

# **City of Algood, Tennessee**

Annual Financial Report  
For the Fiscal Year Ended June 30, 2022

**City of Algood, Tennessee**  
**Annual Financial Report**  
**For the Fiscal Year Ended June 30, 2022**

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## **Introductory Section**

**City of Algood, Tennessee**  
Roster of City Officials  
As of June 30, 2022

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**Elected Officials**

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

**Management**

Keith Morrison	City Administrator and financial oversight responsibility designee
Ann Flatt	City Recorder

## **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 accompanying 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, 2022, 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, 2022, 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, and the Schedule of Contributions on page 41 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 42-50 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 50), 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 42-50 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 51-53 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 March 17, 2023 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  
March 17, 2023

**City of Algood, Tennessee**  
Management's Discussion and Analysis (Unaudited)  
For the Fiscal Year Ended June 30, 2022

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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, 2022. 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 \$24,852,000 (net position). Of this amount, \$5,988,000 (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 \$1,060,000 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 \$7,053,000 a decrease of \$494,000 in comparison with the prior year. Approximately 88% of this total amount, \$6,233,000 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 \$6,233,000, or 131% of fiscal year 2022 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 decreased by \$104,000 during the current fiscal year. This decrease was due to 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, 2022

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**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 42-43 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, 2022

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**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 \$123,000 increase for receipt of the state direct appropriation grant and Historic Preservation Fund Grants-In-Aid. Community center and parks capital outlay budget expenditures were amended by a \$835,000 increase for construction of the new park. State and local sales tax actual revenues were higher than budget by \$532,000 because of increased consumer spending in the City. Actual expenditures, excluding capital outlay, were under budget by approximately \$193,000. Capital outlay actual expenditures were \$420,000 under budget because of asset purchases that were budgeted but not expensed. In total, actual revenues were \$619,000 over budget, and actual expenditures were \$613,000 under budget.

*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 24-40 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 page 41 of this report. The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds, as well as budgetary information for the debt service fund, are presented immediately following the required supplementary information on pensions. Combining and individual fund statements can be found on pages 42-46 of this report.

**City of Algood, Tennessee**  
Management's Discussion and Analysis (Unaudited)  
For the Fiscal Year Ended June 30, 2022

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**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 \$24,852,000 as of June 30, 2022.

**Net Position – Primary Government**  
**June 30, 2022 and 2021**  
(amounts expressed in thousands)

	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Current and other assets	\$ 9,667	\$ 7,900	\$ 3,737	\$ 2,926	\$ 13,404	\$ 10,826
Capital assets	<u>8,753</u>	<u>9,276</u>	<u>5,410</u>	<u>5,660</u>	<u>14,163</u>	<u>14,936</u>
Total assets	18,420	17,176	9,147	8,586	27,567	25,762
Deferred outflows of resources	44	-	6	-	50	-
Current liabilities	482	164	434	271	916	435
Other liabilities	<u>313</u>	<u>286</u>	<u>1,003</u>	<u>1,075</u>	<u>1,316</u>	<u>1,361</u>
Total liabilities	795	450	1,437	1,346	2,232	1,796
Deferred inflows of resources	533	400	-	-	533	400
Net position						
Net investment in capital assets	10,341	9,276	4,688	4,570	15,029	13,846
Restricted	807	616	-	-	807	616
Unrestricted	<u>5,988</u>	<u>6,434</u>	<u>3,028</u>	<u>2,670</u>	<u>9,016</u>	<u>9,104</u>
Total net position	<b>\$ 17,136</b>	<b>\$ 16,326</b>	<b>\$ 7,716</b>	<b>\$ 7,240</b>	<b>\$ 24,852</b>	<b>\$ 23,566</b>

**City of Algood, Tennessee**  
Management's Discussion and Analysis (Unaudited)  
For the Fiscal Year Ended June 30, 2022

**Government-wide Financial Analysis**

**The City's Changes in Net Position**  
**For the years ended June 30, 2022 and 2021**  
(amounts expressed in thousands)

	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Revenues						
Program revenues:						
Charges for services	\$ 247	\$ 227	\$ 2,366	\$ 2,193	\$ 2,613	\$ 2,420
Operating grants and contributions	281	204	-	-	281	204
General revenues:						
Property taxes	423	404	-	-	423	404
Other taxes	3,217	2,507	-	-	3,217	2,507
Unrestricted grants	122	-	439	-	561	-
Other sources	90	440	4	136	94	576
Total revenues	<u>4,380</u>	<u>3,782</u>	<u>2,809</u>	<u>2,329</u>	<u>7,189</u>	<u>6,111</u>
Expenses						
General government	1,149	1,265	-	-	1,149	1,265
Public safety	1,362	1,302	-	-	1,362	1,302
Streets	624	141	-	-	624	141
Sanitation	245	309	-	-	245	309
Cemetery and maintenance	7	8	-	-	7	8
Community center and parks	326	68	-	-	326	68
Public works	83	335	-	-	83	335
Water and sewer	-	-	2,333	1,985	2,333	1,985
Total expenses	<u>3,796</u>	<u>3,428</u>	<u>2,333</u>	<u>1,985</u>	<u>6,129</u>	<u>5,413</u>
Revenues over/(under) expenses	584	354	476	344	1,060	698
Net position - beginning	16,326	15,972	7,240	6,896	23,566	22,868
Prior period adjustment	226	-	-	-	226	-
Net position - ending	<b>\$ 17,136</b>	<b>\$ 16,326</b>	<b>\$ 7,716</b>	<b>\$ 7,240</b>	<b>\$ 24,852</b>	<b>\$ 23,566</b>

**City of Algood, Tennessee**  
Management's Discussion and Analysis (Unaudited)  
For the Fiscal Year Ended June 30, 2022

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**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 95% 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 \$6,233,000 or 99% of the total fund balance of \$6,246,000. The total fund balance of the general fund decreased by \$672,000 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 \$476,000 in the current fiscal year to an ending balance of \$7,716,000. The unrestricted portion of the utility fund net position increased by \$358,000 to a balance of \$3,028,000.

*Capital Assets*

The City's net investment in capital assets from its governmental activities at June 30, 2022 amounts to \$10,341,000 (net of accumulated depreciation) and its business-type activities amounts to \$4,687,000 (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 \$1,065,000. The total depreciation expense in the governmental activities was \$603,000 and accumulated depreciation at the end of the year was \$5,799,000. The total depreciation expense in the business-type activities was \$280,000 and accumulated depreciation in the City's investment in business-type capital assets at the end of the current fiscal year was \$5,145,000. Additional information on the city's capital assets can be found on pages 35-36 of this report.

Major capital asset events during the current fiscal year included the new park, beginning the Green Mountain Water project, and other acquisitions of new equipment.

*Long-term Debt*

The City has utility debt of \$987,000, which was used to finance improvements to the utility system. The debt is payable in monthly installments of principal and interest at an interest rate of 2.14%. Additional information on long-term debt can be found on pages 36-37 of this report.

**City of Algood, Tennessee**  
Management's Discussion and Analysis (Unaudited)  
For the Fiscal Year Ended June 30, 2022

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

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

In the 2022-2023 budget, general fund revenues and user charges are budgeted to increase from the 2021-2022 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 2022-2023 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, TN  
PO Box 49215, 215 West Main Street  
Algood, TN 38506



**City of Algood, Tennessee**  
Statement of Net Position  
June 30, 2022

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 6,720,994	\$ 2,861,740	\$ 9,582,734
Certificate of deposit	266,947	-	266,947
Accounts receivable and unbilled revenues	945,189	353,309	1,298,498
Prepaid items	12,933	9,123	22,056
Due from Putnam County	-	248,960	248,960
Lease receivable	133,066	-	133,066
Capital assets not being depreciated	1,587,501	263,960	1,851,461
Capital assets, net	<u>8,753,376</u>	<u>5,410,090</u>	<u>14,163,466</u>
Total assets	18,420,006	9,147,182	27,567,188
<b>Deferred Outflows of Resources</b>	43,541	6,084	49,625
<b>Liabilities</b>			
Accounts payable	76,553	153,956	230,509
Accrued expenses	109,690	50,032	159,722
Unearned revenues	295,158	140,801	435,959
Noncurrent liabilities			
Due within one year	-	90,110	90,110
Due in more than one year	<u>313,503</u>	<u>1,002,547</u>	<u>1,316,050</u>
Total liabilities	794,904	1,437,446	2,232,350
<b>Deferred Inflows of Resources</b>	532,508	-	532,508
<b>Net Position</b>			
Net investment in capital assets	10,340,877	4,687,520	15,028,397
Restricted for			
Highways and streets	303,658	-	303,658
Cemetery	458,527	-	458,527
Drug education and investigations	45,124	-	45,124
Unrestricted	<u>5,987,949</u>	<u>3,028,300</u>	<u>9,016,249</u>
Total net position	<b>\$ 17,136,135</b>	<b>\$ 7,715,820</b>	<b>\$ 24,851,955</b>

**City of Algood, Tennessee**  
Statement of Activities  
For the Fiscal Year Ended June 30, 2022

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		
					Governmental Activities	Business-type Activities	Total
<b>Primary Government</b>							
<b>Governmental Activities</b>							
General government	\$ 1,149,441	\$ 67,781	\$ -	\$ -	\$ (1,081,660)	\$ -	\$ (1,081,660)
Police department	1,210,253	17,493	11,306	-	(1,181,454)	-	(1,181,454)
Fire department	151,038	-	-	-	(151,038)	-	(151,038)
Public works	624,120	2,795	-	-	(621,325)	-	(621,325)
Community center and parks	244,712	-	-	-	(244,712)	-	(244,712)
Cemetery	7,487	15,500	125,564	-	133,577	-	133,577
Sanitation	325,897	143,735	-	-	(182,162)	-	(182,162)
Highways and streets	83,126	-	144,580	-	61,454	-	61,454
Total governmental activities	3,796,074	247,304	281,450	-	(3,267,320)	-	(3,267,320)
<b>Business-type Activities</b>							
Water and sewer	2,333,652	2,366,541	-	-	-	32,889	32,889
Total primary government	<b>\$ 6,129,726</b>	<b>\$ 2,613,845</b>	<b>\$ 281,450</b>	<b>\$ -</b>	(3,267,320)	32,889	(3,234,431)
<b>General Revenues</b>							
Taxes							
Sales and use tax					2,830,462	-	2,830,462
Property					423,109	-	423,109
Beverage					118,742	-	118,742
Business licenses and permits					193,649	-	193,649
Rental income					73,202	-	73,202
Grants and contributions not restricted to specific programs					122,229	439,217	561,446
Unrestricted investment earnings					12,583	3,942	16,525
Other					77,605	-	77,605
Total general revenues					3,851,581	443,159	4,294,740
Change in net position					584,261	476,048	1,060,309
Net position, beginning of year					16,326,488	7,239,772	23,566,260
Prior period adjustment					225,386	-	225,386
Net position, end of year					<b>\$ 17,136,135</b>	<b>\$ 7,715,820</b>	<b>\$ 24,851,955</b>

**City of Algood, Tennessee**  
 Balance Sheet  
 Governmental Funds  
 June 30, 2022

	<b>General</b>	<b>Other Governmental</b>	<b>Total Governmental</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 6,209,639	\$ 511,355	\$ 6,720,994
Certificate of deposit	-	266,947	266,947
Accounts receivable			
Intergovernmental	508,120	25,223	533,343
Property taxes	411,846	-	411,846
Due from other funds	-	10,541	10,541
Prepaid items	12,933	-	12,933
Lease receivable	133,066	-	133,066
Total assets	<u>\$ 7,275,604</u>	<u>\$ 814,066</u>	<u>\$ 8,089,670</u>
<b>Liabilities</b>			
Accounts payable	\$ 69,796	\$ 6,757	\$ 76,553
Accrued expenses	109,690	-	109,690
Due to other funds	10,541	-	10,541
Unearned revenues	295,158	-	295,158
Total liabilities	<u>485,185</u>	<u>6,757</u>	<u>491,942</u>
<b>Deferred Inflows of Resources</b>			
Deferred current property taxes	399,442	-	399,442
Unavailable revenues - property taxes	12,404	-	12,404
Deferred leases receivable	133,066	-	133,066
Total deferred inflows of resources	<u>544,912</u>	<u>-</u>	<u>544,912</u>
<b>Fund Balances</b>			
Nonspendable	12,933	-	12,933
Restricted	-	807,309	807,309
Unassigned	6,232,574	-	6,232,574
Total fund balances	<u>6,245,507</u>	<u>807,309</u>	<u>7,052,816</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 7,275,604</u>	<u>\$ 814,066</u>	<u>\$ 8,089,670</u>

**City of Algood, Tennessee**  
 Reconciliation of Balance Sheet - Governmental Funds to  
 Government-wide Statement of Net Position  
 June 30, 2022

<b>Amounts reported for fund balances, total governmental funds</b>	<b>\$ 7,052,816</b>
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.	10,340,877
Contributions subsequent to the measurement date for pension benefits are recognized as deferred outflows of resources on the statement of net position.	43,541
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	(313,503)
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	<b>\$ 17,136,135</b>

**City of Algood, Tennessee**  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2022

	<b>General</b>	<b>Other Governmental</b>	<b>Total Governmental</b>
<b>Revenues</b>			
Taxes	\$ 3,374,948	\$ 144,580	\$ 3,519,528
Licenses and permits	193,649	-	193,649
Charges for services	231,804	15,500	247,304
Rental income	73,202	-	73,202
Grants	127,229	-	127,229
Interest income	12,553	2,421	14,974
Donations from public	-	123,173	123,173
Other revenues	<u>77,605</u>	<u>6,306</u>	<u>83,911</u>
Total revenues	4,090,990	291,980	4,382,970
<b>Expenditures</b>			
General government	1,088,113	-	1,088,113
Police department	1,072,484	20,590	1,093,074
Fire department	99,860	-	99,860
Community center and parks	205,070	-	205,070
Public works	362,473	-	362,473
Sanitation	269,889	-	269,889
Highways and streets	-	86,126	86,126
Cemetery	-	7,487	7,487
Capital outlay			
General government	39,148	-	39,148
Police department	94,928	-	94,928
Community center and parks	1,511,140	-	1,511,140
Public works	<u>19,693</u>	<u>-</u>	<u>19,693</u>
Total expenditures	4,762,798	114,203	4,877,001
Net change in fund balances	(671,808)	177,777	(494,031)
Fund balances, beginning of year	6,704,316	617,145	7,321,461
Prior period adjustment	<u>212,999</u>	<u>12,387</u>	<u>225,386</u>
Fund balances, end of year	<b>\$ 6,245,507</b>	<b>\$ 807,309</b>	<b>\$ 7,052,816</b>

**City of Algood, Tennessee**

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Government-wide Statement of Activities  
For the Fiscal Year Ended June 30, 2022

**Amounts reported for net change in fund balance, total governmental funds** \$ (494,031)

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	1,668,147
Current year depreciation	(602,860)

Decrease in unavailable revenues in the governmental funds	(2,635)
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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	(27,901)
Changes in pension deferred outflows of resources	43,541

Change in net position of governmental activities	<u>\$ 584,261</u>
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**City of Algood, Tennessee**  
Statement of Net Position  
Proprietary Fund  
June 30, 2022

**Assets**

Current assets	
Cash and cash equivalents	\$ 2,861,740
Customer account receivable, net of allowance of \$30,294	241,248
Unbilled revenues, net of allowance of \$19,775	112,061
Prepaid items	9,123
Due from Putnam County	248,960
Total current assets	3,473,132
Noncurrent assets	
Capital assets	10,819,283
Less accumulated depreciation	(5,145,233)
Total noncurrent assets	5,674,050
Total assets	9,147,182

**Deferred Outflows of Resources**

Pension related items	6,084
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**Liabilities**

Current liabilities	
Accounts payable	153,956
Accrued expenses	50,032
Unearned revenues	140,801
Long-term debt, current maturities	90,110
Total current liabilities	434,899
Noncurrent liabilities	
Long-term debt, net of current maturities	896,420
Compensated absences	106,127
Total liabilities	1,437,446

**Net Position**

Net investment in capital assets	4,687,520
Unrestricted	3,028,300
Total net position	\$ 7,715,820

**City of Algood, Tennessee**  
Statement of Revenues, Expenses, and Changes in Net Position  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2022

<b>Operating Revenues</b>	
Metered sales	\$ 2,281,486
Installation and tap fees	85,055
Total operating revenues	<u>2,366,541</u>
<b>Operating Expenses</b>	
Water purchased	979,997
Depreciation	280,007
Sewer services	249,667
Salaries	247,136
Materials and supplies	70,799
Employee benefits	93,144
Utilities	44,293
Repairs and maintenance	45,051
Professional services	50,324
Postage	24,465
Insurance	15,297
Contract labor	9,978
Auto expenses	22,669
Uniforms	3,106
Miscellaneous	2,473
Total operating expenses	<u>2,138,406</u>
Operating income (loss)	228,135
<b>Nonoperating Revenues (expenses)</b>	
Grant revenues	439,217
Interest income	3,942
Grant funded sewer inspections	(172,839)
Interest expense	(22,407)
Total nonoperating revenues (expenses)	<u>247,913</u>
Change in net position	476,048
Net position, beginning of year	<u>7,239,772</u>
Net position, end of year	<b>\$ 7,715,820</b>



**City of Algood, Tennessee**  
Statement of Cash Flows  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2022

<b>Cash flows from operating activities</b>	
Cash received from customers	\$ 2,315,006
Cash paid to suppliers for goods and services	(1,490,083)
Cash paid to employees for services	<u>(304,827)</u>
Net cash provided (used) by operating activities	520,096
<b>Cash flows from noncapital financing activities</b>	
Proceeds from grant	172,839
Payments for professional services	<u>(172,839)</u>
Net cash provided (used) by noncapital financing activities	-
<b>Cash flows from capital and related financing activities</b>	
Acquisition and construction of capital assets	(293,585)
Principal payments on debt	(104,415)
Interest payments on debt	(24,101)
Proceeds from grant	<u>158,219</u>
Net cash provided (used) by capital and related financing activities	(263,882)
<b>Cash flows from investing activities</b>	
Interest received	3,942
Net change in cash and cash equivalents	260,156
Cash and cash equivalents, beginning of year	<u>2,601,584</u>
Cash and cash equivalents, end of year	<b>\$ 2,861,740</b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>	
Operating income (loss)	\$ 228,135
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Depreciation	280,007
Change in compensated absences payable	32,191
Change in:	
Accounts receivable	(35,965)
Unbilled revenue	(15,569)
Prepaid items	14,724
Deferred outflows of resources related to pensions	(6,084)
Accounts payable	13,312
Accrued expenses	<u>9,345</u>
Net cash provided (used) by operating activities	<b>\$ 520,096</b>

**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, 2022

	<u>Budgeted amounts</u>		<b>Actual amounts</b>	<b>Variance from final budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Taxes				
State and local sales tax	\$ 2,257,900	\$ 2,257,900	\$ 2,789,898	\$ 531,998
Use tax	46,000	46,000	40,564	(5,436)
Property tax	435,200	435,200	425,744	(9,456)
Beverage taxes	<u>110,600</u>	<u>110,600</u>	<u>118,742</u>	<u>8,142</u>
Total taxes	2,849,700	2,849,700	3,374,948	525,248
Licenses and permits				
Business licenses	137,400	137,400	160,591	23,191
Building permits	<u>16,500</u>	<u>16,500</u>	<u>33,058</u>	<u>16,558</u>
Total licenses and permits	153,900	153,900	193,649	39,749
Charges for services	169,750	176,575	231,804	55,229
Rental income	78,213	78,213	73,202	(5,011)
Grants	9,000	132,294	127,229	(5,065)
Interest	30,000	30,000	12,553	(17,447)
Other revenues				
Donations	13,125	17,365	66,075	48,710
Sale of assets	25,000	25,000	-	(25,000)
Miscellaneous	<u>9,200</u>	<u>9,200</u>	<u>11,530</u>	<u>2,330</u>
Total other revenues	<u>47,325</u>	<u>51,565</u>	<u>77,605</u>	<u>26,040</u>
Total revenues	3,337,888	3,472,247	4,090,990	618,743

*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, 2022

	<u>Budgeted amounts</u>		<b>Actual amounts</b>	<b>Variance from final budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Expenditures</b>				
General government				
Salaries	\$ 208,305	\$ 208,305	\$ 190,529	\$ (17,776)
Employee benefits	444,320	444,320	385,428	(58,892)
Payroll taxes	16,270	16,270	14,893	(1,377)
Subscriptions and memberships	8,250	8,250	6,803	(1,447)
Professional services	74,000	74,000	99,509	25,509
Education and training	33,000	33,000	40,547	7,547
Supplies	15,850	15,850	20,100	4,250
Repairs and maintenance	102,700	132,700	134,166	1,466
Utilities	24,500	24,500	25,685	1,185
Grants	5,000	128,294	85,956	(42,338)
Insurance	45,000	45,000	50,716	5,716
Miscellaneous	53,400	53,400	33,781	(19,619)
Capital outlay	40,000	40,000	39,148	(852)
Total general government	<u>1,070,595</u>	<u>1,223,889</u>	<u>1,127,261</u>	<u>(96,628)</u>
Police department				
Salaries	755,596	755,596	719,389	(36,207)
Employee benefits	103,687	103,687	114,886	11,199
Payroll taxes	55,197	55,197	56,449	1,252
Training and travel	15,000	15,000	12,344	(2,656)
Subscriptions and memberships	35,000	35,000	29,715	(5,285)
Vehicle	61,500	65,740	54,640	(11,100)
Office supplies	36,500	36,500	35,216	(1,284)
Repairs and maintenance	1,600	1,600	1,164	(436)
Utilities	15,000	15,000	12,099	(2,901)
Grants	5,000	5,000	5,000	-
Insurance	19,000	19,000	22,559	3,559
Miscellaneous	5,400	12,225	9,023	(3,202)
Capital outlay	125,000	125,000	94,928	(30,072)
Total police department	<u>1,233,480</u>	<u>1,244,545</u>	<u>1,167,412</u>	<u>(77,133)</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, 2022

	<u>Budgeted amounts</u>		<b>Actual amounts</b>	<b>Variance from final budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Expenditures</b>				
Fire department				
Volunteer firemen	\$ 25,000	\$ 25,000	\$ 16,783	\$ (8,217)
Employee benefits	4,500	4,500	2,732	(1,768)
Payroll taxes	1,875	1,875	1,506	(369)
Training and travel	2,000	2,000	51	(1,949)
Vehicle	8,000	8,000	6,836	(1,164)
Operating supplies	7,000	7,000	3,818	(3,182)
Repairs and maintenance	59,000	59,000	50,715	(8,285)
Utilities	12,500	12,500	11,196	(1,304)
Insurance	5,500	5,500	6,065	565
Miscellaneous	4,950	4,950	158	(4,792)
Total fire department	<u>130,325</u>	<u>130,325</u>	<u>99,860</u>	<u>(30,465)</u>
Community center and parks				
Salaries	124,411	124,411	100,471	(23,940)
Employee benefits	8,910	8,910	15,332	6,422
Payroll taxes	5,312	5,312	7,896	2,584
Activities	8,000	8,000	5,514	(2,486)
Supplies	39,000	39,000	19,950	(19,050)
Repairs and maintenance	2,500	2,500	3,940	1,440
Utilities	15,950	15,950	17,881	1,931
Insurance	2,500	2,500	3,615	1,115
Miscellaneous	8,000	8,000	30,471	22,471
Capital outlay	675,000	1,510,000	1,511,140	1,140
Total community center and parks	<u>889,583</u>	<u>1,724,583</u>	<u>1,716,210</u>	<u>(8,373)</u>
Public works				
Salaries	223,718	223,718	220,392	(3,326)
Employee benefits	29,500	29,500	37,840	8,340
Payroll taxes	16,570	16,570	17,290	720
Vehicle	22,000	22,000	28,420	6,420
Supplies	39,500	39,500	30,440	(9,060)
Repairs and maintenance	24,000	24,000	15,010	(8,990)
Utilities	6,800	6,800	7,862	1,062
Insurance	4,000	4,000	5,026	1,026
Miscellaneous	745	745	193	(552)
Capital outlay	160,000	160,000	19,693	(140,307)
Total public works	<u>526,833</u>	<u>526,833</u>	<u>382,166</u>	<u>(144,667)</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, 2022

	<u>Budgeted amounts</u>		<b>Actual amounts</b>	<b>Variance from final budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Expenditures</b>				
Sanitation				
Salaries	\$ 89,501	\$ 89,501	\$ 66,909	\$ (22,592)
Employee benefits	16,305	16,305	11,349	(4,956)
Payroll taxes	6,720	6,720	5,243	(1,477)
Training and travel	400	400	-	(400)
Vehicle	46,000	46,000	67,560	21,560
Supplies	21,000	21,000	19,218	(1,782)
Repairs and maintenance	-	-	1,052	1,052
Insurance	5,500	5,500	6,065	565
Miscellaneous	90,000	90,000	92,493	2,493
Capital outlay	<u>250,000</u>	<u>250,000</u>	<u>-</u>	<u>(250,000)</u>
Total sanitation	<u>525,426</u>	<u>525,426</u>	<u>269,889</u>	<u>(255,537)</u>
Total expenditures	4,376,242	5,375,601	4,762,798	(612,803)
Change in fund balance	(1,038,354)	(1,903,354)	(671,808)	1,231,546
Fund balance, beginning of year	6,704,316	6,704,316	6,704,316	-
Prior period adjustment	<u>212,999</u>	<u>212,999</u>	<u>212,999</u>	<u>-</u>
Fund balance, end of year	<b>\$ 5,878,961</b>	<b>\$ 5,013,961</b>	<b>\$ 6,245,507</b>	<b>\$ 1,231,546</b>

**City of Algood, Tennessee**  
Notes to Financial Statements  
For the Fiscal Year Ended June 30, 2022

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**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 year ended June 30, 2022.

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, 2022

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**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, 2022

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**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, 2022

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**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.

**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)

**City of Algood, Tennessee**  
Notes to Financial Statements  
For the Fiscal Year Ended June 30, 2022

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**Note 1. Summary of Significant Accounting Policies**

**Budgets and Budgetary Accounting**

- 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.

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.

**City of Algood, Tennessee**  
Notes to Financial Statements  
For the Fiscal Year Ended June 30, 2022

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Note 1. **Summary of Significant Accounting Policies**

**Budgets and Budgetary Accounting**

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.

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.

**City of Algood, Tennessee**  
Notes to Financial Statements  
For the Fiscal Year Ended June 30, 2022

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**Note 1. Summary of Significant Accounting Policies**

**Long-term Obligations**

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.

**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).

**City of Algood, Tennessee**  
Notes to Financial Statements  
For the Fiscal Year Ended June 30, 2022

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Note 1. **Summary of Significant Accounting Policies**

**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.

*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.

**City of Algood, Tennessee**  
Notes to Financial Statements  
For the Fiscal Year Ended June 30, 2022

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**Note 1. Summary of Significant Accounting Policies**

**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, 2022.

Payments may be made during the period from November 1 through March 31. Current tax collections of \$393,605 for the fiscal year ended June 30, 2022 were approximately 99% of the tax levy.

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

**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.

**City of Algood, Tennessee**  
Notes to Financial Statements  
For the Fiscal Year Ended June 30, 2022

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**Note 1. Summary of Significant Accounting Policies**

**Recently Adopted New Accounting Pronouncements**

In June 2017, the GASB issued GASB Statement No. 87 (Statement No. 87), *Leases*. This Statement requires recognition of certain assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize an intangible right of use asset and a lease liability. Statement No. 87 is effective for fiscal years beginning after June 15, 2021. Adoption of this Statement is reflected on the City's financial statements.

In June 2020, the GASB issued GASB Statement No. 97 (Statement No. 97), *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The objectives of this Statement are to: (a) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (b) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans as fiduciary component units in fiduciary fund financial statements; and (c) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. Statement No. 97 is effective for fiscal years beginning after June 15, 2021. Adoption of this Statement did not have a significant impact on the City's financial statements.

**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, 2022

**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, 2022, consist of the following:

	<b>Other governments</b>	<b>Property taxes</b>	<b>Customer accounts</b>	<b>Total</b>
General fund	\$ 508,120	\$ 411,846	\$ -	\$ 919,966
Special revenue funds	25,223	-	-	25,223
Enterprise fund	-	-	271,542	271,542
Less allowance for doubtful accounts	-	-	(30,294)	(30,294)
<b>Total</b>	<b>\$ 533,343</b>	<b>\$ 411,846</b>	<b>\$ 241,248</b>	<b>\$ 1,186,437</b>

**Note 4. 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.

**Note 5. Leases**

The City, as lessor, leases real property under non-cancelable lease arrangements. The City recognized total lease and interest revenues of \$76,538 in 2022 related to its lease receivables.

At July 1, 2021, 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.

At July 1, 2021, 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 terms of the lease are in effect to April 30, 2023, and include monthly rent of \$3,976.

**Note 6. Deferred Inflows of Resources**

Deferred inflows of resources at June 30, 2022, consist of the following:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Deferred property taxes receivable	\$ 399,442	\$ -	\$ 399,442
Deferred leases receivable	133,066	-	133,066
<b>Total</b>	<b>\$ 532,508</b>	<b>\$ -</b>	<b>\$ 532,508</b>



**City of Algood, Tennessee**  
Notes to Financial Statements  
For the Fiscal Year Ended June 30, 2022

**Note 7. 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:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Additions/ Transfers in</b>	<b>Deletions/ Transfers out</b>	<b>Ending Balance</b>
Capital assets not being depreciated				
Land	\$ 1,584,501	\$ -	\$ -	\$ 1,584,501
Construction in progress	<u>78,800</u>	<u>1,496,140</u>	<u>(1,571,940)</u>	<u>3,000</u>
Total capital assets not being depreciated	1,663,301	1,496,140	(1,571,940)	1,587,501
Capital assets being depreciated				
Buildings and improvements	5,133,815	-	-	5,133,815
Infrastructure	4,677,810	1,571,940	-	6,249,750
Equipment	<u>3,083,915</u>	<u>172,007</u>	<u>(87,231)</u>	<u>3,168,691</u>
Total capital assets being depreciated	12,895,540	1,743,947	(87,231)	14,552,256
Less: accumulated depreciation				
Buildings and improvements	(1,610,284)	(114,247)	-	(1,724,531)
Infrastructure	(2,201,285)	(236,500)	-	(2,437,785)
Equipment	<u>(1,471,682)</u>	<u>(252,113)</u>	<u>87,231</u>	<u>(1,636,564)</u>
Total accumulated depreciation	<u>(5,283,251)</u>	<u>(602,860)</u>	<u>87,231</u>	<u>(5,798,880)</u>
Total capital assets being depreciated, net	<u>7,612,289</u>	<u>1,141,087</u>	<u>-</u>	<u>8,753,376</u>
Governmental activities capital assets, net	<b>\$ 9,275,590</b>	<b>\$ 2,637,227</b>	<b>\$ (1,571,940)</b>	<b>\$ 10,340,877</b>

All assets are being depreciated except for land and construction in progress of \$1,584,501 and \$3,000, respectively.

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

General Fund	
General government administration	\$ 61,798
Police department	125,985
Fire department	50,805
Highways and streets	267,105
Parks	42,597
Sanitation	<u>54,570</u>
	<b>\$ 602,860</b>

**City of Algood, Tennessee**  
Notes to Financial Statements  
For the Fiscal Year Ended June 30, 2022

**Note 7. 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:

<b>Business-type Activities</b>	<b>Beginning Balance</b>	<b>Additions/ Transfers in</b>	<b>Deletions/ Transfers out</b>	<b>Ending Balance</b>
Capital assets not being depreciated				
Land	\$ 15,000	\$ -	\$ -	\$ 15,000
Construction in progress	<u>-</u>	<u>248,960</u>	<u>-</u>	<u>248,960</u>
Total capital assets not being depreciated	15,000	248,960	-	263,960
Capital assets being depreciated				
Utility system	10,075,326	-	-	10,075,326
Equipment	<u>435,372</u>	<u>44,625</u>	<u>-</u>	<u>479,997</u>
Total capital assets being depreciated	10,510,698	44,625	-	10,555,323
Less: accumulated depreciation				
Utility system	(4,364,241)	(242,192)	-	(4,606,433)
Equipment	<u>(500,985)</u>	<u>(37,815)</u>	<u>-</u>	<u>(538,800)</u>
Total accumulated depreciation	<u>(4,865,226)</u>	<u>(280,007)</u>	<u>-</u>	<u>(5,145,233)</u>
Total capital assets being depreciated, net	<u>5,645,472</u>	<u>(235,382)</u>	<u>-</u>	<u>5,410,090</u>
Business-type activities capital assets, net	<b>\$ 5,660,472</b>	<b>\$ 13,578</b>	<b>\$ -</b>	<b>\$ 5,674,050</b>

All assets, except land of \$15,000 and construction in progress of \$248,960, are being depreciated. Depreciation expense was \$280,007 in 2022.

**Note 8. Long-term Obligations**

The following schedule reflects the changes in long-term debt as shown in the proprietary (water and sewer) fund during the fiscal year 2022.

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>
State revolving loan funds	\$ 1,090,945	\$ -	\$ (104,415)	\$ 986,530

**City of Algood, Tennessee**  
Notes to Financial Statements  
For the Fiscal Year Ended June 30, 2022

**Note 8. Long-term Obligations**

Principal and interest requirements to maturity on all outstanding bonds, loans, and obligations, as of June 30, 2022, are as follows:

Year ending June 30,	Principal	Interest
2023	\$ 90,110	\$ 18,633
2024	100,427	18,202
2025	102,596	16,032
2026	104,814	13,814
2027	107,078	11,551
2028 - 2032	<u>481,505</u>	<u>22,681</u>
Total	<b>\$ 986,530</b>	<b>\$ 100,913</b>

The loan described above is secured by the City's user fees and charges as well as ad valorem taxes and any unobligated state-shared taxes. Interest is charged at 2.14%.

At June 30, 2022, no compensated absences amount was accrued in the governmental funds financial statements. The remaining long-term incurred portion of accrued compensated absences in the government-wide and proprietary fund financial statements as of June 30, 2022 is as follows:

	Ending Balance	Additions	Retirements	Ending Balance
Governmental activities	\$ 285,602	\$ 171,046	\$ (143,145)	\$ 313,503
Business-type activities	<u>80,604</u>	<u>51,766</u>	<u>(19,497)</u>	<u>112,873</u>
Total	<b>\$ 366,206</b>	<b>\$ 222,812</b>	<b>\$ (162,642)</b>	<b>\$ 426,376</b>

**Note 9. Net Investment in Capital Assets**

The elements of this calculation are as follows:

	Governmental activities	Business-type activities	Total
Capital assets (net)	\$ 10,340,877	\$ 5,674,050	\$ 16,014,927
Outstanding debt related to capital assets	<u>-</u>	<u>(986,530)</u>	<u>(986,530)</u>
Net investment in capital assets	<b>\$ 10,340,877</b>	<b>\$ 4,687,520</b>	<b>\$ 15,028,397</b>

**Note 10. Defined Contribution Pension Plan**

The City adopted a Money Purchase Pension Plan, effective February 1, 1982. Contributions are 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 at June 30, 2018 and no contributions were made during the current fiscal year.

**City of Algood, Tennessee**  
Notes to Financial Statements  
For the Fiscal Year Ended June 30, 2022

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**Note 10. Defined Contribution Pension Plan**

The City has no liability related to the plan at year-end. Participant funds were transferred into guaranteed interest accounts and are expected to be retained in the plan until 2023 when those accounts mature, at which time participants have the right to retain their funds in the plan, withdraw the funds, or transfer balances to the 401(k) plan noted below. Funds may be withdrawn prior to 2023 but in such cases are subject to withdrawal penalties.

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 \$135,717 for the year ended June 30, 2022, comprised of \$117,634 in governmental activities and \$18,083 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 described hereafter 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 11. 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-InvestmentPolicies>.

**General Information**

*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.

**City of Algood, Tennessee**  
Notes to Financial Statements  
For the Fiscal Year Ended June 30, 2022

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**Note 11. Defined Benefit Pension Plan**

**General Information**

*Benefits Provided*

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.

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 2<sup>nd</sup> 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.

*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, 2022, the employer contributions for the City were \$49,625, 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**

The City's net pension liability will be measured one year in arrears and reported as of June 30, 2022 on the June 30, 2023 financial statements. The total pension liability used to calculate the net pension liability will be determined by an actuarial valuation.

**Deferred Outflows of Resources Related to Pensions**

At June 30, 2022, the City reported deferred outflows of resources related to pensions from the following sources:

	<b>Deferred outflows of resources</b>
Contributions made before the June 30, 2022 measurement date	\$ 49,625

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

**City of Algood, Tennessee**  
Notes to Financial Statements  
For the Fiscal Year Ended June 30, 2022

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**Note 12. 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.

**Note 13. 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.

**Note 14. Prior Period Adjustment**

Prior period adjustments of \$225,386, \$212,999, and \$12,387 were made to the governmental activities, general fund, and other governmental funds, respectively, to increase previously stated net positions/fund balances of \$16,326,488, \$6,704,316, and \$617,145. The correction of an error was made to properly state various taxes collected by the state and remitted to the City.

**Note 15. Subsequent Events**

On November 1, 2022, the City, as a non-entitlement unit of local government, received \$662,116, passed through the State, from the US Treasury. This amount represents the second half of the City's total \$1,324,232 allocation from the Coronavirus State and Local Fiscal Recovery Funds, a part of the American Rescue Plan Act of 2021.

**Required Supplementary Information**

**City of Algood Tennessee**  
 Schedule of Employer Contributions  
 TCRS Pension Plan  
 Last 10 Fiscal Years

	<b>2022</b>
Actuarially-determined contribution	\$ -
Contributions in relation to the actuarially-determined contribution	49,625
Contribution deficiency (excess)	<b>\$ (49,625)</b>
Covered payroll	\$ 443,080
Contributions as a percentage of covered payroll	11.20%

**Notes to Schedule**

Pension schedules are intended to show information for 10 years. Data will be displayed as it becomes available.



## **Supplementary Information**

**City of Algood, Tennessee**  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2022

	<b>Special Revenue Funds</b>			
	<b>State Street Aid</b>	<b>Cemetery</b>	<b>Drug</b>	<b>Total</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 274,651	\$ 191,580	\$ 45,124	\$ 511,355
Certificate of deposit	-	266,947	-	266,947
Accounts receivable				
Other governments	25,223	-	-	25,223
Due from other funds	10,541	-	-	10,541
Total assets	<b>\$ 310,415</b>	<b>\$ 458,527</b>	<b>\$ 45,124</b>	<b>\$ 814,066</b>
<b>Liabilities</b>				
Accounts payable	\$ 6,757	\$ -	\$ -	\$ 6,757
<b>Fund Balances</b>				
Restricted	303,658	458,527	45,124	807,309
Total liabilities and fund balances	<b>\$ 310,415</b>	<b>\$ 458,527</b>	<b>\$ 45,124</b>	<b>\$ 814,066</b>

**City of Algood, Tennessee**  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Fiscal Year Ended June 30, 2022

	<b>Special Revenue Funds</b>			
	<b>State Street Aid</b>	<b>Cemetery</b>	<b>Drug</b>	<b>Total</b>
<b>Revenues</b>				
Taxes	\$ 144,580	\$ -	\$ -	\$ 144,580
Charges for services	-	15,500	-	15,500
Interest income	25	2,391	5	2,421
Donations from public	-	123,173	-	123,173
Other revenues	-	-	6,306	6,306
Total revenues	<u>144,605</u>	<u>141,064</u>	<u>6,311</u>	<u>291,980</u>
<b>Expenditures</b>				
Police department	-	-	20,590	20,590
Highways and streets	86,126	-	-	86,126
Cemetery	-	7,487	-	7,487
Total expenditures	<u>86,126</u>	<u>7,487</u>	<u>20,590</u>	<u>114,203</u>
Net change in fund balances	58,479	133,577	(14,279)	177,777
Fund balances, beginning of year	232,792	324,950	59,403	617,145
Prior period adjustment	12,387	-	-	12,387
Fund balances, end of year	<b>\$ 303,658</b>	<b>\$ 458,527</b>	<b>\$ 45,124</b>	<b>\$ 807,309</b>

**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, 2022

	<u>Budgeted amounts</u>		<b>Actual amounts</b>	<b>Variance with final budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Taxes				
State - 3 cent tax	\$ 63,000	\$ 63,000	\$ 70,547	\$ 7,547
State - Gas 1989	41,000	41,000	10,970	(30,030)
State gasoline and motor fuel	7,000	7,000	7,238	238
State special petroleum tax	<u>20,000</u>	<u>20,000</u>	<u>55,825</u>	<u>35,825</u>
Total taxes	131,000	131,000	144,580	13,580
Interest	<u>100</u>	<u>100</u>	<u>25</u>	<u>(75)</u>
Total revenues	131,100	131,100	144,605	13,505
<b>Expenditures</b>				
Highways and streets				
Street lights and repairs	71,000	71,000	83,126	12,126
Capital outlay	<u>60,100</u>	<u>60,100</u>	<u>3,000</u>	<u>(57,100)</u>
Total expenditures	131,100	131,100	86,126	(44,974)
Change in fund balance	-	-	58,479	58,479
Fund balance, beginning of year	232,792	232,792	232,792	-
Prior period adjustment	<u>12,387</u>	<u>12,387</u>	<u>12,387</u>	-
Fund balance, end of year	<b>\$ 245,179</b>	<b>\$ 245,179</b>	<b>\$ 303,658</b>	<b>\$ 58,479</b>

**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, 2022

	<u>Budgeted amounts</u>		<b>Actual amounts</b>	<b>Variance with final budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Charges for services	\$ 5,000	\$ 5,000	\$ 15,500	\$ 10,500
Donations from public	5,200	5,200	123,173	117,973
Interest income	275	275	2,391	2,116
Total revenues	<u>10,475</u>	<u>10,475</u>	<u>141,064</u>	<u>130,589</u>
<b>Expenditures</b>				
Utility services	350	350	356	6
Maintenance	1,500	1,500	-	(1,500)
Miscellaneous	8,625	8,625	7,131	(1,494)
Total expenditures	<u>10,475</u>	<u>10,475</u>	<u>7,487</u>	<u>(2,988)</u>
Change in fund balance	-	-	133,577	133,577
Fund balance, beginning of year	<u>324,950</u>	<u>324,950</u>	<u>324,950</u>	<u>-</u>
Fund balance, end of year	<b>\$ 324,950</b>	<b>\$ 324,950</b>	<b>\$ 458,527</b>	<b>\$ 133,577</b>

**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, 2022

	<u>Budgeted amounts</u>		<b>Actual amounts</b>	<b>Variance with final budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Drug fines	\$ 1,500	\$ 1,500	\$ 1,988	\$ 488
Seized funds awarded	20,500	20,500	4,318	(16,182)
Public donations	3,000	3,000	-	(3,000)
Sale of assets	5,000	5,000	-	(5,000)
Interest income	15	15	5	(10)
Total revenues	<u>30,015</u>	<u>30,015</u>	<u>6,311</u>	<u>(23,704)</u>
<b>Expenditures</b>				
Operating supplies	30,015	30,015	20,590	(9,425)
Change in fund balance	-	-	(14,279)	(14,279)
Fund balance, beginning of year	<u>59,403</u>	<u>59,403</u>	<u>59,403</u>	<u>-</u>
Fund balance, end of year	<b>\$ 59,403</b>	<b>\$ 59,403</b>	<b>\$ 45,124</b>	<b>\$ (14,279)</b>

**City of Algood, Tennessee**  
Schedule of Changes in Property Taxes Receivable  
For the Fiscal Year Ended June 30, 2022

<b>Tax year</b>	<b>Beginning balance</b>	<b>Property tax levied</b>	<b>Anticipated levy</b>	<b>Abatements and adjustments</b>	<b>Collections</b>	<b>Ending balance</b>
2022	\$ -	\$ -	\$ 399,442	\$ -	\$ -	\$ 399,442
2021	399,544	399,544	(399,544)	799	(393,605)	6,738
2020	7,277	-	-	-	(6,277)	1,000
2019	2,467	-	-	-	(1,182)	1,285
2018	1,595	-	-	-	(630)	965
2017	754	-	-	-	(93)	661
2016	907	-	-	-	(287)	620
2015	376	-	-	-	(28)	348
2014	335	-	-	-	(129)	206
2013	147	-	-	-	-	147
2012	434	-	-	-	-	434
2011	374	-	-	(374)	-	-
	<b>\$ 414,210</b>	<b>\$ 399,544</b>	<b>\$ (102)</b>	<b>\$ 425</b>	<b>\$ (402,231)</b>	411,846
					Less: allowance	(12,404)
					Net	<b>\$ 399,442</b>

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

**City of Algood, Tennessee**  
 Schedule of Changes in Long-term Debt by Individual Issue  
 For the Fiscal Year Ended June 30, 2022

Description of indebtedness	Original amount of issue	Interest rate	Date of issue	Last maturity date	Balance July 1, 2021	Issued during period	Paid and/or matured during period	Refunded during period	Balance June 30, 2022
<b>Business-type Activities</b>									
Payable through water and sewer fund									
State Revolving Loan	\$ 1,829,054	2.14%	August 2011	September 2031	\$ 1,090,945	\$ -	\$ 104,415	\$ -	\$ 986,530



**City of Algood, Tennessee**  
 Schedule of Debt Service Requirements  
 Utility Fund  
 June 30, 2022

<b>Fiscal Year Ending</b>	<b>State Loan</b>	
	<b>Principal</b>	<b>Interest</b>
2023	\$ 90,110	18,633
2024	100,427	18,202
2025	102,596	16,032
2026	104,814	13,814
2027	107,078	11,551
2028	109,393	9,235
2029	111,757	6,870
2030	114,173	4,456
2031	116,640	1,988
2032	29,542	132
<b>Total</b>	<b>\$ 986,530</b>	<b>\$ 100,913</b>

**City of Algood, Tennessee**  
Schedule of Expenditures of Federal Awards and State Financial Assistance  
For the Fiscal Year Ended June 30, 2022

Grantor / Pass-through Grantor	Program name	Assistance Listing number	Contract number	Expenditures
<b>Federal Awards</b>				
National Park Service / Tennessee Dept of Environment and Conservation	Historic Preservation Fund Grants-In-Aid	15.904	32701-04164	\$ 22,500
National Highway Traffic Safety Administration (NHTSA) / TN Department of Safety	NHTSA Section 403 Discretionary Grants and Cooperative Agreements	20.614	N/A	5,000
U.S. Department of the Treasury / N/A - Direct Funding	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	226,157
Putnam County, Tennessee	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	120	<u>248,960</u>
				475,117
Total federal awards				502,617
<b>State Financial Assistance</b>				
Tennessee Department of Finance and Administration	Governor's Local Government Support Grant	N/A	N/A	63,829
Total federal awards and state financial assistance				<b>\$ 566,446</b>

**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, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 US *Code 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, 2022

	<b>Coverage</b>
<b>General liability</b>	
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
<b>Automobiles</b>	
General liability	\$ 700,000
Uninsured motorist	\$ 300,000
<b>Workers' compensation</b>	Statutory
<b>Volunteer fire fighters accident</b>	
Aggregate per accident	\$ 1,000,000

**City of Algood, Tennessee**  
Schedule of Bonds  
Principal Officials (Unaudited)  
As of June 30, 2022

<b>Official</b>	<b>Title</b>	<b>Bond</b>
Lisa Chapman-Fowler	Mayor	\$ 50,000
Ann Flatt	City Recorder	\$ 50,000
Bill Bilbrey	Council Member	\$ 50,000
Ruby Hawkins	Council Member	None
Luke Hill	Council Member	None
Ron Graves	Council Member	None

**City of Algood, Tennessee**  
 Schedule of Utility Information (Unaudited)  
 June 30, 2022

		<b>Rate</b>	
<b>Inside City limits</b>			
Minimum (0 - 2,000 gallons)	\$	12.52	Minimum bill
2,001 - 10,000 gallons	\$	5.64	Per 1,000 gal
Over 10,000 gallons	\$	6.06	Per 1,000 gal
<b>Outside City limits</b>			
Minimum (0 - 2,000 gallons)	\$	16.54	Minimum bill
2,001 - 10,000 gallons	\$	7.26	Per 1,000 gal
Over 10,000 gallons	\$	7.67	Per 1,000 gal
<b>Sewer (based on water use)</b>			
Minimum (0 - 2,000 gallons)	\$	15.66	Minimum bill
2,001 - 10,000 gallons	\$	7.06	Per 1,000 gal
Over 10,000 gallons	\$	7.57	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, 2022, 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 March 17, 2023.

**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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001, 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  
March 17, 2023



**City of Algood, Tennessee**  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2022

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**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**

**2022-001. 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, 2022

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**Financial Statement Findings**

<b>Finding Number</b>	<b>Finding Title</b>	<b>Status</b>
2021-001	Lack of internal controls over general ledger	Partially Corrected
2021-002	Lack of segregation of duties	Corrected

**Federal Award Findings and Questioned Costs**

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



CITY OF ALGOOD  
P.O. Box 49215, 215 West Main Street  
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Management's Corrective Action Plan  
For the Year Ended June 30, 2022

March 17, 2023

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, 2022.

Finding No. 2022-001 – 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: June 30, 2023

Responsible Party: Keith Morrison, City Administrator

Keith Morrison  
City Administrator  
City of Algood, Tennessee