



City of Athens, Texas
Annual Financial Report

For the Year Ended September 30, 2019

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CITY OF ATHENS, TEXAS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

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INTRODUCTORY SECTION

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CITY OF ATHENS, TEXAS

LIST OF PRINCIPAL OFFICIALS

SEPTEMBER 30, 2019

Mayor	Monte Montgomery
Councilmember, Place 1	Toni Clay
Councilmember, Place 2	Aaron Smith
Councilmember, Place 3, Mayor Pro Tem	Edward McCain
Councilmember, Place 4	Robert Gross
City Manager	Elizabeth Borstad
Director of Finance	Mandie Quigg

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the City Council
City of Athens, Texas

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Athens, Texas' basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

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

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
January 24, 2020

**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management for the City of Athens, we offer readers of the City of Athens financial statements this narrative overview and analysis of the financial activities of the City of Athens for the fiscal year ended September 30, 2019. We encourage readers to consider the information presented here in conjunction with the City's financial statements.

Financial Highlights

- The assets and deferred outflows of the City of Athens exceeded its liabilities and deferred inflows at September 30, 2019 by \$24,366,770. Of this amount, unrestricted net position equals \$3,194,893. In addition, the reporting of restricted funds in the amount of \$1,131,132. The City's net investment in capital assets is \$20,040,745.
- Total net position increased by \$6,552,069. Of this amount \$3,900,202 was associated with governmental and \$2,651,867 with business-type activities.
- As of the close of the current fiscal year, the City of Athens Governmental Funds reported combined ending fund balances of \$15,428,924. This is an increase of \$664,383 in comparison with the prior year.

Overview of the Financial Statements

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

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 a private-sector business.

The Statement of Net Position presents information on all of the City's assets, deferred outflows, liabilities and deferred inflows, with the difference between these items 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 indicating how the City's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both government-wide financial statements distinguish between functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from 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, public safety, parks and recreation, culture, community development and other charges. The business-type activities include utilities and airport operations. The government-wide financial statements can be found immediately following this management's discussion and analysis.

Fund Financial Statements

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

Governmental Funds

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

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The Governmental Funds balance sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

Proprietary Funds

The City of Athens maintains two proprietary funds in the form of enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its utilities and airport operations. The proprietary fund financial statements provide separate information for the Utilities and Airport Funds, with the Utility Fund as a major fund of the City.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and other post-employment benefits to its employees. Required supplementary information can be found immediately following the notes to the financial statements.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a governments' financial position. As of September 30, 2019, the City's assets and deferred outflows exceeded its liabilities and deferred inflows by \$24,366,770.

The largest portion of the City's net position, \$20,040,745, reflects its investment in capital assets (e.g. land, building, equipment, improvements, construction-in-progress and infrastructure), less any outstanding debt used to acquire those assets. Capital assets are used to provide services to citizens; they are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

City of Athens Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 16,828,578	\$ 16,332,782	\$ 4,762,255	\$ 3,738,651	\$ 21,590,833	\$ 20,071,433
Capital assets	<u>11,084,231</u>	<u>9,753,066</u>	<u>15,653,120</u>	<u>15,468,322</u>	<u>26,737,351</u>	<u>25,221,388</u>
Total assets	<u>27,912,809</u>	<u>26,085,848</u>	<u>20,415,375</u>	<u>19,206,973</u>	<u>48,328,184</u>	<u>45,292,821</u>
Deferred outflows of resources	<u>2,067,603</u>	<u>1,386,952</u>	<u>411,671</u>	<u>326,138</u>	<u>2,479,274</u>	<u>1,713,090</u>
Total outflows of resources	<u>2,067,603</u>	<u>1,386,952</u>	<u>411,671</u>	<u>326,138</u>	<u>2,479,274</u>	<u>1,713,090</u>
Long-term liabilities	21,186,929	20,475,036	3,297,200	4,222,643	24,484,129	24,697,679
Other liabilities	<u>1,056,580</u>	<u>1,228,884</u>	<u>221,410</u>	<u>237,458</u>	<u>1,277,990</u>	<u>1,466,342</u>
Total liabilities	<u>22,243,509</u>	<u>21,703,920</u>	<u>3,518,610</u>	<u>4,460,101</u>	<u>25,762,119</u>	<u>26,164,021</u>
Deferred inflows of resources	<u>565,896</u>	<u>1,530,016</u>	<u>112,673</u>	<u>359,780</u>	<u>678,569</u>	<u>1,889,796</u>
Total inflows of resources	<u>565,896</u>	<u>1,530,016</u>	<u>112,673</u>	<u>359,780</u>	<u>678,569</u>	<u>1,889,796</u>
Net position:						
Net investment in capital assets	6,317,625	8,039,707	13,723,120	13,038,322	20,040,745	21,078,029
Restricted	1,131,132	10,419,620	-	-	1,131,132	10,419,620
Unrestricted	<u>(277,750)</u>	<u>(14,220,463)</u>	<u>3,472,643</u>	<u>1,674,908</u>	<u>3,194,893</u>	<u>(12,545,555)</u>
Total net position	<u>\$ 7,171,007</u>	<u>\$ 4,238,864</u>	<u>\$ 17,195,763</u>	<u>\$ 14,713,230</u>	<u>\$ 24,366,770</u>	<u>\$ 18,952,094</u>

An additional portion of net position, 4.6%, or \$1,131,132, represents resources that are subject to external restrictions on how they may be used. These restricted balances include amounts for capital projects, grants, public safety, and tourism and convention. The remaining unrestricted portion is a positive \$3,194,893.

City of Athens Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 611,799	\$ 514,812	\$ 7,516,055	\$ 7,793,761	\$ 8,127,854	\$ 8,308,573
Operating grants & contributions	11,760	24,814	4,095	6,454	15,855	31,268
Capital grants and contributions	12,600	77,193	613,581	421,530	626,181	498,723
General revenues:						
Property taxes	4,891,741	4,918,837	-	-	4,891,741	4,918,837
Sales taxes	4,506,331	4,211,853	-	-	4,506,331	4,211,853
Other taxes	1,284,254	1,238,898	-	-	1,284,254	1,238,898
Investment earnings	304,923	214,872	53,498	32,374	358,421	247,246
Miscellaneous	16,121	21,440	447	1,791	16,568	23,231
Gain on sale of assets	1,149	59,459	-	-	1,149	59,459
Total revenues	<u>11,640,678</u>	<u>11,282,178</u>	<u>8,187,676</u>	<u>8,255,910</u>	<u>19,828,354</u>	<u>19,538,088</u>
Expenses:						
General government	895,841	1,127,883	-	-	895,841	1,127,883
Public safety	4,007,955	5,746,721	-	-	4,007,955	5,746,721
Public services	47,671	520,117	-	-	47,671	520,117
Public works	1,143,158	1,426,488	-	-	1,143,158	1,426,488
Health	182,146	253,784	-	-	182,146	253,784
Culture and recreation	802,234	1,130,659	-	-	802,234	1,130,659
Interest on long-term debt	465,609	508,261	-	-	465,609	508,261
Water utilities	-	-	5,609,050	7,003,918	5,609,050	7,003,918
Airport	-	-	122,621	125,452	122,621	125,452
Total expenses	<u>7,544,614</u>	<u>10,713,913</u>	<u>5,731,671</u>	<u>7,129,370</u>	<u>13,276,285</u>	<u>17,843,283</u>
Increase in net position before transfer	4,096,064	568,265	2,456,005	1,126,540	6,552,069	1,694,805
Transfers	(195,862)	12,700	195,862	(12,700)	-	-
Change in net position	3,900,202	580,965	2,651,867	1,113,840	6,552,069	1,694,805
Net position - beginning of year	4,238,864	5,300,827	14,713,230	12,436,752	18,952,094	17,737,579
Prior period adjustment	(968,059)	(1,642,928)	(169,334)	1,162,638	(1,137,393)	(480,290)
Net position - end of year	<u>\$ 7,171,007</u>	<u>\$ 4,238,864</u>	<u>\$ 17,195,763</u>	<u>\$ 14,713,230</u>	<u>\$ 24,366,770</u>	<u>\$ 18,952,094</u>

Governmental Activities: Governmental activities increased the City's net position by \$3,900,202. A substantial portion of this increase was caused by pension income of \$1,905,615 as a result of the City decreasing the repeating cost of living adjustment (COLA) for its TMRS pension plan from 70% to 30%. This along with other factors contributed to a reduction of pension expense of \$2,729,519 in the governmental activities.

Business-Type Activities: Business-type activities increased the City's net position by \$2,651,867. A substantial portion of this increase was caused by pension income of \$379,295 as a result of the City decreasing the repeating cost of living adjustment (COLA) for its TMRS pension plan from 70% to 30%. This along with other factors contributed to a reduction of pension expense of \$735,842 in the business-type activities.

Financial Analysis of the Governments

Governmental Funds Analysis

The focus of the City of Athens' governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At the end of the current fiscal year, the City of Athens Governmental funds reported combined ending fund balances of \$15,428,924. Approximately 21.7% of this amount, \$3,347,469, constitutes unassigned fund balance.

The General Fund is the chief operating fund of the City. For the fiscal year ended September 30, 2019, unassigned fund balance of the General Fund was \$3,347,469, while total fund balance reached \$5,667,971.

The General Fund's fund balance increased \$1,319,290 during the current fiscal year. This increase is a result of a slight increase in sales tax coupled with a decrease in expenditures in the public safety and culture, parks and recreation functions.

The Debt Service Fund's fund balance increased by \$5,093 as a result of property tax collections slightly exceeding debt service requirements for the year.

The Capital Projects Fund's fund balance decreased by \$686,225. The decrease was due to spending of bond proceeds in excess of interest earnings.

Proprietary Funds

The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. Total net position of the Utility Fund at the end of the year amounted to \$16,242,903, an increase of \$2,711,375; the Airport Fund ended the year with a net position of \$952,860, a decrease of \$59,508. Factors concerning the finances of these funds have been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights: General Fund budgeted expenditures were increased mid-year by \$38,322 to complete encumbrances from Fiscal Year 2018 in the Parks Department. Sales tax revenues were higher than budgeted amounts leading to Council's approval to increase the General Fund Emergency Reserve by 10 days. Other significant budget adjustments were as follows:

- \$18,597 – Completion of fiscal year 2018 historical preservation projects
- \$62,645 – Purchase of self-contained breathing apparatuses for Fire Services
- \$56,818 – Completion of fiscal year 2018 capital improvements to Water and Wastewater Utilities

Capital Asset and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business type activities at September 30, 2019 amounts to \$26,737,351 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, easements, equipment, computer hardware, vehicles, capitalized software, as well as infrastructure assets such as roads, sidewalks, water and sewer lines, water and wastewater treatment facilities.

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 2,488,136	\$ 2,488,136	\$ 340,324	\$ 340,324	\$ 2,828,460	\$ 2,828,460
Construction in progress	1,591,333	269,967	757,604	667,661	2,348,937	937,628
Buildings & improvements	10,036,802	9,878,938	1,578,752	1,566,189	11,615,554	11,445,127
Infrastructure	6,876,098	6,602,073	26,918,253	26,504,111	33,794,351	33,106,184
Improvements other than buildings	574,665	492,701	2,073,396	1,530,490	2,648,061	2,023,191
Machinery & equipment	7,298,170	7,202,388	2,323,213	2,206,353	9,621,383	9,408,741
Accumulated depreciation	<u>(17,780,973)</u>	<u>(17,181,137)</u>	<u>(18,338,422)</u>	<u>(17,346,806)</u>	<u>(36,119,395)</u>	<u>(34,527,943)</u>
Total	\$ <u>11,084,231</u>	\$ <u>9,753,066</u>	\$ <u>15,653,120</u>	\$ <u>15,468,322</u>	\$ <u>26,737,351</u>	\$ <u>25,221,388</u>

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

Government Activities

- \$1,173,047 – construction in progress: Cain Center and public safety
- \$385,043 – light equipment, vehicles, and heavy equipment
- \$235,549 – infrastructure
- \$157,864 – buildings and improvements
- \$136,379 – improvements other than buildings

Business-Type Activities

- \$437,468 – infrastructure assets funded by capital projects fund
- \$116,860 – vehicles and heavy equipment
- \$160,316 – infrastructure
- \$12,563 – buildings and improvements

Additional information on the City’s capital assets can be found in the notes to the financial statements.

Long-Term Liabilities

At the end of the current fiscal year, the City had \$24,484,129 in outstanding liabilities consisting of general obligation bonds, certificates of obligation, capital leases, compensated absences, post-employment benefits and net pension liability. Additional information on the City’s long-term debt can be found in the notes to the financial statements.

Significant changes in long-term liabilities include a decrease in the net pension liability of \$1,060,610 and \$398,811 for governmental activities and business-type activities, respectively. The City also issued capital leases in the governmental activities in the amount of \$991,375.

A prior period adjustment to correctly state the premiums association with governmental activities certificates of obligation increased long-term liabilities, which was offset by scheduled debt service payments. Scheduled debt service payments in the business-type activities decreased long-term liabilities by \$500,000.

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Certificates of obligation	\$ 12,148,746	\$ 11,254,991	\$ -	\$ -	\$ 12,148,746	\$ 11,254,991
General obligation bonds	-	-	1,930,000	2,430,000	1,930,000	2,430,000
Capital leases payable	1,246,348	385,724	-	-	1,246,348	385,724
Compensated absences payable	1,172,493	1,151,472	49,255	68,534	1,221,748	1,220,006
Post-employment benefits	290,571	293,468	57,853	65,206	348,424	358,674
Net pension liability	<u>6,328,771</u>	<u>7,389,381</u>	<u>1,260,092</u>	<u>1,658,903</u>	<u>7,588,863</u>	<u>9,048,284</u>
Total	<u>\$ 21,186,929</u>	<u>\$ 20,475,036</u>	<u>\$ 3,297,200</u>	<u>\$ 4,222,643</u>	<u>\$ 24,484,129</u>	<u>\$ 24,697,679</u>

Economic Factors and Next Year’s Budgets and Rates

- Taxable property valuations increased \$54,458,592 for Tax Year 2019. City Council adopted a half-cent reduction of the property tax rate for the upcoming year at \$0.680221 per \$100 valuation.
- The 2020 Operating Budget anticipates a conservative estimate of sales tax revenue totaling \$4,301,250 over Fiscal Year 2019’s estimated collections of \$4,448,879.
- The City adopted a 5-Year Water Utility Rate Plan in 2015, implementing incremental rate increases necessary to accomplish capital improvements and maintenance of water and wastewater systems. The City will contract a new rate study to be completed in Fiscal Year 2020.

- The City issued Certificates of Obligation in 2017, these obligations are budgeted via ad valorem tax revenue and paid via the Debt Service Fund. In October 2019 the City will defease unbudgeted funds, reducing the 2017 CO debt an estimated \$5.3 million dollars. In early 2016, the City refunded debt known as "Series 2015 General Obligation Refunding" which is budgeted via the Utility Fund and has a final payment date of August 1, 2024.
- A Proposed Fire Department Pay Scale is anticipated to be approved by Civil Service Commission during Fiscal Year 2020. Approval would permit 6 of 18 Firefighter positions to be converted to Driver positions.
- The City will seek to obtain capital lease purchased equipment to fulfill needs within multiple departments including: a combination jet truck, skid steer and public safety vehicles for both fire services and police departments.

Requests for Information

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

The City's component unit, Athens Economic Development Center, prepares separately issued financial statements. For more information regarding their report please address your requests to the Office of the Director of Finance, 508 E. Tyler, Athens, Texas 75751.

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**BASIC
FINANCIAL STATEMENTS**

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CITY OF ATHENS, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

	Primary Government	
	Governmental Activities	Business-Type Activities
ASSETS		
Cash and cash equivalents	\$ 1,798,932	\$ 1,656,837
Investments	3,500,648	2,069,811
Receivables, net of allowance for uncollectibles:		
Taxes	960,275	-
Accounts	273,121	978,899
Notes	75,000	-
Loans	-	-
Due from other governments	58,839	-
Internal balances	326,878	(326,878)
Due from component unit	13,768	-
Inventory	-	175,389
Prepaid expenses	4,931	2,887
Restricted:		
Cash and cash equivalents	588,079	205,310
Investments	9,228,107	-
Capital assets, net of accumulated depreciation	<u>11,084,231</u>	<u>15,653,120</u>
Total Assets	<u>27,912,809</u>	<u>20,415,375</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions	2,050,512	408,268
Deferred outflows related to OPEB	<u>17,091</u>	<u>3,403</u>
Total Deferred Outflows of Resources	<u>2,067,603</u>	<u>411,671</u>
LIABILITIES		
Accounts payable	741,565	10,400
Due to other governments	6,496	-
Accrued expenses	226,761	-
Accrued interest payable	78,233	5,700
Customer deposits	3,525	205,310
Noncurrent liabilities:		
Due within one year:		
Long-term debt	747,688	522,314
Total OPEB liability	2,188	436
Due in more than one year:		
Long-term debt	13,819,899	1,456,941
Total OPEB liability	288,383	57,417
Net pension liability	<u>6,328,771</u>	<u>1,260,092</u>
Total Liabilities	<u>22,243,509</u>	<u>3,518,610</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to OPEB	21,119	4,205
Deferred inflows related to pensions	<u>544,777</u>	<u>108,468</u>
Total Deferred Inflows of Resources	<u>565,896</u>	<u>112,673</u>
NET POSITION		
Net investment in capital assets	6,317,625	13,723,120
Restricted for capital projects	561,674	-
Restricted for grant restrictions	4,337	-
Restricted for economic development	-	-
Restricted for public safety	101,454	-
Restricted for tourism and convention	463,667	-
Unrestricted	<u>(277,750)</u>	<u>3,472,643</u>
Total Net Position	<u>\$ 7,171,007</u>	<u>\$ 17,195,763</u>

The accompanying notes are an integral part of these financial statements.

Primary Government	Component Unit Athens Economic Development Corporation
Total	
\$ 3,455,769	\$ 3,070,941
5,570,459	-
960,275	260,170
1,252,020	64,569
75,000	-
-	1,559,681
58,839	-
-	-
13,768	-
175,389	-
7,818	-
793,389	-
9,228,107	-
<u>26,737,351</u>	<u>4,825,891</u>
<u>48,328,184</u>	<u>9,781,252</u>
2,458,780	-
20,494	-
<u>2,479,274</u>	<u>-</u>
751,965	65,433
6,496	-
226,761	-
83,933	-
208,835	-
1,270,002	209,880
2,624	-
-	-
15,276,840	1,560,729
345,800	-
<u>7,588,863</u>	<u>-</u>
<u>25,762,119</u>	<u>1,836,042</u>
25,324	-
<u>653,245</u>	<u>-</u>
<u>678,569</u>	<u>-</u>
20,040,745	4,825,891
561,674	-
4,337	-
-	3,119,319
101,454	-
463,667	-
3,194,893	-
<u>\$ 24,366,770</u>	<u>\$ 7,945,210</u>

CITY OF ATHENS, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2019

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 895,841	\$ 61,533	\$ 8,500	\$ -
Public safety	4,007,955	410,732	3,260	-
Public services and operations	47,671	75,241	-	-
Public works	1,143,158	-	-	-
Health	182,146	-	-	-
Culture, parks, and recreation	802,234	64,293	-	12,600
Interest and fiscal charges	465,609	-	-	-
Total Governmental activities	<u>7,544,614</u>	<u>611,799</u>	<u>11,760</u>	<u>12,600</u>
Business-Type activities:				
Utility	5,609,050	7,465,529	-	613,581
Airport	122,621	50,526	4,095	-
Total Business-Type activities	<u>5,731,671</u>	<u>7,516,055</u>	<u>4,095</u>	<u>613,581</u>
Total Primary Government	\$ <u>13,276,285</u>	\$ <u>8,127,854</u>	\$ <u>15,855</u>	\$ <u>626,181</u>
Component Unit:				
Economic Development Corporation	\$ 592,854	\$ 167,039	\$ -	\$ -
Total Component Unit	\$ <u>592,854</u>	\$ <u>167,039</u>	\$ <u>-</u>	\$ <u>-</u>

General Revenues:

Taxes:

 Property
 Sales
 Other

 Investment income
 Miscellaneous
 Gain on sale of assets

Transfers

 Total general revenues
 Change in net position

Net position - beginning of year

Prior period adjustment

Net position - end of year

Net (Expense) Revenue and Changes in Net Position

Primary Government			
<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Component Units</u>
\$ (825,808)	\$ -	\$ (825,808)	\$ -
(3,593,963)	-	(3,593,963)	-
27,570	-	27,570	-
(1,143,158)	-	(1,143,158)	-
(182,146)	-	(182,146)	-
(725,341)	-	(725,341)	-
(465,609)	-	(465,609)	-
<u>(6,908,455)</u>	<u>-</u>	<u>(6,908,455)</u>	<u>-</u>
-	2,470,060	2,470,060	-
<u>-</u>	<u>(68,000)</u>	<u>(68,000)</u>	<u>-</u>
<u>-</u>	<u>2,402,060</u>	<u>2,402,060</u>	<u>-</u>
<u>\$ (6,908,455)</u>	<u>\$ 2,402,060</u>	<u>\$ (4,506,395)</u>	<u>\$ -</u>
			<u>(425,815)</u>
			<u>(425,815)</u>
4,891,741	-	4,891,741	-
4,506,331	-	4,506,331	1,502,110
1,284,254	-	1,284,254	-
304,923	53,498	358,421	32,526
16,121	447	16,568	1,047
1,149	-	1,149	-
<u>(195,862)</u>	<u>195,862</u>	<u>-</u>	<u>-</u>
<u>10,808,657</u>	<u>249,807</u>	<u>11,058,464</u>	<u>1,535,683</u>
3,900,202	2,651,867	6,552,069	1,109,868
4,238,864	14,713,230	18,952,094	6,835,342
<u>(968,059)</u>	<u>(169,334)</u>	<u>(1,137,393)</u>	<u>-</u>
<u>\$ 7,171,007</u>	<u>\$ 17,195,763</u>	<u>\$ 24,366,770</u>	<u>\$ 7,945,210</u>

CITY OF ATHENS, TEXAS

BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2019

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
ASSETS			
Cash and cash equivalents	\$ 1,802,457	\$ 10,485	\$ 108
Investments	3,500,648	-	9,228,107
Receivables, net:			
Taxes	921,902	17,119	-
Accounts	256,611	-	-
Due from other governments	58,839	-	-
Due from other funds	381,045	-	-
Due from component unit	13,768	-	-
Prepaid items	<u>4,931</u>	<u>-</u>	<u>-</u>
Total assets	<u>6,940,201</u>	<u>27,604</u>	<u>9,228,215</u>
LIABILITIES			
Accounts payable	741,240	-	-
Accrued expenditures	188,708	-	38,053
Customer deposits	-	-	-
Due to other funds	-	15,750	-
Due to other governments	<u>6,496</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>936,444</u>	<u>15,750</u>	<u>38,053</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	72,666	10,521	-
Unavailable revenue - fines	216,792	-	-
Unavailable revenue - fees/liens	<u>46,328</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>335,786</u>	<u>10,521</u>	<u>-</u>
FUND BALANCES			
Nonspendable:			
Prepaid items	4,931	-	-
Committed:			
Contingency reserve	2,315,571	-	-
Restricted for:			
Capital projects	-	-	9,190,162
Debt service	-	1,333	-
Airport	-	-	-
Public safety	-	-	-
Tourism and convention	-	-	-
Unassigned	<u>3,347,469</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>5,667,971</u>	<u>1,333</u>	<u>9,190,162</u>
Total liabilities, deferred inflows of resources, and fund balances	\$ <u>6,940,201</u>	\$ <u>27,604</u>	\$ <u>9,228,215</u>

The accompanying notes are an integral part of these financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 573,961	\$ 2,387,011
-	12,728,755
21,254	960,275
16,510	273,121
-	58,839
-	381,045
-	13,768
-	4,931
<u>611,725</u>	<u>16,807,745</u>
325	741,565
-	226,761
3,525	3,525
38,417	54,167
-	6,496
<u>42,267</u>	<u>1,032,514</u>
-	83,187
-	216,792
-	46,328
<u>-</u>	<u>346,307</u>
-	4,931
-	2,315,571
-	9,190,162
-	1,333
4,337	4,337
101,454	101,454
463,667	463,667
-	3,347,469
<u>569,458</u>	<u>15,428,924</u>
\$ <u>611,725</u>	\$ <u>16,807,745</u>

CITY OF ATHENS, TEXAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION

SEPTEMBER 30, 2019

Total fund balances - governmental funds balance sheet	\$ 15,428,924
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.	11,084,231
Long-term notes receivable are not due and receivable in the current period and therefore are not reported in the governmental funds balance sheet.	75,000
Some of the City's revenues will be collected after year end, but are not available soon enough to pay current year's expenditures. These are reported as deferred inflows of resources in the governmental fund financial statements.	346,307
Some liabilities, including bonds payable and pension and OPEB liabilities, are not due and payable in the current period and therefore are not reported in the governmental funds. Also, deferred outflows and inflows related to these liabilities are not reported in the governmental funds.	<u>(19,763,455)</u>
Net position of governmental activities - statement of net position	\$ <u>7,171,007</u>

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CITY OF ATHENS, TEXAS

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
REVENUES			
Property taxes	\$ 4,012,111	\$ 866,747	\$ -
Sales tax	4,506,331	-	-
Franchise tax	942,447	-	-
Other taxes	39,111	-	-
Intergovernmental	12,600	-	-
Licenses and permits	78,860	-	-
Charges for services	323,480	-	-
Fine and forfeitures	121,908	-	-
Investment earnings	79,941	997	222,086
Donations	8,500	-	-
Miscellaneous	10,987	-	-
Total revenues	<u>10,136,276</u>	<u>867,744</u>	<u>222,086</u>
EXPENDITURES			
Current:			
General government	1,194,252	-	-
Public safety:			
Police	3,007,182	-	-
Fire	2,554,998	-	-
Public services and operations	79,894	-	-
Public works	915,130	-	-
Health	225,086	-	-
Culture, parks, and recreation	517,561	-	-
Debt service:			
Principal	37,669	373,082	-
Interest and fiscal charges	9,523	489,569	-
Capital outlay:			
General government	64,714	-	-
Public safety	931,636	-	140,893
Public services and operations	55,722	-	-
Public works	455,167	-	767,418
Culture, parks, and recreation	72,042	-	-
Total expenditures	<u>10,120,576</u>	<u>862,651</u>	<u>908,311</u>
Excess (deficiency) of revenues over (under) expenditures	<u>15,700</u>	<u>5,093</u>	<u>(686,225)</u>
OTHER FINANCING SOURCES (USES)			
Sale of assets	62,215	-	-
Proceeds from capital leases	991,375	-	-
Transfers in	250,000	-	-
Transfers out	-	-	-
Total other financing sources (uses)	<u>1,303,590</u>	<u>-</u>	<u>-</u>
Net change in fund balances	1,319,290	5,093	(686,225)
Fund balance - beginning of year	<u>4,348,681</u>	<u>(3,760)</u>	<u>9,876,387</u>
Fund balance - end of year	\$ <u>5,667,971</u>	\$ <u>1,333</u>	\$ <u>9,190,162</u>

The accompanying notes are an integral part of these financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 4,878,858
-	4,506,331
-	942,447
302,696	341,807
-	12,600
-	78,860
64,293	387,773
8,824	130,732
1,899	304,923
3,260	11,760
5,134	16,121
<u>386,106</u>	<u>11,612,212</u>
8,178	1,202,430
4,861	3,012,043
18,040	2,573,038
-	79,894
-	915,130
-	225,086
315,211	832,772
-	410,751
-	499,092
-	64,714
-	1,072,529
-	55,722
-	1,222,585
5,197	77,239
<u>351,487</u>	<u>12,243,025</u>
<u>34,619</u>	<u>(630,813)</u>
-	62,215
-	991,375
-	250,000
<u>(8,394)</u>	<u>(8,394)</u>
<u>(8,394)</u>	<u>1,295,196</u>
26,225	664,383
<u>543,233</u>	<u>14,764,541</u>
\$ <u>569,458</u>	\$ <u>15,428,924</u>

CITY OF ATHENS, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2019

Net change in fund balance - total governmental funds	\$ 664,383
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost and accumulated depreciation of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	1,110,473
The net effect of various transactions involving capital assets (i.e., sales, trade-ins, and donations).	(17,087)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	2,140,116
The reduction of long-term notes receivable provides current financial resources to governmental funds. However, in the statement of activities the issuance of the note increased net position in the first year of the note.	(25,000)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Liens	(3,619)
Property taxes	12,883
Fines and fees	<u>18,053</u>
Change in net position of governmental activities	<u>\$ 3,900,202</u>

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CITY OF ATHENS, TEXAS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

SEPTEMBER 30, 2019

	Enterprise Funds		
	Utility	Nonmajor Airport	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,631,070	\$ 25,767	\$ 1,656,837
Investments	2,069,811	-	2,069,811
Receivables, net of allowance for uncollectibles	978,899	-	978,899
Inventories	175,389	-	175,389
Prepaid items	2,887	-	2,887
Restricted assets:			
Cash	203,560	1,750	205,310
Total current assets	<u>5,061,616</u>	<u>27,517</u>	<u>5,089,133</u>
Noncurrent assets:			
Capital assets, not being depreciated:			
Land	152,200	188,124	340,324
Construction in progress	581,473	176,130	757,603
Capital assets, net of accumulated depreciation:			
Buildings and improvements	75,127	333,781	408,908
Infrastructure	12,695,035	5,348	12,700,383
Improvements other than buildings	516,875	188,395	705,270
Machinery and equipment	702,294	38,338	740,632
Total noncurrent assets	<u>14,723,004</u>	<u>930,116</u>	<u>15,653,120</u>
Total assets	<u>19,784,620</u>	<u>957,633</u>	<u>20,742,253</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	408,268	-	408,268
Deferred outflows related to OPEB	3,403	-	3,403
Total deferred outflows of resources	<u>411,671</u>	<u>-</u>	<u>411,671</u>

CITY OF ATHENS, TEXAS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

SEPTEMBER 30, 2019

	Enterprise Funds		
	Utility	Nonmajor Airport	Total
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 10,400	\$ -	\$ 10,400
Accrued interest payable	5,700	-	5,700
Due to other funds	323,855	3,023	326,878
Compensated absences - current	12,314	-	12,314
Bonds payable - current	510,000	-	510,000
Total OPEB liability - current	436	-	436
Restricted liabilities:			
Customer deposits	203,560	1,750	205,310
Total current liabilities	<u>1,066,265</u>	<u>4,773</u>	<u>1,071,038</u>
Noncurrent liabilities:			
Compensated absences - long term	36,941	-	36,941
Bonds payable - long term	1,420,000	-	1,420,000
Net pension liability	1,260,092	-	1,260,092
Total OPEB liability	57,417	-	57,417
Total noncurrent liabilities	<u>2,774,450</u>	<u>-</u>	<u>2,774,450</u>
Total liabilities	<u>3,840,715</u>	<u>4,773</u>	<u>3,845,488</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	108,468	-	108,468
Deferred inflows related to OPEB	4,205	-	4,205
Total deferred inflows of resources	<u>112,673</u>	<u>-</u>	<u>112,673</u>
NET POSITION			
Net investment in capital assets	12,793,004	930,116	13,723,120
Unrestricted	3,449,899	22,744	3,472,643
Total net position	<u>\$ 16,242,903</u>	<u>\$ 952,860</u>	<u>\$ 17,195,763</u>

CITY OF ATHENS, TEXAS

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Enterprise Funds		
	Utility	Nonmajor Airport	Total
OPERATING REVENUES			
Water revenue	\$ 2,849,154	\$ -	\$ 2,849,154
Wastewater revenue	2,626,391	-	2,626,391
Garbage collection revenue	1,655,920	-	1,655,920
Fees	213,534	-	213,534
Penalties	105,484	-	105,484
Airport sales and rentals	-	50,526	50,526
Miscellaneous	<u>15,046</u>	<u>-</u>	<u>15,046</u>
Total operating revenues	<u>7,465,529</u>	<u>50,526</u>	<u>7,516,055</u>
OPERATING EXPENSES			
Utility administration	80,603	-	80,603
Water utility	672,916	-	672,916
Distribution and collection	631,606	-	631,606
Wastewater utility	758,994	-	758,994
Garbage collection	1,667,443	-	1,667,443
Utility billing	128,980	-	128,980
Non-departmental	725,282	-	725,282
Airport operations	-	50,971	50,971
Depreciation	<u>904,026</u>	<u>71,650</u>	<u>975,676</u>
Total operating expenses	<u>5,569,850</u>	<u>122,621</u>	<u>5,692,471</u>
OPERATING INCOME (LOSS)	<u>1,895,679</u>	<u>(72,095)</u>	<u>1,823,584</u>
NONOPERATING REVENUES (EXPENSES):			
Investment earnings	53,400	98	53,498
Interest expense	(39,200)	-	(39,200)
Intergovernmental	-	4,095	4,095
Miscellaneous	<u>447</u>	<u>-</u>	<u>447</u>
Total nonoperating revenues (expenses)	<u>14,647</u>	<u>4,193</u>	<u>18,840</u>
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	<u>1,910,326</u>	<u>(67,902)</u>	<u>1,842,424</u>
Capital contributions	1,051,049	-	1,051,049
Transfers in	-	8,394	8,394
Transfers out	<u>(250,000)</u>	<u>-</u>	<u>(250,000)</u>
Change in net position	2,711,375	(59,508)	2,651,867
Total net position, beginning	<u>13,700,862</u>	<u>1,012,368</u>	<u>14,713,230</u>
Prior period adjustment	<u>(169,334)</u>	<u>-</u>	<u>(169,334)</u>
Total net position, ending	<u>\$ 16,242,903</u>	<u>\$ 952,860</u>	<u>\$ 17,195,763</u>

The accompanying notes are an integral part of these financial statements.

CITY OF ATHENS, TEXAS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Enterprise Funds		
	Utility	Nonmajor Airport	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 7,439,056	\$ 50,526	\$ 7,489,582
Cash payments to suppliers for goods and services	(3,823,964)	(48,185)	(3,872,149)
Cash payments to employees for services	(1,597,920)	-	(1,597,920)
Net cash provided by operating activities	<u>2,017,172</u>	<u>2,341</u>	<u>2,019,513</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating grant proceeds	-	4,095	4,095
Transfers out to other funds	(250,000)	-	(250,000)
Transfers in from other funds	-	8,394	8,394
Net cash provided by (used by) noncapital financing activities	<u>(250,000)</u>	<u>12,489</u>	<u>(237,511)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(270,367)	(8,392)	(278,759)
Principal paid on long-term debt	(500,000)	-	(500,000)
Interest and other	(40,200)	-	(40,200)
Net cash provided by (used by) capital and related financing activities	<u>(810,567)</u>	<u>(8,392)</u>	<u>(818,959)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	(47,303)	-	(47,303)
Interest on investments	53,400	98	53,498
Proceeds from insurance payment	447	-	447
Net cash provided by (used by) investing activities	<u>6,544</u>	<u>98</u>	<u>6,642</u>
Net increase in cash and cash equivalents	963,149	6,536	969,685
Cash and cash equivalents, beginning	<u>871,481</u>	<u>20,981</u>	<u>892,462</u>
Cash and cash equivalents, ending	<u>\$ 1,834,630</u>	<u>\$ 27,517</u>	<u>\$ 1,862,147</u>

The accompanying notes are an integral part of these financial statements.

CITY OF ATHENS, TEXAS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Enterprise Funds		
	Utility	Nonmajor Airport	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 1,895,679	\$(72,095)	\$ 1,823,584
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	904,026	71,650	975,676
Decrease (increase) in assets and deferred outflows:			
Receivables	(31,278)	-	(31,278)
Inventories	17,123	-	17,123
Prepaid expense	(1,287)	-	(1,287)
Deferred outflows	(85,533)	-	(85,533)
Increase (decrease) in liabilities and deferred inflows:			
Accounts payable	(19,853)	-	(19,853)
Due to other funds	6,040	2,786	8,826
Customer deposits	4,805	-	4,805
Compensated absences	(19,279)	-	(19,279)
Net pension liability	(398,811)	-	(398,811)
Total OPEB liability	(7,353)	-	(7,353)
Deferred inflows	(247,107)	-	(247,107)
Total adjustments	<u>121,493</u>	<u>74,436</u>	<u>195,929</u>
 Net cash provided by operating activities	 <u>\$ 2,017,172</u>	 <u>\$ 2,341</u>	 <u>\$ 2,019,513</u>
 NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES			
Contribution of capital assets	\$ 837,853	\$ -	\$ 837,853
 RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS			
Current assets:			
Cash and cash equivalents	\$ 1,631,070	\$ 25,767	\$ 1,656,837
Restricted assets - cash and cash equivalents	<u>203,560</u>	<u>1,750</u>	<u>205,310</u>
Total cash and cash equivalents	<u>\$ 1,834,630</u>	<u>\$ 27,517</u>	<u>\$ 1,862,147</u>

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CITY OF ATHENS, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The City of Athens, Texas (the "City") is a municipal corporation governed by an elected mayor and a four-member council. The City was incorporated in 1856 and operated under the provision of a general rule concept until June 1, 1960, when the City's first charter was adopted. The City operates under a Council-Manager form of government and provides the following authorized services: police and fire protection, streets, sanitation, health services, water utilities, library, recreation, planning and zoning, and general administrative services.

The accompanying financial statements present the City and its discretely presented component unit, Athens Economic Development Corporation. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the government.

The financial statements of the individual component unit may be obtained by writing the City of Athens, Finance Department, 508 E. Tyler Street, Athens, Texas 75751.

Discretely Presented Component Unit. The financial statements of the following component unit have been discretely presented in the accompanying report because the City is considered to be financially accountable. Resources flow between a primary government and its discretely presented component units are reported as external transactions – that is, as revenue and expenses.

Athens Economic Development Corporation - The Athens Economic Development Corporation ("AEDC") is a nonprofit corporation. The seven-member governing body of AEDC is appointed by the City Council and AEDC's operating budget is subject to approval of the City Council. The purpose of AEDC, which is financed with a voter-approved half-cent city sales tax, is to aid, promote, and further economic development within the City.

Related Organizations. Organizations for which a primary government is accountable because it appoints a voting majority of the board, but is not financially accountable, are considered to be related organizations.

Athens Housing Authority - The Athens Housing Authority ("AHA") is chartered as a public corporation under the state laws for the purpose of providing safe and sanitary dwelling accommodations. This entity receives federal grant funds and administers a housing/rent subsidy program inside the city limits of Athens. The five-member governing body of AHA is appointed by City Council; however, the City has no further accountability.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component unit. For the most part, the effects of the interfund activity have been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor governmental funds (i.e. special revenue funds) are reported in a single column in the basic fund financial statements. A combining statement is presented after the notes with detail information for each fund.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and legal claims and judgments, are recorded only when payment is due.

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

All proprietary funds are accounted for on a flow of economic resources measurement focus. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net position. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

The principal operating revenues of the City's Utility fund and Airport fund are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City reports the following major governmental funds:

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

The **Debt Service Fund** is used to account for the accumulation of financial resources for the payment of principal, interest, and related costs on general long-term debt paid from taxes levied by the City.

The **Capital Projects Fund** is used to account for capital improvement projects while under way. Once completed the project is transferred to the appropriate fund.

The City reports the following major enterprise fund:

The **Utility Fund** accounts for the operation of the City’s water, sewer, and garbage utilities. Activities of the fund include administration, operation and maintenance of the water and sewer system and billing and collection activities. The Fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for revenue bonds when due throughout the year. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the Fund.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash, Cash Equivalents and Investments

Investments for the City are reported at fair value, except for the position in investment pools, which are reported at net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method.

The City’s cash and investments with maturities of three months or less from the date of purchase are considered to be cash and cash equivalents.

2. Restricted Assets

Restricted assets are assets whose use is subject to constraints that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

The balances of the restricted asset accounts at September 30, 2019 are as follows:

	Governmental Activities	Business-Type Activities
Customer deposits	\$ 3,525	\$ 205,310
Debt service/bond reserves	10,485	-
Special revenue purposes	573,961	-
Capital projects	<u>9,228,215</u>	<u>-</u>
Total	<u>\$ 9,816,186</u>	<u>\$ 205,310</u>

When both restricted and unrestricted resources are available for use, it is the government’s policy to use restricted resources first, then unrestricted resources as they are needed.

3. Inventories and Prepaid Items

Supplies used in business-type activities are accounted for by the consumption method, whereby expenditures are capitalized as inventory until used. They are valued at the lower of cost or market, using the first-in, first-out (FIFO) method for determining unit cost.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Capital Assets

Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost and reported in the

Donated capital assets are recorded at acquisition cost, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date. Public domain (infrastructure) capital assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems have been recorded at estimated historical cost. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the reporting entity is depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	25
Machinery & equipment	3 - 20
System infrastructure	20 - 40
Vehicles	5 - 10
Office equipment	5
Computer equipment	5

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City only has one type of deferred outflows, which arise only under the accrual basis of accounting. Deferred outflows related to pensions and OPEB, are reported only in the government-wide and proprietary statements of net position. These amounts are deferred and amortized over the actuarial determined recognition period.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of deferred inflows. Unavailable revenue, which only arises on a modified accrual basis of accounting, is comprised of property taxes, municipal court revenue, and fees/liens and is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows related to pensions and OPEB, in the government-wide and proprietary statements of net position, represent actuarial gains (losses) that are deferred and amortized over the actuarial determined recognition period.

6. Compensated Absences

Vacation leave is for the purpose of rejuvenating both mental and physical faculties, and all employees are urged to utilize vacation leave as appropriate for the betterment of both employee and the City. Vacation time is paid out to a terminating employee only up to the max accrual balance per the schedule below. Sick leave is not payable upon termination for non-civil service employees. Fire Services and Police Department employees are eligible for sick leave payout up to remaining balances of 1,080 and 720 hours, respectively.

Full-time employees earn vacation leave as follows:

Years of Service	Full-time Employees (2,080 hours)	Civil Service Employees (2,724 hours)
0 - 10	120	180
11 - 20	160	240
21+	200	300

7. Pensions

For purposes of measuring the net pension liability, pension related deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

8. Other Post-Employment Benefits (OPEB)

Supplemental Death Benefit. For purposes of measuring the Texas Municipal Retirement System Supplemental Death Benefit Fund (TMRS SDBF) OPEB liability, related deferred outflows of resources and deferred inflows of resources, and OPEB expense, City-specific information about its Total OPEB Liability and additions to/deductions from TMRS's Total OPEB Liability have been determined on the same basis as they are reported by TMRS. The TMRS SDBF expense and deferred inflows/outflows of resources related to TMRS SDBF primarily result from changes in the components of the total TMRS SDBF liability. Most changes in the total TMRS SDBF liability will be included in TMRS SDBF expense in the period of change. For example, changes in the total TMRS SDBF liability resulting from current-period service cost, interest on the TOL, and changes of benefit terms are required to be included in TMRS SDBF expense immediately. Changes in the total TMRS SDBF liability that have not been included in TMRS SDBF expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to TMRS SDBF.

9. Fund Balances

Governmental funds utilize a fund balance presentation for equity. Fund balance is categorized as nonspendable, restricted, committed, assigned, or unassigned.

- Nonspendable fund balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventories or prepaid amounts) or legally required to remain intact. Nonspendable items are not expected to be converted to cash within the next year.
- Restricted fund balance – represents amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, other governments, etc.) or imposed by enabling legislation (such as municipal court fines).
- Committed fund balance – represents amounts that can only be used for specific purposes imposed by a formal action of the City's highest level of decision-making authority, the City Council. Committed resources cannot be used for any other purpose unless the City Council removes or changes the specified use by the same action previously used to commit those amounts, an ordinance. Commitments are typically done through adoption and amendment of the budget.
- Assigned fund balance – represents amounts the City intends to use for specific purposes as expressed by the City Council or an official delegated the authority to assign amounts. This is the residual classification for all governmental funds other than the general fund.
- Unassigned fund balance – represents the residual classification for the general fund or deficit fund balances in other funds.

When an expenditure is incurred for a purpose for which more than one fund balance classification could be used, the City considers the expenditure to be made from the most restrictive classification first.

The City passed a resolution committing \$2,315,571 from the Financial Reserve, which represents approximately 75 days of operating expenditures. This amount is shown as committed fund balance in the general fund.

10. Net position

Net position represents the difference between assets, deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of net capital assets reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws and regulations of other governments.

11. Interfund Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided and services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the fund-level statements when they are expected to be liquidated within one year. If receivables and payables are expected to be liquidated after one year, they are classified as "advances to other funds" or "advances from other funds."

In the government-wide statement of activities, the effect of interfund activity has generally been removed from the statements. Exceptions include the chargeback of services for which the elimination would distort the direct costs and program revenues of the various functions reported.

12. Use of Estimates

Preparing the City's financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

13. New Accounting Pronouncements

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*, which improves accounting and reporting by enhancing the consistency and comparability by establishing specific criteria for identifying activities that should be reported as fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2018. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting by requiring reporting of certain lease liabilities that currently are not reported. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2019. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Incurred Before the End of a Construction Period*, which enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reported period. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2019. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests*, which clarifies the accounting and financial reporting requirements for a state or local government's majority equity interest in an organization that remains legally separate after acquisition. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2018. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1. Budgetary Information

The City Council adopts an annual operating budget, which can be amended by the Council throughout the year. Legal budgets are adopted for the City's general fund. The following non-major funds did not have budgets adopted for fiscal year 2019: the Airport Grant Fund, Texan Theatre Fund, Special Donations Fund, Energy Grants Fund, Municipal Court Technology Fund, and Local Forfeited Cash Fund. The level of budgetary control (the level at which expenditures may not exceed budget) is the fund level. The City Manager is authorized to approve a transfer of budgeted amounts within departments; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. Unencumbered appropriations for annual budgets lapse at fiscal year-end, with the exception of the Capital Projects fund. The Capital Projects fund appropriates funds on a project life basis, which means appropriated funds will be available for the life of the stated project.

Encumbrances outstanding at year-end are reported as assigned fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

The General Fund's expenditures exceeded appropriations in the Health function by \$8,404, debt service by a total \$47,192, and all capital outlay functions by a total of \$978,814. The overages will be covered by existing fund balance or higher than expected revenues.

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES

A. DEPOSITS AND INVESTMENTS

Under provisions of state and local statutes, the City's investment policies and provisions of the City's depository contracts with an area financial institution, the City is authorized to place available deposits and investments in the following:

1. Obligations of the U.S., its agencies and instrumentalities.
2. Fully insured or collateralized depository certificates of deposit of banks doing business in Texas.
3. Fully FDIC insurance brokered certificate of deposit securities in any US state delivered versus payment to the City's safekeeping depository with a maximum of one year.
4. Fully collateralized, direct purchase agreements purchased through a primary government securities dealer, as defined by the Federal Reserve with a maximum maturity of six months
5. Local Government Investment Pools authorized under Section 2256.016 of the Texas Government code which invest in instruments and follow practices allowed by current law. A pool must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service.
6. AAA-rated, SEC registered money market mutual funds which strive to maintain a \$1 net asset value.
7. Obligations of state and local governments in the US with a maximum A rating from a nationally recognized rating agency with a stated maturity not to exceed two years.
8. A1/P1 commercial paper rated by two nationally recognized rating agencies with a maximum maturity of 90 days.

The City Council has adopted a written investment policy regarding the investments of its funds as defined by the Public Investment Act of 1995 (Chapter 2256, Texas Government Code). In addition, the component unit has adopted a written investment policy as well. Additional disclosures related to the investment policies of the component unit are disclosed in their separately issued financial reports.

The investments of the City are in compliance with the Council's investment policies. The City did not have any derivative investment products during the current year. All significant legal and contractual provisions for investments were complied with during the year. Investments at year-end are representative of the types of investments maintained by the City during the year.

Custodial Credit Risk. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of year-end, the City and its component unit's deposits were covered by Federal Depository Insurance or by collateral held by a third-party custodian.

In the case of investments, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investments are with the Texas Local Government Investment Pool ("TexPool").

Under the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Federated Investors, Inc. through an agreement with the State of Texas Comptroller of Public Accounts. The State Comptroller is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company authorized to operate TexPool. The reported value of the pool is the same as the fair value of the pool shares. TexPool is subject to annual review by an independent auditor consistent with the Public Funds Investment Act. Audited financial statements of the Pool are available at First Public, 12008 Research Blvd., Austin, Texas 78759. In addition, TexPool is subject to review by the State Auditor's Office and by the Internal Auditor of the Comptroller's Office.

Under the LOGIC participation and trust agreement, administrative and investment services are provided by Hilltop Securities Inc. and J.P. Morgan Investment Management Inc. The reported value of the pool is the same as the fair value of the pool shares. LOGIC is subject to annual review by an independent auditor consistent with the Public Funds Investment Act. Audited financial statements of the Pool are available at 1201 Elm Street, Suite 3500, Dallas, Texas 75270.

Under the TexSTAR participation and trust agreement, administrative and investment services are provided by Hilltop Securities Inc. and J.P. Morgan Investment Management Inc. The reported value of the pool is the same as the fair value of the pool shares. TexSTAR is subject to annual review by an independent auditor consistent with the Public Funds Investment Act. Audited financial statements of the Pool are available at www.texstar.org.

Credit Risk. This is the risk that an issuer of an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. It is the government's policy to limit its investments to those investments rated at least AAAM. The credit quality rating for TexPool at year end was AAAM by Standard & Poor's.

Interest Rate Risk. This is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the government manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The maximum allowable maturity for operating funds is five years. The weighted average maturity for the government's investment in external investment pools is less than 60 days.

Concentration of Credit Risk. This is the risk of loss attributed to the magnitude of the government's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent (5%) or more in the securities of a single issuer. It is the government's policy to not allow for a concentration of credit risk. Investments issued by the U.S. Government and investments in investment pools are excluded from the 5 percent (5%) disclosure requirement. The government is not exposed to concentration of credit risk.

At year end, the City's investment balances were as follows:

	<u>Carrying Value</u>	<u>Weighted Average Maturity (days)</u>
Primary government		
TexPool	\$ <u>14,798,566</u>	36
Total	<u>14,798,566</u>	
Component units:		
Certificates of deposit	1,015,776	123
Certificates of deposit	729,528	68
LOGIC	428,729	49
TexSTAR	<u>428,522</u>	20
Total component units	<u>2,602,555</u>	
Portfolio weighted average maturity		
Component unit		78
Total Reporting Entity	<u>\$ 17,401,121</u>	

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rate TexPool AAAM. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the Office of the Comptroller of Public Accounts for review. TexPool has a redemption notice period of one day and may redeem daily. The investment pool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool's liquidity.

The Texas Short-term Asset Reserve Program, TexSTAR, is a local government investment pool created under the Interlocal Cooperation Act specifically tailored to meet Texas state and local government investment objectives of preservation of principal, daily liquidity and competitive yield. TexSTAR is overseen by a Governing Board consisting of individuals from participating government entities in the pool. The business and affairs of TexSTAR are managed by the Board. J.P. Morgan Investment Management, Inc. provides investment management, fund accounting, transfer agency and custodial services for the pool and Hilltop Securities Inc. provides administrative, marketing and participant services. The fund seeks to maintain a constant dollar objective and fulfills all requirement of the Texas PFIA for local government investment pools. The fund is rated AAAM by Standard and Poor's and maintains a maturity of 60 days or less, with a maximum maturity of 13 months for an individual security.

Local Government Investment Cooperative (LOGIC) (the "Pool") was organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code, and operates as a public funds investment pool under the Public Funds Investment Act. LOGIC is organized and existing as a business trust under the laws of the State of Texas with all Participant funds and all investment assets held and managed in trust by a Board of Trustees for the benefit of the Participants. The Board of Trustees is LOGIC's governing body and is comprised of employees, officers or elected officials of Participant Government Entities or individuals who do not have a business relationship with the Pool and are qualified to advise it. A maximum of two advisory board members represent the Co-Administrators of the Pool.

B. RECEIVABLES

Receivables at September 30, 2019 for the government's individual major funds and non-major funds in the aggregate, including the applicable allowance for uncollectible accounts, consist of the following:

Receivable	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Utility Fund	Total
Property tax	\$ 155,968	\$ 34,237	\$ -	\$ -	\$ 190,205
Sales tax	780,509	-	-	-	780,509
Other taxes	63,409	-	21,254	-	84,663
Municipal court	1,275,246	-	-	-	1,275,246
Accounts	<u>193,278</u>	<u>-</u>	<u>16,510</u>	<u>1,107,964</u>	<u>1,317,752</u>
Gross receivables	2,468,410	34,237	37,764	1,107,964	3,648,375
Less: allowance for uncollectibles	(1,289,897)	(17,118)	-	(129,065)	(1,436,080)
Total taxes and accounts receivable (net)	<u>\$ 1,178,513</u>	<u>\$ 17,119</u>	<u>\$ 37,764</u>	<u>\$ 978,899</u>	<u>\$ 2,212,295</u>

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy.

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

C. CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2019, was as follows:

	Beginning Balance	Increases	Decreases	Adjustments	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 2,488,136	\$ -	\$ -	\$ -	\$ 2,488,136
Construction in progress	<u>269,967</u>	<u>1,173,047</u>	<u>-</u>	<u>148,319</u>	<u>1,591,333</u>
Total capital assets, not being depreciated	<u>2,758,103</u>	<u>1,173,047</u>	<u>-</u>	<u>148,319</u>	<u>4,079,469</u>
Capital assets, being depreciated:					
Buildings and improvements	9,878,938	157,864	-	-	10,036,802
Infrastructure	6,602,073	235,549	-	38,476	6,876,098
Improvements other than buildings	492,701	136,379	(15,938)	(38,477)	574,665
Machinery and equipment	<u>7,202,388</u>	<u>385,043</u>	<u>(354,895)</u>	<u>65,634</u>	<u>7,298,170</u>
Total capital assets being depreciated	<u>24,176,100</u>	<u>914,835</u>	<u>(370,833)</u>	<u>65,633</u>	<u>24,785,735</u>
Less accumulated depreciation for:					
Buildings and improvements	(7,430,470)	(184,487)	-	7,888	(7,607,069)
Infrastructure	(4,381,010)	(337,306)	-	1	(4,718,315)
Improvements other than buildings	(275,007)	(28,902)	-	17,185	(286,724)
Machinery and equipment	<u>(5,094,650)</u>	<u>(426,715)</u>	<u>353,746</u>	<u>(1,246)</u>	<u>(5,168,865)</u>
Total accumulated depreciation	<u>(17,181,137)</u>	<u>(977,410)</u>	<u>353,746</u>	<u>23,828</u>	<u>(17,780,973)</u>
Total capital assets, being depreciated, net	<u>6,994,963</u>	<u>(62,575)</u>	<u>(17,087)</u>	<u>89,461</u>	<u>7,004,762</u>
Governmental activities capital assets, net	<u>\$ 9,753,066</u>	<u>\$ 1,110,472</u>	<u>\$ (17,087)</u>	<u>\$ 237,780</u>	<u>\$ 11,084,231</u>
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$ 340,324	\$ -	\$ -	\$ -	\$ 340,324
Construction in progress	<u>667,661</u>	<u>532,703</u>	<u>(442,761)</u>	<u>-</u>	<u>757,603</u>
Total capital assets, not being depreciated	<u>1,007,985</u>	<u>532,703</u>	<u>(442,761)</u>	<u>-</u>	<u>1,097,927</u>
Capital assets, being depreciated:					
Buildings and improvements	1,566,189	12,563	-	-	1,578,752
Infrastructure	26,504,111	160,316	442,761	(188,935)	26,918,253
Improvements other than buildings	1,530,490	523,309	-	19,597	2,073,396
Machinery and equipment	<u>2,206,353</u>	<u>116,848</u>	<u>-</u>	<u>-</u>	<u>2,323,201</u>
Total capital assets being depreciated	<u>31,807,143</u>	<u>813,036</u>	<u>442,761</u>	<u>(169,338)</u>	<u>32,893,602</u>
Less accumulated depreciation for:					
Buildings and improvements	(1,133,888)	(35,956)	-	-	(1,169,844)
Infrastructure	(13,495,435)	(730,070)	-	7,635	(14,217,870)
Improvements other than buildings	(1,293,976)	(50,575)	-	(23,575)	(1,368,126)
Machinery and equipment	<u>(1,423,507)</u>	<u>(159,075)</u>	<u>-</u>	<u>13</u>	<u>(1,582,569)</u>
Total accumulated depreciation	<u>(17,346,806)</u>	<u>(975,676)</u>	<u>-</u>	<u>(15,927)</u>	<u>(18,338,409)</u>
Total capital assets, being depreciated, net	<u>14,460,337</u>	<u>(162,640)</u>	<u>442,761</u>	<u>(185,265)</u>	<u>14,555,193</u>
Business-type activities capital assets, net	<u>\$ 15,468,322</u>	<u>\$ 370,063</u>	<u>\$ -</u>	<u>\$ (185,265)</u>	<u>\$ 15,653,120</u>

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

Governmental activities:	
General government	\$ 134,018
Public safety	290,304
Public services and operations	13,279
Public works	419,174
Parks, culture, and recreation	<u>120,635</u>
Total depreciation expense - governmental activities	<u>\$ 977,410</u>
Business-type activities:	
Utility	\$ 904,026
Airport	<u>71,650</u>
Total depreciation expense - business-type activities	<u>\$ 975,676</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Athens Economic Development Corporation:				
Capital assets, not being depreciated:				
Land	\$ 2,525,179	\$ -	\$ -	\$ 2,525,179
Total capital assets, not being depreciated	<u>2,525,179</u>	<u>-</u>	<u>-</u>	<u>2,525,179</u>
Capital assets, being depreciated:				
Buildings & improvements	2,163,026	10,700	-	2,173,726
Infrastructure	850,811	-	-	850,811
Machinery & equipment	333,612	-	-	333,612
Total capital assets being depreciated	<u>3,347,449</u>	<u>10,700</u>	<u>-</u>	<u>3,358,149</u>
Less accumulated depreciation for:				
Buildings & improvements	(899,054)	(74,741)	-	(973,795)
Infrastructure	(54,368)	(17,662)	-	(72,030)
Machinery & equipment	(11,041)	(571)	-	(11,612)
Total accumulated depreciation	<u>(964,463)</u>	<u>(92,974)</u>	<u>-</u>	<u>(1,057,437)</u>
Total capital assets, being depreciated, net	<u>2,382,986</u>	<u>(82,274)</u>	<u>-</u>	<u>2,300,712</u>
Athens Economic Development Corporation capital assets, net	<u>\$ 4,908,165</u>	<u>\$ (82,274)</u>	<u>\$ -</u>	<u>\$ 4,825,891</u>

Depreciation expense was charged to the component unit's lone function, economic development.

D. LONG TERM DEBT

General Obligation Bonds. The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. During the 2015 fiscal year, General Obligation refunding bonds were issued to refund 2000 and 2004 Certificates of Obligation related to the Utility fund and 1998 Certificates of Obligation related to governmental activities. The City intends to retire all of its general long-term liabilities, plus interest, net revenues of the utility system. General obligation bonds currently outstanding are as follows:

2015 General obligation refunding bonds due in various annual principal installments through August 2024 interest at 0.60% to 2.20% \$ 1,930,000

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending September 30	Business-Type Activities	
	Principal	Interest
2020	\$ 510,000	\$ 34,200
2021	345,000	27,060
2022	350,000	21,540
2023	355,000	15,240
2024	<u>370,000</u>	<u>8,140</u>
Total	<u>\$ 1,930,000</u>	<u>\$ 106,180</u>

Certificates of Obligation. During the 2017 fiscal year, the City issued \$11,755,000 of Combination Tax and Revenue Certificates of Obligation for the purpose of paying contractual obligations to be incurred for: (i) improving and extending the City's water and wastewater system, (ii) constructing, equipping, and improving park and recreation facilities, including improvements to the Cain Center, (iii) constructing, improving, and equipping a community events facility, (v) constructing and equipping firefighting facilities and, (vi) professional services rendered in connection therewith.

Certificate of obligation bonds may be issued for both general government and proprietary activities to provide funds for acquisition or construction of major capital facilities. The 2017 Combination Tax and Revenue Certificates of Obligation are expected to be repaid from property tax revenues; therefore, they have been reported as in governmental activities.

The City has outstanding certificate of obligation bonds as follows:

2017 Combination Tax and Revenue Certificates of Obligation due in various annual principal installments through February 2036, interest at 3% - 4.5% \$ 11,475,000

Annual debt service requirements to maturity for certificate of obligations are as follows:

Year Ending September 30	Governmental Activities	
	Principal	Interest
2020	\$ 295,000	\$ 469,400
2021	310,000	460,550
2022	330,000	451,250
2023	350,000	438,050
2024	370,000	424,050
2025-2029	2,210,000	1,879,450
2030-2034	2,920,000	1,383,250
2035-2039	3,800,000	721,096
2040	890,000	40,050
Total	<u>\$ 11,475,000</u>	<u>\$ 6,267,146</u>

Capital Leases. The City is obligated under four capital leases for a fire truck, a loader, and a roller. The outstanding leases at September 30, 2019 are as follows:

Fire Truck payable in 120 monthly installments of \$8,425, including interest at 2.3365%, with a final payment on September 14, 2022. \$ 292,642

Fire Truck #2 payable in 120 monthly installments of \$7,776, including interest at 2.97%, with a final payment on May 10, 2029. \$ 783,220

Loader payable in 60 monthly installments of \$2,142, including interest at 2.74%, with a final payment on May 30, 2024. \$ 112,454

Roller payable in 60 monthly installments of \$1,881, including interest at 2.67%, with a final payment on May 10, 2022. \$ 58,032

Annual debt service requirements to maturity for capital leases are as follows:

Year Ending September 30	Governmental Activities
2020	\$ 242,677
2021	242,677
2022	235,154
2023	119,007
2024	110,441
2025-2029	<u>435,441</u>
Total amount of minimum lease payments	1,385,397
Less: amount representing interest	<u>(139,049)</u>
Present value of minimum lease payments	<u>\$ 1,246,348</u>

Changes in Long-Term Liabilities. Long-term liability activity for the year ended September 30, 2019, was as follows:

	Beginning Balance	Adjustments/ Additions	Retirements	Ending Balance	Due Within One Year
Governmental activities:					
Certificates of obligation	\$ 11,755,000	\$ -	\$ (280,000)	\$ 11,475,000	\$ 295,000
Premium	(500,009)	1,205,838	(32,083)	673,746	-
Total bonds payable	<u>11,254,991</u>	<u>1,205,838</u>	<u>(312,083)</u>	<u>12,148,746</u>	<u>295,000</u>
Capital leases payable	385,724	991,375	(130,751)	1,246,348	159,565
Compensated absences	1,151,472	365,955	(344,934)	1,172,493	293,123
Total governmental activities	<u>\$ 12,792,187</u>	<u>\$ 2,563,168</u>	<u>\$ (787,768)</u>	<u>\$ 14,567,587</u>	<u>\$ 747,688</u>
Business-type Activities:					
General obligation bonds	\$ 2,430,000	\$ -	\$ (500,000)	\$ 1,930,000	\$ 510,000
Compensated absences	68,534	33,870	(53,149)	49,255	12,314
Total business-type activities	<u>\$ 2,498,534</u>	<u>\$ 33,870</u>	<u>\$ (53,149)</u>	<u>\$ 1,979,255</u>	<u>\$ 522,314</u>
Component Unit:					
Notes payable	\$ 1,479,568	\$ -	\$ (204,483)	\$ 1,275,085	\$ 209,880
Promissory note	-	495,524	-	495,524	-
Total component unit	<u>\$ 1,479,568</u>	<u>\$ 495,524</u>	<u>\$ (204,483)</u>	<u>\$ 1,770,609</u>	<u>\$ 209,880</u>

Within the governmental activities, the General Fund generally liquidates the liability for compensated absences payable.

The City's combination tax and revenue certificates of obligation are secured by revenue from ad valorem taxes on all taxable property within the City. The certificates are additionally payable from and secured by a limited pledge of \$1,000 on the net revenues of the City's waterworks and sewer system. Should the City default on these bonds, any registered owner of the certificates is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring specific performance from the City.

The City's direct borrowings (capital leases) are secured by the financed equipment as collateral.

Component Unit – Athens Economic Development Corporation. AEDC obtained notes payable for the building they are located in, various land and building purchases to attract business to the area, and for infrastructure in the Industrial Park. Notes payable outstanding at year-end are as follows:

Notes payable in monthly installments of \$4,248, including yearly adjusted interest rates. On January 1, 2017 the interest rate was increased to 2.89%.	<u>\$ 118,530</u>
Notes payable in 110 monthly installments of \$6,577, including interest at 2.25% for 60 months and then 2.81% for 50 months.	<u>\$ 360,949</u>
Notes payable in 180 monthly installments of \$4,505, including interest at 2.76%.	<u>\$ 489,102</u>
Notes payable in 120 monthly installments of \$4,900, including interest at 2.85%.	<u>\$ 306,504</u>

Component Unit – Athens Economic Development Corporation. The principal and interest requirements at September 30, 2019, for the component unit debt are as follows:

Year Ending September 30	AEDC	
	Principal	Interest
2020	\$ 209,880	\$ 32,866
2021	215,770	26,976
2022	191,864	21,148
2023	175,604	16,169
2024	174,029	11,167
2025-2029	285,616	21,247
2030	22,322	202
Total	\$ 1,275,085	\$ 129,775

Component Unit – Athens Economic Development Corporation. In 2019, a construction note was entered into for a maximum of \$1 million. As of September 30, 2019, the balance of the note was \$495,524. AEDC only makes interest payments until construction is complete and at that point, a payment schedule will be set. The interest rate is 3% and the loan matures on February 04, 2027.

E. DEFINED BENEFIT PENSION PLAN

Texas Municipal Retirement System

Plan Description. The City of Athens participates as one of 887 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas.

TMRS’s defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

All eligible employees of the City are required to participate in TMRS.

Benefits provided. TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee’s contributions, with interest, and the City-financed monetary credits, with interest, were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member’s deposits and interest.

Starting in 2005, the City granted an annually repeating (automatic) basis monetary credit referred to as an updated service credit (USC) which is a theoretical amount which considers salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest until retirement. At retirement, the benefit is calculated as if the sum of the employee’s accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity. Additionally, in 2019, the City adopted a modification to its annually repeating (automatic) basis cost of living adjustments (COLA) for retirees from 70% to 30% of the change in the consumer price index (CPI).

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

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers
Annuity Increase (to retirees)	30% of CPI

Employees covered by benefit terms. At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	81
Inactive employees entitled to but not yet receiving benefits	70
Active employees	<u>121</u>
Total	<u><u>272</u></u>

Contributions. The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 20.97% and 21.77% in calendar years 2019 and 2018, respectively. The City's total contributions to TMRS for the year ended September 30, 2019, were \$1,395,832, and were equal to the required contributions.

Net Pension Liability. The City's Net Pension Liability (NPL) was measured as of December 31, 2018, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Within the governmental activities, the General Fund generally liquidates the net pension liability. In the business-type activities, the net pension liability is liquidated by the Utility Fund.

The Total Pension Liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumptions for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equities	17.50%	4.30%
International Equity	17.50%	6.10%
Core Fixed Income	10.00%	1.00%
Non-Core Fixed Income	20.00%	3.39%
Real Estate	10.00%	3.78%
Real Return	10.00%	4.44%
Absolute Return	10.00%	3.56%
Private Equity	<u>5.00%</u>	7.75%
 Total	 <u>100.00%</u>	

Discount Rate. The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in the statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/17	\$ 37,027,606	\$ 27,774,279	\$ 9,253,327
Changes for the year:			
Service cost	1,047,988	-	1,047,988
Interest	2,238,073	-	2,238,073
Changes of benefit terms	(3,535,790)	-	(3,535,790)
Difference between expected and actual experience	(388,363)	-	(388,363)
Changes of assumptions	-	-	-
Contributions - employer	-	1,416,559	(1,416,559)
Contributions - employee	-	459,069	(459,069)
Net investment income	-	(832,337)	832,337
Benefit payments, including refunds of employee contributions	(1,718,356)	(1,718,356)	-
Administrative expense	-	(16,079)	16,079
Other changes	-	(840)	840
Net changes	<u>(2,356,448)</u>	<u>(691,984)</u>	<u>(1,664,464)</u>
Balance at 12/31/18	<u>\$ 34,671,158</u>	<u>\$ 27,082,295</u>	<u>\$ 7,588,863</u>

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 12,429,649	\$ 7,588,863	\$ 3,624,860

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's Fiduciary Net Position is available in a separately issued TMRS financial report. That report may be obtained on the Internet at www.tmr.com.

Pension income/expense and deferred outflows and inflows of resources related to pensions. For the year ended September 30, 2019, the City recognized pension income of \$2,284,910.

At September 30, 2019, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 653,245
Changes in actuarial assumptions	19,686	-
Difference between projected and actual investment earnings	1,436,628	-
Contributions subsequent to the measurement date	<u>1,002,466</u>	<u>-</u>
Total	<u>\$ 2,458,780</u>	<u>\$ 653,245</u>

\$1,002,466 was reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30,	Pension Expense Amount
2020	\$ 264,439
2021	11,359
2022	43,693
2023	483,578

F. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – TMRS SUPPLEMENTAL DEATH BENEFITS FUND.

Plan Description. The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

Benefits provided. Payments from this fund are similar to group-term life insurance benefits and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an other post-employment benefit and is a fixed amount of \$7,500.

Employees covered by benefit terms. At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	68
Inactive employees entitled to but not yet receiving benefits	10
Active employees	<u>121</u>
 Total	 <u><u>199</u></u>

Contributions. The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.18% for 2019 and 0.17% for 2018, of which 0.02% and 0.04%, respectively, represented the retiree-only portion for each year, as a percentage of annual covered payroll. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. The City's retiree-only portion of contributions to the SDBF for the years ended September 30, 2019 and 2018 were \$1,679 and \$1,982, respectively, representing contributions for both active and retiree coverage, which equaled the required contributions each year.

Total OPEB Liability. The City's total OPEB liability was measured as of December 31, 2018 and was determined by an actuarial valuation as of that date.

Within the governmental activities, the General Fund generally liquidates the total OPEB liability. In the business-type activities, the total OPEB liability is liquidated by the Utility Fund.

THE SDBF program is treated as an unfunded OPEB plan because the SDBF trust covers both actives and retirees and the assets are not segregated for these groups.

The Total OPEB Liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	3.50% to 10.50% Including Inflation
Discount Rate	3.71% (Based on Fidelity Index's 20-Year Municipal GO AA Index)
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality Rates - Service Retirees	RP2000 Combined Mortality Table with blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality Rates - Disabled Retirees	RP2000 Combined Mortality Table with blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

Changes in Total OPEB Liability

	Increase (Decrease) <u>Total OPEB Liability</u>
Balance at 12/31/17	\$ 352,914
Changes for the year:	
Service cost	16,395
Interest on total OPEB liability	11,909
Differences between expected and actual experience	(4,129)
Changes of assumptions or other inputs	(26,047)
Benefit payments	(2,618)
Net changes	(4,490)
Balance at 12/31/18	<u>\$ 348,424</u>

Sensitivity of the Total OPEB Liability to changes in the discount rate. The following presents the Total OPEB Liability of the City, calculated using the discount rate of 3.71%, as well as what the City's Total OPEB Liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease in Discount Rate (2.71%)	Discount Rate (3.71%)	1% Increase in Discount Rate (4.71%)
City's total OPEB liability	\$ 418,947	\$ 348,424	\$ 293,898

OPEB expense, deferred outflows and deferred inflows of resources related to OPEB. For the year ended September 30, 2019, the City recognized OPEB expense of \$28,082. At September 30, 2019, the City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ -	\$ 3,465
Changes in actuarial assumptions	19,538	21,859
Contributions subsequent to the measurement date	<u>956</u>	<u>-</u>
Total	<u>\$ 20,494</u>	<u>\$ 25,324</u>

\$956 was reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date and will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended September 30,</u>	<u>OPEB Expense Amount</u>
2020	\$(222)
2021	(222)
2022	(222)
2023	(222)
2024	(3,834)
Thereafter	(1,064)

G. INTERFUND BALANCES AND ACTIVITIES

Transfers between funds during the year were as follows:

Transfers From	Transfers To	Amount
Utility Fund	General Fund	\$ 250,000
Nonmajor Enterprise Fund	Nonmajor governmental Funds	8,394
Total		<u>\$ 258,394</u>
Governmental activities	Business-type activities	<u>\$ 437,468</u>

The Utility Fund transferred \$250,000 to the General Fund for administrative costs. The nonmajor enterprise fund transferred \$8,394 to the nonmajor governmental funds for a capital purchase. The transfer from business-type activities to governmental activities was a transfer of capital assets funded by the capital projects fund.

The composition of interfund balances as of September 30, 2019, is as follows:

Payable Fund	Receivable Fund	Amount
General Fund	Debt Service Fund	\$ 15,750
	Nonmajor Governmental Funds	38,417
	Utility Funds	323,855
	Nonmajor Enterprise Funds	3,023
Total		<u>\$ 381,045</u>

All amounts due to the General Fund are related to accounts payable and payroll processed by the General Fund for all other funds.

H. COMMITMENTS AND CONTINGENCIES

Federal and State Grant Awards. The City received federal and state grants for special purposes that are subjected to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. City management believes such disallowances, if any, would be insignificant.

Contracts. Effective May 1, 2016 the City contracted with Allied Waste Systems, Inc. for the collection and disposal of garbage for residents within the city limits. The service will be paid for in accordance with the rates set forth in the contract. The contract is for a seven-year period ending April 30, 2023. During the year ended September 30, 2019, the City paid \$1,667,443 to Allied Waste Systems, Inc. under the contract.

Construction Commitments. The City has active construction projects as of September 30, 2019. The projects include airport runway and the construction of water and sewer facilities. At year-end, the City's commitments with contractors are as follows:

Project	Enterprise Projects	
	Spent-to-Date	Estimated Remaining Commitment
Trickling Filter	\$ 261,827	\$ 27,078
Water Tank Rehab - Loop 7	238,345	51,200
Airport Improvements	176,130	3,263
Water Tank Rehab - Royal Mtn	24,138	394,555
West Water Treatment Plant	57,164	185,490
Total	<u>\$ 757,604</u>	<u>\$ 661,586</u>

I. RISK MANAGEMENT

Group Health. The City provides health and dental insurance at no cost to all full-time employees. For the year ending September 30, 2019, the monthly City paid premium costs for each eligible employee for health and dental insurance was \$595 and \$27, respectively.

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

Liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated.

Worker's Compensation. All City employees are covered by a risk pool workmen's compensation insurance program. The City pays certain administrative fees to an independent insurance intermediary who administers the program and processes all claims. Any valid claims are paid by the City and charged as current operating expenditures. Any potential future claims cannot be determined and, as of September 30, 2019, the administrator had not reported any such claims to the City.

J. NOTE RECEIVABLE

During fiscal year 2017, the City sold a building and land to Trinity Valley Community College (TVCC) for \$250,000. At closing TVCC paid \$125,000 and signed a five-year note. The terms of the note are yearly payments of \$25,000 at 0% interest. At September 30, 2019, the balance of the note receivable was \$75,000.

K. PRIOR PERIOD ADJUSTMENT

In 2019, beginning net position for the governmental activities was decreased due to an adjustment made to the premium associated with the City's certificates of obligation (causing a decrease of \$1,205,838) as well as adjustments made to capital assets (causing an increase of \$237,779).

Further, beginning net position for the enterprise funds and business-type activities was decreased by \$169,334 due to adjustments made to capital assets.

L. RELATED PARTY TRANSACTIONS

In 2019, the City purchased goods or services from a vendor of which a member of City Council owns a majority stake. The council member complied with conflict of interest disclosures and abstained from voting when the invoices were approved. Total amounts paid to the vendor totaled \$7,578 in 2019.

M. SUBSEQUENT EVENT

On October 1st, 2019 The City placed \$5,394,872 into an irrevocable trust account to provide for future debt service payments on its 2017 certificates of obligation. Accordingly, the trust account assets and the liability for the defeased bonds will not be included in the City's financial statements in fiscal year 2020.

**REQUIRED
SUPPLEMENTARY INFORMATION**

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CITY OF ATHENS, TEXAS

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Property taxes	\$ 4,104,675	\$ 4,104,675	\$ 4,012,111	\$(92,564)
Sales tax	4,144,602	4,144,602	4,506,331	361,729
Franchise tax	942,000	942,000	942,447	447
Other taxes	31,000	31,000	39,111	8,111
Licenses and permits	113,025	113,025	78,860	(34,165)
Intergovernmental	10,000	10,000	12,600	2,600
Charges for services	201,000	201,000	323,480	122,480
Fine and forfeitures	193,160	193,160	121,908	(71,252)
Investment earnings	30,000	30,000	79,941	49,941
Donations	-	-	8,500	8,500
Miscellaneous	15,000	15,000	10,987	(4,013)
Total revenues	<u>9,784,462</u>	<u>9,784,462</u>	<u>10,136,276</u>	<u>351,814</u>
EXPENDITURES				
Current:				
General government	2,136,588	2,088,253	1,194,252	894,001
Public safety:				
Police	3,328,602	3,328,602	3,007,182	321,420
Fire	2,627,660	2,627,660	2,554,998	72,662
Public services and operations	196,491	196,491	79,894	116,597
Public works	1,046,080	1,046,080	915,130	130,950
Health	216,682	216,682	225,086	(8,404)
Culture, parks, and recreation	574,243	622,582	517,561	105,021
Debt service:				
Principal	-	-	37,669	(37,669)
Interest and other	-	-	9,523	(9,523)
Capital outlay:				
General government	64,500	64,500	64,714	(214)
Public safety	35,000	97,645	931,636	(833,991)
Public services and operations	20,000	20,000	55,722	(35,722)
Public works	380,000	380,000	455,167	(75,167)
Culture, parks, and recreation	-	38,322	72,042	(33,720)
Total expenditures	<u>10,625,846</u>	<u>10,726,817</u>	<u>10,120,576</u>	<u>606,241</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(841,384)</u>	<u>(942,355)</u>	<u>15,700</u>	<u>958,055</u>
OTHER FINANCING SOURCES (USES)				
Sale of assets	50,000	50,000	62,215	12,215
Proceeds from capital leases	-	-	991,375	(991,375)
Transfers in	901,541	901,541	250,000	(651,541)
Total other financing sources (uses)	<u>951,541</u>	<u>951,541</u>	<u>1,303,590</u>	<u>(1,630,701)</u>
Net change in fund balances	110,157	9,186	1,319,290	(672,646)
Fund balance - beginning of year	<u>4,348,681</u>	<u>4,348,681</u>	<u>4,348,681</u>	<u>-</u>
Fund balance - end of year	<u>\$ 4,458,838</u>	<u>\$ 4,357,867</u>	<u>\$ 5,667,971</u>	<u>\$ 1,310,104</u>

CITY OF ATHENS, TEXAS

NOTES TO BUDGETARY INFORMATION

SEPTEMBER 30, 2019

BUDGETS AND BUDGETARY ACCOUNTING

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

1. The City Manager prepares a proposed budget and submits it to the City Council no later than 30 days prior to the beginning of the fiscal year.
2. Upon submission of the proposed budget, the City Council will call for a public hearing which is to be held at least five days after notice of hearing is published.
3. After the holding of the public hearing, the budget shall be adopted by a favorable vote of majority of the members of the Council and upon adoption shall be in effect for the fiscal year.
4. The City Manager has authority, without Council approval, to transfer appropriation balances within departments; however, any revisions that alter the total expenditures of any fund must be approved by City Council.
5. Budgetary integration is employed as a management control device during the year of the General Fund. Budgetary integration is not employed by Capital Projects Funds because effective budgetary control is achieved through grant, bond ordinance and construction contract provisions.
6. The budget for the General Fund is adopted on the modified accrual basis of accounting, which is consistent with U.S. generally accepted accounting principles.
7. While all budgeted amounts expire at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are reported as assigned fund balance and are re-appropriated and become part of the subsequent year's budget pursuant to State regulations.

CITY OF ATHENS, TEXAS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM

FOR THE YEAR ENDED SEPTEMBER 30, 2019

Plan year ended December 31,	<u>2014</u>	<u>2015</u>
A. Total pension liability		
Service cost	\$ 999,695	\$ 1,107,277
Interest (on the Total Pension Liability)	2,170,306	2,267,157
Changes in benefit terms including substantively automatic status	-	-
Difference between expected and actual experience	(414,587)	(209,910)
Change of assumptions	-	86,986
Benefit payments, including refunds of employee contributions	(1,289,000)	(1,562,220)
Net change in total pension liability	1,466,414	1,689,290
Total pension liability - beginning	<u>31,149,019</u>	<u>32,615,433</u>
Total pension liability - ending (a)	<u>\$ 32,615,433</u>	<u>\$ 34,304,723</u>
B. Plan fiduciary net position		
Contributions - employer	\$ 1,341,520	\$ 1,356,975
Contributions - employee	454,813	449,330
Net investment income	1,203,399	33,544
Benefit payments, including refunds of employee contributions	(1,289,000)	(1,562,220)
Administrative expenses	(12,562)	(20,429)
Other	(1,033)	(1,009)
Net change in plan fiduciary net position	1,697,137	256,191
Plan fiduciary net position - beginning	<u>21,032,890</u>	<u>22,730,027</u>
Plan fiduciary net position - ending (b)	<u>\$ 22,730,027</u>	<u>\$ 22,986,218</u>
C. Net pension liability - ending (a) - (b)	<u>\$ 9,885,406</u>	<u>\$ 11,318,505</u>
D. Plan fiduciary net position as a percentage of total pension liability	69.69%	67.01%
E. Covered payroll	\$ 6,487,050	\$ 6,418,998
F. Net position liability as a percentage of covered payroll	152.39%	176.33%

Notes to Schedule:

10 years of information is required to be provided in this schedule, but information prior to 2014 is not available.

2016	2017	2018
\$ 1,068,555	\$ 1,132,820	\$ 1,047,988
2,287,742	2,383,369	2,238,073
-	-	(3,535,790)
(137,118)	(343,260)	(388,363)
-	-	-
(1,893,054)	(1,776,171)	(1,718,356)
1,326,125	1,396,758	(2,356,448)
<u>34,304,723</u>	<u>35,630,848</u>	<u>37,027,606</u>
\$ <u>35,630,848</u>	\$ <u>37,027,606</u>	\$ <u>34,671,158</u>
\$ 1,294,946	\$ 1,383,834	\$ 1,416,559
427,422	457,573	459,069
1,554,075	3,376,302	(832,337)
(1,893,054)	(1,776,171)	(1,718,356)
(17,544)	(17,491)	(16,079)
(945)	(886)	(840)
1,364,900	3,423,161	(691,984)
<u>22,986,218</u>	<u>24,351,118</u>	<u>27,774,279</u>
\$ <u>24,351,118</u>	\$ <u>27,774,279</u>	\$ <u>27,082,295</u>
\$ <u>11,279,730</u>	\$ <u>9,253,327</u>	\$ <u>7,588,863</u>
68.34%	75.01%	78.11%
\$ 6,106,026	\$ 6,536,755	\$ 6,558,122
184.73%	141.56%	115.72%

CITY OF ATHENS, TEXAS

SCHEDULE OF PENSION CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM

FOR THE YEAR ENDED SEPTEMBER 30, 2019

Fiscal year ended September 30,	<u>2015</u>	<u>2016</u>
Actuarial determined contribution	\$ 1,375,903	\$ 1,369,172
Contributions in relation to the actuarially determined contribution	<u>1,375,903</u>	<u>1,369,172</u>
Contribution deficiency (excess)	-	-
Covered payroll	6,487,050	6,418,998
Contributions as a percentage of covered payroll	21.21%	21.33%

Notes to Schedule:

Valuation Date Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	27 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis of with scale BB.

Other Information Decreased repeating COLA from 70% to 30%.

This schedule is required to have 10 years of information, but information prior to 2014 is not available.

	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$	1,307,300	\$ 1,418,947	\$ 1,395,832
	<u>1,307,300</u>	<u>1,418,947</u>	<u>1,395,832</u>
	-	-	-
	6,106,026	6,536,755	6,587,393
	21.41%	21.71%	21.19%

CITY OF ATHENS, TEXAS

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM - SUPPLEMENTAL DEATH BENEFITS FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2019

Plan year ended December 31,	<u>2017</u>	<u>2018</u>
A. Total OPEB Liability		
Service Cost	\$ 14,381	\$ 16,395
Interest (on the Total OPEB Liability)	11,579	11,909
Difference between expected and actual experience	-	(4,129)
Changes of assumptions	28,798	(26,047)
Benefit payments, including refunds of employee contributions	<u>(1,961)</u>	<u>(2,618)</u>
Net change in Total OPEB Liability	52,797	(4,490)
Total OPEB Liability - beginning	<u>300,117</u>	<u>352,914</u>
Total OPEB liability - ending	<u>352,914</u>	<u>348,424</u>
B. Covered-employee payroll	\$ 6,536,755	\$ 6,558,122
C. Total OPEB Liability as a percentage of covered- employee payroll	5.40%	5.31%

Notes to Schedule:

This schedule is required to have 10 years of information, but information prior to 2017 is not available.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

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COMBINING FUND FINANCIAL STATEMENTS

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Hotel Tax Fund - To account for the 7% occupancy tax on hotel accommodations. The funds are to be expended on endeavors which promote tourism and the convention and hotel industry.

Airport Grant Fund - To account for airport grant revenue and expenditures of the City.

Texan Theatre Fund - To account for revenue and expenditures of the Texan Theatre.

Special Donations Fund - To account for donations received by the City that are restricted for specific purposes.

Municipal Court Security Fund - To account for security fees assessed by the municipal court. The funds are required to be used on court security.

Municipal Court Technology Fund - To account for technology fees that the municipal court assesses. The funds are required to be used on court technology.

Local Forfeited Cash Fund - To account for cash forfeited to the police department after disposition of local and state criminal cases and can be used for certain law enforcement expenditures.

CITY OF ATHENS, TEXAS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2019

	<u>Hotel Tax</u>	<u>Airport Grant</u>	<u>Texan Theatre</u>	<u>Special Donations</u>
ASSETS				
Cash and cash equivalents	\$ 435,690	\$ 4,337	\$ 32,480	\$ 49,290
Receivables, net:				
Taxes	21,254	-	-	-
Accounts	<u>11,731</u>	<u>-</u>	<u>4,779</u>	<u>-</u>
Total assets	<u>468,675</u>	<u>4,337</u>	<u>37,259</u>	<u>49,290</u>
LIABILITIES				
Accounts payable	-	-	325	-
Customer deposits	-	-	3,525	-
Due to other funds	<u>36,145</u>	<u>-</u>	<u>2,272</u>	<u>-</u>
Total liabilities	<u>36,145</u>	<u>-</u>	<u>6,122</u>	<u>-</u>
FUND BALANCES				
Restricted for:				
Grants	-	4,337	-	-
Public safety	-	-	-	49,290
Tourism and convention	<u>432,530</u>	<u>-</u>	<u>31,137</u>	<u>-</u>
Total fund balances	<u>432,530</u>	<u>4,337</u>	<u>31,137</u>	<u>49,290</u>
Total liabilities and fund balances	\$ <u>468,675</u>	\$ <u>4,337</u>	\$ <u>37,259</u>	\$ <u>49,290</u>

<u>Municipal Court Security</u>	<u>Municipal Court Technology</u>	<u>Local Forfeited Cash</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ 12,764	\$ 39,400	\$ 573,961
-	-	-	21,254
-	-	-	16,510
<u>-</u>	<u>12,764</u>	<u>39,400</u>	<u>611,725</u>
-	-	-	325
-	-	-	3,525
-	-	-	38,417
<u>-</u>	<u>-</u>	<u>-</u>	<u>42,267</u>
-	-	-	4,337
-	12,764	39,400	101,454
-	-	-	463,667
<u>-</u>	<u>12,764</u>	<u>39,400</u>	<u>569,458</u>
\$ <u>-</u>	\$ <u>12,764</u>	\$ <u>39,400</u>	\$ <u>611,725</u>

CITY OF ATHENS, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Hotel Tax</u>	<u>Airport Grant</u>	<u>Texan Theatre</u>	<u>Special Donations</u>
REVENUES				
Other taxes	\$ 302,696	\$ -	\$ -	\$ -
Charges for services	-	-	64,293	-
Fine and forfeitures	-	-	-	-
Investment earnings	1,521	24	-	183
Donations	-	-	-	3,260
Miscellaneous	-	-	-	5,134
Total revenues	<u>304,217</u>	<u>24</u>	<u>64,293</u>	<u>8,577</u>
EXPENDITURES				
Current:				
General government	-	-	-	2,505
Public safety:				
Police	-	-	-	4,861
Fire	-	-	-	18,040
Culture, parks, and recreation	274,471	-	40,740	-
Capital outlay:				
Culture, parks, and recreation	5,197	-	-	-
Total expenditures	<u>279,668</u>	<u>-</u>	<u>40,740</u>	<u>25,406</u>
Excess (deficiency) of revenues over (under) expenditures	<u>24,549</u>	<u>24</u>	<u>23,553</u>	<u>(16,829)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(8,394)	-	-
Total other financing sources (uses)	<u>-</u>	<u>(8,394)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	24,549	(8,370)	23,553	(16,829)
Fund balance - beginning of year	<u>407,981</u>	<u>12,707</u>	<u>7,584</u>	<u>66,119</u>
Fund balance - end of year	<u>\$ 432,530</u>	<u>\$ 4,337</u>	<u>\$ 31,137</u>	<u>\$ 49,290</u>

<u>Municipal Court Security</u>	<u>Municipal Court Technology</u>	<u>Local Forfeited Cash</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 302,696
-	-	-	64,293
5,673	3,151	-	8,824
-	33	138	1,899
-	-	-	3,260
-	-	-	5,134
<u>5,673</u>	<u>3,184</u>	<u>138</u>	<u>386,106</u>
5,673	-	-	8,178
-	-	-	4,861
-	-	-	18,040
-	-	-	315,211
-	-	-	5,197
<u>5,673</u>	<u>-</u>	<u>-</u>	<u>351,487</u>
<u>-</u>	<u>3,184</u>	<u>138</u>	<u>34,619</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,394)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,394)</u>
-	3,184	138	26,225
<u>-</u>	<u>9,580</u>	<u>39,262</u>	<u>543,233</u>
<u>\$ -</u>	<u>\$ 12,764</u>	<u>\$ 39,400</u>	<u>\$ 569,458</u>

COMPLIANCE SECTION

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

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

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Athens, Texas (the "City") as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 24, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2019-001 that we consider to be material weaknesses.

Compliance and Other Matters

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

City of Athens, Texas' Response to Finding

The City of Athens, Texas' response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. City of Athens, Texas' response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
January 24, 2020

CITY OF ATHENS, TEXAS

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Item 2019-001

Accounting for bond premiums

Criteria:

When bonds are issued for an amount greater than their face value, a premium should be booked to the government-wide financial statements. The premium is amortized over the life of the bonds.

Condition:

In the year of issuance, the balance of the premium on the Series 2017 Certificates of Obligation bonds was understated. As of fiscal year 2019, the premium was understated by \$1,205,838.

Effect:

The premium related to the City's long-term debt was materially understated.

Recommendation:

The City should implement procedures to ensure premiums or discounts related to bond issuances are accounted for properly.

Management's Response:

Management agrees with this finding and acknowledges the bond premium related to the 2017 Certificates of Obligation was incorrectly classified in 2017. We will implement procedures to ensure future premiums or discounts related to bond issuances are accounted for correctly.

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