

ATHENS UTILITIES BOARD

FINANCIAL REPORT

JUNE 30, 2019

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Report of Independent Certified Public Accountants
on the Financial Statements

NEAL, SCOUTEN & McCONNELL, P.C.
Certified Public Accountants

To the Commissioners
Athens Utilities Board
Athens, Tennessee

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities, each major fund, and the aggregate remaining fund information of Athens Utilities Board, as of June 30, 2019, and the changes in financial position and 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 on pages A-1 through A-11 and the schedule of changes in the net pension liability and related ratios, the schedule of plan contributions, and the schedule of investment returns on pages 34 through 36 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 Athens Utilities Board's basic financial statements. The accompanying information, shown on pages 37 through 60 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The accompanying information on pages 37 through 57 has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The accompanying information on pages 58 through 60 has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 29, 2019, on our consideration of Athens Utilities Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Athens Utilities Board's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Athens Utilities Board's internal control over financial reporting and compliance.

Neal, Scooter & McConnell, P.C.

Chattanooga, Tennessee
September 9, 2019

**Athens Utilities Board
Management's Discussion and Analysis
June 30, 2019**

The Athens Utilities Board is organized as a component unit of the City of Athens, Tennessee. Our discussion and analysis of each Division's financial performance provides an overview of its financial activity for the year ended June 30, 2019. It should be read in conjunction with the basic financial statements.

Using this Annual Report

This annual report consists of four parts: Management's Discussion and Analysis, Financial Statements, Required Supplemental Information, and Accompanying Information. The financial statements also include notes that explain in more detail some of the information in the financial statements.

Required Financial Statements

The Board is segregated into four distinct divisions (Power Division, Water Division, Gas Division, and Department of Sewer), that provide electricity, fiber optic, water, natural gas, and sewer services to, wholesale, residential, commercial, and industrial customers located in Athens, Tennessee, and surrounding areas. Each division is considered to be a separate accounting and reporting entity reporting its business-type activities in accordance with enterprise fund accounting requirements for special-purpose governments.

These financial statements report information using the accrual basis of accounting. The financial reporting and accounting methods followed by the Board are similar to those used by private sector companies. The statements offer short and long-term financial information about the Board's activities. The statement of net position includes all of the assets, liabilities, deferred inflows and deferred outflows, and provides information about the nature and amounts of investments in resources (assets) and obligation to creditors (liabilities). It also provides the basis for computing rate of return, evaluating capital structure, and assessing liquidity and financial flexibility of the utility. All of the current year's revenues and expenses are accounted for in the statement of revenues, expenses and changes in net position. This statement measures the success of the utility's operations over the past year and can be used to determine whether the utility has successfully recovered all its costs through its user fees and other charges, profitability, and credit worthiness. The final required financial statement is the statement of cash flows. The primary purpose of this statement is to provide information about cash receipts and cash payments during the year. The cash flow statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, capital and noncapital financing activities. It provides answers to such questions as: from where did cash come, for what was cash used, and what was the change in the cash balance during the year?

In addition, the financial statements present the Board's fiduciary fund, the Athens Utilities Board Pension Trust Fund. This trust fund is used to account for assets held in a trustee capacity for the accountability of resources for pension benefit payments to qualified board retirees. Since these assets are held in a fiduciary capacity, they are not included in the Board's assets or results of operations. The statement of fiduciary net position and the statement of changes in fiduciary net position for the Pension Trust Fund may be found on pages 8 and 9 of the accompanying financial statements.

**Athens Utilities Board
Management's Discussion and Analysis
June 30, 2019**

**Department of Power
Condensed Statements of Net Position
June 2019**

	<u>2019</u>	<u>2018</u>	<u>Variance 2019 to 2018</u>	<u>%</u>
Assets				
Capital assets	\$ 43,667,909	\$ 37,451,087	\$ 6,216,822	16.60 %
Construction in progress	2,849,033	6,700,292	(3,851,259)	-57.48
Current and other assets	13,545,003	14,275,652	(730,649)	-5.12
Total assets	60,061,945	58,427,031	1,634,914	2.80
Deferred outflows	1,628,269	1,392,510	235,759	16.93
	<u>\$ 61,690,214</u>	<u>\$ 59,819,541</u>	<u>\$ 1,870,673</u>	<u>3.13 %</u>
Liabilities:				
Current liabilities	\$ 5,852,064	\$ 5,272,853	\$ 579,211	10.98 %
Long-term liabilities	6,430,710	6,324,186	106,524	1.68
Total liabilities	12,282,774	11,597,039	685,735	5.91
Deferred inflows	179,810	227,585	(47,775)	-20.99
	<u>12,462,584</u>	<u>11,824,624</u>	<u>637,960</u>	<u>5.40</u>
Net position:				
Net investment in capital assets	42,216,054	39,606,799	2,609,255	6.59
Unrestricted	7,011,576	8,388,118	(1,376,542)	-16.41
Total net position	49,227,630	47,994,917	1,232,713	2.57
	<u>\$ 61,690,214</u>	<u>\$ 59,819,541</u>	<u>\$ 1,870,673</u>	<u>3.13 %</u>

**Department of Power
Condensed Statements of Revenues, Expenses and Changes in Net Position
Year Ended June 30**

	<u>2019</u>	<u>2018</u>	<u>Variance 2019 to 2018</u>	<u>%</u>
Revenues:				
Power revenues	\$ 51,149,614	\$ 50,675,242	\$ 474,372	0.94 %
Other operating revenue	747,907	757,771	(9,864)	-1.30
Non operating income	105,078	40,483	64,595	159.56
Total revenues	52,002,599	51,473,496	529,103	1.03
Expenses:				
Power costs	42,447,746	42,263,750	183,996	0.44
Operating expenses before depreciation	6,177,530	6,157,054	20,476	0.33
Depreciation	2,144,610	1,890,025	254,585	13.47
Total expenses	50,769,886	50,310,829	459,057	0.91
Revenues over expenses before capital contributions	1,232,713	1,162,667	70,046	6.02
Capital contributions	-	5,706	(5,706)	-100.00
Change in net position	1,232,713	1,168,373	64,340	5.51
Beginning net position	47,994,917	46,826,544	1,168,373	2.50
Ending net position	\$ 49,227,630	\$ 47,994,917	\$ 1,232,713	2.57 %

**Athens Utilities Board
Management's Discussion and Analysis
June 30, 2019**

Power Division Financial Statement Analysis

The Power Division's assets as of June 30, 2019, increased 2.80% from the previous year because of capitalization of assets as can be seen by the decrease in construction in progress and an increase in capital assets. Net position was \$1.23 million more than last year because of profitable operations. Liabilities increased from 2018 because of accrued accounts payable and other current liabilities.

The change in net position (net income) in 2019 increased over 2018 because of an increase in sales, volume and revenue in residential and small commercial accounts. Contribution margin (the difference between sales revenues and power purchased) was more than 2018 because of the increase in power sales, volume and revenue. Part of this increase can be attributed to a local rate increase of .9% by Athens Utilities Board. The division achieved revenues over expenses of \$1.23 million in 2019. The positive net position is due to an increase in total revenue.

**Athens Utilities Board
Management's Discussion and Analysis
June 30, 2019**

**Water Division
Condensed Statements of Net Position
June 30**

	2019	2018	Variance 2019 to 2018	%
Assets:				
Capital assets	\$ 18,751,920	\$ 16,646,480	\$ 2,105,440	12.65 %
Construction in progress	457,303	2,940,500	(2,483,197)	-84.45
Current and other assets	7,197,830	6,465,502	732,328	11.33
Total assets	26,407,053	26,052,482	354,571	1.36
Deferred outflows	474,087	398,831	75,256	18.87
	<u>\$ 26,881,140</u>	<u>\$ 26,451,313</u>	<u>\$ 429,827</u>	<u>1.62 %</u>
Liabilities:				
Current liabilities	\$ 641,533	\$ 429,927	\$ 211,606	49.22 %
Long-term liabilities	4,896,435	4,979,007	(82,572)	-1.66
Total liabilities	5,537,968	5,408,934	129,034	2.39
Deferred inflows	52,733	66,988	(14,255)	-21.28
	<u>5,590,701</u>	<u>5,475,922</u>	<u>114,779</u>	<u>2.10</u>
Net position:				
Net investment in capital assets	14,829,302	15,025,121	(195,819)	-1.30
Unrestricted	6,461,137	5,950,270	510,867	8.59
Total net position	21,290,439	20,975,391	315,048	1.50
	<u>\$ 26,881,140</u>	<u>\$ 26,451,313</u>	<u>\$ 429,827</u>	<u>1.62 %</u>

**Water Division
Condensed Statements of Revenues, Expenses and Changes in Net Position
Year Ended June 30**

	2019	2018	Variance 2019 to 2018	%
Revenues:				
Water sales	\$ 4,160,036	\$ 4,091,641	\$ 68,395	1.67 %
Other operating revenue	126,186	130,657	(4,471)	-3.42
Non operating income	61,158	34,103	27,055	79.33
Total revenues	4,347,380	4,256,401	90,979	2.14
Expenses:				
Purchased water	566,245	579,706	(13,461)	-2.32
Operating and other expenses before depreciation	2,548,475	2,785,076	(236,601)	-8.50
Depreciation	917,612	958,304	(40,692)	-4.25
Total expenses	4,032,332	4,323,086	(290,754)	-6.73
Change in net position	315,048	(66,685)	381,733	-572.44
Beginning net position	20,975,391	21,042,076	(66,685)	-0.32
Ending net position	<u>\$ 21,290,439</u>	<u>\$ 20,975,391</u>	<u>\$ 315,048</u>	<u>1.50 %</u>

**Athens Utilities Board
Management's Discussion and Analysis
June 30, 2019**

Water Division Financial Statement Analysis

Total assets as of June 30, 2019 were 1.36% more than 2018 because of the capitalization of plant as can be seen in the decrease in construction in progress, an increase in capital assets and current and other assets. Total liabilities increased from 2018 because of an increase in current liabilities (accounts payable were \$188,000 more in 2019 than in previous year). Deferred inflows are recognized in accordance with GASB standards. Net position increased in 2019 because of the loss recognized in 2018 on disposal of assets (Water Treatment Plant assets that were not fully depreciated).

Non-operating income was higher in comparison to 2018. Total expenses decreased from 2018. Revenues over expenses before capital contributions were more than 2018 because of an increase in sales along with a reduction in expenses. The total change in net position (net income) was higher than 2018 due to the loss on disposal of the Water Treatment Plant Assets recognized in 2018.

**Athens Utilities Board
Management's Discussion and Analysis
June 30, 2019**

**Gas Division
Condensed Statements of Net Position
June 30**

	2019	2018	Variance 2019 to 2018	%
Assets:				
Capital assets	\$ 14,243,270	\$ 13,027,985	\$ 1,215,285	9.33 %
Construction in progress	184,090	1,716,462	(1,532,372)	-89.28
Current and other assets	6,533,742	5,935,883	597,859	10.07
Total assets	20,961,102	20,680,330	280,772	1.36
Deferred outflows	315,580	275,677	39,903	14.47
	<u>\$ 21,276,682</u>	<u>\$ 20,956,007</u>	<u>\$ 320,675</u>	<u>1.53 %</u>
Liabilities:				
Current liabilities	\$ 493,690	\$ 432,335	\$ 61,355	14.19 %
Long term liabilities	464,768	395,337	69,431	17.56
Total liabilities	958,458	827,672	130,786	15.80
Deferred inflows	34,667	43,761	(9,094)	-20.78
	<u>993,125</u>	<u>871,433</u>	<u>121,692</u>	<u>13.96</u>
Net position:				
Net investment in capital assets	14,427,360	14,744,447	(317,087)	-2.15
Unrestricted	5,856,197	5,340,127	516,070	9.66
Total net position	<u>20,283,557</u>	<u>20,084,574</u>	<u>198,983</u>	<u>0.99</u>
	<u>\$ 21,276,682</u>	<u>\$ 20,956,007</u>	<u>\$ 320,675</u>	<u>1.53 %</u>

**Gas Division
Condensed Statements of Revenues, Expenses and Changes in Net Position
Year Ended June 30**

	2019	2018	Variance 2019 to 2018	%
Revenues:				
Gas sales	\$ 6,430,404	\$ 6,540,547	\$ (110,143)	-1.68 %
Other operating revenue	81,955	88,273	(6,318)	-7.16
Non operating income	52,332	23,844	28,488	119.48
Total revenues	<u>6,564,691</u>	<u>6,652,664</u>	<u>(87,973)</u>	<u>-1.32</u>
Expenses:				
Gas costs	3,848,410	3,696,229	152,181	4.12
Other operating expenses				
before depreciation	1,890,011	1,822,829	67,182	3.69
Depreciation	629,477	582,326	47,151	8.10
Total expenses	<u>6,367,898</u>	<u>6,101,384</u>	<u>266,514</u>	<u>4.37</u>
Revenues over expenses				
before capital contributions	196,793	551,280	(354,487)	-64.30
Capital contributions	2,190	54,714	(52,524)	-96.00
Change in net position	<u>198,983</u>	<u>605,994</u>	<u>(407,011)</u>	<u>-67.16</u>
Beginning net position	20,084,574	19,478,580	605,994	3.11
Ending net position	<u>\$ 20,283,557</u>	<u>\$ 20,084,574</u>	<u>\$ 198,983</u>	<u>0.99 %</u>

**Athens Utilities Board
Management's Discussion and Analysis
June 30, 2019**

Gas Division Financial Statement Analysis

The Gas Division's total assets as of June 30, 2019 increased over 2018 because of an increase in current and other assets and a decrease in construction in progress. The Gas Division remains debt free. Net position is slightly higher than 2018 due to an increase in current and other assets. Revenues over expenses before capital contributions were less than 2018 because of the mild winter. The mild weather resulted in overall sales being less than in the previous year. The cost of natural gas for 2019 was consistent with last year.

Gas sales revenues were less than 2018. Operating and maintenance expenses were higher than 2018. The division experienced an overall net gain in assets in 2019.

**Athens Utilities Board
Management's Discussion and Analysis
June 30, 2019**

**Department of Sewer
Condensed Statements of Net Position
June 30**

	<u>2019</u>	<u>2018</u>	<u>Variance 2019 to 2018</u>	<u>%</u>
Assets:				
Capital assets	\$ 33,439,296	\$ 33,525,210	\$ (85,914)	-0.26 %
Construction in progress	1,559,311	1,342,819	216,492	16.12
Current and other assets	5,257,724	4,786,551	471,173	9.84
Total assets	\$ 40,256,331	\$ 39,654,580	\$ 601,751	1.52
Deferred outflows	484,414	432,775	51,639	11.93
	<u>\$ 40,740,745</u>	<u>\$ 40,087,355</u>	<u>\$ 653,390</u>	<u>1.63 %</u>
Liabilities:				
Current liabilities	\$ 1,637,019	\$ 1,466,126	\$ 170,893	11.66 %
Long-term liabilities	14,993,268	16,069,094	(1,075,826)	-6.70
Total liabilities	16,630,287	17,535,220	(904,933)	-5.16
Deferred inflows	53,070	66,900	(13,830)	-20.67
	<u>16,683,357</u>	<u>17,602,120</u>	<u>(918,763)</u>	<u>-5.22</u>
Net position:				
Net investment in capital assets	19,541,826	18,232,017	1,309,809	7.18
Unrestricted	4,515,562	4,253,218	262,344	6.17
Total net position	24,057,388	22,485,235	1,572,153	6.99
	<u>\$ 40,740,745</u>	<u>\$ 40,087,355</u>	<u>\$ 653,390</u>	<u>1.63 %</u>

**Department of Sewer
Condensed Statements of Revenues, Expenses and Changes in Net Position
Year Ended June 30**

	<u>2019</u>	<u>2018</u>	<u>Variance 2019 to 2018</u>	<u>%</u>
Revenues:				
Sewer revenues	\$ 6,364,315	\$ 5,155,943	\$ 1,208,372	23.44 %
Other operating revenue	177,750	179,840	(2,090)	-1.16
Non operating income	20,953	17,643	3,310	18.76
Total revenues	6,563,018	5,353,426	1,209,592	22.59
Expenses:				
Operating expenses before depreciation	3,878,765	3,578,073	300,692	8.40
Depreciation	1,582,313	1,487,223	95,090	6.39
Total expenses	5,461,078	5,065,296	395,782	7.81
Revenues over expenses before capital contributions	1,101,940	288,130	813,810	282.45
Capital contributions	470,213	31,100	439,113	1411.94
Change in net position	1,572,153	319,230	1,252,923	392.48
Beginning net position	22,485,235	22,166,005	319,230	1.44
Ending net position	<u>\$ 24,057,388</u>	<u>\$ 22,485,235</u>	<u>\$ 1,572,153</u>	<u>6.99 %</u>

**Athens Utilities Board
Management's Discussion and Analysis
June 30, 2019**

Department of Sewer Financial Statement Analysis

Total assets for the Department of Sewer were more than 2018 because there were material capital projects during 2019 directly impacting the increase in construction in progress and a 9.84% increase in current and other assets. Total liabilities were less than 2018 because of debt service payments. Total net position was greater than 2018 because of profitable operations.

Total revenues were 22.59% greater than last year driven primarily by an increase in large commercial sales. Total expenses were 7.81% higher than in 2018 primarily due to the increase in sewer treatment plant expense (increased power costs, chemicals, and sludge removal). Interest expense was more than 2018 because of increased interest rates on variable rate debt. Revenues over expenses before capital contributions were more than last year due to the increase in sales revenue.

**Athens Utilities Board
Management's Discussion and Analysis
June 30, 2019**

Capital Assets and Long-term Debt Activity

The Athens Utilities Board incurred new debt during 2004 for the Department of Sewer and a smaller debt issue for the Power Division. These are variable rate borrowings through the Tennessee Municipal Bond Fund. The Department of Sewer has utilized \$17.4 million, and the Power Division has utilized \$2.9 million of this debt. All available funds have been drawn. The balance due from the Department of Sewer for this debt as of June 30, 2019, was \$13.6 million, and the balance due from the Power Division was \$2.3 million. During 2008, the Power Division incurred another new debt of \$2.6 million to finance construction of a major substation. The balance due as of June 30, 2019, was \$2.0 million. The Power Division completed construction of a new substation to serve the City of Niota, Tennessee during 2013. There have been no new debt issues in the Power Division since a 2009 refinance. All infrastructure improvements have been financed with cash flow since 2009.

The Water Division began a project to upgrade treatment infrastructure during 2014. This infrastructure upgrade will be completed in two phases. The total cost of the first phase of this project was approximately \$2 million. It was financed with a new debt issue from the State of Tennessee revolving loan fund. All of the funds for the first phase were drawn as of August 2015, and the balance due is \$1.2 million. The second phase of the upgrade was completed in 2017. The total due for this debt issue as of June 30, 2019, was \$1.2 million.

The Gas Division remains debt free. A new eight-inch gas main and compressed natural gas filling station were constructed during 2013. The total cost of these projects was approximately \$1.2 million. A second eight-inch gas main was completed in 2016 at a cost of \$4.3 million. A new city gate station was completed in 2017 at a cost of \$1.6 million. No debt is planned to finance any gas infrastructure improvements.

The Department of Sewer incurred new debt totaling \$2.7 in 2011 to finance part of the construction costs of a system extension to an industrial park that was not being served at that time. This debt consists of fixed rate debt from the State of Tennessee's revolving loan fund of \$2,246,000 and another fixed rate note from the American Recovery and Reinvestment Act (ARRA) for \$449,000. As of June 30, 2019, the balance due on these was \$1.6 million and \$311,000, respectively. The remainder of the cost was financed by a cost sharing arrangement between the utility, the City of Athens, Tennessee and McMinn County as well as a principal forgiveness from the ARRA of \$1.9 million. No additional debt was incurred in the Department of Sewer during 2019.

**Athens Utilities Board
Management's Discussion and Analysis
June 30, 2019**

Currently Known Facts, Decisions, or Conditions

Rates for the Sewer Division were increased using a two-year schedule to assist in the repayment of the debt service starting in 2018. The Department of Sewer has posted positive in net position since the rates adjustments were completed. The Power Division had its first local rate increase in eleven years during 2019. The increase was approximately .9% on retail rates for residential and general services. The Gas and Power Divisions have adopted rate structures that are adjusted to reflect changes in wholesale prices of gas and power sold. These fluctuating rate structures allow the Gas and Power Divisions to preserve the margin (the difference between the prices paid and charged) in the commodities sold. The Gas Division constructed a natural gas vehicle fueling station during 2013. The cost of this station was approximately \$430,000. No debt was incurred.

Contacting the Utility's Financial Management

This financial report is designed to provide our rate payers and other users of these statements with a general overview of the utility's finances and to show the utility's accountability for the money it receives. If you have questions about this report or need additional information, contact the Superintendent of Accounting at Athens Utilities Board, P. O. Box 689, Athens, TN 37371-0689.

**BASIC
FINANCIAL STATEMENTS**

ATHENS UTILITIES BOARD
STATEMENTS OF NET POSITION
PROPRIETARY FUNDS
June 30, 2019

	Business-Type Activities - Enterprise Funds				
	Power Division	Water Division	Gas Division	Department of Sewer	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
UTILITY PLANT AND EQUIPMENT, at cost					
Less accumulated depreciation	\$ 67,063,953	\$ 32,368,047	\$ 23,543,486	\$ 53,916,162	\$ 176,891,648
	(23,396,044)	(13,616,127)	(9,300,216)	(20,476,866)	(66,789,253)
	43,667,909	18,751,920	14,243,270	33,439,296	110,102,395
Construction in progress	2,849,033	457,303	184,090	1,559,311	5,049,737
Net utility plant and equipment	46,516,942	19,209,223	14,427,360	34,998,607	115,152,132
CURRENT ASSETS					
Cash	6,739,223	6,489,802	5,903,666	4,450,025	23,582,716
Receivables:					
Customer accounts, less allowance for doubtful accounts	4,865,143	338,300	292,016	513,272	6,008,731
Other	278,595	21,701	9,950	17,600	327,846
Primary government	-	-	-	-	-
Prepaid expenses	31,550	100,948	16,777	11,343	160,618
Materials and supplies	1,630,492	247,079	120,156	265,484	2,263,211
Gas and propane storage inventory	-	-	191,177	-	191,177
Total current assets	13,545,003	7,197,830	6,533,742	5,257,724	32,534,299
Total assets	60,061,945	26,407,053	20,961,102	40,256,331	147,686,431
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows related to pension plan	1,628,269	474,087	315,580	484,414	2,902,350
	\$ 61,690,214	\$ 26,881,140	\$ 21,276,682	\$ 40,740,745	\$ 150,588,781

The Notes to Financial Statements are an integral part of these statements.

	Business-Type Activities - Enterprise Funds				
	Power Division	Water Division	Gas Division	Department of Sewer	Total
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION					
LONG-TERM LIABILITIES					
Long-term debt	\$ 4,290,994	\$ 4,379,921	\$ -	\$ 15,456,781	\$ 24,127,696
Less current maturities shown below	(256,750)	(180,613)	-	(1,177,167)	(1,614,530)
Net long-term debt	4,034,244	4,199,308	-	14,279,614	22,513,166
Net pension liability	2,396,466	697,127	464,768	713,654	4,272,015
Total long-term liabilities	6,430,710	4,896,435	464,768	14,993,268	26,785,181
CURRENT LIABILITIES					
Current maturities of long-term liabilities	256,750	180,613	-	1,177,167	1,614,530
Payables:					
TVA for purchased power	3,810,830	-	-	-	3,810,830
Vendors	274,758	165,445	238,874	94,887	773,964
Retirement plan	448,774	130,548	87,035	133,643	800,000
Retainage	9,894	-	-	-	9,894
Primary government	88,776	-	-	-	88,776
Unearned revenues	-	10,450	6,450	61,500	78,400
Customer deposits	425,100	51,125	96,635	62,200	635,060
Other current liabilities	537,182	103,352	64,696	107,622	812,852
Total current liabilities	5,852,064	641,533	493,690	1,637,019	8,624,306
Total liabilities	12,282,774	5,537,968	958,458	16,630,287	35,409,487
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows related to pension plan	179,810	52,733	34,667	53,070	320,280
	12,462,584	5,590,701	993,125	16,683,357	35,729,767
NET POSITION					
Net investment in capital assets	42,216,054	14,829,302	14,427,360	19,541,826	91,014,542
Unrestricted	7,011,576	6,461,137	5,856,197	4,515,562	23,844,472
Total net position	49,227,630	21,290,439	20,283,557	24,057,388	114,859,014
	\$ 61,690,214	\$ 26,881,140	\$ 21,276,682	\$ 40,740,745	\$ 150,588,781

ATHENS UTILITIES BOARD
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2019

	Business-Type Activities - Enterprise Funds				Total
	Power Division	Water Division	Gas Division	Department of Sewer	
OPERATING REVENUES					
Sales:					
Residential	\$ 16,324,127	\$ 1,767,968	\$ 2,557,964	\$ 2,049,784	\$ 22,699,843
Commercial	4,276,831	1,898,180	1,802,117	1,813,817	9,790,945
Industrial	29,434,036	493,888	801,148	2,500,714	33,229,786
Public street and outdoor lighting	1,013,452	-	-	-	1,013,452
Interruptible	-	-	1,269,175	-	1,269,175
Fiber optic	101,168	-	-	-	101,168
Other operating revenue	747,907	126,186	81,955	177,750	1,133,798
Total operating revenues	<u>51,897,521</u>	<u>4,286,222</u>	<u>6,512,359</u>	<u>6,542,065</u>	<u>69,238,167</u>
OPERATING EXPENSES					
Purchased supply	42,447,746	566,245	3,848,410	-	46,862,401
Power, pumping, and purification	-	407,573	-	-	407,573
Treatment plant	-	-	-	1,450,981	1,450,981
Pumping station	-	-	-	101,667	101,667
Distribution	1,015,273	223,309	388,317	-	1,626,899
Maintenance	1,214,790	525,269	226,327	597,772	2,564,158
Consumer accounts	729,899	410,219	319,616	144,258	1,603,992
Administrative and general	2,108,024	859,060	700,485	969,385	4,636,954
Other	8,982	-	-	304,865	313,847
Depreciation and amortization	2,144,610	917,612	629,477	1,582,313	5,274,012
Tax equivalents	982,115	-	239,999	-	1,222,114
Total operating expenses	<u>50,651,439</u>	<u>3,909,287</u>	<u>6,352,631</u>	<u>5,151,241</u>	<u>66,064,598</u>
NET OPERATING INCOME	<u>1,246,082</u>	<u>376,935</u>	<u>159,728</u>	<u>1,390,824</u>	<u>3,173,569</u>
NONOPERATING REVENUES (EXPENSES)					
Interest income	105,078	61,158	34,762	20,953	221,951
Interest expense	(72,741)	(109,936)	(1,841)	(301,863)	(486,381)
Insurance proceeds	-	-	17,570	-	17,570
Loss on disposal of capital assets	(22,400)	(4,586)	(5,188)	-	(32,174)
Other	(23,306)	(8,523)	(8,238)	(7,974)	(48,041)
Net nonoperating revenues (expenses)	<u>(13,369)</u>	<u>(61,887)</u>	<u>37,065</u>	<u>(288,884)</u>	<u>(327,075)</u>
Income before capital contributions	1,232,713	315,048	196,793	1,101,940	2,846,494
CAPITAL CONTRIBUTIONS	<u>-</u>	<u>-</u>	<u>2,190</u>	<u>470,213</u>	<u>472,403</u>
CHANGE IN NET POSITION	1,232,713	315,048	198,983	1,572,153	3,318,897
Net position, beginning of year	47,994,917	20,975,391	20,084,574	22,485,235	111,540,117
Net position, end of year	<u>\$ 49,227,630</u>	<u>\$ 21,290,439</u>	<u>\$ 20,283,557</u>	<u>\$ 24,057,388</u>	<u>\$ 114,859,014</u>

The Notes to Financial Statements are an integral part of these statements.

ATHENS UTILITIES BOARD
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2019

	Business-Type Activities - Enterprise Funds				Total
	Power Division	Water Division	Gas Division	Department of Sewer	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 50,871,750	\$ 4,205,466	\$ 6,417,794	\$ 6,462,369	\$ 67,957,379
Receipts from other divisions for services provided	709,024	22,989	88,746	3,939	824,698
Payments for employee services	(3,170,677)	(899,627)	(549,865)	(1,058,206)	(5,678,375)
Payments to suppliers for goods and services	(44,053,479)	(1,487,995)	(4,727,052)	(1,379,834)	(51,648,360)
Payments to other divisions for services used	(13,165)	(182,187)	(12,413)	(616,933)	(824,698)
Customer deposits received	237,769	24,945	33,005	26,735	322,454
Customer deposits refunded	(231,509)	(25,520)	(54,765)	(27,885)	(339,679)
Net cash provided by operating activities	<u>4,349,713</u>	<u>1,658,071</u>	<u>1,195,450</u>	<u>3,410,185</u>	<u>10,613,419</u>
CASH FLOWS USED IN NONCAPITAL FINANCING ACTIVITIES					
Payment to pension plan	<u>(448,774)</u>	<u>(130,548)</u>	<u>(87,035)</u>	<u>(133,643)</u>	<u>(800,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principal paid on long-term debt	(248,483)	(182,328)	-	(1,179,231)	(1,610,042)
Additions to utility plant and equipment	(4,518,485)	(498,809)	(368,188)	(1,737,041)	(7,122,523)
Removal cost, salvage, and other, net	(90,362)	(31,071)	(11,009)	(26,876)	(159,318)
Proceeds on disposal of property	9,750	-	-	-	9,750
Capital contributions	-	-	2,190	470,213	472,403
Interest paid on long-term liabilities	<u>(72,741)</u>	<u>(109,936)</u>	<u>(1,841)</u>	<u>(301,863)</u>	<u>(486,381)</u>
Net cash used in capital and related financing activities	<u>(4,920,321)</u>	<u>(822,144)</u>	<u>(378,848)</u>	<u>(2,774,798)</u>	<u>(8,896,111)</u>
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES					
Interest received	<u>105,078</u>	<u>61,158</u>	<u>34,762</u>	<u>20,953</u>	<u>221,951</u>
Net increase (decrease) in cash and cash equivalents	(914,304)	766,537	764,329	522,697	1,139,259
Cash and cash equivalents, beginning of year	<u>7,653,527</u>	<u>5,723,265</u>	<u>5,139,337</u>	<u>3,927,328</u>	<u>22,443,457</u>
Cash and cash equivalents, end of year	<u>\$ 6,739,223</u>	<u>\$ 6,489,802</u>	<u>\$ 5,903,666</u>	<u>\$ 4,450,025</u>	<u>\$ 23,582,716</u>

(continued on page 7)

ATHENS UTILITIES BOARD
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2019
(continued)

	Business-Type Activities - Enterprise Funds				
	Power Division	Water Division	Gas Division	Department of Sewer	Total
(continued from page 6)					
Reconciliation of net operating income to net cash provided by operating activities:					
Net operating income	\$ 1,246,082	\$ 376,935	\$ 159,728	\$ 1,390,824	\$ 3,173,569
Adjustments to reconcile net operating income to net cash provided by operating activities:					
Depreciation and amortization	2,345,576	955,379	708,269	1,648,485	5,657,709
Other	(23,306)	(8,523)	(8,238)	(7,974)	(48,041)
Pension expense	532,381	152,109	104,575	161,616	950,681
Changes in assets and liabilities:					
Receivables	(316,747)	(56,992)	(6,869)	(99,157)	(479,765)
Materials and supplies	(76,789)	4,700	2,390	(20,526)	(90,225)
Gas and propane storage inventory	-	-	87,787	-	87,787
Payables	381,234	129,424	79,451	156,059	746,168
Unearned revenues	-	(775)	1,050	23,400	23,675
Other current liabilities	51,401	19,313	(15,855)	(13,749)	41,110
Prepaid expenses	209,881	86,501	83,162	171,207	550,751
Net cash provided by operating activities	<u>\$ 4,349,713</u>	<u>\$ 1,658,071</u>	<u>\$ 1,195,450</u>	<u>\$ 3,410,185</u>	<u>\$ 10,613,419</u>

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

ATHENS UTILITIES BOARD
STATEMENT OF FIDUCIARY NET POSITION
PENSION TRUST FUND
FIDUCIARY FUND
June 30, 2019

ASSETS

Cash	\$ 32,157
Contributions receivable	800,000
Interest receivable	<u>39,838</u>
	<u>871,995</u>
Investments, at fair value:	
U.S. government and agency securities	1,411,136
Municipal bonds	614,057
Corporate bonds	2,119,679
Foreign bonds and notes	306,393
Mutual funds	3,887,390
Common stocks	846,876
Foreign stocks	<u>672,721</u>
Total investments	<u>9,858,252</u>
Total assets	<u><u>\$ 10,730,247</u></u>

NET POSITION

Net position, held in trust for pension benefits	<u><u>\$ 10,730,247</u></u>
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The Notes to Financial Statements are an integral part of this statement.

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

ADDITIONS

Employer contributions	\$ 800,000
Net investment income:	
Interest and dividend income	302,042
Net appreciation in the fair value of investments	<u>316,735</u>
 Total additions	 <u>1,418,777</u>

DEDUCTIONS

Benefits paid	412,220
Administrative expenses	<u>74,699</u>
 Total deductions	 <u>486,919</u>

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

931,858

NET POSITION, held in trust for pension benefits, beginning of year

9,798,389

NET POSITION, held in trust for pension benefits, end of year

\$ 10,730,247

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

ATHENS UTILITIES BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 1. Summary of Significant Accounting Policies

Organization and basis of presentation:

Athens Utilities Board (the Board) is a separately administered component unit of the City of Athens, Tennessee. The City of Athens was incorporated by an act of the legislature of the Tennessee General Assembly in 1891. The financial statements of the Board are included in the Comprehensive Annual Financial Report of the City. The Board is governed by a five-member commission appointed by the City Council of Athens. One commissioner is to also serve on the City Council.

The Board is segregated into four distinct divisions (Power Division, Water Division, Gas Division and Department of Sewer) that provide power, fiber optics, water, gas, and sewer services to residential, commercial, and industrial customers located in Athens, Tennessee, and surrounding areas. Each division is considered to be a separate accounting and reporting entity, reporting its business-type activities in accordance with enterprise fund accounting requirements for special-purpose governments. The Board provides fiber optic services through the Power Division. Generally, interdivisional receivables, payables, revenues, and expenses exist for services provided between divisions. For reporting purposes, all of the Board's enterprise funds qualified as major funds.

The financial statements also report the Board's fiduciary fund, Athens Utilities Board Pension Trust Fund. This trust fund is used to account for assets held by the Board in a trustee capacity for the accountability of resources for pension benefit payments to qualified Board retirees.

The financial statements of the Board have been prepared in accordance with U.S. generally accepted accounting principles as applied to governmental units. The more significant accounting policies used by the Board are described below.

Allocation of operating expenses:

Certain common operating expenses are allocated among the divisions for financial reporting purposes based upon management's estimate of the pro rata relationship of the expenses to each division.

Basis of accounting:

The accompanying financial statements are presented on the accrual basis of accounting.

Use of estimates in the preparation of financial statements:

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

ATHENS UTILITIES BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 1. Summary of Significant Accounting Policies (continued)

Capital assets, depreciation and maintenance:

Capital assets consist of utility plant, equipment and construction in progress. Individual capital assets purchased or constructed with an original cost of \$1,000 or more are stated at cost. Such cost includes direct cost, direct labor, and applicable overhead costs (general and administrative, pensions, taxes, etc.) allocated to construction projects. Contributed assets are reported at fair market value as of the date received.

Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Maintenance and repairs, including the cost of renewals of minor items of property, are charged to maintenance expense accounts.

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

Capital assets are depreciated over the following estimated useful lives:

Plant in service	7-50 years
Equipment and furniture	5-14 years
Transportation – under one ton	5-8 years
Transportation – over one ton	13 years

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

Power	\$ 200,966
Water	37,767
Gas	78,792
Sewer	66,172

Revenues and expenses and use of resources:

The Board records revenue billed to customers based on monthly meter-reading cycles. Charges for services are recognized when used by the customer whether billed or unbilled.

For each division, operating revenues are receipts from utility sales and all revenues related to utility operations including late payment fees, rental income and ancillary services.

ATHENS UTILITIES BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 1. Summary of Significant Accounting Policies (continued)

Revenues and expenses and use of resources: (continued)

Operating expenses include those expenses that result from the ongoing operations of the utility systems.

Non-operating revenues consist primarily of investment income and capital contributions. Non-operating expenses consist of interest expense on long-term indebtedness and miscellaneous expenses not directly identified with the utility system's operations.

When both restricted and unrestricted resources are available for use, the Board's policy is to use restricted resources first.

Customer accounts receivable:

The Board provides an allowance for doubtful accounts based on review of customers' outstanding receivable balance and historical collection information. Policies exist requiring termination of services for nonpayment. Customer accounts receivable are presented net of the following allowance for doubtful accounts:

Power	\$ 74,000
Water	12,000
Gas	14,000
Sewer	17,000

Purchased power:

The Power Division records purchased power costs based on a monthly reading of its power meters. Purchased power costs are recorded in the month they are incurred.

Materials and supplies and gas storage inventory:

Materials and supplies are carried at the lower of cost (average cost method) or market value. Gas storage inventory represents surplus natural gas inventoried for later usage and is carried at the lower of cost (average cost method) or market.

Cash and cash equivalents:

For purposes of the statement of cash flows, the Board considers all highly liquid investments with an original maturity of less than 90 days to be cash equivalents. In accordance with governmental accounting standards, certain restricted assets are considered cash equivalents for purposes of the statements of cash flows.

Capital contributions:

Amounts charged to developers and customers for the cost incurred in installing service lines for residential developments, service and distribution lines installed by developers and donated to the Board, and amounts received from grants and other governmental funding sources are recorded as capital contributions.

ATHENS UTILITIES BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 1. Summary of Significant Accounting Policies (continued)

Compensated absences:

Employees accrue vacation by a prescribed formula based on length of service. Vacation may be accumulated on a limited basis with certain vacation expiring annually in accordance with the Board's policy. The value of limited accumulated vacation benefits earned but not taken by employees at June 30 is recorded in other current liabilities. There are no amounts accrued for sick leave.

Capitalized interest:

The Board capitalizes material net interest costs and interest earned as part of the cost of construction when material. The Board capitalized no interest during 2019.

Income taxes:

The Board is exempt from federal and state income taxes under statutes presently in effect.

Fair value measurements:

Investments of the Board are reported at fair value. Investments are measured and reported at fair value and are classified according to the following hierarchy:

Level 1 – Investments reflect prices quoted in active markets.

Level 2 – Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.

Level 3 – Investments reflect prices based upon unobservable sources.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

At June 30, 2019, all investments held in the Pension Trust Fund have been classified as Level 1 in the fair value hierarchy as they are valued directly from a predetermined primary external pricing vendor utilizing quoted market prices in active markets.

ATHENS UTILITIES BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 2. Capital Assets

Capital asset activity for the year ended June 30, 2019, is as follows:

	Balance 6/30/18	Additions	Deletions	Balance 6/30/19
<u>Power Division</u>				
Capital assets-depreciated:				
Plant in service	\$ 55,736,978	\$ 7,352,966	\$ 2,308,038	\$ 60,781,906
Equipment and furniture	3,266,299	679,087	180,359	3,765,027
Transportation equipment	2,110,968	444,883	398,455	2,157,396
Capital assets-depreciated	61,114,245	8,476,936	2,886,852	66,704,329
Land-not depreciated	342,124	17,500	-	359,624
Total power utility plant and equipment	61,456,369	8,494,436	2,886,852	67,063,953
Less accumulated depreciation:				
Plant in service	21,260,386	1,891,393	2,429,250	20,722,529
Equipment and furniture	1,723,268	253,217	180,359	1,796,126
Transportation equipment	1,021,628	200,966	345,205	877,389
Total accumulated depreciation	24,005,282	2,345,576	2,954,814	23,396,044
	37,451,087	6,148,860	(67,962)	43,667,909
Construction in progress- not depreciated	6,700,292	5,051,487	8,902,746	2,849,033
Net power utility plant and equipment	\$ 44,151,379	\$ 11,200,347	\$ 8,834,784	\$ 46,516,942
<u>Water Division</u>				
Capital assets-depreciated:				
Plant in service	\$ 26,989,456	\$ 2,912,447	\$ 153,621	\$ 29,748,282
Equipment and furniture	1,842,862	89,831	794	1,931,899
Transportation equipment	544,034	32,058	17,195	558,897
Capital assets-depreciated	29,376,352	3,034,336	171,610	32,239,078
Land-not depreciated	128,969	-	-	128,969
Total water utility plant and equipment	29,505,321	3,034,336	171,610	32,368,047
Less accumulated depreciation:				
Plant in service	11,578,019	779,998	180,104	12,177,913
Equipment and furniture	791,218	137,614	794	928,038
Transportation equipment	489,604	37,767	17,195	510,176
Total accumulated depreciation	12,858,841	955,379	198,093	13,616,127
	16,646,480	2,078,957	(26,483)	18,751,920
Construction in progress- not depreciated	2,940,500	594,458	3,077,655	457,303
Net water utility plant and equipment	\$ 19,586,980	\$ 2,673,415	\$ 3,051,172	\$ 19,209,223

ATHENS UTILITIES BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 2. Capital Assets (continued)

	Balance 6/30/18	Additions	Deletions	Balance 6/30/19
<u>Gas Division</u>				
Capital assets-depreciated:				
Plant in service	\$ 19,995,569	\$ 1,862,256	\$ 26,831	\$ 21,830,994
Equipment and furniture	1,123,087	34,776	6,537	1,151,326
Transportation equipment	488,578	15,513	71,677	432,414
Capital assets-depreciated	21,607,234	1,912,545	105,045	23,414,734
Land-not depreciated	128,752	-	-	128,752
Total gas utility plant and equipment	21,735,986	1,912,545	105,045	23,543,486
Less accumulated depreciation:				
Plant in service	7,621,144	569,720	43,028	8,147,836
Equipment and furniture	764,371	66,833	5,625	825,579
Transportation equipment	322,486	71,717	67,402	326,801
Total accumulated depreciation	8,708,001	708,270	116,055	9,300,216
	13,027,985	1,204,275	(11,010)	14,243,270
Construction in progress- not depreciated	1,716,462	450,011	1,982,383	184,090
Net gas utility plant and equipment	<u>\$ 14,744,447</u>	<u>\$ 1,654,286</u>	<u>\$ 1,971,373</u>	<u>\$ 14,427,360</u>
<u>Department of Sewer</u>				
Capital assets-depreciated:				
Plant in service	\$ 49,888,675	\$ 1,440,742	\$ 267,908	\$ 51,061,509
Equipment and furniture	1,347,676	25,012	9,653	1,363,035
Transportation equipment	1,231,898	69,941	29,899	1,271,940
Capital assets-depreciated	52,468,249	1,535,695	307,460	53,696,484
Land-not depreciated	219,678	-	-	219,678
Total sewer utility plant and equipment	52,687,927	1,535,695	307,460	53,916,162
Less accumulated depreciation:				
Plant in service	17,375,241	1,509,874	294,784	18,590,331
Equipment and furniture	945,049	72,439	9,653	1,007,835
Transportation equipment	842,427	66,172	29,899	878,700
Total accumulated depreciation	19,162,717	1,648,485	334,336	20,476,866
	33,525,210	(112,790)	(26,876)	33,439,296
Construction in progress- not depreciated	1,342,819	1,799,569	1,583,077	1,559,311
Net sewer utility plant and equipment	<u>\$ 34,868,029</u>	<u>\$ 1,686,779</u>	<u>\$ 1,556,201</u>	<u>\$ 34,998,607</u>

ATHENS UTILITIES BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 2. Capital Assets (continued)

	Balance 6/30/18	Additions	Deletions	Balance 6/30/19
<u>Board Total</u>				
Capital assets-depreciated:				
Plant in service	\$ 152,610,678	\$13,568,411	\$ 2,756,398	\$ 163,422,691
Equipment and furniture	7,579,924	828,706	197,343	8,211,287
Transportation equipment	4,375,478	562,395	517,226	4,420,647
Capital assets-depreciated	164,566,080	14,959,512	3,470,967	176,054,625
Land-not depreciated	819,523	17,500	-	837,023
Total utility plant and equipment	165,385,603	14,977,012	3,470,967	176,891,648
Less accumulated depreciation:				
Plant in service	57,834,790	4,750,985	2,947,166	59,638,609
Equipment and furniture	4,223,906	530,103	196,431	4,557,578
Transportation equipment	2,676,145	376,622	459,701	2,593,066
Total accumulated depreciation	64,734,841	5,657,710	3,603,298	66,789,253
	100,650,762	9,319,302	(132,331)	110,102,395
Construction in progress-not depreciated	12,700,073	7,895,525	15,545,861	5,049,737
Net utility plant and equipment	<u>\$ 113,350,835</u>	<u>\$17,214,827</u>	<u>\$15,413,530</u>	<u>\$ 115,152,132</u>

Note 3. Cash Deposits

Each division of the Board maintains funds necessary for its daily operation in its operating accounts. Funds in excess of this are deposited in interest bearing accounts with local financial institutions, when possible. The Board has authorized excess funds to be held in money market deposit accounts, sweep accounts, or certificates of deposit.

State statutes require that all deposits with financial institutions be collateralized by an amount equal to 105 percent of the face amount or the value of uninsured deposits. Under these statutes, the deposits must be either covered by state or federal depository insurance, by collateral held by the Board's agent in the Board's name or by the Federal Reserve Banks acting as third-party agents. These statutes also limit the types of investments in which the Board can invest funds. At June 30, 2019, the Board was fully collateralized.

ATHENS UTILITIES BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 4. Long-Term Debt and Other Long-Term Liabilities

Long-term debt at June 30, 2019, consisted of the following:

Power Division

Note payable to the Public Building Authority of the City of Clarksville, Tennessee, Series 2003; variable interest; principal due annually on May 25; interest due monthly	\$ 2,316,994
Note payable to the Public Building Authority of the City of Clarksville, Tennessee, Series 2008; variable interest; principal due annually on May 25; interest due monthly	<u>1,974,000</u>
	4,290,994
Less current maturities	<u>(256,750)</u>
Net Power long-term debt	<u>\$ 4,034,244</u>

Water Division

Water Revenue and Tax Bond, Series 2009; payable to Rural Development, U.S. Department of Agriculture; 3.25% interest; due in monthly installments of \$5,416 including interest	\$ 1,209,674
Note payable to the Tennessee Department of Environment and Conservation, Series 2013; State Revolving Fund Loan Program; 3.18% interest; due in monthly installments of \$9,121	1,328,237
Note payable to the Tennessee Department of Environment and Conservation, Series 2014; State Revolving Fund Loan Program; 1.69% interest; due in monthly installments of \$9,857	<u>1,842,010</u>
	4,379,921
Less current maturities	<u>(180,613)</u>
Net Water long-term debt	<u>\$ 4,199,308</u>

ATHENS UTILITIES BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 4. Long-Term Debt and Other Long-Term Liabilities (continued)

Department of Sewer

Note payable to the Public Building Authority
of the City of Clarksville, Tennessee, Series
2003; variable interest; principal due
annually; interest due monthly

\$ 13,590,578

State of Tennessee Department of Environment
and Conservation:

2.39% State Revolving Fund note payable;
due in monthly installments of \$12,433
including interest

1,555,168

2.39% ARRA State Revolving Fund note
payable; due in monthly installments of
\$2,487 including interest

311,035

15,456,781

Less current maturities

(1,177,167)

Net Sewer long-term debt

\$ 14,279,614

Summary of Board Long-Term Debt

Total Board long-term debt

\$ 24,127,696

Less current maturities

(1,614,530)

Net Board long-term debt

\$ 22,513,166

During 2016, the Board entered an agreement which was to provide approximately \$2,550,000 for water line and pump station upgrades. The agreement was entered into by the City of Athens, Tennessee and utilizes a State Revolving Fund Loan Program. Under the agreement, approximately \$501,500 of principal was forgiven. The debt service that must be paid under this agreement will be paid by the Board. If Board funds are not sufficient to service the debt, the City of Athens is required to establish ad valorem taxes to pay the debt.

ATHENS UTILITIES BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 4. Long-Term Debt and Other Long-Term Liabilities (continued)

During 2014, the Board entered an agreement which provided approximately \$2,000,000 for water treatment plant upgrades. The agreement was entered into by the City of Athens, Tennessee and utilized a State Revolving Fund Loan Program. Under the agreement, approximately \$400,000 of principal was forgiven. The debt service that must be paid under this agreement will be paid by the Board. If Board funds are not sufficient to service the debt, the City of Athens is required to establish ad valorem taxes to pay the debt.

During 2010, the Board entered an agreement which provided approximately \$4,740,000 for sewer collection system expansion and sewer line rehabilitation. The agreement was entered into by the City of Athens, Tennessee and utilized State Revolving Fund loans and American Recovery and Reinvestment Act funding. Under the agreement, approximately \$1,896,000 of principal was forgiven. The debt service that must be paid under this agreement will be paid by the Board. If Board funds are not sufficient to service the debt, the City of Athens is required to establish ad valorem taxes to pay the debt.

During 2010, the Board entered a \$1,414,000 loan agreement whereby the City of Athens issued Water Revenue and Tax Bond, Series 2009 for water system construction, improvement, and extension. The Bond was registered to USDA Rural Development and is payable from revenues to be derived from operation of the water system. If Board funds are not sufficient to service the debt, the City of Athens is required to establish ad valorem taxes to pay the debt. The Board has agreed to pay all debt service due under this agreement over a 38 year amortization period.

The Board entered a \$20,500,000 loan agreement, Series 2003, which was used to construct, repair, improve, extend, and equip the electrical distribution system and the sewer system. The note payable is between the City of Athens, Tennessee and the Public Building Authority of the City of Clarksville, Tennessee (PBA); however, the debt service will be paid by the Board over a 29 year amortization period. If Board funds are not sufficient to service the debt, the City of Athens is required to establish ad valorem taxes to pay the note. The debt issue requires monthly interest at a variable rate with the rate at June 30, 2019, set at 2.07 percent.

During 2008, the Board entered a \$2,600,000 loan agreement, Series 2008, which was utilized to upgrade the North Athens electrical substation. The note payable is between the City of Athens, Tennessee and the Public Building Authority of the City of Clarksville, Tennessee (PBA); however, the debt service will be paid by the Board over a 29 year amortization period. If Board funds are not sufficient to service the debt, the City of Athens is required to establish ad valorem taxes to pay the note. The debt issue requires monthly interest at a variable rate with the rate at June 30, 2019, set at 2.07 percent.

ATHENS UTILITIES BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 4. Long-Term Debt and Other Long-Term Liabilities (continued)

The notes payable to the Public Building Authority of the City of Clarksville, Tennessee, Pooled Loan Program, Series 2003 and Series 2008, carry an adjustable interest rate that is determined based on the market rate of tax-exempt variable interest. The Series 2003 and Series 2008 rates are adjusted daily and were 2.07 percent at June 30, 2019.

Changes in long-term debt and other long-term liabilities for the year ended June 30, 2019, are summarized as follows:

	Balance 6/30/2018	Additions	Retirements	Balance 6/30/2019	Due within one year
Revenue and tax bonds-water	\$ 1,234,758	\$ -	\$ 25,084	\$ 1,209,674	\$ 25,909
Notes payable-power	4,539,477	-	248,483	4,290,994	256,750
Notes payable-water	3,327,491	-	157,244	3,170,247	154,704
Notes payable-sewer	16,636,012	-	1,179,231	15,456,781	1,177,167
Total Board long-term debt and liabilities	<u>\$ 25,737,738</u>	<u>\$ -</u>	<u>\$ 1,610,042</u>	<u>\$ 24,127,696</u>	<u>\$ 1,614,530</u>

The Power Division and the Department of Sewer revenue bonds are payable from and are secured by a pledge of the revenues derived from the operation of the respective systems. The revenue bonds are collateralized by statutory liens on the respective systems.

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

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

	Power			Water		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 256,750	\$ 89,671	\$ 346,421	\$ 180,613	\$ 110,879	\$ 291,492
2021	260,750	84,306	345,056	185,128	106,364	291,492
2022	263,750	78,857	342,607	189,767	101,725	291,492
2023	267,750	73,345	341,095	194,531	96,961	291,492
2024	271,750	67,750	339,500	199,424	92,068	291,492
2025-2029	1,420,750	251,872	1,672,622	1,075,381	382,079	1,457,460
2030-2034	1,103,494	105,411	1,208,905	1,219,728	237,732	1,457,460
2035-2039	446,000	18,912	464,912	644,550	109,563	754,113
2040-2044	-	-	-	271,529	53,431	324,960
2045-2048	-	-	-	219,270	19,820	239,090
	<u>\$ 4,290,994</u>	<u>\$ 770,124</u>	<u>\$ 5,061,118</u>	<u>\$ 4,379,921</u>	<u>\$ 1,310,622</u>	<u>\$ 5,690,543</u>

ATHENS UTILITIES BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 4. Long-Term Debt and Other Long-Term Liabilities (continued)

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

	Sewer			Board Total		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 1,177,167	\$ 327,128	\$ 1,504,295	\$ 1,614,530	\$ 527,678	\$ 2,142,208
2021	1,180,451	302,085	1,482,536	1,626,329	492,755	2,119,084
2022	1,183,815	276,961	1,460,776	1,637,332	457,543	2,094,875
2023	1,187,260	251,757	1,439,017	1,649,541	422,063	2,071,604
2024	1,190,788	226,469	1,417,257	1,661,962	386,287	2,048,249
2025-2029	6,009,917	749,977	6,759,894	8,506,048	1,383,928	9,889,976
2030-2034	3,527,383	142,723	3,670,106	5,850,605	485,866	6,336,471
2035-2039	-	-	-	1,090,550	128,475	1,219,025
2040-2044	-	-	-	271,529	53,431	324,960
2045-2048	-	-	-	219,270	19,820	239,090
	<u>\$ 15,456,781</u>	<u>\$ 2,277,100</u>	<u>\$ 17,733,881</u>	<u>\$ 24,127,696</u>	<u>\$ 4,357,846</u>	<u>\$ 28,485,542</u>

Note 5. Retirement Plans

Defined Benefit Plan:

Summary of Significant Accounting Policies

Method used to value investments

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. All investments of the Plan utilized Level 1 inputs of the fair value measurement hierarchy to measure fair value.

Plan Description

Plan Administration

Athens Utilities Board Employees' Pension Plan is a single employer defined benefit pension plan that provides pensions to all employees in all divisions who have met, and continue to meet, the eligibility requirements for participation in the Plan. The Plan is frozen to anyone hired after June 30, 2010. The Board of Directors has the authority under the Plan to establish contribution rates, change benefit terms, or amend the Plan. A five-member committee is charged with the general administration of the Plan and carrying out the provisions of the Plan. The Committee works in conjunction with the Plan's Trustee, Branch Banking and Trust Company (BB&T). Four committee members are appointed by the Board of Directors while the fifth committee member is appointed by the Committee Chairman.

ATHENS UTILITIES BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 5. Retirement Plans (continued)

Plan Membership

	<u>2019</u>	<u>2018</u>
Inactive Plan participants or beneficiaries currently receiving benefits	23	23
Inactive Plan participants entitled to deferred benefits	15	15
Active vested Plan participants as of July 1	<u>60</u>	<u>62</u>
Total	<u>98</u>	<u>100</u>

The Plan does not issue a stand-alone financial report. The Plan is frozen and no new participants may enter, if hired after June 30, 2010. Individuals hired after June 30, 2010, are eligible to participate in the Athens Utilities Board Defined Contribution Plan, discussed later, after the probationary period but shall contribute after six months of service.

Plan Provisions

Plan provisions in effect at June 30, 2019 and 2018:

Eligibility and Benefits

Requirements	Minimum months of service: 12 Minimum Age: 25
Entry Dates	1/1 or 7/1 following fulfillment of requirements. <i>The plan is frozen to anyone hired after 6/30/10.</i>

<u>Normal Retirement Date</u>	First day of the month coinciding with or next following attainment of age 65.
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Normal Retirement Benefit

Benefit Formula	2% of average monthly compensation multiplied by credited service not in excess of 30 years. The minimum monthly benefit is the greater of (1) \$20.00 and (2) the accrued benefit determined as of June 30, 1990.
Average Compensation	Average monthly compensation is determined using the highest 36 consecutive months of a participant's employment.
Credited Service	For periods prior to 7/1/1976, years and completed months of full-time employment since hire. For periods after 6/30/1976, a plan year with 1,000 hours of employment, limited to 42 years.

ATHENS UTILITIES BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 5. Retirement Plans (continued)

Plan Provisions (continued)

Normal Form of Benefit	Single life annuity with 120 payments guaranteed.
Actuarial Equivalence	<p>A participant may elect to receive his benefit in another form of benefit, which is actuarially equivalent to his normal form. Actuarial equivalence is determined using the 1983 GAM for males table, with an interest rate of 5.5%. For the calculation of lump sums, the participant will receive the larger of the amount determined using:</p> <ul style="list-style-type: none">- 1983 GAM for males and 5.5%, or- GATT mortality and the GATT interest rate in effect for the month which is two months preceding the start of the plan year during which the lump sum is paid.
Optional Forms of Benefit	<p>The following optional forms are available: life annuity, joint & survivor annuity (50, 75, or 100%), 5-year certain & life annuity, 15-year certain & life annuity. A lump sum is available to a vested participant who terminates employment, provided that he was hired prior to February 1, 2008. Regardless of a participant's hire date, lump sums less than \$5,000 are mandatory and will be paid out immediately in lieu of all future benefits.</p>
Accrued Benefit	<p>Normal retirement benefit assuming service to NRD multiplied by the number of years of credited service at termination divided by credited service projected to NRD.</p> <p>For the benefit formula effective January 1, 2000, the accrued benefit is based on service and pay to date.</p>
<u>Early Retirement Benefit</u>	<p>Minimum Age: 55</p> <p>Minimum Service: 15 Years</p> <p>Benefit Amount: Accrued benefit, reduced by 1/15 for each of the first five years and 1/30 for each of the next five years by which early retirement precedes normal retirement.</p>

ATHENS UTILITIES BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 5. Retirement Plans (continued)

Plan Provisions (continued)

Accumulated Sick Leave
Balance

Upon qualifying for an unreduced early retirement benefit, a balance will be established for a participant based on his accumulated unused sick leave (minimum 500 hours needed to create balance) where no more than 1,500 hours of accumulated leave will be taken into account. The balance will be equal to the number of unused hours minus 500, multiplied by the average hourly rate of pay for his final 3 years of credited service prior to retirement.

The account balance may be used to pay medical premiums (individual or family) from the date of retirement until the later of when the participant becomes eligible for Medicare or age 65. After this point, if a younger spouse is still eligible for medical benefits, any remaining account balance may be used for the spouse's premium.

Delayed Retirement

A participant who remains in employment past NRD will receive the greater of: (1) the benefit accrued at actual retirement, or (2) the actuarial equivalent of the accrued benefit at NRD.

Pre-Retirement Death Benefit

Effective February 1, 2014:

Minimum Age: 45

Minimum Service: 5 Years

Prior to February 1, 2008:

Minimum Age: 55

Minimum Service: 15 Years

Effective January 1, 2000, the beneficiary of a vested participant who dies will be entitled to a survivor's benefit. It will be assumed that the participant terminated service on the date of his death, survived to his earliest retirement age, and retired with a 100% Joint & Survivor annuity. Effective February 1, 2008, the payment form was changed to a 100% Joint & Survivor Annuity with 120 guaranteed payments.

ATHENS UTILITIES BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 5. Retirement Plans (continued)

Plan Provisions (continued)

Disability Benefit

At the discretion of the employer, a disabled participant may receive a monthly benefit equal to his accrued benefit, payable at NRD. The participant may commence benefits earlier, with appropriate reductions.

Vested Termination Benefit

Effective July 1, 2005, a participant becomes 100% vested after 5 years of service.

Prior to July 1, 2005, upon termination after 5 or more years of service, a participant shall be vested in his accrued benefit according to the following schedule:

<u>Years of Credited Service for Vesting</u>	<u>Vesting Percentage</u>	<u>Years of Credited Service for Vesting</u>	<u>Vesting Percentage</u>
Less than 5	0%	10	50%
5	25%	11	60%
6	30%	12	70%
7	35%	13	80%
8	40%	14	90%
9	45%	15 or more	100%

A participant shall become 100% vested upon attainment of normal retirement age or upon becoming disabled.

Contribution Required

Actuarially determined contributions to the Plan are determined each year as part of the Actuarial Valuation process. These contributions are determined according to the following funding policy:

Actuarial Cost Method: Entry age normal

Asset Valuation Method: The asset smoothing method utilized for the Plan shall be that investment gains or losses will be recognized over (5) years, providing that the actuarial value of assets shall not be greater than 110% of market value, nor less than 90% of market value.

Amortization Method: The amortization policy shall be that the UAAL, as of January 1, 2014, and any changes thereafter as a result of a change in assumptions or methods or benefit or plan changes, shall be amortized over a fixed period of 19 years beginning January 1, 2014. The amortization period for experience gains and losses shall be 10 years from the date of the actuarial valuation.

ATHENS UTILITIES BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 5. Retirement Plans (continued)

Investments

Investment Policy

The Board has passed an investment policy with the objective to produce growth of assets in accordance with long-term plan objectives and income to assist in meeting current plan distribution requirements. The Plan Trustee, Branch Banking and Trust Company, is responsible for implementing the investment policy. The Board reviews the appropriateness and performance of the policy and investments annually.

The following was the Plan's adopted asset allocation as of June 30, 2019 and 2018:

<u>Asset Class</u>	<u>Target Allocation</u>	
	<u>2019</u>	<u>2018</u>
Equity	46.0%	45.0%
Fixed income	36.0	48.0
Alternatives	4.0	5.0
Cash equivalents	14.0	2.0
Total	<u>100.0%</u>	<u>100.0%</u>

Rate of return

For the years ended June 30, 2019 and 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 6.34 percent and 6.28 percent, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Concentrations

The Plan held \$640,615 and \$1,003,232 investments in the Sterling Capital Securitized Opportunities Fund and the Vanguard 500 Index Fund, respectively. Each represented more than 5 percent of the Plan's fiduciary net position at June 30, 2019.

Net Pension Liability of the Board

The components of the net pension liability at June 30, 2019 and 2018, were as follows:

	<u>2019</u>	<u>2018</u>
Total pension liabilities	\$ 15,110,528	\$ 14,070,404
Plan fiduciary net position	<u>10,730,247</u>	<u>9,798,389</u>
Board net pension liability	<u>\$ 4,380,281</u>	<u>\$ 4,272,015</u>

ATHENS UTILITIES BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 5. Retirement Plans (continued)

Net Pension Liability of the Board (continued)

	<u>2019</u>	<u>2018</u>
Plan fiduciary net position as a percentage of the total pension liability	71.01%	69.64%
Covered-employee payroll	\$4,386,649	\$4,604,594
Net pension liability as a percentage of covered-employee payroll	99.85%	92.78%

The Plan's fiduciary net position is reported in the Pension Trust Fund as of June 30, 2019. The Board's net pension liability is reported in the enterprise funds as of the measurement date of June 30, 2018, as permitted under the GASB standards.

Actuarial Assumptions for Calculation of the Net Pension Liability

Assumptions for calculation of net pension liability were reviewed as part of an experience study for the period July 1, 2010, through June 30, 2014. Future experience reviews are anticipated every five years.

Measurement Date	June 30, 2019 – Plan. June 30, 2018 – Employer.
Valuation Date	July 1, 2019 – Plan. July 1, 2018 – Employer.
Mortality: Pre-Retirement	IRS 2012 Combined Static Mortality Table – Plan
Post-Retirement	Tennessee Consolidated Retirement System Mortality Table
Discount Rate	7.00% per annum
Inflation	2.50% per annum
Salary Projection	3.00% per annum
Cost of Living Increase	N/A

Long-Term Expected Rate of Return on Pension Plan Investments

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

ATHENS UTILITIES BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 5. Retirement Plans (continued)

Net Pension Liability of the Board (continued)

Long-Term Expected Rate of Return on Pension Plan Investments (continued)

return for each major asset class included in the pension plan's target asset allocation as of June 30, 2019, (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	6.83%
Fixed income	2.02
Alternatives	3.66
Cash equivalents	0.60

The assumed inflation rate is 2.50% per annum.

Discount rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumes that the Plan contributions will be made according to their established funding policy to contribute the actuarially determined contribution. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The discount rate is the single rate that reflects (1) the long-term expected rate of return on Plan investments that are expected to be used to finance the payment of benefits, to the extent that the Plan's fiduciary net position is projected to be sufficient to make projected benefit payments and Plan assets are expected to be invested using a strategy to achieve that return, and (2) a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another scale), to the extent that the conditions for use of the long-term expected rate of return are not met. The projected cash flows are used to project the Plan's fiduciary net position at the beginning of each period. The Plan's projected fiduciary net position at the beginning of each period is compared to the amount of benefit payments projected to occur in that period. It is assumed that the Plan's fiduciary net position is expected to always be invested using a strategy to achieve the long-term expected rate of return on Plan investments. The benefit payments that are projected to occur in a period are discounted using the long-term expected rate of return on Plan investments if the amount of the Plan's beginning fiduciary net position is projected to be sufficient to make the benefit payments in that period. In periods in which the benefit payments are projected to be greater than the amount of the Plan's fiduciary net position, they are discounted using a municipal bond rate as described above.

ATHENS UTILITIES BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 5. Retirement Plans (continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

	<u>1% Decrease</u> <u>(6.00%)</u>	<u>Current Discount</u> <u>Rate (7.00%)</u>	<u>1% Increase</u> <u>(8.00%)</u>
Athens Utilities Board's Net Pension Liability – June 30, 2019	\$6,517,700	\$4,380,281	\$2,572,351
Athens Utilities Board's Net Pension Liability – June 30, 2018	\$6,320,438	\$4,272,015	\$2,545,155

Additional Defined Benefit Plan disclosures for the Athens Utilities Board

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

Additional Board disclosures are made as of the measurement date, June 30, 2018, elected by the Board under GASB No. 68.

The changes in the Board's net pension liability are as follows:

	<u>Total</u> <u>Pension</u> <u>Liability</u> <u>(a)</u>	<u>Plan</u> <u>Fiduciary</u> <u>Net Position</u> <u>(b)</u>	<u>Net Pension</u> <u>Liability</u> <u>(a) – (b)</u>
Balances at July 1, 2017	\$ 13,840,921	\$ 10,207,099	\$ 3,633,822
Changes for the year:			
Service cost	324,067	-	324,067
Interest	928,295	-	928,295
Differences between expected and actual experience	815,486	-	815,486
Changes of assumptions	-	-	-
Contributions - Employer	-	794,813	(794,813)
Contributions - Employee	-	-	-
Net investment income	-	636,018	(636,018)
Benefit payments, including refunds of employee contributions	(1,838,365)	(1,838,365)	-
Administrative expense	-	(1,176)	1,176
Net changes	229,483	(408,710)	638,193
Balances at June 30, 2018	<u>\$ 14,070,404</u>	<u>\$ 9,798,389</u>	<u>\$ 4,272,015</u>

ATHENS UTILITIES BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 5. Retirement Plans (continued)

Additional Defined Benefit Plan disclosures for the Athens Utilities Board (continued)

The Board recognized pension expense of \$950,681 for 2019. The Board made contributions to the Defined Benefit Plan of \$800,000 subsequent to the measurement date of June 30, 2018. These contributions are reported as deferred outflows in the financial statements. The pension expense and the deferred outflows resulting from the subsequent contributions were as follows:

	<u>Power Division</u>	<u>Water Division</u>	<u>Gas Division</u>	<u>Department of Sewer</u>	<u>Total</u>
Pension expense	\$ 532,381	\$ 152,109	\$ 104,575	\$ 161,616	\$ 950,681
Subsequent contributions	448,774	130,548	87,035	133,643	800,000

For the measurement period ended June 30, 2018, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,594,763	\$ -
Changes of assumptions	269,536	320,280
Net difference between projected and actual earnings on pension plan investments	238,051	-
Contributions subsequent to measurement date of June 30, 2018	<u>800,000</u>	<u>-</u>
Total	<u>\$ 2,902,350</u>	<u>\$ 320,280</u>

Deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the measurement period ended June 30, 2019, and the Board's June 30, 2020, financial statements.

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

Year ended June 30:

2019	\$ 449,497
2020	343,556
2021	220,942
2022	285,399
2023	241,392
Thereafter	241,284

ATHENS UTILITIES BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 5. Retirement Plans (continued)

Defined Contribution Plan:

Plan description

The Board established a Money Purchase Plan and Trust, The AUB Defined Contribution Plan, on July 1, 2010. Full-time employees hired on or after July 1, 2010, are eligible to participate after the probationary period but shall contribute after six months of service. Participants are required to make a pretax contribution of 3% of their regular earnings, which is matched by the Board. Participants may make an additional after-tax contribution of up to 4% of their regular earnings, which the Board also matches. The after-tax contribution percentage can be adjusted annually by the Board. Participants' interest in the contributions of the Board vest at 100% upon 5 years of completed service. The Plan is established with ICMA Retirement Corporation as the Plan Administrator. The Board made Plan contributions of \$130,244 during 2019.

Note 6. Commitments

Commitment to purchase power:

The Power Division has committed to purchase power exclusively from the Tennessee Valley Authority. The current power contract renews annually and is subject to a 5-year notice of cancellation by either party.

Commitment to purchase water:

The Board has a commitment to purchase water under a contract with a utility district. The contract establishes a minimum monthly payment and allows purchases up to 1,476,000 gallons per day to be made. The Board paid approximately \$566,245 during 2019 for water purchased.

Commitment to sell water:

The Board has a commitment to sell water under a contract with a utility district. The contract establishes a minimum monthly payment and allows purchases up to 1,476,000 gallons per day to be made. The Board received approximately \$344,982 during 2019 for water sold under this contract. Total sales to other utilities were \$365,174 during 2019.

ATHENS UTILITIES BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 7. Capital Contributions

The Board receives capital contributions from certain governmental agencies to be used for purposes connected with the construction of various projects in each division. Capital contributions are reported as revenue rather than contributed capital as required by GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions. The following is a division by division summary for divisions with major capital contributions of current year capital contributions and the connected projects.

The Department of Sewer recognized \$470,213 of capital contributions in 2019 passed through a City of Athens grant to the Board for sewer system improvements.

The Gas Division recognized \$2,190 of capital contributions from contributed lines.

Note 8. Major Customers

The following divisions had sales to individual customers exceeding 10 percent of their total operating revenue:

	<u>Number of Customers</u>	<u>Sales</u>	<u>% of Operating Revenue</u>
Power	1	\$ 8,957,718	17%
Gas	1	840,896	13
Sewer	1	2,343,289	36

Note 9. Self-Insurance

The Board is partially self-insured for employee health and life insurance benefits. The benefits are funded through a separately administered health plan, the Athens Utilities Board Employee Health Plan (the Health Plan). The Athens Utilities Board has appointed a Board of Trustees to act as the trustee and administrator of the Health Plan. The Health Plan has purchased stop-loss health insurance to cover individual health claims in excess of \$60,000 and has purchased group life insurance of approximately \$12,000 per participant and \$2,000 per dependent.

Employer contributions were \$638,084 for the Health Plan during 2019. Employer contributions to the Health Plan are based on amounts estimated by the plan supervisor to be adequate to cover current year benefit claims, administrative fees, insurance, and other expenses. Assets held by the Health Plan are considered to be sufficient to cover all claims incurred; therefore, no additional amounts were recorded in the financial statements of the divisions.

ATHENS UTILITIES BOARD
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

Note 10. Risk Management and Contingencies

The Board is exposed to various risks of loss to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Board carries commercial insurance. For insured programs, there have been no significant reductions in insurance coverage and settlement amounts, if any, have not exceeded insurance coverage in the current year.

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

Note 11. Deferred Compensation

The Board offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation balance is not available to employees until termination, retirement, death or unforeseeable emergency.

**REQUIRED
SUPPLEMENTAL INFORMATION**

**ATHENS UTILITIES BOARD
EMPLOYEE RETIREMENT PLAN
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
AND RELATED RATIOS
LAST SIX YEARS
June 30, 2019**

	2019	2018	2017	2016	2015	2014
Total pension liability						
Service cost	\$ 301,140	\$ 324,067	\$ 320,831	\$ 310,107	\$ 285,320	\$ 281,324
Interest	989,624	928,295	912,387	871,483	782,127	865,736
Differences between expected and actual experience	225,544	815,486	594,417	328,117	337,836	157,426
Changes of assumptions	-	-	-	-	523,220	(745,055)
Benefit payments, including refunds of employee contributions	(476,184)	(1,838,365)	(1,376,676)	(510,163)	(837,872)	(510,680)
Net change in total pension liability	1,040,124	229,483	450,959	999,544	1,090,631	48,751
Total pension liability - beginning	14,070,404	13,840,921	13,389,962	12,390,418	11,299,787	11,251,036
Total pension liability - ending (a)	<u>\$15,110,528</u>	<u>\$14,070,404</u>	<u>\$13,840,921</u>	<u>\$13,389,962</u>	<u>\$12,390,418</u>	<u>\$11,299,787</u>
Plan fiduciary net position						
Contributions - employer	\$ 800,000	\$ 794,813	\$ 794,813	\$ 1,034,813	\$ 1,034,813	\$ 1,034,813
Contributions - employee	-	-	-	-	-	-
Net investment income	618,778	636,018	916,709	56,288	107,156	988,753
Benefit payments, including refunds of employee contributions	(476,184)	(1,838,365)	(1,376,676)	(510,163)	(837,872)	(510,680)
Administrative expense	(10,736)	(1,176)	(12,241)	(1,238)	(1,095)	(882)
Other	-	-	-	-	-	(886)
Net change in plan fiduciary net position	931,858	(408,710)	322,605	579,700	303,002	\$ 1,511,118
Plan fiduciary net position - beginning	9,798,389	10,207,099	9,884,494	9,304,794	9,001,792	7,490,674
Plan fiduciary net position - ending (b)	<u>\$10,730,247</u>	<u>\$ 9,798,389</u>	<u>\$10,207,099</u>	<u>\$ 9,884,494</u>	<u>\$ 9,304,794</u>	<u>\$ 9,001,792</u>
Net pension liability - ending (a) - (b)	<u>\$ 4,380,281</u>	<u>\$ 4,272,015</u>	<u>\$ 3,633,822</u>	<u>\$ 3,505,468</u>	<u>\$ 3,085,624</u>	<u>\$ 2,297,995</u>
Plan fiduciary net position as percentage of the total pension liability	71.01%	69.64%	73.75%	73.82%	75.10%	79.66%
Covered-employee payroll	\$ 4,386,649	\$ 4,604,594	\$ 4,557,706	\$ 4,625,267	\$ 4,625,267	\$ 4,796,970
Net pension liability as a percentage of covered-employee payroll	99.85%	92.78%	79.73%	75.79%	66.71%	47.91%

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

**ATHENS UTILITIES BOARD
EMPLOYEE RETIREMENT PLAN
SCHEDULE OF PLAN CONTRIBUTIONS
LAST SIX YEARS
June 30, 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 722,728	\$ 637,760	\$ 566,373	\$ 546,139	\$ 513,298	\$ 794,813
Contributions in relation to the actuarially determined contribution	<u>800,000</u>	<u>794,813</u>	<u>794,813</u>	<u>1,034,813</u>	<u>1,034,813</u>	<u>1,034,813</u>
Contribution deficiency (excess)	<u>\$ (77,272)</u>	<u>\$ (157,053)</u>	<u>\$ (228,440)</u>	<u>\$ (488,674)</u>	<u>\$ (521,515)</u>	<u>\$ (240,000)</u>
Covered-employee payroll	\$4,386,649	\$4,604,594	\$4,557,706	\$4,625,267	\$4,625,267	\$4,796,970
Contributions as a percentage of covered-employee payroll	18.24%	17.26%	17.44%	22.37%	22.37%	21.57%

NOTES TO SCHEDULE

The actuarially determined contribution shown above is calculated using the following assumptions.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method:	Individual entry age normal, level percentage of compensation
Amortization method:	Level dollar, closed
Remaining amortization period:	26 years
Asset valuation method:	Fair market value
Salary increases:	3% per annum
Investment rate of return:	7.0% per annum
Retirement age:	Age 63 for those who satisfy Rule of 90, 100% at Age 65
Mortality:	Pre-Retirement: IRS 2012 Combined Static Mortality Table Post-Retirement: TCRS Mortality Table

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

**ATHENS UTILITIES BOARD
EMPLOYEE RETIREMENT PLAN
SCHEDULE OF INVESTMENT RETURNS
LAST SIX YEARS
June 30, 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, Net of investment expense	6.34%	6.28%	7.41%	0.57%	0.91%	12.34%

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

ACCOMPANYING INFORMATION

ATHENS UTILITIES BOARD
SCHEDULE OF NET POSITION BY SERVICE
POWER DIVISION
June 30, 2019

	Power Division		
	Power Services	Fiber Optic Services	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
UTILITY PLANT AND EQUIPMENT, at cost	\$ 66,981,138	\$ 82,815	\$ 67,063,953
Less accumulated depreciation	(23,364,084)	(31,960)	(23,396,044)
	43,617,054	50,855	43,667,909
Construction in progress	2,845,383	3,650	2,849,033
Net utility plant and equipment	46,462,437	54,505	46,516,942
CURRENT ASSETS			
Cash	6,599,731	139,492	6,739,223
Receivables:			
Customer accounts, less allowance doubtful accounts	4,864,893	250	4,865,143
Other	278,595	-	278,595
Prepaid expenses	31,550	-	31,550
Materials and supplies	1,630,492	-	1,630,492
Total current assets	13,405,261	139,742	13,545,003
Total assets	59,867,698	194,247	60,061,945
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension plan	1,628,269	-	1,628,269
	\$ 61,495,967	\$ 194,247	\$ 61,690,214
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
LONG-TERM LIABILITIES			
Long-term debt	\$ 4,290,994	\$ -	\$ 4,290,994
Less current maturities shown below	(256,750)	-	(256,750)
Net long-term debt	4,034,244	-	4,034,244
Net pension liability	2,396,465	-	2,396,465
Total long-term liabilities	6,430,709	-	6,430,709
CURRENT LIABILITIES			
Current maturities of long-term liabilities	256,750	-	256,750
Payables:			
TVA for purchased power	3,810,830	-	3,810,830
Vendors	274,759	-	274,759
Retirement plan	448,774	-	448,774
Retainage	9,894	-	9,894
Primary government	88,776	-	88,776
Customer deposits	425,100	-	425,100
Other current liabilities	537,182	-	537,182
Total current liabilities	5,852,065	-	5,852,065
Total liabilities	12,282,774	-	12,282,774
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension plan	179,810	-	179,810
	12,462,584	-	12,462,584
NET POSITION			
Net investment in capital assets	42,161,549	54,505	42,216,054
Unrestricted	6,871,834	139,742	7,011,576
	49,033,383	194,247	49,227,630
Total net position	\$ 61,495,967	\$ 194,247	\$ 61,690,214

ATHENS UTILITIES BOARD
SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
POWER DIVISION
June 30, 2019

	Power Division		
	Power Services	Fiber Optic Services	Total
OPERATING REVENUES			
Sales:			
Residential	\$ 16,324,127	\$ -	\$ 16,324,127
Commercial	4,276,831	-	4,276,831
Industrial	29,434,036	-	29,434,036
Public street and outdoor lighting	1,013,452	-	1,013,452
Fiber optic	-	101,168	101,168
Other operating revenue	747,907	-	747,907
Total operating revenue	<u>51,796,353</u>	<u>101,168</u>	<u>51,897,521</u>
OPERATING EXPENSES			
Purchased supply	42,400,809	46,937	42,447,746
Distribution	1,015,273	-	1,015,273
Maintenance	1,214,790	-	1,214,790
Consumer accounts	729,899	-	729,899
Administrative and general	2,104,051	3,973	2,108,024
Other	8,982	-	8,982
Depreciation and amortization	2,137,338	7,272	2,144,610
Tax equivalents	982,115	-	982,115
Total operating expense	<u>50,593,257</u>	<u>58,182</u>	<u>50,651,439</u>
NET OPERATING INCOME	<u>1,203,096</u>	<u>42,986</u>	<u>1,246,082</u>
NONOPERATING REVENUES (EXPENSES)			
Interest income	104,642	436	105,078
Interest expense	(72,741)	-	(72,741)
Loss on disposal of capital assets, net	(22,400)	-	(22,400)
Other	(23,306)	-	(23,306)
Net nonoperating revenues	<u>(13,805)</u>	<u>436</u>	<u>(13,369)</u>
CHANGE IN NET POSITION	<u>1,189,291</u>	<u>43,422</u>	<u>1,232,713</u>
Net position, beginning of year	<u>47,844,092</u>	<u>150,825</u>	<u>47,994,917</u>
Net position, end of year	<u>\$ 49,033,383</u>	<u>\$ 194,247</u>	<u>\$ 49,227,630</u>

**ATHENS UTILITIES BOARD
PENSION TRUST FUND
SCHEDULE OF INVESTMENTS
June 30, 2019**

	Interest Rate	Maturity Date	Cost	FMV
Federal Home Loan Mortgage Corporation	2.375	01/13/22	\$ 121,757	\$ 121,772
Federal Home Loan Mortgage Corporation	3.250	11/16/28	76,668	81,503
Federal National Mortgage Association	1.375	02/26/21	99,719	99,231
Federal National Mortgage Association	2.375	01/19/23	98,907	101,966
Federal National Mortgage Association	2.625	09/06/24	50,914	50,848
Federal National Mortgage Association	2.125	04/24/26	94,572	100,728
US Treasury Note	3.125	05/15/21	91,279	87,092
US Treasury Note	2.000	07/31/20	86,833	85,056
US Treasury Note	2.500	08/15/23	62,662	61,812
US Treasury Note	1.875	12/15/20	54,010	55,026
US Treasury Note	2.125	12/31/22	49,024	50,682
US Treasury Note	2.125	06/30/22	61,369	60,708
US Treasury Note	2.625	12/31/25	49,854	51,318
US Treasury Note	2.000	02/28/21	99,429	100,301
US Treasury Note	1.375	01/31/21	49,221	49,648
US Treasury Note	2.625	08/15/20	71,708	72,562
US Treasury Note	2.000	02/15/23	14,881	15,142
US Treasury Note	1.875	01/31/22	54,489	55,194
US Treasury Bond	3.125	11/15/28	52,117	54,842
US Treasury Inflation Protected Security	0.625	01/15/24	56,378	55,705
Energy Northwest WA Electric Bond	2.803	07/01/21	50,456	50,516
Frisco TX Economic Development Bond	2.750	02/15/20	62,367	60,133
Lake County IL Warren Township High School District Bond	2.294	03/01/20	50,000	49,928
Los Angeles CA Community College District Bond	3.009	08/01/23	51,743	51,930
Metropolitan Transportation Authority NY Bond	5.369	11/15/21	51,919	48,257
New York NY Build America Bond	5.049	12/01/21	45,372	42,428
Palm Beach County FL Bond	1.789	10/01/20	50,000	49,818
Richmond VA Public Improvement Bond	2.599	07/15/21	50,551	50,616
Tennessee St - Series C Bond	3.378	06/01/22	78,789	78,325
University of California Taxable Relief Bond	3.063	07/01/25	55,066	57,114
Williamson County TX Bond	2.000	02/15/21	75,394	74,992
AT&T, Inc.	4.125	02/17/26	55,344	58,506
Abbvie, Inc.	4.250	11/14/28	49,030	51,312

(continued)

**ATHENS UTILITIES BOARD
PENSION TRUST FUND
SCHEDULE OF INVESTMENTS
June 30, 2019
(continued)**

	Interest Rate	Maturity Date	Cost	FMV
American Electric Power	3.200	11/13/27	\$ 51,099	\$ 52,040
Bank of America Corporation	3.300	01/11/23	56,157	56,693
Bank of NY Mellon	2.950	01/29/23	48,568	51,047
BP Capital Markets America	3.790	02/06/24	51,884	52,941
Carlisle COS, Inc.	3.500	12/01/24	50,124	51,159
Cintas Corporation	3.700	04/01/27	57,128	58,562
Citigroup, Inc.	3.750	06/16/24	55,498	58,001
Comcast Corporation	3.600	03/01/24	50,196	50,615
Conagra Brands, Inc.	4.600	11/01/25	49,434	51,165
Constellation Brands, Inc.	4.650	11/15/28	49,503	52,473
Crown Castle Corporation	4.875	04/15/22	60,113	58,474
Duke Energy Corporation	3.950	10/15/23	51,676	52,767
Energy Transfer Partners	5.200	02/01/22	38,413	39,086
ERP Operating LP Callable	3.000	04/15/23	55,085	56,349
Fifth Third Bancorp	2.875	07/27/20	45,110	45,207
Fiserv, Inc.	3.200	07/01/26	50,090	51,034
Goldman Sachs Group, Inc.	2.875	02/25/21	55,130	55,395
Holly Frontier Corporation	5.875	04/01/26	21,551	21,904
Huntington Bancshares, Inc.	4.000	05/15/25	54,827	58,679
Hyatt Hotels Corporation	4.375	09/15/28	44,936	47,608
JP Morgan Chase & Company	3.200	01/25/23	55,760	56,438
Kimco Realty Corporation	3.400	11/01/22	56,770	56,580
Morgan Stanley	4.000	07/23/25	50,744	53,555
Nucor Corporation	3.950	05/01/28	29,956	32,425
Pioneer National Resource	3.950	07/15/22	58,155	57,220
Prudential Financial, Inc.	3.878	03/27/28	50,373	51,097
Republic Services, Inc.	3.550	06/01/22	56,508	56,706
Ryder System, Inc.	3.875	12/01/23	49,969	52,429
Sherwin - Williams Company	3.450	06/01/27	49,818	51,459
Simon Property	2.625	06/15/22	55,337	55,524
Target Corporation	3.375	04/15/29	51,955	53,042
TJX Companies	2.250	09/15/26	41,395	44,157
United Technologies Corporation	4.125	11/16/28	57,238	57,127
Ventas Realty LP	4.400	01/15/29	52,416	54,304
Vereit Operating Partners	4.125	06/01/21	50,680	51,312
Verizon Communications	4.329	09/21/28	50,921	53,194

(continued)

**ATHENS UTILITIES BOARD
PENSION TRUST FUND
SCHEDULE OF INVESTMENTS
June 30, 2019
(continued)**

	Interest Rate	Maturity Date	Cost	FMV
Virginia Electric & Power	2.950	01/15/22	\$ 49,569	\$ 50,701
VMware	2.300	08/21/20	49,935	49,865
Wells Fargo & Company	3.000	10/23/26	50,676	51,527
Bank of Montreal	2.500	06/28/24	49,993	50,009
HSBC Holdings PLC	5.100	04/05/21	59,824	57,471
Invesco Finance PLC	3.125	11/30/22	40,065	40,909
Shire Acquisitions Investments Ireland	2.400	09/23/21	50,680	50,937
Sumitomo Mitsui Financial Group	2.846	01/11/22	55,838	55,606
Toronto Dominion Bank	2.650	06/12/24	51,469	51,461
Credit Suisse Commodity Return	-	-	118,881	115,236
Federated MDT Small-Cap Growth R6 Fund	-	-	133,379	151,024
Highland Long/Short Equity Fund	-	-	219,813	205,511
Invesco Oppenheimer Developing Markets Fund	-	-	138,595	163,906
Ishares MSCI EAFE Small-Cap Index Fund	-	-	143,749	150,446
Lazard Emerging Markets Portfolio Institutional Class Fund	-	-	154,371	157,761
Morgan Stanley Institutional Fund	-	-	142,966	231,020
Sterling Capital Securitized Opportunities Fund	-	-	641,822	640,615
Touchstone Mid-Cap Growth Institutional Fund	-	-	316,876	330,639
Touchstone Mid-Cap Value Fund	-	-	339,017	352,062
Vanguard 500 Index Fund	-	-	765,220	1,003,232
Vanguard Developed Markets Fund	-	-	166,886	180,875
Virtus Quality Small-Cap Fund	-	-	196,768	205,063
Abbott Laboratories	-	-	7,807	16,063
Abbvie, Inc.	-	-	16,181	15,926
Alphabet, Inc. - Class A	-	-	10,357	14,076
Alphabet, Inc. - Class C	-	-	8,841	14,052
Amazon.com, Inc.	-	-	14,649	37,873
American Express Company	-	-	4,595	7,036
Amgen, Inc.	-	-	7,508	8,661
Analog Devices, Inc.	-	-	12,007	15,350
Anthem, Inc.	-	-	5,199	11,006
Autodesk, Inc.	-	-	11,315	24,598
Automatic Data Processing	-	-	3,267	5,787

(continued)

**ATHENS UTILITIES BOARD
PENSION TRUST FUND
SCHEDULE OF INVESTMENTS
June 30, 2019
(continued)**

	Interest Rate	Maturity Date	Cost	FMV
Cerner Corporation	-	-	\$ 10,602	\$ 13,194
Cisco Systems, Inc.	-	-	10,340	17,678
The Coca - Cola Co.	-	-	12,371	14,410
Colgate Palmolive Company	-	-	9,727	11,109
Crown Castle International Corporation	-	-	11,370	14,599
CVS Common	-	-	21,074	16,456
Deere & Company	-	-	9,617	14,583
Delta Air Lines, Inc.	-	-	10,123	11,634
Discover Financial Services	-	-	13,110	16,527
Expeditors International Wash, Inc.	-	-	11,394	16,006
Facebook, Inc. - Class A	-	-	23,060	34,740
Factset Research Systems, Inc.	-	-	7,165	12,036
General Motors Company	-	-	13,460	15,258
Home Depot, Inc.	-	-	15,788	16,014
Honeywell International	-	-	10,400	15,713
Johnson & Johnson	-	-	10,043	12,257
Maxim Integrated Products	-	-	7,372	11,186
Merck & Co, Inc.	-	-	14,589	22,388
Microsoft Corporation	-	-	13,606	33,356
Monster Beverage Corporation	-	-	16,127	20,106
Morgan Stanley	-	-	13,482	12,749
NASDAQ, Inc.	-	-	9,143	11,444
Nvidia Corporation	-	-	9,351	10,018
Occidental Petroleum Company	-	-	11,184	8,749
Oracle Corp	-	-	22,923	29,624
Pepsico, Inc.	-	-	11,577	15,867
Pfizer, Inc.	-	-	7,876	11,003
Phillips 66	-	-	12,350	12,534
Proctor & Gamble Company	-	-	12,327	17,105
Qualcomm, Inc.	-	-	21,782	27,690
Regeneron Pharmaceuticals, Inc.	-	-	15,417	13,459
SEI Investments Company	-	-	11,998	12,286
Starbucks Corporation	-	-	23,558	35,712
United Parcel Services, Inc.	-	-	11,462	11,979
Varian Medical Systems, Inc.	-	-	6,467	10,482
Verizon Communications, Inc.	-	-	13,726	15,711

(continued)

**ATHENS UTILITIES BOARD
PENSION TRUST FUND
SCHEDULE OF INVESTMENTS
June 30, 2019
(continued)**

	Interest Rate	Maturity Date	Cost	FMV
Visa, Inc.	-	-	\$ 18,484	\$ 39,222
Wells Fargo & Company	-	-	15,926	14,291
Weyerhaeuser Company	-	-	7,380	7,928
Yum! Brands, Inc.	-	-	6,664	11,399
Yum China Holdings, Inc.	-	-	5,346	7,946
Accenture PLC CL A	-	-	9,272	15,890
ABB Limited Sponsored ADR	-	-	11,061	10,576
AIA Group	-	-	4,634	9,447
Adidas	-	-	2,821	3,865
Air Liquide	-	-	1,716	2,130
Akbank T.A.S.	-	-	1,379	1,291
Akzo N V Sponsored ADR	-	-	7,545	8,784
Alcon, Inc.	-	-	697	993
Alfa Laval AB	-	-	1,921	2,446
Alibaba Group Holding - SP	-	-	17,971	29,654
Allianz Group	-	-	5,320	7,702
Ambev S.A. ADR	-	-	3,423	3,587
Aspen Pharmacare	-	-	2,375	812
Astrazeneca PLC	-	-	6,563	8,256
Atlas Copco Group	-	-	4,537	5,566
Aviva PLC	-	-	7,479	6,541
Baidu.com, Inc.	-	-	13,402	9,154
Balfour Beatty PLC	-	-	2,036	1,509
Banco Bilbao Vizcaya SP ADR	-	-	5,431	3,936
Barclays PLC	-	-	11,195	8,188
BASF AG Sponsored ADR	-	-	12,034	10,100
Bayer AG Sponsored ADR	-	-	7,500	5,205
Bayerische Motoren Werke Sponsored ADR	-	-	2,551	1,918
BNP Paribas	-	-	8,089	6,849
BP PLC Sponsored ADR	-	-	7,753	8,590
British American Tobacco	-	-	14,199	10,322
Caixabank - Un-sponsored	-	-	3,858	2,823
Canadian Imperial Bank	-	-	2,690	2,514
Canadian National RY Company	-	-	2,669	4,624
Carnival Corporation Common	-	-	15,378	12,475

(continued)

**ATHENS UTILITIES BOARD
PENSION TRUST FUND
SCHEDULE OF INVESTMENTS
June 30, 2019
(continued)**

	Interest Rate	Maturity Date	Cost	FMV
Carnival Corporation PLC	-	-	\$ 3,914	\$ 3,124
Carrefour S.A.	-	-	1,701	1,686
Checkpoint Software Technology	-	-	5,650	6,937
China Mobile HK	-	-	14,575	12,545
Chubb Limited	-	-	13,501	15,024
Chugai Pharmaceutic Unsponsored ADR	-	-	2,855	3,006
Compagnie Financiere Richemont	-	-	1,860	2,149
DBS Group Holdings Limited	-	-	4,043	6,063
Danone - Sponsored ADR	-	-	16,627	19,513
Dassault Systems S.A.	-	-	1,555	3,675
Dentsu, Inc. - Unsponsored ADR	-	-	1,891	1,466
Deutsche Post - Sponsored ADR	-	-	5,663	5,891
Diageo PLC - Sponsored ADR	-	-	4,073	4,308
East Japan Railway Company	-	-	6,702	7,298
Enbridge, Inc.	-	-	12,911	14,143
Encana Corporation	-	-	8,640	5,207
Engie-Sponsored ADR	-	-	1,427	1,215
Epiroc - Unsponsored ADR	-	-	2,283	2,334
Fanuc Limited	-	-	8,681	9,323
Fomento Economico Mexican S.A.	-	-	1,876	2,128
Fuchs Petrolu Se - Pref ADR	-	-	2,223	1,920
Gildan Activewear, Inc.	-	-	4,945	6,382
Givaudan, S.A.	-	-	1,606	1,979
Grifols	-	-	1,656	2,047
HDFC Bank	-	-	2,148	2,861
HSBC Holdings PLC	-	-	2,351	2,379
ICICI Bank	-	-	1,916	3,261
Infineon Technology	-	-	5,671	4,392
ING Groep N.V. - Sponsored ADR	-	-	3,717	3,425
Itau Unibanco Banco Multiplo S.A.	-	-	1,802	2,694
JGC Corporation	-	-	3,028	1,674
Japan Airlines Company	-	-	3,646	3,371
KDDI Corporation Unsponsored ADR	-	-	6,485	7,932
Komatsu LTD	-	-	1,954	1,834
Kubota Corporation	-	-	3,152	3,661
Linde - Sponsored ADR	-	-	9,577	12,048
Lloyds TSB Group	-	-	4,672	3,621
Lonza Group	-	-	3,786	4,696

(continued)

**ATHENS UTILITIES BOARD
PENSION TRUST FUND
SCHEDULE OF INVESTMENTS
June 30, 2019
(continued)**

	Interest Rate	Maturity Date	Cost	FMV
L'Oreal S.A.	-	-	\$ 3,752	\$ 6,276
Manulife Financial Corporation	-	-	7,045	7,508
Medtronic PLC	-	-	12,564	15,388
Micro Focus International	-	-	5,880	5,474
Multichoice Group	-	-	42	95
Naspers Limited	-	-	1,110	1,940
Nestle S.A.	-	-	6,297	9,225
Novartis AG ADR	-	-	11,810	16,892
Novo - Nordisk	-	-	14,298	15,618
Novozymes	-	-	2,094	1,915
Lukoil PJSC - Sponsored ADR	-	-	2,624	2,523
Park24 Company	-	-	2,012	1,793
Ping An Insurance Group Company of China Limited	-	-	4,067	4,034
Prudential PLC	-	-	10,985	12,182
Relx PLC - Sponsored ADR	-	-	2,521	2,783
Roche Holding Limited	-	-	12,710	15,071
Rolls Royce PLC	-	-	8,685	7,765
Royal Dutch Shell PLC ADR	-	-	11,417	14,003
Ryanair Holdings PLC - Sponsored ADR	-	-	1,747	1,411
SAP SE ADR	-	-	9,909	17,100
Sasol Limited	-	-	1,944	1,416
Schlumberger Limited	-	-	19,007	10,412
SK Telecom Co LTD - ADR	-	-	7,646	7,870
Sonova Holding AG	-	-	1,737	3,367
SSE PLC - SPN ADR	-	-	9,547	7,226
Sumitomo Mitsui Sponsored ADR	-	-	4,534	4,194
Symrise AG ADR	-	-	2,069	3,325
Sysmex Corporation	-	-	1,683	2,739
Taiwan Semiconductor Manufacturing Company	-	-	4,907	8,226
Takeda Pharmaceutical	-	-	15,159	11,770
Temenos Group	-	-	2,843	3,403
Tencent Holdings Limited - Unsponsored ADR	-	-	2,273	2,347
Total S.A. - Sponsored	-	-	5,159	5,133
Unicredit SPA	-	-	14,710	11,317
Unilever PLC	-	-	2,746	4,152
Vodafone Group PLC - SP ADR	-	-	9,140	5,291
Volkswagen AG	-	-	16,945	15,956
Yandex N.V.-A	-	-	2,032	2,622
Total investments			<u>\$ 9,132,130</u>	<u>\$ 9,858,252</u>

ATHENS UTILITIES BOARD

Power Division

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ATHENS UTILITIES BOARD
SCHEDULE OF DEBT SERVICE REQUIREMENTS
June 30, 2019
(continued)

Fiscal Year Ending 6/30	Water Division				
	R. D. Loan Series 2009		State Revolving Loan Series 2013		
	Principal	Interest	Total	Principal	Interest
2020	\$ 25,909	\$ 39,083	\$ 64,992	\$ 66,876	\$ 41,340
2021	26,768	38,224	64,992	69,032	39,184
2022	27,655	37,337	64,992	71,260	36,956
2023	28,572	36,420	64,992	73,559	34,657
2024	29,519	35,473	64,992	75,933	32,283
2025	30,497	34,495	64,992	78,383	29,833
2026	31,508	33,484	64,992	80,912	27,304
2027	32,552	32,440	64,992	83,523	24,693
2028	33,631	31,361	64,992	86,218	21,998
2029	34,745	30,247	64,992	89,000	19,216
2030	35,897	29,095	64,992	91,872	16,344
2031	37,086	27,906	64,992	94,836	13,380
2032	38,316	26,676	64,992	97,896	10,320
2033	39,585	25,407	64,992	101,055	7,161
2034	40,897	24,095	64,992	104,316	3,900
2035	42,253	22,739	64,992	63,566	727
2036	43,653	21,339	64,992	-	-
2037	45,100	19,892	64,992	-	-
2038	46,594	18,398	64,992	-	-
2039	48,138	16,854	64,992	-	-
2040	49,734	15,258	64,992	-	-
2041	51,382	13,610	64,992	-	-
2042	53,085	11,907	64,992	-	-
2043	54,844	10,148	64,992	-	-
2044	56,662	8,330	64,992	-	-
2045	58,540	6,452	64,992	-	-
2046	60,480	4,512	64,992	-	-
2047	62,484	2,508	64,992	-	-
2048	43,588	526	44,114	-	-
TOTAL	\$ 1,209,674	\$ 654,216	\$ 1,863,890	\$ 1,328,237	\$ 359,296
					\$ 1,687,533

(continued)
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ATHENS UTILITIES BOARD
SCHEDULE OF DEBT SERVICE REQUIREMENTS
June 30, 2019
(continued)

Fiscal Year Ending 6/30	State Revolving Loan Series 2014			Water Division		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 87,828	\$ 30,456	\$ 118,284	\$ 180,613	\$ 110,879	\$ 291,492
2021	89,328	28,956	118,284	185,128	106,364	291,492
2022	90,852	27,432	118,284	189,767	101,725	291,492
2023	92,400	25,884	118,284	194,531	96,961	291,492
2024	93,972	24,312	118,284	199,424	92,068	291,492
2025	95,568	22,716	118,284	204,448	87,044	291,492
2026	97,200	21,084	118,284	209,620	81,872	291,492
2027	98,856	19,428	118,284	214,931	76,561	291,492
2028	100,536	17,748	118,284	220,385	71,107	291,492
2029	102,252	16,032	118,284	225,997	65,495	291,492
2030	103,992	14,292	118,284	231,761	59,731	291,492
2031	105,756	12,528	118,284	237,678	53,814	291,492
2032	107,568	10,716	118,284	243,780	47,712	291,492
2033	109,392	8,892	118,284	250,032	41,460	291,492
2034	111,264	7,020	118,284	256,477	35,015	291,492
2035	113,160	5,124	118,284	218,979	28,590	247,569
2036	115,080	3,204	118,284	158,733	24,543	183,276
2037	117,012	1,272	118,284	162,112	21,164	183,276
2038	9,994	14	10,008	56,588	18,412	75,000
2039	-	-	-	48,138	16,854	64,992
2040	-	-	-	49,734	15,258	64,992
2041	-	-	-	51,382	13,610	64,992
2042	-	-	-	53,085	11,907	64,992
2043	-	-	-	54,844	10,148	64,992
2044	-	-	-	56,662	8,330	64,992
2045	-	-	-	58,540	6,452	64,992
2046	-	-	-	60,480	4,512	64,992
2047	-	-	-	62,484	2,508	64,992
2048	-	-	-	43,588	526	44,114
TOTAL	\$ 1,842,010	\$ 297,110	\$ 2,139,120	\$ 4,379,921	\$ 1,310,622	\$ 5,690,543

ATHENS UTILITIES BOARD
SCHEDULE OF DEBT SERVICE REQUIREMENTS
June 30, 2019
(continued)

Fiscal Year Ending 6/30	Department of Sewer						Total Department of Sewer		
	Public Building Authority of the City of Clarksville, TN Notes Payable			State Revolving Fund Loans			Principal	Interest	Total
	Principal	Interest	Total	Principal	Interest	Total			
2020	\$ 1,041,250	\$ 284,009	\$ 1,325,259	\$ 135,917	\$ 43,119	\$ 179,036	\$ 1,177,167	\$ 327,128	\$ 1,504,295
2021	1,041,250	262,250	1,303,500	139,201	39,835	179,036	1,180,451	302,085	1,482,536
2022	1,041,250	240,490	1,281,740	142,565	36,471	179,036	1,183,815	276,961	1,460,776
2023	1,041,250	218,731	1,259,981	146,010	33,026	179,036	1,187,260	251,757	1,439,017
2024	1,041,250	196,971	1,238,221	149,538	29,498	179,036	1,190,788	226,469	1,417,257
2025	1,041,250	175,212	1,216,462	153,151	25,885	179,036	1,194,401	201,097	1,395,498
2026	1,041,250	153,452	1,194,702	156,852	22,184	179,036	1,198,102	175,636	1,373,738
2027	1,041,250	131,693	1,172,943	160,642	18,394	179,036	1,201,892	150,087	1,351,979
2028	1,041,250	109,933	1,151,183	164,523	14,513	179,036	1,205,773	124,446	1,330,219
2029	1,041,250	88,174	1,129,424	168,499	10,537	179,036	1,209,749	98,711	1,308,460
2030	1,041,250	66,414	1,107,664	172,571	6,465	179,036	1,213,821	72,879	1,286,700
2031	1,041,250	44,654	1,085,904	176,734	2,295	179,029	1,217,984	46,949	1,264,933
2032	1,095,578	22,895	1,118,473	-	-	-	1,095,578	22,895	1,118,473
TOTAL	\$ 13,590,578	\$ 1,994,878	\$ 15,585,456	\$ 1,866,203	\$ 282,222	\$ 2,148,425	\$ 15,456,781	\$ 2,277,100	\$ 17,733,881

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ATHENS UTILITIES BOARD
SCHEDULE OF DEBT SERVICE REQUIREMENTS
June 30, 2019
(continued)

Fiscal Year Ending 6/30	Total Debt Service		
	Principal	Interest	Total
2020	\$ 1,614,530	\$ 527,678	\$ 2,142,208
2021	1,626,329	492,755	2,119,084
2022	1,637,332	457,543	2,094,875
2023	1,649,541	422,063	2,071,604
2024	1,661,962	386,287	2,048,249
2025	1,674,599	350,212	2,024,811
2026	1,687,472	313,816	2,001,288
2027	1,700,573	277,110	1,977,683
2028	1,714,908	240,086	1,954,994
2029	1,728,496	202,704	1,931,200
2030	1,743,332	164,991	1,908,323
2031	1,758,412	126,921	1,885,333
2032	1,576,352	90,438	1,666,790
2033	380,032	56,339	436,371
2034	392,477	47,177	439,654
2035	360,979	37,910	398,889
2036	307,733	30,896	338,629
2037	317,112	24,403	341,515
2038	56,588	18,412	75,000
2039	48,138	16,854	64,992
2040	49,734	15,258	64,992
2041	51,382	13,610	64,992
2042	53,085	11,907	64,992
2043	54,844	10,148	64,992
2044	56,662	8,330	64,992
2045	58,540	6,452	64,992
2046	60,480	4,512	64,992
2047	62,484	2,508	64,992
2048	43,588	526	44,114
TOTAL	\$ 24,127,696	\$ 4,357,846	\$ 28,485,542

ATHENS UTILITIES BOARD
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
June 30, 2019

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/2018	Paid and/or Matured During Period	Outstanding 6/30/2019
Power Division:							
Pooled Loan Program:							
Public Building Authority of the City of Clarksville, TN, Series 2003	\$3,000,000	Variable	2/3/2004	5/25/2032	\$ 2,495,477	\$ 178,483	\$ 2,316,994
Public Building Authority of the City of Clarksville, TN, Series 2008	2,600,000	Variable	5/13/2008	5/25/2037	2,044,000	70,000	1,974,000
Water Division:							
Rural Development, U.S. Department of Agriculture, Series 2009	1,414,000	3.25%	2/25/2010	2/25/2048	1,234,758	25,084	1,209,674
Tennessee Department of Environment and Conservation State Revolving Fund: Series 2013	2,000,000 (1)	3.18%	10/19/2010	1/20/2035	1,399,117	70,880	1,328,237
Series 2014	2,550,000 (2)	1.69%	3/20/2014	7/20/2037	1,928,374	86,364	1,842,010
Department of Sewer:							
Public Building Authority of the City of Clarksville, TN, Series 2003	17,500,000	Variable	2/3/2004	5/25/2032	14,637,096	1,046,518	13,590,578
Tennessee Department of Environment and Conservation State Revolving Fund: 2009-242 CWA	2,370,198	2.39%	1/27/2010	6/20/2031	1,665,762	110,594	1,555,168
2009-242 ARRA	2,370,197 (3)	2.39%	1/27/2010	6/20/2031	333,154	22,119	311,035
Total Board long-term debt					<u>\$25,737,738</u>	<u>\$ 1,610,042</u>	<u>\$24,127,696</u>

Principal was forgiven on the following loans as noted below:

- (1) \$400,000
- (2) \$501,500
- (3) \$1,896,158

**ATHENS UTILITIES BOARD
SCHEDULE OF RATES IN FORCE
June 30, 2019**

Power Division

Residential rates - RS:

Customer availability charge per month		\$ 15.82
Energy charge per kwh:	Summer	0.09295
	Winter	0.09169
	Transition	0.08938

General power - GSA:

Part 1 (0 - 50 kw demand and 0 - 15,000 kwh):

Customer availability charge per month		\$ 32.22
Energy charge per kwh (first 15,000 kwh)	Summer	0.10329
	Winter	0.10201
	Transition	0.09970

Part 1 Seasonal (0 - 50 kw demand and
0 - 15,000 kwh):

Customer availability charge per month		\$ 32.22
Energy charge per kwh (first 15,000 kwh)	Summer	0.10329
	Winter	0.10201
	Transition	0.09970

Part 2 (51 - 1,000 kw or over 15,000 kwh):

Customer availability charge per month		\$ 164.19
Summer		
Demand charge per kw:	First 50 kw	No Charge
	Above 50 kw	15.49
Energy charge per kwh:	First 15,000 kwh	0.10214
	Additional kwh	0.06049
Winter		
Demand charge per kw:	First 50 kw	No Charge
	Above 50 kw	14.52
Energy charge per kwh:	First 15,000 kwh	0.10086
	Additional kwh	0.05935
Transition		
Demand charge per kw:	First 50 kw	No Charge
	Above 50 kw	14.52
Energy charge per kwh:	First 15,000 kwh	0.09855
	Additional kwh	0.05781

Part 2 Seasonal (51 - 1,000 kw or over 15,000 kwh):

Customer availability charge per month		\$ 164.19
Summer		
Demand charge per kw:	First 50 kw	No Charge
	Above 50 kw	15.49
Energy charge per kwh:	First 15,000 kwh	0.10214
	Additional kwh	0.06049

(continued)

ATHENS UTILITIES BOARD
SCHEDULE OF RATES IN FORCE
June 30, 2019
(continued)

Power Division (continued)

General power - GSA: (continued)

Part 2 Seasonal (51 – 1,000 kw or over 15,000 kwh): (continued)

Winter

Demand charge per kw:	First 50 kw	No Charge
	Above 50 kw	\$ 14.52
Energy charge per kwh:	First 15,000 kwh	0.10086
	Additional kwh	0.05935

Transition

Demand charge per kw:	First 50 kw	No Charge
	Above 50 kw	14.52
Energy charge per kwh:	First 15,000 kwh	0.09855
	Additional kwh	0.05781

Part 3 (1,001 - 2,500 kw):

Customer availability charge per month \$ 623.52

Summer

Demand charge per kw:	First 1,000 kw	17.08
	Additional kw	16.57
Energy charge per kwh (all kwh)		0.06408

Winter

Demand charge per kw:	First 1,000 kw	16.11
	Additional kw	15.60
Energy charge per kwh (all kwh)		0.06292

Transition

Demand charge per kw:	First 1,000 kw	16.11
	Additional kw	15.60
Energy charge per kwh (all kwh)		0.06140

Part 3 Seasonal (1,001 - 2,500 kw):

Customer availability charge per month \$ 623.52

Summer

Demand charge per kw:	First 1,000 kw	17.08
	Additional kw	16.57
Energy charge per kwh (all kwh)		0.06408

Winter

Demand charge per kw:	First 1,000 kw	16.11
	Additional kw	15.60
Energy charge per kwh (all kwh)		0.06292

Transition

Demand charge per kw:	First 1,000 kw	16.11
	Additional kw	15.60
Energy charge per kwh (all kwh)		0.06140

(continued)

ATHENS UTILITIES BOARD
SCHEDULE OF RATES IN FORCE
June 30, 2019
(continued)

Power Division (continued)

General power - MSB:

Customer availability charge per month	\$ 1,500.00
Administrative charge	350.00

Summer

Demand charge	On peak per kw	10.24
	Max peak	2.26
Energy charge	All On peak kwh	0.07450
	Off peak 1 st 200 hours use	0.04950
	Off peak next 200 hours use	0.01981
	Off peak over 400 hours use	0.01726

Winter

Demand charge	On peak per kw	9.90
	Max peak	5.21
Energy charge	All On peak kwh	0.07523
	Off peak 1 st 200 hours use	0.06389
	Off peak next 200 hours use	0.02709
	Off peak over 400 hours use	0.02368

Transition

Demand charge	On peak per kw	9.27
	Max peak	2.26
Energy charge	All On peak kwh	0.05530
	Off peak 1 st 200 hours use	0.05530
	Off peak next 200 hours use	0.02274
	Off peak over 400 hours use	0.02019

General power - MSD:

Customer availability charge per month	\$ 1,500.00
Administrative charge	350.00

Summer

Demand charge	On peak per kw	10.24
	Max peak	1.64
Energy charge	All On peak kwh	0.07111
	Off peak 1 st 200 hours use	0.04610
	Off peak next 200 hours use	0.01953
	Off peak over 400 hours use	0.01894

Winter

Demand charge	On peak per kw	9.27
	Max peak	2.26
Energy charge	All On peak per kwh	0.06742
	Off peak 1 st 200 hours use	0.05605
	Off peak next 200 hours use	0.02413
	Off peak over 400 hours use	0.02158

(continued)

ATHENS UTILITIES BOARD
SCHEDULE OF RATES IN FORCE
June 30, 2019
(continued)

Power Division (continued)

General Power – MSD (continued)

Transition

Demand charge	On peak per kw	\$ 9.27
	Max peak	1.64
Energy charge	All On peak kwh	0.05212
	Off peak 1 st 200 hours use	0.05212
	Off peak next 200 hours use	0.02246
	Off peak over 400 hours use	0.02187

Outdoor lighting - LS:

Part A - Street lighting systems, traffic signal systems, and athletic field lighting installation:

Customer availability charge per month	\$ 2.50
Investment charge: (annual rate per \$1 investment)	.12
Investment charge for athletic lighting systems: (annual rate per \$1 investment)	.12
Energy charge: all kwh	0.06945

Part B - Individual outdoor lighting:

Mercury vapor - per light per month:	175w	\$ 10.24
	400w	19.44
	1,000w	37.94
High pressure sodium - per light per month:	100w	8.28
	100w - decorative	14.17
	250w	17.15
	400w	21.56
High pressure sodium (floods)		
- per light per month:	250w	20.75
	400w	23.37
Metal halide - per light per month:	175w	22.39
	400w - flood	22.93
	400w - box	27.78
	1,000w - flood	42.81
LED - per light per month:	64w	8.27
	72w - decorative	14.16
	216w	17.13
	216w - flood	21.54
	284w	22.40
	284w - flood	23.33
Pole charge per month		2.00

Number of customers at year-end:

Residential	11,043
Commercial	1,998
Industrial	272
Street and athletic	21
Outdoor lighting	1,994

(continued)

ATHENS UTILITIES BOARD
SCHEDULE OF RATES IN FORCE
June 30, 2019
(continued)

Fiber Optic Services

Industrial - charge per megabyte	\$ 100.00
Small commercial - charge per megabyte	75.00
Dark fiber - charge per month	200.00

Number of customers at year-end:

Industrial	2
Small commercial	4
Dark fiber	1

Water Division

	<u>Inside City</u>	<u>Outside City</u>
Service availability charge per month	\$ 9.50	\$ 10.50
Charge per 1,000 gallons per month	2.70	2.70
Charge per 1,000 gallons over 5,000	4.25	4.25

Charges over 5,000 as disclosed are based on 5/8 inch residential service. The volume tier and water rate charged vary for larger meters.

The single use monthly minimum bill shall be determined by the size of the meter serving the account as shown below:

<u>Meter Size</u>	<u>Net Minimum</u>
5/8 inch	\$ 9.50
1 inch	25.00
1 ¼ & 1 ½ inch	50.00
2 inch	100.00
3 inch	200.00
4 inch	400.00
6 inch	600.00

Number of customers at year-end:

Residential	6,989
Commercial	1,243
Industrial	35

Gas Division

	<u>Customer Charge (per month)</u>	<u>Commodity Charge (per therm)</u>	<u>PGA (per therm)</u>
Residential	\$ 6.00	\$ 0.4098	\$ 0.4708
Residential discount	5.00	0.3798	0.4708
Small commercial	10.00	0.2569	0.4708

(continued)

ATHENS UTILITIES BOARD
SCHEDULE OF RATES IN FORCE
June 30, 2019
(continued)

Gas Division (continued)

	<u>Industrial</u>		<u>Interruptible</u>	
	Load factor .50 or greater <u>(discounted)</u>	Load factor less than .50 <u></u>	Load factor .50 or greater <u>(discounted)</u>	Load factor less than .50 <u></u>
Customer charge (per month)	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00
Commodity charge (per therm):				
Demand	-	-	0.1540	0.1960
For firm plus PGA	-	-	0.1820	0.2030
First 10,000 plus PGA	0.1820	0.2030	0.1750	0.1960
From 10,001-20,000 plus PGA	0.1680	0.1890	0.1610	0.1820
From 20,001-40,000 plus PGA	0.1540	0.1756	0.1470	0.1680
Over 40,000 plus PGA	0.1401	0.1616	0.1130	0.1340
PGA	0.4708	0.4708	0.2880	0.2880
Unauthorized (in addition to interruptible charge)			1.5000	1.5000
Number of customers at year-end:				
Residential				5,429
Commercial				931
Industrial				10
Interruptible				6

Department of Sewer

Sewer rates:

Service availability charge per month:

Residential	\$ 17.00
Commercial	25.00
Industrial	25.00
Charge per 1,000 gallons per month	6.50

Number of customers at year-end:

Residential	4,402
Commercial	912
Industrial	21

ATHENS UTILITIES BOARD SCHEDULE OF WATER LOSS JUNE 30, 2019

AWWA Free Water Audit Software: Reporting Worksheet

WAS v5.0
American Water Works Association.
Copyright © 2014, All Rights Reserved.

? Click to access definition
+ Click to add a comment

Water Audit Report for: **Athens Utilities Board (0000024)**
Reporting Year: **2019** **7/2018 - 6/2019**

Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (n/a or 1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades

All volumes to be entered as: MILLION GALLONS (US) PER YEAR

To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds all criteria for that grade and all grades below it.

WATER SUPPLIED

← Enter grading in column 'E' and 'J' →

Volume from own sources: + ?	10	673.240	MG/Yr	+ ?	10	1.00%		MG/Yr
Water imported: + ?	10	417.807	MG/Yr	+ ?	10	1.00%		MG/Yr
Water exported: + ?	10	156.761	MG/Yr	+ ?	10	1.00%		MG/Yr

Master Meter and Supply Error Adjustments

Pcnt: Value: MG/Yr

1.00% 1.00% 1.00%

Enter negative % or value for under-registration
Enter positive % or value for over-registration

WATER SUPPLIED: 925.036 MG/Yr

AUTHORIZED CONSUMPTION

Billed metered: + ? 10 760.665 MG/Yr
Billed unmetered: + ? MG/Yr
Unbilled metered: + ? MG/Yr
Unbilled unmetered: + ? 11.563 MG/Yr

Default option selected for Unbilled unmetered - a grading of 5 is applied but not displayed

AUTHORIZED CONSUMPTION: 772.228 MG/Yr

Click here: ?
for help using option
buttons below

Pcnt: Value: MG/Yr

1.25%

Use buttons to select
percentage of water
supplied
OR
value

Pcnt: Value: MG/Yr

0.25%

0.09% MG/Yr
0.25% MG/Yr

WATER LOSSES (Water Supplied - Authorized Consumption)

152.807 MG/Yr

Apparent Losses

Unauthorized consumption: + ? 2.313 MG/Yr

Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed

Customer metering inaccuracies: + ? 9 0.685 MG/Yr
Systematic data handling errors: + ? 1.902 MG/Yr

Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed

Apparent Losses: 4.899 MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: ? **147.908 MG/Yr**

WATER LOSSES: 152.807 MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: 164.370 MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains: + ? 10 322.0 miles
Number of active AND inactive service connections: + ? 10 8,897
Service connection density: ? 28 conn./mile main

Are customer meters typically located at the curbside or property line? **Yes** (length of service line, beyond the property boundary, that is the responsibility of the utility)

Average length of customer service line: + ? Average length of customer service line has been set to zero and a data grading score of 10 has been applied

Average operating pressure: + ? 10 75.0 psi

COST DATA

Total annual cost of operating water system: + ? 10 \$2,861,973 \$/Year
Customer retail unit cost (applied to Apparent Losses): + ? 9 \$3.20 \$/1000 gallons (US)
Variable production cost (applied to Real Losses): + ? 10 \$1,717.70 \$/million gallons ☐ Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

*** YOUR SCORE IS: 92 out of 100 ***

A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score

PRIORITY AREAS FOR ATTENTION:

Based on the information provided, audit accuracy can be improved by addressing the following components:

1: Unauthorized consumption

2: Systematic data handling errors

3: Customer metering inaccuracies

(continued)

ATHENS UTILITIES BOARD
SCHEDULE OF WATER LOSS
JUNE 30, 2019
 (continued)



AWWA Free Water Audit Software:
System Attributes and Performance Indicators

WAS v5.0
 American Water Works Association.
 Copyright © 2014, All Rights Reserved.

Water Audit Report for: Athens Utilities Board (0000024)
 Reporting Year: 2019 7/2018 - 6/2019

*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 92 out of 100 ***

System Attributes:

Apparent Losses:	<u>4.899</u>	MG/Yr
+	<u>147.908</u>	MG/Yr
=	<u>152.807</u>	MG/Yr
? Unavoidable Annual Real Losses (UARL):	<u>84.22</u>	MG/Yr
Annual cost of Apparent Losses:	<u>\$15,678</u>	
Annual cost of Real Losses:	<u>\$254,062</u>	

Valued at **Variable Production Cost**
 Return to Reporting Worksheet to change this assumption

Performance Indicators:

Financial:	Non-revenue water as percent by volume of Water Supplied:	<u>17.8%</u>
	Non-revenue water as percent by cost of operating system:	<u>10.1%</u>
Operational Efficiency:	Apparent Losses per service connection per day:	<u>1.51</u> gallons/connection/day
	Real Losses per service connection per day:	<u>N/A</u> gallons/connection/day
	Real Losses per length of main per day*:	<u>1,258.47</u> gallons/mile/day
	Real Losses per service connection per day per psi pressure:	<u>N/A</u> gallons/connection/day/psi
From Above, Real Losses = Current Annual Real Losses (CARL):		<u>147.91</u> million gallons/year
? Infrastructure Leakage Index (ILI) [CARL/UARL]:		<u>1.76</u>

* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline

**ATHENS UTILITIES BOARD
LIST OF PRINCIPAL OFFICIALS
June 30, 2019**

Stan Harrison
Tom Hughes
John Coker
Bob Sevigny
Lou Pascarella

Chairman
Vice-Chairman
Board Member
Board Member
Board Member

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

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

Report of Independent Certified Public Accountants
on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of the Financial Statements Performed in
Accordance With Government Auditing Standards

Suite 1440 Republic Centre
633 Chestnut Street
Chattanooga, TN 37450-1440
Telephone (423) 267-4400
Facsimile (423) 266-2444

NEAL, SCOUTEN & McCONNELL, P.C.
Certified Public Accountants

To the Commissioners
Athens Utilities Board
Athens, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the business-type activities, each of the major funds, and the aggregate remaining fund information, the Pension Trust Fund, of Athens Utilities Board, a component unit of the City of Athens, Tennessee, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Athens Utilities Board's basic financial statements and have issued our report thereon dated September 9, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Athens Utilities Board'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 Athens Utilities Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Athens Utilities Board'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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Neal, Scouter & McConnell, P.C.

Chattanooga, Tennessee
September 9, 2019

**ATHENS UTILITIES BOARD
SCHEDULE OF PRIOR YEAR FINDINGS AND
QUESTIONED COSTS
Year Ended June 30, 2019**

FINANCIAL STATEMENT FINDINGS

There were no prior year findings or questioned costs.