

City of Algood, Tennessee

Annual Financial Report
For the Fiscal Year Ended June 30, 2023

City of Algood, Tennessee
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For the Fiscal Year Ended June 30, 2023

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Introductory Section

City of Algood, Tennessee
Roster of City Officials (Unaudited)
As of June 30, 2023

Elected Officials

Lisa Chapman-Fowler	Mayor
Luke Hill	Council Member, Vice Mayor
Ruby Hawkins	Council Member
Bill Bilbrey	Council Member
Ron Graves	Council Member

Management

Keith Morrison, CMFO	City Administrator
Anna Walker	City Recorder

* Designated with financial oversight responsibility

Financial Section



Independent Auditor's Report

Mayor and City Council
City of Algood, Tennessee

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Algood, Tennessee (the City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-10, schedule of changes in net pension liability (asset) based on participation in the Public Employee Pension Plan on page 46, and schedule of contributions based on participation in the Public Employee Pension Plan on page 47 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements. The supplementary information on pages 48-57 including the combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards and state financial assistance (as required by the State of Tennessee on page 57), are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information on pages 48-57 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section on page i, and the schedules on pages 58-60 but does not include the basic financial statements and our auditor’s report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2024 on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City’s internal control over financial reporting and compliance.

Blankenship CPA Group, PLLC

Blankenship CPA Group, PLLC
Brentwood, Tennessee
June 21, 2024

City of Algood, Tennessee
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2023

As management of the City of Algood, Tennessee (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2023. The analysis focuses on significant financial position, budget changes, and variances from the budget, and specific issues related to funds and the economic factors affecting the City.

Management's Discussion and Analysis (MD&A) focuses on current year activities and resulting changes. Please consider the information presented here in conjunction with the City's financial statements (beginning on page 11).

Financial Highlights

- The assets and deferred outflows of the City of Algood exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$26,808,000 (net position). Of this amount, \$6,988,000 (governmental unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$1,957,000 compared to prior year.
- As of the close of the current fiscal year, the City of Algood's governmental funds reported combined ending fund balances of \$7,729,000 an increase of \$676,000 in comparison with the prior year. Approximately 89% of this total amount, \$6,904,000 is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$6,904,000, or 165% of fiscal year 2023 final general fund expenditures including transfers. This demonstrates the City's fiscal discipline and places the City in a strong financial position to meet unexpected emergencies, uncertainties at the State level or a slowdown in the economy.
- The City of Algood's total long-term debt principal increased by \$335,000 during the current fiscal year. This net increase was due to new debt issued for sewer system improvements and scheduled debt service principal payments.

Overview of the Financial Statements

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

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Algood's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets, deferred outflows, liabilities, and deferred inflows, with the difference between assets plus deferred outflows and liabilities plus deferred inflows reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

City of Algood, Tennessee
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2023

Overview of the Financial Statements

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, personnel, finance, parks, planning, police, fire, disposal service, streets, and public works.

The government-wide financial statements can be found on pages 11-12 of this report.

Fund Financial Statements

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

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. The City maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund which is considered to be the only major fund. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements found on pages 48-49 in this report.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

City of Algood, Tennessee
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2023

Overview of the Financial Statements

Budget to Actual Comparisons – General Fund

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. Budget to actual comparisons for the General Fund can be found on pages 20-23 of this report. The comparison statements report the original fiscal year budget as well as any subsequent budget amendments. Grants budget revenues and budget expenditures were amended by a \$543,000 increase for receipt of the federal direct appropriation grant. State and local sales tax actual revenues were higher than budget by \$639,000 because of increased consumer spending in the City.

Proprietary Funds

The City has a utility fund to account for the activities of water and sewer operations. Proprietary funds provide the same type of information as the government-wide financial statements only in more detail. The proprietary fund is considered a major fund of the City, and its basic financial statements can be found on pages 17-19 of this report.

The fund financial statements can be found on pages 13-23 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-45 of this report.

Other Information

Included in Required Supplementary Information, the City's progress in funding its obligation to provide pension benefits to its employees is presented, which can be found on pages 46-47 of this report. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements can be found on pages 48-52 of this report.

City of Algood, Tennessee
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2023

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by \$26,800,000 as of June 30, 2023.

Net Position						
June 30, 2023 and 2022						
(amounts expressed in thousands)						
	Governmental		Business-type		Total	
	Activities		Activities			
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 9,322	\$ 8,079	\$ 3,230	\$ 3,473	\$ 12,552	\$ 11,552
Capital assets	<u>10,684</u>	<u>10,341</u>	<u>6,977</u>	<u>5,674</u>	<u>17,661</u>	<u>16,015</u>
Total assets	20,006	18,420	10,207	9,147	30,213	27,567
Deferred outflows of resources	111	44	18	6	129	50
Current liabilities	889	482	485	434	1,374	916
Other liabilities	<u>179</u>	<u>313</u>	<u>1,289</u>	<u>1,003</u>	<u>1,468</u>	<u>1,316</u>
Total liabilities	1,068	795	1,774	1,437	2,842	2,232
Deferred inflows of resources	691	533	-	-	691	533
Net position						
Net investment in capital assets	10,522	10,341	5,419	4,688	15,941	15,029
Restricted	848	807	-	-	848	807
Unrestricted	<u>6,988</u>	<u>5,988</u>	<u>3,032</u>	<u>3,028</u>	<u>10,020</u>	<u>9,016</u>
Total net position	\$ 18,358	\$ 17,136	\$ 8,451	\$ 7,716	\$ 26,809	\$ 24,852

City of Algood, Tennessee
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2023

Government-wide Financial Analysis

The City's Changes in Net Position						
For the years ended June 30, 2023 and 2022						
(amounts expressed in thousands)						
	Governmental		Business-type		Total	
	Activities		Activities			
	2023	2022	2023	2022	2023	2022
Revenues						
Program revenues:						
Charges for services	\$ 315	\$ 247	\$ 2,744	\$ 2,366	\$ 3,059	\$ 2,613
Operating grants and contributions	162	281	-	-	162	281
General revenues:						
Property taxes	432	423	-	-	432	423
Other taxes	3,546	3,217	-	-	3,546	3,217
Unrestricted grants	476	122	137	439	613	561
Other sources	89	90	46	4	135	94
Total revenues	<u>5,020</u>	<u>4,380</u>	<u>2,927</u>	<u>2,809</u>	<u>7,947</u>	<u>7,189</u>
Expenses						
General government	1,076	1,149	-	-	1,076	1,149
Public safety	1,359	1,362	-	-	1,359	1,362
Public works	669	624	-	-	669	624
Community center and parks	275	245	-	-	275	245
Cemetery and maintenance	10	7	-	-	10	7
Sanitation	308	326	-	-	308	326
Streets	101	83	-	-	101	83
Water and sewer	-	-	2,192	2,333	2,192	2,333
Total expenses	<u>3,798</u>	<u>3,796</u>	<u>2,192</u>	<u>2,333</u>	<u>5,990</u>	<u>6,129</u>
Revenues over/(under) expenses	1,222	584	735	476	1,957	1,060
Net position - beginning	17,136	16,326	7,716	7,240	24,852	23,566
Prior period adjustment	-	226	-	-	-	226
Net position - ending	\$ 18,358	\$ 17,136	\$ 8,451	\$ 7,716	\$ 26,809	\$ 24,852

City of Algood, Tennessee
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2023

Financial Analysis of the Government's Funds

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Based on the statements, the overall financial position of the City has improved during the current period. The general fund is the primary operation fund of the City with about 97% of the City's annual governmental revenues and expenditures. At the end of the current fiscal year, the unassigned fund balance of the general fund was \$6,904,000 or 89% of the total fund balance of \$7,729,000. The total fund balance of the general fund increased by \$659,000 during the year.

Proprietary Funds

Proprietary funds are considered business-type activities and are operated similarly. Net position of the City's utility fund increased by \$735,000 in the current fiscal year to an ending balance of \$8,451,000. The unrestricted portion of the utility fund net position decreased by \$4,000 to a balance of \$3,032,000.

Capital Assets

The City's net investment in capital assets from its governmental activities at June 30, 2023 amounts to \$10,522,000 (net of accumulated depreciation) and its business-type activities amounts to \$5,419,000 (net of accumulated depreciation and related debt). This investment in capital assets is in land, buildings, improvements, machinery, equipment, and construction in progress. The total net increase in the City's investment in governmental capital assets for the current fiscal year was \$181,000. The total depreciation expense in the governmental activities was \$601,000 and accumulated depreciation at the end of the year was \$6,282,000. The total depreciation expense in the business-type activities was \$279,000 and accumulated depreciation in the City's investment in business-type capital assets at the end of the current fiscal year was \$5,404,000. Additional information on the City's capital assets can be found in the notes to the basic financial statements.

Major capital asset events during the current fiscal year included construction in progress of the following:

- Big Mac Drive Extension
- Old Walton Sewer Extension
- Green Mountain Water System Improvements
- Other acquisitions of new equipment

Long-term Debt

The City has utility debt of \$1,322,000, which was used to finance improvements to the utility system which includes \$434,000 of new debt from the City of Algood Sewer System Loan. This new loan has \$1,866,000 available to draw down in future periods. Additional information on long-term debt can be found in the notes to the basic financial statements.

City of Algood, Tennessee
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2023

Financial Analysis of the Government's Funds

Currently Known Facts, Conditions, Economic Factors and Next Year's Budget and Rates

In the 2023-2024 budget, general fund revenues and user charges are budgeted to increase from the 2022-2023 budget year primarily due to increases in the local economy. The City's budget has benefited by an expanding commercial and retail base producing increased local sales tax receipts. All of these factors were considered in preparing the City's budget for the 2023-2024 fiscal year.

Request for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Keith Morrison, City Administrator
City of Algood, Tennessee
PO Box 49215, 215 West Main Street
Algood, Tennessee 38506

City of Algood, Tennessee
Statement of Net Position
June 30, 2023

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 7,394,267	\$ 3,222,433	\$ 10,616,700
Certificate of deposit	269,349	-	269,349
Accounts receivable and unbilled revenues	996,931	345,789	1,342,720
Prepaid items	-	8,796	8,796
Internal balances	363,005	(363,005)	-
Due from Putnam County	-	16,632	16,632
Lease receivable	298,502	-	298,502
Capital assets not being depreciated	2,060,826	1,830,394	3,891,220
Capital assets, net	<u>8,623,255</u>	<u>5,146,140</u>	<u>13,769,395</u>
Total assets	20,006,135	10,207,179	30,213,314
Deferred Outflows of Resources	111,160	18,118	129,278
Liabilities			
Accounts payable	44,516	109,970	154,486
Contracts payable	162,572	235,349	397,921
Accrued expenses	56,700	38,314	95,014
Unearned revenues	625,577	-	625,577
Noncurrent liabilities			
Due within one year	-	101,904	101,904
Due in more than one year	<u>179,078</u>	<u>1,288,746</u>	<u>1,467,824</u>
Total liabilities	1,068,443	1,774,283	2,842,726
Deferred Inflows of Resources	691,165	-	691,165
Net Position			
Net investment in capital assets	10,521,509	5,419,499	15,941,008
Restricted for			
Highways and streets	351,061	-	351,061
Cemetery	466,032	-	466,032
Drug education and investigations	30,853	-	30,853
Unrestricted	<u>6,988,232</u>	<u>3,031,515</u>	<u>10,019,747</u>
Total net position	\$ 18,357,687	\$ 8,451,014	\$ 26,808,701

City of Algood, Tennessee
Statement of Activities
For the Fiscal Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary Government							
Governmental Activities							
General government	\$ 1,075,933	\$ 69,523	\$ -	\$ -	\$ (1,006,410)	\$ -	\$ (1,006,410)
Police department	1,222,856	12,364	8,739	-	(1,201,753)	-	(1,201,753)
Fire department	136,450	-	-	-	(136,450)	-	(136,450)
Public works	668,850	103	-	-	(668,747)	-	(668,747)
Community center and parks	274,929	-	-	-	(274,929)	-	(274,929)
Cemetery	10,332	9,501	8,336	-	7,505	-	7,505
Sanitation	308,374	223,254	-	-	(85,120)	-	(85,120)
Highways and streets	100,567	-	144,934	-	44,367	-	44,367
Total governmental activities	3,798,291	314,745	162,009	-	(3,321,537)	-	(3,321,537)
Business-type Activities							
Water and sewer	2,191,545	2,744,126	-	-	-	552,581	552,581
Total primary government	\$ 5,989,836	\$ 3,058,871	\$ 162,009	\$ -	(3,321,537)	552,581	(2,768,956)
General Revenues							
Taxes							
Sales and use tax					3,093,198	-	3,093,198
Property					432,240	-	432,240
Beverage					113,592	-	113,592
Business licenses and permits					260,187	-	260,187
Rental income					78,536	-	78,536
Grants and contributions not restricted to specific programs					476,238	136,648	612,886
Unrestricted investment earnings					35,892	5,965	41,857
Other					53,206	40,000	93,206
Total general revenues					4,543,089	182,613	4,725,702
Change in net position					1,221,552	735,194	1,956,746
Net position, beginning of year					17,136,135	7,715,820	24,851,955
Net position, end of year					\$ 18,357,687	\$ 8,451,014	\$ 26,808,701

City of Algood, Tennessee
 Balance Sheet
 Governmental Funds
 June 30, 2023

	General	Other Governmental	Total Governmental
Assets			
Cash and cash equivalents	\$ 6,867,493	\$ 526,774	\$ 7,394,267
Certificate of deposit	-	269,349	269,349
Accounts receivable			
Intergovernmental	547,733	24,749	572,482
Property taxes	412,878	-	412,878
Customer	11,571	-	11,571
Due from other funds	363,005	11,541	374,546
Lease receivable	298,502	-	298,502
Total assets	<u>\$ 8,501,182</u>	<u>\$ 832,413</u>	<u>\$ 9,333,595</u>
Liabilities			
Accounts payable	\$ 37,048	\$ 7,468	\$ 44,516
Contracts payable	162,572	-	162,572
Accrued expenses	56,700	-	56,700
Due to other funds	11,541	-	11,541
Unearned revenues	625,577	-	625,577
Total liabilities	<u>893,438</u>	<u>7,468</u>	<u>900,906</u>
Deferred Inflows of Resources			
Deferred current property taxes	401,400	-	401,400
Deferred leases receivable	302,169	-	302,169
Total deferred inflows of resources	<u>703,569</u>	<u>-</u>	<u>703,569</u>
Fund Balances			
Restricted	-	824,945	824,945
Unassigned	6,904,175	-	6,904,175
Total fund balances	<u>6,904,175</u>	<u>824,945</u>	<u>7,729,120</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 8,501,182</u>	<u>\$ 832,413</u>	<u>\$ 9,333,595</u>

City of Algood, Tennessee
 Reconciliation of Balance Sheet - Governmental Funds to
 Government-wide Statement of Net Position
 June 30, 2023

Amounts reported for fund balances, total governmental funds		\$ 7,729,120
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in the governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		10,684,081
Differences between expected and actual experiences, assumption changes and net differences between projected and actual earnings and contributions subsequent to the measurement date for pension benefits are recognized as deferred outflows of resources and deferred inflows of resources on the statement of net position.		
Deferred outflows - pension related		111,160
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not recorded in the governmental funds.		
Accrued compensated absences	(172,418)	
Net pension liability	<u>(6,660)</u>	(179,078)
Certain receivables are not available to pay for current expenditures and, therefore, are deferred in the governmental funds.		<u>12,404</u>
Net position of governmental activities		\$ 18,357,687

City of Algood, Tennessee
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2023

	General	Other Governmental	Total Governmental
Revenues			
Taxes	\$ 3,639,030	\$ 144,934	\$ 3,783,964
Licenses and permits	260,187	-	260,187
Charges for services	305,244	9,501	314,745
Rental income	78,536	-	78,536
Grants	481,238	-	481,238
Interest income	35,851	2,462	38,313
Donations from public	40,661	5,915	46,576
Other revenues	12,545	3,739	16,284
Total revenues	<u>4,853,292</u>	<u>166,551</u>	<u>5,019,843</u>
Expenditures			
General government	1,517,671	-	1,517,671
Police department	1,193,691	18,013	1,211,704
Fire department	89,973	-	89,973
Community center and parks	247,629	-	247,629
Public works	454,534	-	454,534
Sanitation	269,876	-	269,876
Highways and streets	-	120,569	120,569
Cemetery	-	10,333	10,333
Capital outlay			
Police department	66,593	-	66,593
Community center and parks	5,900	-	5,900
Public works	348,757	-	348,757
Total expenditures	<u>4,194,624</u>	<u>148,915</u>	<u>4,343,539</u>
Net change in fund balances	658,668	17,636	676,304
Fund balances, beginning of year	6,245,507	807,309	7,052,816
Fund balances, end of year	<u>\$ 6,904,175</u>	<u>\$ 824,945</u>	<u>\$ 7,729,120</u>

City of Algood, Tennessee

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds to the Government-wide Statement of Activities
For the Fiscal Year Ended June 30, 2023

Amounts reported for net change in fund balance, total governmental funds \$ 676,304

Amounts reported for governmental activities in the statement of activities are different from amounts reported for governmental funds in the statement of revenues, expenditures, and changes in fund balances because:

Governmental funds report capital outlays as expenditures. However, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the current period in the statement of activities.

Capital outlay	944,482
Current year depreciation	(601,278)

Certain expenses reported for governmental activities do not require the use of current financial resources and, thus, are not reported as expenditures in the governmental funds.

Changes in accrued compensated absences	141,085
Changes in pension elements	<u>60,959</u>
Change in net position of governmental activities	\$ 1,221,552

City of Algood, Tennessee
Statement of Net Position
Proprietary Fund
June 30, 2023

Assets

Current assets	
Cash and cash equivalents	\$ 3,222,433
Customer account receivable, net of allowance of \$30,294	253,099
Unbilled revenues, net of allowance of \$16,357	92,690
Prepaid items	8,796
Due from Putnam County	16,632
Total current assets	3,593,650
Noncurrent assets	
Capital assets	12,380,487
Less accumulated depreciation	(5,403,953)
Total noncurrent assets	6,976,534
Total assets	10,570,184

Deferred Outflows of Resources

Pension related items	18,118
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Liabilities

Current liabilities	
Accounts payable	109,970
Contracts payable	235,349
Accrued expenses	38,314
Due to other funds	363,005
Long-term debt, current maturities	101,904
Total current liabilities	848,542
Noncurrent liabilities	
Long-term debt, net of current maturities	1,219,782
Net pension liability	2,098
Compensated absences	66,866
Total liabilities	2,137,288

Net Position

Net investment in capital assets	5,419,499
Unrestricted	3,031,515
Total net position	\$ 8,451,014

City of Algood, Tennessee
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2023

Operating Revenues

Metered sales	\$ 2,579,831
Installation and tap fees	<u>164,295</u>
Total operating revenues	2,744,126

Operating Expenses

Water purchased	1,074,066
Depreciation	279,403
Sewer services	164,050
Salaries	253,080
Materials and supplies	74,728
Employee benefits	101,907
Utilities	44,564
Repairs and maintenance	50,709
Professional services	46,128
Postage	26,671
Insurance	17,298
Contract labor	11,284
Auto expenses	23,912
Uniforms	2,304
Miscellaneous	<u>1,114</u>
Total operating expenses	2,171,218

Operating income (loss) 572,908

Nonoperating revenues (expenses)

Grant revenues	136,648
Gain on sale of land	40,000
Interest income	5,965
Interest expense	<u>(20,327)</u>
Total nonoperating revenues (expenses)	162,286

Change in net position 735,194

Net position, beginning of year	<u>7,715,820</u>
Net position, end of year	\$ 8,451,014

City of Algood, Tennessee
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2023

Cash flows from operating activities

Cash received from customers	\$ 2,751,646
Cash paid to suppliers for goods and services	(1,579,958)
Cash paid to employees for services	(412,769)
Net cash provided (used) by operating activities	758,919

Cash flows from noncapital financing activities

Proceeds from grant due to other funds	218,542
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Cash flows from capital and related financing activities

Acquisition and construction of capital assets	(792,737)
Principal payments on debt	(98,629)
Interest payments on debt	(20,327)
Proceeds from grant	248,960
Proceeds from sale of capital assets	40,000
Net cash provided (used) by capital and related financing activities	(622,733)

Cash flows from investing activities

Interest received	5,965
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Net change in cash and cash equivalents	360,693
Cash and cash equivalents, beginning of year	2,861,740
Cash and cash equivalents, end of year	\$ 3,222,433

Reconciliation of operating income (loss) to net cash provided (used) by operating activities

Operating income (loss)	\$ 572,908
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Depreciation	279,403
Change in:	
Accounts receivable, net	7,520
Prepaid items	327
Deferred outflows of resources related to pensions	(12,034)
Accounts payable	(43,986)
Accrued expenses	529
Accrued payroll	(47,846)
Net pension liability	2,098
Net cash provided (used) by operating activities	\$ 758,919

City of Algood, Tennessee
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2023

	<u>Budgeted amounts</u>		Actual amounts	Variance from final budget
	Original	Final		
Revenues				
Taxes				
State and local sales tax	\$ 2,415,000	\$ 2,415,000	\$ 3,054,144	\$ 639,144
Use tax	44,500	44,500	39,054	(5,446)
Property tax	435,200	435,200	432,240	(2,960)
Beverage taxes	118,600	118,600	113,592	(5,008)
Total taxes	<u>3,013,300</u>	<u>3,013,300</u>	<u>3,639,030</u>	<u>625,730</u>
Licenses and permits				
Business licenses	141,400	141,400	181,092	39,692
Building permits	35,000	35,000	79,095	44,095
Total licenses and permits	<u>176,400</u>	<u>176,400</u>	<u>260,187</u>	<u>83,787</u>
Charges for services	174,200	189,200	305,244	116,044
Rental income	78,213	78,213	78,536	323
Grants	458,307	1,001,007	481,238	(519,769)
Interest	20,000	20,000	35,851	15,851
Other revenues				
Donations	13,125	24,125	40,661	16,536
Sale of assets	30,000	30,000	-	(30,000)
Miscellaneous	12,000	12,000	12,545	545
Total other revenues	<u>55,125</u>	<u>66,125</u>	<u>53,206</u>	<u>(12,919)</u>
Total revenues	<u>3,975,545</u>	<u>4,544,245</u>	<u>4,853,292</u>	<u>309,047</u>

Continued

City of Algood, Tennessee
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2023

	<u>Budgeted amounts</u>		Actual amounts	Variance from final budget
	Original	Final		
Expenditures				
General government				
Salaries	246,852	246,852	277,515	30,663
Employee benefits	473,382	473,382	393,498	(79,884)
Payroll taxes	18,933	18,933	21,176	2,243
Subscriptions and memberships	8,250	8,250	6,748	(1,502)
Professional services	102,000	102,000	143,718	41,718
Education and training	38,200	41,200	38,197	(3,003)
Supplies	16,000	16,000	19,290	3,290
Repairs and maintenance	38,100	56,100	49,619	(6,481)
Utilities	26,000	26,000	25,565	(435)
Grants	454,307	983,307	477,998	(505,309)
Insurance	16,000	16,000	13,839	(2,161)
Miscellaneous	68,900	68,900	50,508	(18,392)
Total general government	<u>1,506,924</u>	<u>2,056,924</u>	<u>1,517,671</u>	<u>(539,253)</u>
Police department				
Salaries	893,686	898,686	823,343	(75,343)
Employee benefits	130,779	130,779	108,759	(22,020)
Payroll taxes	65,691	65,691	62,986	(2,705)
Training and travel	15,000	15,000	16,236	1,236
Subscriptions and memberships	20,000	20,000	30,843	10,843
Vehicle	71,000	71,000	61,762	(9,238)
Office supplies	37,000	37,000	37,160	160
Repairs and maintenance	1,600	1,600	261	(1,339)
Utilities	17,000	17,000	8,759	(8,241)
Grants	5,000	13,700	9,848	(3,852)
Insurance	35,000	35,000	30,272	(4,728)
Miscellaneous	5,900	5,900	3,462	(2,438)
Capital outlay	108,000	108,000	66,593	(41,407)
Total police department	<u>1,405,656</u>	<u>1,419,356</u>	<u>1,260,284</u>	<u>(159,072)</u>

Continued

City of Algood, Tennessee
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2023

	<u>Budgeted amounts</u>		Actual amounts	Variance from final budget
	Original	Final		
Expenditures				
Fire department				
Volunteer firemen	25,000	25,000	31,928	6,928
Employee benefits	3,500	3,500	2,484	(1,016)
Payroll taxes	1,875	1,875	2,442	567
Training and travel	2,000	2,000	3,964	1,964
Vehicle	9,000	9,000	2,309	(6,691)
Operating supplies	7,500	7,500	11,629	4,129
Repairs and maintenance	10,000	10,000	9,794	(206)
Utilities	12,200	12,200	11,961	(239)
Insurance	15,500	15,500	13,406	(2,094)
Miscellaneous	4,950	4,950	56	(4,894)
Total fire department	<u>91,525</u>	<u>91,525</u>	<u>89,973</u>	<u>(1,552)</u>
Community center and parks				
Salaries	127,574	127,574	112,413	(15,161)
Employee benefits	16,819	16,819	13,698	(3,121)
Payroll taxes	9,500	9,500	8,599	(901)
Activities	6,000	6,000	7,674	1,674
Supplies	59,000	59,000	41,096	(17,904)
Repairs and maintenance	5,500	5,500	4,704	(796)
Utilities	18,950	18,950	22,055	3,105
Insurance	8,000	8,000	6,919	(1,081)
Miscellaneous	30,471	30,471	30,471	-
Capital outlay	16,000	21,000	5,900	(15,100)
Total community center and parks	<u>297,814</u>	<u>302,814</u>	<u>253,529</u>	<u>(49,285)</u>
Public works				
Salaries	238,494	238,494	277,628	39,134
Employee benefits	34,920	34,920	32,543	(2,377)
Payroll taxes	17,737	17,737	21,238	3,501
Vehicle	23,000	23,000	25,356	2,356
Supplies	39,500	39,500	35,292	(4,208)
Repairs and maintenance	62,000	62,000	44,259	(17,741)
Utilities	7,000	7,000	9,156	2,156
Insurance	10,000	10,000	8,789	(1,211)
Miscellaneous	745	745	273	(472)
Capital outlay	420,000	420,000	348,757	(71,243)
Total public works	<u>853,396</u>	<u>853,396</u>	<u>803,291</u>	<u>(50,105)</u>

Continued

City of Algood, Tennessee
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2023

	<u>Budgeted amounts</u>		Actual amounts	Variance from final budget
	Original	Final		
Expenditures				
Sanitation				
Salaries	105,054	105,054	91,336	(13,718)
Employee benefits	15,072	15,072	9,699	(5,373)
Payroll taxes	7,886	7,886	6,987	(899)
Training and travel	200	200	-	(200)
Vehicle	48,000	48,000	51,184	3,184
Supplies	21,200	21,200	13,972	(7,228)
Repairs and maintenance	500	500	343	(157)
Insurance	5,800	5,800	5,017	(783)
Miscellaneous	90,000	90,000	91,338	1,338
Total sanitation	<u>293,712</u>	<u>293,712</u>	<u>269,876</u>	<u>(23,836)</u>
Total expenditures	4,449,027	5,017,727	4,194,624	(823,103)
Change in fund balance	(473,482)	(473,482)	658,668	1,132,150
Fund balance, beginning of year	<u>6,245,507</u>	<u>6,245,507</u>	<u>6,245,507</u>	<u>-</u>
Fund balance, end of year	\$ 5,772,025	\$ 5,772,025	\$ 6,904,175	\$ 1,132,150

City of Algood, Tennessee
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 1. Summary of Significant Accounting Policies

Nature of Entity

The City of Algood, Tennessee (the City) was incorporated in 1968, and adopted its first charter on March 7, 1968, under sections 6-101 through 6-134, Tennessee Code Annotated.

Reporting Entity

The City operates under a Mayor-City Council form of government and provides the following services as authorized by its charter: public safety (police and fire), water and sewer, streets, recreation, public improvements, planning and zoning, and general administrative services. In evaluating the City as a reporting entity, management has considered all potential component units (traditionally, separate reporting entities) for which the City may be financially accountable and, as such, should be included within the City's financial statements in accordance with *Section 2100—Defining the Financial Reporting Entity* of the Governmental Accounting Standards Board (GASB) Codification. The City (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization, or (2) there is a potential for the organization to provide specific financial benefit or to impose specific financial burden on the City. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The City has no component units for the fiscal year ended June 30, 2023.

The more significant of the government's accounting policies are described below.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

City of Algood, Tennessee
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 1. Summary of Significant Accounting Policies

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured, such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenues when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered measurable and available only when cash is received by the City.

The proprietary fund is reported using the economic resources measurement focus and the accrual basis of accounting.

Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are inter-related. The governmental activities column incorporates data from governmental funds and internal service funds (if any), while business-type activities incorporate data from the City's enterprise fund.

In the government-wide statement of net position, both the governmental and business-type activities columns are presented on a consolidated basis by column, and are reported on a full accrual, economic resource basis, which includes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts – net investment in capital assets, restricted, and unrestricted.

City of Algood, Tennessee
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 1. Summary of Significant Accounting Policies

Government-wide Financial Statements

The government-wide statement of activities reports both the gross and net cost per functional category (public works, public safety, etc.), which are otherwise being supported by general government revenues (taxes, licenses and permits, etc.) and business-type activities. The statement of activities reduces gross expenses, including depreciation, by related program revenues (charges for services, operating and capital grants, and contributions). The program revenues must be directly associated with a function or a business-type activity. The City does not allocate indirect expenses. The operating grants include operating specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants. The City first utilizes restricted resources to finance qualifying activities.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's business-type activities, sewer, water, and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements

The City's accounting records are organized and operated on a fund basis. A fund is a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives, in accordance with special regulations, restrictions, or limitations.

The fund financial statements provide information about the City's various funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the City or meets certain criteria based on the size of its assets, liabilities, revenues, or expenses/expenditures. Remaining governmental and enterprise funds, if any, are aggregated and reported as nonmajor funds, unless an election is made by the entity to report selected nonmajor funds as major.

The City reports the general fund as the only major governmental fund. The general fund is the general operating fund of the City. It is used to account for all financial resources of the general government except those required to be accounted for in another fund. Nonmajor funds are reported in a composite column on the fund financial statements.

Proprietary Funds

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. This focus of proprietary fund measurement is upon determination of operating income, changes in net position, and cash flows.

City of Algood, Tennessee
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 1. Summary of Significant Accounting Policies

Fund Financial Statements

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. Operating expenses include the cost of sales and services, administrative and personnel expenses, repairs, supplies, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Proprietary funds include enterprise funds to account for those operations that are financed and operated in a manner similar to private business or where the City has decided that the determination of revenues earned, costs incurred, and/or net income is necessary for management accountability.

The City's utility fund is used to account for water and sewer operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Interfund Activities and Transactions

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Regulatory Accounting

The City's utility fund follows the principles of proprietary fund accounting in accordance with GASB pronouncements. Proprietary fund accounting is used to report business-type activities, as contrasted with tax-supported governmental activities.

City of Algood, Tennessee
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 1. Summary of Significant Accounting Policies

Regulatory Accounting

The City's utility fund also complies with policies and practices prescribed by the City's governing body and with practices common in the utility industry. As the City's governing body has the authority to set rates, the City's proprietary fund follows the regulatory accounting guidance of GASB Codification section *Re10—Regulated Operations*, which provides for the reporting of assets and liabilities consistent with the economic effect of the rate structure. Regulatory assets are recorded to reflect probable future revenues associated with certain costs that are expected to be recovered from customers through the rate-making process. Regulatory liabilities are recorded to reflect probable future reduction in revenues associated with amounts that are expected to be credited to customers in the rate-making process.

Budgets and Budgetary Accounting

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

- a. Formal budgets are adopted and approved by Council vote on an annual basis for all governmental funds. These budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP)
- b. The City Council approves, by ordinance, total budget appropriations by department only. The Mayor is authorized to transfer budget amounts between line items within each department; however, any revisions that alter the total appropriations of any fund must be approved by the City Council.
- c. The budget amounts shown in the financial statements as "Final Budget" are the final authorized amounts as amended during the year.

Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, savings accounts, certificates of deposit with original maturities of three months or less from the date of acquisition, and amounts held by the State Local Government Investment Pool.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets, which include property, plant, and equipment, and infrastructure assets consisting of certain improvements other than buildings, including roads, bridges, streets, sidewalks, and drainage systems are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an individual cost of at least \$5,000 and an estimated useful life in excess of three years. All fixed assets are valued at historical cost or estimated historical cost, if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

In the fund financial statements, capital assets used in governmental operations are accounted for as capital outlay expenditures upon acquisition.

City of Algood, Tennessee
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 1. Summary of Significant Accounting Policies

Capital Assets

Depreciation is provided over the estimated useful lives using the straight-line method.

The estimated useful lives are as follows:

Infrastructure	40 – 50 years
Buildings	10 – 50 years
Utility plant in service	10 – 50 years
Furniture and equipment	3 – 10 years

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City has deferred outflows related to its pension reporting.

Also, in addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time. The City has two items that qualify for reporting as deferred inflows of resources – property taxes that are assessed prior to the end of the fiscal year but levied in the subsequent year, and amounts related to future cash received for the lease of City-owned property. Unavailable revenues, which arise only under a modified accrual basis of accounting, are reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Compensated Absences

The City's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from government service. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable. Compensated absences will be liquidated in future periods primarily by the general fund for governmental activities. Business-type activities compensated absences will be liquidated by the respective proprietary fund.

Leases

The City determines if an arrangement is or contains a lease at contract inception and recognizes an intangible right of use asset and a lease liability at the lease commencement date. Subsequently, the intangible right of use asset is amortized on a straight-line basis over its useful life. The City also enters into agreements, as lessor, to lease property, recognizing a lease receivable and a deferred inflow of resources. The lease term includes the noncancelable period of the lease plus an additional period covered by either an option to extend or not to terminate the lease that the lessee is reasonably certain to exercise, or an option to extend or not to terminate the lease controlled by the lessor. The City uses its estimated incremental borrowing rate as the discount rate for leases.

City of Algood, Tennessee
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 1. Summary of Significant Accounting Policies

Leases

The City monitors events or changes in circumstances that require a reassessment of its leases. When a reassessment results in the remeasurement of a lease liability, a corresponding adjustment is made to the carrying amount of the intangible right of use asset.

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds and are recorded as an adjustment to interest expense. Bonds payable are reported net of the applicable bond premium or discount. In accordance with GASB Codification Section 130: *Interest Costs – Imputation*, bond issuance costs are expensed in the period incurred, except for prepaid insurance costs.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Categories and Classification of Fund Equity

Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance.

City of Algood, Tennessee
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 1. Summary of Significant Accounting Policies

Categories and Classification of Fund Equity

Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Government-wide equity – In the government-wide financial statements, equity is reported as net position and displayed in three components:

Net investment in capital assets – Consists of capital assets including restricted capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, warrants, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – Constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted – All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Categories and Classification of Fund Equity

The provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, specifies the following classifications:

Nonspendable fund balance – Nonspendable fund balances are amounts that cannot be spent because they are either not in spendable form (such as prepaids) or legally or contractually required to remain intact.

Restricted fund balance – Restricted fund balances are restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

City of Algood, Tennessee
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 1. Summary of Significant Accounting Policies

Categories and Classification of Fund Equity

Assigned fund balance – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The Council has by resolution authorized the finance director to assign fund balance. The Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenues and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned fund balance – Unassigned fund balance is the residual classification for the general fund.

Revenues and Expenditures/Expenses

Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Categories and Classification of Fund Equity

Property Tax

The City's property tax is levied each November 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the City's legal boundaries. All City taxes on real estate are declared to be a lien on such realty from January 1 of the year assessments are made.

Assessed values are established by the State of Tennessee at the following rates of appraised market value:

Public utility property	55%
Industrial and commercial property	
Real property	40%
Personal property	30%
Residential, agricultural, home belt, forest, and farm property	25%

Taxes were levied at a rate of \$0.3623 per \$100 of assessed value for the fiscal year ended June 30, 2023.

Payments may be made during the period from November 1 through March 31. Current tax collections of \$394,264 for the fiscal year ended June 30, 2023 were approximately 99% of the tax levy.

Delinquent taxes are turned over for collection as required by the City Municipal Code.

City of Algood, Tennessee
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 1. Summary of Significant Accounting Policies

Revenue Recognition

Ad valorem taxes are assessed on property valuations and statutory liens are attached to such properties as of January 1 each year. These taxes are due November 1, but do not become delinquent until January 1, after which penalties are levied. Other material revenues which are susceptible to accrual include gross receipts, interest income, and state-shared revenues. Revenues which are not both available and measurable and thus not susceptible to accrual include franchise taxes and business licenses. Unearned revenues recorded on the governmental fund balance sheet represent amounts received before eligibility requirements are met.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from the City's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of the TCRS. Investments are reported at fair value.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make various estimates. Actual results could differ from those estimates.

Note 2. Deposits and Investments

The City is authorized to invest funds in federal treasury bills and notes, the State of Tennessee Local Government Investment Pool, and financial institution demand deposit accounts and certificates of deposit. During the year, the City invested funds that were not immediately needed in certificates of deposit and savings accounts. The City has deposit policies to minimize custodial credit risks. All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105% of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

For deposits with financial institutions that do not participate in the bank collateral pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105% of the uninsured amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the City. The City's deposits with financial institutions are fully insured or collateralized by securities held by the depository bank in the City's name. Additionally, the deposit accounts are covered by the Federal Depository Insurance Corporation (FDIC).

City of Algood, Tennessee
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 3. Accounts Receivable

For the Enterprise Fund, operating revenues are generally recognized on the basis of cycle billings rendered monthly. The amount of services delivered for the period from the last billing date to the end of the fiscal year (unbilled revenues) is estimated and accrued at year-end, net of an allowance for doubtful accounts. If payments are not received from customers, services are shut off. Accounts receivable at June 30, 2023, consist of the following, by fund:

	General	State Street Aid	Utility	Total
Property taxes	\$ 412,878	\$ -	\$ -	\$ 412,878
Other governments	547,733	24,749	-	572,482
Customer	11,571	-	392,440	404,011
Less allowance for doubtful accounts	-	-	(46,651)	(46,651)
Total	\$ 972,182	\$ 24,749	\$ 345,789	\$ 1,342,720

Note 4. Interfund Balances and Transactions

Interfund receivables and payables are attributable to charges between funds that are outstanding and are as follows:

	Interfund receivable	Interfund payable
Governmental Activities		
General	\$ 363,005	\$ (11,541)
Nonmajor		
State street aid	10,541	-
Cemetery	1,000	-
Eliminations	(11,541)	11,541
	<u>483,021</u>	<u>(120,016)</u>
Net governmental activities receivable	\$ 363,005	
Business-type Activities		
Utility	\$ -	\$ (363,005)
Net business-type activities payable		\$ (363,005)

Note 5. Concentrations of Credit Risk

Financial instruments that potentially subject the City to significant concentrations of credit risk consist principally of cash and accounts receivable. The City places its cash with federally insured financial institutions, institutions participating in the State collateral pool, and deposits in financial institutions collateralized in accordance with Tennessee Code Annotated, Title 6, Chapter 56. With respect to accounts receivable, credit risk is dispersed across a large number of customers concentrated within one area of service.

City of Algood, Tennessee
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 6. Leases

The City, as lessor, leases real property under non-cancelable lease arrangements. The City recognized total lease and interest revenues of \$86,048 in 2023 related to its lease receivables.

During the reporting period, the City was a lessor in an existing lease contract with the United States Postal Service for real property located at 122 W. Main St, Algood, TN. The terms of the lease are in effect to July 31, 2025, and include annual rent of \$31,350.

During the reporting period, the City was a lessor in an existing lease contract with a private entity for real property located at 180 W. Washington St, Algood, TN. The monthly rent was \$3,976 to April 30, 2023. There was a lease modification and extension agreement entered into as of May 10, 2023. The terms of the lease are in effect from May 1, 2023 to May 1, 2028, and include monthly rent of \$4,600.

Note 7. Deferred Inflows of Resources

Deferred inflows of resources as presented on the statement of net position at June 30, 2023, consist of the following:

	Governmental Activities	Business-type Activities	Total
Deferred property taxes receivable	\$ 388,996	\$ -	\$ 388,996
Deferred leases receivable	<u>302,169</u>	<u>-</u>	<u>302,169</u>
Total	\$ 691,165	\$ -	\$ 691,165

City of Algood, Tennessee
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 8. Capital Assets

A summary of changes in capital assets as presented in the governmental activities column of the government-wide statement of net position is as follows:

Governmental Activities	Beginning Balance	Additions/ Transfers in	Deletions/ Transfers out	Ending Balance
Capital assets not being depreciated				
Land	\$ 1,584,501	\$ -	\$ -	\$ 1,584,501
Construction in progress	<u>3,000</u>	<u>473,325</u>	<u>-</u>	<u>476,325</u>
Total capital assets not being depreciated	1,587,501	473,325	-	2,060,826
Capital assets being depreciated				
Buildings and improvements	5,133,815	24,407	-	5,158,222
Infrastructure	6,249,750	150,433	-	6,400,183
Equipment	<u>3,168,691</u>	<u>296,317</u>	<u>(118,048)</u>	<u>3,346,960</u>
Total capital assets being depreciated	14,552,256	471,157	(118,048)	14,905,365
Less: accumulated depreciation				
Buildings and improvements	(1,724,531)	(118,552)	-	(1,843,083)
Infrastructure	(2,437,785)	(243,848)	-	(2,681,633)
Equipment	<u>(1,636,564)</u>	<u>(238,878)</u>	<u>118,048</u>	<u>(1,757,394)</u>
Total accumulated depreciation	<u>(5,798,880)</u>	<u>(601,278)</u>	<u>118,048</u>	<u>(6,282,110)</u>
Total capital assets being depreciated, net	<u>8,753,376</u>	<u>(130,121)</u>	<u>-</u>	<u>8,623,255</u>
Governmental activities capital assets, net	\$ 10,340,877	\$ 343,204	\$ -	\$ 10,684,081

All assets are being depreciated except for land and construction in progress of \$1,584,501 and \$476,325, respectively.

Depreciation expense was allocated to the governmental functions in the statement of activities as follows:

General Fund	
General government administration	\$ 69,002
Police department	113,734
Fire department	49,305
Highways and streets	275,972
Parks	41,977
Sanitation	<u>51,288</u>
	\$ 601,278

City of Algood, Tennessee
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 8. Capital Assets

A summary of changes in capital assets as presented in the business-type activities column of the government-wide statement of net position and the proprietary fund statement of net position is as follows:

Business-type Activities	Beginning Balance	Additions/ Transfers in	Deletions/ Transfers out	Ending Balance
Capital assets not being depreciated				
Land	\$ 15,000	\$ -	\$ -	\$ 15,000
Construction in progress	<u>248,960</u>	<u>1,566,434</u>	<u>-</u>	<u>1,815,394</u>
Total capital assets not being depreciated	263,960	1,566,434	-	1,830,394
Capital assets being depreciated				
Utility system	10,075,326	-	-	10,075,326
Equipment	<u>479,997</u>	<u>15,453</u>	<u>(20,683)</u>	<u>474,767</u>
Total capital assets being depreciated	10,555,323	15,453	(20,683)	10,550,093
Less: accumulated depreciation				
Utility system	(4,606,433)	(242,192)	-	(4,848,625)
Equipment	<u>(538,800)</u>	<u>(37,211)</u>	<u>20,683</u>	<u>(555,328)</u>
Total accumulated depreciation	<u>(5,145,233)</u>	<u>(279,403)</u>	<u>20,683</u>	<u>(5,403,953)</u>
Total capital assets being depreciated, net	<u>5,410,090</u>	<u>(263,950)</u>	<u>-</u>	<u>5,146,140</u>
Business-type activities capital assets, net	\$ 5,674,050	\$ 1,302,484	\$ -	\$ 6,976,534

All assets, except land of \$15,000 and construction in progress of \$1,815,394, are being depreciated. Depreciation expense was \$279,403 in 2023.

City of Algood, Tennessee
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 9. Long-term Liabilities

During the year, the changes in long-term liabilities were as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending balance</u>	<u>Due within one year</u>
Governmental Activities					
Compensated absences	\$ 313,503	\$ -	\$ (141,085)	\$ 172,418	\$ -
Net pension liability	<u>-</u>	<u>6,660</u>	<u>-</u>	<u>6,660</u>	<u>-</u>
Total governmental activities	\$ 313,503	\$ 6,660	\$ (141,085)	\$ 179,078	\$ -
Business-type Activities					
State revolving loan funds	\$ 986,530	\$ -	\$ (98,629)	\$ 887,901	\$ 91,908
City of Algood sewer system loan	<u>-</u>	<u>433,785</u>	<u>-</u>	<u>433,785</u>	<u>9,996</u>
Total notes	986,530	433,785	(98,629)	1,321,686	101,904
Compensated absences	112,873	-	(46,007)	66,866	-
Net pension liability	<u>-</u>	<u>2,098</u>	<u>-</u>	<u>2,098</u>	<u>-</u>
Total business-type activities	\$ 1,099,403	\$ 435,883	\$ (144,636)	\$ 1,390,650	\$ 101,904

Direct Borrowings

In 2012, the City issued a note payable in the amount of \$1,829,054 to the State of Tennessee through its state revolving loan fund (State Revolving Loan). The note pays interest at a rate of 2.14% and matures in 2032. The outstanding balance at year-end is \$887,901.

On March 29, 2023, the City entered into a loan agreement with the Public Building Authority of the City of Clarksville, Tennessee (City of Algood Sewer System Loan) for a loan in the amount of \$2,300,000, for the purpose of making improvements to the sewer system. The 4.24% fixed interest rate loan was obtained through the Tennessee Municipal Bond Fund and is amortized over 25 years. As of June 30, 2023, \$433,785 of the loan proceeds have been drawn down.

City of Algood, Tennessee
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 9. Long-term Liabilities

Principal and interest requirements to maturity on all outstanding bonds, loans, and obligations, as of June 30, 2023, are as follows:

Business-type Activities

Year	State Revolving Loan		City of Algood Sewer System Loan		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 91,908	\$ 18,202	\$ 9,996	\$ 18,512	\$ 101,904	36,714
2025	102,596	16,032	10,562	17,986	113,158	34,018
2026	104,814	13,814	10,939	17,537	115,753	31,351
2027	107,078	11,551	11,316	17,073	118,394	28,624
2028	109,393	9,235	11,882	16,593	121,275	25,828
2029-2033	372,112	13,446	67,521	74,944	439,633	88,390
2034-2038	-	-	83,174	59,360	83,174	59,360
2039-2043	-	-	102,411	40,133	102,411	40,133
2044-2048	-	-	125,984	16,481	125,984	16,481
	\$ 887,901	\$ 82,280	\$ 433,785	\$ 278,619	\$ 1,321,686	\$ 360,899

Note 10. Net Investment in Capital Assets

The elements of this calculation are as follows:

	Governmental Activities	Business-type Activities	Total
Capital assets (net)	\$ 10,684,081	\$ 6,976,534	\$ 17,660,615
Outstanding debt related to capital assets	-	(1,321,686)	(1,321,686)
Outstanding other liabilities related to capital assets	(162,572)	(235,349)	(397,921)
Net investment in capital assets	\$ 10,521,509	\$ 5,419,499	\$ 15,941,008

Note 11. Defined Contribution Pension Plan

The City adopted a Money Purchase Pension Plan, effective February 1, 1982. Contributions were invested and administered by/with the Principal Mutual Life Insurance Company. The contribution rate was 10% of compensation for each qualified employee. The vesting percentage was 0% prior to the first five years of service then 100% vesting at five years of service. The plan was frozen in 2018 and terminated during the current fiscal year.

The City has no liability related to the plan at year-end. Participants had the right to withdraw the funds, or transfer balances to the 401(k) plan noted below.

City of Algood, Tennessee
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 11. Defined Contribution Pension Plan

Effective October 1, 2018, the City adopted an Internal Revenue Service (IRS) Section 457(b) defined contribution plan known as the Tennessee State Employees Deferred Compensation Plan and Trust – 457(b) administered by the TCRS. The City does not make contributions to this plan, but employees may elect to contribute a portion of eligible compensation up to an annual maximum amount determined by the IRS. The 457(b) plan assets remain the property of the contributing employees and are not presented in the accompanying financial statements.

Effective October 1, 2018, the City also adopted an IRS Section 401(k) defined contribution plan known as the State of Tennessee Deferred Compensation Plan II – 401(k) administered by TCRS. The City contributes 10% of the participants' compensation to the plan. Employees may elect to contribute an additional portion of eligible compensation up to an annual maximum amount determined by the IRS. Employee contributions are immediately 100% vested, and employer contributions are subject to vesting at a rate of 20% per year of service. The vested 401(k) plan assets remain the property of the participating employees and are not presented in the accompanying financial statements. The City's contributions to the plan were \$44,762 for the year ended June 30, 2023, comprised of \$38,489 in governmental activities and \$6,273 in business-type activities.

Effective January 1, 2022, the City offered all full-time employees the option of participating in the defined benefit pension plan through the Public Employee Retirement Plan administered by the TCRS in lieu of the city contributing 10% of the employee's compensation to the 401(k) plan. All eligible employees may contribute to the previously mentioned 457(b) or 401(k) plans regardless of participation in the defined contribution plan or defined benefit plan, subject to the limitations determined by the IRS.

Note 12. Defined Benefit Pension Plan

General Information

Plan Description

Employees of the City are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

Benefits Provided

Tennessee Code Annotated, Title 8, Chapters 34-37, establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service-related disability benefits are provided regardless of length of service. Five years of service is required for non-service-related disability eligibility. The service-related and non-service-related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10% and include projected service credits. A variety of death benefits are available under various eligibility criteria.

City of Algood, Tennessee
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 12. Defined Benefit Pension Plan

General Information

Benefits Provided

Member and beneficiary annuitants are entitled to automatic cost-of-living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3%, and applied to the current benefit. No COLA is granted if the change in the CPI is less than 0.5%. A 1% COLA is granted if the CPI change is between 0.5% and 1%. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees Covered by Benefit Terms

At the measurement date of June 30, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	-
Inactive employees entitled to but not yet receiving benefits	2
Active employees	25
	27

Contributions

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees are non-contributory. The City makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2023, the employer contributions for the City were \$127,251, based on a rate of 11.20% of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the City's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability

Pension Liabilities

The City's net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability as of the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	Graded salary ranges from 8.72% to 3.44%, based on age, including inflation, and averaging 4.00%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation
Cost of living adjustment	2.125%

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

City of Algood, Tennessee
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 12. **Defined Benefit Pension Plan**

Net Pension Liability

Actuarial Assumptions

The actuarial assumptions used in the June 30, 2022 actuarial valuation are based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2020 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.25%. The best estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

Asset class	Long-term expected real rate of return	Target allocation
US equity	4.88%	31%
Developed market international equity	5.37%	14%
Emerging market international equity	6.09%	4%
Private equity and strategic lending	6.57%	20%
US fixed income	1.20%	20%
Real estate	4.38%	10%
Short-term securities	0.00%	1%
		<hr style="width: 100%; border: 0.5px solid black;"/> 100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75% based on a blending of the factors described above.

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the City will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Algood, Tennessee
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 12. **Defined Benefit Pension Plan**

Changes in the Net Pension Liabilities (Assets)

	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (asset) (a)-(b)
Balance, June 30, 2021	\$ -	\$ -	\$ -
Service cost	-	-	-
Interest	-	-	-
Changes of benefit terms	55,749	-	55,749
Experience differences	-	-	-
Changes in assumptions	-	-	-
Contributions, employer	-	49,285	(49,285)
Contributions, employee	-	-	-
Net investment income	-	(917)	917
Benefit payments, including refunds of employee contributions	-	-	-
Administrative expenses	-	(1,377)	1,377
Other changes	-	-	-
Net changes	<u>55,749</u>	<u>46,991</u>	<u>8,758</u>
Balance, June 30, 2022	\$ 55,749	\$ 49,991	\$ 8,758

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate.

The following presents the net pension liability of the City calculated using the discount rate of 6.75%, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current rate (6.75%)	1% Increase (7.75%)
The City's net pension liability (asset)	\$ 23,318	\$ 8,758	\$ (2,421)

Pension Expense

For the year ended June 30, 2023, the City recognized pension expense of \$56,016.

City of Algood, Tennessee
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 12. Defined Benefit Pension Plan

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Net difference between projected and actual earnings on pension plan investments	\$ 2,027	\$ -
Contributions made subsequent to the measurement date of June 30, 2022	127,251	-
	129,278	\$ -

The amount shown above for "contributions made subsequent to the measurement date of June 30, 2022," will be recognized as a reduction (increase) to net pension liability in the following measurement period.

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

Year ending June 30,		
2024	\$	507
2025		507
2026		507
2027		506
2028		-
Thereafter		-

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

Note 13. Risk Management

The City is exposed to various risks of general liability and property and casualty losses. The City has decided it is more economically feasible to join a public entity risk pool than to purchase commercial insurance for general liability and property and casualty coverage. The City joined Public Entity Partners (PEP), which is a public entity risk pool established by the Tennessee Municipal League, an association of member cities. The City pays an annual premium to PEP for its general liability and property and casualty insurance coverage. The creation of the pool provides for it to be self-sustaining through member premiums. The pool reinsures through commercial insurance companies for claims in excess of \$130,000 for each insured event. The City has not had claims in excess of insurance coverage during the last three years.

City of Algood, Tennessee
Notes to Financial Statements
For the Fiscal Year Ended June 30, 2023

Note 14. Commitments and Contingencies

The City is party to various legal proceedings that are common in governmental operations. In the opinion of the City's management, these proceedings either are without merit, adequately covered by insurance, or involve amounts that would not have a material adverse effect on the City's basic financial statements in the event of an unfavorable outcome to the City.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund(s). The amount, if any, of expenditures from current or prior years, which may be disallowed by the grantor, cannot be determined at this time, although the City expects such amounts not recorded, if any, to be immaterial.

The City purchases all water and water treatment services from the City of Cookeville, Tennessee.

At June 30, 2023, the City had approximately \$1,085,000 in remaining construction commitments.

Note 15. Subsequent Events

In July 2023, the City increased the principal of the Public Building Authority of the City of Clarksville, Tennessee (City of Algood Sewer System Loan) by \$790,330.

Required Supplementary Information

City of Algood Tennessee
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Based on Participation in the Public Employee Pension Plan of the TCRS
Last 10 Fiscal Years

	2022
Total Pension Liability	
Service cost	\$ -
Interest	-
Changes in benefit terms	55,749
Differences between expected and actual experience	-
Changes in assumptions	-
Benefit payments/refunds	-
Net change in total pension liability	55,749
Total pension liability, beginning	-
Total pension liability, ending (a)	55,749
Plan Fiduciary Net Position	
Contributions, employer	49,285
Contributions, employee	-
Net investment income	(917)
Benefit payments, including refunds of employee contributions	-
Administrative expenses	(1,377)
Other changes	-
Net change in plan fiduciary net position	46,991
Plan fiduciary net position, beginning	-
Plan fiduciary net position, ending (b)	46,991
Net pension liability (asset), ending (a)-(b)	\$ 8,758
Plan fiduciary net position as a percentage of total pension liability	84.29%
Covered payroll	\$ 440,042
Net pension liability (asset) as a percentage of covered payroll	1.99%

Notes to Schedule

Pension schedules are intended to show information for 10 years. The City of Algood did not participate in the Public Employee Pension Plan of the TCRS prior to January 1, 2022. Data will be displayed as it becomes available.

City of Algood Tennessee
Schedule of Contributions
Based on Participation in the Public Employee Pension Plan of the TCRS
Last 10 Fiscal Years

	2023	2022
Actuarially-determined contribution	\$ 127,251	\$ 49,285
Contributions in relation to the actuarially-determined contribution	<u>127,251</u>	<u>49,285</u>
Contribution deficiency (excess)	\$ -	\$ -
 Covered payroll	 \$ 1,136,170	 \$ 440,042
 Contributions as a percentage of covered payroll	 11.20%	 11.20%

Notes to Schedule

Pension schedules are intended to show information for 10 years. The City of Algood did not participate in the Public Employee Pension Plan of the TCRS prior to January 1, 2022. Data will be displayed as it becomes available.

Methods and Assumptions Used to Determine Contribution Rates

Valuation date	Actuarially determined contribution rates for fiscal year 2023 were calculated based on the June 30, 2021 actuarial valuation.
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by year
Asset valuation	10-year smoothed within a 20% corridor to market value
Inflation	2.25%
Salary increases	Graded salary ranges from 8.72-3.44% based on age, including inflation, averaging 4.00%
Investment rate of return	6.75%, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of living adjustments	2.125%

Supplementary Information

City of Algood, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2023

	Special Revenue Funds			
	State Street Aid	Cemetery	Drug	Total
Assets				
Cash and cash equivalents	\$ 299,088	\$ 196,832	\$ 30,854	\$ 526,774
Certificate of deposit	-	269,349	-	269,349
Accounts receivable				
Other governments	24,749	-	-	24,749
Due from other funds	10,541	1,000	-	11,541
Total assets	\$ 334,378	\$ 467,181	\$ 30,854	\$ 832,413
Liabilities				
Accounts payable	\$ 6,318	\$ 1,150	\$ -	\$ 7,468
Fund Balances				
Restricted	328,060	466,031	30,854	824,945
Total liabilities and fund balances	\$ 334,378	\$ 467,181	\$ 30,854	\$ 832,413

City of Algood, Tennessee
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2023

	Special Revenue Funds			
	State Street Aid	Cemetery	Drug	Total
Revenues				
Taxes	\$ 144,934	\$ -	\$ -	\$ 144,934
Charges for services	-	9,501	-	9,501
Interest income	37	2,421	4	2,462
Donations from public	-	5,915	-	5,915
Other revenues	-	-	3,739	3,739
Total revenues	144,971	17,837	3,743	166,551
Expenditures				
Police department	-	-	18,013	18,013
Highways and streets	120,569	-	-	120,569
Cemetery	-	10,333	-	10,333
Total expenditures	120,569	10,333	18,013	148,915
Net change in fund balances	24,402	7,504	(14,270)	17,636
Fund balances, beginning of year	303,658	458,527	45,124	807,309
Fund balances, end of year	\$ 328,060	\$ 466,031	\$ 30,854	\$ 824,945

City of Algood, Tennessee
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual
State Street Aid
For the Fiscal Year Ended June 30, 2023

	<u>Budgeted amounts</u>		Actual amounts	Variance with final budget
	Original	Final		
Revenues				
Taxes				
State - 3 cent tax	\$ 63,000	\$ 63,000	\$ 70,617	\$ 7,617
State - gas 1989	41,000	41,000	11,052	(29,948)
State gasoline and motor fuel	7,000	7,000	7,261	261
State special petroleum tax	<u>20,000</u>	<u>20,000</u>	<u>56,004</u>	<u>36,004</u>
Total taxes	131,000	131,000	144,934	13,934
Interest	<u>100</u>	<u>100</u>	<u>37</u>	<u>(63)</u>
Total revenues	131,100	131,100	144,971	13,871
Expenditures				
Highways and streets				
Street lights and repairs	71,000	71,000	120,569	49,569
Capital outlay	<u>60,100</u>	<u>60,100</u>	<u>-</u>	<u>(60,100)</u>
Total expenditures	131,100	131,100	120,569	(10,531)
Change in fund balance	-	-	24,402	24,402
Fund balance, beginning of year	<u>303,658</u>	<u>303,658</u>	<u>303,658</u>	<u>-</u>
Fund balance, end of year	\$ 303,658	\$ 303,658	\$ 328,060	\$ 24,402

City of Algood, Tennessee
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual
Cemetery
For the Fiscal Year Ended June 30, 2023

	<u>Budgeted amounts</u>		Actual amounts	Variance with final budget
	Original	Final		
Revenues				
Charges for services	\$ 13,000	\$ 13,000	\$ 9,501	\$ (3,499)
Donations from public	5,200	5,200	5,915	715
Interest income	275	275	2,421	2,146
Total revenues	<u>18,475</u>	<u>18,475</u>	<u>17,837</u>	<u>(638)</u>
Expenditures				
Utility services	350	350	357	7
Maintenance	9,500	9,500	40	(9,460)
Miscellaneous	8,625	8,625	9,936	1,311
Total expenditures	<u>18,475</u>	<u>18,475</u>	<u>10,333</u>	<u>(8,142)</u>
Change in fund balance	-	-	7,504	7,504
Fund balance, beginning of year	<u>458,527</u>	<u>458,527</u>	<u>458,527</u>	<u>-</u>
Fund balance, end of year	\$ 458,527	\$ 458,527	\$ 466,031	\$ 7,504

City of Algood, Tennessee
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual
Drug
For the Fiscal Year Ended June 30, 2023

	<u>Budgeted amounts</u>		Actual amounts	Variance with final budget
	Original	Final		
Revenues				
Drug fines	\$ 4,500	\$ 6,000	\$ 2,980	\$ (3,020)
Seized funds awarded	25,485	25,485	759	(24,726)
Public donations	-	-	-	-
Sale of assets	5,000	5,000	-	(5,000)
Interest income	15	15	4	(11)
Total revenues	<u>35,000</u>	<u>36,500</u>	<u>3,743</u>	<u>(32,757)</u>
Expenditures				
Operating supplies	35,000	36,500	18,013	(18,487)
Change in fund balance	-	-	(14,270)	(14,270)
Fund balance, beginning of year	<u>45,124</u>	<u>45,124</u>	<u>45,124</u>	<u>-</u>
Fund balance, end of year	\$ 45,124	\$ 45,124	\$ 30,854	\$ (14,270)

City of Algood, Tennessee
Schedule of Changes in Property Taxes Receivable
For the Fiscal Year Ended June 30, 2023

Tax year	Beginning balance	Property tax levied	Anticipated levy	Abatements and adjustments	Collections	Ending balance
2023	\$ -	\$ -	\$ 401,400	\$ -	\$ -	\$ 401,400
2022	399,442	399,442	(399,442)	-	(394,264)	5,178
2021	6,738	-	-	-	(5,216)	1,522
2020	1,000	-	-	-	(165)	835
2019	1,285	-	-	-	-	1,285
2018	965	-	-	-	(62)	903
2017	661	-	-	-	(18)	643
2016	620	-	-	-	(4)	616
2015	348	-	-	-	(167)	181
2014	206	-	-	-	(38)	168
2013	147	-	-	-	-	147
2012	434	-	-	(434)	-	-
	\$ 411,846	\$ 399,442	\$ 1,958	\$ (434)	\$ (399,934)	412,878
					Less: allowance	(11,478)
					Net	\$ 401,400

All uncollected delinquent taxes have been filed with the clerk and master.

City of Algood, Tennessee
 Schedule of Property Tax Rates and Assessments
 June 30, 2023

	Tax year	Tax rate *	Assessed value
	2023	0.3623	\$ 110,792,161
	2022	0.3623	\$ 110,208,235
**	2021	0.3623	\$ 110,270,478
	2020	0.4407	\$ 89,210,177
	2019	0.4407	\$ 86,926,855
	2018	0.4887	\$ 83,275,629
	2017	0.5123	\$ 79,439,391
**	2016	0.5123	\$ 68,319,344
	2015	0.5123	\$ 68,319,344
	2014	0.5123	\$ 60,474,722
	2013	0.5123	\$ 56,618,594

* Per \$100 of assessed value

** Reappraisal year

City of Algood, Tennessee
Schedule of Changes in Long-term Debt by Individual Issue
For the Fiscal Year Ended June 30, 2023

Description of indebtedness	Original amount of issue	Interest rate	Date of issue	Final maturity date	Outstanding July 1, 2022	Issued during period	Paid and/or matured during period	Refunded during period	Outstanding June 30, 2023
Business-type Activities									
<i>Notes from direct borrowings and direct placements</i>									
Payable through utility fund									
State Revolving Loan	\$ 1,829,054	2.14%	08/01/2011	09/30/2031	\$ 986,530	\$ -	\$ 98,629	\$ -	\$ 887,901
Local Government Loan Program Bond, Series 2023 (City of Algood Sewer System Loan)	\$ 2,300,000	4.24%	03/29/2023	04/01/2048	-	433,785	-	-	433,785
Total notes payable through business-type activities					<u>\$ 986,530</u>	<u>\$ 433,785</u>	<u>\$ 98,629</u>	<u>\$ -</u>	<u>\$ 1,321,686</u>

City of Algood, Tennessee
Schedule of Long-term Debt, Principal and Interest by Individual Issue
Utility Fund
June 30, 2023

Year ending June 30,	Local Government Loan Program Bond, Series 2023 (City of Algood Sewer System Loan)*					
	State Revolving Loan				Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 91,908	\$ 18,202	\$ 9,996	\$ 18,512	\$ 101,904	\$ 36,714
2025	102,596	16,032	10,562	17,986	113,158	34,018
2026	104,814	13,814	10,939	17,537	115,753	31,351
2027	107,078	11,551	11,316	17,073	118,394	28,624
2028	109,393	9,235	11,882	16,593	121,275	25,828
2029	111,757	6,870	12,448	16,089	124,205	22,959
2030	114,173	4,456	13,014	15,560	127,187	20,016
2031	116,640	1,988	13,391	15,008	130,031	16,996
2032	29,542	132	13,957	14,440	43,499	14,572
2033	-	-	14,711	13,847	14,711	13,847
2034	-	-	15,277	13,223	15,277	13,223
2035	-	-	15,843	12,575	15,843	12,575
2036	-	-	16,597	11,902	16,597	11,902
2037	-	-	17,351	11,198	17,351	11,198
2038	-	-	18,106	10,462	18,106	10,462
2039	-	-	18,860	9,693	18,860	9,693
2040	-	-	19,615	8,893	19,615	8,893
2041	-	-	20,369	8,060	20,369	8,060
2042	-	-	21,312	7,196	21,312	7,196
2043	-	-	22,255	6,291	22,255	6,291
2044	-	-	23,198	5,347	23,198	5,347
2045	-	-	24,141	4,362	24,141	4,362
2046	-	-	25,084	3,338	25,084	3,338
2047	-	-	26,216	2,273	26,216	2,273
2048	-	-	27,345	1,161	27,345	1,161
Total	\$ 887,901	\$ 82,280	\$ 433,785	\$ 278,619	\$ 1,321,686	\$ 360,899

* \$1,866,215 of loan proceeds have not been drawn down as of June 30, 2023.

City of Algood, Tennessee
 Schedule of Expenditures of Federal Awards and State Financial Assistance
 For the Fiscal Year Ended June 30, 2023

Grantor / Pass-through Grantor	Program name	Assistance Listing number	Contract number	Expenditures
Federal Awards				
National Highway Traffic Safety Administration (NHTSA) / TN Department of Safety	NHTSA Section 403 Discretionary Grants and Cooperative Agreements	20.614	N/A	\$ 12,194
U.S. Department of the Treasury / N/A - Direct Funding	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	472,498
Putnam County, Tennessee	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	120	136,648
				<u>609,146</u>
Total federal awards				621,340
Total federal awards and state financial assistance				\$ 621,340

Notes

Note 1. **Basis of Presentation**

This schedule of expenditures of federal awards and state financial assistance summarizes the expenditures of the City under programs of the federal and state governments for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 USCode of Federal Regulations Part 200, *Uniform Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City, it not intended to and does not present the financial position, change in net position, or cash flows of the City. Expenditures reported on the schedule are reported on the accrual accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 2. **Indirect Cost Rate**

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

City of Algood, Tennessee
 Schedule of Insurance Coverage (Unaudited)
 June 30, 2023

Coverage

General Liability

Per person bodily for personal injury	\$ 300,000
Per occurrence for personal injury	\$ 700,000
Per occurrence property damage	\$ 100,000
Per occurrence each other loss	\$ 700,000
Per occurrence for catastrophic medical expense excess of bodily injury	\$ 1,000,000
Per accident for medical payments	\$ 10,000
Per occurrence for medical payments	\$ 100,000
Per occurrence for impounded property damage or commandeered property damage	\$ 100,000
Per occurrence for non-monetary defense costs	\$ 100,000
Errors and omissions liability	\$ 700,000

Automobiles

General liability	\$ 700,000
Uninsured motorist	\$ 300,000

Workers' Compensation

Statutory

Volunteer Fire Fighters Accident

Aggregate per accident	\$ 1,000,000
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City of Algood, Tennessee
Schedule of Bonds
Principal Officials (Unaudited)
As of June 30, 2023

Official	Title		Bond
Lisa Chapman-Fowler	Mayor	\$	50,000
Anna Walker	City Recorder	\$	50,000
Luke Hill	Council Member	\$	50,000
Bill Bilbrey	Council Member		None
Ruby Hawkins	Council Member		None
Ron Graves	Council Member		None

City of Algood, Tennessee
 Schedule of Utility Information (Unaudited)
 June 30, 2023

		Rate	
Inside City limits			
Minimum (0 - 2,000 gallons)	\$	13.52	Minimum bill
2,001 - 10,000 gallons	\$	6.09	Per 1,000 gal
Over 10,000 gallons	\$	6.54	Per 1,000 gal
Outside City limits			
Minimum (0 - 2,000 gallons)	\$	17.86	Minimum bill
2,001 - 10,000 gallons	\$	7.84	Per 1,000 gal
Over 10,000 gallons	\$	8.28	Per 1,000 gal
Sewer (based on water use)			
Minimum (0 - 2,000 gallons)	\$	16.91	Minimum bill
2,001 - 10,000 gallons	\$	7.62	Per 1,000 gal
Over 10,000 gallons	\$	8.18	Per 1,000 gal

The City of Algood has approximately 3,300 customers at fiscal year-end.

Internal Control and Compliance Section



**Independent Auditor's Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

Mayor and City Council
City of Algood, 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 (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Algood, Tennessee (the City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents, and have issued our report thereon dated June 21, 2024.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001, that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Blankenship CPA Group, PLLC

Blankenship CPA Group, PLLC
Brentwood, Tennessee
June 21, 2024

City of Algood, Tennessee
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2023

Section I. Summary of Auditor’s Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u> X </u>	Yes	<u> </u>	No
Significant deficiency(ies) identified?	<u> </u>	Yes	<u> X </u>	None Reported
Noncompliance material to financial statements noted?	<u> </u>	Yes	<u> X </u>	No

Section II. Financial Statement Findings

2023-001. Internal Controls Over General Ledger (previously 2021-001)

(Internal Control Material Weakness)

Criteria

Management is responsible for the design, implementation, and maintenance of internal controls relevant to the preparation and presentation of financial statements that are free from material misstatement.

Condition

The City does not have procedures that are completely effective to ensure that all accounting transactions are identified and properly recorded in the general ledger and that all account balances have been adjusted to reflect appropriate year-end balances.

Cause

The City’s controls and policies in place are not always in operation.

Effect

In some cases, transactions for the year had not been recorded before submitting the records for audit, liabilities were not adjusted or were recorded incorrectly, and transactions were not recorded in accordance with GAAP timely. As a result, audit adjustments were required.

Recommendation

We recommend that procedures be performed timely to prevent, or detect and correct, misstatements in the financial statements.

Management’s Response

Management agrees with this finding and believes that improvements have been made since the prior year audit; however, the City is still in the process of ensuring internal controls are being followed over the general ledger to ensure accurate financial reporting without requiring auditor entries.

City of Algood, Tennessee
Summary Schedule of Prior Year Findings
For the Year Ended June 30, 2023

Financial Statement Findings

Finding Number	Finding Title	Status
2022-001	Internal Controls Over General Ledger	Not Corrected – See explanation on Corrective Action Plan

Federal Award Findings and Questioned Costs

Finding Number	Finding Title	Status
N/A	There were no prior findings reported	N/A



CITY OF ALGOOD
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Phone: (931)537-9545 ♦ Fax: (931)537-9429

Management's Corrective Action Plan
For the Year Ended June 30, 2023

June 6, 2024

To the Comptroller of the Treasury
Division of Local Government Audit

The City of Algood, Tennessee respectfully submits the following corrective action plan for the year ended June 30, 2023.

Finding No. 2023-001 – Internal Controls Over General Ledger
Management accepts the recommendation.

Corrective Action Taken/Planned:

Management agrees with this finding and believes that improvements have been made since the prior year audit; however, the City is still in the process of ensuring internal controls are being followed over the general ledger to ensure accurate financial reporting without requiring auditor entries.

Anticipated Completion Date: August 30, 2024

Responsible Party: Keith Morrison, City Administrator

Keith Morrison
City Administrator
City of Algood, Tennessee