



**CITY OF ATHENS
ATHENS COUNTY
SINGLE AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2020**

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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, 2020 through December 31, 2020. 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 20, 2021

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CITY OF ATHENS, OHIO

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INDEPENDENT AUDITOR'S REPORT

July 30, 2021

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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for 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.

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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, 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, 2020, and the respective changes in its financial position and, where applicable, cash flows thereof and the budgetary comparisons 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 21 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.

As discussed in Note 3 to the financial statements, during 2020, the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. 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.

Other Matters (Continued)

Supplementary and Other Information (Continued)

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 July 30, 2021, 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.



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

City of Athens, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2020
Unaudited

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, 2020. 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 \$7,912,463; net position of the governmental activities increased \$6,985,097; and net position of the business-type activities increased \$927,366.
2. The General Fund fund balance of \$4,895,819 increased \$3,250,865 or 197.63 percent from the previous year's balance of \$1,644,954.

Overview of the Financial Statements

This discussion and analysis are 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.

City of Athens, Ohio
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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 - The City accounts for custodial funds which are used to report fiduciary activity. 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.

City of Athens, Ohio
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Table 1 provides a summary of the City's net position for 2020 compared to 2019:

Table 1
Net Position at Year End

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Assets						
Current and Other Assets	\$21,714,255	\$17,121,565	\$7,958,777	\$8,074,574	\$29,673,032	\$25,196,139
Capital Assets, Net	110,336,489	106,004,078	43,168,754	42,632,772	153,505,243	148,636,850
<i>Total Assets</i>	<u>132,050,744</u>	<u>123,125,643</u>	<u>51,127,531</u>	<u>50,707,346</u>	<u>183,178,275</u>	<u>173,832,989</u>
<i>Total Deferred Outflows of Resources</i>	<u>5,366,173</u>	<u>8,446,224</u>	<u>934,125</u>	<u>1,450,042</u>	<u>6,300,298</u>	<u>9,896,266</u>
Liabilities:						
Current and Other Liabilities	2,407,695	1,981,199	1,159,881	1,604,559	3,567,576	3,585,758
<i>Long-Term Liabilities:</i>						
Due Within One Year	1,158,325	1,112,943	1,416,167	1,334,508	2,574,492	2,447,451
<i>Due in More than One Year:</i>						
Net Pension Liability	18,774,945	24,206,431	3,151,158	4,231,501	21,926,103	28,437,932
Net OPEB Liability	6,678,567	6,569,083	2,198,652	1,991,475	8,877,219	8,560,558
Other Amounts	7,438,107	7,816,570	21,047,864	21,723,739	28,485,971	29,540,309
<i>Total Liabilities</i>	<u>36,457,639</u>	<u>41,686,226</u>	<u>28,973,722</u>	<u>30,885,782</u>	<u>65,431,361</u>	<u>72,572,008</u>
<i>Total Deferred Inflows of Resources</i>	<u>6,182,463</u>	<u>2,093,923</u>	<u>1,011,174</u>	<u>122,212</u>	<u>7,193,637</u>	<u>2,216,135</u>
Net Position:						
Net Investment in Capital Assets	101,966,764	97,619,111	20,841,335	19,112,858	122,808,099	116,731,969
Restricted	11,332,164	10,615,447	0	0	11,332,164	10,615,447
Unrestricted	(18,522,113)	(20,442,840)	1,235,425	2,036,536	(17,286,688)	(18,406,304)
<i>Total Net Position</i>	<u>\$94,776,815</u>	<u>\$87,791,718</u>	<u>\$22,076,760</u>	<u>\$21,149,394</u>	<u>\$116,853,575</u>	<u>\$108,941,112</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, 2020 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 increase 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 decreased as a result of a decrease in the calculation of the net pension 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 107.59 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 11.96 percent of total net position. The remaining deficit balance of \$18,522,113 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 \$108,941,112 in 2019 to \$116,853,575 in 2020, a change of \$7,912,463 or 7.26 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 2020 compared to 2019:

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
<u>Revenues:</u>						
<i>Program Revenues:</i>						
Charges for Services	\$2,940,865	\$4,155,200	\$10,606,148	\$11,024,494	\$13,547,013	\$15,179,694
Operating Grants and Contributions	900,416	765,379	0	0	900,416	765,379
Capital Grants and Contributions	3,240,952	2,582,209	0	0	3,240,952	2,582,209
<i>Total Program Revenues</i>	<u>\$7,082,233</u>	<u>\$7,502,788</u>	<u>\$10,606,148</u>	<u>\$11,024,494</u>	<u>\$17,688,381</u>	<u>\$18,527,282</u>

(Continued)

City of Athens, Ohio
Management's Discussion and Analysis
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Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
<u>General Revenues:</u>						
Property Taxes	1,284,215	1,266,255	0	0	1,284,215	1,266,255
Municipal Income Taxes	14,599,810	14,433,560	0	0	14,599,810	14,433,560
Lodging Taxes	253,729	435,850	0	0	253,729	435,850
Payment in Lieu of Taxes	471,000	494,621	0	0	471,000	494,621
Grants and Entitlements	2,354,439	690,630	0	0	2,354,439	690,630
Investment Earnings	93,375	124,060	35,880	62,781	129,255	186,841
Miscellaneous	3,102,692	924,256	203,053	74,514	3,305,745	998,770
<i>Total General Revenues</i>	<u>22,159,260</u>	<u>18,369,232</u>	<u>238,933</u>	<u>137,295</u>	<u>22,398,193</u>	<u>18,506,527</u>
<i>Total Revenue</i>	<u>29,241,493</u>	<u>25,872,020</u>	<u>10,845,081</u>	<u>11,161,789</u>	<u>40,086,574</u>	<u>37,033,809</u>
<u>Expenses:</u>						
General Government	7,024,466	7,445,107	0	0	7,024,466	7,445,107
<i>Security of Persons and Property</i>						
Police	4,767,004	1,555,809	0	0	4,767,004	1,555,809
Fire	3,251,897	(195,416)	0	0	3,251,897	(195,416)
Public Health	183,040	0	0	0	183,040	0
Transportation	4,163,761	723,029	0	0	4,163,761	723,029
Community and Econ. Dev.	675,413	763,423			675,413	763,423
Leisure Time Activities	1,965,137	2,611,755	0	0	1,965,137	2,611,755
Interest and Fiscal Charges	214,274	219,003	0	0	214,274	219,003
Garbage	0	0	1,955,341	1,836,417	1,955,341	1,836,417
Parking Garage	0	0	136,048	300,638	136,048	300,638
Water	0	0	3,473,759	3,748,754	3,473,759	3,748,754
Sewer	0	0	4,363,971	4,570,102	4,363,971	4,570,102
<i>Total Expenses</i>	<u>22,244,992</u>	<u>13,122,710</u>	<u>9,929,119</u>	<u>10,455,911</u>	<u>32,174,111</u>	<u>23,578,621</u>
<i>Change in Net Position Before Transfers</i>	<u>6,996,501</u>	<u>12,749,310</u>	<u>915,962</u>	<u>705,878</u>	<u>7,912,463</u>	<u>13,455,188</u>
Transfers	(11,404)	0	11,404	0	0	0
<i>Change in Net Position</i>	<u>6,985,097</u>	<u>12,749,310</u>	<u>927,366</u>	<u>705,878</u>	<u>7,912,463</u>	<u>13,455,188</u>
Net Position at Beginning of Year	<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>
Net Position at End of Year	<u>\$94,776,815</u>	<u>\$87,791,718</u>	<u>\$22,076,760</u>	<u>\$21,149,394</u>	<u>\$116,853,575</u>	<u>\$108,941,112</u>

Governmental Activities

The most significant program expenses for the City are General Government, Police, Transportation, Fire and Leisure Time Activities. These programs account for 95.18 percent of the total governmental activities. General Government, which accounts for 31.58 percent of the total, represents costs associated with the general administration of city government including the City Council, Mayor, City Auditor, and Municipal Court. Police, which accounts for 21.43 percent of the total, represents costs associated with the operation of the Police Department. Transportation, which accounts for 18.72 percent of the total, represents costs associated with maintaining and improving the City's streets and operating the bus transit system. Fire, which accounts for 14.62 percent of the total, represents costs associated with the operation of the Fire Department. Leisure Time Activities, which accounts for 8.83 percent of the total, represents costs associated with parks, recreations and community center activities.

City of Athens, Ohio
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Unaudited

Funding for the most significant programs indicated above is from charges for services and income taxes. The income tax revenue for 2020 was \$14,599,810. Of the \$29,241,493 in total revenues, income tax accounts for 49.93 percent of that total. Charges for services of \$2,940,865 accounts for 10.06 percent of total revenues. Operating and capital grants and contributions account for 14.16 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 25.85 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 \$927,366 or 4.38 percent for 2020, which is due to increases in the water and sewer funds of \$623,707 and \$541,782, respectively that helped offset the significant decrease in net position in the garbage fund of \$350,949.

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 Cost of Services	
	2020	2019	2020	2019
General Government	\$7,024,466	\$7,445,107	\$3,793,389	\$3,807,126
<i>Security of Persons and Property:</i>				
Police	4,767,004	1,555,809	4,683,917	1,444,688
Fire	3,251,897	(195,416)	3,201,897	(195,416)
Public Health	183,040	0	183,040	0
Transportation	4,163,761	723,029	788,539	(1,979,937)
Community and Econ. Development	675,413	763,423	609,299	616,558
Leisure Time Activities	1,965,137	2,611,755	1,688,404	1,707,900
Interest and Fiscal Charges	214,274	219,003	214,274	219,003
Total Expenses	\$22,244,992	\$13,122,710	\$15,162,759	\$5,619,922

It should be noted that 31.84 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 \$15,162,759, 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, 2020
Unaudited

Financial Analysis of the City's Funds

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. 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 2020, the total fund balance for the General Fund was \$4,895,819. During the current year, the fund balance of the City's General Fund increased by \$3,250,865 or 197.63 percent. The increase in the General Fund balance is due to the fact that revenue increases outpaced expenditure increases by a slight margin.

For the other major funds of the City, the Street Fund balance increased \$742,307 or 43.19 percent due to an increase in income tax revenue during the year. The Recreation Fund balance decreased \$32,348 or 4.42 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 \$112,826 or 4.44 percent, which is the result of revenues continuing to exceed expenses during 2020. The City provides water and sewer services to city residents. Net position in the Water Fund increased by \$623,707 or 9.68 percent, which is the result of a decrease in expenses during 2020. Net position in the Sewer Fund increased by \$541,782 or 4.80 percent, which is the result of an increase in operating revenues during the year. Net Position in the Garbage Fund decreased by \$350,949 or 40.35 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 \$16,188,950 representing a change of \$1,322,051 or 8.89 percent from the original budgeted estimates.

For the General Fund, the final budget basis expenditures were \$17,456,213 representing a change of \$1,210,194 or 6.48 percent from the original budgeted estimates. There was a 9.97 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 \$2,974,602 representing a change of \$114,100 or 3.99 percent from the original budgeted revenues.

For the Street Fund, the final budget basis expenditures were \$3,045,449 representing a negative change of \$348,128 or 12.91 percent from the original budgeted estimates. There was a 15.10 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.

City of Athens, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2020
Unaudited

For the Recreation Fund, the final budgeted revenues were \$1,842,303 representing a negative change of \$198,367 or 9.72 percent from the original budgeted estimates.

For the Recreation Fund, the final budget basis expenditures were \$1,783,577 representing a change of \$671,495 or 60.38 percent from the original budgeted estimates, which is due to the available resources for the swimming pool improvement project. There was a 13.60 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, 2020, amounts to \$122,808,099 (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 2020 were \$110,336,489.

The capital assets for business-type activities were \$43,168,754 as of December 31, 2020.

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 11 of the Notes to the Basic Financial Statements.

As of December 31, 2020, the City of Athens had \$29,573,644 in long-term bonds, and loans outstanding with \$1,514,863 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 13 of the Notes to the Basic Financial Statements.

Current Known Facts and Conditions

The City of Athens relies mainly on the public sector and commercial employers, rather than industry, for its income tax revenue. The City's largest employer is Ohio University. 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.

City of Athens, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2020
Unaudited

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 university projects that were approved starting in 2020 were:

- Alden Library, Air Handler Replacement and upgrades, project bid estimates are \$1 million
- University Terrace, Utility Distribution, project bid estimates are \$2.4 million
- Stocker, Roof Replacement, project bid estimates are \$2.3 million
- Gamertsfelder, Bath/HAVAC Upgrades, project bid estimates are \$6.3 million
- OUL, HAVAC and Energy Efficiency Improvements, project bid estimates are \$1.1 million
- University Terrace, Realignment, project bid estimates are \$1.4 million

Local business/infrastructure activity:

- Menard's, large home improvement supply chain, opening
- Several closures of local small businesses
- Expansion of StewMac (guitars, instruments), Cider House (Distillery), and Jackie-O's (Brewery)
- 2 medium income housing projects began on the West side of Athens, homes and apartments
- Stimson Avenue Rehab

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, 2020

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in Pooled Cash & Cash Equivalents	\$18,859,833	\$6,536,877	\$25,396,710
Cash and Cash Equivalents in Segregated Accounts	58,260	0	58,260
Accrued Interest Receivable	214	0	214
Accounts Receivable	46,601	886,218	932,819
Intergovernmental Receivable	219,400	0	219,400
Income Taxes Receivable	1,065,077	0	1,065,077
Property Taxes Receivable	993,783	0	993,783
Other Local Taxes Receivable	57,318	0	57,318
Special Assessments Receivable	30,123	0	30,123
Materials and Supplies Inventory	158,423	471,280	629,703
Prepaid Items	225,223	64,402	289,625
<i>Restricted Assets:</i>			
Nondepreciable Capital Assets	75,064,312	7,638,058	82,702,370
Depreciable Capital Assets, Net	35,272,177	35,530,696	70,802,873
<i>Total Assets</i>	<u>132,050,744</u>	<u>51,127,531</u>	<u>183,178,275</u>
Deferred Outflows of Resources	<u>5,366,173</u>	<u>934,125</u>	<u>6,300,298</u>
Liabilities:			
Accounts Payable	265,167	383,456	648,623
Contracts Payable	223,672	99,263	322,935
Accrued Wages Payable	763,840	199,959	963,799
Intergovernmental Payable	17,569	2,772	20,341
Accrued Interest Payable	27,392	191,131	218,523
Claims Payable	96,644	0	96,644
Notes Payable	1,013,411	283,300	1,296,711
<i>Long-Term Liabilities:</i>			
Due within One Year	1,158,325	1,416,167	2,574,492
<i>Due in More Than One Year:</i>			
Net Pension Liability	18,774,945	3,151,158	21,926,103
Net OPEB Liability	6,678,567	2,198,652	8,877,219
Other Amounts Due in More Than One Year	7,438,107	21,047,864	28,485,971
<i>Total Liabilities</i>	<u>36,457,639</u>	<u>28,973,722</u>	<u>65,431,361</u>
Deferred Inflows of Resources	<u>6,182,463</u>	<u>1,011,174</u>	<u>7,193,637</u>
Net Position:			
Net Investments in Capital Assets	101,966,764	20,841,335	122,808,099
<i>Restricted for:</i>			
Street Maintenance	2,350,523	0	2,350,523
Debt Service	1,118,235	0	1,118,235
Capital Outlay	3,942,147	0	3,942,147
Other Purposes	3,921,259	0	3,921,259
Unrestricted (Deficit)	<u>(18,522,113)</u>	<u>1,235,425</u>	<u>(17,286,688)</u>
Total Net Position	<u><u>\$94,776,815</u></u>	<u><u>\$22,076,760</u></u>	<u><u>\$116,853,575</u></u>

See accompanying notes to the basic financial statements.

CITY OF ATHENS, OHIO
Statement of Activities
December 31, 2020

	Program Revenues			
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Expenses				
Governmental Activities:				
General Government	\$7,024,466	\$2,654,490	\$180,182	\$396,405
<i>Security of Persons and Property:</i>				
Police	4,767,004	15,407	67,680	0
Fire	3,251,897	0	0	50,000
Public Health	183,040	0	0	0
Transportation	4,163,761	17,664	563,011	2,794,547
Community and Economic Development	675,413	0	66,114	0
Leisure Time Activities	1,965,137	253,304	23,429	0
Interest and Fiscal Charges	214,274	0	0	0
<i>Total Governmental Activities</i>	<u>22,244,992</u>	<u>2,940,865</u>	<u>900,416</u>	<u>3,240,952</u>
Business-Type Activities:				
Garbage	1,955,341	1,595,783	0	0
Parking Garage	136,048	184,920	0	0
Water	3,473,759	3,991,283	0	0
Sewer	4,363,971	4,834,162	0	0
<i>Total Business-Type Activities</i>	<u>9,929,119</u>	<u>10,606,148</u>	<u>0</u>	<u>0</u>
<i>Totals</i>	<u>\$32,174,111</u>	<u>\$13,547,013</u>	<u>\$900,416</u>	<u>\$3,240,952</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

Transfers

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
(\$3,793,389)	\$0	(\$3,793,389)
(4,683,917)	0	(4,683,917)
(3,201,897)	0	(3,201,897)
(183,040)	0	(183,040)
(788,539)	0	(788,539)
(609,299)	0	(609,299)
(1,688,404)	0	(1,688,404)
(214,274)	0	(214,274)
(15,162,759)	0	(15,162,759)
0	(359,558)	(359,558)
0	48,872	48,872
0	517,524	517,524
0	470,191	470,191
0	677,029	677,029
(15,162,759)	677,029	(14,485,730)
1,284,215	0	1,284,215
12,924,463	0	12,924,463
480,547	0	480,547
1,194,800	0	1,194,800
253,729	0	253,729
471,000	0	471,000
2,354,439	0	2,354,439
93,375	35,880	129,255
3,102,692	203,053	3,305,745
(11,404)	11,404	0
22,147,856	250,337	22,398,193
6,985,097	927,366	7,912,463
87,791,718	21,149,394	108,941,112
\$94,776,815	\$22,076,760	\$116,853,575

CITY OF ATHENS, OHIO

Balance Sheet

Governmental Funds

December 31, 2020

	General	Street	Recreation	Small Cities Grant	Other Governmental Funds	Total Governmental Funds
Assets:						
Equity in Pooled Cash and Cash Equivalents	\$5,712,018	\$2,176,269	\$669,169	\$0	\$8,371,321	\$16,928,777
Cash and Cash Equivalents in Segregated Account	44,805	0		0	13,455	58,260
Accrued Interest Receivable	214	0	0	0	0	214
Accounts Receivable	26,878	269	1,130	0	18,324	46,601
Intergovernmental Receivable	93,381	98,587	6,000	0	21,432	219,400
Income Taxes Receivable	681,598	165,794	74,811	0	142,874	1,065,077
Property Taxes Receivable	993,783	0	0	0	0	993,783
Other Local Taxes Receivable	28,659	0	0	0	28,659	57,318
Special Assessments Receivable	30,123	0	0	0	0	30,123
Materials and Supplies Inventory	28,851	129,010	562	0	0	158,423
Prepaid Items	131,944	13,086	18,309	0	19,821	183,160
<i>Total Assets</i>	<u>\$7,772,254</u>	<u>\$2,583,015</u>	<u>\$769,981</u>	<u>\$0</u>	<u>\$8,615,886</u>	<u>\$19,741,136</u>
Liabilities:						
Accounts Payable	\$212,515	\$37,156	\$14,818	\$0	\$158	\$264,647
Contracts Payable	0	8,326	0	0	215,346	223,672
Accrued Wages Payable	611,342	73,924	53,356	0	9,301	747,923
Accrued Interest Payable	5,142	0	0	0	0	5,142
Intergovernmental Payable	10,119	2,688	3,065	0	1,596	17,468
Notes Payable	1,013,411	0	0	0	0	1,013,411
<i>Total Liabilities</i>	<u>1,852,529</u>	<u>122,094</u>	<u>71,239</u>	<u>0</u>	<u>226,401</u>	<u>2,272,263</u>
Deferred Inflows of Resources	<u>1,023,906</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,023,906</u>
Fund Balances:						
Nonspendable	162,476	142,096	18,871	0	175,151	498,594
Restricted	0	2,318,825	679,871	0	8,214,334	11,213,030
Assigned	1,017,800	0	0	0	0	1,017,800
Unassigned	3,715,543	0	0	0	0	3,715,543
<i>Total Fund Balances</i>	<u>4,895,819</u>	<u>2,460,921</u>	<u>698,742</u>	<u>0</u>	<u>8,389,485</u>	<u>16,444,967</u>
<i>Total Liabilities, Deferred Inflows and Fund Balances</i>	<u>\$7,772,254</u>	<u>\$2,583,015</u>	<u>\$769,981</u>	<u>\$0</u>	<u>\$8,615,886</u>	<u>\$19,741,136</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, 2020*

Total Governmental Funds Balances		\$16,444,967
 <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)		110,321,125
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Taxes	12,330	
Special Assessments	30,123	
Total		42,453
In the statement of activities, interest is accrued on outstanding debt, whereas in the governmental funds, an interest expenditure is reported when due.		(22,250)
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	(6,395,000)	
Premium On Bonds	(777,448)	
Special Assessment Bonds	(183,866)	
Compensated Absences Payable (less: Internal Service Fund amount)	(1,210,679)	
Total		(8,566,993)
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	3,357,628	
Deferred Outflows - OPEB	2,008,545	
Deferred Inflows - Pension	(3,488,975)	
Deferred Inflows - OPEB	(1,712,035)	
Net Pension Liability	(18,774,945)	
Net OPEB Liability	(6,678,567)	
Total		(25,288,349)
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.		1,845,862
<i>Net Position of Governmental Activities</i>		\$94,776,815

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, 2020

	General	Street	Recreation	Small Cities Grant	All Other Governmental Funds	Total Governmental Funds
Revenues:						
Property Taxes	\$951,629	\$0	\$0	\$0	\$0	\$951,629
Municipal Income Taxes	9,484,712	2,333,941	1,048,458	0	2,059,692	14,926,803
Other Local Taxes	126,865	0	0	0	126,864	253,729
Payments in Lieu of Taxes	0	0	0	0	471,000	471,000
Charges for Services	861,900	0	253,304	0	30,240	1,145,444
Licenses and Permits	822,215	0	0	0	78,358	900,573
Fines and Forfeitures	727,511	0	0	0	161,240	888,751
Intergovernmental	781,955	437,523	17,515	2,779,613	2,388,076	6,404,682
Special Assessments	2,976	0	0	0	13,409	16,385
Interest	13,536	8,574	4,733	0	49,424	76,267
Contributions and Donations	50,000	0	5,914	0	0	55,914
Other	2,006,759	101,849	38,172	0	589,212	2,735,992
<i>Total Revenues</i>	<u>15,830,058</u>	<u>2,881,887</u>	<u>1,368,096</u>	<u>2,779,613</u>	<u>5,967,515</u>	<u>28,827,169</u>
Expenditures:						
<i>Current:</i>						
General Government	5,439,884	0	0	0	844,815	6,284,699
Security of Persons and Property:						
Police	4,076,555	0	0	0	24,906	4,101,461
Fire	3,457,368	0	0	0	0	3,457,368
Public Health	0	0	0	0	183,040	183,040
Transportation	614,441	2,096,255	0	0	19,444	2,730,140
Community and Economic Development	563,267	0	0	0	49,268	612,535
Leisure Time Services	0	0	1,507,187	0	0	1,507,187
Capital Outlay	0	0	0	2,779,613	2,654,957	5,434,570
<i>Debt Service:</i>						
Principal Retirement	0	43,412	0	0	250,000	293,412
Interest and Fiscal Charges	9,863	5,227	0	0	251,825	266,915
<i>Total Expenditures</i>	<u>14,161,378</u>	<u>2,144,894</u>	<u>1,507,187</u>	<u>2,779,613</u>	<u>4,278,255</u>	<u>24,871,327</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,668,680</u>	<u>736,993</u>	<u>(139,091)</u>	<u>0</u>	<u>1,689,260</u>	<u>3,955,842</u>
Other Financing Sources (Uses):						
Transfers In	1,582,185	5,314	106,743	0	27,564	1,721,806
Transfers Out	0	0	0	0	(1,733,231)	(1,733,231)
<i>Total Other Financing Sources (Uses)</i>	<u>1,582,185</u>	<u>5,314</u>	<u>106,743</u>	<u>0</u>	<u>(1,705,667)</u>	<u>(11,425)</u>
<i>Net Change in Fund Balances</i>	<u>3,250,865</u>	<u>742,307</u>	<u>(32,348)</u>	<u>0</u>	<u>(16,407)</u>	<u>3,944,417</u>
<i>Fund Balances at Beginning 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>
<i>Fund Balances at End of Year</i>	<u>\$4,895,819</u>	<u>\$2,460,921</u>	<u>\$698,742</u>	<u>\$0</u>	<u>\$8,389,485</u>	<u>\$16,444,967</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, 2020*

Net Change in Fund Balances - Total Governmental Funds \$3,944,417

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	5,720,243	
Current Year Depreciation (less: Internal Service Fund amount)	<u>(1,349,454)</u>	
Total		4,370,789

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. (25,222)

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

Property Taxes	5,593	
Special Assessments	<u>(10,288)</u>	
Total		(4,695)

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. 293,412

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 811

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

Compensated Absences Payable	(23,351)	
Premium on Bonds	<u>51,830</u>	
Total		28,479

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred revenues. 1,464,923

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (3,302,951)

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. 215,134

Change in Net Position of Governmental Activities \$6,985,097

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, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property Taxes	\$1,050,085	\$1,050,135	\$951,629	(\$98,506)
Income Taxes	9,350,000	9,581,000	9,580,734	(266)
Other Local Taxes	217,000	150,250	150,232	(18)
Charges for Services	1,128,552	920,452	866,041	(54,411)
Licenses and Permits	743,410	852,410	835,125	(17,285)
Fines and Forfeitures	1,081,780	796,280	726,378	(69,902)
Intergovernmental	730,210	757,460	736,858	(20,602)
Special Assessments	4,600	4,600	2,976	(1,624)
Interest	15,000	15,000	13,531	(1,469)
Other	546,262	2,061,363	2,054,238	(7,125)
<i>Total Revenues</i>	14,866,899	16,188,950	15,917,742	(271,208)
Expenditures:				
<i>Current:</i>				
General Government	6,117,617	7,064,831	6,164,975	899,856
<i>Security of Persons and Property:</i>				
Police	0	4,511,890	4,164,188	347,702
Fire	3,374,188	3,807,477	3,485,851	321,626
Transportation	837,800	709,224	637,006	72,218
Community and Economic Development	7,639,802	665,791	569,545	96,246
<i>Debt Service:</i>				
Principal Retirements	683,500	683,500	683,411	89
Interest and Fiscal Charges	13,500	13,500	10,571	2,929
<i>Total Expenditures</i>	18,666,407	17,456,213	15,715,547	1,740,666
<i>Excess of Revenues Over (Under) Expenditures</i>	(3,799,508)	(1,267,263)	202,195	1,469,458
Other Financing Sources:				
Transfers - In	0	1,582,500	1,582,185	(315)
Notes Issued	425,000	1,014,000	1,013,411	(589)
<i>Total Other Financing Sources</i>	425,000	2,596,500	2,595,596	(904)
<i>Net Change in Fund Balance</i>	(3,374,508)	1,329,237	2,797,791	1,468,554
Fund Balances at Beginning of Year	1,183,521	1,183,521	1,183,521	0
Prior Year Encumbrances Appropriated	725,527	725,527	725,527	0
Fund Balances at End of Year	(\$1,465,460) See	\$3,238,285	\$4,706,839	\$1,468,554

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, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Income Taxes	\$2,275,000	\$2,373,500	\$2,373,352	(\$148)
Intergovernmental	437,502	451,102	444,809	(6,293)
Interest	10,000	10,000	8,574	(1,426)
Other	138,000	140,000	101,580	(38,420)
<i>Total Revenues</i>	<u>2,860,502</u>	<u>2,974,602</u>	<u>2,928,315</u>	<u>(46,287)</u>
Expenditures:				
<i>Current:</i>				
Transportation	2,648,521	2,996,649	2,536,944	459,705
Debt Service:				
Principal Retirements	42,500	43,400	43,412	(12)
Interest and Fiscal Charges	6,300	5,400	5,227	173
<i>Total Expenditures</i>	<u>2,697,321</u>	<u>3,045,449</u>	<u>2,585,583</u>	<u>459,866</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	163,181	(70,847)	342,732	413,579
Other Financing Sources:				
Transfers - In	0	5,400	5,314	(86)
<i>Total Other Financing Sources</i>	<u>0</u>	<u>5,400</u>	<u>5,314</u>	<u>(86)</u>
<i>Net Change in Fund Balance</i>	163,181	(65,447)	348,046	413,493
Fund Balances at Beginning of Year	936,360	936,360	936,360	0
Prior Year Encumbrances Appropriated	524,828	524,828	524,828	0
Fund Balances at End of Year	<u>\$1,624,369</u>	<u>\$1,395,741</u>	<u>\$1,809,234</u>	<u>\$413,493</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, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Income Taxes	\$1,070,000	\$1,078,000	\$1,061,368	(\$16,632)
Charges for Services	938,320	693,680	253,304	(440,376)
Intergovernmental	15,000	12,500	11,515	(985)
Interest	8,100	8,100	4,733	(3,367)
Contributions and Donations	2,100	6,100	5,914	(186)
Other	7,150	43,923	43,016	(907)
<i>Total Revenues</i>	2,040,670	1,842,303	1,379,850	(462,453)
Expenditures:				
<i>Current:</i>				
Leisure Time Services	1,112,082	1,783,577	1,541,089	242,488
<i>Total Expenditures</i>	1,112,082	1,783,577	1,541,089	242,488
<i>Excess of Revenues Over (Under) Expenditures</i>	928,588	58,726	(161,239)	(219,965)
Other Financing Sources:				
Transfers In	0	107,000	106,743	(257)
<i>Total Other Financing Sources</i>	0	107,000	106,743	(257)
<i>Net Change in Fund Balance</i>	928,588	165,726	(54,496)	(220,222)
Fund Balances at Beginning of Year	637,708	637,708	637,708	0
Prior Year Encumbrances Appropriated	56,619	56,619	56,619	0
Fund Balances at End of Year	\$1,622,915	\$860,053	\$639,831	(\$220,222)

See accompanying notes to the basic financial statements.

CITY OF ATHENS, OHIO
Statement of Fund Net Position
Proprietary Funds
December 31, 2020

	Business-Type Activities					Governmental Activities
	Parking Garage	Water	Sewer	Garbage	Totals	Internal Service Funds
Assets:						
<i>Current:</i>						
Equity in Pooled Cash & Cash Equivalents	\$227,575	\$3,935,235	\$1,902,656	\$471,411	\$6,536,877	\$1,931,056
Accounts Receivable	6,300	274,507	405,924	199,487	886,218	0
Materials and Supplies Inventory	0	447,830	23,450	0	471,280	0
Prepaid Items	7,419	26,340	25,117	5,526	64,402	42,063
<i>Noncurrent:</i>						
Nondepreciable Capital Assets	993,982	5,621,849	1,007,552	14,675	7,638,058	0
Depreciable Capital Assets, Net	2,717,456	6,130,103	26,683,137	0	35,530,696	15,364
Total Assets	3,952,732	16,435,864	30,047,836	691,099	51,127,531	1,988,483
Deferred Outflows of Resources	0	499,137	434,988	0	934,125	0
Liabilities:						
<i>Current:</i>						
Accounts Payable	1,623	155,820	84,129	141,884	383,456	520
Contracts Payable	0	42,450	56,813	0	99,263	0
Accrued Wages Payable	0	94,280	95,684	9,995	199,959	15,917
Compensated Absences Payable	0	146,926	102,185	8,434	257,545	22,695
Intergovernmental Payable	0	1,478	1,209	85	2,772	101
Accrued Interest Payable	2,469	54,798	133,864	0	191,131	0
Claims Payable	0	0	0	0	0	96,644
Notes Payable	0	0	283,300	0	283,300	0
General Obligation Bonds Payable	130,000	0	0	0	130,000	0
OWDA Loans Payable	0	59,996	968,626	0	1,028,622	0
<i>Noncurrent Liabilities:</i>						
Compensated Absences Payable	0	83,561	66,877	11,829	162,267	6,744
General Obligation Bonds Payable	1,165,000	0	0	0	1,165,000	0
OWDA Loans Payable	0	5,980,213	13,740,384	0	19,720,597	0
Net Pension Liability	0	1,601,779	1,549,379	0	3,151,158	0
Net OPEB Liability	0	1,117,606	1,081,046	0	2,198,652	0
Total Liabilities	1,299,092	9,338,907	18,163,496	172,227	28,973,722	142,621
Deferred Inflows of Resources	0	528,606	482,568	0	1,011,174	0
Net Position:						
Net Investments in Capital Assets	2,416,438	5,711,743	12,698,479	14,675	20,841,335	15,364
Unrestricted	237,202	1,355,745	(861,719)	504,197	1,235,425	1,830,498
Total Net Position	\$2,653,640	\$7,067,488	\$11,836,760	\$518,872	\$22,076,760	\$1,845,862

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, 2020*

	Business-Type Activities					Governmental Activities
	Parking Garage	Water	Sewer	Garbage	Totals	Internal Service Funds
Operating Revenues:						
Charges for Services	\$184,920	\$3,991,283	\$4,834,162	\$1,595,783	\$10,606,148	\$4,322,263
Other	0	0	56,144	3,138	59,282	6,035
<i>Total Operating Revenues</i>	<u>184,920</u>	<u>3,991,283</u>	<u>4,890,306</u>	<u>1,598,921</u>	<u>10,665,430</u>	<u>4,328,298</u>
Operating Expenses:						
Personal Services	0	1,082,663	1,061,785	119,276	2,263,724	229,259
Fringe Benefits	0	900,272	858,570	80,676	1,839,518	123,447
Contractual Services	9,478	695,712	1,031,247	1,720,994	3,457,431	686,241
Materials and Supplies	3,549	241,248	62,269	34,395	341,461	11,912
Utilities	12,317	128,632	328,639	0	469,588	3,063
Claims	0	0	0	0	0	3,291,328
Depreciation	77,892	308,179	928,880	0	1,314,951	13,156
<i>Total Operating Expenses</i>	<u>103,236</u>	<u>3,356,706</u>	<u>4,271,390</u>	<u>1,955,341</u>	<u>9,686,673</u>	<u>4,358,406</u>
<i>Operating Income (Loss)</i>	<u>81,684</u>	<u>634,577</u>	<u>618,916</u>	<u>(356,420)</u>	<u>978,757</u>	<u>(30,108)</u>
Non-Operating Revenues (Expenses):						
Interest Income	1,695	19,414	9,364	5,407	35,880	17,108
Other Non-Operating Revenues	62,259	81,194	318	0	143,771	228,113
Interest and Fiscal Charges	(32,812)	(117,053)	(92,581)	0	(242,446)	0
<i>Total Non-Operating Revenues (Expenses)</i>	<u>31,142</u>	<u>(16,445)</u>	<u>(82,899)</u>	<u>5,407</u>	<u>(62,795)</u>	<u>245,221</u>
<i>Income/(Loss) Before Transfers</i>	112,826	618,132	536,017	(351,013)	915,962	215,113
Transfers - In	0	5,575	5,765	64	11,404	21
<i>Change in Net Position</i>	112,826	623,707	541,782	(350,949)	927,366	215,134
Net Position at Beginning 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>
Net Position at End of Year	<u>\$2,653,640</u>	<u>\$7,067,488</u>	<u>\$11,836,760</u>	<u>\$518,872</u>	<u>\$22,076,760</u>	<u>\$1,845,862</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, 2020

	Business-Type Activities					Governmental Activities
	Parking Garage	Water	Sewer	Garbage	Totals	Internal Service Funds
Cash Flows from Operating Activities:						
Cash Received from Customers	\$191,404	\$3,966,793	\$4,784,188	\$1,529,451	\$10,471,836	\$4,322,263
Cash from Other Receipts	0	0	53,080	3,138	56,218	6,035
Cash Payments to Employees	0	(1,637,244)	(1,613,033)	(191,446)	(3,441,723)	(365,576)
Cash Payments for Contractual Services	(106,954)	(656,279)	(996,445)	(1,719,878)	(3,479,556)	(705,573)
Cash Payments for Insurance Claims	0	0	0	0	0	(3,323,360)
Cash Payments for Supplies and Materials	(15,690)	(432,565)	(486,784)	(14,215)	(949,254)	(13,062)
<i>Net Cash from Operating Activities</i>	<u>68,760</u>	<u>1,240,705</u>	<u>1,741,006</u>	<u>(392,950)</u>	<u>2,657,521</u>	<u>(79,273)</u>
Cash Flows from Noncapital Financing Activities:						
Other Nonoperating Receipts	62,259	81,194	318	0	143,771	228,113
Transfers - In from Other Funds	0	5,575	5,765	64	11,404	21
<i>Net Cash from Noncapital Financing Activities</i>	<u>62,259</u>	<u>86,769</u>	<u>6,083</u>	<u>64</u>	<u>155,175</u>	<u>228,134</u>
Cash Flows from Capital and Related Financing Activities:						
Proceeds Received from Notes and Loans	0	51,889	1,048,943	0	1,100,832	0
Interest Paid on Notes and Loans	(33,060)	(66,220)	(31,512)	0	(130,792)	0
Principal Paid on Notes and Loans	(130,000)	(326,661)	(1,836,466)	0	(2,293,127)	0
Cash Paid to Acquire/Construct Capital Assets	(131,986)	(315,390)	(1,403,557)	0	(1,850,933)	0
<i>Net Cash from Capital and Related Financing Activities</i>	<u>(295,046)</u>	<u>(656,382)</u>	<u>(2,222,592)</u>	<u>0</u>	<u>(3,174,020)</u>	<u>0</u>
Cash Flows from Investing Activities:						
Interest Received on Investments	1,695	19,414	9,364	5,407	35,880	17,108
<i>Net Cash from Investing Activities</i>	<u>1,695</u>	<u>19,414</u>	<u>9,364</u>	<u>5,407</u>	<u>35,880</u>	<u>17,108</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	<u>(162,332)</u>	<u>690,506</u>	<u>(466,139)</u>	<u>(387,479)</u>	<u>(325,444)</u>	<u>165,969</u>
Cash and Cash Equivalents at Beginning of Year	389,907	3,244,729	2,368,795	858,890	6,862,321	1,765,087
Cash and Cash Equivalents at End of Year	<u>\$227,575</u>	<u>\$3,935,235</u>	<u>\$1,902,656</u>	<u>\$471,411</u>	<u>\$6,536,877</u>	<u>\$1,931,056</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, 2020

	Business-Type Activities				Governmental Activities	
	Parking Garage	Water	Sewer	Garbage	Totals	Internal Service Funds
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities:						
Operating Income (Loss)	\$81,684	\$634,577	\$618,916	(\$356,420)	\$978,757	(\$30,108)
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:						
Depreciation Expense	77,892	308,179	928,880	0	1,314,951	13,156
Changes in Assets and Liabilities:						
(Increase) Decrease in Accounts Receivable	6,484	(24,490)	(53,038)	(66,332)	(137,376)	0
(Increase) Decrease in Material and Supply Inventory	0	(73,152)	(14,379)	0	(87,531)	0
(Increase) Decrease in Prepaid Items	(194)	309	13,807	1,338	15,260	(16,964)
(Increase) Decrease in Deferred Outflows of Resources	0	226,661	289,256	0	515,917	0
Increase (Decrease) in Accounts Payable	176	10,528	(81,703)	20,249	(50,750)	114
Increase (Decrease) in Contracts Payable	(97,282)	41,314	23,108	0	(32,860)	0
Increase (Decrease) in Accrued Wages Payable	0	12,036	11,376	1,169	24,581	(2,082)
Increase (Decrease) in Compensated Absences	0	58,176	36,147	7,156	101,479	(11,190)
Increase (Decrease) in Due to Other Funds	0	(435)	(158)	(110)	(703)	0
Increase (Decrease) in Intergovernmental Payable	0	0	0	0	0	(167)
Increase (Decrease) in Claims Payable	0	0	0	0	0	(32,032)
Increase (Decrease) in Net OPEB Liability	0	122,575	84,602	0	207,177	0
Increase (Decrease) in Net Pension Liability	0	(512,471)	(567,872)	0	(1,080,343)	0
Increase (Decrease) in Deferred Inflows of Resources	0	436,898	452,064	0	888,962	0
<i>Net Cash from Operating Activities</i>	<u>\$68,760</u>	<u>\$1,240,705</u>	<u>\$1,741,006</u>	<u>(\$392,950)</u>	<u>\$2,657,521</u>	<u>(\$79,273)</u>

See accompanying notes to the basic financial statements.

CITY OF ATHENS, OHIO
Statement of Fiduciary Net Position
Fiduciary Fund
December 31, 2020

	<u>Custodial</u>
Assets:	
Equity in Pooled Cash & Cash Equivalents	\$4,900
Cash and Cash Equivalents in Segregated Accounts	<u>325,574</u>
<i>Total Assets</i>	<u>330,474</u>
Net Position:	
Restricted for Individuals, Organizations and Other Governments	<u>330,474</u>
<i>Total Net Position</i>	<u><u>\$330,474</u></u>

See accompanying notes to the basic financial statements.

CITY OF ATHENS, OHIO
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Year Ended December 31, 2020

	<u>Custodial</u>
Additions	
Custodial Fund Receipts	<u>\$1,405,169</u>
<i>Total Additions</i>	<u>1,405,169</u>
Deductions	
Custodial Fund Disbursements	<u>1,453,705</u>
<i>Total Deductions</i>	<u>1,453,705</u>
<i>Change in Net Position</i>	(48,536)
<i>Net Position at Beginning of Year</i>	<u>379,010</u>
<i>Net Position at End of Year</i>	<u><u>\$330,474</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, 2020

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 Custodial 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.

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, 2020

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 custodial 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. Custodial funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's fiduciary funds are custodial 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 and fiduciary funds are accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of fund net position. In fiduciary funds, a liability to the beneficiaries of fiduciary activity is recognized when an event has occurred that compels the government to disburse fiduciary resources. Fiduciary fund liabilities other than those to beneficiaries are recognized using the economic resources measurement focus. For proprietary funds, 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. Proprietary funds also present a statement of cash flows provides information about how the County finances and meets the cash flow needs of its proprietary activities. Fiduciary funds present a Statement of Changes in Fiduciary Net Position which reports additions to and deductions from investment trust, private purpose trust funds, and custodial funds.

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.

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 1st of a given year, or adopt a temporary appropriation measure with final passage of a permanent budget by April 1st, for all funds except Agency Funds. Budgets are adopted for each organizational unit by fund.

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

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

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

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.

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2020.

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 2020, 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 2020, the General Fund earned interest revenue of \$13,536, of which \$7,591 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, 2020 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.

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 activity's 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.

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:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Buildings and Improvements	40-60 years	40-60 years
Machinery and Equipment	50-20 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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:

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 2020.

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 – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION

Change in Accounting Principles

For 2020, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*; Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*; Statement No. 90, *Majority Equity Interests – An Amendment of GASB 14 & 61*; and related guidance from (GASB) implementation Guide No. 2019-2, *Fiduciary Activities*.

For 2020, the City also implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2018-01*. These changes were incorporated in the County's 2020 financial statements; however, there were no effect on beginning net position/fund balance.

GASB Statement No. 84 established specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the City will no longer re reporting agency funds. The City reviewed its agency funds and certain funds will be reported in the new fiduciary fund classification of custodial funds, while other funds have been reclassified as governmental funds. These fund reclassifications resulted in the restatement of the City's financial statements.

GASB Statement No. 89 objectives are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

GASB Statement No. 90 defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. These changes were incorporated in the City's 2020 financial statements; however, there were no effect on beginning net position/fund balance.

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION (Continued)

Restatement of Net Position

The implementation of GASB Statement No. 84 had the following effect on fiduciary net position as of December 31, 2019:

	Fiduciary Funds	
	Agency	Custodial
Net Position at December 31, 2019	\$0	\$0
Adjustments:		
Assets	(379,010)	\$379,010
Liabilities	(379,010)	-
Adjusted Net Position at December 31, 2019	\$0	\$379,010

NOTE 4 - 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 funds.

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 4 - RECONCILIATION OF BUDGET BASIS TO GAAP BASIS (Continued)

	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Sources/Uses Net Changes in Fund Balance		
Description	General	Street	Recreation
Budget Basis	\$2,797,791	\$348,046	(\$54,496)
<i>Adjustments:</i>			
Revenue Accruals	(90,205)	(46,428)	(11,754)
Expenditure Accruals	538,879	73,654	21,012
Encumbrances	1,017,800	367,035	12,890
Other Financing Sources	(1,013,411)	0	0
<i>Prospective Difference:</i>			
Activity of Funds Reclassified For GAAP Reporting Purposes	11	0	0
<i>GAAP Basis</i>	<u>\$3,250,865</u>	<u>\$742,307</u>	<u>(\$32,348)</u>

NOTE 5 - CASH, DEPOSITS AND INVESTMENTS

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

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

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

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

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

NOTE 5 - 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 banker's acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of interim monies available for investment at any time; and
- (8) Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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, 2020

NOTE 5 - 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, 2020, the carrying amount of all City deposits was \$25,785,444. Based on the criteria described in GASB Statement No. 40, "*Deposit and Investment Risk Disclosures*", as of December 31, 2020, \$24,412,499 of the City's bank balance of \$25,662,499 was exposed to custodial risk as discussed above while \$1,250,000 was covered by Federal Deposit Insurance. The \$24,412,499 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, 2020, 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 6 - 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 2020 taxes were collected was \$398,825,890. The full tax rate for all City operations that was applied to real property for the year ended December 31, 2020 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, 2020

NOTE 6 - PROPERTY TAXES (Continued)

<i>Real Property:</i>	
Residential/Agricultural	\$ 209,255,460
Commercial/Industrial	<u>171,171,360</u>
	380,426,820
<i>Personal Property:</i>	
Public Utilities	<u>18,399,070</u>
Total Assessed Valuation	<u><u>\$398,825,890</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, 2020. 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 2020 operations. The receivable is therefore offset by a credit to deferred inflows of resources.

NOTE 7 - 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 15th 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 2020, the income tax generated a total of \$14,926,803 in income tax revenue.

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 8 - INTERFUND ACTIVITY

A summary of interfund transfers for 2020 were as follows:

Fund	Transfers In	Transfers Out
General	\$1,582,185	\$0
Street	5,314	0
Recreation	106,743	0
Water	5,575	0
Sewer	5,765	0
Garbage	64	0
Internal Service	21	0
<i>Nonmajor Governmental Funds:</i>		
Transportation Assistance	0	100,000
Judges Court Computer	416	23,000
Clerk Court Computer	23,000	0
DUI Court Grant	32	0
Community Development Block Grant	0	18,559
APR Income Tax	3,592	100,000
CARES ACT	0	1,488,420
Court Capital	524	0
FEMA Grants	0	3,252
Total Nonmajor Funds	27,564	1,733,231
Totals	\$1,733,231	\$1,733,231

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.

NOTE 9 - INTERGOVERNMENTAL RECEIVABLE

Receivables at December 31, 2020 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	\$93,381
<i>Street Fund:</i>	
Street Maintenance Distributions	98,587
<i>Recreation Fund:</i>	
Local Government Distributions	6,000
Nonmajor Special Revenue Funds	21,432
Total Intergovernmental Receivables	219,400

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 10 – 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 14 and 15.

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

	Governmental Activities	Business-Type Activities	Water	Sewer
<i>Deferred Outflows of Resources:</i>				
Pension Expense	\$3,357,628	\$532,825	\$286,547	\$246,278
OPEB Expense	2,008,545	401,300	212,590	188,710
Total Deferred Outflows of Resources	\$5,366,173	\$934,125	\$499,137	\$434,988

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, 2020, but which were levied to finance year 2021 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 14 and 15.

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

	Governmental Activities	Business-Type Activities	Water	Sewer
<i>Deferred Inflows of Resources:</i>				
Nonexchange Revenue	\$981,453	\$0	\$0	\$0
Pensions	3,488,975	686,667	358,012	328,655
OPEB	1,712,035	324,507	170,594	153,913
Total Deferred Inflows of Resources	\$6,182,463	\$1,011,174	\$528,606	\$482,568

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 10 – 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	\$993,783
Special Assessments	30,123
Total Deferred Inflows of Resources	\$1,023,906

NOTE 11- CAPITAL ASSETS

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

	Restated Balance January 1, 2020	Additions/ Transfers	Deletions/ Transfers	Balance December 31, 2020
Governmental Activities:				
<i>Nondepreciable Capital Assets:</i>				
Land	\$3,286,876	\$0	\$0	\$3,286,876
Infrastructure	59,064,170	6,756,671	0	65,820,841
Construction in Progress	9,077,455	5,597,317	(8,718,177)	5,956,595
Total Nondepreciable Capital Assets	71,428,501	12,353,988	(8,718,177)	75,064,312
<i>Depreciable Capital Assets:</i>				
Land Improvements	4,904,892	0	0	4,904,892
Buildings	23,036,732	60,471	0	23,097,203
Machinery, Equipment and Vehicles	9,088,121	943,540	(514,936)	9,516,725
Infrastructure	19,473,708	1,080,421	0	20,554,129
Total Depreciable Capital Assets	56,503,453	2,084,432	(514,936)	58,072,949
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(591,023)	(101,221)	0	(692,244)
Buildings	(7,960,679)	(520,905)	0	(8,481,584)
Machinery, Equipment and Vehicles	(7,902,030)	(531,255)	489,714	(7,943,571)
Infrastructure	(5,474,144)	(209,229)	0	(5,683,373)
Total Accumulated Depreciation	(21,927,876)	(1,362,610)	489,714	(22,800,772)
Total Depreciable Capital Assets, Net	34,575,577	721,822	(25,222)	35,272,177
Governmental Activities Capital Assets, Net	\$106,004,078	\$13,075,810	(\$8,743,399)	\$110,336,489

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 11 - CAPITAL ASSETS (Continued)

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

<u>Governmental Activities</u>	
General Government:	\$311,832
<i>Security of Persons and Property:</i>	
Police	11,248
Fire	201,292
Transportation	434,851
Leisure Time Activities	<u>403,387</u>
Total Governmental Activities Depreciation Expense	<u><u>\$1,362,610</u></u>

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

	<u>Restated Balance January 1, 2020</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance December 31, 2020</u>
<i>Nondepreciable Capital Assets:</i>				
Land	\$463,489	\$0	\$0	\$463,489
Construction in Progress	<u>6,390,916</u>	<u>1,266,666</u>	<u>(483,013)</u>	<u>7,174,569</u>
Total Nondepreciable Capital Assets	<u>6,854,405</u>	<u>1,266,666</u>	<u>(483,013)</u>	<u>7,638,058</u>
<i>Depreciable Capital Assets:</i>				
Land Improvements	8,555	0	0	8,555
Buildings	31,874,617	0	0	31,874,617
Machinery, Equipment and Vehicles	2,584,967	584,267	(39,314)	3,129,920
Infrastructure	<u>29,830,805</u>	<u>483,013</u>	<u>0</u>	<u>30,313,818</u>
Total Depreciable Capital Assets	<u>64,298,944</u>	<u>1,067,280</u>	<u>(39,314)</u>	<u>65,326,910</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(8,555)	0	0	(8,555)
Buildings	(8,661,553)	(578,005)	0	(9,239,558)
Machinery, Equipment and Vehicles	(2,220,120)	(210,928)	39,314	(2,391,734)
Infrastructure	<u>(17,630,349)</u>	<u>(526,018)</u>	<u>0</u>	<u>(18,156,367)</u>
Total Accumulated Depreciation	<u>(28,520,577)</u>	<u>(1,314,951)</u>	<u>39,314</u>	<u>(29,796,214)</u>
Total Depreciable Capital Assets, Net	<u>35,778,367</u>	<u>(247,671)</u>	<u>0</u>	<u>35,530,696</u>
Business-Type Activities Capital Assets, Net	<u><u>\$42,632,772</u></u>	<u><u>\$1,018,995</u></u>	<u><u>(\$483,013)</u></u>	<u><u>\$43,168,754</u></u>

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, 2020

NOTE 12 - 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, 2020.

Purpose	Maturity Date	Interest Rate	Balance January 1, 2020	Additions	Deletions	Balance December 31, 2020
<u>Governmental Activities</u>						
<i>Notes Payable:</i>						
Fire Dept. Pumper Truck	2020	1.69%	\$223,411	\$0	\$223,411	\$0
Parking Meters	2020	1.69%	460,000	0	460,000	0
Fire Dept. Pumper Truck	2021	1.45%	0	123,411	0	123,411
Parking Meters	2021	1.60%	0	390,000	0	390,000
Fire Equipment Bond	2021	0.75%	0	500,000	0	500,000
Governmental Activities Notes Payable			<u>\$683,411</u>	<u>\$1,013,411</u>	<u>\$683,411</u>	<u>\$1,013,411</u>
<u>Business-Type Activities:</u>						
<i>Notes Payable:</i>						
WWTP Improvements	2020	1.98%	\$170,000	\$0	\$170,000	\$0
WTP Improvements Designs	2020	1.98%	150,000	0	150,000	0
Sanitary Sewer Improvements	2020	1.45%	460,000	0	460,000	0
Sanitary Sewer Improvements	2021	1.67%	0	283,300	0	283,300
Business-Type Activities Notes Payable			<u>\$780,000</u>	<u>\$283,300</u>	<u>\$780,000</u>	<u>\$283,300</u>

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 13 - LONG-TERM DEBT AND OTHER OBLIGATIONS

The City's long-term obligations activity for the year ended December 31, 2020 was as follows:

Description	Maturity Date	Interest Rate	Balance January 1, 2020	Additions	Deletions	Balance December 31, 2020	Amounts Due Within One Year
Governmental Activities:							
<i>General Obligation Bonds Payable:</i>							
University Estates St. Imp Bonds	2024	2.30%	\$227,278	\$0	\$43,412	\$183,866	\$44,411
Swimming Pool Imp Bonds	2035	2.00%	6,645,000	0	250,000	6,395,000	260,000
Premium on Bonds Issued			829,278	0	51,830	777,448	51,830
<i>Other Long-Term Obligations:</i>							
Compensated Absences			1,227,957	592,596	580,435	1,240,118	802,084
<i>Net Pension Liability:</i>							
OPERS			10,773,823	0	3,650,583	7,123,240	0
OP&F			13,432,608	0	1,780,903	11,651,705	0
Total Net Pension Liability			<u>24,206,431</u>	<u>0</u>	<u>5,431,486</u>	<u>18,774,945</u>	<u>0</u>
<i>Net OPEB Liability:</i>							
OPERS			5,070,493	0	100,407	4,970,086	0
OP&F			1,498,590	209,891		1,708,481	0
Total Net OPEB Liability			<u>6,569,083</u>	<u>209,891</u>	<u>100,407</u>	<u>6,678,567</u>	<u>0</u>
Governmental Activities Long-Term Obligations			<u>\$39,705,027</u>	<u>\$802,487</u>	<u>\$6,457,570</u>	<u>34,049,944</u>	<u>\$1,158,325</u>

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 13 - LONG-TERM DEBT AND OTHER OBLIGATIONS (Continued)

Purpose/Description	Maturity Date	Interest Rate	Balance January 1, 2020	Additions	Deletions	Balance December 31, 2020	Amounts Due Within One Year
<u>Business-Type Activities</u>							
<i>OWDA Loans Payable:</i>							
Loan No. 3873 Original Issue Date - 2004 Original Issue Amount - \$2,632,603	2023	3.53%	\$683,153	\$0	\$161,931	\$521,222	\$167,698
Loan No. 5259 Original Issue Date - 2009 Original Issue Amount - \$480,000	2030	0.00%	264,000	0	24,000	240,000	24,000
Loan No. 6270 Original Issue Date - 2012 Original Issue Amount - \$777,271	2033	2.63%	585,061	0	35,068	549,993	35,996
Loan No. 6426 Original Issue Date - 2013 Original Issue Amount - \$17,474,264	2035	1.82%	14,466,780	0	786,548	13,680,232	800,928
Loan No. 7856 Original Issue Date - 2017 Original Issue Amount - \$10,873,616	2040	1.81%	5,315,920	51,889	117,593	5,250,216	0
Loan No. 8832 Original Issue Date - 2020 Original Issue Amount - \$257,987	2027	0.00%	0	257,987	257,987	0	0
Loan No. 8925 Original Issue Date - 2020 Original Issue Amount - \$1,156,604	2027	0.00%	0	248,569	0	248,569	0
Loan No. 9084 Original Issue Date - 2020 Original Issue Amount - \$3,052,786	2052	0.00%	0	258,987	0	258,987	0
<i>Other Long-term Obligations:</i>							
Parking Garage Renovation Bonds	2029	2.32%	1,425,000	0	130,000	1,295,000	130,000
Compensated Absences			318,333	184,390	31,022	471,701	257,545
Net Pension Liability - OPERS:							
Water			2,114,250	0	512,471	1,601,779	0
Sewer			2,117,251	0	567,872	1,549,379	0
Total Net Pension Liability - OPERS			4,231,501	0	1,080,343	3,151,158	0
Net OPEB Liability - OPERS:							
Water			995,031	122,575	0	1,117,606	0
Sewer			996,444	84,602	0	1,081,046	0
Total Net OPEB Liability - OPERS			1,991,475	207,177	0	2,198,652	0
Business-Type Activities Long-Term Obligations			\$29,281,223	\$1,208,999	\$2,624,492	\$27,865,730	\$1,416,167

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 13 - LONG-TERM DEBT AND OTHER OBLIGATIONS (Continued)

The City's long-term debt requirements, excluding compensated absences as of December 31, 2020, are as follows:

For the Year Ending December 31	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	Payments		Payments	
	Principal	Interest	Principal	Interest
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	340,000	209,800	1,070,089	212,934
2026-2030	2,075,000	825,800	5,493,880	754,613
2031-2035	<u>2,830,000</u>	<u>353,200</u>	<u>5,122,805</u>	<u>259,814</u>
	<u>\$6,578,866</u>	<u>\$2,340,243</u>	<u>\$16,286,447</u>	<u>\$2,300,432</u>

* Business-Type Activities does not include OWDA loan 7856, 8925 and 9084 due to loans not being completed at December 31, 2020.

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 14 - 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 14 - 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, 2020

NOTE 14 - DEFINED BENEFIT PENSION PLANS (Continued)

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

	<u>State and Local</u>	
Statutory Maximum Contribution Rates	<u>2020</u>	<u>2019</u>
Employer	14.0 %	14.0 %
Employee	10.0 %	10.0 %
 Actual Contribution Rates		
Employer:		
Pension	14.0 %	14.0 %
Post-employment Health Care Benefits	<u>0.0 %</u>	<u>0.0 %</u>
 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 \$949,542 for 2020. Of this amount, \$69,996 is reported as an accrued wages and benefits payable.

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 14 - 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 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
2020 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
	Police	Firefighters
2020 Actual Contribution Rates		
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
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 14 - 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 \$787,957 for 2020. Of this amount, \$61,564 is reported as an accrued wages and benefits 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, 2019, 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, 2019, and was determined by rolling forward the total pension liability as of January 1, 2019, to December 31, 2019. 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:

	OPERS	OP&F	Total
<i>Proportion of the Net Pension Liability:</i>			
Current Measurement Date	0.0519810%	0.1729629%	
Prior Measurement Date	0.0547880%	0.1645620%	
Change in Proportionate Share	<u>-0.0028070%</u>	<u>0.0084009%</u>	
Proportionate Share of the Net Pension Liability	\$10,274,398	\$11,651,705	\$21,926,103
Pension Expense	\$1,577,291	\$1,598,063	\$3,175,354

At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS	OP&F	Total
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	\$0	\$441,054	\$441,054
Changes of Assumptions	548,775	286,020	834,795
Contributions and Proportionate Share of Contributions	92,413	784,692	877,105
Contributions Subsequent to the Measurement Date	<u>949,542</u>	<u>787,957</u>	<u>1,737,499</u>
Total Deferred Outflows of Resources	<u>\$1,590,730</u>	<u>\$2,299,723</u>	<u>\$3,890,453</u>
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	\$129,906	\$600,926	\$730,832
Net Difference between Projected and Actual Earnings on Pension Plan Investments	2,049,510	562,870	2,612,380
Contributions and Proportionate Share of Contributions	<u>441,131</u>	<u>391,299</u>	<u>832,430</u>
Total Deferred Inflows of Resources	<u>\$2,620,547</u>	<u>\$1,555,095</u>	<u>\$4,175,642</u>

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 14 - DEFINED BENEFIT PENSION PLANS (Continued)

\$1,737,499 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, 2021. 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>Fiscal Year Ending June 30:</u>	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
2021	(\$464,482)	(\$34,065)	(\$498,547)
2022	(785,956)	88,370	(697,586)
2023	84,868	327,691	412,559
2024	(813,789)	(411,828)	(1,225,617)
2025	0	(13,497)	(13,497)
	<u>(\$1,979,359)</u>	<u>(\$43,329)</u>	<u>(\$2,022,688)</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.

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, 2019, 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, 2019.

	<u>December 31, 2019</u>
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	1.4 percent, simple through 2020, 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 Employee's 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.

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 14 - DEFINED BENEFIT PENSION PLANS (Continued)

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 2019, 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 17.2% for 2019.

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 2019 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	25.00 %	1.83 %
Domestic Equities	19.00	5.75
Real Estate	10.00	5.20
Private Equity	12.00	10.70
International Equities	21.00	7.66
Other investments	13.00	4.98
Total	<u>100.00 %</u>	<u>5.61 %</u>

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 (6.2 percent) or one-percentage-point higher (8.2 percent) than the current rate:

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 14 - DEFINED BENEFIT PENSION PLANS (Continued)

	1% Decrease	Current Discount Rate	1% Increase
City's Proportionate Share of the Net Pension Liability	\$16,945,806	\$10,274,397	\$4,276,997

Actuarial Assumptions – OPF

OPF's total pension liability as of December 31, 2020 is based on the results of an actuarial valuation date of January 1, 2019, 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, 2019, are presented below:

	January 1, 2019
Valuation Date	January 1, 2019, with actuarial liabilities rolled forward to December 31, 2019
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	3.25 percent annum, compounded annually, consisting of 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, 2019, 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%

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 14 - DEFINED BENEFIT PENSION PLANS (Continued)

For the January 1, 2019, 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.

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, 2019 are summarized below:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash and Cash Equivalents	0.00 %	1.00 %
Domestic Equity	16.00	5.40
Non-US Equity	16.00	5.80
Private Markets	8.00	8.00
Core Fixed Income *	23.00	2.70
High Yield	7.00	4.70
Private Credit	5.00	5.50
U.S. Inflation Linked Bonds	17.00	2.50
Master Limited Partnerships	8.00	6.60
Real Assets	8.00	7.40
Private Real Estate	12.00	6.40

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.

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 14 - DEFINED BENEFIT PENSION PLANS (Continued)

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.

	1% Decrease	Current Discount Rate	1% Increase
City's Proportionate Share of the Net Pension Liability	\$16,148,858	\$11,651,705	\$7,890,282

NOTE 15 –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.

NOTE 15 – DEFINED BENEFIT OPEB PLANS (Continued)

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.

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 2020, 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 2019. As recommended by OPERS’ actuary, the portion of employer contributions allocated to health care beginning January 1, 2020 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 2020 was 4.0 percent.

NOTE 15 – DEFINED BENEFIT OPEB PLANS (Continued)

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 2020.

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, 2020 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 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 2019, 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).

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 15 –DEFINED BENEFIT OPEB PLANS (Continued)

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.

The City’s contractually required OPEB contribution to OP&F was \$18,668 for 2020. 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, 2018, rolled forward to the measurement date of December 31, 2019, 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, 2019, and was determined by rolling forward the total OPEB liability as of January 1, 2019, to December 31, 2019. 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&F</u>	<u>Total</u>
<i>Proportion of the Net OPEB Liability:</i>			
Current Measurement Date	0.0519000%	0.1729629%	
Prior Measurement Date	<u>0.0541660%</u>	<u>0.1645620%</u>	
Change in Proportionate Share	<u>-0.0022660%</u>	<u>0.0084009%</u>	
Proportionate Share of the Net OPEB Liability/(Asset)	\$7,168,738	\$1,708,481	\$8,877,219
OPEB Expense (Gain)	\$776,547	\$174,008	\$950,555

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 15 – DEFINED BENEFIT OPEB PLANS (Continued)

At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS	OP&F	Total
<u>Deferred Outflows of Resources</u>			
Differences between Expected and Actual Experience	\$192	\$0	\$192
Changes of Assumptions	1,134,734	998,846	2,133,580
Contributions and Proportionate Share of Contributions	75,549	181,856	257,405
Contributions Subsequent to the Measurement Date	0	18,668	18,668
Total Deferred Outflows of Resources	\$1,210,475	\$1,199,370	\$2,409,845
<u>Deferred Inflows of Resources</u>			
Differences between Expected and Actual Experience	\$655,613	\$183,731	\$839,344
Net Difference between Projected and Actual Earnings on Plan Investments	365,032	78,620	443,652
Changes of Assumptions	0	364,103	364,103
Contributions and Proportionate Share of Contributions	231,625	157,818	389,443
Total Deferred Inflows of Resources	\$1,252,270	\$784,272	\$2,036,542

\$18,668 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 2021. 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
<u>Fiscal Year Ending June 30:</u>			
2021	\$97,445	\$66,539	\$163,984
2022	16,453	66,535	82,988
2023	289	82,668	82,957
2024	(155,982)	57,239	(98,743)
2025	0	70,125	70,125
Thereafter	0	53,324	53,324
	(\$41,795)	\$396,430	\$354,635

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 15 – DEFINED BENEFIT OPEB PLANS (Continued)

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, 2018, rolled forward to the measurement date of December 31, 2019. 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	3.16 percent
Prior Measurement Date	3.96 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate	2.75 percent
Health Care Cost Trend Rate	10.5 percent, initial 3.50 percent, ultimate in 2030
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employee’s 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.

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 15 – DEFINED BENEFIT OPEB PLANS (Continued)

During 2019, 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 19.70% for 2019.

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 2019 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long Term Expected Real Rate of Return
Fixed Income	36.00 %	1.53 %
Domestic Equity	21.00	5.75
Real Estate Investment Trust	6.00	5.69
International Equities	23.00	7.66
Other Investments	14.00	4.99
Total	100.00 %	4.55 %

Discount Rate A single discount rate of 3.16 percent was used to measure the OPEB liability on the measurement date of December 31, 2019. 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 2.75 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 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 15 – DEFINED BENEFIT OPEB PLANS (Continued)

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 3.16 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 (2.16 percent) or one percentage-point higher (4.16 percent) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount</u>	<u>Increase</u>
City's Proportionate Share of the Net OPEB Liability	\$9,381,444	\$7,168,738	\$5,397,081

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 2020 is 10.5 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 3.50 percent in the most recent valuation.

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>Increase</u>
City's Proportionate Share of the Net OPEB Liability	\$6,957,195	\$7,168,738	\$7,377,585

Changes since prior Measurement Date and to Report Date

On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and pre-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022, and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for pre-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are not reflected in the current year financial statements but are expected to decrease the associated OPEB liability.

Actuarial Assumptions – OP&F

OP&F’s total OPEB liability as of December 31, 2019, is based on the results of an actuarial valuation date of January 1, 2019, 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.

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 15 –DEFINED BENEFIT OPEB 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 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, 2019, with actuarial liabilities rolled forward to December 31, 2019
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.0 percent
Payroll Growth	3.25 percent
Single Discount Rate:	
Current measurement date	3.56 percent
Prior measurement date	4.66 percent
Stipend Increase Rate	The stipend is not assured to increase over the projection period.
Cost of Living Adjusting	3.0 percent Simple, 2.2 percent simple for increases based on the lesser of the increase in CPI or 3.0 percent.

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.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
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.

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

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 15 –DEFINED BENEFIT OPEB PLANS (Continued)

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, 2019, are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash and Cash Equivalents	0.00 %	1.00 %
Domestic Equity	16.00	5.40
Non-US Equity	16.00	5.80
Private Markets	8.00	8.00
Core Fixed Income *	23.00	2.70
High Yield Fixed Income	7.00	4.70
Private Credit	5.00	5.50
U.S. Inflation Linked Bonds*	17.00	2.50
Master Limited Partnerships	8.00	6.60
Real Assets	8.00	7.40
Private Real Estate	12.00	6.40
	<u>120.00 %</u>	

Total

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 3.56 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 2.75 percent at December 31, 2019 and 4.13 percent at December 31, 2018, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 3.56 percent. The municipal bond rate was determined using the S&P Municipal Bond 20 Year High Grade Rate Index.

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 15 – DEFINED BENEFIT OPEB PLANS (Continued)

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 3.56 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 (2.56 percent), or one percentage point higher (4.56 percent) than the current rate.

City's Proportionate Share of the Net OPEB Asset	1% Decrease	Current Discount Rate	1% Increase
	\$2,118,406	\$1,708,481	\$1,376,862

NOTE 16 - 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 17 - RISK MANAGEMENT

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

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

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 17 - RISK MANAGEMENT (Continued)

In addition, the City maintains replacement cost insurance on buildings and contents in the amount of \$136,010,952. Other property insurance includes the following: \$1,250,679 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 2020 and 2019 were as follows:

Year	Beginning Year Balance	Current Year Claims	Claims Payments	Ending Year Balance
2019	\$169,263	\$2,982,018	\$3,022,605	\$128,676
2020	128,676	3,291,328	3,323,360	96,644

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, 2020

NOTE 18 – FUND CASH BALANCES

As of December 31, 2020 fund balances are composed of the following:

	General	Street	Recreation	Small Cities Grant	All Other Governmental Funds	Total Governmental Funds
<u>Nonspendable:</u>						
Prepaid Items	\$131,944	\$13,086	\$18,309	\$0	\$19,821	\$183,160
Materials & Supplies	28,851	129,010	562	0	0	158,423
Unclaimed Monies	1,681	0	0	0	0	1,681
Loans Receivable	0	0	0	0	155,330	155,330
Total Nonspendable	162,476	142,096	18,871	0	175,151	498,594
<u>Restricted:</u>						
Transportation	0	2,318,825	0	0	377,155	2,695,980
Parks & Recreation	0	0	679,871	0	2,058,528	2,738,399
Capital Projects	0	0	0	0	3,942,147	3,942,147
Tourism	0	0	0	0	31,580	31,580
Cable Access	0	0	0	0	108,892	108,892
CARES Act	0	0	0	0	38,179	38,179
Court	0	0	0	0	403,246	403,246
Community Econ. Dev.	0	0	0	0	588,300	588,300
Police	0	0	0	0	665,119	665,119
Expendable Trust	0	0	0	0	1,188	1,188
Total Restricted	0	2,318,825	679,871	0	8,214,334	11,213,030
<u>Assigned:</u>						
Administration	756,684	0	0	0	0	756,684
Police	152,967	0	0	0	0	152,967
Fire	65,003	0	0	0	0	65,003
Community and Econ. Dev.	7,372	0	0	0	0	7,372
Transportation	35,774	0	0	0	0	35,774
	1,017,800	0	0	0	0	1,017,800
<i>Unassigned</i>	3,715,543	0	0	0	0	3,715,543
Total Fund Balances	\$4,895,819	\$2,460,921	\$698,742	\$0	\$8,389,485	16,444,967

CITY OF ATHENS, OHIO
Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 19 – ENCUMBRANCE COMMITMENTS

At December 31, 2020, the City had encumbrance commitments in the Governmental Funds as follows:

<u>Major Funds</u>	
General	\$1,017,800
Street	367,035
Recreation	12,890
<u>Nonmajor Funds:</u>	
State Highway	25,000
Transportation Assistance	3,355
Judges Court Computer	6,544
Clerk Court Computer	3,883
Diversions Program	1,061
Community Correction Grant	830
DUI Court Grant	1,574
Community Development Block Grant	132,800
Athens City Enhancement	13,640
Community Center	16,448
APR Income Tax	3,700
Coronavirus Relief	31,716
Drug Law Enforcement	1,230
Street Rehabilitation	235,314
Capital Improvements	20,508
Armory/Hudson Street Buildings	144
Law Admin Building Improvement	771
Court Capital	38,558
	512,076
<i>Total Nonmajor Funds</i>	<i>512,076</i>
Total Encumbrances	\$1,909,801

NOTE 20 - CONTINGENCIES

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

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

NOTE 21 – 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.

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 Seven Years

	2019	2018	2017	2016
<u>Pension</u> (1)				
City's Proportion of the Net Pension Liability	0.05198100%	0.05478800%	0.05479100%	0.05249400%
City's Proportionate Share of the Net Pension Liability	\$10,274,397	\$15,005,324	\$8,595,646	\$11,920,495
City Covered-Employee Payroll	\$7,506,293	\$7,512,079	\$7,274,200	\$6,846,457
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	136.88%	199.75%	118.17%	174.11%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	145.28%	84.66%	84.66%	77.25%
<u>OPEB</u> (2)				
City's Proportion of the Net OPEB Liability	0.05190000%	0.05416600%	0.05392000%	0.05392000%
City's Proportionate Share of the Net OPEB Liability	\$7,168,738	\$7,061,968	\$5,855,315	\$5,228,946
City Covered-Employee Payroll	\$7,506,293	\$7,512,079	\$7,274,200	\$6,846,457
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	95.50%	94.01%	80.49%	76.37%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	47.80%	54.14%	54.14%	54.05%

(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.

2015	2014	2013
0.05179700%	0.05157900%	0.05157900%
\$8,971,893	\$6,221,004	\$6,080,492
\$6,853,014	\$6,703,729	\$7,178,631
130.92%	92.80%	84.70%
81.08%	86.45%	86.36%
N/A	N/A	N/A
N/A	N/A	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 Seven Years (1)

	2019	2018	2017	2016
<i><u>OP&F - Police</u></i>				
City's Proportion of the Net Pension Liability	0.08934490%	0.07790700%	0.07609600%	0.07799100%
City's Proportionate Share of the Net Pension Liability	\$6,018,750	\$6,359,270	\$4,670,378	\$4,939,846
City Covered-Employee Payroll	\$2,376,026	\$1,962,851	\$1,851,051	\$1,874,851
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	253.31%	323.98%	252.31%	263.48%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.89%	70.91%	70.91%	68.36%
<i><u>OP&F - Fire</u></i>				
City's Proportion of the Net Pension Liability	0.08361800%	0.08665500%	0.08896700%	0.08737900%
City's Proportionate Share of the Net Pension Liability	\$5,632,955	\$7,073,338	\$5,460,316	\$5,534,497
City Covered-Employee Payroll	\$1,790,413	\$1,772,975	\$1,749,063	\$1,705,783
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	314.62%	398.95%	312.19%	324.45%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.89%	70.91%	70.91%	68.36%

(1) Information prior to 2013 is not available.

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

2015	2014	2013
0.07617000%	0.08318220%	0.08318220%
\$4,900,089	\$4,309,185	\$4,051,234
\$1,767,995	\$1,826,733	\$1,799,564
277.16%	235.90%	225.12%
66.77%	72.20%	73.00%
0.08577600%	0.08681430%	0.08681430%
\$5,518,003	\$4,497,343	\$4,228,129
\$1,587,533	\$1,558,988	\$1,544,429
347.58%	288.48%	273.77%
66.77%	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 Four Years (1)

	2019	2018	2017	2016
<i><u>OP&F - Police</u></i>				
City's Proportion of the Net OPEB Liability	0.08934490%	0.07790700%	0.07609600%	0.07799100%
City's Proportionate Share of the Net OPEB Liability	\$882,525	\$709,463	\$4,311,510	\$3,702,057
City Covered-Employee Payroll	\$2,376,026	\$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	37.14%	36.14%	232.92%	197.46%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.1%	14.13%	14.13%	15.96%
<i><u>OP&F - Fire</u></i>				
City's Proportion of the Net OPEB Liability	0.08361800%	0.08665500%	0.08896700%	0.08737900%
City's Proportionate Share of the Net OPEB Liability	\$825,956	\$789,127	\$5,040,757	\$4,147,685
City Covered-Employee Payroll	\$1,790,413	\$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	46.13%	44.51%	288.20%	243.15%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.1%	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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>Pension</u>				
Contractually Required Contribution	\$949,542	\$1,050,881	\$1,051,691	\$945,646
Contributions in Relation to the Contractually Required Contribution	<u>(949,542)</u>	<u>(1,050,881)</u>	<u>(1,051,691)</u>	<u>(945,646)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered-Employee Payroll	\$6,782,443	\$7,506,293	\$7,512,079	\$7,274,200
Contributions as a Percentage of Covered-Employee Payroll	14.00%	14.00%	14.00%	13.00%
<u>OPEB</u>				
Contractually Required Contribution	\$0	\$0	\$0	\$72,742
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>(72,742)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered-Employee Payroll	\$6,782,443	\$7,506,293	\$7,512,079	\$7,274,200
Contributions as a Percentage of Covered-Employee Payroll	0.00%	0.00%	0.00%	1.00%

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$958,504	\$959,422	\$938,522	\$933,222	\$945,918	\$905,393
<u>(958,504)</u>	<u>(959,422)</u>	<u>(938,522)</u>	<u>(933,222)</u>	<u>(945,918)</u>	<u>(905,393)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$6,846,457	\$6,853,014	\$6,703,729	\$7,178,631	\$7,276,292	\$6,964,562
12.00%	12.00%	12.00%	13.00%	10.00%	10.00%
\$136,929	\$137,060	\$134,075	\$71,786	\$291,052	\$278,582
<u>(136,929)</u>	<u>(137,060)</u>	<u>(134,075)</u>	<u>(71,786)</u>	<u>(291,052)</u>	<u>(278,582)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$6,846,457	\$6,853,014	\$6,703,729	\$7,178,631	\$7,276,292	\$6,964,562
2.00%	2.00%	2.00%	1.00%	4.00%	4.00%

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<i><u>OP&F - Police</u></i>				
Contractually Required Contribution	\$377,575	\$451,445	\$372,942	\$351,700
Contributions in Relation to the Contractually Required Contribution	<u>(377,575)</u>	<u>(451,445)</u>	<u>(372,942)</u>	<u>(351,700)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered-Employee Payroll	\$1,987,236	\$2,376,026	\$1,962,851	\$1,851,051
Contributions as a Percentage of Covered-Employee Payroll	19.00%	19.00%	19.00%	19.00%
<i><u>OP&F - Fire</u></i>				
Contractually Required Contribution	\$410,382	\$420,747	\$416,649	\$411,030
Contributions in Relation to the Contractually Required Contribution	<u>(410,382)</u>	<u>(420,747)</u>	<u>(416,649)</u>	<u>(411,030)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered-Employee Payroll	\$1,746,308	\$1,790,413	\$1,772,975	\$1,749,063
Contributions as a Percentage of Covered-Employee Payroll	23.50%	23.50%	23.50%	23.50%

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$365,596	\$335,919	\$347,079	\$299,627	\$213,019	\$232,572
<u>(365,596)</u>	<u>(335,919)</u>	<u>(347,079)</u>	<u>(299,627)</u>	<u>(213,019)</u>	<u>(232,572)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,874,851	\$1,767,995	\$1,826,733	\$1,799,564	\$1,670,733	\$1,824,092
19.50%	19.00%	19.00%	16.65%	12.75%	12.75%
\$409,388	\$373,070	\$366,362	\$326,647	\$260,422	\$262,833
<u>(409,388)</u>	<u>(373,070)</u>	<u>(366,362)</u>	<u>(326,647)</u>	<u>(260,422)</u>	<u>(262,833)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,705,783	\$1,587,533	\$1,558,988	\$1,544,429	\$1,509,692	\$1,523,667
24.00%	23.50%	23.50%	21.15%	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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<i><u>OP&F - Police</u></i>				
Contractually Required Contribution	\$9,936	\$11,880	\$9,814	\$9,255
Contributions in Relation to the Contractually Required Contribution	<u>(9,936)</u>	<u>(11,880)</u>	<u>(9,814)</u>	<u>(9,255)</u>
Contribution Deficiency (Excess)	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
City Covered-Employee Payroll	\$1,987,236	\$2,376,026	\$1,962,851	\$1,851,051
Contributions as a Percentage of Covered-Employee Payroll	0.50%	0.50%	0.50%	0.50%
<i><u>OP&F - Fire</u></i>				
Contractually Required Contribution	\$8,732	\$8,952	\$8,865	\$8,745
Contributions in Relation to the Contractually Required Contribution	<u>(8,732)</u>	<u>(8,952)</u>	<u>(8,865)</u>	<u>(8,745)</u>
Contribution Deficiency (Excess)	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
City Covered-Employee Payroll	\$1,746,308	\$1,790,413	\$1,772,975	\$1,749,063
Contributions as a Percentage of Covered-Employee Payroll	0.50%	0.50%	0.50%	0.50%

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$9,374	\$8,840	\$9,134	\$51,288	\$112,774	\$123,126
<u>(9,374)</u>	<u>(8,840)</u>	<u>(9,134)</u>	<u>(51,288)</u>	<u>(112,774)</u>	<u>(123,126)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,874,851	\$1,767,995	\$1,826,733	\$1,799,564	\$1,670,733	\$1,824,092
0.50%	0.50%	0.50%	2.85%	6.75%	6.75%
\$8,529	\$7,938	\$7,795	\$44,016	\$101,904	\$102,848
<u>(8,529)</u>	<u>(7,938)</u>	<u>(7,795)</u>	<u>(44,016)</u>	<u>(101,904)</u>	<u>(102,848)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$1,705,783	\$1,587,533	\$1,558,988	\$1,544,429	\$1,509,692	\$1,523,667
0.50%	0.50%	0.50%	2.85%	6.75%	6.75%

City of Athens, Ohio
Required Supplementary Information
Notes to the Required Supplementary Information
For the Year Ended December 31, 2020

Pension

Ohio Public Employees Retirement System (OPERS)

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014-2019.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. For 2017, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.00% down to 7.50%, (b) for defined benefit investments, decreasing the wage inflation from 3.75% to 3.25% and (c) changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%. There were no changes in assumptions for 2018. For 2019, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 7.50% down to 7.20% and (b) changing the future salary increases from a range of 3.25%-8.25% to 3.25%-10.75%. There were no significant changes in assumptions in 2020.

Ohio Police and Fire (OP&F) Pension Fund

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014-2019.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2017. For 2018, the following were the most significant changes of assumptions that affected the total pension since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.50% down to 8.00%, (b) changing the future salary increases from a range of 4.25%-11.00% to 3.75%-10.50%, (c) reduction in payroll increases from 3.75% down to 3.25%, (d) reduction in inflation assumptions from 3.25% down to 2.75% and (e) Cost of Living Adjustments (COLA) were reduced from 2.60% and 3.00% simple to 2.20% and 3.00% simple. There were no changes in assumptions for 2019 and 2020.

Other Postemployment Benefits (OPEB)

Ohio Public Employees Retirement System (OPERS)

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2017-2019.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2017. For 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 4.23% down to 3.85%. For 2019, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date: (a) increase in the actuarially assumed rate of return from 3.85% up to 3.96%, (b) decrease in the investment rate of return from 6.5% down to 6.0%, (c) increase in the municipal bond rate from 3.31% up to 3.71%, and (d) increase in the initial health care cost trend rate from 7.25% up to 10%. There were no significant changes in assumptions in 2020.

Ohio Police and Fire (OP&F) Pension Fund

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2017-2019.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2017. For 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date: (a) DROP interest rate was reduced from 4.50% to 4.00%, (b) CPI-based COLA was reduced from 2.60% to 2.20%, (c) investment rate of return was reduced from 8.25% to 8.00%, (d) salary increases were reduced from 3.75% to 3.25% and (e) payroll growth was reduced from 3.75% to 3.25%. For 2019, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date: (a) rates of death are based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables instead of the previously used RP2000 Combined Table. There were no significant changes in assumptions in 2020.

CITY OF ATHENS, OHIO
 Required Supplementary Information
 Modified Approach for Infrastructure Assets
 December 31, 2020

	Rating	2020		2019		2018		2017		2016	
		Value	%	Value	%	Value	%	Value	%	Value	%
Acceptable	9 - 10	\$22,784,098	41.26%	\$22,629,364	41.83%	\$17,517,145	33.85%	\$12,438,466	25.02%	\$12,852,167	26.65%
Moderately Deficient	7 - 8	18,473,994	33.45%	17,462,809	32.28%	17,111,464	33.07%	17,283,123	34.76%	13,538,069	28.07%
Marginally Deficient	5 - 6	12,424,063	22.50%	12,469,400	23.05%	13,371,039	25.84%	13,009,335	26.17%	15,225,237	31.57%
Substantially Deficient	3 - 4	1,540,347	2.79%	1,540,347	2.85%	3,747,147	7.24%	6,987,958	14.05%	6,618,999	13.72%
Severely Deficient	1 - 2	0	0.00%	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Total		\$55,222,502	100.00%	\$54,101,920	100.00%	\$51,746,795	100.00%	\$49,718,882	100.00%	\$48,234,472	100.00%

The condition of the City's streets is determined using its Pavement Condition Rating Program. (PCRPP). 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
2020	\$2,309,208	\$1,864,797	\$444,411
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

CITY OF ATHENS
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2020

Federal Grantor Federal Grantor Agency Division State Pass Through Grantor Program Title	Pass-Through Entity Number	Federal CFDA Number	Expenditures	Passed Through to Subrecipients
<u>UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
<i>Passed through the Ohio Development Services Agency</i>				
Community Development Block Grant Program	A-F-19-2AE-1	14.228	\$ 17,200	\$ -
Total United States Department of Health and Human Services	TOTAL		17,200	-
<u>UNITED STATES DEPARTMENT OF JUSTICE</u>				
<u>VIOLENCE AGAINST WOMEN OFFICE</u>				
<i>Passed through the Ohio Department of Public Safety</i>				
Violence Against Women Formula Grants	2020-WF-VA2-8414	16.588	30,000	-
Violence Against Women Formula Grants	2019-WF-VA2-8414	16.588	30,000	-
Total United States Department of Justice	TOTAL		60,000	-
<u>UNITED STATES DEPARTMENT OF TRANSPORTATION</u>				
<u>FEDERAL HIGHWAY ADMINISTRATION</u>				
<i>Passed through the Ohio Department of Transportation</i>				
<u>Highway Planning and Construction</u>				
ATH-U.S. 33 - 14.020	PID#104183	20.205	334,888	-
ATH NW Athens Bikeway Spur Ph 3	PID#106655	20.205	67,517	-
ATH-Richland Ave. 0.83	PID#105270	20.205	143,126	-
ATH Richland Pedestrian Crossing	PID#104028	20.205	1,812,195	-
ATH Sidewalk FY2020 SRTS	PID#103705	20.205	129,038	-
ATH Stimson Ave	PID#106687	20.205	283,749	-
Total United States Department of Transportation	TOTAL		2,770,513	-
<u>UNITED STATES DEPARTMENT OF TREASURY</u>				
<i>Passed through the Ohio Office of Budget and Management</i>				
Coronavirus Relief Fund	HB481-CRF-Local	21.019	1,671,971	20,000
Total United States Department of Treasury	TOTAL		1,671,971	20,000
<u>UNITED STATES DEPARTMENT OF HOMELAND SECURITY</u>				
<u>FEDERAL EMERGENCY MANAGEMENT</u>				
<i>Passed through the Ohio Department of Emergency Management</i>				
City of Athens Fire Dept - EPM		97.036	5,194	-
Cable Lane		97.036	341,108	-
Columbia Ave		97.036	20,453	-
Total United States Department of Homeland Security	TOTAL		366,755	-
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ 4,886,439	\$ 20,000

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
2 CFR 200.510(b)(6)
For the Year Ended December 31, 2020**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of Athens (the City) under programs of the federal government for the year ended December 31, 2020. 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 position, or cash flows of the City.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance 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.

NOTE D – SUBRECIPIENTS

The City passes certain federal awards received from the Ohio Office of Budget and Management to other governments or not-for-profit agencies (subrecipients). As Note B describes, the City reports expenditures of Federal awards to subrecipients when paid in cash.

As a subrecipient, the City has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

NOTE E – MATCHING REQUIREMENTS

Certain Federal programs require the City to contribute non-Federal funds (matching funds) to support the Federally funded programs. The City has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

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

July 30, 2021

City of Athens
Athens County
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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 30, 2021, wherein we noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City and the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*.

Internal Control over Financial Reporting

As part of our financial statement audit, we considered the City's internal control over financial reporting (internal control) as a basis for designing 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 financial statements. 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

**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**

July 30, 2021

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, 2020. 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.

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, 2020.

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, 2020

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	Coronavirus Relief Fund CFDA #21.019
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR §200.520?	Yes

**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 9/30/2021

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