676	6,484,702	6,161,920	95.0%	322,782	5.0%
2020	510,003,132	1.2676	6,451,000	<b>IN PROCESS</b>			

Source: Tax Aggregate Reports of Tennessee and Comprehensive Annual Financial Report of City of Athens.

<sup>2</sup> The tax year coincides with the calendar year, therefore, tax year 2020 is actually fiscal year 2020-2021.

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*Ten Largest Taxpayers.* For the fiscal year ending June 30, 2020 (tax year 2019), the ten largest taxpayers in the City are as follows:

	<u><b>Taxpayer</b></u>	<u><b>Business Type</b></u>	<u><b>Taxes Paid</b></u>
1.	Denso Tennessee Inc.	Automotive Parts	\$1,025,833
2.	E&E Manufacturing	Automotive Parts	185,787
3.	Starr Regional Medical Center	Hospital	152,612
4.	ABB	Electrical Components	147,966
5.	Adient	Automotive Seating	118,771
6.	HP Pelzer	Automotive Parts	110,975
7.	Dean Foods / Mayfield Dairy	Dairy Products	86,531
8.	D&B Athens Hotel	Hotel	81,476
9.	Volkswagen Group	Automotive Parts	77,164
10.	Heil Company	Trailer Tanks	<u>74,397</u>
	<b>TOTAL</b>		<b><u>\$2,061,512</u></b>

**NOTE:** Total Assessed Valuations for 2020 are \$502,924,427.

*Source:* Official Records of the Department of Finance of the City.

## **PENSION PLAN**

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.

For additional information on the funding status, trend information and actuarial status of the City's retirement programs, please refer to the appropriate Notes to Financial Statements located in the General Purpose Financial Statements of the City attached herein.

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**APPENDIX C**

**GENERAL PURPOSE FINANCIAL STATEMENTS**

**OF**

**CITY OF ATHENS, TENNESSEE**

**FOR THE FISCAL YEAR ENDED**

**JUNE 30, 2020**

The General Purpose Financial Statements are extracted from the Financial Statements with Report of Certified Public Accountants of the City of Athens for the fiscal year ended June 30, 2020 which is available upon request from the City.



**CITY OF ATHENS, TENNESSEE**

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

**FOR THE YEAR ENDED  
JUNE 30, 2020**

**Prepared by:  
Department of Finance**

## CONTENTS

	<u>Page No.</u>
<b>INTRODUCTORY SECTION</b>	
Letter of Transmittal	A-1 - A-4
GFOA Certificate of Achievement	A-5
Organizational Chart	A-6
List of Principal Officials	A-7
<b>FINANCIAL SECTION</b>	
<b>REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON FINANCIAL STATEMENTS</b>	1-3
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	B-1 - B-10
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-wide Financial Statements:	
Statement of net position	4
Statement of activities	5
Fund Financial Statements:	
Balance sheet - governmental funds	6
Reconciliation of the governmental funds balance sheet to the statement of net position	7
Statement of revenues, expenditures and changes in fund balances - governmental funds	8
Reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities	9
Statement of revenues, expenditures and changes in fund balance - budget and actual - General Fund	10 - 13
Statement of revenues, expenditures and changes in fund balance - budget and actual - General Purpose School Fund	14
Statement of net position - proprietary funds	15
Statement of revenues, expenses and changes in fund net position - proprietary funds	16
Statement of cash flows - proprietary funds	17
Statement of fiduciary net position - Athens Pension Trust Fund - fiduciary fund	18
Statement of changes in fiduciary net position - Athens Pension Trust Fund - fiduciary fund	19
Notes to financial statements	20 - 90

**REQUIRED SUPPLEMENTAL INFORMATION**

Schedule of changes in the net pension liability and related ratios - Employee Retirement Plan	91
Schedule of contributions - Employee Retirement Plan	92
Schedule of investment returns - Employee Retirement Plan	93
Schedule of changes in the net pension liability (asset) and related ratios - Athens City Board of Education - Public Employee Pension Plan	94
Schedule of contributions - Athens City Board of Education - Public Employee Pension Plan	95
Schedule of proportionate share of the net pension liability (asset) - Athens City Board of Education - Teacher Legacy Pension Plan	96
Schedule of contributions - Athens City Board of Education - Teacher Legacy Pension Plan	97
Schedule of proportionate share of the net pension liability (asset) - Athens City Board of Education - Teacher Retirement Plan	98
Schedule of contributions -Athens City Board of Education - Teacher Retirement Plan	99
Schedule of changes in total proportionate share of collective OPEB liability and related ratios - Athens City Board of Education –Teacher Group OPEB Plan	100
Schedule of changes in total proportionate share of collective OPEB liability and related ratios -Athens City Board of Education -Teacher OPEB Plan	101

**SUPPLEMENTAL INFORMATION**

Combining balance sheet - nonmajor governmental funds	102
Combining statement of revenues, expenditures and changes in fund balance - nonmajor governmental funds	103
Budgetary comparison schedule - Federal Projects Fund	104
Budgetary comparison schedule - Drug Fund	105
Budgetary comparison schedule - Centralized Cafeteria Fund	106
Combining statement of net position - Internal Service Funds	107
Combining statement of revenues, expenses and changes in fund net position - Internal Service Funds	108
Combining statement of cash flows - Internal Service Funds	109

Schedule No.

**FINANCIAL SCHEDULES**

Schedule of uncollected delinquent taxes filed - last ten years	1	110
Schedule of changes in property taxes receivable	2	111
Schedule of investments	3	112-113
Schedule of expenditures of federal and state awards	4	114-116

**STATISTICAL SECTION**

Net position by component - last ten fiscal years	1	117
Changes in net position - last ten fiscal years	2	118-121
Fund balances, governmental funds - last ten fiscal years	3	122
Changes in fund balances, governmental funds - last ten fiscal years	4	123-124
Assessed and estimated actual value of taxable property - last ten fiscal years	5	125
Direct and overlapping property tax rates - last ten fiscal years	6	126
Principal property taxpayers - current fiscal year and nine years ago	7	127
Property tax levies and collections - last ten fiscal years	8	128
Ratio of outstanding debt by type - last ten fiscal years	9	129
Ratio of general debt outstanding - last ten fiscal years	10	130
Direct and overlapping governmental activities debt	11	131
Legal debt margin information - last ten fiscal years	12	132
Pledged revenue coverage - last ten fiscal years	13	133
Demographic and economic statistics - last ten fiscal years	14	134
Principal employers - current fiscal year and nine years ago	15	135
Full-time equivalent city government employees by function/program - last ten fiscal years	16	136
Operating indicators by function/program - last ten fiscal years	17	137
Infrastructure statistics by function - last ten fiscal years	18	138
Schedule of bonds of principal officials	19	139

**OTHER REPORTS SECTION**

<b>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</b>		140 - 141
Schedule of findings		142
Schedule of prior year findings		143
Corrective action plan		144-145



## **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, 2020.

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, 2020, 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, 2020, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

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

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

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

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

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

## **Economic Condition and Outlook**

The economic indicators for the City of Athens and the region were very positive and unemployment rates were very low until the impact of COVID-19. Unemployment rates increased significantly as many businesses were forced to close for a period of time. Conditions began to stabilize in May and June and have shown significant improvement since then including a steady decline in the unemployment rates. The highest unemployment rate was 17.2% in April and has declined since then to less than 7%. Compared to the prior year, sales tax was down in March and April by an average of 4% each month, but has averaged a 6% increase each month beginning in June. COVID-19 continues to create some uncertainty, but there are positives in the community.

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.

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**

Unassigned fund balance in the general fund 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 is to maintain an unassigned fund balance in the general fund that equals 75% of budgeted expenditures. After the fiscal year is closed, a recommendation is made to the City Council to transfer the excess amount to the capital improvement fund to accumulate funds for large capital items and grant matching funds.

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 5.6 miles of abandoned rail line purchased from CSX and goes from Athens to Englewood.

## **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**

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. The Council has approved borrowing up to \$35,000,000 to construct a new elementary school on the property at City Park. Bids will be opened and construction is expected to begin in December, 2020. The new building is expected to open in August, 2022. This will result in the closing of two older school buildings as this is the first new school constructed in Athens since 1973. The City is working on a comprehensive plan for renovations and additions to the public works building and the Municipal Building. This will be a multi-year project.

### **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, 2019. This was the twenty-eighth 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 18, 2020



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

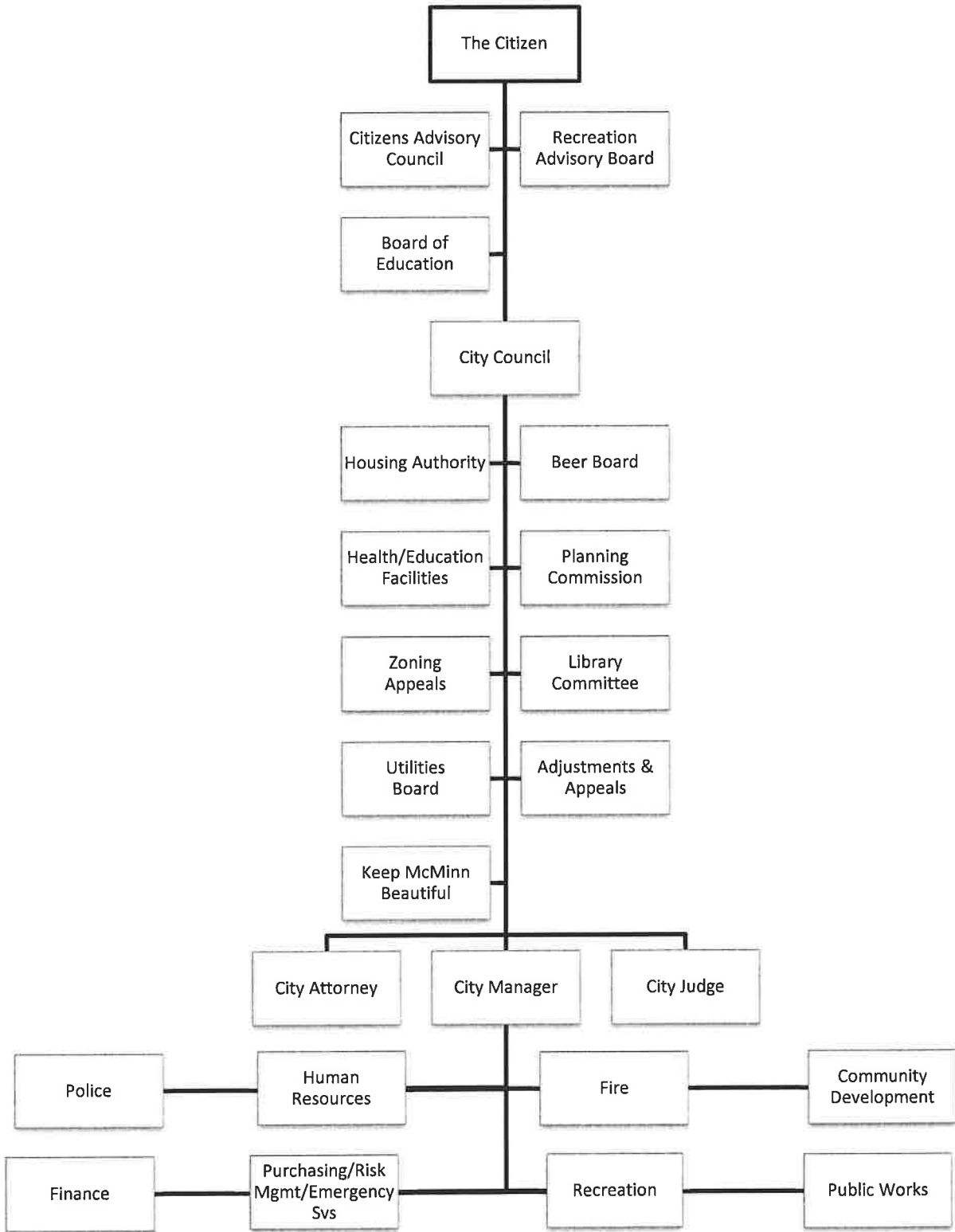
**City of Athens  
Tennessee**

For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

June 30, 2019

*Christopher P. Morill*

Executive Director/CEO



**CITY OF ATHENS, TENNESSEE**  
**LIST OF PRINCIPAL OFFICIALS**  
**June 30, 2020**

City of Athens

Chuck Burris  
William Bo Perkinson  
John Coker  
Mark Lockmiller  
Dick Pelley

Mayor  
Vice-Mayor  
Council Member  
Council Member  
Council Member

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

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  
Dr. Amy Sullins  
Beth Jackson  
Abby Carroll

Chairman  
Vice-Chairman  
Board Member  
Board Member  
Board Member  
Board Member

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

Director of Schools  
Supervisor of Instruction  
Supervisor of Transportation  
Supervisor of Federal Programs  
Supervisor of Special Education  
Supervisor of Food Services  
Supervisor of Facilities and Attendance  
Supervisor of Finance

Athens Utilities Board

Tom Hughes  
Stan Harrison  
John Coker  
Lisa Dotson  
Bob Sevigny

Chairman  
Vice-Chairman  
Board Member  
Board Member  
Board Member

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

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, 2020, 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, 2020, 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 18, 2020, 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, Scoutan & McConnell, P.C.*

Chattanooga, Tennessee  
December 18, 2020

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**City of Athens, Tennessee**  
**Management's Discussion and Analysis**  
**June 30, 2020**

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, 2020. 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, 2020 by \$56,966,319 (net position). Of this amount, \$31,302,384 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- Net position increased by \$3,538,341, an increase of 6.62% compared to fiscal year 2019 total net position. The City of Athens' changes in net position is detailed in the chart on page B-5 of this report. Total revenues increased \$2,903,418, primarily due to an increase in local sales taxes because of a .75% rate increase. Expenses increased \$2,996,816 primarily due to approximately \$2,000,000 in paving, public safety expenses and education.
- The City's property tax rate remained at \$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 \$27,455,212.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$13,640,768 or 97.77% of total General Fund expenditures. Expenditures do not include transfers to other funds, which totaled \$3,181,000 in the City's General Fund. The percentage drops to 79.62% 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, 2020**

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 nine 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, 2020**

Improvement Fund, which are considered to be major funds. Data from the other six 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 and the General Purpose School 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. The combining statements referred to earlier in connection with nonmajor

**City of Athens, Tennessee**  
**Management's Discussion and Analysis**  
**June 30, 2020**

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 \$56,966,319 at the close of this fiscal year.

The largest portion of the City of Athens net position (54.9%) is unrestricted net position and may be used to meet the government's ongoing obligations to its citizens and creditors. The City has also accumulated funds for capital project needs as approved by Council and debt service. The net investment in capital assets (38.3% of net position) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any debt used to acquire those assets that is still outstanding. The City of Athens uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City of Athens' investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Restricted net position comprises 6.8% of net position. These resources are subject to external restrictions on how they may be used.

At June 30, 2020, 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, 2020**

**City of Athens**  
**Net Position**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$46,538,285	\$41,133,814	\$2,972,240	\$2,695,165	\$49,510,525	\$43,828,979
Capital assets	21,099,293	20,857,369	722,042	899,650	21,821,335	21,757,019
Total assets	<u>67,637,578</u>	<u>61,991,183</u>	<u>3,694,282</u>	<u>3,594,815</u>	<u>71,331,860</u>	<u>65,585,998</u>
Deferred outflows of resources:	<u>2,656,782</u>	<u>1,951,179</u>	<u>30,508</u>	<u>-</u>	<u>2,687,290</u>	<u>1,951,179</u>
Long-term liabilities	3,382,826	1,802,450	58,703	-	3,441,529	1,802,450
Other liabilities	<u>2,779,097</u>	<u>2,282,567</u>	<u>28,458</u>	<u>31,767</u>	<u>2,807,555</u>	<u>2,314,334</u>
Total liabilities	<u>6,161,923</u>	<u>4,085,017</u>	<u>87,161</u>	<u>31,767</u>	<u>6,249,084</u>	<u>4,116,784</u>
Deferred inflows of resources:	<u>10,802,836</u>	<u>9,983,224</u>	<u>911</u>	<u>9,191</u>	<u>10,803,747</u>	<u>9,992,415</u>
Net investment in capital assets	21,099,293	20,849,207	722,042	899,650	21,821,335	21,748,857
Restricted	3,842,600	1,344,566	-	-	3,842,600	1,344,566
Unrestricted	<u>28,387,708</u>	<u>27,680,348</u>	<u>2,914,676</u>	<u>2,654,207</u>	<u>31,302,384</u>	<u>30,334,555</u>
Total net position	<u>\$53,329,601</u>	<u>\$49,874,121</u>	<u>\$3,636,718</u>	<u>\$3,553,857</u>	<u>\$56,966,319</u>	<u>\$53,427,978</u>

**Governmental activities.** Governmental activities increased the City of Athens' net position by \$3,455,480 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 \$82,861. This increase was due primarily to the operations in the Sanitation Fund.

**City of Athens, Tennessee**  
**Management's Discussion and Analysis**  
**June 30, 2020**

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

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$628,674	\$766,585	\$993,111	\$1,007,829	\$1,621,785	\$1,774,414
Operating grants and contributions	4,420,432	4,201,316	-	-	4,420,432	4,201,316
Capital grants and contributions	786,445	1,459,594	-	-	786,445	1,459,594
<b>General revenues:</b>						
Property taxes	8,516,240	8,194,198	-	-	8,516,240	8,194,198
Other taxes	10,062,469	7,457,073	-	-	10,062,469	7,457,073
<b>Intergovernmental revenues not restricted to specific programs</b>						
Other	11,475,082	11,078,464	-	-	11,475,082	11,078,464
	778,014	589,374	49,042	51,658	827,056	641,032
<b>Total revenues</b>	<b>36,667,356</b>	<b>33,746,604</b>	<b>1,042,153</b>	<b>1,059,487</b>	<b>37,709,509</b>	<b>34,806,091</b>
<b>Expenses:</b>						
General government	4,070,588	4,189,942	-	-	4,070,588	4,189,942
Public safety	5,259,541	4,571,553	-	-	5,259,541	4,571,553
Highways and streets	4,701,837	2,478,087	-	-	4,701,837	2,478,087
Culture and recreation	1,402,284	1,469,977	-	-	1,402,284	1,469,977
Education	17,604,997	17,406,885	-	-	17,604,997	17,406,885
Health and welfare	172,629	153,093	-	-	172,629	153,093
Conference center	-	-	78,597	77,790	78,597	77,790
Sanitation	-	-	880,695	827,025	880,695	827,025
<b>Total expenses</b>	<b>33,211,876</b>	<b>30,269,537</b>	<b>959,292</b>	<b>904,815</b>	<b>34,171,168</b>	<b>31,174,352</b>
Change in net position	3,455,480	3,477,067	82,861	154,672	3,538,341	3,631,739
Net position, beginning of year	49,874,121	46,397,054	3,553,857	3,399,185	53,427,978	49,796,239
<b>Net position, end of year</b>	<b>\$53,329,601</b>	<b>\$49,874,121</b>	<b>\$3,636,718</b>	<b>\$3,553,857</b>	<b>\$56,966,319</b>	<b>\$53,427,978</b>

**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 \$27,455,212, an increase of \$2,452,740 in comparison to the prior year. Approximately 49.68% of this total amount (\$13,640,768) constitutes unassigned fund balance, which is available for

**City of Athens, Tennessee**  
**Management's Discussion and Analysis**  
**June 30, 2020**

spending at the government's discretion. Pursuant to GASB Statement No. 54, the remainder of fund balance is classified as to: nonspendable -\$232,762; restricted for a specific purpose by external constraint or enabling legislation -\$1,575,395 (law enforcement - \$120,785; City Schools - \$84,397; cemetery perpetual care - \$251,278; Debt Service - \$1,003,009; Drug Fund - \$115,926); committed for a specific purpose per action of the City Council - \$6,982,666 (law enforcement - \$21,383; capital projects - \$6,921,446; education capital projects - \$24,247; Drug Fund - \$15,590); or assigned – intended by the City to be used for a specific purpose - \$5,023,621 (education - \$4,689,390; cafeteria operations - \$334,231).

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 \$13,640,768. 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 97.77% of total fund expenditures, but represents 79.62% 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 decreased by \$275,420 during the current fiscal year. Revenues increased by \$319,103 while expenditures increased by \$2,143,668 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 increased by \$700,000.

The fund balance of the General Purpose School Fund increased by \$917,221. Much of this was due to not filling some vacant positions and a reduction in capital outlay.

The Capital Improvement Fund has a total fund balance of \$6,921,446. The net increase was \$1,670,482 due to the \$750,000 transfer from the General Fund and more than \$800,000 is from sales tax proceeds. Capital items consisted of street improvements, traffic studies, recreation projects, 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 \$32,946 for the Conference Center Fund, \$2,881,730 for the Sanitation Fund, \$4,852,548 for the Fleet Management Fund and \$378,722 for the Employee Medical Benefits Fund.

**City of Athens, Tennessee**  
**Management's Discussion and Analysis**  
**June 30, 2020**

**General Fund Budgetary Highlights**

Differences in the original budget and the final amended budget for revenues were \$535,000 and consisted of increases in property taxes and interest revenues. Differences between the original budget and the final amended budgeted expenditures, including transfers, were \$2,496,900 and are summarized below:

- \$1,628,000 for paving, traffic signals and fixed assets for public works
- \$60,000 for architect services and pool equipment replacement in parks and recreation.
- \$25,900 for the land use plan in community development.
- \$33,000 for software maintenance contracts and contracted services
- \$750,000 transfer to the Capital Improvement Fund.

Final actual revenues exceeded amended budgeted revenues by \$418,095 and significant variances are summarized below:

- \$23,001 more in property taxes.
- \$190,015 more in other local taxes primarily because of in lieu of taxes, wholesale beer taxes and wholesale liquor taxes.
- \$107,629 more in intergovernmental revenues due to state sales tax, state excise tax and reimbursements from other governments.
- \$27,608 more in charges for services due to building permits.
- \$20,427 more in fines and forfeitures.
- \$4,857 less in interest.
- \$54,272 more in miscellaneous revenues.

Final amended budgeted expenditures, including transfers, exceeded actual expenditures by \$1,254,648 and are summarized below:

- \$226,480 in general government expenditures, related primarily to less economic development expenditures, less contracted services, no demolition of condemned properties and less travel and registration fees.
- \$442,316 in public safety expenditures, primarily due to vacancies in police and fire and related employee benefits and lower fuel costs.

**City of Athens, Tennessee**  
**Management's Discussion and Analysis**  
**June 30, 2020**

\$420,841 in highways and streets due to vacancies and related employee benefits, traffic signals not installed prior to year end, traffic signal loop repairs, paving less than the amount budgeted and lower fuel costs.

\$130,729 in parks and recreation primarily due to less seasonal employees and fewer programs being offered beginning in March.

\$34,282 due to a vacancy for part of the year 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, 2020, was \$21,821,335 (net of accumulated depreciation). This investment in capital assets includes land, buildings, other improvements, equipment, and infrastructure.

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

**City of Athens**  
**Capital Assets**

	2020	2019	2020	2019	2020	2019
Buildings and improvements	\$22,104,697	\$22,030,209	\$1,517,930	\$1,517,930	\$23,622,627	\$23,548,139
Infrastructure	10,164,759	10,164,759	-	-	10,164,759	10,164,759
Furniture and office equipment	4,577,973	4,365,510	29,864	29,864	4,607,837	4,395,374
Machinery and equipment	9,219,709	9,182,513	1,705,006	1,705,006	10,924,715	10,887,519
Land	3,221,556	3,221,556	34,500	34,500	3,256,056	3,256,056
Construction in progress	1,497,790	239,523	-	-	1,497,790	239,523
	<u>\$50,786,484</u>	<u>\$49,204,070</u>	<u>\$3,287,300</u>	<u>\$3,287,300</u>	<u>\$54,073,784</u>	<u>\$52,491,370</u>

Additional information on the City of Athens' capital assets can be found in Note 2 on pages 37-40 of this report.

**Long-term debt.** At the end of the current fiscal year, the City of Athens had no bonded debt outstanding. The Athens Utilities Board has debt outstanding totaling \$22,507,834 to be repaid by user fees and Board funds. In the event of default, the City is required to establish ad valorem taxes to repay the outstanding debt. Detailed information on long-term debt activity can be found in Note 3 on pages 41-42 of this report.

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



**City of Athens, Tennessee**  
**Management's Discussion and Analysis**  
**June 30, 2020**

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

The unemployment rate for the City of Athens is currently 9.8%, which is an increase from the rate of 4.6% a year ago. Athens' rate is higher than the federal rate and the state rate. This is less than the rates in March and April, and rates have continued to decline since June.

The voters approved a .75% increase in the local option sales tax beginning in November, 2020 and the increase was budgeted at \$1,600,000 for FY21. The State of Tennessee allocated approximately \$335,000 in one-time funds which were budgeted for capital items in FY21. Management has been conservative in estimating all revenues for 2020-2021 based on the impact of COVID-19. After subtracting out the 2 revenue amounts above, the FY21 revenues were 3% less than the FY20 original budget and 8% less than the FY20 actual revenues. The property tax rate remained at \$1.2676 and the monthly residential refuse fee remained at \$9.50. No salary increases were budgeted for any employees. The City has approved borrowing up to \$35,000,000 from USDA for the construction of a new school building. Bids are to be opened, approved and construction is expected to begin in December with a completion date of August, 2022.

**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, 2020**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Proprietary
				Athens Utilities Board
<b>ASSETS AND DEFERRED OUTFLOWS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 7,184,310	\$ 147,745	\$ 7,332,055	\$ 24,167,881
Investments	25,002,326	2,713,087	27,715,413	-
Receivables:				
Customers, net	-	19,906	19,906	5,048,752
Other	104,957	-	104,957	247,146
Property taxes, net	8,925,396	-	8,925,396	-
Other governments	2,911,410	-	2,911,410	-
Component unit/primary government	-	91,502	91,502	46,032
Prepaid items	-	-	-	202,015
Inventories	145,523	-	145,523	2,383,523
Net pension asset	2,179,966	-	2,179,966	-
Restricted stabilization reserve	84,397	-	84,397	-
Capital assets, net of depreciation	16,378,947	687,542	17,066,489	110,551,331
Nondepreciable capital assets	4,720,346	34,500	4,754,846	5,100,069
Total assets	<u>67,637,578</u>	<u>3,694,282</u>	<u>71,331,860</u>	<u>147,746,749</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to OPEB	443,896	-	443,896	-
Deferred outflows related to pensions	2,212,886	30,508	2,243,394	2,625,228
Total assets and deferred outflows	<u>\$ 70,294,360</u>	<u>\$ 3,724,790</u>	<u>\$ 74,019,150</u>	<u>\$ 150,371,977</u>
<b>LIABILITIES, DEFERRED INFLOWS, AND NET POSITION</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 1,466,679	\$ 23,214	\$ 1,489,893	\$ 4,022,343
Retainage payable	-	-	-	1,213
Accrued payroll and withholdings	1,177,262	5,244	1,182,506	-
Due to component unit/primary government	46,032	-	46,032	91,502
Other current liabilities	-	-	-	795,854
Unearned revenues	89,124	-	89,124	83,000
Customer deposits	-	-	-	1,036,879
Noncurrent liabilities due in more than one year:				
Net pension liability	1,458,951	58,703	1,517,654	4,380,281
OPEB liability	1,566,053	-	1,566,053	-
Long-term liabilities:				
Due within one year	248,523	-	248,523	1,626,198
Due in more than one year	109,299	-	109,299	20,881,636
Total liabilities	<u>6,161,923</u>	<u>87,161</u>	<u>6,249,084</u>	<u>32,918,906</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to property tax	8,286,806	-	8,286,806	-
Deferred inflows related to OPEB	463,881	-	463,881	-
Deferred inflows related to pensions	2,052,149	911	2,053,060	235,325
Total deferred inflows	<u>10,802,836</u>	<u>911</u>	<u>10,803,747</u>	<u>235,325</u>
<b>NET POSITION</b>				
Net investment in capital assets	21,099,293	722,042	21,821,335	93,142,353
Restricted for:				
General	120,785	-	120,785	-
Drug	115,926	-	115,926	-
Education	84,397	-	84,397	-
Pensions	2,179,966	-	2,179,966	-
Debt service	1,003,009	-	1,003,009	-
Cemetery perpetual care:				
Nonexpendable	87,239	-	87,239	-
Expendable	251,278	-	251,278	-
Unrestricted	<u>28,387,708</u>	<u>2,914,676</u>	<u>31,302,384</u>	<u>24,075,393</u>
Total net position	<u>53,329,601</u>	<u>3,636,718</u>	<u>56,966,319</u>	<u>117,217,746</u>
Total liabilities, deferred inflows, and net position	<u>\$ 70,294,360</u>	<u>\$ 3,724,790</u>	<u>\$ 74,019,150</u>	<u>\$ 150,371,977</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, 2020**

Functions/Programs	Expenses	Program Revenues			Net Revenues (Expenses) and Changes in Net Position			Component Unit Athens Utilities Board
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Govern- mental Activities	Primary Government		
						Business- Type Activities	Total	
<b>Primary government:</b>								
<b>Governmental activities:</b>								
General government	\$ 4,070,588	\$ 137,479	\$ 55,514	\$ 571,317	\$ (3,306,278)	\$ -	\$ (3,306,278)	\$ -
Public safety	5,259,541	211,886	56,258	-	(4,991,397)	-	(4,991,397)	-
Highways and streets	4,701,837	-	499,299	33,600	(4,168,938)	-	(4,168,938)	-
Culture and recreation	1,402,284	74,219	-	181,528	(1,146,537)	-	(1,146,537)	-
Education:								
Instructional	10,061,931	47,244	1,820,107	-	(8,194,580)	-	(8,194,580)	-
Support services	5,884,236	115,880	570,513	-	(5,197,843)	-	(5,197,843)	-
Non-instructional	1,304,117	40,207	1,387,741	-	123,831	-	123,831	-
Unallocated depreciation	354,713	-	-	-	(354,713)	-	(354,713)	-
Health and welfare	172,629	1,759	31,000	-	(139,870)	-	(139,870)	-
Total governmental activities	<u>33,211,876</u>	<u>628,674</u>	<u>4,420,432</u>	<u>786,445</u>	<u>(27,376,325)</u>	<u>-</u>	<u>(27,376,325)</u>	<u>-</u>
<b>Business-type activities:</b>								
Conference center	78,597	23,428	-	-	-	(55,169)	(55,169)	-
Sanitation	880,695	969,683	-	-	-	88,988	88,988	-
Total business-type activities	<u>959,292</u>	<u>993,111</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,819</u>	<u>33,819</u>	<u>-</u>
<b>Total primary government</b>	<u>\$ 34,171,168</u>	<u>\$ 1,621,785</u>	<u>\$ 4,420,432</u>	<u>\$ 786,445</u>	<u>(27,376,325)</u>	<u>33,819</u>	<u>(27,342,506)</u>	<u>\$ -</u>
<b>Component unit:</b>								
Public utilities	\$ 65,771,803	\$ 67,514,689	\$ -	\$ 396,930				\$ 2,139,816
<b>Total component unit</b>	<u>\$ 65,771,803</u>	<u>\$ 67,514,689</u>	<u>\$ -</u>	<u>\$ 396,930</u>				<u>2,139,816</u>
<b>General revenues:</b>								
Property taxes					8,516,240	-	8,516,240	-
Local sales tax					7,384,232	-	7,384,232	-
In lieu of taxes					1,230,379	-	1,230,379	-
Wholesale beer tax					514,165	-	514,165	-
Wholesale liquor tax					258,866	-	258,866	-
Other local taxes					674,827	-	674,827	-
Intergovernmental revenues not restricted to specific programs					11,475,082	-	11,475,082	-
Investment income					423,038	41,649	464,687	196,213
Gain on disposal of capital assets					23,770	-	23,770	22,703
Insurance proceeds					165,553	-	165,553	-
Miscellaneous					165,653	7,393	173,046	-
Total general revenues					<u>30,831,805</u>	<u>49,042</u>	<u>30,880,847</u>	<u>218,916</u>
Change in net position					3,455,480	82,861	3,538,341	2,358,732
Net position, beginning of year					<u>49,874,121</u>	<u>3,553,857</u>	<u>53,427,978</u>	<u>114,859,014</u>
Net position, end of year					<u>\$ 53,329,601</u>	<u>\$ 3,636,718</u>	<u>\$ 56,966,319</u>	<u>\$ 117,217,746</u>

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

**CITY OF ATHENS, TENNESSEE  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2020**

	<u>General</u>	<u>General Purpose School</u>	<u>Capital Projects Fund Capital Improvement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,044,341	\$ 5,176,017	\$ 562,825	\$ 367,824	\$ 7,151,007
Investments	12,678,893	-	5,737,203	1,419,764	19,835,860
Receivables:					
Property taxes, net	7,029,590	1,895,806	-	-	8,925,396
Other governments	1,376,370	571,254	791,370	172,416	2,911,410
Interfund	2,215	376,846	-	-	379,061
Other	67,114	-	-	340	67,454
Inventories	101,668	-	-	43,855	145,523
Restricted stabilization reserve	-	84,397	-	-	84,397
Total assets	<u>\$ 22,300,191</u>	<u>\$ 8,104,320</u>	<u>\$ 7,091,398</u>	<u>\$2,004,199</u>	<u>\$ 39,500,108</u>
<b>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 835,167	\$ 536,531	\$ 94,981	\$ -	\$ 1,466,679
Interfund payable	370,000	2,215	-	6,846	379,061
Accrued payroll and withholdings	159,303	895,981	-	121,978	1,177,262
Due to component unit	46,032	-	-	-	46,032
Unearned revenues	614,085	-	74,971	-	689,056
Total liabilities	2,024,587	1,434,727	169,952	128,824	3,758,090
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred inflows related to property taxes	6,391,000	1,895,806	-	-	8,286,806
	<u>8,415,587</u>	<u>3,330,533</u>	<u>169,952</u>	<u>128,824</u>	<u>12,044,896</u>
<b>FUND BALANCES</b>					
Nonspendable	101,668	-	-	131,094	232,762
Restricted	120,785	84,397	-	1,370,213	1,575,395
Committed	21,383	-	6,921,446	39,837	6,982,666
Assigned	-	4,689,390	-	334,231	5,023,621
Unassigned	13,640,768	-	-	-	13,640,768
Total fund balances	<u>13,884,604</u>	<u>4,773,787</u>	<u>6,921,446</u>	<u>1,875,375</u>	<u>27,455,212</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 22,300,191</u>	<u>\$ 8,104,320</u>	<u>\$ 7,091,398</u>	<u>\$2,004,199</u>	<u>\$ 39,500,108</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, 2020**

Total fund balances \$ 27,455,212

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	\$ 44,777,928	
Accumulated depreciation	<u>(25,890,207)</u>	18,887,721

Certain property taxes and intergovernmental revenues are not available to pay for current period expenditures and therefore are deferred in the funds.

Property taxes	591,534	
Intergovernmental revenue	<u>8,400</u>	599,934

Net pension asset		2,179,966
Net pension liability		(1,458,951)
Deferred outflows related to pensions		2,212,886
Deferred inflows related to pensions		(2,052,149)
Deferred outflows related to OPEB		443,896
Deferred inflows related to OPEB		(463,881)

Certain liabilities are not considered a use of current financial resources in the funds.

Compensated absences	(309,306)	
OPEB liability	(1,566,053)	
Sick leave liability	<u>(48,516)</u>	(1,923,875)

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	33,304	
Accounts receivable	34,000	
Interest receivable	3,500	
Investments	5,166,466	
Capital assets	6,009,556	
Accumulated depreciation	<u>(3,797,984)</u>	7,448,842

Net position		<u>\$ 53,329,601</u>
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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, 2020**

	General	General Purpose School	Capital Projects Fund Capital Improvement	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Property taxes	\$ 6,513,001	\$ 1,937,912	\$ -	\$ -	\$ 8,450,913
Other local taxes	7,582,015	1,560,510	1,480,454	-	10,622,979
Intergovernmental	2,058,629	9,622,806	609,128	3,667,569	15,958,132
Charges for services	210,608	163,124	-	43,057	416,789
Fines and forfeitures	170,427	-	-	41,460	211,887
Investment and interest income	205,143	26,461	79,656	25,922	337,182
Miscellaneous	94,272	7,832	81,035	2,245	185,384
Total revenues	<u>16,834,095</u>	<u>13,318,645</u>	<u>2,250,273</u>	<u>3,780,253</u>	<u>36,183,266</u>
<b>EXPENDITURES</b>					
Current:					
General government	2,863,820	-	-	-	2,863,820
Public safety	5,161,584	-	-	23,868	5,185,452
Highways and streets	4,490,059	-	-	-	4,490,059
Culture and recreation	1,266,971	-	-	-	1,266,971
Education	-	14,991,826	-	2,590,018	17,581,844
Health and welfare	169,818	-	-	-	169,818
Capital outlay	-	-	1,302,436	1,053,265	2,355,701
Total expenditures	<u>13,952,252</u>	<u>14,991,826</u>	<u>1,302,436</u>	<u>3,667,151</u>	<u>33,913,665</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>2,881,843</u>	<u>(1,673,181)</u>	<u>947,837</u>	<u>113,102</u>	<u>2,269,601</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers	(3,181,000)	2,431,000	722,645	27,355	-
Proceeds from sale of property	15,752	1,834	-	-	17,586
Insurance proceeds	7,985	157,568	-	-	165,553
Total other financing sources (uses)	<u>(3,157,263)</u>	<u>2,590,402</u>	<u>722,645</u>	<u>27,355</u>	<u>183,139</u>
<b>NET CHANGE IN FUND BALANCES</b>	(275,420)	917,221	1,670,482	140,457	2,452,740
<b>FUND BALANCES, beginning of year</b>	<u>14,160,024</u>	<u>3,856,566</u>	<u>5,250,964</u>	<u>1,734,918</u>	<u>25,002,472</u>
<b>FUND BALANCES, end of year</b>	<u>\$13,884,604</u>	<u>\$ 4,773,787</u>	<u>\$ 6,921,446</u>	<u>\$ 1,875,375</u>	<u>\$ 27,455,212</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, 2020**

Net change in fund balances		\$ 2,452,740
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	\$ 6,218,022	
Fund revenue recognized	<u>(6,152,694)</u>	65,328
Intergovernmental revenues that do not provide current financial resources are not reported as revenue in the funds.		
State income tax-full accrual	612	
State beer tax-full accrual	6,304	
Collected fund revenue	<u>(35,916)</u>	(29,000)
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	1,789,748	
Net book value of capital assets retired	(12,625)	
Less current year depreciation	<u>(1,186,776)</u>	590,347
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.		
		548,082
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	(77,375)	
Net change in sick leave liability	<u>6,738</u>	(70,637)
Pension expense in funds not expensed in government-wide		
		898,116
Pension expense not recognized in funds		
		(1,019,968)
OPEB expense not recognized in funds		
		(116,702)
OPEB expense in funds not expensed in government-wide		
		91,266
OPEB revenue in government-wide not in funds		
		50,778
Expense reported in government-wide not in funds		
		<u>(4,870)</u>
Change in net position		<u>\$ 3,455,480</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, 2020**

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
<b>PROPERTY TAXES</b>				
Property taxes-current	\$ 5,800,000	\$ 6,125,000	\$ 6,152,694	\$ 27,694
Property taxes-prior	80,000	200,000	179,740	(20,260)
Property taxes-delinquent	70,000	70,000	76,181	6,181
Public utilities taxes	95,000	95,000	104,386	9,386
Total property taxes	<u>6,045,000</u>	<u>6,490,000</u>	<u>6,513,001</u>	<u>23,001</u>
<b>OTHER LOCAL TAXES</b>				
Penalty and interest on property tax-prior	15,000	15,000	29,924	14,924
Penalty and interest on property tax-current	25,000	25,000	24,709	(291)
In lieu of taxes	1,170,000	1,170,000	1,230,379	60,379
Local sales tax	4,900,000	4,900,000	4,903,778	3,778
Wholesale beer tax	470,000	470,000	514,165	44,165
Wholesale liquor tax	150,000	150,000	258,866	108,866
Cable TV franchise tax	180,000	180,000	177,600	(2,400)
Business license fee	2,000	2,000	939	(1,061)
Business tax-state clerk fee	40,000	40,000	42,668	2,668
Business tax-state collected	440,000	440,000	398,987	(41,013)
Total other local taxes	<u>7,392,000</u>	<u>7,392,000</u>	<u>7,582,015</u>	<u>190,015</u>
<b>INTERGOVERNMENTAL</b>				
State sales tax	1,200,000	1,200,000	1,234,801	34,801
State beer tax	6,000	6,000	6,304	304
State income tax	30,000	30,000	29,612	(388)
State gas and motor fuel tax	470,000	470,000	475,647	5,647
State gasoline inspection tax	28,000	28,000	26,719	(1,281)
State mixed drink tax	50,000	50,000	50,070	70
State excise tax	40,000	40,000	79,852	39,852
Reimbursements-other government agencies	127,000	127,000	150,966	23,966
Grants	-	-	4,658	4,658
Total intergovernmental	<u>1,951,000</u>	<u>1,951,000</u>	<u>2,058,629</u>	<u>107,629</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, 2020**  
(continued)

	Budget		Actual	Variance
	Original	Final		With Final Budget
<b>CHARGES FOR SERVICES</b>				
Utility damage reimbursements	\$ 25,000	\$ 25,000	\$ 28,347	\$ 3,347
Animal control	2,000	2,000	1,759	(241)
Recreation fees	76,000	76,000	62,731	(13,269)
Building permits	50,000	50,000	106,283	56,283
Recreation concessions	30,000	30,000	11,488	(18,512)
Total charges for services	<u>183,000</u>	<u>183,000</u>	<u>210,608</u>	<u>27,608</u>
<b>FINES AND FORFEITURES</b>				
Court fines	150,000	150,000	128,967	(21,033)
Law enforcement forfeitures	-	-	41,460	41,460
Total fines and forfeitures	<u>150,000</u>	<u>150,000</u>	<u>170,427</u>	<u>20,427</u>
<b>INTEREST</b>	<u>120,000</u>	<u>210,000</u>	<u>205,143</u>	<u>(4,857)</u>
<b>MISCELLANEOUS</b>	<u>40,000</u>	<u>40,000</u>	<u>94,272</u>	<u>54,272</u>
Total revenues	<u>15,881,000</u>	<u>16,416,000</u>	<u>16,834,095</u>	<u>418,095</u>
<b>EXPENDITURES</b>				
<b>GENERAL GOVERNMENT</b>				
Administrative:				
City Manager's Office	339,700	339,700	304,843	34,857
City Council	73,500	73,500	56,948	16,552
City Judge	13,000	13,000	12,918	82
City Attorney	40,000	40,000	33,679	6,321
Special appropriations	364,900	364,900	361,300	3,600
Athens Utilities Board	480,000	480,000	458,138	21,862
Finance	449,300	471,300	462,709	8,591
Personnel	226,600	226,600	210,590	16,010
Administrative services:				
Administration	95,600	106,600	103,478	3,122
City Hall	184,900	184,900	180,459	4,441
Information technology	226,000	226,000	191,806	34,194
Community development:				
Administration	192,800	216,700	190,563	26,137
Codes enforcement	312,500	312,500	263,499	49,001
Cemeteries	32,600	34,600	32,890	1,710
Total general government	<u>3,031,400</u>	<u>3,090,300</u>	<u>2,863,820</u>	<u>226,480</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, 2020**  
(continued)

	Budget		Actual	Variance
	Original	Final		With Final Budget
<b>PUBLIC SAFETY</b>				
Police:				
Administration	\$ 357,500	\$ 357,500	\$ 305,104	\$ 52,396
Patrol	2,236,700	2,236,700	2,033,139	203,561
Special services	512,800	512,800	470,304	42,496
Fire:				
Administration	126,900	126,900	121,559	5,341
Prevention	28,600	28,600	18,306	10,294
Suppression	2,081,400	2,081,400	1,957,436	123,964
Administrative services:				
Communications	260,000	260,000	255,736	4,264
Total public safety	<u>5,603,900</u>	<u>5,603,900</u>	<u>5,161,584</u>	<u>442,316</u>
<b>HIGHWAYS AND STREETS</b>				
Public Works:				
Administration	274,900	274,900	247,173	27,727
Traffic control	271,300	306,300	219,626	86,674
Street maintenance	1,000,800	2,540,800	2,452,362	88,438
Street construction	545,700	545,700	414,195	131,505
Street cleaning	867,700	867,700	810,370	57,330
City garage	322,500	375,500	346,333	29,167
Total highways and streets	<u>3,282,900</u>	<u>4,910,900</u>	<u>4,490,059</u>	<u>420,841</u>
<b>CULTURE AND RECREATION</b>				
Parks and Recreation:				
Administration	237,200	262,200	238,145	24,055
Maintenance	759,700	759,700	704,167	55,533
Swimming pools	43,600	78,600	71,382	7,218
Program planning	297,200	297,200	253,277	43,923
Total culture and recreation	<u>1,337,700</u>	<u>1,397,700</u>	<u>1,266,971</u>	<u>130,729</u>
<b>HEALTH AND WELFARE</b>				
Public Works:				
Animal control	204,100	204,100	169,818	34,282
Total expenditures	<u>13,460,000</u>	<u>15,206,900</u>	<u>13,952,252</u>	<u>1,254,648</u>
<b>REVENUES OVER EXPENDITURES</b>	<u>2,421,000</u>	<u>1,209,100</u>	<u>2,881,843</u>	<u>1,672,743</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, 2020**  
(continued)

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer to general purpose school fund	\$ (2,421,000)	\$ (2,421,000)	\$ (2,431,000)	\$ (10,000)
Transfer to capital improvement fund	-	(750,000)	(750,000)	-
Proceeds from sale of property	-	-	15,752	15,752
Insurance proceeds	-	-	7,985	7,985
	<u>(2,421,000)</u>	<u>(3,171,000)</u>	<u>(3,157,263)</u>	<u>13,737</u>
Total other financing sources (uses)				
Net change in fund balance	-	(1,961,900)	(275,420)	1,686,480
<b>FUND BALANCE, beginning of year</b>	<u>14,160,024</u>	<u>14,160,024</u>	<u>14,160,024</u>	<u>-</u>
<b>FUND BALANCE, end of year</b>	<u>\$14,160,024</u>	<u>\$12,198,124</u>	<u>\$13,884,604</u>	<u>\$ 1,686,480</u>

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

**CITY OF ATHENS, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL PURPOSE SCHOOL FUND**  
**Year Ended June 30, 2020**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 1,624,000	\$ 1,624,000	\$ 1,937,912	\$ 313,912
County revenue	1,198,400	1,198,400	1,560,510	362,110
State funds	8,948,230	8,972,082	9,408,636	436,554
Federal funds received through state	250,000	248,200	213,487	(34,713)
Direct federal funds	-	-	683	683
Tuition	271,272	271,272	163,124	(108,148)
Interest	32,000	32,000	26,461	(5,539)
Other	26,000	26,000	7,832	(18,168)
Total revenues	<u>12,349,902</u>	<u>12,371,954</u>	<u>13,318,645</u>	<u>946,691</u>
<b>EXPENDITURES</b>				
Current:				
Instruction				
Regular instruction	8,701,702	8,665,834	8,201,296	464,538
Special education	629,265	629,265	560,506	68,759
Early childhood education	672,961	672,961	646,241	26,720
Other instruction	11,500	11,500	4,951	6,549
	<u>10,015,428</u>	<u>9,979,560</u>	<u>9,412,994</u>	<u>566,566</u>
Support services				
Instructional support	1,247,580	1,247,220	1,159,321	87,899
Student support	334,220	367,440	326,001	41,439
Administration	1,585,089	1,585,089	1,487,669	97,420
Operation and maintenance of plant	1,225,420	1,395,616	1,289,212	106,404
Transportation	594,567	594,567	481,053	113,514
Other support services	953,877	942,689	754,948	187,741
	<u>5,940,753</u>	<u>6,132,621</u>	<u>5,498,204</u>	<u>634,417</u>
Non-instructional services				
Capital outlay	236,000	236,000	80,628	155,372
Total expenditures	<u>16,192,181</u>	<u>16,348,181</u>	<u>14,991,826</u>	<u>1,356,355</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(3,842,279)</u>	<u>(3,976,227)</u>	<u>(1,673,181)</u>	<u>2,303,046</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Insurance proceeds	-	155,000	157,568	2,568
Proceeds from sale of property	-	-	1,834	1,834
Transfer from general fund	2,421,000	2,424,000	2,431,000	7,000
	<u>2,421,000</u>	<u>2,579,000</u>	<u>2,590,402</u>	<u>11,402</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(1,421,279)</u>	<u>(1,397,227)</u>	<u>917,221</u>	<u>2,314,448</u>
<b>FUND BALANCE, beginning of year</b>	<u>3,856,566</u>	<u>3,856,566</u>	<u>3,856,566</u>	<u>-</u>
<b>FUND BALANCE, end of year</b>	<u>\$ 2,435,287</u>	<u>\$ 2,459,339</u>	<u>\$ 4,773,787</u>	<u>\$ 2,314,448</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, 2020**

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental</u>
				<u>Activities</u>
	<u>Conference</u>	<u>Sanitation</u>	<u>Total</u>	<u>Internal</u>
	<u>Center</u>			<u>Service</u>
				<u>Funds</u>
<b>ASSETS AND DEFERRED OUTFLOWS</b>				
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 32,721	\$ 115,024	\$ 147,745	\$ 33,304
Investments	-	2,713,087	2,713,087	5,166,466
Accounts receivable	225	19,681	19,906	34,000
Interest receivable	-	-	-	3,500
Due from component unit	-	91,502	91,502	-
Total current assets	<u>32,946</u>	<u>2,939,294</u>	<u>2,972,240</u>	<u>5,237,270</u>
Capital assets:				
Land	34,500	-	34,500	-
Other capital assets, net	557,577	129,965	687,542	2,211,572
Total capital assets	<u>592,077</u>	<u>129,965</u>	<u>722,042</u>	<u>2,211,572</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pensions	-	30,508	30,508	-
Total assets and deferred outflows	<u>\$ 625,023</u>	<u>\$ 3,099,767</u>	<u>\$ 3,724,790</u>	<u>\$ 7,448,842</u>
<b>LIABILITIES, DEFERRED INFLOWS AND NET POSITION</b>				
Current liabilities:				
Accounts payable	\$ -	\$ 23,214	\$ 23,214	\$ -
Accrued payroll and withholdings	-	5,244	5,244	-
Net pension liability	-	58,703	58,703	-
Total current liabilities	<u>-</u>	<u>87,161</u>	<u>87,161</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pensions	-	911	911	-
Total liabilities and deferred inflows	<u>-</u>	<u>88,072</u>	<u>88,072</u>	<u>-</u>
<b>NET POSITION</b>				
Net investment in capital assets	592,077	129,965	722,042	2,211,572
Unrestricted	32,946	2,881,730	2,914,676	5,237,270
Total net position	<u>625,023</u>	<u>3,011,695</u>	<u>3,636,718</u>	<u>7,448,842</u>
Total liabilities, deferred inflows, and net position	<u>\$ 625,023</u>	<u>\$ 3,099,767</u>	<u>\$ 3,724,790</u>	<u>\$ 7,448,842</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, 2020**

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental</u>
				<u>Activities</u>
	<u>Conference</u>	<u>Sanitation</u>	<u>Total</u>	<u>Internal</u>
	<u>Center</u>			<u>Service</u>
				<u>Funds</u>
<b>OPERATING REVENUES</b>				
Charges for services	\$ -	\$ 969,683	\$ 969,683	\$ 775,900
Rental income	23,428	-	23,428	-
Miscellaneous	-	7,393	7,393	750
Total operating revenues	<u>23,428</u>	<u>977,076</u>	<u>1,000,504</u>	<u>776,650</u>
<b>OPERATING EXPENSES</b>				
Salaries and employee benefits	6,488	329,445	335,933	-
Operations	13,921	191,839	205,760	-
Maintenance	7,608	5,242	12,850	-
Depreciation	50,580	127,028	177,608	454,295
Landfill services	-	227,141	227,141	-
Total operating expenses	<u>78,597</u>	<u>880,695</u>	<u>959,292</u>	<u>454,295</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(55,169)</u>	<u>96,381</u>	<u>41,212</u>	<u>322,355</u>
<b>NONOPERATING REVENUES</b>				
Gain on sale of assets	-	-	-	18,808
Interest income	-	41,649	41,649	85,855
Total nonoperating revenues	<u>-</u>	<u>41,649</u>	<u>41,649</u>	<u>104,663</u>
Income (loss) before capital contributions	(55,169)	138,030	82,861	427,018
<b>CAPITAL CONTRIBUTIONS</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>121,064</u>
<b>CHANGE IN NET POSITION</b>	(55,169)	138,030	82,861	548,082
<b>NET POSITION, beginning of year</b>	<u>680,192</u>	<u>2,873,665</u>	<u>3,553,857</u>	<u>6,900,760</u>
<b>NET POSITION, end of year</b>	<u>\$ 625,023</u>	<u>\$ 3,011,695</u>	<u>\$ 3,636,718</u>	<u>\$ 7,448,842</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, 2020**

	Business-Type Activities - Enterprise Funds			Governmental Activities
	Conference Center	Sanitation	Total	Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 24,366	\$ 980,848	\$ 1,005,214	\$ 742,650
Payments to employees	(6,027)	(329,167)	(335,194)	-
Payments to suppliers and vendors	(22,535)	(415,052)	(437,587)	-
Net cash provided (used) by operating activities	<u>(4,196)</u>	<u>236,629</u>	<u>232,433</u>	<u>742,650</u>
<b>CASH FLOWS USED IN NONCAPITAL FINANCING ACTIVITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>CASH FLOWS PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from sale of assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,000</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment and interest earnings	-	41,649	41,649	94,772
Purchase of investments	-	(392,053)	(392,053)	(870,672)
Net cash used in investing activities	<u>-</u>	<u>(350,404)</u>	<u>(350,404)</u>	<u>(775,900)</u>
Net increase (decrease) in cash and cash equivalents	(4,196)	(113,775)	(117,971)	750
Cash and cash equivalents, beginning of year	36,917	228,799	265,716	32,554
Cash and cash equivalents, end of year	<u>\$ 32,721</u>	<u>\$ 115,024</u>	<u>\$ 147,745</u>	<u>\$ 33,304</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ (55,169)	\$ 96,381	\$ 41,212	\$ 322,355
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	50,580	127,028	177,608	454,295
Other	-	(8,874)	(8,874)	-
Changes in assets and liabilities:				
Accounts receivable	938	3,772	4,710	(34,000)
Accounts payable and accrued liabilities	(545)	(2,764)	(3,309)	-
Deferred outflows	-	(30,508)	(30,508)	-
Deferred inflows	-	(8,280)	(8,280)	-
Net pension liability	-	59,874	59,874	-
Net cash provided (used) by operating activities	<u>\$ (4,196)</u>	<u>\$ 236,629</u>	<u>\$ 232,433</u>	<u>\$ 742,650</u>
<b>SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>				
Interfund transfer of property	\$ -	\$ -	\$ -	\$ 121,064

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, 2020**

**ASSETS**

Cash	\$ 1,190
Investments, at fair value:	
Money market funds	<u>16,656,857</u>
Total assets	<u>\$ 16,658,047</u>
<b>NET POSITION</b>	
Net position restricted for pensions	<u>\$ 16,658,047</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, 2020**

**ADDITIONS**

Employer contributions	\$ 640,000
Net investment income:	
Interest and dividend income	395,678
Net appreciation in the fair value of investments	<u>247,884</u>
Total additions	<u>1,283,562</u>

**DEDUCTIONS**

Benefits paid	1,153,916
Administrative expenses	<u>73,971</u>
Total deductions	<u>1,227,887</u>

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

55,675

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

16,602,372

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

\$ 16,658,047

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

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**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, 2020**

**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, 2020**

**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, 2020**

**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, 2020**

**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, 2020**

**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, 2020**

**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 these funds. Revenues are derived primarily from capital grants and investment income.

Capital Improvement Fund: 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, 2020**

**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:** These funds account 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, 2020**

**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, 2020**

**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, 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, 2020**

**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 2.69 to 3.31 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, 2020**

**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, 2020**

**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, 2020**

**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, 2020**

**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.	

Taxes were levied at a rate of \$1.2676 per \$100 of assessed value for both the 2019 and 2020 tax levy. An allowance has been established for delinquent taxes to the extent that their collectability is improbable. The allowance at June 30, 2020, for the 2019 tax levy was \$107,269. An allowance for doubtful collection of \$60,000 has been estimated and established for the 2020 levy at June 30, 2020. There are no current tax collections related to the 2020 levy.

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**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, 2020:

General Fund	\$ 167,269
General Purpose School Fund	99,779

***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 Pension 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, 2020**

**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 Board of Education recognizes 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, 2020
	Balance July 1, 2019	Additions	Deletions	
Capital assets being depreciated:				
Buildings and improvements	\$ 6,651,572	\$ 74,488	\$ -	\$ 6,726,060
Infrastructure	10,127,109	-	-	10,127,109
Furniture and office equipment	1,489,906	375,367	-	1,865,273
Machinery and equipment	9,182,513	83,915	46,719	9,219,709
Total depreciable capital assets	<u>27,451,100</u>	<u>533,770</u>	<u>46,719</u>	<u>27,938,151</u>
Accumulated depreciation:				
Buildings and improvements	4,503,714	136,854	-	4,640,568
Infrastructure	4,444,567	261,707	-	4,706,274
Furniture and office equipment	781,523	144,685	-	926,208
Machinery and equipment	5,607,773	578,251	31,527	6,154,497
Total accumulated depreciation	<u>15,337,577</u>	<u>1,121,497</u>	<u>31,527</u>	<u>16,427,547</u>
Net depreciable capital assets	<u>12,113,523</u>	<u>(587,727)</u>	<u>15,192</u>	<u>11,510,604</u>
Capital assets not being depreciated:				
Land	3,008,070	-	-	3,008,070
Construction in progress	-	231,912	-	231,912
Nondepreciable capital assets	<u>3,008,070</u>	<u>231,912</u>	<u>-</u>	<u>3,239,982</u>
Net capital assets	<u>\$ 15,121,593</u>	<u>\$ (355,815)</u>	<u>\$ 15,192</u>	<u>\$ 14,750,586</u>

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

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

	Governmental Activities - At Board of Education			
	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Capital assets being depreciated:				
Buildings and improvements	\$ 15,378,637	\$ -	\$ -	\$ 15,378,637
Infrastructure	37,650	-	-	37,650
Furniture, equipment, and vehicles	2,875,604	117,775	280,679	2,712,700
Total depreciable capital assets	<u>18,291,891</u>	<u>117,775</u>	<u>280,679</u>	<u>18,128,987</u>
Accumulated depreciation:				
Buildings and improvements	10,829,721	351,280	-	11,181,001
Infrastructure	25,067	932	-	25,999
Furniture, equipment, and vehicles	2,154,336	167,362	268,054	2,053,644
Total accumulated depreciation	<u>13,009,124</u>	<u>519,574</u>	<u>268,054</u>	<u>13,260,644</u>
Net depreciable capital assets	<u>5,282,767</u>	<u>(401,799)</u>	<u>12,625</u>	<u>4,868,343</u>
Capital assets not being depreciated:				
Land	213,486	-	-	213,486
Construction in progress	239,523	1,027,355	-	1,266,878
Nondepreciable capital assets	<u>453,009</u>	<u>1,027,355</u>	<u>-</u>	<u>1,480,364</u>
Net capital assets	<u>\$ 5,735,776</u>	<u>\$ 625,556</u>	<u>\$ 12,625</u>	<u>\$ 6,348,707</u>
<b>Total Governmental Activities Capital Assets</b>				
	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Capital assets being depreciated:				
Buildings and improvements	\$ 22,030,209	\$ 74,488	\$ -	\$ 22,104,697
Infrastructure	10,164,759	-	-	10,164,759
Furniture, equipment and vehicles	4,365,510	493,142	280,679	4,577,973
Machinery and equipment	9,182,513	83,915	46,719	9,219,709
Total depreciable capital assets	<u>45,742,991</u>	<u>651,545</u>	<u>327,398</u>	<u>46,067,138</u>
Accumulated depreciation:				
Buildings and improvements	15,333,435	488,134	-	15,821,569
Infrastructure	4,469,634	262,639	-	4,732,273
Furniture, equipment and vehicles	2,935,859	312,047	268,054	2,979,852
Machinery and equipment	5,607,773	578,251	31,527	6,154,497
Total accumulated depreciation	<u>28,346,701</u>	<u>1,641,071</u>	<u>299,581</u>	<u>29,688,191</u>
Net depreciable capital assets	<u>17,396,290</u>	<u>(989,526)</u>	<u>27,817</u>	<u>16,378,947</u>
Capital assets not being depreciated:				
Land	3,221,556	-	-	3,221,556
Construction in progress	239,523	1,259,267	-	1,498,790
Nondepreciable capital assets	<u>3,461,079</u>	<u>1,259,267</u>	<u>-</u>	<u>4,720,346</u>
Net capital assets	<u>\$ 20,857,369</u>	<u>\$ 269,741</u>	<u>\$ 27,817</u>	<u>\$ 21,099,293</u>

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

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

	Total Business-Type Activities Capital Assets			
	Balance	Additions	Deletions	Balance
	July 1, 2019			June 30, 2020
Capital assets being depreciated:				
Buildings and improvements	\$ 1,517,930	\$ -	\$ -	\$ 1,517,930
Furniture and office equipment	29,864	-	-	29,864
Machinery and equipment	1,705,006	-	-	1,705,006
Total depreciable capital assets	3,252,800	-	-	3,252,800
Accumulated depreciation:				
Buildings and improvements	909,773	50,580	-	960,353
Furniture and office equipment	29,864	-	-	29,864
Machinery and equipment	1,448,013	127,028	-	1,575,041
Total accumulated depreciation	2,387,650	177,608	-	2,565,258
Net depreciable capital assets	865,150	(177,608)	-	687,542
Capital assets not being depreciated:				
Land	34,500	-	-	34,500
Net capital assets	\$ 899,650	\$ (177,608)	\$ -	\$ 722,042

Depreciation expense was charged to functions as follows:

Governmental Activities	
General government	\$ 48,472
Public safety	336,058
Highways and streets	541,353
Culture and recreation	195,614
Schools:	
Regular instruction	78,796
Administration	21,606
Operation and maintenance	3,143
Transportation	54,434
Food services	6,882
Unallocated depreciation	354,713
	\$ 1,641,071

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	127,028
	\$ 177,608

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

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

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

**Utilities Board:**

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Capital assets being depreciated:				
Plant in service	\$ 163,422,691	\$ 6,366,544	\$ 1,016,493	\$ 168,772,742
Equipment and furniture	8,211,287	366,300	29,337	8,548,250
Transportation equipment	4,420,647	472,172	192,089	4,700,730
Total depreciable capital assets	<u>176,054,625</u>	<u>7,205,016</u>	<u>1,237,919</u>	<u>182,021,722</u>
Accumulated depreciation:				
Plant in service	59,638,609	5,099,054	1,298,110	63,439,553
Equipment and furniture	4,577,964	525,648	29,433	5,074,179
Transportation equipment	2,572,680	573,873	189,894	2,956,659
Total accumulated depreciation	<u>66,789,253</u>	<u>6,198,575</u>	<u>1,517,437</u>	<u>71,470,391</u>
Net depreciable capital assets	<u>109,265,372</u>	<u>1,006,441</u>	<u>(279,518)</u>	<u>110,551,331</u>
Capital assets not being depreciated:				
Land	837,023	-	-	837,023
Construction in progress	5,049,737	6,908,172	7,694,863	4,263,046
Nondepreciable capital assets	<u>5,886,760</u>	<u>6,908,172</u>	<u>7,694,863</u>	<u>5,100,069</u>
Net capital assets	<u>\$ 115,152,132</u>	<u>\$ 7,914,613</u>	<u>\$ 7,415,345</u>	<u>\$ 115,651,400</u>

Depreciation was charged as follows:

	Charged to Depreciation and Amortization	Charged to Other Accounts	Total Depreciation and Amortization
Power Division	\$ 2,275,445	\$ 320,934	\$ 2,596,379
Water Division	915,571	46,573	962,144
Gas Division	645,241	91,289	736,530
Department of Sewer	1,775,458	128,064	1,903,522
	<u>\$ 5,611,715</u>	<u>\$ 586,860</u>	<u>\$ 6,198,575</u>

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**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 7/1/2019	Additions	Reductions	Balance 6/30/2020	Due within one year
<b>City of Athens:</b>					
Compensated absences	\$ 231,931	\$ 290,950	\$ 213,575	\$ 309,306	\$ 206,214
<b>Board of Education:</b>					
Sick leave	55,254	32,766	39,504	48,516	42,309
Total	<u>\$ 287,185</u>	<u>\$ 323,716</u>	<u>\$ 253,079</u>	<u>\$ 357,822</u>	<u>\$ 248,523</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 7/1/2019	Additions	Reductions	Balance 6/30/2020	Due within one year
Revenue and tax bonds	\$ 1,209,674	\$ -	\$ 25,909	\$ 1,183,765	\$ 26,768
Notes payable	22,918,022	-	1,593,953	21,324,069	1,599,430
Total	<u>\$ 24,127,696</u>	<u>\$ -</u>	<u>\$ 1,619,862</u>	<u>\$ 22,507,834</u>	<u>\$ 1,626,198</u>

The Power Division and the Department of Sewer debt is payable from and 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, 2020.

The Athens Utilities Board has debt issues with outstanding balances totaling \$22,507,834, 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, 2020**

**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>
2021	\$ 1,626,198	\$ 191,161	\$ 1,817,359
2022	1,637,197	179,642	1,816,839
2023	1,649,402	167,910	1,817,312
2024	1,661,818	155,955	1,817,773
2025	1,674,450	143,773	1,818,223
2026-2030	8,573,964	527,523	9,101,487
2031-2035	4,464,435	229,150	4,693,585
2036-2040	779,305	97,471	876,776
2041-2045	274,513	50,447	324,960
2046-2048	166,552	7,546	174,098
	<u>\$ 22,507,834</u>	<u>\$ 1,750,578</u>	<u>\$ 24,258,412</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, 2020, all the City's deposits were insured or collateralized.

Board of Education:

At June 30, 2020, all cash deposits of the Board were insured or collateralized in accordance with state statutes.

**Component unit**

At June 30, 2020, 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, 2020**

**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, 2020, the City had \$20,751,402 invested in the LGIP and \$6,629,984 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, 2020, the investments of the LGIP had a weighted average maturity of 49 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, 2020**

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

**Investments: (continued)**

**Primary government (continued)**

As of June 30, 2020, the Cemetery Perpetual Care Fund's investments consisted of the following:

	<u>Fair Value</u>
Money market funds - cash	\$ 4,150
Mutual funds	<u>334,027</u>
	<u>\$ 338,177</u>

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

**Athens Pension Trust Fund:**

As of June 30, 2020, the Pension Trust Fund's investments were all held in money market funds.

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.

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).

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

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

**Investments: (continued)**

**Primary government (continued)**

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, 2020.

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, 2020**

**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, 2020:

<u>Investment type</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Athens Pension Trust Fund:				
Money market funds	\$ 16,656,857	\$ -	\$ 16,656,857	\$ -
Cemetery Perpetual Fund:				
Mutual funds	334,027	-	334,027	-
Money market funds - cash	4,150	-	4,150	-
	<u>338,177</u>	<u>-</u>	<u>338,177</u>	<u>-</u>
	<u>\$ 16,995,034</u>	<u>\$ -</u>	<u>\$ 16,995,034</u>	<u>\$ -</u>

**Note 5. Interfund Transactions**

**Interfund Balances:**

At June 30, 2020, the General Purpose School Fund had interfund receivables that consist of \$370,000 due from the General Fund and \$6,846 due from the Federal Projects Fund. The General Purpose School Fund had an interfund payable of \$2,215 due to the General Fund.

Interfund transfers during the year consisted of the General Fund transferring \$2,431,000 to the Board of Education General Purpose Fund, \$722,645 to the Capital Projects Fund, and \$27,355 to the Education 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, 2020**

**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, 2020, the Utilities Board has a due from the primary government of \$46,032 and a due to the primary government of \$91,502.

**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	\$ 50,787,484	\$ 3,287,300	\$ 54,074,784
Accumulated depreciation	(29,688,191)	(2,565,258)	(32,253,449)
Net investment in capital assets	21,099,293	722,042	21,821,335
Restricted	3,842,600	-	3,842,600
Unrestricted	28,387,708	2,914,676	31,302,384
Total net position	<u>\$ 53,329,601</u>	<u>\$ 3,636,718</u>	<u>\$ 56,966,319</u>

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**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	\$ 101,668
Centralized Cafeteria Fund-Inventory	43,855
Cemetery Perpetual Care Fund-Nonexpendable	87,239
Total nonspendable fund balances	<u>232,762</u>
Restricted	
General Fund-Law Enforcement	120,785
General Purpose School Fund-Pensions	84,397
Cemetery Perpetual Care Fund-Expendable	251,278
Debt Service	1,003,009
Drug Fund	115,926
Total restricted fund balances	<u>1,575,395</u>
Committed	
General Fund-Police benefit	21,383
Capital Improvement Fund-Capital improvements	6,921,446
Education Capital Projects Fund-Education capital projects	24,247
Drug Fund	15,590
Total committed fund balances	<u>6,982,666</u>
Assigned	
General Purpose School Fund-Education	4,689,390
Centralized Cafeteria Fund	334,231
Total assigned fund balances	<u>5,023,621</u>
Unassigned	
General Fund	13,640,768
Total fund balances	<u>\$ 27,455,212</u>

**Utilities Board**

Net position of the Utilities Board consist of the following:

Net investment in capital assets	\$ 93,142,353
Unrestricted	24,075,393
	<u>\$ 117,217,746</u>

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**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.

In May, the City approved USI Advisors, Inc. to serve as the financial advisor and Charles Schwab Trust Bank to serve as trustee for the pension plan beginning in July. This resulted in all assets of the plan being sold in June by BB&T. All the proceeds were held in money market funds at June 30, 2020, and transferred to Charles Schwab Trust Fund Bank in July.

*Plan Membership:*

	<u>July 1, 2020</u>
Inactive Plan participants or beneficiaries currently receiving benefits	71
Inactive Plan participants entitled to deferred benefits	33
Active vested Plan participants	<u>33</u>
Total	<u><u>137</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, 2020**

**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, 2020:

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

Minimum Benefit

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, or (4) the accrued benefit under the formula as of December 31, 1998.

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**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>Normal Form of Benefit</u>	Single life annuity.
<u>Accrued Benefit</u>	Normal retirement benefit, determined using continuous service projected to normal retirement, multiplied by the number of years of continuous service at termination divided by the projected service.
<u>Early Retirement Benefit</u>	Minimum Age: 55 Minimum Service: 15 Years 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>	A participant's delayed retirement benefit shall be equal to the greater of the accrued benefit at the delayed retirement date and the normal retirement benefit actuarially increased using the Plan's definition of actuarial equivalence.

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**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, 2020**

**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:	Entry age normal
Asset Valuation Method:	The asset smoothing method utilized for the Plan shall be that investment gains or losses will be recognized over 5 years, providing that the actuarial value of assets shall not be greater than 110% of market value, nor less than 90% of market value.
Amortization Method:	The amortization policy shall be that the UAAL, as of January 1, 2014 and any changes; thereafter, as a result of a change in assumptions or methods or benefit or plan changes, shall be amortized over fixed period of 30 years beginning 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 City Council 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, 2020:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	36.0%
International equity	21.0
Fixed income	18.0
Hedge fund	10.0
Real estate	5.0
Cash and cash equivalents	10.0
Total	<u>100.0%</u>

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**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, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 3.83 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, 2020, was as follows:

Total pension liability	\$ 18,175,701
Plan fiduciary net position	<u>(16,658,047)</u>
City net pension liability (asset)	<u>\$ 1,517,654</u>
Plan fiduciary net position as a percentage of the total pension liability	91.65%
Covered payroll	\$ 1,826,067
Net pension liability (asset) as a percentage of covered payroll	83.11%

The Plan's fiduciary net position is reported in the Pension Trust Fund as of June 30, 2020. 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, 2020.

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

Measurement Date – June 30, 2020

Valuation Date – July 1, 2020

Mortality – Pre-Retirement and Post-Retirement: SOA RP-2014 Total Dataset Mortality Table adjusted to 2006 with Improvement Scale MP-2018

Discount Rate – 7.00% per annum in previous years; 6.75 % per annum in current year

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, 2020**

**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: 150% of Table T-7

<u>Age</u>	<u>Withdrawal</u>	
	<u>Male</u>	<u>Female</u>
20	15.00 %	15.00 %
25	14.63	14.63
30	14.10	14.10
35	13.27	13.27
40	11.48	11.48
45	10.07	10.07
50	7.31	7.31
55	3.89	3.89
60	2.55	2.55

The actuarial assumptions used were based on the results of an actuarial experience study prepared in 2019 for the period January 1, 2014 through June 30, 2019.

***Long-Term Expected Rate of Return on Pension Plan Investments***

The long-term expected rate of return on pension plan investments was determined by the investment advisor, Branch Banking and Trust Company. 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, 2020, (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	36.00%
International equity	21.00
Fixed income	18.00
Hedge fund	10.00
Real estate	5.00
Cash and cash equivalents	10.00
Total	<u>100.00%</u>

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**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 6.75 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>(5.75%)</u>	<u>Current Discount</u> <u>Rate (6.75%)</u>	<u>1% Increase</u> <u>(7.75%)</u>
City of Athens' Net Pension Liability (Asset) - June 30, 2020	\$ 3,489,888	\$ 1,517,654	\$ (148,114)

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**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, 2020, 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, 2019	\$ 16,572,131	\$ 16,602,372	\$ (30,241)
Changes for the year:			
Service cost	110,220	-	110,220
Interest	1,145,821	-	1,145,821
Differences between expected and actual experience	(59,268)	-	(59,268)
Changes in assumptions	1,304,306	-	1,304,306
Contributions - employer	-	640,000	(640,000)
Net investment income	-	638,288	(638,288)
Benefit payments, including refunds of employee contributions	(1,148,642)	(1,148,642)	-
Administrative expense	-	(73,971)	73,971
Other changes	251,133	-	251,133
Net changes	1,603,570	55,675	1,547,895
Balance at June 30, 2020	\$ 18,175,701	\$ 16,658,047	\$ 1,517,654



**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**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	\$ 1,139,304	\$ 45,842	\$ 1,185,146

For the measurement period ended June 30, 2020, 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	\$ -	\$ 23,564
Changes in assumptions	518,579	-
Net difference between projected and actual earnings on pension plan investments	270,136	-
Total	\$ 788,715	\$ 23,564

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:	
2021	\$ 431,219
2022	92,224
2023	140,941
2024	100,767

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, 2020**

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

**Primary Government (excluding employees of the Board of Education): (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 \$118,464 during 2020.

**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 service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service.

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

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

**CITY OF ATHENS, TENNESSEE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2020**

**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, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	63
Inactive employees entitled to but not yet receiving benefits	120
Active employees	<u>86</u>
	<u>269</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, 2020, employer contributions were \$200,088 based on a rate of 9.60 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, 2019, 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, 2019, 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, 2020**

**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, 2019, 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, 2020**

**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 (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	\$ 7,846,239	\$ 7,808,547	\$ 37,692
Changes for the year:			
Service cost	189,989	-	189,989
Interest	567,606	-	567,606
Differences between expected and actual experience	(32,715)	-	(32,715)
Contributions - Employer	-	177,242	(177,242)
Contributions - Employees	-	106,516	(106,516)
Net investment income	-	576,272	(576,272)
Benefit payments, including refunds of employee contributions	(414,358)	(414,358)	-
Administrative expense	-	(7,699)	7,699
Net changes	310,522	437,973	(127,451)
Balance at June 30, 2019	\$ 8,156,761	\$ 8,246,520	\$ (89,759)

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Athens City Board of Education's net pension liability (asset)	\$ 896,315	\$ (89,759)	\$ (913,298)

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**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, 2020, Athens City Board of Education recognized pension expense of \$171,319.

*Deferred outflows of resources and deferred inflows of resources.* For the year ended June 30, 2020, 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	\$ 56,155	\$ 92,499
Net difference between projected and actual earnings on pension plan investments	-	96,835
Changes in assumptions	59,501	-
Contributions subsequent to the measurement date of June 30, 2019	<u>200,088</u>	<u>-</u>
Total	<u>\$ 315,744</u>	<u>\$ 189,334</u>

The amount shown above for contributions subsequent to the measurement date of June 30, 2019, 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:	
2021	\$ (4,581)
2022	(39,515)
2023	(26,542)
2024	(3,040)

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, 2020**

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

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

**Teacher Legacy Pension Plan**

**Plan description.** The Tennessee Consolidated Retirement System (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>.

Teachers employed by Athens City Board of Education with membership in TCRS before July 1, 2014, 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.

**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 if 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 2<sup>nd</sup> of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**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, 2020, to the Teacher Legacy Pension Plan were \$650,942 which is 10.63 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, 2020, the Athens City Board of Education reported a liability (asset) of \$(1,989,398) for its proportionate share of net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2019, 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, 2019, measurement date, Athens City Board of Education's proportion was 0.193487 percent. The proportion measured as of June 30, 2018, was 0.189192 percent.

**Pension expense.** For the year ended June 30, 2020, Athens City Board of Education recognized pension expense of \$294,078.



**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**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, 2020, 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	\$ 96,859	\$ 1,215,163
Changes in assumptions	268,082	-
Net difference between projected and actual earnings on pension plan investments	-	568,409
Changes in proportion of net pension liability (asset)	59,082	30,626
LEA's contributions subsequent to the measurement date of June 30, 2019	650,942	-
Total	\$ 1,074,965	\$ 1,814,198

The amount shown above for contributions subsequent to the measurement date of June 30, 2019, will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period. 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:	
2021	\$ (377,332)
2022	(566,782)
2023	(256,677)
2024	(189,384)

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, 2020**

**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, 2019, 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, 2019, 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, 2020**

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

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

**Teacher Legacy Pension Plan (continued)**

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
Developed market international equity	5.69 %	31 %
Emerging market international equity	5.29	14
Private equity and strategic lending	6.36	4
U.S. fixed income	5.79	20
Real estate	2.01	20
Short-term securities	4.32	10
	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 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)	\$ 4,067,743	\$ (1,989,398)	\$ (6,807,658)

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**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.* The Tennessee Consolidated Retirement System (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>.

Teachers employed by Athens City Board of Education with membership in the (TCRS) before July 1, 2014, 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.

*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 2<sup>nd</sup> of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

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

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

**Teacher Retirement Plan (continued)**

change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher 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 LEAs make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4 percent, except in years when the maximum funded level, as established by the TCRS Board of Trustees, is reached. 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 2.03 percent of covered payroll into the Teacher Retirement Plan and 1.97 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, 2020, to the Teacher Retirement Plan were \$47,086 which is 2.03 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, 2020, Athens City Board of Education reported a liability (asset) of (\$100,809) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2019, 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, 2019, Athens City Board of Education's proportion was 0.178585 percent. The proportion measured as of June 30, 2018, was 0.186509 percent.

**Pension expense.** For the year ended June 30, 2020, Athens City Board of Education recognized pension expense of \$32,129.

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**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, 2020, 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	\$ 4,180	\$ 17,598
Net difference between projected and actual earnings on pension plan investments	-	4,262
Changes in assumptions	3,503	-
Changes in proportion of net pension liability (asset)	9,201	4,104
LEA's contributions subsequent to the measurement date of June 30, 2019	47,086	-
<b>Total</b>	<b>\$ 63,970</b>	<b>\$ 25,964</b>

Athens City Board of Education's employer contributions of \$47,086 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, 2021. 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:	
2021	\$ (1,645)
2022	(2,297)
2023	(1,102)
2024	(492)
2025	(318)
Thereafter	(3,326)

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, 2020**

**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, 2019, 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, 2019, 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, 2020**

**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)	\$ 31,940	\$ (100,809)	\$ (198,934)

**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, 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, 2020**

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

**Primary Government (Board of Education employees): (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. 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 and 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, 2020, 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, 2020**

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

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

**TCRS Stabilization Trust (continued)**

Investments where fair value is measured using the Net Asset Value (NAV) per share have no readily determinable fair value and have been determined to be calculated consistent with FASB principles for investment companies.

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 presented 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 (3) 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

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

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

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

**TCRS Stabilization Trust (continued)**

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.

At June 30, 2020, 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 %	\$ 26,163
Developed market international equity	14	11,816
Emerging market international equity	4	3,376
U.S. fixed income	20	16,879
Real estate	10	8,440
Short-term securities	1	844
Investments at amortized cost using the NAV:		
Private equity and strategic lending	20	16,879
<b>Total</b>	<u>100 %</u>	<u>\$ 84,397</u>

<u>Investments by Fair Value Level</u>	<u>Fair Value 6/30/2020</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	\$ 26,163	\$ 26,163	\$ -	\$ -	\$ -
Developed market international equity	11,816	11,816	-	-	-
Emerging market international equity	3,376	3,376	-	-	-
U.S. fixed income	16,879	-	16,879	-	-
Real estate	8,440	-	-	8,440	-
Short-term securities	844	-	844	-	-
Private equity and strategic lending	<u>16,879</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,879</u>
<b>Total</b>	<u>\$ 84,397</u>	<u>\$ 41,355</u>	<u>\$ 17,723</u>	<u>\$ 8,440</u>	<u>\$ 16,879</u>

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

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

**Primary Government (Board of Education employees): (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, 2020**

**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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 157,194	\$ 1,348,824
Changes in assumptions	849,665	-
Net difference between projected and actual earnings on pension plan investments	270,136	669,506
Changes in proportion of net pension liability (asset)	68,283	34,730
Employer contributions subsequent to the measurement date	898,116	-
Total	\$ 2,243,394	\$ 2,053,060

Deferred outflows of resources related to contributions to pension plans subsequent to the measurement date will be recognized as a reduction (increase) of the net pension liability (asset) in the subsequent measurement period.

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:	
2021	\$ 47,661
2022	(516,370)
2023	(143,380)
2024	(92,149)
2025	(318)
Thereafter	(3,226)

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, 2020**

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

**Aggregation of all pension plans (continued)**

The retirement plans resulted in the following net pension asset and net pension liability:

	<u>Net Pension Asset</u>	<u>Net Pension Liability</u>
City - Employee Retirement Plan	\$ -	\$ 1,517,654
Board of Education - Public Employee Retirement Plan	89,759	-
Board of Education - Teacher Legacy Plan	1,989,398	-
Board of Educaiton - Teacher Retirement Plan	100,809	-
	<u>\$ 2,179,966</u>	<u>\$ 1,517,654</u>

Pension expense related to all plans were as follows:

City - Employee Retirement Plan	\$ 1,185,146
Board of Education - Public Employee Retirement Plan	171,319
Board of Education - Teacher Legacy Plan	294,078
Board of Education - Teacher Retirement Plan	<u>32,129</u>
Total aggregate pension expense	<u>\$ 1,682,672</u>

**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 \$113,693 to the Plan in 2020.

In addition, the Board offers their employees deferred compensation plans created in accordance with Internal Revenue Code Section 401 and 457. The Board makes no contributions to these plans.

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

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

**Teacher Group OPEB Plan**

*Plan description.* Employees of Athens City Board of Education (the Board), 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), 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, 2019, the following employees were covered by the benefit terms of the TGOP:

Inactive employees or beneficiaries currently receiving benefits	15
Inactive employees entitled to but not yet receiving benefits	-
Active employees	<u>157</u>
	<u>172</u>

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**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 2020, the Board paid \$91,266 to the TGOP for OPEB benefits as they came due.

**Total OPEB Liability**

*Actuarial assumptions.* The collective total OPEB liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement period, unless otherwise specified:

Inflation	2.20%
Salary increases	Graded salary ranges from 3.44% to 8.72% based on age, including inflation, averaging 4.00%
Healthcare cost trend rates	6.03% for pre-65 in 2019, decreasing annually over a 10 year period to an ultimate rate of 4.50%. 5.20% for post-65 in 2019, decreasing annually over a 4 year period to an ultimate rate of 4.50%.
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, 2019, valuations were the same as those employed in the July 1, 2018 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.



**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

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

**Teacher Group OPEB Plan (continued)**

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 3.51 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 Bond Buyer 20-Year Municipal GO AA index.

**Changes in the collective total OPEB liability are as follows:**

Balance at June 30, 2018	\$ 2,096,976
Changes for the year:	
Service cost	119,993
Interest	77,437
Changes of benefit terms	(79,869)
Differences between expected and actual experience	418,071
Changes in assumptions and other inputs	(170,842)
Benefit payments	(157,028)
Net changes	<u>207,762</u>
Balance at June 30, 2019	<u>\$ 2,304,738</u>
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 738,685
Employer's proportionate share of the collective total OPEB liability	\$ 1,566,053
Employer's proportion of the collective total OPEB liability	67.95%

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 decreased 2.51 percent from the prior measurement date. The Board recognized \$29,220 of revenue for subsidies provided by nonemployer contributing entities for benefits paid by the TGOP for Board retirees.

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

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

**Teacher Group OPEB Plan (continued)**

**Changes in assumptions.** The discount rate was changed from 3.62 percent as of the beginning of the measurement period to 3.51 percent as of June 30, 2019. This change in assumptions decreased the total OPEB liability.

**Changes in benefit terms.** The change in benefit terms resulted in \$79,869 decrease in the total OPEB liability.

**Sensitivity of proportionate share of the collective total OPEB liability to changes in the discount rate.** The following presents the proportionate share of the collective total OPEB liability related to the TGOP, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.51 percent) or 1 percentage point higher (4.51 percent) than the current discount rate:

	1% Decrease (2.51%)	Current Discount Rate (3.51%)	1% Increase (4.51%)
Proportionate share of the collective total OPEB liability	\$ 1,692,041	\$ 1,566,053	\$ 1,447,439

**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 or 1 percentage point higher than the current healthcare cost trend rate:

	1% Decrease (5.03%/4.20% decreasing to 3.50%)	Healthcare Cost Trend Rate (6.03%/5.20% decreasing to 4.50%)	1% Increase (7.03% /6.20% decreasing to 5.50%)
Proportionate share of the collective total OPEB liability	\$ 1,385,371	\$ 1,566,053	\$ 1,782,579

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

**OPEB expense.** For the year ended June 30, 2020, the Board recognized OPEB expense of \$95,144.

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**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, 2020, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the TGOP from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 253,432	\$ 238,656
Changes in assumptions	24,739	163,327
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	74,459	61,898
Employer payments subsequent to the measurement date	<u>91,266</u>	<u>-</u>
Total	<u>\$ 443,896</u>	<u>\$ 463,881</u>

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

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

Year ended June 30:	
2021	\$ (13,958)
2022	(13,598)
2023	(13,598)
2024	(13,598)
2025	(13,598)
Thereafter	(41,461)

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, 2020**

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

**Tennessee OPEB Plan**

**Plan description.** Employees of Athens City Board of Education who were hired prior to July 1, 2015, are provided with post-65 retiree health insurance benefits through the closed Tennessee OPEB Plan (TNP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be 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, 2019, the following employees were covered by the benefit terms of the TNP:

Inactive employees or beneficiaries currently receiving benefits	86
Inactive employees entitled to but not yet receiving benefits	15
Active employees	<u>109</u>
	<u>210</u>

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**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.

**Total OPEB Liability**

*Actuarial assumptions.* The collective total OPEB liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement period, unless otherwise specified:

Inflation	2.20%
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, 2019, valuations were the same as those employed in the July 1, 2018 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 3.51 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 Bond Buyer 20-Year Municipal GO AA index.

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**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, 2018	\$ 594,097
Changes for the year:	
Service cost	5,386
Interest	21,021
Differences between expected and actual experience	89,751
Changes in assumptions and other inputs	9,992
Benefit payments	<u>(37,898)</u>
Net changes	<u>88,252</u>
Balance at June 30, 2019	<u>\$ 682,349</u>
Nonemployer contributing entities proportionate share of the collective total OPEB liability	\$ 682,349
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 3.62 percent as of the beginning of the measurement period to 3.51 percent as of June 30, 2019. 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, 2020, the Board recognized OPEB expense of \$21,558.

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**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	\$ 253,432	\$ 238,656
Changes in assumptions	24,739	163,327
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	74,459	61,898
Employer payments subsequent to the measurement date	<u>91,266</u>	<u>-</u>
Total	<u>\$ 443,896</u>	<u>\$ 463,881</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:	
2021	\$ (13,958)
2022	(13,598)
2023	(13,598)
2024	(13,598)
2025	(13,598)
Thereafter	(41,461)

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, 2020**

**Note 9. 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	\$ 1,566,053
Tennessee OPEB Plan	-
	\$ 1,566,053

OPEB expense related to all plans were as follows:

Teacher Group OPEB Plan	\$ 95,144
Tennessee OPEB Plan	21,558
Total aggregate OPEB expense	\$ 116,702

In addition, the Board of Education's Teacher Group OPEB Plan and Tennessee OPEB Plan recognized \$29,220 and \$21,558 of revenue, respectively.

**Note 10. 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, 2020, the State of Tennessee made contributions to healthcare plans on behalf of the Board as follows:

Plan	Amount
Teacher Group OPEB Plan	\$ 49,594
Tennessee OPEB Plan	43,569

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, 2020**

**Note 11. Deferred Compensation**

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

**Note 12. Tax Abatements**

The City of Athens has an agreement with McMinn County and the Industrial Development Board of McMinn County for a Payment in Lieu of Taxes (PILOT) program, as authorized under Tennessee Code Annotated 7-53. The program offers real and personal property tax abatements to entice new and expanding companies to select Athens as the target of their investment for purposes of economic development.

The criteria for eligibility includes providing new capital investment and job growth in Athens. There are also provisions for retained jobs if certain criteria are met. Projects eligible for the abatement program include manufacturing companies, distribution centers, data center and service projects, research and development projects, and pollution control projects. The program provides for a 50% reduction in the real and personal property assessed values for a certain number of years depending on the level of investment and/or jobs created. There is also an option for a declining balance abatement for up to six years based on the same criteria, which provides for an abatement of 80% in year one, 60% in year two, 40% in year three, and 20% in years four through six.

Abatements may be recaptured in any year whereby the criteria are not met. Each agreement contains the methodology for calculating the percentage of repayment. The recovery payment is due with the annual report of the abatement.

The City has tax abatement agreements with two entities as of June 30, 2020:

	Percentage of Taxes Abated during the Year	Amount of Taxes Abated during the Year
	<u>                    </u>	<u>                    </u>
E&E Manufacturing	60%	\$ 47,540
Denso Tennessee, Inc.	50	104,771

**Note 13. Commitments and Contingencies**

The City Council has approved issuing debt up to \$35,000,000 for the construction of a new school building. The invitation to bid was issued in November 2020, and bids will be opened in December. Bid approval and beginning construction are expected in December also. The new building is scheduled to be completed by August 2022.

**CITY OF ATHENS, TENNESSEE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2020**

**Note 13. Commitments and Contingencies (continued)**

The City has arranged short term construction financing through Regions Capital Advantage, Inc. through a Non-Bank Qualified Tax Exempt General Obligation Draw Down Loan. The Loan will be disbursed on a monthly basis with variable interest based on a LIBOR or Prime Index calculation. At the date of the agreement, the calculation yielded interest rates from 1.11% - 1.19%. Interest will be due semi-monthly with principal due when permanent financing is utilized. Permanent financing will be through a \$35,000,000 USDA Community Facilities Loan. The 40 year loan will bear interest at 2.125%.

The Athens Utilities Board has debt issues with outstanding balances totaling \$22,507,834, 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 14. Risk Management**

In March 2020, the World Health Organization declared a pandemic related to the rapidly spreading coronavirus (COVID-19) outbreak, which has led to a global health emergency. Events that unfold as a part of the COVID-19 pandemic could materially impact the City's net position, however, the ultimate impact, if any, cannot be reasonably estimated at this time.

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.

**REQUIRED SUPPLEMENTAL INFORMATION**

**CITY OF ATHENS, TENNESSEE  
REQUIRED SUPPLEMENTAL INFORMATION  
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY  
AND RELATED RATIOS  
EMPLOYEE RETIREMENT PLAN  
LAST SIX FISCAL YEARS  
June 30, 2020**

	2020	2019	2018	2017	2016	2015
<b>Total Pension Liability</b>						
Service cost	\$ 110,220	\$ 130,864	\$ 134,000	\$ 181,239	\$ 202,251	\$ 219,376
Interest	1,145,821	1,135,933	1,136,290	1,142,721	1,086,325	1,094,369
Differences between expected and actual experience	(59,268)	(234,506)	(249,085)	(460,714)	327,458	45,954
Changes in assumptions	1,304,306	-	-	-	-	277,477
Benefit payments	(1,148,642)	(1,095,290)	(953,466)	(863,801)	(717,399)	(668,078)
Other changes	251,133	-	-	-	-	-
<b>Net change in total pension liability</b>	<u>1,603,570</u>	<u>(62,999)</u>	<u>67,739</u>	<u>(555)</u>	<u>898,635</u>	<u>969,098</u>
<b>Total pension liability - beginning</b>	<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>	<u>14,700,213</u>
<b>Total pension liability - ending (a)</b>	<u>\$ 18,175,701</u>	<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>
<b>Plan Fiduciary Net Position</b>						
Contributions - employer	\$ 640,000	\$ 600,000	\$ 600,000	\$ 650,000	\$ 1,300,000	\$ 1,610,000
Net investment income	638,288	914,882	1,320,179	1,737,667	(116,640)	200,379
Benefit payments	(1,148,642)	(1,095,290)	(953,466)	(863,801)	(717,399)	(668,078)
Administrative expense	(73,971)	-	(64,193)	(55,593)	(55,550)	(66,580)
<b>Net change in plan fiduciary net position</b>	<u>55,675</u>	<u>419,592</u>	<u>902,520</u>	<u>1,468,273</u>	<u>410,411</u>	<u>1,075,721</u>
<b>Plan fiduciary net position - beginning</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>	<u>12,325,855</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 16,658,047</u>	<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>
<b>Net pension liability (asset) - ending (a) - (b)</b>	<u>\$ 1,517,654</u>	<u>\$ (30,241)</u>	<u>\$ 452,350</u>	<u>\$ 1,287,131</u>	<u>\$ 2,755,959</u>	<u>\$ 2,267,735</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	91.65%	100.18%	92.23%	92.23%	83.37%	85.53%
<b>Covered payroll</b>	\$ 1,826,067	\$ 2,097,532	\$ 2,217,599	\$ 2,445,296	\$ 3,067,660	\$ 3,406,196
<b>Net pension liability as a percentage of covered payroll</b>	83.11%	-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 was based on data as of January 1st rolled forward using the discount rate in effect on June 30.

For 2020, the investment return was 6.75% per annum. Beginning in 2015, the investment return had been 7.00% per annum. Prior to 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 SIX FISCAL YEARS  
June 30, 2020**

	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 404,526	\$ 398,633	\$ 393,842	\$ 359,139	\$ 359,396	\$ 465,803
Contributions in relation to the actuarially determined contribution	<u>640,000</u>	<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>\$ (235,474)</u>	<u>\$ (201,367)</u>	<u>\$ (206,158)</u>	<u>\$ (290,861)</u>	<u>\$ (940,604)</u>	<u>\$ (1,144,197)</u>
Covered payroll	\$ 1,826,067	\$ 2,097,532	\$ 2,217,599	\$ 2,445,296	\$ 3,067,660	\$ 3,406,196
Contributions as a percentage of covered payroll	35.05%	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	25.5 years as of July 1, 2019
Asset valuation method	Five-year asset average spreading, 20% corridor around market value
Salary increases	3.00% per annum
Investment rate of return	6.75% 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 SEVEN FISCAL YEARS  
 June 30, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	3.83%	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 SIX FISCAL YEARS  
June 30, 2020**

	2014	2015	2016	2017	2018	2019
<b>TOTAL PENSION LIABILITY</b>						
Service cost	\$ 183,637	\$ 192,930	\$ 202,468	\$ 197,805	\$ 217,353	\$ 189,989
Interest	456,115	470,972	507,194	525,704	537,932	567,606
Differences between expected and actual experience	(170,142)	108,969	(142,126)	(98,841)	112,311	(32,715)
Changes in assumptions	-	-	-	148,754	-	-
Benefit payments, including refunds of employee contributions	<u>(277,253)</u>	<u>(284,381)</u>	<u>(314,496)</u>	<u>(317,667)</u>	<u>(447,523)</u>	<u>(414,358)</u>
<b>Net change in total pension liability</b>	192,357	488,490	253,040	455,755	420,073	310,522
<b>Total pension liability-beginning</b>	6,036,524	6,228,881	6,717,371	6,970,411	7,426,166	7,846,239
<b>Total pension liability-ending (a)</b>	<u>\$ 6,228,881</u>	<u>\$ 6,717,371</u>	<u>\$ 6,970,411</u>	<u>\$ 7,426,166</u>	<u>\$ 7,846,239</u>	<u>\$ 8,156,761</u>
<b>PLAN FIDUCIARY NET POSITION</b>						
Contributions - employer	\$ 156,714	\$ 158,450	\$ 164,526	\$ 174,295	\$ 168,249	\$ 177,242
Contributions - employees	94,521	95,605	100,581	105,188	101,278	106,516
Net investment income	914,930	196,626	173,363	754,503	605,614	576,272
Benefit payments, including refunds of employee contributions	(277,253)	(284,381)	(314,496)	(317,667)	(447,523)	(414,358)
Administrative expense	<u>(3,263)</u>	<u>(4,335)</u>	<u>(6,525)</u>	<u>(8,045)</u>	<u>(8,206)</u>	<u>(7,699)</u>
<b>Net change in plan fiduciary net position</b>	885,649	161,965	117,449	708,274	419,412	437,973
<b>Plan fiduciary net position-beginning</b>	5,515,798	6,401,447	6,563,412	6,680,861	7,389,135	7,808,547
<b>Plan fiduciary net position-ending (b)</b>	<u>\$ 6,401,447</u>	<u>\$ 6,563,412</u>	<u>\$ 6,680,861</u>	<u>\$ 7,389,135</u>	<u>\$ 7,808,547</u>	<u>\$ 8,246,520</u>
<b>Net pension liability (asset)-ending (a)-(b)</b>	<u>\$ (172,566)</u>	<u>\$ 153,959</u>	<u>\$ 289,550</u>	<u>\$ 37,031</u>	<u>\$ 37,692</u>	<u>\$ (89,759)</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	(102.77)%	97.71%	95.85%	99.50%	99.52%	101.10%
<b>Covered payroll</b>	\$ 1,888,122	\$ 1,904,451	\$ 1,976,171	\$ 2,094,909	\$ 2,022,221	\$ 2,130,306
<b>Net pension liability (asset) as a percentage of covered payroll</b>	(9.14)%	8.08%	14.65%	1.77%	1.86%	(4.21)%

**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 adjustment, 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 SEVEN FISCAL YEARS  
June 30, 2020**

	2014	2015	2016	2017	2018	2019	2020
Actuarially determined contribution	\$ 156,714	\$ 158,450	\$ 164,526	\$ 174,295	\$ 168,249	\$ 177,242	\$ 200,088
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>	<u>200,088</u>
Contribution deficiency(excess)	<u>\$ -</u>	<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	\$ 2,130,306	\$ 2,084,250
Contributions as a percentage of covered payroll	8.30%	8.32%	8.33%	8.32%	8.32%	8.32%	9.60%

**Notes to Schedule**

*Valuation date:*

Actuarially determined contribution rates for 2020 were calculated based on the June 30, 2018, 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 averaging 4.00%
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 SIX FISCAL YEARS  
June 30, 2020**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Athens City Board of Education's proportion of the net pension liability (asset)	(0.188902)%	0.191783%	0.201213%	(0.195561)%	(0.189192)%	(0.193487)%
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)	\$ (1,989,398)
Athens City Board of Education's covered payroll	\$ 7,414,378	\$ 7,179,415	\$ 7,263,369	\$ 6,856,088	\$ 6,624,524	\$ 6,487,902
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)%	(30.66)%
Plan fiduciary net position as a percentage of the total pension liability	100.08%	99.81%	97.14%	100.14%	101.49%	104.28%

**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 SEVEN FISCAL YEARS  
June 30, 2020**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Contractually required contribution	\$ 658,397	\$ 649,018	\$ 656,609	\$ 624,934	\$ 601,539	\$ 678,635	\$ 650,942
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>678,635</u>	<u>650,942</u>
Contribution deficiency (excess)	<u>\$ -</u>	<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	\$6,487,902	\$6,123,626
Contributions as a percentage of the Athens City Board of Education's covered payroll	8.88%	9.04%	9.04%	9.12%	9.08%	10.46%	10.63%

**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 FIVE FISCAL YEARS  
June 30, 2020**

	2016	2017	2018	2019	2020
Athens City Board of Education's proportion of the net pension liability (asset)	(0.339025)%	(0.199142)%	(0.168014)%	(0.186509)%	(0.178585)%
Athens City Board of Education's proportionate share of the net pension liability (asset)	\$ (13,926)	\$ (20,731)	\$ (44,329)	\$ (84,587)	\$ (100,809)
Athens City Board of Education's covered payroll	\$ 719,244	\$ 876,231	\$ 1,159,644	\$ 1,629,866	\$ 1,892,758
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)%	(5.33)%
Plan fiduciary net position as a percentage of the total pension liability	127.46%	121.88%	126.81%	126.97%	123.07%

**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 SIX FISCAL YEARS  
June 30, 2020**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019*</u>	<u>2020**</u>
Contractually required contribution	\$ 17,981	\$ 21,934	\$ 44,110	\$ 26,579	\$ 36,662	\$ 47,086
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>36,662</u>	<u>47,086</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>	<u><u>\$ -</u></u>
Athens City Board of Education's covered payroll	\$719,244	\$876,231	\$1,159,644	\$1,629,866	\$1,892,758	\$2,320,890
Contributions as a percentage of Athens City Board of Education's covered payroll	4.00%	4.00%	3.80%	4.00%	1.94%	2.03%

**Notes to Schedule**

\* In FY 2019, the Board placed the actuarially determined contribution rate 1.94 percent of covered payroll into the pension plan and placed 2.06 percent of covered payroll into the TCRS Stabilization Trust.

\*\* In FY 2020, the Board placed the actuarially determined contribution rate 2.03 percent of covered payroll into the pension plan and placed 1.97 percent of covered payroll into the TCRS Stabilization Trust.

*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 PROPORTIONATE SHARE OF COLLECTIVE  
OPEB LIABILITY AND RELATED RATIOS  
ATHENS CITY BOARD OF EDUCATION  
TEACHER GROUP OPEB PLAN  
June 30, 2020**

	2019	2020
<b>TOTAL OPEB LIABILITY</b>		
Service cost	\$ 139,034	\$ 119,993
Interest	95,367	77,437
Changes of benefit terms	(190,235)	(79,869)
Differences between expected and actual experience	(433,868)	418,071
Changes in assumptions and other inputs	44,973	(170,842)
Benefit payments	(196,195)	(157,028)
<b>Net change in total OPEB liability</b>	(540,924)	207,762
<b>Total OPEB liability-beginning</b>	2,637,900	2,096,976
<b>Total OPEB liability-ending</b>	\$ 2,096,976	\$ 2,304,738
<b>Nonemployer contributing entities proportionate share of the collective total OPEB liability</b>	\$ 619,403	\$ 738,685
<b>Employer's proportionate share of the collective total OPEB liability</b>	\$ 1,477,573	\$ 1,566,053
<b>Covered-employee payroll</b>	\$ 9,945,181	\$ 10,238,579
<b>Employer's proportionate share of collective total OPEB liability as a percentage of covered-employee payroll</b>	14.86%	15.30%

**Notes to Schedule**

*Valuation date:* June 30, 2019

*Measurement date:* June 30, 2019

*Methods and assumptions used to determine total OPEB liability:*

Actuarial cost method      Entry age normal

Inflation                      2.20%

Discount rate                3.51%

Salary increases              Assumed salary increases are the same as used by TCRS: 8.72% at age 20 graded to 3.44% at age 70 (with 4.00% weighted average).

Mortality                      Healthy: RP-2014 Employees and Healthy Annuitants mortality table projected generationally with MP-2016 from the central year.

Post-retirement tables are Blue Collar and adjusted with a 2% load for males and a -3% load for females, projected generationally from 2014 with MP-2016.

Disabled: Reflects those used by TCRS and are taken from the gender distinct table published in the IRS Revenue Ruling 96-7 for disabled lives with a 10% load.

Healthcare cost trend rates	Year	Pre-65	Post-65
	2019	6.03%	5.20%
	2020	5.84%	5.03%
	2021	5.66%	4.85%

*Changes in assumptions:* The discount rate was changed from 3.62% as of the beginning of the measurement period to 3.51% as of June 30, 2019. This change is reflected in the Schedule of Changes in Proportionate Share of Collective OPEB Liability and Related Ratios. Benefit changes reflect the change in the subsidy level of the Employer's premium subsidy.

**CITY OF ATHENS, TENNESSEE  
REQUIRED SUPPLEMENTAL INFORMATION  
SCHEDULE OF CHANGES IN PROPORTIONATE SHARE OF COLLECTIVE  
OPEB LIABILITY AND RELATED RATIOS  
ATHENS CITY BOARD OF EDUCATION  
TENNESSEE OPEB PLAN  
June 30, 2020**

	2019	2020
<b>TOTAL OPEB LIABILITY</b>		
Service cost	\$ 6,482	\$ 5,386
Interest	24,002	21,021
Differences between expected and actual experience	(79,587)	89,751
Changes in assumptions and other inputs	(3,957)	9,992
Benefit payments	(41,143)	(37,898)
<b>Net change in total OPEB liability</b>	(94,203)	88,252
<b>Total OPEB liability-beginning</b>	688,300	594,097
<b>Total OPEB liability-ending</b>	\$ 594,097	\$ 682,349
<b>Nonemployer contributing entities proportionate share of the collective total OPEB liability</b>	\$ 594,097	\$ 682,349
<b>Employer's proportionate share of the collective total OPEB liability</b>	\$ -	\$ -
<b>Covered-employee payroll</b>	\$ 10,381,280	\$ 10,547,888
<b>Employer's proportionate share of collective total OPEB liability as a percentage of covered-employee payroll</b>	N/A	N/A

**Notes to Schedule**

*Valuation date:* June 30, 2019

*Measurement date:* June 30, 2019

*Methods and assumptions used to determine total OPEB liability:*

Actuarial cost method      Entry age normal

Inflation                      2.20%

Discount rate                3.51%

Salary increases              Assumed salary increases are the same as used by TCRS: 8.72% at age 20 graded to 3.44% at age 70 (with 4.00% weighted average).

Mortality                      Healthy: RP-2014 Employees and Healthy Annuitants mortality table projected generationally with MP-2016 from the central year.

Post-retirement tables are Blue Collar and adjusted with a 2% load for males and a -3% load for females, projected generationally from 2014 with MP-2016.

Disabled: Reflects those used by TCRS and are taken from the gender distinct table published in the IRS Revenue Ruling 96-7 for disabled lives with a 10% load.

Healthcare cost trend rates      Premium subsidies provided by the State and the Employer are assumed to remain unchanged for the projection.

*Changes in assumptions:* The discount rate was changed from 3.62% as of the beginning of the measurement period to 3.51% as of June 30, 2019. This change is reflected in the Schedule of Changes in Proportionate Share of Collective OPEB Liability and Related Ratios. There were no benefits changes during the measurement period.

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**NON-MAJOR GOVERNMENTAL FUNDS**



# NONMAJOR GOVERNMENTAL FUNDS

## Debt Service Fund

The Debt Service Fund is used for the accumulation of resources for, and the payment of, principal and interest on general long-term debt.

## 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, 2020**

	Special Revenue Funds				Capital Projects Fund	Permanent Fund	Total Nonmajor Governmental Funds
	Debt Service	Federal Projects	Drug	Centralized Cafeteria	Education Capital Projects	Cemetery Perpetual Care	
<b>ASSETS</b>							
Cash and cash equivalents	\$ -	\$ 69,177	\$ 42,751	\$ 227,499	\$ 24,247	\$ 4,150	\$ 367,824
Investments	1,003,009	-	82,728	-	-	334,027	1,419,764
Account receivable	-	-	-	-	-	340	340
Due from other governments	-	6,846	6,037	159,533	-	-	172,416
Inventories	-	-	-	43,855	-	-	43,855
Total assets	<u>\$1,003,009</u>	<u>\$ 76,023</u>	<u>\$ 131,516</u>	<u>\$ 430,887</u>	<u>\$ 24,247</u>	<u>\$ 338,517</u>	<u>\$ 2,004,199</u>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>LIABILITIES</b>							
Interfund payable	\$ -	\$ 6,846	\$ -	\$ -	\$ -	\$ -	\$ 6,846
Accrued payroll and withholdings	-	69,177	-	52,801	-	-	121,978
Total liabilities	<u>-</u>	<u>76,023</u>	<u>-</u>	<u>52,801</u>	<u>-</u>	<u>-</u>	<u>128,824</u>
<b>FUND BALANCES</b>							
Nonspendable	-	-	-	43,855	-	87,239	131,094
Restricted	1,003,009	-	115,926	-	-	251,278	1,370,213
Committed	-	-	15,590	-	24,247	-	39,837
Assigned	-	-	-	334,231	-	-	334,231
Total fund balances	<u>1,003,009</u>	<u>-</u>	<u>131,516</u>	<u>378,086</u>	<u>24,247</u>	<u>338,517</u>	<u>1,875,375</u>
Total liabilities and fund balances	<u>\$1,003,009</u>	<u>\$ 76,023</u>	<u>\$ 131,516</u>	<u>\$ 430,887</u>	<u>\$ 24,247</u>	<u>\$ 338,517</u>	<u>\$ 2,004,199</u>

**CITY OF ATHENS, TENNESSEE**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2020**

	Debt Service	Special Revenue Funds			Capital Projects Fund	Permanent Fund	Total Nonmajor Governmental Funds
		Federal Projects	Drug	Centralized Cafeteria	Education Capital Projects	Cemetery Perpetual Care	
<b>REVENUES</b>							
Intergovernmental	\$ 1,000,000	\$1,280,828	\$ -	\$1,386,741	\$ -	\$ -	\$ 3,667,569
Fines and forfeitures	-	-	41,460	-	-	-	41,460
Investment and interest income	3,009	-	1,939	914	-	20,060	25,922
Charges for services	-	-	-	40,207	-	2,850	43,057
Miscellaneous	-	-	-	1,000	-	1,245	2,245
Total revenues	<u>1,003,009</u>	<u>1,280,828</u>	<u>43,399</u>	<u>1,428,862</u>	<u>-</u>	<u>24,155</u>	<u>3,780,253</u>
<b>EXPENDITURES</b>							
Current:							
Public safety	-	-	23,868	-	-	-	23,868
Education	-	1,280,828	-	1,309,190	-	-	2,590,018
Capital outlay	-	-	25,910	-	1,027,355	-	1,053,265
Total expenditures	<u>-</u>	<u>1,280,828</u>	<u>49,778</u>	<u>1,309,190</u>	<u>1,027,355</u>	<u>-</u>	<u>3,667,151</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<u>1,003,009</u>	<u>-</u>	<u>(6,379)</u>	<u>119,672</u>	<u>(1,027,355)</u>	<u>24,155</u>	<u>113,102</u>
<b>OTHER FINANCING SOURCES</b>							
Transfer in	-	-	-	-	27,355	-	27,355
<b>NET CHANGE IN FUND BALANCE</b>	<u>1,003,009</u>	<u>-</u>	<u>(6,379)</u>	<u>119,672</u>	<u>(1,000,000)</u>	<u>24,155</u>	<u>140,457</u>
<b>FUND BALANCES, beginning of year</b>	<u>-</u>	<u>-</u>	<u>137,895</u>	<u>258,414</u>	<u>1,024,247</u>	<u>314,362</u>	<u>1,734,918</u>
<b>FUND BALANCES, end of year</b>	<u>\$ 1,003,009</u>	<u>\$ -</u>	<u>\$ 131,516</u>	<u>\$ 378,086</u>	<u>\$ 24,247</u>	<u>\$ 338,517</u>	<u>\$ 1,875,375</u>

**CITY OF ATHENS, TENNESSEE  
BUDGETARY COMPARISON SCHEDULE  
FEDERAL PROJECTS FUND  
Year Ended June 30, 2020**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Federal funds received through state	\$ 1,289,711	\$ 1,606,438	\$ 1,280,828	\$ (325,610)
Total revenues	<u>1,289,711</u>	<u>1,606,438</u>	<u>1,280,828</u>	<u>(325,610)</u>
<b>EXPENDITURES</b>				
Current:				
Instruction				
Regular instruction	413,632	559,247	454,096	105,151
Special education	<u>332,692</u>	<u>404,518</u>	<u>384,241</u>	<u>20,277</u>
	<u>746,324</u>	<u>963,765</u>	<u>838,337</u>	<u>125,428</u>
Support services				
Instructional support	333,540	399,928	283,882	116,046
Student support	209,847	237,776	153,661	84,115
Transportation	-	4,969	4,948	21
	<u>543,387</u>	<u>642,673</u>	<u>442,491</u>	<u>200,182</u>
Total expenditures	<u>1,289,711</u>	<u>1,606,438</u>	<u>1,280,828</u>	<u>325,610</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	-	-	-	-
<b>FUND BALANCE, beginning of year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF ATHENS, TENNESSEE**  
**BUDGETARY COMPARISON SCHEDULE**  
**DRUG FUND**  
**Year Ended June 30, 2020**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Drug fines and forfeitures	\$ 20,000	\$ 20,000	\$ 41,460	\$ 21,460
Investment and interest income	-	-	1,939	1,939
Total revenues	<u>20,000</u>	<u>20,000</u>	<u>43,399</u>	<u>23,399</u>
<b>EXPENDITURES</b>				
Drug investigation	5,000	5,000	-	5,000
Supplies	35,000	35,000	23,868	11,132
Awareness, education and training	5,000	5,000	-	5,000
Capital outlay	<u>50,000</u>	<u>50,000</u>	<u>25,910</u>	<u>24,090</u>
Total expenditures	<u>95,000</u>	<u>95,000</u>	<u>49,778</u>	<u>45,222</u>
<b>REVENUES (UNDER) EXPENDITURES</b>	(75,000)	(75,000)	(6,379)	68,621
<b>FUND BALANCE, beginning of year</b>	<u>137,895</u>	<u>137,895</u>	<u>137,895</u>	<u>-</u>
<b>FUND BALANCE, end of year</b>	<u>\$ 62,895</u>	<u>\$ 62,895</u>	<u>\$ 131,516</u>	<u>\$ 68,621</u>

**CITY OF ATHENS, TENNESSEE  
BUDGETARY COMPARISON SCHEDULE  
CENTRALIZED CAFETERIA FUND  
Year Ended June 30, 2020**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
State funds	\$ 10,500	\$ 10,500	\$ 10,312	\$ (188)
Federal funds received through state	1,083,837	1,083,837	1,376,429	292,592
Charges for services	70,500	70,500	40,207	(30,293)
Interest	950	950	914	(36)
Other	<u>70,000</u>	<u>70,000</u>	<u>1,000</u>	<u>(69,000)</u>
Total revenues	<u>1,235,787</u>	<u>1,235,787</u>	<u>1,428,862</u>	<u>193,075</u>
<b>EXPENDITURES</b>				
Food services	<u>1,235,787</u>	<u>1,235,787</u>	<u>1,309,190</u>	<u>(73,403)</u>
Total expenditures	<u>1,235,787</u>	<u>1,235,787</u>	<u>1,309,190</u>	<u>(73,403)</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	-	-	119,672	119,672
<b>FUND BALANCE, beginning of year</b>	<u>258,414</u>	<u>258,414</u>	<u>258,414</u>	<u>-</u>
<b>FUND BALANCE, end of year</b>	<u>\$ 258,414</u>	<u>\$ 258,414</u>	<u>\$ 378,086</u>	<u>\$ 119,672</u>

**INTERNAL SERVICE FUNDS**

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## 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, 2020**

	<u>Fleet Fund</u>	<u>Employee Medical Benefits Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 33,304	\$ -	\$ 33,304
Investments	4,787,744	378,722	5,166,466
Accounts receivable	34,000	-	34,000
Interest receivable	3,500	-	3,500
Total current assets	<u>4,858,548</u>	<u>378,722</u>	<u>5,237,270</u>
Capital assets:			
Capital assets, net	<u>2,211,572</u>	-	<u>2,211,572</u>
Total assets	<u>\$ 7,070,120</u>	<u>\$ 378,722</u>	<u>\$ 7,448,842</u>
<b>LIABILITIES AND NET POSITION</b>			
<b>LIABILITIES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>NET POSITION</b>			
Net investment in capital assets	2,211,572	-	2,211,572
Unrestricted	<u>4,858,548</u>	<u>378,722</u>	<u>5,237,270</u>
Total net position	<u>7,070,120</u>	<u>378,722</u>	<u>7,448,842</u>
Total liabilities and net position	<u>\$ 7,070,120</u>	<u>\$ 378,722</u>	<u>\$ 7,448,842</u>

**CITY OF ATHENS, TENNESSEE**  
**COMBINING STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**Year Ended June 30, 2020**

	Fleet Fund	Employee Medical Benefits Fund	Total
<b>OPERATING REVENUES</b>			
Charges for services	\$ 775,900	\$ -	\$ 775,900
Miscellaneous	750	-	750
Total operating revenues	776,650	-	776,650
<b>OPERATING EXPENSES</b>			
Depreciation	454,295	-	454,295
<b>OPERATING INCOME</b>	322,355	-	322,355
<b>NONOPERATING REVENUES</b>			
Gain on sale of assets	18,808	-	18,808
Interest income	79,943	5,912	85,855
Total nonoperating revenues	98,751	5,912	104,663
Income before capital contributions	421,106	5,912	427,018
<b>CAPITAL CONTRIBUTIONS</b>	121,064	-	121,064
<b>CHANGE IN NET POSITION</b>	542,170	5,912	548,082
<b>NET POSITION, beginning of year</b>	6,527,950	372,810	6,900,760
<b>NET POSITION, end of year</b>	\$ 7,070,120	\$ 378,722	\$ 7,448,842

**CITY OF ATHENS, TENNESSEE**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**Year Ended June 30, 2020**

	<u>Fleet Fund</u>	<u>Employee Medical Benefits Fund</u>	<u>Total</u>
<b>CASH FLOWS PROVIDED BY OPERATING ACTIVITIES</b>			
Receipts from customers	<u>\$ 742,650</u>	<u>\$ -</u>	<u>\$ 742,650</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
	<u>-</u>	<u>-</u>	<u>-</u>
<b>CASH FLOWS PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Proceeds from sale of assets	<u>34,000</u>	<u>-</u>	<u>34,000</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment and interest earnings	88,860	5,912	94,772
Purchase of investments	<u>(864,760)</u>	<u>(5,912)</u>	<u>(870,672)</u>
Net cash used in investing activities	<u>(775,900)</u>	<u>-</u>	<u>(775,900)</u>
Net increase in cash and cash equivalents	750	-	750
Cash and cash equivalents, beginning of year	<u>32,554</u>	<u>-</u>	<u>32,554</u>
Cash and cash equivalents, end of year	<u>\$ 33,304</u>	<u>\$ -</u>	<u>\$ 33,304</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>			
Operating income	\$ 322,355	\$ -	\$ 322,355
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	454,295	-	454,295
Changes in assets and liabilities:			
Accounts receivable	<u>(34,000)</u>	<u>-</u>	<u>(34,000)</u>
Net cash provided by operating activities	<u>\$ 742,650</u>	<u>\$ -</u>	<u>\$ 742,650</u>
<b>SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>			
Interfund transfer of property	\$ 121,064	\$ -	\$ 121,064

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**CITY OF ATHENS, TENNESSEE**  
**SCHEDULE OF UNCOLLECTED DELINQUENT TAXES FILED**  
**LAST TEN YEARS**  
**June 30, 2020**

<u>Tax Year</u>	<u>Delinquent Taxes Filed</u>	<u>July 1, 2019 Delinquent Taxes Receivable</u>	<u>Current Collections and Adjustments</u>	<u>June 30, 2020 Delinquent Taxes Receivable</u>
2009 and Prior	\$ *	\$ 3,111	\$ -	\$ 3,111
2010	77,158	12,674	-	12,674
2011	97,583	17,155	1,672	15,483
2012	78,451	21,099	1,245	19,854
2013	72,120	18,650	1,900	16,750
2014	83,863	25,113	2,999	22,114
2015	116,012	42,155	4,328	37,827
2016	94,263	54,932	13,921	41,011
2017	158,360	149,499	42,798	106,701
2018	154,831	337,985	191,229	146,756

\* Not available.

**CITY OF ATHENS, TENNESSEE**  
**SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE**  
**Year Ended June 30, 2020**

	<u>Total</u>	<u>2020 Assessment</u>	<u>2019 Assessment</u>	<u>Prior Years</u>
PROPERTY TAXES RECEIVABLE				
July 1, 2019	<u>\$ 7,139,373</u>	<u>\$ -</u>	<u>\$ 6,457,000</u>	<u>\$ 682,373</u>
Add -				
Taxes assessed	6,451,000	6,451,000	-	-
Late listings	<u>216,369</u>	<u>-</u>	<u>194,145</u>	<u>22,224</u>
	<u>6,667,369</u>	<u>6,451,000</u>	<u>194,145</u>	<u>22,224</u>
Deduct -				
Collections	6,543,702	-	6,266,216	277,486
Adjustments and abatements	<u>66,181</u>	<u>-</u>	<u>61,351</u>	<u>4,830</u>
	<u>6,609,883</u>	<u>-</u>	<u>6,327,567</u>	<u>282,316</u>
PROPERTY TAXES RECEIVABLE				
June 30, 2020	<u>\$ 7,196,859</u>	<u>\$ 6,451,000</u>	<u>\$ 323,578</u>	<u>\$ 422,281</u>

**CITY OF ATHENS, TENNESSEE**  
**SCHEDULE OF INVESTMENTS**  
**June 30, 2020**

	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	-	-	\$ 4,150	\$ 4,150
Causeway International Value Fund	-	-	5,507	4,931
Doubleline Total Return Bond Fund	-	-	50,336	49,608
Federated MDT Small Cap Growth Fund	-	-	1,470	1,901
Harding Loevner International Equity Institutional Fund	-	-	3,907	4,832
Hotchkis and Wiley High Yield Fund	-	-	6,915	7,300
Ishares MSCI EAFE Small Cap Index fund	-	-	2,462	2,467
Lazard Emerging Markets Equity Institutional Fund	-	-	3,499	3,027
Metropolitan West Total Return Fund	-	-	38,437	41,077
Morgan Stanley Institutional Fund	-	-	2,392	4,431
Natixis Loomis Say Growth	-	-	7,849	11,954
Neuberger Berman Strategic Income Fund	-	-	22,433	22,208
Oppenheimer Developing Markets Fund	-	-	3,327	3,720
PIMCO International Bond Fund	-	-	4,902	5,014
PIMCO Real Return Fund	-	-	12,194	12,622
PGIM Total Return	-	-	46,041	46,753
Sterling Capital Equity Income Fund	-	-	7,622	8,525
Sterling Capital Total Return Bond Fund	-	-	62,754	65,409
Touchstone Mid Cap Grow Inst	-	-	4,063	4,393
Touchstone Mid Cap Value Fund	-	-	8,027	7,698
Vanguard 500 Index Fund	-	-	14,153	19,058
Vanguard Developed Markets Index Fund	-	-	3,157	3,255
Virtus Quality Small Cap Fund	-	-	3,023	3,844
Total investment funds			<u>314,470</u>	<u>334,027</u>
Total Cemetery Perpetual Care Fund			<u>318,620</u>	<u>338,177</u>
Athens Pension Trust Fund:				
Sterling Capital Prime Money Market Fund	-	-	<u>16,656,857</u>	<u>16,656,857</u>
			<u>\$ 16,975,477</u>	<u>\$ 16,995,034</u>

(continued)



CITY OF ATHENS, TENNESSEE  
SCHEDULE OF INVESTMENTS  
June 30, 2020  
(continued)

	Interest Rate	Maturity Date	Cost	Market Value
INVESTMENTS - OTHER FUNDS				
General Fund				
Participation in the State of Tennessee Local				
Government Investment Pool (LGIP)	-	-	\$ 8,696,893	\$ 8,696,893
Certificate of Deposit	2.46%	4/30/21	3,982,000	3,982,000
			<u>\$ 12,678,893</u>	<u>\$ 12,678,893</u>
Drug Fund - LGIP				
	-	-	\$ 82,728	\$ 82,728
Capital Improvement Fund - LGIP				
	-	-	\$ 5,737,203	\$ 5,737,203
Employee Medical Benefits Fund - LGIP				
	-	-	\$ 378,722	\$ 378,722
Sanitation Fund - LGIP				
	-	-	\$ 2,713,087	\$ 2,713,087
Debt Service Fund - LGIP				
	-	-	\$ 1,003,009	\$ 1,003,009
Fleet Fund				
LGIP				
Certificate of Deposit	1.93%	10/6/20	2,647,984	2,647,984
			<u>\$ 4,787,744</u>	<u>\$ 4,787,744</u>

**CITY OF ATHENS, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**Year Ended June 30, 2020**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Accrued (Unearned) Grant Revenues July 1, 2019	Grant Revenues Received	Expenditures	Accrued (Unearned) Grant Revenues June 30, 2020
<b>PRIMARY GOVERNMENT:</b>						
<b>CITY OF ATHENS</b>						
<b>FEDERAL AWARDS</b>						
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>						
Passed through TN Department of Transportation:						
Highway Planning and Construction						
Resurfacing Streets	20.205	STP-M-9201 (15)	\$ -	\$ 33,600	\$ 33,600	\$ -
Tennessee Highway Safety Office						
Alcohol Open Container	20.607	Z-19-THS-013	1,683	1,826	143	-
Tennessee Highway Safety Office						
Alcohol Open Container	20.607	Z-20-THS-007	-	4,515	4,515	-
			<u>1,683</u>	<u>39,941</u>	<u>38,258</u>	<u>-</u>
<b>U.S. DEPARTMENT OF THE INTERIOR</b>						
Passed through TN Department of Environment & Conservation:						
Tennessee Historical Commission Design Guidelines	15.904	32701-03561	-	3,976	3,976	-
<b>U.S. DEPARTMENT OF JUSTICE</b>						
Edward Byrne Memorial Justice Assistance	16.738	2018-DJ-BX-0943	-	10,800	10,800	-
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>						
Passed through TN Department of Economic & Community Development:						
Community Development Block Grants	14.228	33004-94617	17,211	48,827	53,415	21,799
Community Development Block Grants	14.228	33004-55117	-	358,006	372,981	14,975
			<u>17,211</u>	<u>406,833</u>	<u>426,396</u>	<u>36,774</u>
<b>U.S. DEPARTMENT OF LABOR</b>						
Unemployment Insurance - COVID	17.225	N/A	-	443	443	-
<b>APPALACHIAN REGIONAL COMMISSION</b>						
Appalachian Regional Development						
Downtown Wi-Fi	23.001	TN-19498	-	-	10,219	10,219
Total Federal Awards - Primary Government City of Athens			<u>18,894</u>	<u>461,993</u>	<u>490,092</u>	<u>46,993</u>
<b>STATE AWARDS</b>						
Tennessee Department of Environment and Conservation						
Household Hazardous Waste		32701-02956	10,285	10,285	-	-
Tennessee Department of Agriculture						
Denso Eco Park/North Mouse Creek Restoration		52639	7,182	77,302	128,113	57,993
Total State Awards - Primary Government City of Athens			<u>17,467</u>	<u>87,587</u>	<u>128,113</u>	<u>57,993</u>
Total Primary Government City of Athens			<u>\$ 36,361</u>	<u>\$ 549,580</u>	<u>\$ 618,205</u>	<u>\$ 104,986</u>

(continued)

**CITY OF ATHENS, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**Year Ended June 30, 2020**  
(continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Accrued (Unearned) Grant Revenues July 1, 2019	Grant Revenues Received	Expenditures	Accrued (Unearned) Grant Revenues June 30, 2020
<b>PRIMARY GOVERNMENT:</b>						
<b>ATHENS CITY BOARD OF EDUCATION</b>						
<b>FEDERAL AWARDS:</b>						
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
Passed through the TN Department of Human Services:						
Child and Adult Food Care Program	10.558	N/A	\$ -	\$ 38,161	\$ 42,711	\$ 4,550
Passed through the TN Department of Education:						
Child Nutrition Cluster:						
National School Lunch Program	10.555	N/A	-	710,683	710,683	-
School Breakfast Program	10.553	N/A	-	342,534	342,534	-
Summer Food Service Program for Children	10.559	N/A	61,739	175,270	268,514	154,983
Passed through the TN Department of Agriculture:						
Food Distribution	10.555	N/A	-	105,232	105,232	-
			<u>61,739</u>	<u>1,371,880</u>	<u>1,469,674</u>	<u>159,533</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
Passed through the TN Department of Education:						
Special Education Cluster:						
Special Education - Grants to States	84.027	N/A	102,721	570,068	472,575	5,228
Special Education - Preschool Grants	84.173	N/A	4,325	24,722	20,397	-
Title I - Grants to Local Educational Agencies	84.010	N/A	121,348	779,548	658,200	-
Twenty-First Century Community Learning Centers	84.287	N/A	85,926	270,801	213,011	28,136
Improving Teacher Quality - State Grants	84.367	N/A	3,951	55,947	51,996	-
English Language Acquisition-State Grants	84.365	N/A	-	3,899	5,517	1,618
Safe and Drug-Free Schools and Communities - State Grants	84.186	N/A	3,532	45,660	42,128	-
Innovative Program	84.298	N/A	8	30,023	30,015	-
			<u>321,811</u>	<u>1,780,668</u>	<u>1,493,839</u>	<u>34,982</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						
Passed through the TN Department of Education:						
Read to Be Ready	93.575	N/A	83,129	83,129	-	-
Total Federal Awards - Primary Government Athens Board of Education			<u>\$ 466,679</u>	<u>\$ 3,235,677</u>	<u>\$ 2,963,513</u>	<u>\$ 194,515</u>

(continued)

**CITY OF ATHENS, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**Year Ended June 30, 2020**  
(continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Accrued (Unearned) Grant Revenues July 1, 2019	Grant Revenues Received	Expenditures	Accrued (Unearned) Grant Revenues June 30, 2020
<b>STATE AWARDS</b>						
Tennessee Department of Education:						
Early Childhood Education - Lottery		N/A	\$ 209,245	\$ 697,401	\$ 641,325	\$ 153,169
Coordinated School Health		N/A	23,327	86,227	84,987	22,087
Read to Be Ready Coaching		N/A	8,043	8,043	-	-
Safe Schools		N/A	<u>9,107</u>	<u>27,858</u>	<u>31,070</u>	<u>12,319</u>
Total State Awards - Primary Government Athens Board of Education			<u>249,722</u>	<u>819,529</u>	<u>757,382</u>	<u>187,575</u>
Total Primary Government Athens Board of Education			<u>\$ 716,401</u>	<u>\$ 4,055,206</u>	<u>\$ 3,720,895</u>	<u>\$ 382,090</u>
<b>PRIMARY GOVERNMENT:</b>						
Total Federal Awards			\$ 485,573	\$ 3,697,670	\$ 3,453,605	\$ 241,508
Total State Awards			<u>267,189</u>	<u>907,116</u>	<u>885,495</u>	<u>245,568</u>
<b>TOTAL AWARDS</b>			<u>\$ 752,762</u>	<u>\$ 4,604,786</u>	<u>\$ 4,339,100</u>	<u>\$ 487,076</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, 2020. 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, 2020. 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, 2020**  
 (Accrual Basis of Accounting)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>GOVERNMENTAL ACTIVITIES</b>										
Net investment in capital assets	\$ 21,099,293	\$ 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
Restricted	3,842,600	1,344,567	918,557	942,859	1,037,679	1,322,190	1,344,973	1,329,154	563,958	539,331
Unrestricted	<u>28,387,708</u>	<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>
Total governmental activities net position	<u>\$ 53,329,601</u>	<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>
<b>BUSINESS-TYPE ACTIVITIES</b>										
Net investment in capital assets	\$ 722,042	\$ 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
Unrestricted	<u>2,914,676</u>	<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>
Total business-type activities net position	<u>\$ 3,636,718</u>	<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>
<b>PRIMARY GOVERNMENT</b>										
Net investment in capital assets	\$ 21,821,335	\$ 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
Restricted	3,842,600	1,344,567	918,557	942,859	1,037,679	1,322,190	1,344,973	1,329,154	563,958	539,331
Unrestricted	<u>31,302,384</u>	<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>
Total primary government net position	<u>\$ 56,966,319</u>	<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>

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, 2020**  
 (Accrual Basis of Accounting)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>EXPENSES</b>										
Governmental activities:										
General government	\$ 4,070,588	\$ 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
Public safety	5,259,541	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
Highways and streets	4,701,837	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
Culture and recreation	1,402,284	1,469,977	1,241,870	1,106,216	943,464	932,977	960,444	913,856	1,112,979	546,683
Education:									2,108,268	1,841,940
Instructional	10,061,931	9,949,243	9,281,529	9,340,964	8,755,499	8,523,347	9,309,345	9,653,532	-	-
Support services	5,884,236	5,927,090	6,200,354	6,246,659	6,599,401	6,239,889	5,927,266	5,077,403	-	-
Non-instructional	1,304,117	1,171,125	1,223,957	1,240,285	1,239,669	1,243,551	1,287,497	1,260,999	-	-
Unallocated depreciation	354,713	359,427	326,260	319,797	295,880	304,666	294,918	277,449	-	-
Health and welfare	172,629	153,093	104,309	97,281	93,581	95,333	106,926	111,079	105,949	93,479
Interest on long-term debt	-	-	-	19,659	17,533	21,927	28,568	33,823	33,938	61,531
Passthrough grants	-	-	-	2,279,544	303,616	1,373,723	1,096,736	-	500,000	2,980,680
Total governmental activities expenses	<u>33,211,876</u>	<u>30,269,537</u>	<u>27,594,434</u>	<u>30,709,101</u>	<u>27,716,800</u>	<u>28,077,494</u>	<u>27,490,397</u>	<u>26,527,087</u>	<u>12,113,288</u>	<u>15,356,797</u>
Business-type activities:										
Conference center	78,597	77,790	74,280	72,597	70,222	78,224	70,788	65,074	64,483	71,984
Sanitation	880,695	827,025	759,581	719,514	725,701	721,393	750,605	788,503	754,868	660,718
Total business-type activities expenses	<u>959,292</u>	<u>904,815</u>	<u>833,861</u>	<u>792,111</u>	<u>795,923</u>	<u>799,617</u>	<u>821,393</u>	<u>853,577</u>	<u>819,351</u>	<u>732,702</u>
Total primary government expenses	<u>\$ 34,171,168</u>	<u>\$ 31,174,352</u>	<u>\$ 28,428,295</u>	<u>\$ 31,501,212</u>	<u>\$ 28,512,723</u>	<u>\$ 28,877,111</u>	<u>\$ 28,311,790</u>	<u>\$ 27,380,664</u>	<u>\$ 12,932,639</u>	<u>\$ 16,089,499</u>
<b>PROGRAM REVENUES</b>										
Governmental activities:										
Charges for services:										
General government	\$ 137,479	\$ 89,789	\$ 189,261	\$ 134,040	\$ 109,955	\$ 166,047	\$ 91,301	\$ 133,031	\$ 106,902	\$ 70,957
Public safety	211,886	227,013	285,018	491,208	528,190	500,147	483,831	691,534	458,959	476,019
Culture and recreation	74,219	132,712	139,100	138,254	130,545	125,460	136,431	137,282	141,374	111,125
Education	203,331	315,139	272,035	282,624	273,801	280,239	419,058	467,264	-	-
Health and welfare	1,759	1,932	3,295	3,305	2,575	2,845	3,270	3,080	3,244	2,587

(continued)

**CITY OF ATHENS, TENNESSEE**  
**CHANGES IN NET POSITION**  
**LAST TEN FISCAL YEARS**  
**June 30, 2020**  
 (Accrual Basis of Accounting)  
 (continued)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>PROGRAM REVENUES</b>										
Governmental activities: (continued)										
Operating grants and contributions	\$ 4,420,432	\$ 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
Capital grants and contributions	<u>786,445</u>	<u>1,459,594</u>	<u>344,456</u>	<u>2,465,099</u>	<u>389,535</u>	<u>1,492,666</u>	<u>1,289,952</u>	<u>483,264</u>	<u>704,762</u>	<u>3,752,321</u>
Total governmental activities program revenues	<u>5,835,551</u>	<u>6,427,495</u>	<u>6,244,910</u>	<u>8,468,393</u>	<u>6,638,779</u>	<u>7,392,362</u>	<u>6,955,994</u>	<u>5,960,854</u>	<u>1,910,951</u>	<u>4,962,782</u>
Business-type activities:										
Charges for services:										
Conference center	23,428	41,739	25,355	27,490	25,785	23,281	24,024	20,503	17,606	18,508
Sanitation	<u>969,683</u>	<u>966,090</u>	<u>955,903</u>	<u>909,285</u>	<u>932,616</u>	<u>893,352</u>	<u>868,330</u>	<u>870,916</u>	<u>795,608</u>	<u>796,442</u>
Total business-type activities program revenues	<u>993,111</u>	<u>1,007,829</u>	<u>981,258</u>	<u>936,775</u>	<u>958,401</u>	<u>916,633</u>	<u>892,354</u>	<u>891,419</u>	<u>813,214</u>	<u>814,950</u>
Total primary government program revenues	<u>\$ 6,828,662</u>	<u>\$ 7,435,324</u>	<u>\$ 7,226,168</u>	<u>\$ 9,405,168</u>	<u>\$ 7,597,180</u>	<u>\$ 8,308,995</u>	<u>\$ 7,848,348</u>	<u>\$ 6,852,273</u>	<u>\$ 2,724,165</u>	<u>\$ 5,777,732</u>
<b>NET (EXPENSES)/REVENUES</b>										
Governmental activities	\$(27,376,325)	\$(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)
Business-type activities	<u>33,819</u>	<u>103,014</u>	<u>147,397</u>	<u>144,664</u>	<u>162,478</u>	<u>117,016</u>	<u>70,961</u>	<u>37,842</u>	<u>(6,137)</u>	<u>82,248</u>
Total primary government net expenses	<u>\$(27,342,506)</u>	<u>\$(23,739,028)</u>	<u>\$(21,202,127)</u>	<u>\$(22,096,044)</u>	<u>\$(20,915,543)</u>	<u>\$(20,568,116)</u>	<u>\$(20,463,442)</u>	<u>\$(20,528,391)</u>	<u>\$(10,208,474)</u>	<u>\$(10,311,767)</u>

(continued)

**CITY OF ATHENS, TENNESSEE**  
**CHANGES IN NET POSITION**  
**LAST TEN FISCAL YEARS**  
**June 30, 2020**  
 (Accrual Basis of Accounting)  
 (continued)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>GENERAL REVENUES AND OTHER</b>										
<b>CHANGES IN NET POSITION</b>										
Governmental activities:										
Property taxes	\$ 8,516,240	\$ 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
Local sales tax	7,384,232	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
In lieu of taxes	1,230,379	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
Wholesale beer tax	514,165	493,351	478,662	477,240	499,443	504,260	500,748	515,558	510,549	498,443
Wholesale liquor tax	258,866	237,433	217,305	221,916	148,667	-	-	-	-	-
Business tax	442,594	474,994	498,806	492,395	425,161	364,399	432,454	423,898	392,867	378,279
Franchise tax	177,600	181,845	183,053	188,754	192,185	173,483	172,510	145,434	154,429	151,724
Other local taxes	54,633	46,936	57,035	72,430	108,862	77,011	85,455	82,858	87,076	83,875
Intergovernmental revenues not restricted to specific programs	11,475,082	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
Insurance proceeds	165,553	3,594	13,220	84,021	15,593	3,769	2,479	58,280	8,330	-
Investment income	423,038	458,095	260,103	123,918	70,802	39,615	77,599	62,608	85,889	59,713
Gain (loss) on disposal of capital assets	23,770	(4,384)	7,578	21,145	75,185	29,846	44,158	16,378	-	23,255
Miscellaneous	165,653	132,069	459,999	169,002	134,972	169,859	185,935	118,634	65,286	98,637
Total governmental activities	<u>30,831,805</u>	<u>27,319,109</u>	<u>26,352,562</u>	<u>25,398,114</u>	<u>24,893,782</u>	<u>22,556,057</u>	<u>21,958,661</u>	<u>21,307,501</u>	<u>11,739,346</u>	<u>11,655,652</u>
Business-type activities:										
Investment income	41,649	44,842	22,194	10,409	6,555	1,458	1,229	1,723	6,524	2,489
Gain on disposal of capital assets	-	-	226	49,202	9,181	5,850	4,045	-	25,000	-
Miscellaneous	7,393	6,816	6,892	7,869	9,070	9,763	8,474	11,237	24,645	15,840
Total business-type activities	<u>49,042</u>	<u>51,658</u>	<u>29,312</u>	<u>67,480</u>	<u>24,806</u>	<u>17,071</u>	<u>13,748</u>	<u>12,960</u>	<u>56,169</u>	<u>18,329</u>
Total primary government	<u>\$ 30,880,847</u>	<u>\$ 27,370,767</u>	<u>\$ 26,381,874</u>	<u>\$ 25,465,594</u>	<u>\$ 24,918,588</u>	<u>\$ 22,573,128</u>	<u>\$ 21,972,409</u>	<u>\$ 21,320,461</u>	<u>\$ 11,795,515</u>	<u>\$ 11,673,981</u>

(continued)

**CITY OF ATHENS, TENNESSEE**  
**CHANGES IN NET POSITION**  
**LAST TEN FISCAL YEARS**  
**June 30, 2020**  
 (Accrual Basis of Accounting)  
 (continued)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>GOVERNMENTAL ACTIVITIES</b>										
Prior period adjustments and restatements	\$ -	\$ -	\$ (1,297,569)	\$ -	\$ -	\$ (7,484,785)	\$ (11,725)	\$ 10,453,947	\$ -	\$ 691,382
<b>BUSINESS-TYPE ACTIVITIES</b>										
Prior period adjustments and restatements	-	-	-	-	-	(85,001)	-	-	-	-
Total primary government	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,297,569)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,569,786)</u>	<u>\$ (11,725)</u>	<u>\$ 10,453,947</u>	<u>\$ -</u>	<u>\$ 691,382</u>
<b>CHANGES IN NET POSITION</b>										
Governmental activities	\$ 3,455,480	\$ 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
Business-type activities	<u>82,861</u>	<u>154,672</u>	<u>176,709</u>	<u>212,144</u>	<u>187,284</u>	<u>134,087</u>	<u>84,709</u>	<u>50,802</u>	<u>50,032</u>	<u>100,577</u>
Total changes in net position	<u>\$ 3,538,341</u>	<u>\$ 3,631,739</u>	<u>\$ 5,179,747</u>	<u>\$ 3,369,550</u>	<u>\$ 4,003,045</u>	<u>\$ 2,005,012</u>	<u>\$ 1,508,967</u>	<u>\$ 792,070</u>	<u>\$ 1,587,041</u>	<u>\$ 1,362,214</u>

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, 2020**  
(Modified Accrual Basis of Accounting)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>GENERAL FUND</b>										
Nonspendable	\$ 101,668	\$ 101,813	\$ 103,132	\$ 101,485	\$ 165,778	\$ 116,334	\$ 183,917	\$ 107,345	\$ 391,001	\$ 391,570
Restricted	120,785	89,567	98,684	103,424	108,395	111,441	111,363	111,386	152,520	154,782
Committed	21,383	20,782	20,164	19,855	20,673	20,343	20,079	19,278	18,317	17,491
Assigned	-	-	-	-	-	-	-	-	32,000	2,175
Unassigned	13,640,768	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
Total General Fund	<u>\$ 13,884,604</u>	<u>\$ 14,160,024</u>	<u>\$ 11,935,022</u>	<u>\$ 9,439,675</u>	<u>\$ 8,790,428</u>	<u>\$ 7,827,979</u>	<u>\$ 8,196,624</u>	<u>\$ 8,092,890</u>	<u>\$ 8,265,260</u>	<u>\$ 9,053,850</u>
<b>ALL OTHER GOVERNMENTAL FUNDS</b>										
Nonspendable	\$ 131,094	\$ 111,155	\$ 265,700	\$ 254,797	\$ 203,719	\$ 166,829	\$ 168,636	\$ 187,933	\$ 47,283	\$ 57,283
Restricted	1,454,610	391,403	629,950	739,554	868,076	1,163,466	1,186,327	1,170,485	364,155	337,266
Committed	6,961,283	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	5,023,621	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
Total all other governmental funds	<u>\$ 13,570,608</u>	<u>\$ 10,842,454</u>	<u>\$ 12,766,562</u>	<u>\$ 11,703,142</u>	<u>\$ 10,854,052</u>	<u>\$ 10,328,211</u>	<u>\$ 10,673,782</u>	<u>\$ 10,579,064</u>	<u>\$ 6,556,265</u>	<u>\$ 6,462,487</u>

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.

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, 2020**  
(Modified Accrual Basis of Accounting)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>REVENUES</b>										
Property taxes	\$ 8,450,913	\$ 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
Other local taxes	10,622,979	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
Intergovernmental	15,958,132	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
Charges for services and tuition	416,789	539,572	603,691	558,223	516,877	574,590	650,060	740,657	251,520	184,670
Fines and forfeitures	211,887	227,013	285,018	491,208	528,190	500,148	483,831	691,534	458,960	476,019
Investment and interest income	337,182	366,618	212,246	102,114	57,162	36,950	52,655	59,830	74,728	55,374
Miscellaneous	185,384	136,427	369,798	173,200	230,364	203,915	205,043	160,425	71,692	98,638
Total revenues	<u>36,183,266</u>	<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>
<b>EXPENDITURES</b>										
General government	2,863,820	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
Public safety	5,185,452	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
Highways and streets	4,490,059	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
Culture and recreation	1,266,971	1,432,126	1,161,941	1,015,966	985,544	956,090	875,887	914,958	891,780	775,601
Education	17,581,844	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
Health and welfare	169,818	165,051	108,927	105,316	106,498	110,614	110,326	114,479	109,349	96,879
Capital outlay	2,355,701	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
Debt service:										
Principal	-	-	-	1,610,000	770,000	747,000	725,000	703,000	683,000	662,000
Interest and fiscal charges	-	-	-	19,660	17,533	21,927	28,568	33,823	33,938	61,531
Total expenditures	<u>33,913,665</u>	<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>
<b>REVENUES OVER (UNDER)</b>										
<b>EXPENDITURES</b>	<u>2,269,601</u>	<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>

(continued)

**CITY OF ATHENS, TENNESSEE**  
**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**June 30, 2020**  
 (Modified Accrual Basis of Accounting)  
 (continued)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>OTHER FINANCING SOURCES</b>										
<b>(USES)</b>										
Capital contributions	\$ -	\$ 244,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,080	\$ -	\$ -
Transfers	-	-	-	-	-	-	(41,031)	-	-	-
Proceeds from the sale of capital assets	17,586	200	210	3,427	10,086	365	6,531	680	439	1,086
Insurance proceeds	165,553	3,594	13,220	84,021	15,593	3,769	2,479	58,280	8,330	-
<b>Total other financing resources</b>	<u>183,139</u>	<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>
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ 2,452,740</u>	<u>\$ 300,894</u>	<u>\$ 3,558,767</u>	<u>\$ 1,498,337</u>	<u>\$ 1,488,290</u>	<u>\$ (714,216)</u>	<u>\$ 198,452</u>	<u>\$ (849,607)</u>	<u>\$ (694,812)</u>	<u>\$ (342,530)</u>
<b>DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES</b>	0.00%	0.00%	0.00%	5.14%	2.72%	2.57%	2.71%	2.76%	5.56%	5.90%

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, 2020**

<u>Fiscal Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Public Utility Property</u>	<u>Total Taxable Assessed Value</u>	<u>Estimated Market Value</u>	<u>City Property Tax Rate</u>	<u>Taxable Assessed Value as a % of Actual Taxable Value</u>
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
2020	354,793,495	148,130,932	8,276,948	511,201,375	1,681,302,672	1.2676	30.4

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, 2020**

<u>Tax Year</u>	<u>City (Direct Rate)</u>	<u>County (Overlapping Rate)</u>	<u>Total</u>
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
2020	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**

2020				2011			
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	\$ 80,927,193	16.1 %	Denso Tennessee, Inc.	Automotive parts manufacturer	\$52,776,553	13.3 %
E & E Manufacturing	Automotive parts supplier	14,656,607	2.9	Johnson Controls, Inc.	Automotive seating	9,571,318	2.4
Starr Regional Medical Center	Healthcare	12,039,456	2.4	Dean Foods/Mayfield Dairy Farms, Inc.	Dairy products	8,886,265	2.2
ABB	Electrical component manufacturer	11,672,950	2.3	Athens Regional Medical Center/Lifepoint	Healthcare	8,488,840	2.1
Adient	Automotive seating	9,369,757	1.9	Plastic Industries, Inc.	Plastic component manufacturer	8,486,763	2.1
HP Pelzer	Automotive parts supplier	8,754,747	1.7	Walmart	Retail	5,711,940	1.4
Dean Foods/Mayfield Dairy Farms, Inc.	Dairy products	6,826,387	1.4	Manufacturers Industrial Group	Automotive seating	4,756,283	1.2
D&B Athens Hotel	Hotels	6,427,600	1.3	Thomas & Betts	Electrical component manufacturer	3,922,144	1.0
Volkswagon Group of America	Automotive parts	6,087,407	1.2	Centro New Plan of Tennessee	Real estate investment	3,749,080	0.9
Heil Trailer, International	Trailer tanks	5,869,127	1.2	E & E Manufacturing	Automotive parts supplier	3,637,857	0.9

Note: Total assessed valuations for 2020 and 2011 are \$502,924,427 and \$396,979,982, respectively.

Source: Official records of the Department of Finance

**CITY OF ATHENS, TENNESSEE**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
**LAST TEN FISCAL YEARS**  
**June 30, 2020**  
(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
2011	\$ 4,500,601	\$ 4,223,936	93.85%	\$ 215,123	\$ 4,439,059	98.63%
2012	4,399,152	4,149,785	94.33	229,890	4,379,675	99.56
2013	4,316,647	4,083,062	94.59	212,709	4,295,771	99.52
2014	4,359,762	4,161,945	95.46	183,399	4,345,344	99.67
2015	4,412,937	4,207,109	95.34	178,312	4,385,421	99.38
2016	5,965,875	5,729,519	96.04	201,098	5,930,617	99.41
2017	5,706,737	5,525,863	96.83	168,501	5,694,364	99.78
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	209,380	6,272,943	97.99
2020	6,484,702	6,161,920	95.02	-	6,161,920	95.02

Source: Official records of Department of Finance

**CITY OF ATHENS, TENNESSEE  
RATIO OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS  
June 30, 2020**

Fiscal Year	General Obligation Bonds	Notes Payable	Total Primary Government	Percentage of Personal Income	Per Capita
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	-	-	-	-	-
2020	-	-	-	-	-

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, 2020**

Fiscal Year	General Debt Outstanding			Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Notes Payable	Total		
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	-	-	-	-	-
2020	-	-	-	-	-

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, 2020**

The City of Athens has no direct and overlapping debt as of June 30, 2020; therefore, this schedule is inapplicable.

**CITY OF ATHENS, TENNESSEE  
LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS  
June 30, 2020**

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  
PLEGGED REVENUE COVERAGE  
LAST TEN FISCAL YEARS  
June 30, 2020**

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, 2020**

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>Median Age</u>	<u>School Enrollment</u>	<u>Civilian Labor Force</u>	<u>Unemployment Rate</u>
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
2020	13,458	274,368,246	20,387	39.1	1,615	10,885	9.80

Sources: U.S. Census, U.S. Bureau of Economic Analysis, Tennessee Department of 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, 2020**

2020			2011		
Employer	Taxable Employees	Percentage of Total City Employment	Employer	Taxable Employees	Percentage of Total City Employment
Denso Tennessee, Inc.	1,481	13.62 %	Denso Tennessee, Inc.	900	8.85 %
McMinn County Board of Education	697	6.41	Manufacturers Industrial Group	885	8.70
Adient	574	5.28	McMinn County Board of Education	686	6.74
Starr Regional Medical Center	500	4.60	Dean Foods/Mayfield Dairy Farms, Inc.	400	3.93
E & E Manufacturing	367	3.38	Walmart	357	3.51
Dean Foods/Mayfield Dairy Farms, Inc.	342	3.15	Athens City Schools	344	3.38
Walmart	300	2.76	Heil Trailer, International	320	3.14
ABB	296	2.72	Athens Regional Medical Center/Lifepoint	305	3.00
Dynasty Spas	207	1.90	Thomas & Betts	295	2.90
Heil Trailer, International	193	1.78	Dynasty Spas	250	2.46
	<u>4,957</u>	<u>45.60 %</u>		<u>4,742</u>	<u>46.61 %</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, 2020**

Function/Program	Full-Time Equivalent Employees as of June 30									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
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	1
Communications	6	-	-	-	-	-	-	-	-	-
Community Development	4	4	4	4	4	4	4	5	5	5
Police	33	33	33	33	33	33	33	33	34	34
Fire	22	22	22	22	22	22	22	22	22	22
Parks and Recreation	10	10	9	9	9	9	9	10	10	10
Public Works	32	32	31	31	31	33	33	33	34	34
	<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>	<u>116</u>

Source: City Finance Department

**CITY OF ATHENS, TENNESSEE  
OPERATING INDICATORS BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS  
June 30, 2020**

Function/Program	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Governmental Activities:										
Community Development										
Number of building permits	353	382	360	347	313	318	370	374	355	315
Police:										
Number of arrests	1,497	1,488	1,113	1,097	1,292	997	1,017	1,353	1,648	992
Number of traffic citations issued	5,808	7,431	10,953	7,729	6,561	6,473	5,096	2,973	2,126	1,417
Fire:										
Total calls	528	520	418	515	567	631	659	670	780	846
Inspections	764	924	650	773	806	668	1,350	248	264	289
Business-type Activities:										
Conference center rentals	86	115	108	125	121	130	195	149	178	124

Source: Various City Departments

**CITY OF ATHENS, TENNESSEE**  
**INFRASTRUCTURE STATISTICS BY FUNCTION**  
**LAST TEN FISCAL YEARS**  
**June 30, 2020**

<u>Function/Program</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	15	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	-	-	-	-	-	-	-	-	-	-

Source: Various City Departments

**CITY OF ATHENS, TENNESSEE**  
**SCHEDULE OF BONDS OF PRINCIPAL OFFICIALS**  
**June 30, 2020**

**CITY OF ATHENS**

Council members and management are covered under a \$150,000 crime policy. The Finance Director is covered under an additional \$100,000 bond.

<u>Name</u>	<u>Office</u>
Chuck Burris	Mayor
William Bo Perkinson	Vice-Mayor
John Coker	Council Member
Mark Lockmiller	Council Member
Dick Pelley	Council Member
C. Seth Sumner	City Manager
Michael L. Keith, CPA	Finance Director/CMFO designee

**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	Member
Dr. Amy Sullins	Member
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, 2020, 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 18, 2020.

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 an instance of noncompliance or other matters that are required to be reported under Government Auditing Standards and which is described as item 2020-001 in the accompanying schedule of findings.

### Response to Finding

City of Athens' response to the finding identified in our audit is described in the accompanying schedule of finding and questioned costs. City of Athens' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### 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, Scooter ; McConnell, P.C.*

Chattanooga, Tennessee  
December 18, 2020

**CITY OF ATHENS, TENNESSEE**  
**SCHEDULE OF FINDINGS**  
**June 30, 2020**

2020-001: Compliance with State Budgetary Requirements

**Condition:** Fund expenditures exceeded budgeted expenditures for the Centralized Cafeteria Fund by \$73,403 for the year ended June 30, 2020.

**Criteria:** The State of Tennessee requires all expenditures of governmental funds to be appropriated.

**Cause:** The summer feeding program was expanded to accommodate additional needs as a result of the COVID -19 pandemic. Expenditures incurred during this period were not properly budgeted.

**Effect:** Non budgeted expenditures result in noncompliance with State law.

**Recommendation:** We recommend the Board of Education budget all expenditures in their governmental funds in the future. Procedures should be implemented to ensure that unbudgeted expenditures do not occur.

**Management Response:** Due to the COVID-2019 pandemic, our summer feeding program was expanded, resulting in an increase in food and labor cost. Additional training has been conducted with the Food Service Director. We understand we are to budget accordingly, and amendments are to be submitted in a timely manner.

**CITY OF ATHENS, TENNESSEE**  
**SCHEDULE OF PRIOR YEAR FINDINGS**  
**June 30, 2020**

There were no prior year findings or questioned costs.



**athenscityschools**  
**www.athenscityschools.net**

943 Crestway Drive  
Athens, Tennessee 37303-4130  
Phone: (423) 745-2863  
Fax: (423) 745-9041

**Robert W. Greene, Director of Schools**

## MANAGEMENT'S CORRECTIVE ACTION PLAN

**Contact Person:** Traci Bryant, Supervisor of Finance

**Anticipated Completion Date:** December 14, 2020

Comptroller of the Treasury  
Office of State and Local Finance  
Cordell Hull Building  
425 Fifth Avenue North  
Nashville, TN 37243

The Athens City Board of Education respectfully submits the following corrective action plan for the year ended June 30, 2020.

Independent public accounting firm:  
Neal, Scouten, McConnell, PC  
Suite 1440 Republic Centre  
633 Chestnut Street  
Chattanooga, TN 37450-1440

**Audit Period:** July 1, 2019 – June 30, 2020

The finding from the June 30, 2020 Schedule of Findings and Questioned Costs is discussed below. The finding is numbered consistently with the number assigned in the schedule.

### 2020-001: Compliance with State Budgetary Requirements

The State of Tennessee requires all expenditures of governmental funds to be appropriated.

Fund expenditures exceeded budgeted expenditures for the Centralized Cafeteria Fund by \$73,403 for the year ended June 30, 2020.

#### **Recommendation:**

We recommend the Board of Education budget all expenditures in their governmental funds in the future. Procedures should be implemented to ensure that unbudgeted expenditures do not occur.

**Action Taken:**

Due to the COVID-19 pandemic, our summer feeding program was expanded, resulting in an increase in food and labor costs. Additional training has been conducted with the Food Service Director. We understand we are to budget accordingly, and amendments are to be submitted in a timely manner.

If you have questions regarding this plan, please contact Traci Bryant, Supervisor of Finance at 423-745-2864.

Sincerely,



Traci Bryant  
Supervisor of Finance