



**CITY OF ATHENS  
ATHENS COUNTY  
Single Audit  
For the Year Ended December 31, 2019**

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OHIO AUDITOR OF STATE  
KEITH FABER



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

We have reviewed the *Independent Auditor's Report* of the City of Athens, Athens County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2019 through December 31, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber  
Auditor of State  
Columbus, Ohio

September 29, 2020

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CITY OF ATHENS, OHIO

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## INDEPENDENT AUDITOR'S REPORT

August 24, 2020

City of Athens  
Athens County  
8 E. Washington St.  
Athens, OH 45701

To the City Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the **City of Athens**, Athens County, Ohio (the "City"), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

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

Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll - Litigation Support - Financial Investigations  
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***Auditor's Responsibility (Continued)***

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

***Opinion***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Athens, Athens County, Ohio as of December 31, 2019, and the respective changes in its financial position and, where applicable, cash flows thereof and the budgetary comparison for the General, Street and Recreation Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 20 to the financial statements, during 2019, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City. We did not modify our opinion regarding this matter.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, the condition assessments of the City's infrastructure report using the modified approach and the schedules of net pension and other post-employment benefits liabilities and pension and other post-employment benefits contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

***Supplementary and Other Information***

Our audit was conducted to opine on the City's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2020, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

**Perry & Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio

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**City of Athens, Ohio**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2019  
Unaudited

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The discussion and analysis of the City of Athens's (the City) financial performance provides an overall review of the City's financial activities for the year ended December 31, 2019. The purpose of this discussion and analysis is to look at the City's financial performance and discuss pertinent points to better help the reader understand our performance.

**Financial Highlights**

1. The City's total net position increased \$13,455,188; net position of the governmental activities increased \$12,749,310; and net position of the business-type activities increased \$705,878.
2. The General Fund fund balance of \$1,644,954 decreased \$89,563 or 5.16 percent from the previous year's balance of \$1,734,517.

**Overview of the Financial Statements**

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

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

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

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

Both of the government-wide financial statements distinguish functions of the City of Athens that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, security of persons and property, transportation, community environment, and leisure time activities. The business-type activities include water, sewer, garbage, and parking garage operations.

The government-wide financial statements can be found starting on page 14 of this report.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required to be established by State law and by bond covenants. However, the Auditor establishes many other funds to help control and manage money for particular purposes or to show that the City is meeting legal responsibilities for using certain taxes, grants and other money. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

The City of Athens maintains 35 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances, for the General Fund, Street Fund, Recreation Fund and Small Cities Grants, which are considered to be major funds. Data from the other 31 governmental funds are combined into a single, aggregated presentation.

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

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

**Notes to the Basic Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### **Government-Wide Financial Analysis**

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

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

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Management's Discussion and Analysis  
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Table 1 provides a summary of the City's net position for 2019 compared to 2018:

Table 1  
**Net Position**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<b><u>Assets:</u></b>						
Current and Other Assets	\$17,121,565	\$15,180,904	\$8,074,574	\$7,327,559	\$25,196,139	\$22,508,463
Capital Assets, Net	106,004,078	99,407,911	42,632,772	41,382,304	148,636,850	140,790,215
<i>Total Assets</i>	<u>123,125,643</u>	<u>114,588,815</u>	<u>50,707,346</u>	<u>48,709,863</u>	<u>173,832,989</u>	<u>163,298,678</u>
<i>Total Deferred Outflows of Resources</i>	<u>8,446,224</u>	<u>4,701,093</u>	<u>1,450,042</u>	<u>836,972</u>	<u>9,896,266</u>	<u>5,538,065</u>
<b><u>Liabilities:</u></b>						
Current and Other Liabilities	1,981,199	1,615,230	1,604,559	1,530,875	3,585,758	3,146,105
<i>Long-Term Liabilities:</i>						
Due Within One Year	1,112,943	1,133,461	1,334,508	1,330,360	2,447,451	2,463,821
<i>Due in More Than One Year:</i>						
Net Pension Liability	24,206,431	16,256,434	4,231,501	2,469,906	28,437,932	18,726,340
Net OPEB Liability	6,569,083	13,525,093	1,991,475	1,682,489	8,560,558	15,207,582
Other Amounts	7,816,570	8,166,160	21,723,739	21,385,421	29,540,309	29,551,581
<i>Total Liabilities</i>	<u>41,686,226</u>	<u>40,696,378</u>	<u>30,885,782</u>	<u>28,399,051</u>	<u>72,572,008</u>	<u>69,095,429</u>
<i>Total Deferred Inflows of Resources</i>	<u>2,093,923</u>	<u>3,551,122</u>	<u>122,212</u>	<u>704,268</u>	<u>2,216,135</u>	<u>4,255,390</u>
<b><u>Net Position:</u></b>						
Net Investments in Capital Assets	97,619,111	91,053,678	19,112,858	18,048,602	116,731,969	109,102,280
Restricted	10,615,447	9,491,441	0	0	10,615,447	9,491,441
Unrestricted	(20,442,840)	(25,502,711)	2,036,536	2,394,914	(18,406,304)	(23,107,797)
<i>Total Net Position</i>	<u>\$87,791,718</u>	<u>\$75,042,408</u>	<u>\$21,149,394</u>	<u>\$20,443,516</u>	<u>\$108,941,112</u>	<u>\$95,485,924</u>

The net pension liability (NPL) and the net other postemployment benefits (OPEB) liability are the largest single liabilities reported by the City at December 31, 2019 and are reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27" and GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting the net pension asset and deferred outflows related to pension and OPEB.

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Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability or net OPEB liability. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability (asset) and the net OPEB liability to equal the City's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the Statement of Net Position.

In accordance with GASB 68 and GASB 75, the City's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's change in net pension liability (asset) and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

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Current assets increased due to an increase in the equity in pooled cash and cash equivalents, which is due mainly to an increases in the General Fund and Internal Service Fund.

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

Current liabilities increased as a result of an increase in accounts payable, contracts payable and notes payable.

Long-term liabilities increased as a result of an increase in the calculation of the net pension/OPEB liability.

As noted earlier, the City's net position, when reviewed over time, may serve as a useful indicator of the City's financial position. By far, the largest portion of the City's net position 107.15 percent reflects its investments in capital assets (e.g., land, buildings, machinery and equipment, infrastructure), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investments in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City's net position represents resources that are subject to restrictions on how they can be used. These resources accounted for 9.74 percent of total net position. The remaining deficit balance of \$18,406,304 which is unrestricted net position may be used to meet the City's ongoing obligations to citizens and creditors. The City's total net position increased from \$95,485,924 in 2018 to \$108,941,112 in 2019, a change of \$13,455,188 or 14.09 percent.

In order to further understand what makes up the changes in net position for the current year, Table 2 gives readers further details regarding the results of activities for 2019 compared to 2018:

Table 2

**Changes in Net Position**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<b><u>Revenues:</u></b>						
<i>Program Revenues:</i>						
Charges for Services	\$4,155,220	\$3,917,097	\$11,024,494	\$9,539,562	\$15,179,714	\$13,456,659
Operating Grants and Contributions	765,379	857,275	0	0	765,379	857,275
Capital Grants and Contributions	2,582,209	3,463,215	0	0	2,582,209	3,463,215
<i>Total Program Revenues</i>	<u>7,502,808</u>	<u>8,237,587</u>	<u>11,024,494</u>	<u>9,539,562</u>	<u>18,527,302</u>	<u>17,777,149</u>

(Continued)

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**Unaudited**

Table 2  
**Changes in Net Position**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<b><u>General Revenues:</u></b>						
Property Taxes	1,266,255	1,254,733	0	0	1,266,255	1,254,733
Municipal Income Taxes	14,433,560	14,078,721	0	0	14,433,560	14,078,721
Lodging Taxes	435,850	432,548	0	0	435,850	432,548
Payment in Lieu of Taxes	494,621	442,956	0	0	494,621	442,956
Grants and Entitlements	690,630	487,873	0	0	690,630	487,873
Investment Earnings	124,060	219,325	62,781	108,386	186,841	327,711
Miscellaneous	924,256	852,325	74,514	176,460	998,770	1,028,785
<i>Total General Revenues</i>	<u>18,369,232</u>	<u>17,768,481</u>	<u>137,295</u>	<u>284,846</u>	<u>18,506,527</u>	<u>18,053,327</u>
<i>Total Revenue</i>	<u>26,606,819</u>	<u>26,006,068</u>	<u>9,676,857</u>	<u>9,824,408</u>	<u>36,283,676</u>	<u>35,830,476</u>
<b><u>Expenses:</u></b>						
General Government	7,445,107	5,707,213	0	0	7,445,107	5,707,213
<i>Security of Persons and Property:</i>						
Police	1,555,809	4,861,865	0	0	1,555,809	4,861,865
Fire	(195,416)	3,693,767	0	0	(195,416)	3,693,767
Transportation	723,029	4,243,939	0	0	723,029	4,243,939
Community and Econ. Dev.	763,423	740,845	0	0	763,423	740,845
Leisure Time Activities	2,611,755	3,264,084	0	0	2,611,755	3,264,084
Interest and Fiscal Charges	219,003	218,582	0	0	219,003	218,582
Garbage	0	0	1,836,417	1,650,433	1,836,417	1,650,433
Parking Garage	0	0	300,638	289,782	300,638	289,782
Water	0	0	3,748,754	3,327,966	3,748,754	3,327,966
Sewer	0	0	4,570,102	4,554,020	4,570,102	4,554,020
<i>Total Expenses</i>	<u>13,122,710</u>	<u>22,730,295</u>	<u>10,455,911</u>	<u>9,822,201</u>	<u>23,578,621</u>	<u>32,552,496</u>
Change in Net Position	12,749,310	3,275,773	705,878	2,207	13,455,188	3,277,980
Net Position at Beginning of Year	<u>75,042,408</u>	<u>71,766,635</u>	<u>20,443,516</u>	<u>20,441,309</u>	<u>95,485,924</u>	<u>92,207,944</u>
<i>Net Position at End of Year</i>	<u>\$87,791,718</u>	<u>\$75,042,408</u>	<u>\$21,149,394</u>	<u>\$20,443,516</u>	<u>\$108,941,112</u>	<u>\$95,485,924</u>

**Governmental Activities**

The most significant program expenses for the City are General Government, Leisure Time Activities, Police, Community and Economic Development and Transportation. These programs account for 99.82 percent of the total governmental activities. General Government, which accounts for 56.73 percent of the total, represents costs associated with the general administration of city government including the City Council, Mayor, City Auditor, and Municipal Court. Leisure Time Activities, which accounts for 19.90 percent of the total, represents costs associated with parks, recreations and community center activities. Police, which accounts for 11.86 percent of the total, represents costs associated with the operation of the Police Department. Community and Economic Development, which accounts for 5.82 percent of the total, represents cost associated with beautification and development of the City. Transportation, which accounts for 5.51 percent of the total, represents costs associated with maintaining and improving the City's streets and operating the bus transit system.



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For the Year Ended December 31, 2019  
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Funding for the most significant programs indicated above is from charges for services and income taxes. The income tax revenue for 2019 was \$14,433,560. Of the \$26,606,819 in total revenues, income tax accounts for 54.25 percent of that total. Charges for services of \$4,155,220 accounts for 15.62 percent of total revenues. Operating and capital grants and contributions account for 12.58 percent of the total, and lodging taxes, payments in lieu of taxes, grants and entitlements, property taxes, interest, unrestricted contributions, gain on sale of capital assets, and other revenue make up the remaining 17.55 percent.

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

**Business-Type Activities**

The City's business-type activities include the City's water, sewer, garbage, and parking garage operations. Net position increased by \$705,878 or 3.45 percent for 2019, which is due to increases in the water and sewer funds of \$370,954 and \$638,544, respectively that helped offset the significant decrease in net position in the garbage fund of \$377,209.

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

Table 3  
**Net Cost of Governmental Activities**

	Total Cost of Services		Net Costs of Services	
	2019	2018	2019	2018
General Government	\$7,445,107	\$5,707,213	\$3,807,126	\$2,485,193
<i>Security of Persons and Property:</i>				
Police	1,555,809	4,861,865	1,444,688	4,760,640
Fire	(195,416)	3,693,767	(195,416)	3,643,757
Transportation	723,029	4,243,939	(1,979,937)	388,628
Community and Econ. Development	763,423	740,845	616,558	645,955
Leisure Time Activities	2,611,755	3,264,084	1,707,900	2,349,953
Interest and Fiscal Charges	219,003	218,582	219,003	218,582
Total Expenses	\$13,122,710	\$22,730,295	\$5,619,922	\$14,492,708

It should be noted that 57.17 percent of the costs of services for governmental activities are derived from program revenues including charges for services, operating grants, capital grants, and other contributions.

As shown by the total net costs of \$5,619,922, the remainder of the City's programs are funded by general revenues. A significant portion of the total general revenues consists of income taxes, property taxes, and grants and entitlements.

**City of Athens, Ohio**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2019  
Unaudited

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**Financial Analysis of the City's Funds**

**Governmental Funds**

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

The General Fund is the chief operating fund of the City. At the end of 2019, the total fund balance for the General Fund was \$1,644,954. During the current year, the fund balance of the City's General Fund decreased by \$89,563 or 5.16 percent. The decrease in the General Fund balance is due to the fact that expenditure increases outpaced revenue increases by a slight margin.

For the other major funds of the City, the Street Fund balance increased \$45,826 or 2.74 percent due to an increase in income tax revenue during the year. The Recreation Fund balance decreased \$220,436 or 23.17 percent due to expenditures exceeding revenues as a result of the swimming pool project expenditures.

**Proprietary Funds**

The City's major proprietary funds are the Parking Garage, Water, Sewer and Garbage funds. The City operates a parking garage with monthly and hourly spaces. Net position in the Parking Garage Fund increased \$73,589 or 2.98 percent, which is the result of revenues continuing to exceed expenses during 2019. The City provides water and sewer services to city residents. Net position in the Water Fund increased by \$370,954 or 6.11 percent, which is the result of a decrease in expenses during 2019. Net position in the Sewer Fund increased by \$638,544 or 5.99 percent, which is the result of an increase in operating revenues during the year. Net Position in the Garbage Fund decreased by \$377,209 or 30.25 percent, which is the result of an increase in operating expenses during the year.

***Major Fund Budgeting Highlights***

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

For the General Fund, the final budgeted revenues were \$14,943,475 representing a change of \$421,531 or 2.90 percent from the original budgeted estimates.

For the General Fund, the final budget basis expenditures were \$16,711,018 representing a change of \$820,316 or 5.16 percent from the original budgeted estimates. There was a 5.71 percent positive variance in actual expenditures as compared to the final budget in the General Fund. This was due to the fact that the various departments kept their spending levels below their appropriations.

For the Street Fund, the final budgeted revenues were \$2,887,170 representing a change of \$73,170 or 2.60 percent from the original budgeted revenues.

**City of Athens, Ohio**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2019  
Unaudited

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For the Street Fund, the final budget basis expenditures were \$4,113,651 representing a negative change of \$1,799,328 or 77.75 percent from the original budgeted estimates. There was a 12.46 percent positive variance in actual expenditures as compared to the final budget in the Street Fund. This was due to the fact that the street improvement spending was able to stay within its appropriations.

For the Recreation Fund, the final budgeted revenues were \$2,141,161 representing a negative change of \$65,911 or 3.18 percent from the original budgeted estimates.

For the Recreation Fund, the final budget basis expenditures were \$2,525,817 representing a change of \$220,238 or 9.55 percent from the original budgeted estimates, which is due to the available resources for the swimming pool improvement project. There was an 8.14 percent positive variance in actual expenditures as compared to the final budget in the Recreation Fund. This was due to the fact that spending levels and encumbrances were maintained below their appropriations.

### **Capital Assets and Debt Administration**

The City's investment in capital assets for governmental and business-type activities as of December 31, 2019, amounts to \$116,731,969 (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings, improvements, equipment and infrastructure.

Total capital assets for governmental activities of the City of Athens for the year 2019 were \$106,004,078.

The capital assets for business-type activities were \$42,632,772 as of December 31, 2019.

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

Additional information concerning the City's capital assets can be found in Note 10 of the Notes to the Basic Financial Statements.

As of December 31, 2019, the City of Athens had \$29,612,192 in long-term bonds, and loans outstanding with \$1,430,959 due within one year.

Outstanding general obligation bonds consist of a swimming pool improvement bond issue and a street improvement bond. General obligation bonds are direct obligations of the City for which its full faith, credit and resources are pledged.

Long-term loans and bonds in the Water and Sewer funds are OWDA loans for improvements to water and sewer lines and a parking garage renovation bond issue.

In addition to the bonded debt, the City's long-term obligations include compensated absences and net pension liability. Additional information concerning the City's debt can be found in Note 12 of the Notes to the Basic Financial Statements.

**City of Athens, Ohio**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2019  
Unaudited

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**Current Known Facts and Conditions**

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

In 2016 the Ohio University Board of Trustees adopted a six year capital improvement budget for fiscal years 2017 through 2022. The plan was updated in fiscal year 2018 (July 1, 2017 – June 30, 2018) for fiscal years 2019 through 2024. For FYE 2019 the budget includes planned use of reserves of \$17 million, which will be utilized for capital improvements, funding of strategic priorities and programs, bridging toward reduction strategies and a new Regional Campus strategy. FY19 projects planned from the approved FY19-FY24 CIP include several that were delayed from FY18 with a combined projected budget of \$7.2 million, as well as those originally planned for FY19 with a total estimated budget of \$72.9 million.

Some of the projects that were approved starting in 2019 were:

- Clippinger Hall, Phase I, project budget is \$42.6 million
- Heritage College of Osteopathic Medicine, Utilities, Phase I, project is budgeted at \$5.27 million
- Heritage College of Osteopathic Medicine, facility site improvements, Phase I, cost is \$2 million
- James Hall masonry repairs, project cost is \$1.7 million
- Convocation Center residential restrooms, cost is \$3.5 million
- Athens Campus roadway mill and overlay, University's cost is \$584,000

**Contacting the City's Financial Management**

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

**CITY OF ATHENS, OHIO**  
**Statement of Net Position**  
**December 31, 2019**

	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Equity in Pooled Cash & Cash Equivalents	\$14,093,201	\$6,862,321	\$20,955,522
Cash and Cash Equivalents in Segregated Accounts	56,639	0	56,639
Accrued Interest Receivable	209	0	209
Accounts Receivable	69,190	748,842	818,032
Intergovernmental Receivable	177,913	0	177,913
Income Taxes Receivable	1,248,875	0	1,248,875
Property Taxes Receivable	979,629	0	979,629
Other Local Taxes Receivable	104,052	0	104,052
Special Assessments Receivable	40,411	0	40,411
Materials and Supplies Inventory	113,235	383,749	496,984
Prepaid Items	238,211	79,662	317,873
<i>Restricted Assets:</i>			
Nondepreciable Capital Assets	71,428,501	6,854,405	78,282,906
Depreciable Capital Assets, Net	34,575,577	35,778,367	70,353,944
<i>Total Assets</i>	<u>123,125,643</u>	<u>50,707,346</u>	<u>173,832,989</u>
<b>Deferred Outflows of Resources</b>	<u>8,446,224</u>	<u>1,450,042</u>	<u>9,896,266</u>
<b>Liabilities:</b>			
Accounts Payable	203,317	434,206	637,523
Contracts Payable	210,792	132,123	342,915
Accrued Wages Payable	707,775	175,378	883,153
Intergovernmental Payable	18,317	3,475	21,792
Accrued Interest Payable	28,911	79,377	108,288
Claims Payable	128,676	0	128,676
Notes Payable	683,411	780,000	1,463,411
<i>Long-Term Liabilities:</i>			
Due within One Year	1,112,943	1,334,508	2,447,451
<i>Due in More Than One Year:</i>			
Net Pension Liability	24,206,431	4,231,501	28,437,932
Net OPEB Liability	6,569,083	1,991,475	8,560,558
Other Amounts Due in More Than One Year	7,816,570	21,723,739	29,540,309
<i>Total Liabilities</i>	<u>41,686,226</u>	<u>30,885,782</u>	<u>72,572,008</u>
<b>Deferred Inflows of Resources</b>	<u>2,093,923</u>	<u>122,212</u>	<u>2,216,135</u>
<b>Net Position:</b>			
Net Investments in Capital Assets	97,619,111	19,112,858	116,731,969
<i>Restricted for:</i>			
Street Maintenance	1,577,321	0	1,577,321
Debt Service	1,129,030	0	1,129,030
Capital Outlay	4,146,393	0	4,146,393
Other Purposes	3,762,703	0	3,762,703
Unrestricted (Deficit)	<u>(20,442,840)</u>	<u>2,036,536</u>	<u>(18,406,304)</u>
<b>Total Net Position</b>	<u><u>\$87,791,718</u></u>	<u><u>\$21,149,394</u></u>	<u><u>\$108,941,112</u></u>

See accompanying notes to the basic financial statements.

**CITY OF ATHENS, OHIO**  
*Statement of Activities*  
For the Year Ended December 31, 2019

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
General Government	\$7,445,107	\$3,228,235	\$115,222	\$294,524
<i>Security of Persons and Property:</i>				
Police	1,555,809	28,569	82,552	0
Fire	(195,416)	0	0	0
Transportation	723,029	19,777	403,702	2,279,487
Community and Economic Development	763,423	0	146,865	0
Leisure Time Activities	2,611,755	878,619	17,038	8,198
Interest and Fiscal Charges	219,003	0	0	0
<i>Total Governmental Activities</i>	<u>13,122,710</u>	<u>4,155,200</u>	<u>765,379</u>	<u>2,582,209</u>
<b>Business-Type Activities:</b>				
Garbage	1,836,417	1,446,476	0	0
Parking Garage	300,638	316,094	0	0
Water	4,570,102	5,182,461	0	0
Sewer	3,748,754	4,079,463	0	0
<i>Total Business-Type Activities</i>	<u>10,455,911</u>	<u>11,024,494</u>	<u>0</u>	<u>0</u>
<i>Totals</i>	<u>\$23,578,621</u>	<u>\$15,179,694</u>	<u>\$765,379</u>	<u>\$2,582,209</u>

**General Revenues:**

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

*Total General Revenues*

*Change in Net Position*

Net Position at Beginning of Year

Net Position at End of Year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and  
Changes in Net Position

Governmental Activities	Business-Type Activities	Total
(\$3,807,126)	\$0	(\$3,807,126)
(1,444,688)	0	(1,444,688)
195,416	0	195,416
1,979,937	0	1,979,937
(616,558)	0	(616,558)
(1,707,900)	0	(1,707,900)
(219,003)	0	(219,003)
(5,619,922)	0	(5,619,922)
0	(389,941)	(389,941)
0	15,456	15,456
0	612,359	612,359
0	330,709	330,709
0	568,583	568,583
(5,619,922)	568,583	(5,051,339)
1,266,255	0	1,266,255
12,771,613	0	12,771,613
481,276	0	481,276
1,180,671	0	1,180,671
435,850	0	435,850
494,621	0	494,621
690,630	0	690,630
124,060	62,781	186,841
924,256	74,514	998,770
18,369,232	137,295	18,506,527
12,749,310	705,878	13,455,188
75,042,408	20,443,516	95,485,924
<u>\$87,791,718</u>	<u>\$21,149,394</u>	<u>\$108,941,112</u>

**CITY OF ATHENS, OHIO**

*Balance Sheet*

*Governmental Funds*

*December 31, 2019*

	General	Street	Recreation	Small Cities Grant	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>						
Equity in Pooled Cash and Cash Equivalents	\$1,910,618	\$1,461,188	\$694,327	\$0	\$8,261,981	\$12,328,114
Cash and Cash Equivalents in Segregated Account	43,672	0	0	0	12,967	56,639
Accrued Interest Receivable	209	0	0	0	0	209
Accounts Receivable	43,929	0	5,974	0	19,287	69,190
Intergovernmental Receivable	48,284	105,873	0	0	23,756	177,913
Income Taxes Receivable	777,620	205,205	87,721	0	178,329	1,248,875
Property Taxes Receivable	979,629	0	0	0	0	979,629
Other Local Taxes Receivable	52,026	0	0	0	52,026	104,052
Special Assessments Receivable	40,411	0	0	0	0	40,411
Materials and Supplies Inventory	19,915	92,758	562	0	0	113,235
Prepaid Items	143,931	13,605	21,569	0	34,007	213,112
<i>Total Assets</i>	<u>\$4,060,244</u>	<u>\$1,878,629</u>	<u>\$810,153</u>	<u>\$0</u>	<u>\$8,582,353</u>	<u>\$15,331,379</u>
<b>Liabilities:</b>						
Accounts Payable	\$123,450	\$28,993	\$25,318	\$0	\$25,150	\$202,911
Contracts Payable	0	73,479	0	0	137,313	210,792
Accrued Wages Payable	570,648	54,674	52,952	0	11,502	689,776
Accrued Interest Payable	5,850	0	0	0	0	5,850
Intergovernmental Payable	11,891	2,869	793	0	2,496	18,049
Notes Payable	683,411	0	0	0	0	683,411
<i>Total Liabilities</i>	<u>1,395,250</u>	<u>160,015</u>	<u>79,063</u>	<u>0</u>	<u>176,461</u>	<u>1,810,789</u>
<b>Deferred Inflows of Resources</b>	<u>1,020,040</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,020,040</u>
<b>Fund Balances:</b>						
Nonspendable	165,516	106,363	22,131	0	188,081	482,091
Restricted	0	1,612,251	708,959	0	8,217,811	10,539,021
Assigned	1,479,438	0	0	0	0	1,479,438
<i>Total Fund Balances</i>	<u>1,644,954</u>	<u>1,718,614</u>	<u>731,090</u>	<u>0</u>	<u>8,405,892</u>	<u>12,500,550</u>
<i>Total Liabilities, Deferred Inflows and Fund Balances</i>	<u>\$4,060,244</u>	<u>\$1,878,629</u>	<u>\$810,153</u>	<u>\$0</u>	<u>\$8,582,353</u>	<u>\$15,331,379</u>

See accompanying notes to the basic financial statements.



**CITY OF ATHENS, OHIO**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Position of Governmental Activities  
 December 31, 2019*

<b>Total Governmental Funds Balances</b>		\$12,500,550
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. (less: Internal Service Fund amount)		105,975,558
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Taxes	6,737	
Special Assessments	40,411	
Total		47,148
In the statement of activities, interest is accrued on outstanding debt, whereas in the governmental funds, an interest expenditure is reported when due.		(23,061)
Some long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(6,645,000)	
Premium On Bonds	(829,278)	
Special Assessment Bonds	(227,278)	
Compensated Absences Payable (less: Internal Service Fund amount)	(1,187,328)	
Total		(8,888,884)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the governmental funds:		
Deferred Outflows - Pension	6,968,152	
Deferred Outflows - OPEB	1,478,072	
Deferred Inflows - Pension	(482,655)	
Deferred Inflows - OPEB	(638,376)	
Net Pension Liability	(24,206,431)	
Net OPEB Liability	(6,569,083)	
Total		(23,450,321)
Internal service funds are used by management to charge the costs of services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		1,630,728
<i>Net Position of Governmental Activities</i>		\$87,791,718

See accompanying notes to the basic financial statements.

**CITY OF ATHENS, OHIO**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2019*

	General	Street	Recreation	Small Cities Grant	All Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Property Taxes	\$955,795	\$0	\$0	\$0	\$0	\$955,795
Municipal Income Taxes	9,184,346	2,423,646	1,036,060	0	2,106,222	14,750,274
Other Local Taxes	217,925	0	0	0	217,925	435,850
Payments in Lieu of Taxes	0	0	0	0	494,621	494,621
Charges for Services	1,111,043	0	878,619	0	42,688	2,032,350
Licenses and Permits	744,111	0	0	0	83,889	828,000
Fines and Forfeitures	1,047,112	0	0	0	213,820	1,260,932
Intergovernmental	652,011	404,702	13,466	2,172,812	790,981	4,033,972
Special Assessments	3,589	0	0	0	11,542	15,131
Interest	14,208	10,200	8,282	0	70,759	103,449
Contributions and Donations	0	0	3,572	0	674	4,246
Other	670,923	91,781	6,438	0	155,114	924,256
<i>Total Revenues</i>	<u>14,601,063</u>	<u>2,930,329</u>	<u>1,946,437</u>	<u>2,172,812</u>	<u>4,188,235</u>	<u>25,838,876</u>
<b>Expenditures:</b>						
<i>Current:</i>						
General Government	5,496,865	0	0	0	703,378	6,200,243
Security of Persons and Property:						
Police	4,411,024	0	0	0	14,853	4,425,877
Fire	3,118,155	0	0	0	0	3,118,155
Transportation	1,058,744	2,970,863	0	0	304,672	4,334,279
Community and Economic Development	595,615	0	0	0	36,993	632,608
Leisure Time Services	0	0	2,186,873	0	0	2,186,873
Capital Outlay	0	0	0	2,172,812	1,208,506	3,381,318
<i>Debt Service:</i>						
Principal Retirement	0	42,436	0	0	235,000	277,436
Interest and Fiscal Charges	10,223	6,204	0	0	255,937	272,364
<i>Total Expenditures</i>	<u>14,690,626</u>	<u>3,019,503</u>	<u>2,186,873</u>	<u>2,172,812</u>	<u>2,759,339</u>	<u>24,829,153</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(89,563)</u>	<u>(89,174)</u>	<u>(240,436)</u>	<u>0</u>	<u>1,428,896</u>	<u>1,009,723</u>
<b>Other Financing Sources (Uses):</b>						
Transfers In	0	135,000	20,000	0	42,955	197,955
Transfers Out	0	0	0	0	(197,955)	(197,955)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>135,000</u>	<u>20,000</u>	<u>0</u>	<u>(155,000)</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	<u>(89,563)</u>	<u>45,826</u>	<u>(220,436)</u>	<u>0</u>	<u>1,273,896</u>	<u>1,009,723</u>
<i>Fund Balances at Beginning of Year</i>	<u>1,734,517</u>	<u>1,672,788</u>	<u>951,526</u>	<u>0</u>	<u>7,131,996</u>	<u>11,490,827</u>
<i>Fund Balances at End of Year</i>	<u>\$1,644,954</u>	<u>\$1,718,614</u>	<u>\$731,090</u>	<u>\$0</u>	<u>\$8,405,892</u>	<u>\$12,500,550</u>

See accompanying notes to the basic financial statements.

**CITY OF ATHENS, OHIO**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2019*

**Net Change in Fund Balances - Total Governmental Funds** \$1,009,723

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

Governmental funds report capital outlays as expenditures. However, in the state of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital Asset Additions	7,930,217	
Current Year Depreciation	<u>(1,186,042)</u>	
<b>Total</b>		<b>6,744,175</b>

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (143,437)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Property Taxes	(6,254)	
Special Assessments	<u>18,787</u>	
<b>Total</b>		<b>12,533</b>

Repayment of principal (e.g. bonds, notes, leases) is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 277,436

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 1,531

Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as an expenditure in the governmental funds.

Compensated Absences Payable	51,830	
Premium on Bonds	<u>42,358</u>	
<b>Total</b>		<b>94,188</b>

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred revenues. 1,647,567

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. 2,579,650

Internal service funds used by management to charges cost of services to individual funds are not reported in the government-wide statement of activities. Governmental expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of internal service funds are allocated among the activities. 525,944

*Change in Net Position of Governmental Activities* \$12,749,310

See accompanying notes to the basic financial statements.

**CITY OF ATHENS, OHIO**  
*Statement of Revenues, Expenditures, and  
 Changes in Fund Balances - Budget and Actual (Budget Basis)*  
 General Fund  
 For the Year Ended December 31, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Property Taxes	\$1,000,080	\$1,000,082	\$955,795	(\$44,287)
Income Taxes	9,166,000	9,211,000	9,112,919	(98,081)
Other Local Taxes	217,000	217,000	214,897	(2,103)
Charges for Services	998,402	1,111,707	1,108,182	(3,525)
Licenses and Permits	774,420	807,370	723,025	(84,345)
Fines and Forfeitures	1,117,850	1,122,165	1,053,195	(68,970)
Intergovernmental	657,160	709,396	682,241	(27,155)
Special Assessments	12,000	12,000	3,589	(8,411)
Interest	48,000	48,000	14,203	(33,797)
Other	531,032	704,755	668,098	(36,657)
<i>Total Revenues</i>	14,521,944	14,943,475	14,536,144	(407,331)
<b>Expenditures:</b>				
<i>Current:</i>				
General Government	6,060,955	6,769,896	6,080,359	689,537
<i>Security of Persons and Property:</i>				
Police	4,747,743	4,569,107	4,485,407	83,700
Fire	3,358,576	3,215,312	3,174,783	40,529
Transportation	706,800	1,127,889	1,076,389	51,500
Community and Economic Development	687,728	699,914	611,807	88,107
<i>Debt Service:</i>				
Principal Retirements	323,700	323,440	323,411	29
Interest and Fiscal Charges	5,200	5,460	5,451	9
<i>Total Expenditures</i>	15,890,702	16,711,018	15,757,607	953,411
<i>Excess of Revenues Over (Under) Expenditures</i>	(1,368,758)	(1,767,543)	(1,221,463)	546,080
<b>Other Financing Sources:</b>				
Notes Issued	223,500	683,500	683,411	(89)
<i>Total Other Financing Sources</i>	223,500	683,500	683,411	(89)
<i>Net Change in Fund Balance</i>	(1,145,258)	(1,084,043)	(538,052)	545,991
Fund Balances at Beginning of Year	1,307,026	1,307,026	1,307,026	0
Prior Year Encumbrances Appropriated	414,547	414,547	414,547	0
Fund Balances at End of Year	\$576,315	\$637,530	\$1,183,521	\$545,991

See accompanying notes to the basic financial statements.

**CITY OF ATHENS, OHIO**  
*Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual (Budget Basis)*  
Street Fund  
For the Year Ended December 31, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Income Taxes	\$2,400,000	\$2,404,800	\$2,404,798	(\$2)
Intergovernmental	317,000	368,585	368,574	(11)
Interest	22,000	22,000	10,200	(11,800)
Other	75,000	91,785	91,781	(4)
<i>Total Revenues</i>	<u>2,814,000</u>	<u>2,887,170</u>	<u>2,875,353</u>	<u>(11,817)</u>
<b>Expenditures:</b>				
<i>Current:</i>				
Transportation	2,265,523	4,064,851	3,552,485	512,366
<i>Debt Service:</i>				
Principal Retirements	42,500	42,500	42,436	64
Interest and Fiscal Charges	6,300	6,300	6,204	96
<i>Total Expenditures</i>	<u>2,314,323</u>	<u>4,113,651</u>	<u>3,601,125</u>	<u>512,526</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	499,677	(1,226,481)	(725,772)	500,709
<b>Other Financing Sources:</b>				
Transfers - In	0	135,000	135,000	0
<i>Total Other Financing Sources</i>	<u>0</u>	<u>135,000</u>	<u>135,000</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	499,677	(1,091,481)	(590,772)	500,709
Fund Balances at Beginning of Year	666,805	666,805	666,805	0
Prior Year Encumbrances Appropriated	860,327	860,327	860,327	0
Fund Balances at End of Year	<u>\$2,026,809</u>	<u>\$435,651</u>	<u>\$936,360</u>	<u>\$500,709</u>

See accompanying notes to the basic financial statements.

**CITY OF ATHENS, OHIO**  
*Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual (Budget Basis)*  
Recreation Fund  
For the Year Ended December 31, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Income Taxes	\$1,126,250	\$1,126,250	\$1,028,002	(\$98,248)
Charges for Services	900,600	961,229	878,619	(82,610)
Intergovernmental	12,000	13,466	13,466	0
Interest	23,800	23,800	8,282	(15,518)
Contributions and Donations	4,700	7,400	3,572	(3,828)
Other	7,900	9,016	7,615	(1,401)
<i>Total Revenues</i>	<u>2,075,250</u>	<u>2,141,161</u>	<u>1,939,556</u>	<u>(201,605)</u>
<b>Expenditures:</b>				
<i>Current:</i>				
Leisure Time Services	2,305,579	2,525,817	2,320,295	205,522
<i>Total Expenditures</i>	<u>2,305,579</u>	<u>2,525,817</u>	<u>2,320,295</u>	<u>205,522</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	(230,329)	(384,656)	(380,739)	3,917
<b>Other Financing Sources:</b>				
Transfers In	0	20,000	20,000	0
<i>Total Other Financing Sources</i>	<u>0</u>	<u>20,000</u>	<u>20,000</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(230,329)	(364,656)	(360,739)	3,917
Fund Balances at Beginning of Year	674,648	674,648	674,648	0
Prior Year Encumbrances Appropriated	323,799	323,799	323,799	0
Fund Balances at End of Year	<u>\$768,118</u>	<u>\$633,791</u>	<u>\$637,708</u>	<u>\$3,917</u>

See accompanying notes to the basic financial statements.

**CITY OF ATHENS, OHIO**  
*Statement of Fund Net Position*  
*Proprietary Funds*  
*December 31, 2019*

	Business-Type Activities					Governmental Activities
	Parking Garage	Water	Sewer	Garbage	Totals	Internal Service Funds
<b>Assets:</b>						
<i>Current:</i>						
Equity in Pooled Cash & Cash Equivalents	\$389,907	\$3,244,729	\$2,368,795	\$858,890	\$6,862,321	\$1,765,087
Accounts Receivable	12,784	250,017	352,886	133,155	748,842	0
Materials and Supplies Inventory	0	374,678	9,071	0	383,749	0
Prepaid Items	7,225	26,649	38,924	6,864	79,662	25,099
<i>Noncurrent:</i>						
Nondepreciable Capital Assets	861,996	5,355,408	622,326	14,675	6,854,405	0
Depreciable Capital Assets, Net	2,795,348	6,389,333	26,593,686	0	35,778,367	28,520
<b>Total Assets</b>	<b>4,067,260</b>	<b>15,640,814</b>	<b>29,985,688</b>	<b>1,013,584</b>	<b>50,707,346</b>	<b>1,818,706</b>
<b>Deferred Outflows of Resources</b>	<b>0</b>	<b>725,798</b>	<b>724,244</b>	<b>0</b>	<b>1,450,042</b>	<b>0</b>
<b>Liabilities:</b>						
<i>Current:</i>						
Accounts Payable	1,447	145,292	165,832	121,635	434,206	406
Contracts Payable	97,282	1,136	33,705	0	132,123	0
Accrued Wages Payable	0	82,244	84,308	8,826	175,378	17,999
Compensated Absences Payable	0	110,801	78,431	7,459	196,691	0
Intergovernmental Payable	0	1,913	1,367	195	3,475	268
Accrued Interest Payable	2,717	3,965	72,695	0	79,377	0
Claims Payable	0	0	0	0	0	128,676
Notes Payable	0	150,000	630,000	0	780,000	0
General Obligation Bonds Payable	130,000	0	0	0	130,000	0
OWDA Loans Payable	0	59,068	948,479	0	1,007,547	0
<i>Noncurrent Liabilities:</i>						
Compensated Absences Payable	0	61,510	54,484	5,648	121,642	31,191
General Obligation Bonds Payable	1,295,000	0	0	0	1,295,000	0
OWDA Loans Payable	0	6,105,913	14,201,454	0	20,307,367	0
Net Pension Liability	0	2,114,250	2,117,251	0	4,231,501	0
Net OPEB Liability	0	995,031	996,444	0	1,991,475	0
<b>Total Liabilities</b>	<b>1,526,446</b>	<b>9,831,123</b>	<b>19,384,450</b>	<b>143,763</b>	<b>30,885,782</b>	<b>178,540</b>
<b>Deferred Inflows of Resources</b>	<b>0</b>	<b>91,708</b>	<b>30,504</b>	<b>0</b>	<b>122,212</b>	<b>9,438</b>
<b>Net Position:</b>						
Net Investments in Capital Assets	2,232,344	5,429,760	11,436,079	14,675	19,112,858	28,520
Unrestricted	308,470	1,014,021	(141,101)	855,146	2,036,536	1,602,208
<b>Total Net Position</b>	<b>\$2,540,814</b>	<b>\$6,443,781</b>	<b>\$11,294,978</b>	<b>\$869,821</b>	<b>\$21,149,394</b>	<b>\$1,630,728</b>

See accompanying notes to the basic financial statements.

**CITY OF ATHENS, OHIO**  
*Statement of Revenues, Expenses and  
Changes in Fund Net Position  
Proprietary Funds  
For the Year Ended December 31, 2019*

	Business-Type Activities					Governmental Activities
	Parking Garage	Water	Sewer	Garbage	Totals	Internal Service Funds
<b>Operating Revenues:</b>						
Charges for Services	\$316,094	\$4,079,463	\$5,182,461	\$1,446,476	\$11,024,494	\$4,301,340
Other	0	0	11,975	0	11,975	0
<i>Total Operating Revenues</i>	<u>316,094</u>	<u>4,079,463</u>	<u>5,194,436</u>	<u>1,446,476</u>	<u>11,036,469</u>	<u>4,301,340</u>
<b>Operating Expenses:</b>						
Personal Services	0	1,100,230	1,081,170	118,549	2,299,949	248,763
Fringe Benefits	0	982,082	993,916	70,107	2,046,105	119,037
Contractual Services	171,552	668,283	698,047	1,633,367	3,171,249	677,462
Materials and Supplies	1,522	513,749	272,104	14,264	801,639	29,461
Utilities	13,951	138,214	375,206	80	527,451	3,071
Claims	0	0	0	0	0	2,982,018
Depreciation	77,892	324,338	845,110	0	1,247,340	18,371
<i>Total Operating Expenses</i>	<u>264,917</u>	<u>3,726,896</u>	<u>4,265,553</u>	<u>1,836,367</u>	<u>10,093,733</u>	<u>4,078,183</u>
<i>Operating Income (Loss)</i>	<u>51,177</u>	<u>352,567</u>	<u>928,883</u>	<u>(389,891)</u>	<u>942,736</u>	<u>223,157</u>
<b>Non-Operating Revenues (Expenses):</b>						
Interest Income	5,915	30,517	13,617	12,732	62,781	20,611
Other Non-Operating Revenues	52,218	9,728	593	0	62,539	282,176
Interest and Fiscal Charges	(35,721)	(20,534)	(303,036)	0	(359,291)	0
Other Non-Operating Expenses	0	(1,324)	(1,513)	(50)	(2,887)	0
<i>Total Non-Operating Revenues (Expenses)</i>	<u>22,412</u>	<u>18,387</u>	<u>(290,339)</u>	<u>12,682</u>	<u>(236,858)</u>	<u>302,787</u>
<i>Change in Net Position</i>	73,589	370,954	638,544	(377,209)	705,878	525,944
Net Position at Beginning of Year	<u>2,467,225</u>	<u>6,072,827</u>	<u>10,656,434</u>	<u>1,247,030</u>	<u>20,443,516</u>	<u>1,104,784</u>
Net Position at End of Year	<u>\$2,540,814</u>	<u>\$6,443,781</u>	<u>\$11,294,978</u>	<u>\$869,821</u>	<u>\$21,149,394</u>	<u>\$1,630,728</u>

See accompanying notes to the basic financial statements.



**CITY OF ATHENS, OHIO**  
*Statement of Cash Flows*  
*Proprietary Funds*  
For the Year Ended December 31, 2019

	Business-Type Activities				Governmental Activities	
	Parking Garage	Water	Sewer	Garbage	Totals	Internal Service Funds
<b>Cash Flows from Operating Activities:</b>						
Cash Received from Customers	\$308,991	\$4,085,101	\$5,126,596	\$1,430,312	\$10,951,000	\$4,301,340
Cash from Other Receipts	0	0	24,058	0	24,058	0
Cash Payments to Employees	0	(1,668,447)	(1,659,573)	(193,542)	(3,521,562)	(367,854)
Cash Payments for Contractual Services	(74,620)	(1,099,572)	(995,278)	(1,634,509)	(3,803,979)	(659,504)
Cash Payments for Insurance Claims	0	0	0	0	0	(3,022,605)
Cash Payments for Supplies and Materials	(17,391)	(644,129)	(553,107)	(12,637)	(1,227,264)	(28,762)
<i>Net Cash from Operating Activities</i>	<u>216,980</u>	<u>672,953</u>	<u>1,942,696</u>	<u>(410,376)</u>	<u>2,422,253</u>	<u>222,615</u>
<b>Cash Flows from Noncapital Financing Activities:</b>						
Other Nonoperating Receipts	52,218	9,728	593	0	62,539	282,176
Other Nonoperating Payments	0	(1,324)	(1,513)	(50)	(2,887)	0
<i>Net Cash from Noncapital Financing Activities</i>	<u>52,218</u>	<u>8,404</u>	<u>(920)</u>	<u>(50)</u>	<u>59,652</u>	<u>282,176</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>						
Proceeds Received from Notes and Loans	0	1,623,165	630,000	0	2,253,165	0
Interest Paid on Notes and Loans	(35,960)	(20,999)	(309,254)	0	(366,213)	0
Principal Paid on Notes and Loans	(125,000)	(308,164)	(1,633,789)	0	(2,066,953)	0
Cash Paid to Acquire/Construct Capital Assets	(542,442)	(1,041,449)	(191,707)	0	(1,775,598)	(13,800)
<i>Net Cash from Capital and Related Financing Activities</i>	<u>(703,402)</u>	<u>252,553</u>	<u>(1,504,750)</u>	<u>0</u>	<u>(1,955,599)</u>	<u>(13,800)</u>
<b>Cash Flows from Investing Activities:</b>						
Interest Received on Investments	5,915	30,517	13,617	12,732	62,781	20,611
<i>Net Cash from Investing Activities</i>	<u>5,915</u>	<u>30,517</u>	<u>13,617</u>	<u>12,732</u>	<u>62,781</u>	<u>20,611</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(428,289)	964,427	450,643	(397,694)	589,087	511,602
Cash and Cash Equivalents at Beginning of Year	818,196	2,280,302	1,918,152	1,256,584	6,273,234	1,253,485
Cash and Cash Equivalents at End of Year	<u>\$389,907</u>	<u>\$3,244,729</u>	<u>\$2,368,795</u>	<u>\$858,890</u>	<u>\$6,862,321</u>	<u>\$1,765,087</u>

See accompanying notes to the basic financial statements.

(Continued)

**CITY OF ATHENS, OHIO**  
*Statement of Cash Flows*  
*Proprietary Funds*  
For the Year Ended December 31, 2019

	Business-Type Activities					Governmental Activities
	Parking Garage	Water	Sewer	Garbage	Totals	Internal Service Funds
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities:</b>						
Operating Income (Loss)	\$51,177	\$352,567	\$928,883	(\$389,891)	\$942,736	\$223,157
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:</b>						
Depreciation Expense	77,892	324,338	845,110	0	1,247,340	18,371
<b>Changes in Assets and Liabilities:</b>						
(Increase) Decrease in Accounts Receivable	(7,103)	(21,913)	(43,782)	(16,164)	(88,962)	0
(Increase) Decrease in Material and Supply Inventory	0	(62,194)	(1,459)	0	(63,653)	0
(Increase) Decrease in Prepaid Items	(350)	(12,006)	(18,051)	(2,457)	(32,864)	19,766
(Increase) Decrease in Deferred Outflows of Resources	0	151,006	72,896	0	223,902	0
Increase (Decrease) in Accounts Payable	(1,918)	69,611	95,707	1,652	165,052	(613)
Increase (Decrease) in Contracts Payable	97,282	(24,778)	24,652	0	97,156	0
Increase (Decrease) in Accrued Wages Payable	0	3,167	(5,653)	(1,237)	(3,723)	1,260
Increase (Decrease) in Compensated Absences	0	426	(16,995)	(2,177)	(18,746)	1,516
Increase (Decrease) in Intergovernmental Payable	0	(1,188)	(1,589)	(102)	(2,879)	(255)
Increase (Decrease) in Claims Payable	0	0	0	0	0	(40,587)
Increase (Decrease) in Net Pension Liability	0	(14,375)	93,481	0	79,106	0
Increase (Decrease) in Deferred Inflows of Resources	0	(91,708)	(30,504)	0	(122,212)	0
<i>Net Cash from Operating Activities</i>	<u>\$216,980</u>	<u>\$672,953</u>	<u>\$1,942,696</u>	<u>(\$410,376)</u>	<u>\$2,422,253</u>	<u>\$222,615</u>

See accompanying notes to the basic financial statements.

**CITY OF ATHENS, OHIO**  
*Statement of Fiduciary Net Position*  
*Fiduciary Funds*  
*December 31, 2019*

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	<u>Agency</u>
<b>Assets:</b>	
Equity in Pooled Cash & Cash Equivalents	\$4,250
Cash and Cash Equivalents in Segregated Accounts	<u>374,760</u>
<i>Total Assets</i>	<u>379,010</u>
<b>Liabilities:</b>	
Deposits Held and Due to Others	<u>379,010</u>
<i>Total Liabilities</i>	<u><u>\$379,010</u></u>

See accompanying notes to the basic financial statements.

**CITY OF ATHENS, OHIO**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

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**NOTE 1 - DESCRIPTION OF THE ENTITY**

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

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

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

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

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

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

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

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

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

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

**CITY OF ATHENS, OHIO**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The most significant of the City's accounting policies are described below.

**Basis of Presentation**

The City's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

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

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

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

**Fund Accounting**

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

Recreation Fund: This fund accounts for an income tax levy and charges for services to be used for park, recreation and community center purposes.

Small Cities Grants: This fund accounts for capital grants received for street improvements within the City.

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

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

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

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

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

Garbage Fund: This fund accounts for charges for services for the collection of refuse within the city.

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

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Measurement Focus

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

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

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

Basis of Accounting

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

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

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

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

**CITY OF ATHENS, OHIO**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

Budgetary Accounting and Control:

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

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

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

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

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

The revised budget then serves as the basis for the annual appropriation measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported as original budgeted amounts on the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as final budget amounts on the budgetary statements reflect the amounts in the final amended official certificate of estimated resources issued during 2019.



**CITY OF ATHENS, OHIO**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**Cash and Investments**

Cash and investments of the City's funds, except those held in restricted asset accounts, are pooled and invested in short-term investments in order to provide improved cash management. During 2019, the City's funds were invested in interest bearing demand accounts and certificates of deposit with commercial banks. For purposes of the Statement of Cash Flows, the enterprise funds' portion of cash and cash equivalents is considered a cash equivalent because the City is able to withdraw resources from the enterprise funds without prior notice or penalty.

For purposes of the Statement of Cash Flows and for the presentation on the Statement of Net Position/Balance Sheet, investments with an original maturity of three months or less and investments of the cash management pool are considered to be cash equivalents.

Following the local ordinance of the City as well as State statutes, the City has specified the funds to receive an allocation of interest earnings. During 2019, the General Fund earned interest revenue of \$14,208, of which \$1,632 was assigned from other funds.

**Inventories**

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

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

**Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2019 are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which it is consumed.

**Capital Assets**

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

**CITY OF ATHENS, OHIO**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and deletions during the year. Donated capital assets donated works of art or similar items, and capital assets received in a service concession arrangement are reported at acquisition value. The City maintains a capitalization threshold of five thousand dollars. The City's infrastructure consists of streets, traffic signals, bridges, drainage systems, water and sewer lines, and valves and meters.

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

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings and Improvements	40 - 60 years	40 - 60 years
Machinery and Equipment	5 - 20 years	5 - 20 years
Vehicles	2 - 20 years	3 - 12 years
Infrastructure	20 - 60 years	20 - 50 years

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

**Compensated Absences**

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

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

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

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

***Pensions/Other Postemployment Benefits (OPEB)***

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

**Accrued Liabilities and Long-Term Obligations**

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

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

**Fund Balance**

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

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

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Committed** – amounts that can only be used for specific purposes pursuant to constraints imposed by formal ordinances or resolutions of the City Council – the City’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the City Council removes the specified use by taking the same type of action as when imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned** – amounts constrained by the City’s “intent” to be used for specific purposes, but are neither restricted nor committed. The City Council, City Officials have the authority to assign amount to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

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

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

**Net Position**

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

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

**Operating Revenues and Expenses**

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

**Interfund Transactions**

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2019.

**Estimates**

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

**NOTE 3 - RECONCILIATION OF BUDGET BASIS TO GAAP BASIS**

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

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- (c) Outstanding year end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
- (d) Proceeds from and principal payment on bond and tax anticipation notes are reported on the operating statement (budget basis) rather than on the balance sheet (GAAP basis).
- (e) Certain funds are maintained as separate funds for accounting and budgetary purposes (budget basis) but do not meet the criteria for separate reporting in the financial statements (GAAP basis) and are reported in the General Fund in accordance with GASB Statement No. 54.

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

**CITY OF ATHENS, OHIO**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

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

	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses/Net Change in Fund Balance		
	General	Street	Recreation
Budget Basis	(\$538,052)	(\$590,772)	(\$360,739)
<i>Adjustments:</i>			
Revenue Accruals	62,094	54,976	6,881
Expenditure Accruals	343,166	(3,206)	116,946
Encumbrances	725,526	584,828	16,476
Other Financing Sources	(683,411)	0	0
<i>Prospective Difference:</i>			
Activity of Funds Reclassified For GAAP Reporting Purposes	1,114	0	0
GAAP Basis	(\$89,563)	\$45,826	(\$220,436)

**NOTE 4 - CASH, DEPOSITS AND INVESTMENTS**

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

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

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

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

- (1) United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- (2) Bonds, notes, debentures, or any other obligations or securities issued by any federal government or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**NOTE 4 - CASH, DEPOSITS AND INVESTMENTS (Continued)**

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

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

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

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

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

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

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



**CITY OF ATHENS, OHIO**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

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**NOTE 4 - CASH, DEPOSITS AND INVESTMENTS (Continued)**

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

At December 31, 2019, the carrying amount of all City deposits was \$21,391,171. Based on the criteria described in GASB Statement No. 40, "*Deposit and Investment Risk Disclosures*", as of December 31, 2019, \$19,891,801 of the City's bank balance of \$21,141,801 was exposed to custodial risk as discussed above while \$1,250,000 was covered by Federal Deposit Insurance. The \$19,891,801 exposed to custodial risk was collateralized with securities held by the City or its agency in the City's name.

The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by:

Eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Three of the City's four financial institutions are enrolled in the OPCS; however, at December 31, 2019, the financial institutions still maintained their own collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

**NOTE 5 - PROPERTY TAXES**

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

Public utility property taxes are assessed on land and improvements at true value (normally 50 percent of cost).

The assessed value upon which the 2019 taxes were collected was \$395,196,100. The full tax rate for all City operations that was applied to real property for the year ended December 31, 2019 was \$2.60 per \$1,000 of assessed valuation for City residents in Athens Township, and \$2.40 per \$1,000 of assessed valuation for City residents in Canaan Township. Real property owners' tax bills are reduced for inflationary increases in property values and when applicable, are further reduced by homestead and rollback deductions. The amount of these homestead and rollback reductions is reimbursed to the City by the State of Ohio.



**CITY OF ATHENS, OHIO**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

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**NOTE 5 - PROPERTY TAXES (Continued)**

<i>Real Property:</i>	
Residential/Agricultural	\$208,684,990
Commercial/Industrial	170,042,560
Total Real Property	<u>378,727,550</u>
 <i>Personal Property:</i>	
Public Utilities	16,468,550
Total Assessed Valuation	<u><u>\$395,196,100</u></u>

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

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

Accrued property taxes receivable represents delinquent taxes outstanding and real and public utility taxes which were measurable as of December 31, 2019. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not intended to finance 2019 operations. The receivable is therefore offset by a credit to deferred inflows of resources.

**NOTE 6 - INCOME TAX REVENUE**

The City levies a tax of 1.85 percent on all salaries, wages, commissions, other compensation and net profits earned within the City, as well as, on incomes of residents earned outside the City. In the latter case, the City allows a credit of 1.25 percent of the tax paid to another municipality to a maximum of the total amount assessed.

Employers within the City are required to withhold income tax on employee's compensation and remit the tax to the City as follows:

1. In quarterly payments to be made on or before the last day of the month following each calendar quarter of the year, if the amount to be deducted and withheld during the quarter will not exceed \$200 a month or \$2,400 a year.
2. In monthly payments to be made on or before the 15<sup>th</sup> day of the month following each month of each year, if the amount to be deducted and withheld during the month exceeds \$200 a month or \$2,400 a year.

In 2019, the income tax generated a total of \$14,750,274 in income tax revenue.

**CITY OF ATHENS, OHIO**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

**NOTE 7 - INTERFUND ACTIVITY**

A summary of interfund transfers for 2019 were as follows:

Fund	Transfers In	Transfers Out
Street	\$135,000	\$0
Recreation	20,000	0
<i>Nonmajor Governmental Funds:</i>		
APR Income Tax	0	20,000
TIF Municipal Improvements	0	135,000
Capital Improvement	42,955	0
FEMA Grants	0	42,955
Total Nonmajor Funds	42,955	197,955
Total	\$197,955	\$197,955

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

**NOTE 8 - INTERGOVERNMENTAL RECEIVABLE**

Receivables at December 31, 2019 consisted of property taxes, income taxes, accounts (billings for user charged services), special assessments, interest and intergovernmental grants. All receivables are considered fully collectible.

A summary of the principal items of intergovernmental receivable follows:

Governmental Activities	
<i>General Fund:</i>	
Local Government Distributions	\$48,284
<i>Street Fund:</i>	
Street Maintenance Distributions	105,873
Nonmajor Special Revenue Funds	23,756
Total Intergovernmental Receivable	\$177,913

**CITY OF ATHENS, OHIO**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

**NOTE 9 – DEFERRED INFLOWS/DEFERRED OUTFLOWS OF RESOURCES**

In addition to assets, the Statements of Net Position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources of are reported on the government-wide Statement of Net Position and include deferred charges on refunding and pension expense. A deferral for pension results from changes in Net Pension Liability and Net OPEB Liability not recognized as a component of current year pension expense. This amount is deferred and amortized over various periods as instructed by the pension plan administrators. Deferred outflows of resources related to pensions and OPEB are explained further in Notes 13 and 14.

A summary of deferred outflows of resources reported in the Statements of Net Position follows:

	<b>Governmental</b>	<b>Business-Type</b>		
	<b>Activities</b>	<b>Activities</b>	<b>Water</b>	<b>Sewer</b>
<i>Deferred Outflows of Resources:</i>				
Pension Expense	\$6,968,152	\$1,273,200	\$637,029	\$636,171
OPEB Expense	1,478,072	176,842	88,769	88,073
<b>Total Deferred Outflows of Resources</b>	<b>\$8,446,224</b>	<b>\$1,450,042</b>	<b>\$725,798</b>	<b>\$724,244</b>

In addition to liabilities, the Statements of Net Position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, payments in lieu of taxes, unavailable revenues and pension/OPEB. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of December 31, 2019, but which were levied to finance year 2020 operations. These amounts have been recorded as deferred inflows on both the government-wide Statement of Net Position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds Balance Sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, income taxes, franchise taxes, intergovernmental grants, special assessments, and charges for services. These amounts are deferred and recognized as inflows of resources in the period the amounts become available. Additionally, deferred inflows related to pensions/OPEB are reported in the government-wide Statement of Net Position. Deferred inflows related to pensions/OPEB result from changes in Net Pension Liability and Net OPEB Liability not recognized as a component of current year pension expense. Deferred inflows of resources related to pension are explained further in Notes 13 and 14.

A summary of deferred inflows of resources reported in the Statement of Net Position follows:

	<b>Governmental</b>	<b>Business-Type</b>		
	<b>Activities</b>	<b>Activities</b>	<b>Water</b>	<b>Sewer</b>
<i>Deferred Inflows of Resources:</i>				
Nonexchange Revenue	\$972,892	\$0	\$0	\$0
Pensions	482,655	94,203	66,402	27,801
OPEB	638,376	28,009	25,306	2,703
<b>Total Deferred Inflows of Resources</b>	<b>\$2,093,923</b>	<b>\$122,212</b>	<b>\$91,708</b>	<b>\$30,504</b>

**CITY OF ATHENS, OHIO**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

**NOTE 9 – DEFERRED INFLOWS/DEFERRED OUTFLOWS OF RESOURCES (Continued)**

On the modified accrual basis of accounting, the City has recorded certain receivables where the related revenue is unavailable. Unavailable revenue has been reported as deferred inflow of resources on the governmental fund Balance Sheet as follows:

Governmental Funds	
	General
Property Taxes	\$979,629
Special Assessments	40,411
Total Deferred Inflows of Resources	\$1,020,040

**NOTE 10- CAPITAL ASSETS**

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

	Balance January 1, 2019	Additions/ Transfers	Deletions/ Transfers	Balance December 31, 2019
<b>Governmental Activities:</b>				
<i>Nondepreciable Capital Assets:</i>				
Land	\$3,286,876	\$0	\$0	\$3,286,876
Infrastructure	56,709,046	2,402,561	0	59,111,607
Construction in Progress	13,090,852	4,145,788	(8,206,622)	9,030,018
Total Nondepreciable Capital Assets	73,086,774	6,548,349	(8,206,622)	71,428,501
<i>Depreciable Capital Assets:</i>				
Land Improvements	4,904,892	0	0	4,904,892
Buildings	14,964,820	8,071,912	0	23,036,732
Machinery, Equipment and Vehicles	8,951,708	487,420	(294,639)	9,144,489
Infrastructure	18,958,187	995,521	(480,000)	19,473,708
Total Depreciable Capital Assets	47,779,607	9,554,853	(774,639)	56,559,821
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(488,313)	(102,710)	0	(591,023)
Buildings	(7,541,085)	(419,594)	0	(7,960,679)
Machinery, Equipment and Vehicles	(7,764,980)	(488,057)	294,639	(7,958,398)
Infrastructure	(5,664,092)	(194,052)	384,000	(5,474,144)
Total Accumulated Depreciation	(21,458,470)	(1,204,413)	678,639	(21,984,244)
Total Depreciable Capital Assets, Net	26,321,137	8,350,440	(96,000)	34,575,577
Governmental Activities Capital Assets, Net	\$99,407,911	\$14,898,789	(\$8,302,622)	\$106,004,078

**CITY OF ATHENS, OHIO**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

**NOTE 10 - CAPITAL ASSETS (Continued)**

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

Governmental Activities	
General Government	\$421,089
<i>Security of Persons and Property:</i>	
Police	23,987
Fire	67,147
Transportation	255,833
Leisure Time Activities	436,357
Governmental Activities Depreciation Expense	\$1,204,413

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

	Balance January 1, 2019	Additions/ Transfers	Deletions/ Transfers	Balance December 31, 2019
<i>Nondepreciable Capital Assets:</i>				
Land	\$463,489	\$0	\$0	\$463,489
Construction in Progress	3,986,332	2,404,584	0	6,390,916
Total Nondepreciable Capital Assets	4,449,821	2,404,584	0	6,854,405
<i>Depreciable Capital Assets:</i>				
Land Improvements	8,555	0	0	8,555
Buildings	31,860,352	14,265	0	31,874,617
Machinery, Equipment and Vehicles	2,486,303	106,194	(12,614)	2,579,883
Infrastructure	29,830,805	0	0	29,830,805
Total Depreciable Capital Assets	64,186,015	120,459	(12,614)	64,293,860
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(8,555)	0	0	(8,555)
Buildings	(8,080,890)	(580,663)	0	(8,661,553)
Machinery, Equipment and Vehicles	(2,048,543)	(179,107)	12,614	(2,215,036)
Infrastructure	(17,115,544)	(514,805)	0	(17,630,349)
Total Accumulated Depreciation	(27,253,532)	(1,274,575)	12,614	(28,515,493)
Total Depreciable Capital Assets, Net	36,932,483	(1,154,116)	0	35,778,367
Business-Type Activities Capital Assets, Net	\$41,382,304	\$1,250,468	\$0	\$42,632,772

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

**CITY OF ATHENS, OHIO**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

**NOTE 11 - NOTES PAYABLE**

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

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

The following is a summary of the City's note obligation activity for the year ended December 31, 2019.

Purpose/Description	Maturity Date	Interest Rate	Balance January 1, 2019	Additions	Deletions	Balance December 31, 2019
<b><u>Governmental Activities:</u></b>						
<i>Notes Payable:</i>						
Fire Dept. Ladder Truck	2019	1.69%	\$323,411	\$0	\$323,411	\$0
Fire Dept. Pumper Truck	2020	1.69%	0	223,411	0	223,411
Parking Meters	2020	1.69%	0	460,000	0	460,000
Governmental Activities Notes Payable			\$323,411	\$683,411	\$323,411	\$683,411
<b><u>Business-Type Activities:</u></b>						
<i>Notes Payable:</i>						
WWTP Improvements	2019	1.98%	\$220,000	\$0	\$220,000	\$0
WTP Improvements Designs	2019	1.98%	250,000	0	250,000	0
Sanitary Sewer Improvements	2019	1.45%	485,000	0	485,000	0
WWTP Improvements	2020	1.98%	0	170,000	0	170,000
WTP Improvements Designs	2020	1.98%	0	150,000	0	150,000
Sanitary Sewer Improvements	2020	1.45%	0	460,000	0	460,000
Business-Type Activities Notes Payable			\$955,000	\$780,000	\$955,000	\$780,000

**CITY OF ATHENS, OHIO**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

**NOTE 12 - LONG-TERM DEBT AND OTHER OBLIGATIONS**

The City's long-term obligations activity for the year ended December 31, 2019 was as follows:

Purpose/Description	Maturity Date	Interest Rate	Balance January 1, 2019	Additions	Deletions	Balance December 31, 2019	Amounts Due Within One Year
<b><u>Governmental Activities:</u></b>							
<i>General Obligation Bonds Payable:</i>							
University Estates St. Imp Bonds	2024	2.30%	\$269,714	\$0	\$42,436	\$227,278	\$43,412
Swimming Pool Imp Bonds	2035	2.00%	6,880,000	0	235,000	6,645,000	250,000
Premium on Bonds Issued			881,108	0	51,830	829,278	51,830
<i>Other Long-Term Obligations:</i>							
Compensated Absences			1,268,799	477,930	518,772	1,227,957	767,701
<i>Net Pension Liability:</i>							
OPERS			6,125,740	4,648,083	0	10,773,823	0
OP&F			10,130,694	3,301,914	0	13,432,608	0
Total Net Pension Liability			<u>16,256,434</u>	<u>7,949,997</u>	<u>0</u>	<u>24,206,431</u>	<u>0</u>
<i>Net OPEB Liability:</i>							
OPERS			4,172,826	897,667	0	5,070,493	0
OP&F			9,352,267	0	7,853,677	1,498,590	0
Total Net OPEB Liability			<u>13,525,093</u>	<u>897,667</u>	<u>7,853,677</u>	<u>6,569,083</u>	<u>0</u>
Governmental Activities Long-Term Obligations			<u>\$39,081,148</u>	<u>9,325,594</u>	<u>8,701,715</u>	<u>39,705,027</u>	<u>1,112,943</u>

**CITY OF ATHENS, OHIO**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

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

Purpose/Description	Maturity Date	Interest Rate	Balance January 1, 2019	Additions	Deletions	Balance December 31, 2019	Amounts Due Within One Year
<b><i>Business-Type Activities:</i></b>							
<i>OWDA Loans Payable:</i>							
Loan No. 3873 Original Issue Date - 2004 Original Issue Amount - \$2,632,603	2023	3.53%	\$839,516	\$0	\$156,363	\$683,153	\$161,931
Loan No. 5259 Original Issue Date - 2009 Original Issue Amount - \$480,000	2030	0.00%	288,000	0	24,000	264,000	\$24,000
Loan No. 6270 Original Issue Date - 2012 Original Issue Amount - \$777,271	2033	2.63%	619,225	0	34,164	585,061	35,068
Loan No. 6426 Original Issue Date - 2013 Original Issue Amount - \$17,474,264	2035	1.82%	15,239,206	0	772,426	14,466,780	786,548
Loan No. 7856 Original Issue Date - 2017 Original Issue Amount - \$10,873,616	2040	1.81%	3,842,755	1,473,165	0	5,315,920	0
<i>Other Long-Term Obligations:</i>							
Parking Garage Renovation Bonds	2029	2.32%	1,550,000	0	125,000	1,425,000	130,000
Compensated Absences			337,079	204,157	222,903	318,333	196,961
Net Pension Liability - OPERS:							
Water			1,266,138	848,112	0	2,114,250	0
Sewer			1,203,768	913,483	0	2,117,251	0
Total Net Pension Liability - OPERS			<u>2,469,906</u>	<u>1,761,595</u>	<u>0</u>	<u>4,231,501</u>	<u>0</u>
Net OPEB Liability - OPERS:							
Water			862,487	132,544	0	995,031	0
Sewer			820,002	176,442	0	996,444	0
Total Net OPEB Liability - OPERS			<u>1,682,489</u>	<u>308,986</u>	<u>0</u>	<u>1,991,475</u>	<u>0</u>
Business-Type Activities Long-Term Obligations			<u>\$26,868,176</u>	<u>\$3,747,903</u>	<u>\$1,334,856</u>	<u>\$29,281,223</u>	<u>\$1,334,508</u>



**CITY OF ATHENS, OHIO**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

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

The City's long-term debt requirements, excluding compensated absences as of December 31, 2019, are as follows:

Year Ending December 31	Governmental Activities		Business-Type Activities*	
	Payments		Payments	
	Principal	Interest	Principal	Interest
2020	\$293,412	\$257,052	\$1,137,547	\$327,242
2021	304,411	251,679	1,158,622	304,016
2022	325,432	242,857	1,185,191	280,329
2023	341,477	233,413	1,207,263	256,052
2024	362,546	223,494	1,048,597	232,674
2025-2029	1,945,000	903,600	5,551,652	859,357
2030-2034	2,665,000	459,800	5,102,952	353,354
2035	635,000	25,400	1,032,170	14,650
Total	<u>\$6,872,278</u>	<u>\$2,597,295</u>	<u>\$17,423,994</u>	<u>\$2,627,674</u>

\* Business-Type Activities does not include OWDA loan 7856 due to loans not being completed at December 31, 2019.

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

General obligations bonds are secured by 0.1 percent of the City's income tax. These bonds are also backed by the full faith and credit of the City.

**NOTE 13 - DEFINED BENEFIT PENSION PLANS**

**Net Pension Liability**

The net pension liability reported on the Statement of Net Position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

***NOTE 13 - DEFINED BENEFIT PENSION PLANS (Continued)***

The net pension liability represents the City's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the City's obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions are financed; however, the City does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

***Plan Description – Ohio Public Employees Retirement System (OPERS)***

*Plan Description* - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

**CITY OF ATHENS, OHIO**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

**NOTE 13 - DEFINED BENEFIT PENSION PLANS (Continued)**

<b>Group A</b> Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	<b>Group B</b> 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	<b>Group C</b> Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local	
	2019	2018
<b>Statutory Maximum Contribution Rates</b>		
Employer	14.0 %	14.0 %
Employee	10.0 %	10.0 %
<b>Actual Contribution Rates</b>		
Employer:		
Pension	14.0 %	14.0 %
Post-employment Health Care Benefits	0.0 %	0.0 %
Total Employer	<u>14.0 %</u>	<u>14.0 %</u>
Employee	<u>10.0 %</u>	<u>10.0 %</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$1,050,881 for 2019. Of this amount, \$62,777 is reported as an intergovernmental payable.

**CITY OF ATHENS, OHIO**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

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**NOTE 13 - DEFINED BENEFIT PENSION PLANS (Continued)**

**Plan Description – Ohio Police & Fire Pension Fund (OPF)**

*Plan Description* - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at [www.op-f.org](http://www.op-f.org) or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	Police	Firefighters
<b>2019 Statutory Maximum Contribution Rates</b>		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
	Police	Firefighters
<b>2019 Actual Contribution Rates</b>		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50 %	0.50 %
Total Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %

**CITY OF ATHENS, OHIO**  
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**NOTE 13 - DEFINED BENEFIT PENSION PLANS (Continued)**

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OPF was \$872,192 for 2019. Of this amount, \$57,906 is reported as an intergovernmental payable.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

The net pension liability for OPERS was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2018, and was determined by rolling forward the total pension liability as of January 1, 2018, to December 31, 2018. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
Proportion Share of the Net Pension Liability:			
Current Measurement Date	0.0547880%	0.1645620%	
Prior Measurement Date	<u>0.0547910%</u>	<u>0.1650630%</u>	
Change in Proportionate Share	<u>-0.0000030%</u>	<u>-0.0005010%</u>	
Proportionate Share of the Net Pension Liability	\$15,005,324	\$13,432,608	\$28,437,932
Pension Expense	\$3,485,355	\$1,772,162	\$5,257,517

**CITY OF ATHENS, OHIO**  
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**NOTE 13 - DEFINED BENEFIT PENSION PLANS (Continued)**

At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$691	\$551,892	\$552,583
Net difference between projected and actual earnings on pension plan investments	2,036,643	1,654,888	3,691,531
Changes of Assumptions	1,306,245	356,118	1,662,363
Changes in proportion and differences between City contributions and proportionate share of contributions	170,465	241,339	411,804
City contributions subsequent to the measurement date	<u>1,050,881</u>	<u>872,192</u>	<u>1,923,073</u>
Total Deferred Outflows of Resources	<u>\$4,564,925</u>	<u>\$3,676,429</u>	<u>\$8,241,354</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$197,030	\$12,542	\$209,572
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>39,037</u>	<u>328,250</u>	<u>367,287</u>
Total Deferred Inflows of Resources	<u>\$236,067</u>	<u>\$340,792</u>	<u>\$576,859</u>

\$1,923,073 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
Year Ending December 31:			
2020	\$1,480,241	\$760,737	\$2,240,978
2021	661,608	398,862	1,060,470
2022	188,941	572,636	761,577
2023	947,187	700,441	1,647,628
2024	<u>0</u>	<u>30,769</u>	<u>30,769</u>
Total	<u>\$3,277,977</u>	<u>\$2,463,445</u>	<u>\$5,741,422</u>

**Actuarial Assumptions - OPERS**

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

**CITY OF ATHENS, OHIO**  
*Notes to the Basic Financial Statements*  
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**NOTE 13 - DEFINED BENEFIT PENSION PLANS (Continued)**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2018, using the following actuarial assumptions, applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2018.

	December 31, 2018
Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
<i>COLA or Ad Hoc COLA:</i>	
Pre-January 7, 2013 Retirees	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple
Investment Rate of Return	7.2 percent
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was a loss of 2.94% for 2018.

**CITY OF ATHENS, OHIO**  
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**NOTE 13 - DEFINED BENEFIT PENSION PLANS (Continued)**

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00 %	2.79 %
Domestic Equities	19.00	6.21
Real Estate	10.00	4.90
Private Equity	10.00	10.81
International Equities	20.00	7.83
Other investments	18.00	5.50
<b>Total</b>	<b>100.00 %</b>	<b>5.95 %</b>

**Discount Rate** The discount rate used to measure the total pension liability was 7.2 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits 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.

**Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the City’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.2 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.5 percent) or one-percentage-point higher (8.2 percent) than the current rate:

	<u>1% Decrease (6.2%)</u>	<u>Current Discount Rate (7.2%)</u>	<u>1% Increase (8.2%)</u>
City's proportionate share of the net pension liability	\$22,167,225	\$15,005,324	\$9,053,717

**Changes since the prior Measurement Date on to Report Date**

OPERS Board adopted a change in the investment return assumption, reducing it from 7.50% to 7.20%.



**CITY OF ATHENS, OHIO**  
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**NOTE 13 - DEFINED BENEFIT PENSION PLANS (Continued)**

**Actuarial Assumptions – OPF**

OPF’s total pension liability as of December 31, 2019 is based on the results of an actuarial valuation date of January 1, 2018, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF’s actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2018, are presented below:

	January 1, 2018
Valuation Date	January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent

For the January 1, 2018, valuation, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

Age	Police	Fire
67 or less	77%	68%
68-77	105%	87%
78 and up	115%	120%

For the January 1, 2018, valuation, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

Age	Police	Fire
59 or less	35%	35%
60-69	60%	45%
70-79	75%	70%
80 and up	100%	90%

The most recent experience study was completed as of December 31, 2016. The actuarial assumptions used in the valuation are based on the results of a five-year experience review covering the period 2012-2016. The experience study was performed by OP&F’s prior actuary and the assumptions were effective January 1, 2017.

**CITY OF ATHENS, OHIO**  
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**NOTE 13 - DEFINED BENEFIT PENSION PLANS (Continued)**

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2018 are summarized below:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash and Cash Equivalents	0.00 %	0.80 %
Domestic Equity	16.00	5.50
Non-US Equity	16.00	5.90
Private Markets	8.00	8.40
Core Fixed Income *	23.00	2.60
High Yield	7.00	4.80
Private Credit	5.00	7.50
U.S. Inflation Linked Bonds	17.00	2.30
Master Limited Partnerships	8.00	6.40
Real Assets	8.00	7.00
Private Real Estate	12.00	6.10
Total	120.00 %	

Note: Assumptions are geometric  
 \* levered 2x

OP&F's assumed long-term discount rate of 8.00 percent is supported by the 30-year expected rate of return, as calculated by their investment advisor.

OPF's Board of Trustees has incorporated the "risk parity" concept into OPF's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

**Discount Rate** The total pension liability was calculated using the discount rate of 8.00 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.00 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.00 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00 percent), or one percentage point higher (9.00 percent) than the current rate.

**CITY OF ATHENS, OHIO**  
*Notes to the Basic Financial Statements*  
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**NOTE 13 - DEFINED BENEFIT PENSION PLANS (Continued)**

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$17,656,237	\$13,432,608	\$9,903,155

**NOTE 14 - DEFINED BENEFIT OPEB PLANS**

***Net OPEB Liability***

The net OPEB liability reported on the Statement of Net Position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents the City’s proportionate share of each OPEB plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan’s fiduciary net position. The net OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the City’s obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which OPEB are financed; however, the City does receive the benefit of employees’ services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan’s unfunded benefits is presented as a long-term net OPEB liability on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting.

***Plan Description – Ohio Public Employees Retirement System (OPERS)***

***Plan Description*** - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

**NOTE 14 –DEFINED BENEFIT OPEB PLANS (Continued)**

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

**Funding Policy** - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by Systems' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2019 decreased to 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2019 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required OPEB contribution was \$0 for 2019.

**NOTE 14 – DEFINED BENEFIT OPEB PLANS (Continued)**

***Plan Description – Ohio Police & Fire Pension Fund (OP&F)***

***Plan Description*** – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment healthcare plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. Beginning January 1, 2019 OP&F changed its retiree health care model to a stipend-based health care model. OP&F has contracted with a vendor who will assist eligible retirees in choosing health care plans from their marketplace (both Medicare-eligible and pre-Medicare populations). A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. As a result of changing from the current health care model to the stipend based health care model, management expects that it will be able to provide stipends to eligible participants for the next 15 years.

OP&F provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 75.

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

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OP&F website at [www.op-f.org](http://www.op-f.org) or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

***Funding Policy*** – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. There is one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. An Internal Revenue Code 401(h) account is maintained for Medicare Part B reimbursements.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2018, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

**CITY OF ATHENS, OHIO**  
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**NOTE 14 – DEFINED BENEFIT OPEB PLANS (Continued)**

The City's contractually required OPEB contribution to OP&F was \$20,832 for 2019. Of this amount, \$0 is reported as an intergovernmental payable.

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

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2018, and was determined by rolling forward the total OPEB liability as of January 1, 2018, to December 31, 2018. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
Proportion Share of the Net OPEB Liability:			
Current Measurement Date	0.0541660%	0.1645620%	
Prior Measurement Date	<u>0.0539200%</u>	<u>0.1650630%</u>	
Change in Proportionate Share	<u><u>0.0002460%</u></u>	<u><u>-0.0005010%</u></u>	
Proportionate Share of the Net OPEB Liability	\$7,061,968	\$1,498,590	\$8,560,558
OPEB Expense	\$717,846	(\$7,383,220)	(\$6,665,374)

At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$2,391	\$0	\$2,391
Net difference between projected and actual earnings on pension plan investments	323,749	50,729	374,478
Changes of Assumptions	227,687	776,797	1,004,484
Changes in proportion and differences between City contributions and proportionate share of contributions	115,918	136,808	252,726
City contributions subsequent to the measurement date	<u>0</u>	<u>20,832</u>	<u>20,832</u>
Total Deferred Outflows of Resources	<u><u>\$669,745</u></u>	<u><u>\$985,166</u></u>	<u><u>\$1,654,911</u></u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$19,161	\$40,151	\$59,312
Changes of assumptions	0	414,880	414,880
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>22,607</u>	<u>169,588</u>	<u>192,195</u>
Total Deferred Inflows of Resources	<u><u>\$41,768</u></u>	<u><u>\$624,619</u></u>	<u><u>\$666,387</u></u>



**CITY OF ATHENS, OHIO**  
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**NOTE 14 –DEFINED BENEFIT OPEB PLANS (Continued)**

\$20,832 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	OPERS	OP&F	Total
Year Ending December 31:			
2020	\$331,012	\$61,046	\$392,058
2021	80,274	61,046	141,320
2022	53,598	61,048	114,646
2023	163,093	76,389	239,482
2024	0	52,200	52,200
Thereafter	0	27,986	27,986
Total	\$627,977	\$339,715	\$967,692

***Actuarial Assumptions – OPERS***

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current Measurement Date	3.96 percent
Prior Measurement Date	3.85 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate	3.71 percent
Health Care Cost Trend Rate	10.0 percent, initial 3.25 percent, ultimate in 2029
Actuarial Cost Method	Individual Entry Age

**CITY OF ATHENS, OHIO**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

**NOTE 14 –DEFINED BENEFIT OPEB PLANS (Continued)**

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and healthcare related payments are assumed to occur mid-year. Accordingly, the money weighted rate of return is considered to be the same for all plans within the portfolio. The annual money weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was a loss of 5.60% for 2018.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS’ primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long Term Expected Real Rate of Return
Fixed Income	34.00 %	2.42 %
Domestic Equity	21.00	6.21
Real Estate Investment Trust	6.00	5.89
International Equities	22.00	7.83
Other Investments	17.00	5.57
Total	100.00 %	5.16 %



**CITY OF ATHENS, OHIO**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

**NOTE 14 – DEFINED BENEFIT OPEB PLANS (Continued)**

**Discount Rate** A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 3.71 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

***Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate***

The following table presents the City’s proportionate share of the net OPEB liability calculated using the single discount rate of 3.96 percent, as well as what the City’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.96 percent) or one percentage-point higher (4.96 percent) than the current rate:

	1% Decrease <u>(2.96%)</u>	Current Discount Rate <u>(3.96%)</u>	1% Increase <u>(4.96%)</u>
City's proportionate share of the net OPEB liability	\$9,034,889	\$7,061,968	\$5,492,974

***Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost***

**Trend Rate** Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2019 is 10.0 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	\$6,788,083	\$7,061,968	\$7,377,409

**CITY OF ATHENS, OHIO**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

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**NOTE 14 – DEFINED BENEFIT OPEB PLANS (Continued)**

**Changes since prior Measurement Date and to Report Date**

OPERS Board adopted a change in the investment return assumption, reducing it from 6.50% to 6.00%. In January 2020, the Board adopted changes to health care coverage for Medicare and pre-Medicare retirees. It will include discontinuing the PPO plan for pre-Medicare retirees and replacing it with a monthly allowance to help participants pay for a health care plan of their choosing. The base allowance for Medicare-eligible retirees will be reduced. The specific effect of these changes on the net OPEB liability and OPEB expense are unknown at this time.

***Actuarial Assumptions – OP&F***

OP&F’s total OPEB liability as of December 31, 2018, is based on the results of an actuarial valuation date of January 1, 2018, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F’s actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee’s entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below.

Valuation Date	January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.0 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Single Discount Rate:	
Current measurement date	4.66 percent
Prior measurement date	3.24 percent
Stipend Increase Rate	The stipend is not assured to increase over the projection period.

**CITY OF ATHENS, OHIO**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

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**NOTE 14 –DEFINED BENEFIT OPEB PLANS (Continued)**

Healthy Mortality rates were based on the RP-2014 Total Employee and Healthy Mortality Tables rolled back to 2006, adjusted and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120%. Disability Mortality rates were based on RP-2014 Disability Mortality Tables rolled back to 2006, adjusted and projected with the Conduent Modified 2016 Improvement Scale.

Age	Police	Fire
67 or less	77%	68%
68-77	105%	87%
78 and up	115%	120%

Disabled Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale.

Age	Police	Fire
59 or less	35%	35%
60-69	60%	45%
70-79	75%	70%
80 and up	100%	90%

The most recent experience study was completed for the five year period ended December 31, 2016.

The long-term expected rate of return on OPEB plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F’s target asset allocation as of December 31, 2018, are summarized below:

**CITY OF ATHENS, OHIO**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

**NOTE 14 – DEFINED BENEFIT OPEB PLANS (Continued)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash and Cash Equivalents	0.00 %	0.80 %
Domestic Equity	16.00	5.50
Non-US Equity	16.00	5.90
Private Markets	8.00	8.40
Core Fixed Income *	23.00	2.60
High Yield Fixed Income	7.00	4.80
Private Credit	5.00	7.50
U.S. Inflation Linked Bonds*	17.00	2.30
Master Limited Partnerships	8.00	6.40
Real Assets	8.00	7.00
Private Real Estate	12.00	6.10
Total	<u>120.00 %</u>	

Note: Assumptions are geometric.

\* levered 2x

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on the relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

**Discount Rate** The total OPEB liability was calculated using the discount rate of 4.66 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 4.13 percent at December 31, 2018 and 3.16 percent at December 31, 2017, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 4.66 percent. The municipal bond rate was determined using the S&P Municipal Bond 20 Year High Grade Rate Index.

***Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate***

Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 4.66 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.66 percent), or one percentage point higher (5.66 percent) than the current rate.

	1% Decrease (3.66%)	Current Discount Rate (4.66%)	1% Increase (5.66%)
City's proportionate share of the net OPEB liability	\$1,825,691	\$1,498,590	\$1,224,016

**NOTE 14 – DEFINED BENEFIT OPEB PLANS (Continued)**

**Changes since prior measurement date and to report date**

Beginning January 1, 2019 OP&F changed its retiree health care model and the current self-insured health care plan is no longer offered. In its place will be a stipend based health care model. OP&F has contracted with a vendor who will assist eligible retirees in choosing health care plans from their marketplace (both Medicare-eligible and pre-Medicare populations). A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. As a result of changing from the current health care model to the stipend based health care model, management expects that it will be able to provide stipends to eligible participants for the next 15 years. Beginning in 2020 the Board approved a change to the Deferred Retirement Option Plan. The minimum interest rate accruing will be 2.5%.

**NOTE 15 - EMPLOYEE BENEFITS**

**Compensated Absences**

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

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

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

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

Vacation leave upon separation from the City Service an employee is paid, at their current rate, for up to three years of accrued unused vacation leave.

**NOTE 16 - RISK MANAGEMENT**

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

**CITY OF ATHENS, OHIO**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

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**NOTE 16 - RISK MANAGEMENT (Continued)**

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

In addition, the City maintains replacement cost insurance on buildings and contents in the amount of \$130,298,305. Other property insurance includes the following: \$931,175 for contractor's equipment. Supplemental boiler and machinery coverage is carried in the amount of \$500,000 with business interruption and extra expense/actual loss provisions.

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

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

The City participates in a medical self-insurance plan for employees who cover medical claims and prescription drugs. The medical portion is a limited risk health plan with a third party administrator, Employee Benefits Services (EBS), Inc. that is part of the Medical Mutual of Ohio. The prescription drug coverage is administered by Appro-RX, with the employee paying a co-pay amount, then Appro-RX paying the balance and billing the City. All claims are paid by the third party administrator under policies established by the City. The City pays an administrative fee to EBS to service the claims. All departmental funds contribute to the Medical Internal Service Fund based on fees legislatively set by Council to insure historical and anticipated claims coverage in relation to the number of employees paid from each departmental fund. The medical service fund is presented in the financial statements and reflects all fees paid into the fund and all claims and administrative costs paid out of the fund. The City also carries a specific excess coverage (stop-loss) policy for medical claims in excess of \$110,000 per person and \$3,796,854 in the aggregate. The specific and aggregate excess loss insurance is carried with United States Fire Insurance Company through the third party administrator. The Managing General Underwriter is Certus Management Group.

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

Changes in the fund's claims liability in 2019 and 2018 were as follows:

	Beginning Year Balance	Current Year Claims	Claim Payments	Ending Year Balance
2018	\$414,102	\$2,837,233	\$3,082,072	\$169,263
2019	169,263	2,982,018	3,022,605	128,676

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

**CITY OF ATHENS, OHIO**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

**NOTE 17 – FUND CASH BALANCES**

As of December 31, 2019 fund balances are composed of the following:

	General	Street	Recreation	Small Cities Grants	All Other Governmental Funds	Total Governmental Funds
<i>Nonspendable:</i>						
Prepaid Items	\$143,931	\$13,605	\$21,569	\$0	\$34,007	\$213,112
Materials & Supplies	19,915	92,758	562	0	0	113,235
Unclaimed Monies	1,670	0	0	0	0	1,670
Loans Receivable	0	0	0	0	154,074	154,074
<b>Total Nonspendable</b>	<b>165,516</b>	<b>106,363</b>	<b>22,131</b>	<b>0</b>	<b>188,081</b>	<b>482,091</b>
<i>Restricted:</i>						
Transportation	0	1,612,251	0	0	306,396	1,918,647
Parks & Recreation	0	0	708,959	0	1,860,969	2,569,928
Capital Projects	0	0	0	0	4,146,393	4,146,393
Tourism	0	0	0	0	54,470	54,470
Cable Access	0	0	0	0	35,064	35,064
Court	0	0	0	0	473,563	473,563
Community and Econ. Dev.	0	0	0	0	589,154	589,154
Police	0	0	0	0	750,623	750,623
Expendable Trust	0	0	0	0	1,179	1,179
<b>Total Restricted</b>	<b>0</b>	<b>1,612,251</b>	<b>708,959</b>	<b>0</b>	<b>8,217,811</b>	<b>10,539,021</b>
<i>Assigned:</i>						
Future Appropriations	753,911	0	0	0	0	753,911
Administration	553,045	0	0	0	0	553,045
Police	78,292	0	0	0	0	78,292
Fire	59,037	0	0	0	0	59,037
Community and Econ. Dev.	11,365	0	0	0	0	11,365
Transportation	23,788	0	0	0	0	23,788
<b>Total Assigned</b>	<b>1,479,438</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,479,438</b>
<i>Unassigned</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Fund Balances</b>	<b><u><u>\$1,644,954</u></u></b>	<b><u><u>\$1,718,614</u></u></b>	<b><u><u>\$731,090</u></u></b>	<b><u><u>\$0</u></u></b>	<b><u><u>\$8,405,892</u></u></b>	<b><u><u>\$12,500,550</u></u></b>

**CITY OF ATHENS, OHIO**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

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**NOTE 18 – ENCUMBRANCE COMMITMENTS**

At December 31, 2019, the City had encumbrance commitments in the Governmental Funds as follows:

<u>Major Funds</u>	
General	\$725,526
Street	584,828
Recreation	16,476
<u>Nonmajor Funds</u>	
Cable Access	22,400
Transportation Assistance	4,125
Judges Court Computer	5,077
Clerk Court Computer	2,035
Diversion Program	2,966
Community Correction Grant	1,050
DUI Court Grant	2,913
Athens City Enhancement	447
Community Center	40,143
APR Income Tax	24,187
Law Enforcement Trust	10,690
Drug Law Enforcement	10,931
Street Rehabilitation	1,538,545
Capital Improvements	53,007
Armory/Hudson Street Buildings	343
Law Admin Building Improvement	12,000
Total Nonmajor Funds	<u>1,730,859</u>
Total Encumbrances	<u><u>\$3,057,689</u></u>

**NOTE 19 - CONTINGENCIES**

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

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



**CITY OF ATHENS, OHIO**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2019*

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**NOTE 20 – SUBSEQUENT EVENTS**

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City. The City's investment portfolio and the investments of the pension and other employee benefit plan in which the City participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the City's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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# Required Supplementary Information

**City of Athens, Ohio**  
*Required Supplementary Information*  
*Schedule of the City's Proportionate Share of Net Pension/OPEB Liability*  
*Ohio Public Employees Retirement System - Traditional Plan*  
*Last Six Years*

	2018	2017	2016	2015
<b>Pension (1)</b>				
City's Proportion of the Net Pension Liability	0.05478800%	0.05479100%	0.05249400%	0.05179700%
City's Proportionate Share of the Net Pension Liability	\$15,005,324	\$8,595,646	\$11,920,495	\$8,971,893
City Covered-Employee Payroll	\$7,512,079	\$7,274,200	\$6,846,457	\$6,853,014
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	199.75%	118.17%	174.11%	130.92%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.66%	84.66%	77.25%	81.08%
<b>OPEB (2)</b>				
City's Proportion of the Net OPEB Liability	0.05416600%	0.05392000%	0.05392000%	N/A
City's Proportionate Share of the Net OPEB Liability	\$7,061,968	\$5,855,315	\$5,228,946	N/A
City Covered-Employee Payroll	\$7,512,079	\$7,274,200	\$6,846,457	N/A
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	94.01%	80.49%	76.37%	N/A
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	54.14%	54.14%	54.05%	N/A

(1) Information prior to 2013 is not available.

(2) Information prior to 2016 is not available.

Amounts presented as of the City's measurement date which is the prior fiscal year.

2014	2013
0.05157900%	0.05157900%
\$6,221,004	\$6,080,492
\$6,703,729	\$7,178,631
92.80%	84.70%
86.45%	86.36%
N/A	N/A
N/A	N/A
N/A	N/A
N/A	N/A
N/A	N/A

**City of Athens, Ohio**  
*Required Supplementary Information*  
*Schedule of the City's Proportionate Share of Net Pension Liability*  
*Ohio Police and Fire Pension Fund*  
*Last Six Years (1)*

	2018	2017	2016	2015
<i>OP&amp;F - Police</i>				
City's Proportion of the Net Pension Liability	0.07790700%	0.07609600%	0.07799100%	0.07617000%
City's Proportionate Share of the Net Pension Liability	\$6,359,270	\$4,670,378	\$4,939,846	\$4,900,089
City Covered-Employee Payroll	\$1,962,851	\$1,851,051	\$1,874,851	\$1,767,995
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	323.98%	252.31%	263.48%	277.16%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.91%	70.91%	68.36%	66.77%
<i>OP&amp;F - Fire</i>				
City's Proportion of the Net Pension Liability	0.08665500%	0.08896700%	0.08737900%	0.08577600%
City's Proportionate Share of the Net Pension Liability	\$7,073,338	\$5,460,316	\$5,534,497	\$5,518,003
City Covered-Employee Payroll	\$1,772,975	\$1,749,063	\$1,705,783	\$1,587,533
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	398.95%	312.19%	324.45%	347.58%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.91%	70.91%	68.36%	66.77%

(1) Information prior to 2013 is not available.

Amounts presented as of the City's measurement date which is the prior fiscal year.

2014	2013
0.08318220%	0.08318220%
\$4,309,185	\$4,051,234
\$1,826,733	\$1,799,564
235.90%	225.12%
72.20%	73.00%
0.08681430%	0.08681430%
\$4,497,343	\$4,228,129
\$1,558,988	\$1,544,429
288.48%	273.77%
72.20%	73.00%

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**City of Athens, Ohio**  
*Required Supplementary Information*  
*Schedule of the City's Proportionate Share of Net OPEB Liability*  
*Ohio Police and Fire Pension Fund*  
*Last Three Years (1)*

	<u>2018</u>	<u>2017</u>	<u>2016</u>
<i><u>OP&amp;F - Police</u></i>			
City's Proportion of the Net OPEB Liability	0.07790700%	0.07609600%	0.07799100%
City's Proportionate Share of the Net OPEB Liability	\$709,463	\$4,311,510	\$3,702,057
City Covered-Employee Payroll	\$1,962,851	\$1,851,051	\$1,874,851
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	36.14%	232.92%	197.46%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	14.13%	14.13%	15.96%
<i><u>OP&amp;F - Fire</u></i>			
City's Proportion of the Net OPEB Liability	0.08665500%	0.08896700%	0.08737900%
City's Proportionate Share of the Net OPEB Liability	\$789,127	\$5,040,757	\$4,147,685
City Covered-Employee Payroll	\$1,772,975	\$1,749,063	\$1,705,783
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	44.51%	288.20%	243.15%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	14.13%	14.13%	15.96%

(1) Information prior to 2016 is not available.

Amounts presented as of the City's measurement date which is the prior fiscal year.

**City of Athens, Ohio**  
*Required Supplementary Information*  
*Schedule of City Contributions*  
*Ohio Public Employees Retirement System - Traditional Plan*  
*Last Ten Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b><u>Pension</u></b>				
Contractually Required Contribution	\$1,050,881	\$1,051,691	\$945,646	\$958,504
Contributions in Relation to the Contractually Required Contribution	<u>(1,050,881)</u>	<u>(1,051,691)</u>	<u>(945,646)</u>	<u>(958,504)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered-Employee Payroll	\$7,506,293	\$7,512,079	\$7,274,200	\$6,846,457
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	13.00%	12.00%
<b><u>OPEB</u></b>				
Contractually Required Contribution	\$0	\$0	\$72,742	\$136,929
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>(72,742)</u>	<u>(136,929)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered-Employee Payroll	\$7,506,293	\$7,512,079	\$7,274,200	\$6,846,457
Contributions as a Percentage of Covered-Employee Payroll	0.00%	0.00%	1.00%	2.00%

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$959,422	\$938,522	\$933,222	\$945,918	\$905,393	\$895,579
<u>(959,422)</u>	<u>(938,522)</u>	<u>(933,222)</u>	<u>(945,918)</u>	<u>(905,393)</u>	<u>(895,579)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$6,853,014	\$6,703,729	\$7,178,631	\$7,276,292	\$6,964,562	\$6,889,069
12.00%	12.00%	13.00%	10.00%	10.00%	9.00%
\$137,060	\$134,075	\$71,786	\$291,052	\$278,582	\$344,453
<u>(137,060)</u>	<u>(134,075)</u>	<u>(71,786)</u>	<u>(291,052)</u>	<u>(278,582)</u>	<u>(344,453)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$6,853,014	\$6,703,729	\$7,178,631	\$7,276,292	\$6,964,562	\$6,889,069
2.00%	2.00%	1.00%	4.00%	4.00%	5.00%

**City of Athens, Ohio**  
*Required Supplementary Information*  
*Schedule of City Contributions - Pension*  
*Ohio Police and Fire Pension Fund*  
*Last Ten Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<i><u>OP&amp;F - Police</u></i>				
Contractually Required Contribution	\$451,445	\$372,942	\$351,700	\$365,596
Contributions in Relation to the Contractually Required Contribution	<u>(451,445)</u>	<u>(372,942)</u>	<u>(351,700)</u>	<u>(365,596)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered-Employee Payroll	\$2,376,026	\$1,962,851	\$1,851,051	\$1,874,851
Contributions as a Percentage of Covered-Employee Payroll	19.00%	19.00%	19.00%	19.50%
<i><u>OP&amp;F - Fire</u></i>				
Contractually Required Contribution	\$420,747	\$416,649	\$411,030	\$409,388
Contributions in Relation to the Contractually Required Contribution	<u>(420,747)</u>	<u>(416,649)</u>	<u>(411,030)</u>	<u>(409,388)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered-Employee Payroll	\$1,790,413	\$1,772,975	\$1,749,063	\$1,705,783
Contributions as a Percentage of Covered-Employee Payroll	23.50%	23.50%	23.50%	24.00%

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$335,919	\$347,079	\$299,627	\$213,019	\$232,572	\$246,668
<u>(335,919)</u>	<u>(347,079)</u>	<u>(299,627)</u>	<u>(213,019)</u>	<u>(232,572)</u>	<u>(246,668)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,767,995	\$1,826,733	\$1,799,564	\$1,670,733	\$1,824,092	\$1,934,651
19.00%	19.00%	16.65%	12.75%	12.75%	12.75%
\$373,070	\$366,362	\$326,647	\$260,422	\$262,833	\$263,492
<u>(373,070)</u>	<u>(366,362)</u>	<u>(326,647)</u>	<u>(260,422)</u>	<u>(262,833)</u>	<u>(263,492)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,587,533	\$1,558,988	\$1,544,429	\$1,509,692	\$1,523,667	\$1,527,489
23.50%	23.50%	21.15%	17.25%	17.25%	17.25%

**City of Athens, Ohio**  
*Required Supplementary Information*  
*Schedule of City Contributions - OPEB*  
*Ohio Police and Fire Pension Fund*  
*Last Ten Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<i><u>OP&amp;F - Police</u></i>				
Contractually Required Contribution	\$11,880	\$9,814	\$9,255	\$9,374
Contributions in Relation to the Contractually Required Contribution	<u>(11,880)</u>	<u>(9,814)</u>	<u>(9,255)</u>	<u>(9,374)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered-Employee Payroll	\$2,376,026	\$1,962,851	\$1,851,051	\$1,874,851
Contributions as a Percentage of Covered-Employee Payroll	0.50%	0.50%	0.50%	0.50%
<i><u>OP&amp;F - Fire</u></i>				
Contractually Required Contribution	\$8,952	\$8,865	\$8,745	\$8,529
Contributions in Relation to the Contractually Required Contribution	<u>(8,952)</u>	<u>(8,865)</u>	<u>(8,745)</u>	<u>(8,529)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered-Employee Payroll	\$1,790,413	\$1,772,975	\$1,749,063	\$1,705,783
Contributions as a Percentage of Covered-Employee Payroll	0.50%	0.50%	0.50%	0.50%

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$8,840	\$9,134	\$51,288	\$112,774	\$123,126	\$130,589
<u>(8,840)</u>	<u>(9,134)</u>	<u>(51,288)</u>	<u>(112,774)</u>	<u>(123,126)</u>	<u>(130,589)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,767,995	\$1,826,733	\$1,799,564	\$1,670,733	\$1,824,092	\$1,934,651
0.50%	0.50%	2.85%	6.75%	6.75%	6.75%
\$7,938	\$7,795	\$44,016	\$101,904	\$102,848	\$103,106
<u>(7,938)</u>	<u>(7,795)</u>	<u>(44,016)</u>	<u>(101,904)</u>	<u>(102,848)</u>	<u>(103,106)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,587,533	\$1,558,988	\$1,544,429	\$1,509,692	\$1,523,667	\$1,527,489
0.50%	0.50%	2.85%	6.75%	6.75%	6.75%

**CITY OF ATHENS, OHIO**  
 Required Supplementary Information  
 Modified Approach for Infrastructure Assets  
 December 31, 2019

	Value of Streets											
	2019		2018		2017		2016		2015			
	Rating	Value	%	Value	%	Value	%	Value	%	Value	%	
Acceptable	9 - 10	\$22,629,364	41.83%	\$17,517,145	33.85%	\$12,438,466	25.02%	\$12,852,167	26.65%	\$12,630,946	26.52%	
Moderately Deficient	7 - 8	17,462,809	32.28%	17,111,464	33.07%	17,283,123	34.76%	13,538,069	28.07%	11,846,307	24.88%	
Marginally Deficient	5 - 6	12,469,400	23.05%	13,371,039	25.84%	13,009,335	26.17%	15,225,237	31.57%	16,694,172	35.06%	
Substantially Deficient	3 - 4	1,540,347	2.85%	3,747,147	7.24%	6,987,958	14.05%	6,618,999	13.72%	6,450,813	13.55%	
Severely Deficient	1 - 2	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%	
<b>Total</b>		<b>\$54,101,920</b>	<b>100.00%</b>	<b>\$51,746,795</b>	<b>100.00%</b>	<b>\$49,718,882</b>	<b>100.00%</b>	<b>\$48,234,472</b>	<b>100.00%</b>	<b>\$47,622,238</b>	<b>100.00%</b>	

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

**Comparison of Budgeted Expenditures vs. Actual Expenditures**

Year	Budgeted Expenditure		Actual Expenditure		Difference
2019	\$3,848,315		\$3,021,151		\$827,164
2018	5,244,894		4,554,500		690,394
2017	3,821,946		3,047,613		774,333
2016	3,093,591		2,996,099		97,492
2015	2,713,705		2,602,195		111,510



**CITY OF ATHENS**  
**SCHEDULE OF FEDERAL AWARDS EXPENDITURES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

Federal Grantor Federal Grantor Agency Division State Pass Through Grantor Program Title	Pass-Through Entity Number	Federal CFDA Number	Expenditures
<b><u>UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>			
<b>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
<i>Passed through the Ohio Development Services Agency</i>			
Community Development Block Grant Program	A-F-18-2AE-1	14.228	\$ 3,500
<b>Total United States Department of Health and Human Services</b>	<b>TOTAL</b>		<b>3,500</b>
<b><u>UNITED STATES DEPARTMENT OF JUSTICE</u></b>			
<b>VIOLENCE AGAINST WOMEN OFFICE</b>			
<i>Passed through the Ohio Department of Public Safety</i>			
Violence Against Women Formula Grants	2019-WF-VA2-8414	16.588	30,000
Violence Against Women Formula Grants	2018-WF-VA2-8414A	16.588	30,000
<b>Total United States Department of Justice</b>	<b>TOTAL</b>		<b>60,000</b>
<b><u>UNITED STATES DEPARTMENT OF TRANSPORTATION</u></b>			
<b>FEDERAL HIGHWAY ADMINISTRATION</b>			
<i>Passed through the Ohio Department of Transportation</i>			
<b><u>Highway Planning and Construction</u></b>			
ATH-U.S. 33 - 14.99	PID#104183 (PRIOR PID #97237)	20.205	1,314,487
NW Bikeway Spur Phase 3	PID#106655	20.205	124,008
ATH-Richland Ave.	PID#105270	20.205	685,277
<b>Total United States Department of Transportation</b>	<b>TOTAL</b>		<b>2,123,772</b>
<b><u>UNITED STATES DEPARTMENT OF HOMELAND SECURITY</u></b>			
<b>FEDERAL EMERGENCY MANAGEMENT</b>			
<i>Passed through the Ohio Department of Emergency Management</i>			
City of Athens Fire Dept - EPM		97.036	42,955
Cable Lane		97.036	47,988
Columbia Ave		97.036	32,021
<b>Total United States Department of Homeland Security</b>	<b>TOTAL</b>		<b>122,964</b>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>			<b>\$ 2,310,236</b>

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

**CITY OF ATHENS, OHIO**

**Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2019**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City under programs of the federal government for the year ended December 31, 2019. The information on this Schedule is prepared in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City.

**NOTE B – SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

**NOTE C – INDIRECT COST RATE**

The City has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.



313 Second St.  
Marietta, OH 45750  
740.373.0056

1907 Grand Central Ave.  
Vienna, WV 26105  
304.422.2203

150 West Main St.  
St. Clairsville, OH 43950  
740.695.1589

1310 Market Street, Suite 300  
Wheeling, WV 26003  
304.232.1358

749 Wheeling Ave., Suite 300  
Cambridge, OH 43725  
740.435.3417

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

August 24, 2020

City of Athens  
AthensCounty  
8 E. Washington St.  
Athens, OH 45701

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, business-type activities, each major fund and aggregate remaining fund information of the **City of Athens**, Athens County, (the "City") as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 24, 2020, wherein we noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City.

***Internal Control over Financial Reporting***

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***Compliance and Other Matters***

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

***Purpose of this Report***

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



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio



313 Second St.  
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740.373.0056

1907 Grand Central Ave.  
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740.695.1589

1310 Market Street, Suite 300  
Wheeling, WV 26003  
304.232.1358

749 Wheeling Ave., Suite 300  
Cambridge, OH 43725  
740.435.3417

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

August 24, 2020

City of Athens  
Athens County  
8 E. Washington Street  
Athens, Ohio 45701

To the City Council:

***Report on Compliance for the Major Federal Program***

We have audited the **City of Athen's**, (the City) compliance with the applicable requirements described in the *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended December 31, 2019. The City's major federal program is identified in the *Summary of Audit Results* in the accompanying schedule of audit findings.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll - Litigation Support - Financial Investigations  
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• Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners • Association of Certified Anti-Money Laundering Specialists •

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***Opinion on the Major Federal Program***

In our opinion, the City complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2019.

***Report on Internal Control Over Compliance***

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

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

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio

**CITY OF ATHENS, OHIO**  
**Schedule of Audit Findings**  
**2 CFR § 200.515**  
**For the Year Ended December 31, 2019**

**1. SUMMARY OF AUDIT RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material weaknesses in internal control reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Highway Planning and Construction CFDA #20.205
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 750,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee under 2 CFR §200.520?</b>	No

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

None

**3. FINDINGS FOR FEDERAL AWARDS**

None

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# OHIO AUDITOR OF STATE KEITH FABER



**CITY OF ATHENS**

**ATHENS COUNTY**

## **AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 10/13/2020**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)