

**CITY OF ALGOOD, TENNESSEE  
ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

**CITY OF ALGOOD, TENNESSEE  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2024**

**Table of Contents**

	<u>Page</u>
<b>INTRODUCTORY SECTION</b>	
Roster of City Officials (Unaudited)	i
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report	1-3
Management's Discussion and Analysis (Unaudited)	4-9
<b>Basic Financial Statements:</b>	
<b>Government-Wide Statements:</b>	
Statement of Net Position	10
Statement of Activities	11
<b>Fund Financial Statements:</b>	
<b>Governmental Fund Financial Statements:</b>	
Balance Sheet – Governmental Funds	12
Reconciliation of the Balance Sheet of Governmental Funds to the Government-wide Statement of Net Position	13
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Government-wide Statement of Activities	15
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (GAAP Basis) and Actual - General Fund	16-17
<b>Proprietary Fund Financial Statements:</b>	
Statement of Net Position	18
Statement of Revenues, Expenses, and Changes in Net Position	19
Statement of Cash Flows	20
Notes to Financial Statements	21-39
<b>REQUIRED SUPPLEMENTARY INFORMATION SECTION</b>	
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Based on Participation in the Public Employee Pension Plan of TCRS	40
Schedule of Contributions - Based on Participation in the Public Employee Pension Plan of TCRS	41
Notes to Required Supplementary Information	42
<b>SUPPLEMENTARY INFORMATION:</b>	
Combining Balance Sheet - Nonmajor Governmental Funds	43
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	44
Schedule of Revenues, Expenditures and Changes in Fund Balance Budget (GAAP Basis) and Actual - Nonmajor Governmental Funds:	
State Street Aid Fund	45
Cemetery Fund	46
Drug Fund	47

**CITY OF ALGOOD, TENNESSEE  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2024**

**Table of Contents**

	<u>Page</u>
<b>OTHER SUPPLEMENTARY INFORMATION SECTION:</b>	
Schedule of Changes in Property Taxes Receivable	48
Schedule of Property Tax Rates and Assessments	49
Schedule of Changes in Long-term Debt by Individual Issue	50
Schedule of Debt Services Requirments - Utility Funds	51
Schedule of Changes in Lease Obligations	52
Schedule of Insurance Coverage (Unaudited)	53
Schedule of Bonds - Principal Officals (Unaudited)	54
Schedule of Utility Information (Unaudited)	55
<b>GOVERNMENT AUDITING STANDARDS SECTION</b>	
Schedule of Expenditures of Federal Awards and State Financial Assistance	56
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 <i>Government Auditing Standards</i>	57-58
Schedule of Findings and Responses	59
Summary Schedule of Prior Year Finding	60
Management's Corrective Action Plan	61

# **INTRODUCTORY SECTION**

**City of Algood, Tennessee**  
**Roster of City Officials (Unaudited)**  
**June 30, 2024**

**Elected Officials**

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

**Appointed Officials**

Keith Morrison, CMFO	City Administrator
Anna Walker	City Recorder

## **FINANCIAL SECTION**

# ***The MG Group, P.C.***

## **CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS**

**Tullahoma, Tennessee**

### INDEPENDENT AUDITOR'S REPORT

To the Honorable 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, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City of Algood, Tennessee's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Algood, Tennessee, as of June 30, 2024, and the respective changes in financial position, and where applicable, cash flows thereof, and the respective 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 of Algood, Tennessee 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 of Algood, Tennessee'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 generally accepted auditing standards 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

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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 generally accepted auditing standards 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 of Algood, Tennessee'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 of Algood, Tennessee'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, schedule of changes in net pension liability (asset) and related ratios based on participation in the Public Employee Pension Plan of TCRS and the schedule of contributions based on participation in the Public Employee Pension Plan of TCRS, as listed in the table of contents 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Algood, Tennessee's basic financial statements. The financial information listed as Supplementary Information in the table of contents, including the combining and individual non-major fund financial statements and Schedule of Expenditures of Federal Awards and State Financial Assistance, 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 auditing standards generally accepted in the

United States of America. In our opinion, the Supplementary Information including the Schedule of Expenditures of Federal Awards and State Financial Assistance, are 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 and the other information section as listed in the table of contents, 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 January 23, 2025, on our consideration of the City of Algood, Tennessee'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 of Algood, Tennessee'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 of Algood, Tennessee's internal control over financial reporting and compliance.

*MG Group, P.C.*

Tullahoma, Tennessee  
January 23, 2025

**City of Algood, Tennessee**  
**Management's Discussion And Analysis**  
**June 30, 2024**

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, 2024. The analysis focuses on significant financial position, budget changes, 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.

**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 \$28,320,000 (net position). Of this amount, \$7,547,000 (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 \$1,511,000 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 \$8,516,000 an increase of \$787,000 in comparison with the prior year. Approximately 90% of this total amount, \$7,655,000 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 \$7,655,000, or 152% of the fiscal year 2024 final general fund expenditures including transfers. This demonstrates the City's fiscal discipline and places the City in a strong financial position to meet unexpected emergencies, uncertainties at the State level, or a slowdown in the economy.
- The City of Algood's total long term debt principal increased by \$1,768,000 during the fiscal year. This net increase was due to new debt issued for sewer system improvements and scheduled debt service principal payments.

**Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the City of Algood's basic financial statements. The City'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.

*Government-wide Financial Statements*

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

The Statement of Net Position presents information on all the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The Statement of Activities presents information showing how the government's net position changed

**City of Algood, Tennessee**  
**Management's Discussion And Analysis**  
**June 30, 2024**

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 tax).

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 of Algood include general government, personnel, finance, parks, planning, police, fire, disposal service, streets, and public works.

*Fund Financial Statements*

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated from specific activities or objectives. The City of Algood, 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 two categories: governmental funds and proprietary funds.

*Governmental Funds*

Governmental funds are funds 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.

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 governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains several individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the funds all of which are considered to be major funds. The City of Algood adopts an annual appropriated budget for its general fund and other funds. Budgetary comparison statements have been provided for the general fund and major special revenue funds that have adopted budgets to demonstrate compliance with these budgets. The comparison statements report the original fiscal year budget as well as any subsequent budget amendments. Amendments to

**City of Algood, Tennessee**  
**Management's Discussion And Analysis**  
**June 30, 2024**

the General Fund budget were insignificant, resulting in no change to the net revenues/expenditures. Sales tax and local option sales tax revenues were higher than budget by \$538,568 as a result of increased consumer spending in the City. Actual expenditures excluding capital outlay were under budget by approximately \$386,576 and capital outlay expenditures were \$230,394 under budget. In total, revenues were \$630,134 over budget and expenditures were \$616,970 under budget. The basic financial statements can be found in this report.

*Proprietary Fund*

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 in 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 in 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 in this report. The combining statements referred to earlier in connection with nonmajor governmental funds, as well as budgetary information for debt service, are presented immediately following the required supplementary information on pensions. Combining and individual fund statements can be found in this report.

**Government-Wide Financial Analysis**

As noted earlier, over time, net position may serve as a useful indicator of a government's financial position. For the City, assets and deferred outflows exceeded liabilities and deferred inflows by \$28,319,754 as of June 30, 2024.

**City of Algood, Tennessee**  
**Management's Discussion And Analysis**  
**June 30, 2024**

**City of Algood, Tennessee's Net Position (Amounts expressed in thousands)**

	Governmental Activities		Business Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Current and other assets	\$ 9,481	\$ 9,322	\$ 4,100	\$ 3,230	\$ 13,581	\$ 12,552
Capital assets	11,377	10,684	7,843	6,977	19,220	17,661
Deferred outflows	267	111	41	18	308	129
<b>Total Assets and Deferred Outflows</b>	<b>21,125</b>	<b>20,117</b>	<b>11,984</b>	<b>10,225</b>	<b>33,109</b>	<b>30,342</b>
Current liabilities	549	889	404	485	953	1,374
Other liabilities and deferred inflows	953	870	2,884	1,289	3,837	2,159
<b>Total Liabilities and Deferred Inflows</b>	<b>1,502</b>	<b>1,759</b>	<b>3,288</b>	<b>1,774</b>	<b>4,790</b>	<b>3,533</b>
Net Position:						
Net Investment in Capital Assets	11,215	10,522	4,800	5,419	16,015	15,941
Restricted	861	848	-	-	861	848
Unrestricted	7,547	6,988	3,897	3,032	11,444	10,020
<b>Total Net Position</b>	<b>\$ 19,623</b>	<b>\$ 18,358</b>	<b>\$ 8,697</b>	<b>\$ 8,451</b>	<b>\$ 28,320</b>	<b>\$ 26,809</b>

**City of Algood, Tennessee's Changes in Net Positions (Amounts expressed in thousands)**

	Governmental Activities		Business Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Program revenues:						
Charges for services	\$ 301	\$ 315	\$ 2,601	\$ 2,744	\$ 2,902	\$ 3,059
Operating grants and contributions	-	162	-	-	-	162
Capital grants and contributions	758	-	-	-	758	-
General revenues:						
Property taxes	437	432	-	-	437	432
Other taxes	3,536	3,546	-	-	3,536	3,546
Unrestricted Grants	-	476	-	137	-	613
Other sources	544	89	180	46	724	135
<b>Total revenues</b>	<b>\$ 5,576</b>	<b>\$ 5,020</b>	<b>\$ 2,781</b>	<b>\$ 2,927</b>	<b>\$ 8,357</b>	<b>\$ 7,947</b>
Governmental Activities:						
General Government	\$ 1,241	\$ 1,076	\$ -	\$ -	\$ 1,241	\$ 1,076
Public Safety	1,846	1,359	-	-	1,846	1,359
Public works	768	669	-	-	768	669
Parks and recreation	249	275	-	-	249	275
Cemetery	12	10	-	-	12	10
Sanitation	284	308	-	-	284	308
Streets	96	101	-	-	96	101
Water and sewer system	-	-	2,427	2,192	2,427	2,192
<b>Total Expenses</b>	<b>\$ 4,496</b>	<b>\$ 3,798</b>	<b>\$ 2,427</b>	<b>\$ 2,192</b>	<b>\$ 6,923</b>	<b>\$ 5,990</b>
Change in net position	1,080	1,222	354	735	1,434	1,957
Net Position, beginning	18,358	17,136	8,451	7,716	26,809	24,852
Restatement	185	-	(108)	-	77	-
<b>Net position, ending</b>	<b>\$ 19,623</b>	<b>\$ 18,358</b>	<b>\$ 8,697</b>	<b>\$ 8,451</b>	<b>\$ 28,320</b>	<b>\$ 26,809</b>

**City of Algood, Tennessee**  
**Management's Discussion And Analysis**  
**June 30, 2024**

**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 financial requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Based on the statements, the overall financial position of the City has improved during the current period. The general fund is the primary operation fund of the City with about 97% of the City's annual governmental revenues and expenditures. At the end of the current fiscal year, the entirety of the fund balance was unassigned in the general fund and totaled \$7,654,667. The total fund balance of the general fund increased by \$750,492 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 \$245,942 in the current fiscal year to an ending balance of \$8,696,956. The unrestricted portion of the utility fund net position increased by \$865,415 to a balance of \$3,896,930.

*Capital Assets*

The City's net investment in capital assets from its governmental activities at June 30, 2024 amounts to \$11,377,272 (net of accumulated depreciation) and its business-type activities amounts to \$7,842,870 (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 \$713,208. The total depreciation expense in the governmental activities was \$741,618 and accumulated depreciation totaled \$6,673,785 at the end of the year. The total depreciation expense in the business-type activities was \$288,597 and accumulated depreciation in the City's investment in business-type capital assets totaled \$5,636,040 at the end of the current fiscal year. Additional information on the City's capital assets can be found in the notes to the basic financial statements.

Major capital asset events during the current fiscal year included the completion of several constructions in progress of the following:

- Big Mac Drive Extension
- Old Walton Sewer Extension
- Green Mountain Water System Improvements
- White Plains Storm Drain Repair
- Other acquisitions of new equipment

**City of Algood, Tennessee**  
**Management's Discussion And Analysis**  
**June 30, 2024**

**City Of Algood, Tennessee's Capital Assets**

	Governmental Activities		Business Type Activities		Total	
	2024	2023	2024	2023	2024	2023
Land	\$ 1,584,501	\$ 1,584,501	\$ 15,000	\$ 15,000	\$ 1,599,501	\$ 1,599,501
Buildings and improvements	5,164,472	5,158,222	-	-	5,164,472	5,158,222
Infrastructure / Utility System	7,061,645	6,400,183	12,980,625	10,075,326	20,042,270	16,475,509
Equipment	4,115,239	3,346,960	483,285	474,767	4,598,524	3,821,727
Construction in progress	7,950	476,325	-	1,815,394	7,950	2,291,719
Intangible right to use asset	117,250	-	-	-	117,250	-
Less: Accumulated depreciation	(6,673,785)	(6,282,110)	(5,636,040)	(5,403,953)	(12,309,825)	(11,686,063)
<b>Total capital assets</b>	<b>\$ 11,377,272</b>	<b>\$ 10,684,081</b>	<b>\$ 7,842,870</b>	<b>\$ 6,976,534</b>	<b>\$ 19,220,142</b>	<b>\$ 17,660,615</b>

**Long-term Debt**

The City has utility debt of \$3,042,843, which was used to finance improvements to the utility system, and includes \$1,866,215 of new debt from the City of Algood Sewer System Loan. This new loan totaled \$2,300,000 before any repayment and was fully drawn at year end. Additional information on long-term debt can be found in the notes to the basic financial statements.

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

In the 2024-2025 budget, general fund revenues and user charges are budgeted largely the same from the fiscal year 2023-2024 budget primarily due to steady growth in the local economy. The City's budget has benefited from an expanding commercial and retail base in recent years, producing increases in local sales tax receipts. The City has successfully completed infrastructure projects and acquisitions of equipment associated with American Rescue Plan Act funding in fiscal year 2023-2024 and as such, fiscal year 2024-2025 budgeted grant revenues have been significantly reduced.

**City of Algood, Tennessee's Long-Term Debt**

	Governmental Activities		Business-Type Activities		Total	
	2024	2023	2024	2023	2024	2023
General Obligation, Revenue and Tax Bonds	\$ -	\$ -	\$ 2,247,000	\$ 433,785	\$ 2,247,000	\$ 433,785
State Revolving Loan Funds	-	-	795,843	887,901	795,843	887,901
Compensated Absences	252,361	172,418	82,329	66,866	334,690	239,284
Pension liability	42,138	6,660	9,357	2,098	51,495	8,758
<b>Total long-term debt</b>	<b>\$ 294,499</b>	<b>\$ 179,078</b>	<b>\$ 3,134,529</b>	<b>\$ 1,390,650</b>	<b>\$ 3,429,028</b>	<b>\$ 1,569,728</b>

**Request for Information**

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

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

# **BASIC FINANCIAL STATEMENTS**

**City of Algood, Tennessee**  
**Statement of Net Position**  
**June 30, 2024**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ 8,140,596	\$ 2,681,329	\$ 10,821,925
Receivables, net			
Property taxes	440,965	-	440,965
Customer accounts receivable	-	262,746	262,746
Other receivables	39,031	1,077,683	1,116,714
Lease receivables	275,436	-	275,436
Prepaid expenses	-	316	316
Due from other funds	12,065	78,207	90,272
Due from other governments	572,802	-	572,802
Total current assets	<u>9,480,895</u>	<u>4,100,281</u>	<u>13,581,176</u>
Capital assets:			
Capital assets, not being depreciated	1,592,451	15,000	1,607,451
Capital assets, being depreciated	16,458,606	13,463,910	29,922,516
Less: accumulated depreciation	(6,673,785)	(5,636,040)	(12,309,825)
Total capital assets	<u>11,377,272</u>	<u>7,842,870</u>	<u>19,220,142</u>
Total Assets	<u><u>20,858,167</u></u>	<u><u>11,943,151</u></u>	<u><u>32,801,318</u></u>
<b>Deferred Outflow of Resources:</b>			
Deferred outflows - pension	186,448	41,400	227,848
Deferred outflows - lease	80,198	-	80,198
Total deferred outflows of resources	<u>266,646</u>	<u>41,400</u>	<u>308,046</u>
<b>Liabilities:</b>			
Accounts payable	86,916	143,678	230,594
Accrued payroll	53,924	9,388	63,312
Other payables	162,572	-	162,572
Due to other governments	32,999	-	32,999
Due to other funds	90,272	-	90,272
Lease liability	80,198	-	80,198
Long-term liability:			
Net pension liability	42,138	9,357	51,495
Compensated absences	252,361	82,329	334,690
Due within one year	-	158,596	158,596
Due in more than one year	-	2,884,247	2,884,247
Total liabilities	<u>801,380</u>	<u>3,287,595</u>	<u>4,088,975</u>
<b>Deferred Inflows of Resources</b>			
Deferred revenue - property tax	421,531	-	421,531
Deferred inflow - lease	279,103	-	279,103
Total deferred inflows of resources	<u>700,634</u>	<u>-</u>	<u>700,634</u>
<b>NET POSITION</b>			
Net investment in capital assets	11,214,700	4,800,027	16,014,727
Restricted for:			
Street and maintenance improvements	378,177	-	378,177
Cemetery	468,344	-	468,344
Other projects	14,961	-	14,961
Unrestricted	<u>7,546,617</u>	<u>3,896,929</u>	<u>11,443,546</u>
Total net position	<u><u>\$ 19,622,799</u></u>	<u><u>\$ 8,696,956</u></u>	<u><u>\$ 28,319,755</u></u>

The accompanying notes are in integral part of these financial statements

**City of Algood, Tennessee**  
**Statement of Activities**  
**For the Year Ended June 30, 2024**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net Position		
					Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Primary Government:</b>							
General government	\$ 1,253,053	\$ -	\$ -	\$ 758,112	\$ (494,941)	\$ -	\$ (494,941)
Public safety	1,845,732	38,354	-	-	(1,807,378)	-	(1,807,378)
Streets	864,162	-	-	-	(864,162)	-	(864,162)
Parks and recreation	248,978	-	-	-	(248,978)	-	(248,978)
Sanitation	284,132	262,817	-	-	(21,315)	-	(21,315)
Total Governmental Activities	4,496,057	301,171	-	758,112	(3,436,774)	-	(3,436,774)
Business-Type Activities:							
Water and Sewer	2,427,507	2,710,786	-	70,195	-	353,474	353,474
Total Business-Type Activities	2,427,507	2,710,786	-	70,195	-	353,474	353,474
Total Primary Government	\$ 6,923,564	\$ 3,011,957	\$ -	\$ 828,307	(3,436,774)	353,474	(3,083,300)
General revenues:							
Property taxes					436,408	-	436,408
Sales taxes					2,675,330	-	2,675,330
Wholesale beer tax					101,902	-	101,902
Wholesale liquor tax					4,767	-	4,767
Business tax					170,620	-	170,620
Franchise fees and other locally assessed tax					41,836	-	41,836
T.V.A. in lieu of taxes					48,567	-	48,567
State sales tax					488,238	-	488,238
State telecommunications tax					-	-	-
State beer tax					1,742	-	1,742
State excise tax					3,713	-	3,713
Unrestricted investment earnings					63,838	-	63,838
Miscellaneous					479,888	-	479,888
Total general revenues					4,516,849	-	4,516,849
Change in net position					1,080,075	353,474	1,433,549
Net position - beginning					18,357,687	8,451,014	26,808,701
Prior period adjustment					185,037	(107,532)	77,505
Net position - ending					\$ 19,622,799	\$ 8,696,956	\$ 28,319,755

The accompanying notes are in integral part of these financial statements

**City of Algood, Tennessee**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2024**

	General Fund	Non Major Governmental Funds	Total Governmental Funds
<b>Assets:</b>			
Cash and cash equivalents	\$ 7,309,207	\$ 831,389	\$ 8,140,596
Accounts receivable			
Property tax	440,965	-	440,965
Other receivables	39,031	-	39,031
Lease receivables	275,436	-	275,436
Due from other funds	1,500	10,565	12,065
Due from other governments	547,104	25,698	572,802
Total Assets	<u>8,613,243</u>	<u>867,652</u>	<u>9,480,895</u>
<b>Deferred Outflows of Resources:</b>			
Deferred outflows - lease	80,198	-	80,198
Total Deferred Outflows of Resources	<u>80,198</u>	<u>-</u>	<u>80,198</u>
<b>Liabilities:</b>			
Accounts payable	82,246	4,670	86,916
Accrued payroll and payroll liabilities	53,924	-	53,924
Lease liability	80,198	-	80,198
Unearned revenue	32,999	-	32,999
Due to other funds	88,772	1,500	90,272
Total Liabilities	<u>338,139</u>	<u>6,170</u>	<u>344,309</u>
<b>Deferred Inflows of Resources:</b>			
Deferred revenue - property tax	421,531	-	421,531
Deferred revenue - lease receivable	279,103	-	279,103
Total Deferred Inflows of Resources	<u>700,634</u>	<u>-</u>	<u>700,634</u>
<b>Fund Balances:</b>			
Unassigned	7,654,668	-	7,654,668
Restricted for:			
Roads and streets	-	378,177	378,177
Cemetery	-	468,344	468,344
Public safety	-	14,961	14,961
Total Fund Balances	<u>7,654,668</u>	<u>861,482</u>	<u>8,516,150</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 8,693,441</u>	<u>\$ 867,652</u>	<u>\$ 9,561,093</u>

The accompanying notes are in integral part of these financial statements

**City of Algood, Tennessee**  
**Reconciliation of the Balance Sheet of**  
**Governmental Funds to the Statement of Net Position**  
**June 30, 2024**

Total fund balances, governmental funds	\$ 8,516,150
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	11,377,272
Defined benefit plan reporting for the TCRS plan requires recognition of the Town's portion of the net pension liability and deferred outflows/inflows in governmental activities. These amounts are not due and payable in the current period and therefore are not recorded in the funds.	
Net pension liability	(42,138)
Deferred outflows of resources	186,448
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the governmental funds.	
Bonds payable	(162,572)
Compensated absences	(252,361)
Net position of governmental activities	<u><u>\$ 19,622,799</u></u>

The accompanying notes are in integral part of these financial statements

**City of Algood, Tennessee**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**June 30, 2024**

	General Fund	Non Major Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
Taxes	\$ 3,502,446	\$ -	\$ 3,502,446
Licenses and permits	60,316	-	60,316
Intergovernmental	674,795	146,586	821,381
Fines and fees	-	7,678	7,678
Charges for services	293,493	-	293,493
Miscellaneous	876,892	13,926	890,818
Total revenues	5,407,942	168,190	5,576,132
<b>Expenditures:</b>			
General government	1,729,001	-	1,729,001
Public safety	1,686,197	23,573	1,709,770
Public works	589,210	96,491	685,701
Sanitation	203,756	-	203,756
Parks and recreation	449,285	-	449,285
Cemetery	-	11,589	11,589
Total expenditures	4,657,449	131,653	4,789,102
<b>Net change in fund balances</b>	750,493	36,537	787,030
<b>Fund Balances - Beginning</b>	6,904,175	824,945	7,729,120
<b>Fund Balances - Ending</b>	<u>\$ 7,654,668</u>	<u>\$ 861,482</u>	<u>\$ 8,516,150</u>

The accompanying notes are in integral part of these financial statements

**City of Algood, Tennessee**  
**Reconciliation of the Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances of Governmental Funds to the**  
**Statement of Activities**  
**For the Year Ended June 30, 2024**

Net changes in fund balance - total governmental funds	\$ 787,030
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Amounts reported for governmental activities in the statement of activities  
are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Specifically these items are as follows:

Capital assets added	1,068,636
Depreciation expense	(741,618)

Bond proceeds provide current financial resources to governmental funds, but the issuance of debt increases long-term liabilities for governmental activities. Repayment of bond principal is an expenditure in the governmental funds but reduces long-term liabilities for governmental activities.

Principal payments on debt	(73,283)
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Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the funds.

Changes in the net pension liability and related deferred outflows and inflows of resources	39,310
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Change in net position of governmental activities	\$ 1,080,075
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**City of Algood, Tennessee**  
**Statement of Revenues, Expenditures, and Changes**  
**in fund Balances - Budget and Actual**  
**General Fund**  
**June 30, 2024**

	<b>Budgeted Amounts</b>			<b>Positive (Negative) Variance With Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues:</b>				
Taxes:				
Property and utility tax	\$ 433,200	\$ 433,200	\$ 433,846	\$ 646
Tax penalties and interest	1,850	1,850	2,562	712
Local option sales tax	2,300,000	2,300,000	2,675,330	375,330
Wholesale beer tax	115,000	115,000	101,902	(13,098)
Business tax	135,000	135,000	170,620	35,620
City Court	40,000	40,000	71,583	31,583
State Shared Liquor	3,000	3,000	4,767	1,767
Cable TV franchise tax	39,000	39,000	41,836	2,836
Total Taxes	3,067,050	3,067,050	3,502,446	435,396
Licenses and Permits:				
Building permits	35,000	35,000	59,316	24,316
Beer permits	800	800	1,000	200
Total Licenses and Permits	35,800	35,800	60,316	24,516
Intergovernmental:				
Beer tax	2,200	2,200	1,742	(458)
Sales tax	325,000	325,000	488,238	163,238
TVA in lieu of tax	40,000	40,000	48,567	8,567
Corporate excise tax	3,200	3,200	3,713	513
State telecommunications tax	100	100	-	(100)
Federal and state grants	130,000	169,320	132,535	(36,785)
Total Intergovernmental	500,500	539,820	674,795	134,975
Charges for Services				
Solid Waste	140,000	140,000	262,817	122,817
Fees and commissions	15,725	15,725	30,676	14,951
Total Charges for Services	155,725	155,725	293,493	137,768
Miscellaneous Revenues:				
Interest income	18,000	18,000	63,838	45,838
ARP	758,000	796,300	625,577	(170,723)
Contributions and donations	24,600	24,600	8,173	(16,427)
Rental	78,213	78,213	83,238	5,025
Other miscellaneous revenue	45,300	62,300	96,066	33,766
Total Miscellaneous Revenues	924,113	979,413	876,892	(102,521)
Total revenues	\$ 4,683,188	\$ 4,777,808	\$ 5,407,942	\$ 630,134
<b>Expenditures:</b>				
Administrative:				
Salaries and wages	\$ 336,640	\$ 306,640	\$ 254,179	\$ 52,461
Employee benefits	504,252	501,652	476,007	25,645
Contractual services	76,200	81,200	81,080	120
Supplies and materials	18,700	18,700	8,539	10,161
Insurance	16,000	16,000	15,287	713
Other expenses	226,600	226,600	230,280	(3,680)
Capital Outlay	788,000	826,300	663,629	162,671
Total Administrative	\$ 1,966,392	\$ 1,977,092	\$ 1,729,001	\$ 248,091

The accompanying notes are in integral part of these financial statements

**City of Algood, Tennessee**  
**Statement of Revenues, Expenditures, and Changes**  
**in fund Balances - Budget and Actual**  
**General Fund**  
**June 30, 2024**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		<b>Variance</b>
				<b>With Final</b>
				<b>Budget</b>
Public Safety				
Police Department:				
Salaries and wages	\$ 1,048,622	\$ 1,048,622	\$ 903,260	\$ 145,362
Employee benefits	138,684	138,684	214,093	(75,409)
Operating Supplies	105,000	105,000	92,242	12,758
Insurance	32,000	32,000	31,173	827
Other expenses	185,600	202,600	146,832	55,768
Capital Outlay	74,000	150,000	149,839	161
Total Police Department	1,583,906	1,676,906	1,537,439	139,467
Fire Department:				
Volunteer firemen	25,000	25,000	59,549	(34,549)
Employee benefits	8,400	8,400	12,044	(3,644)
Supplies	13,500	13,500	12,780	720
Insurance	14,500	14,500	13,854	646
Other expenses	51,450	51,450	38,015	13,435
Capital Outlay	-	39,320	12,516	26,804
Total Fire Department	112,850	152,170	148,758	3,412
Total Public Safety	1,696,756	1,829,076	1,686,197	142,879
Public Works				
Salaries and wages	258,878	258,878	223,582	35,296
Employee benefits	34,866	34,866	30,003	4,863
Supplies	57,235	57,235	53,957	3,278
Insurance	9,000	9,000	8,599	401
Other expenses	84,700	84,700	41,375	43,325
Capital outlay	250,500	250,500	231,694	18,806
Total Public Works	695,179	695,179	589,210	105,969
Sanitation				
Salaries and wages	112,697	112,697	43,209	69,488
Employee benefits	14,959	14,959	7,631	7,328
Supplies	49,200	49,200	44,956	4,244
Insurance	6,000	6,000	6,883	(883)
Other expenses	110,700	110,700	101,077	9,623
Total Sanitation	293,556	293,556	203,756	89,800
Parks and Recreation				
Salaries and wages	181,406	181,406	185,708	(4,302)
Employee benefits	16,960	16,960	18,107	(1,147)
Supplies	20,500	20,500	21,207	(707)
Insurance	7,800	7,800	7,452	348
Other expenses	79,850	79,850	65,763	14,087
Capital outlay	88,000	173,000	151,048	21,952
Total Parks and Recreation	394,516	479,516	449,285	30,231
Total expenditures	\$ 5,046,399	\$ 5,274,419	\$ 4,657,449	\$ 616,970
Net change in fund balances	(363,211)	(496,611)	750,493	1,247,104
Fund balances - beginning			6,904,175	
Fund balances - ending			<u>\$ 7,654,668</u>	

The accompanying notes are in integral part of these financial statements

**City of Algood, Tennessee**  
**Statement of Net Position**  
**Proprietary Fund**  
**June 30, 2024**

**Assets:**

Current assets:

Cash and cash equivalents	\$ 2,681,329
Customer accounts receivable	293,040
Less: Allowance for doubtful accounts	(30,294)
Other receivables	1,077,683
Due from other funds	78,207
Prepaid expenses	316
Total current assets	<u>4,100,281</u>

Capital assets:

Capital assets, not being depreciated	15,000
Capital assets, being depreciated	13,463,910
Less: accumulated depreciation	<u>(5,636,040)</u>
Total capital assets	<u>7,842,870</u>
Total Assets	<u>11,943,151</u>

**Deferred outflow of resources:**

Deferred outflow - pension	<u>41,400</u>
Total deferred outflows of resources	<u>41,400</u>

**Liabilities:**

Current liabilities:

Accounts payable	143,678
Accrued expenses	9,388
Net pension liability	9,357
Compensated absences	82,329
Current maturities - long-term debt	<u>158,596</u>
Total current liabilities	<u>403,348</u>

Long-term Debt:

Long-term debt, net of current portion	<u>2,884,247</u>
Total noncurrent liabilities	<u>2,884,247</u>
Total liabilities	<u>3,287,595</u>

**Net Position:**

Net investment in capital assets	4,800,027
Unrestricted	3,896,929
Total net position - as restated	<u><u>\$ 8,696,956</u></u>

The accompanying notes are in integral part of these financial statements

**City of Algood, Tennessee**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Fund**  
**For the Year Ended June 30, 2024**

**Operating Revenues:**

Metered water sales	\$ 1,864,146
Sewer charges	710,885
Connection fees	25,745
Other	101,476
Total operating revenues	<u>2,702,252</u>

**Operating Expenses:**

Salaries	366,970
Employee benefits	122,993
Utilities	44,738
Repairs and maintenance	30,376
Professional services	55,167
Postage	27,098
Miscellaneous	11,471
Supplies	29,552
Materials	1,307,953
Insurance	62,538
Depreciation	288,597
Total operating expenses	<u>2,347,453</u>

Operating income (loss)	354,799
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**Nonoperating Revenues (Expenses):**

Interest income	8,534
Tap fees	70,195
Interest expense	(80,054)
Total nonoperating revenues (expenses)	<u>(1,325)</u>

Change in net position	353,474
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Net Position - Beginning	8,451,014
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Prior period adjustment	(107,532)
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Net Position - Ending	<u>\$ 8,696,956</u>
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The accompanying notes are in integral part of these financial statements

**City of Algood, Tennessee**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**For the Year Ended June 30, 2024**

**Cash Flows from Operating Activities:**

Cash received from customers	\$ 1,613,959
Cash paid to suppliers	(1,893,525)
Cash paid to employees	(736,179)
Net cash provided / (used) by operating activities	<u>(1,015,745)</u>

**Cash Flows from Capital and Related Financing Activities**

Acquisition of plant and equipment	(1,236,822)
Note proceeds	1,866,215
Interest and other expenses paid	(80,054)
Principal payments on debt	(153,427)
Net cash provided / (used) by capital and related financing activities	<u>395,912</u>

**Cash Flows from Noncapital Activities**

Tap fees	70,195
Net cash provided / (used) by noncapital activities	<u>70,195</u>

**Cash Flows from Investing Activities**

Interest received	8,534
Net cash provided / (used) by investing activities	<u>8,534</u>

Net increase / (decrease) in cash and cash equivalents (541,104)

**Cash - beginning of year** 3,222,433

**Cash - ending of year** \$ 2,681,329

**Reconciliation of Operating Income to Net Cash Provided by Operations**

Operating Income	\$ 354,799
Adjustments to reconcile operating income to net cash provided (used)	
by operating activities	
Depreciation	288,597
(Increase)/decrease in accounts receivable	19,670
(Increase)/decrease in accounts receivable	(1,075,885)
(Increase)/decrease in prepaid	(8,796)
(Increase)/decrease in deferred outflows related to TCRS	(23,282)
Increase/(decrease) in contracts payable	(235,349)
Increase/(decrease) in accounts payable	33,710
Increase/(decrease) in accrued expenses	(376,468)
Increase/(decrease) in net pension liabilities	7,259
Net cash provided / (used) by operating activities	<u><u>\$ (1,015,745)</u></u>

**City of Algood, Tennessee**  
**Notes to Financial Statements**  
**June 30, 2024**

**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 section 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 had no component units for the fiscal year ended June 30, 2024.

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

***Basis of Presentation***

***Government-wide Financial Statements***

The government-wide financial statements consist of the statement of net position and the statement of activities and report information on all of the non-fiduciary activities of the primary government. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of net position presents the City’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

- *Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction and improvement of those assets. Debt that was issued for capital purposes is not a part of the calculation of net investment in capital assets, until the proceeds have been used to acquire capital assets.

**City of Algood, Tennessee**  
**Notes to Financial Statements**  
**June 30, 2024**

- *Restricted net position* results from restriction placed on net position by external sources such as creditors, grantors and contributors, or imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted net position* consists of net position which does not meet the definition of the two proceeding categories.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Indirect expenses are allocated based on the annual cost allocation plan. 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 activity, and 2) grants and contributions, including special assessments that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items are not properly included among program revenues are reported instead as general revenues.

***Fund Financial Statements***

The accounts of the City are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provision. The minimum number of funds is maintained consistent with legal and managerial requirements.

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

The City reports the following major governmental fund:

- The General Fund is the City's primary operating fund. It accounts for all the financial resources and the legally authorized activities of the City except those required to be accounted for in another fund.

The City reports the following major proprietary fund:

- The Water and Sewer Fund accounts for the activities of providing water and sewer services to the customers of the system.

***Measurement Focus, Basis of Accounting, and Basis of Presentation***

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

**City of Algood, Tennessee**  
**Notes to Financial Statements**  
**June 30, 2024**

Governmental fund revenues are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes and most governmental revenues as available if received within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund 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, state shared revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period using the criteria specified in the paragraph above. All other revenue items are considered to be measurable and available only when cash is received by the government.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's utilities and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include (i) charges to customers or applicants for goods, services, or privileges provided, (ii) operating grants and contributions, and (iii) capital grants and contributions. General revenues include all taxes and internally dedicated resources.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the utility fund (Water and Sewer Fund) are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. When unrestricted funds are used, the City uses committed, assigned, and then unassigned funds.

***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 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.

**City of Algood, Tennessee**  
**Notes to Financial Statements**  
**June 30, 2024**

***Cash and Cash Equivalents***

Cash and cash equivalents consist primarily of demand deposits with financial institutions. In addition, certificates of deposit or direct obligations of the Federal government or its agencies that are owned by a specific fund of the City having a maturity of three months or less when purchased are considered to be cash equivalents. Amounts held by the State Local Government Investment Pool are also included in this total.

***Delinquent Taxes Receivable***

Delinquent taxes receivable have been included in the General Fund balance sheet with offsetting deferred revenue to reflect amounts which were not available at June 30, 2024. Amounts which were available at June 30, 2024 have been recorded as revenue. Property taxes which will be levied October 1, 2024 in the amount of \$421,531 have also been recorded as a receivable with an offsetting deferred revenue to reflect amounts not available at June 30, 2024.

***Supply Inventory***

Inventory items are considered expenditures/expenses when used (consumption method). Inventories are valued as follows:

Enterprise (Water and Sewer) Fund – Inventory, primarily materials, supplies and replacement parts, is valued at the lower of cost (first-in, first-out) or net realizable value.

***Interfund Receivables/Payables***

During the course of operations, numerous transactions occur between individual funds for goods or services rendered. These receivables and payables are classified as due from other funds or due to other funds on the balance sheet and are eliminated on the government-wide statements. Transfers of monies between funds generally arise as a result of budget appropriations authorizing funds to be transferred from one fund to another.

***Compensated Absences***

The City's policy permits employees to accumulate earned but unused annual 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.

***Long-term Obligations***

In the government-wide financial statements, the 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, business-type activities, or proprietary fund type statements of net position.

**City of Algood, Tennessee**  
**Notes to Financial Statements**  
**June 30, 2024**

Bond premium and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds and are presented in the accompanying financial statements as other assets.

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 while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

***Deferred Outflows/Inflows of Resources***

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two 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. The amounts for pensions under TCRS relate to certain differences between projected and actual actuarial results and certain differences between project and actual investment earnings, which are accounted for as deferred inflows of resources in the statement of net position. Certain grants that are for future periods are also accounted for as deferred inflows of resources in the statement of net position.

See Note 7 – Leases for information pertaining to deferred outflows and inflows related to leases.

***Tennessee Consolidated Retirement System***

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, 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 Employees 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 Employees Retirement Plan of TCRS. Investments are reported at fair value.

***Capital Assets***

Capital assets, which include property, plant, and equipment, and infrastructure assets consisting of

**City of Algood, Tennessee**  
**Notes to Financial Statements**  
**June 30, 2024**

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 system-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$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 assets lives are not capitalized.

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

<u>Assets</u>	<u>Years</u>
Infrastructure (roads, bridges)	50 years
Buildings	25 - 50 years
Distribution systems	10 - 50 years
Equipment	5 - 15 years
Trucks	5 - 10 years

***Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Fund Balances***

The City implemented Governmental Accounting Standard Board (GASB) Statement 54 for its governmental funds. As a result, fund balance is reported in the fund financial statements under the following categories.

- *Nonspendable fund balance* – represents amounts that are required to be maintained intact, such as inventories and prepaid expenses.
- *Restricted fund balance* – fund balances that can be spent only for specific purposes stipulated by external parties, constitutional provisions, or enabling legislation.
- *Committed fund balance* – amounts that can be used only for specific purposes determined by a formal action of the City's Board.
- *Assigned fund balance* – amounts the City intends to use for a specific purpose, but do not meet the definition of being restricted or committed. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- *Unassigned fund balance* – represents the residual classification and includes all spendable amounts not included in other classifications within the General Fund that are available for any purpose.

**City of Algood, Tennessee**  
**Notes to Financial Statements**  
**June 30, 2024**

Only by Board approval can fund balance amounts be classified as committed or assigned. Board approval is required to establish, modify or rescind a fund balance requirement.

***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 assessed market value:

Public Utility Property	55%
Industrial and Commercial Property	
Real	40%
Personal	30%
Farm and Residential Property	25%

Taxes were levied at a rate of \$0.3623 per \$100 of assessed valuation for the fiscal year ended June 30, 2024.

Payments may be made during the period from November 1 through March 31, taxes become delinquent January 1 of each tax year. Current tax collections of \$391,405 for the fiscal year ended June 30, 2024 were approximately 98 percent of the tax levy.

Delinquent taxes are turned over to the Clerk and Master of the Putnam County Chancery Court each year for collection.

***Budgets and Budgetary Accounting***

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

- The City Administrator and Department Heads submit to the City Council the proposed operating budget for the fiscal year. The operating budgets for the General and Special Revenue Funds include proposed expenditures and the means of financing them. All appropriations in the current operating budget lapse into fund balance of the respective funds at the end of the fiscal year.
- The budgets passed on the first reading and each of the following readings, and was adopted by ordinance on the second reading. In no event shall total appropriations for any fund exceed the estimated revenues and fund balance.
- The amounts in the adopted budgets for each fund constitute its total annual appropriation and no expenditure may be made which will result in the annual appropriation for the fund being exceeded, unless any additional appropriation is made.
- The Mayor may transfer appropriations between line items in each department; however, any revisions that alter the total appropriations of any fund must be approved by the City Council. Budgetary control is considered established at the department level.

**City of Algood, Tennessee**  
**Notes to Financial Statements**  
**June 30, 2024**

- Budgeted amounts shown are those originally adopted and amended by the Mayor and City Council. All balances of appropriations in the current operating budgets lapse into the fund balance of the fund which appropriations were made at the end of the fiscal year.
- Budgets for the General and Special Revenue Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

***Leases***

The City follows GASB No. 87, Leases, to address the accounting treatment and financial reporting of leases. Leases that are not classified as short-term leases or contracts that transfer ownership are required to recognize a right to use asset and a related lease liability. Right to use leased assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. Right to use leased assets are amortized on a straight-line basis over the life of the related lease.

***Subscription IT Arrangements***

The City follows GASB No. 96, Subscription-Based Information Technology Arrangements (SBITA), to address the accounting treatment and financial reporting for these agreements. The SBITA asset is measured as the initial value of the subscription liability plus payments made to the vendor at the commencement of the subscription term, plus capitalizable initial implementation costs, and less any vendor incentives received at the commencement of the subscription term. The City will amortize the SBITA asset in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying asset. Currently, the City does not have any subscription IT arrangements.

**NOTE 2 – DEPOSITS WITH FINANCIAL INSTITUTIONS**

The City is authorized to invest funds in financial institutions and direct obligations of the Federal Government. During 2024, the City invested in short-term certificates of deposit, and savings accounts. The City has deposit policies to minimize custodial credit risks.

*Custodial Credit Risk* for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned, or the City will not be able to recover collateral securities in the possession in an outside party. The City's policy requires that deposits be either (i) secured and collateralized by the institutions at 105% of the value of the deposits placed in the institutions less the amount protected by federal depository insurance or (ii) that deposits be placed in financial institutions that participate in the bank collateral pool administered by the Treasurer of the State of Tennessee. Institutions participating in the collateral pool determine the aggregated balance of their public fund accounts. The amount of collateral required to secure these public deposits must be at least 105% of the average daily balance of public deposits held. Deposits were collateralized in accordance with City policy and the requirements of Tennessee State Statutes of June 30, 2024.

*Interest Rate Risk* is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate

**City of Algood, Tennessee**  
**Notes to Financial Statements**  
**June 30, 2024**

changes. The City's policy provides that to the extent practicable, investments are matched with anticipated cash flows.

**NOTE 3 – ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2024 consists of the following:

	General Fund	Special Revenue Fund - State Street Aid Fund	Special Revenue Fund - Drug Fund	Water and Sewer Fund	Combined Total
Property taxes	\$ 440,965	\$ -	\$ -	\$ -	\$ 440,965
Other governments	547,104	25,698	-	-	572,802
Other funds	1,500			78,207	79,707
Other	314,467	10,541	24	1,077,683	1,402,715
Customer accounts	-	-	-	293,040	293,040
Less: Allowance for doubtful accounts	-	-	-	(30,294)	(30,294)
Total	<u>\$ 1,304,036</u>	<u>\$ 36,239</u>	<u>\$ 24</u>	<u>\$ 1,418,636</u>	<u>\$ 2,758,935</u>

**NOTE 4 – CAPITAL ASSETS**

**Governmental Activities**

A summary of changes in governmental activities capital assets for the year ended June 30, 2024 is as follows:

	Balance July 1, 2023	Additions	Reductions	Balance June 30, 2024
<i>Governmental Activities</i>				
<i>Capital assets, not being depreciated</i>				
Land and land improvements	\$ 1,584,501	\$ -	\$ -	\$ 1,584,501
Construction in progress	476,325	7,950	(476,325)	7,950
Subtotal	<u>2,060,826</u>	<u>7,950</u>	<u>(476,325)</u>	<u>1,592,451</u>
<i>Capital assets, being depreciated</i>				
Equipment	3,350,210	973,333	(208,304)	4,115,239
Building and improvements	5,158,222	6,250	-	5,164,472
Infrastructure	6,235,277	826,368	-	7,061,645
Intangible right to use asset	-	117,250	-	117,250
Subtotal	<u>14,743,709</u>	<u>1,923,201</u>	<u>(208,304)</u>	<u>16,458,606</u>
<i>Accumulated depreciation and amortization</i>	<u>(6,140,471)</u>	<u>(741,618)</u>	<u>(208,304)</u>	<u>(6,673,785)</u>
Capital assets, being depreciated, net	<u>8,603,238</u>	<u>1,181,583</u>	<u>-</u>	<u>9,784,821</u>
Capital assets, net	<u>\$ 10,664,064</u>	<u>\$ 1,189,533</u>	<u>\$ (476,325)</u>	<u>\$ 11,377,272</u>

Beginning balances for the Governmental Activities capital assets does not agree to prior year ending balances. Prior Period Adjustments were made to Buildings and Improvements, Equipment, and Accumulated Depreciation. See Note 11 – Restatement for total Prior Period Adjustment.

**City of Algood, Tennessee**  
**Notes to Financial Statements**  
**June 30, 2024**

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

Depreciation expense		
General Government	\$	94,443
Public Safety		190,659
Parks		8,123
Sanitation		80,376
Streets		368,017
		Total
	\$	741,618

**Business – Type Activities**

A summary of changes in Proprietary (Water and Sewer) Fund capital assets and related accumulated depreciation follows:

	Balance July 1, 2023	Additions	Reductions	Balance June 30, 2024
Business Type Activities				
<i>Capital assets, not being depreciated</i>				
Land	\$ 15,000	\$ -	\$ -	\$ 15,000
Construction in progress	1,815,394	-	1,815,394	-
Subtotal	1,830,394	-	1,815,394	15,000
<i>Capital assets, being depreciated</i>				
Equipment	417,809	65,476	-	483,285
Utility System	10,075,326	2,905,299	-	12,980,625
Subtotal	10,493,135	2,970,775	-	13,463,910
<i>Accumulated depreciation</i>	(5,347,443)	(288,597)	-	(5,636,040)
Capital assets, being depreciated, net	5,145,692	2,682,178	-	7,827,870
Capital assets, net	\$ 6,976,086	\$ 2,682,178	\$ 1,815,394	\$ 7,842,870

Beginning balances for the Business-Type Activities capital assets does not agree to prior year ending balances. Prior Period Adjustments were made to Equipment and Accumulated Depreciation. See Note 11 – Restatement for total Prior Period Adjustment.

Depreciation expense amounted to \$288,597 for the year ended June 30, 2024.

**NOTE 5 – LONG-TERM LIABILITIES OTHER THAN PENSION OBLIGATION**

The following schedules reflects the changes in long-term liabilities other than the pension obligation during the year ended June 30, 2024:

**City of Algood, Tennessee**  
**Notes to Financial Statements**  
**June 30, 2024**

	Balance July 1, 2023	Additions	Reductions	Balance June 30, 2024	Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 172,418	\$ 79,943	\$ -	\$ 252,361	\$ -
Pension liability	6,660	35,478	-	42,138	-
Total Governmental Activities					
Long-term Liabilities	<u>\$ 179,078</u>	<u>\$ 115,421</u>	<u>\$ -</u>	<u>\$ 294,499</u>	<u>\$ -</u>
	Balance July 1, 2023	Additions	Reductions	Balance June 30, 2024	Due Within One Year
Business-Type Activities					
TMBF Sewer System	\$ 433,785	\$ 1,866,215	(53,000)	\$ 2,247,000	\$ 56,000
SRF Loan-Arra Portion	<u>887,901</u>	<u>8,369</u>	<u>(100,427)</u>	<u>795,843</u>	<u>102,596</u>
	<u>1,321,686</u>	<u>1,874,584</u>	<u>(153,427)</u>	<u>3,042,843</u>	<u>158,596</u>
Compensated absences	66,866	15,463	-	82,329	
Net pension liability	<u>2,098</u>	<u>7,259</u>	<u>-</u>	<u>9,357</u>	
Long-term Liabilities	<u>\$ 1,390,650</u>	<u>\$ 1,897,306</u>	<u>\$ (153,427)</u>	<u>\$ 3,134,529</u>	

The Water and Sewer Revenue and Tax Bonds were issued to finance the City's water and sewer facilities and are secured by the revenues of the water and sewer system and the taxing power of the City. During fiscal year 2024, the City issued notes for the sewer system project. Although the agreement took place during the fiscal year, \$1,075,885 proceeds were not received until July 2, 2024. The entire liability has been reflected in these financial statements with a receivable of the amount received in July.

Debt service requirements to maturity for bonds payable as of June 30, 2024, are as follows:

Year Ended June 30,	Business Type Activities	
	Principal	Interest
2025	\$ 158,596	\$ 111,395
2026	162,814	106,800
2027	167,078	102,075
2028	172,393	97,213
2029	177,757	92,176
2030-2034	633,355	388,721
2035-2039	460,000	296,019
2040-2044	566,000	189,749
2045-2048	<u>544,850</u>	<u>59,034</u>
Total	<u>\$ 3,042,843</u>	<u>\$ 1,443,182</u>

**City of Algood, Tennessee**  
**Notes to Financial Statements**  
**June 30, 2024**

Debt Default Provisions

Any failure of the City to pay all or any portion of the required payments may cause balances of the remaining term to be due immediately and an interest penalty to apply to each late monthly payment.

**NOTE 6 – RETIREMENT PLAN**

General Information about the Pension Plan

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

*Benefits provided* - Tennessee Code Annotated, Title 8, Chapters 34-37, establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent 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 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

**City of Algood, Tennessee**  
**Notes to Financial Statements**  
**June 30, 2024**

*Employees covered by benefit terms* - At the measurement date of June 30, 2023 the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently Receiving benefits	-
Inactive employees entitled to but not yet Receiving benefits	8
Active employees	<u>29</u>
Total Employees	<u><u>37</u></u>

**Contributions**

Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 2.5 percent of salary (*alternatively-Employees are non-contribution*). City of Algood makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2024, the employer contributions for the City of Algood were \$ 143,956 based on a rate of 10.33% percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the City of Algood'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 (Asset)**

*Pension liabilities (assets)*. City of Algood's net pension liability (asset) was measured as of June 30, 2023, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

*Actuarial assumptions*. The total pension liability as of June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	6.75 percent, net of pension plan investment expenses, including inflation
Cost-of-living adjustment	2.125 percent ( <i>use only if COLA is provided</i> )

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

The actuarial assumptions used in the June 30, 2023 actuarial valuation were based on the results of an

**City of Algood, Tennessee**  
**Notes to Financial Statements**  
**June 30, 2024**

actuarial experience study performed for the period July 1, 2016 through June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2020 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.25 percent. The best estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

<b><u>Asset Class</u></b>	<b><u>Long-Term Expected Real Rate of Return</u></b>	<b><u>Target Allocation</u></b>
U.S. equity	4.88%	31%
Developed market international equity	5.37%	14%
Emerging market international equity	6.09%	4%
Private equity and strategic lending	6.58%	20%
U.S. fixed income	1.20%	20%
Real estate	4.38%	10%
Short-term securities	0.00	1%
		<u>100%</u>

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

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

**City of Algood, Tennessee**  
**Notes to Financial Statements**  
**June 30, 2024**

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balance at June 30, 2022	\$ 55,749	\$ 46,991	\$ 8,758
Changes for the year:			
Service cost	81,818	-	81,818
Interest	9,286	-	9,286
Differences between expected and actual experience	89,209	-	89,209
Contributions-employer	-	127,251	(127,251)
Contributions-employees	-	4,379	(4,379)
Net investment income	-	7,530	(7,530)
Benefit payments, including refunds of employee contributions	-	-	-
Administrative expense	-	(1,584)	1,584
Net changes	180,313	137,576	42,737
Balance at June 30, 2023	<u>\$ 236,062</u>	<u>\$ 184,567</u>	<u>\$ 51,495</u>

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

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net pension liability (asset)	\$ 111,109	\$ 51,495	\$ 5,530

Pension expense (negative pension expense) and deferred outflows of resources and deferred inflows of resources related to pensions

*Pension Expense (negative pension expense)* - For the year ended June 30, 2024, the City recognized pension expense of \$88,123.

**City of Algood, Tennessee**  
**Notes to Financial Statements**  
**June 30, 2024**

*Deferred outflows of resources and deferred inflows of resources.* - For the year ended June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 82,347	\$ -
Net difference between projected and actual earnings on pension plan investments	1,545	-
Changes in assumptions	-	-
Contributions subsequent to the measurement date of June 30, 2023	<u>143,956</u>	<u>(not applicable)</u>
Total	<u><u>\$ 227,848</u></u>	<u><u>\$ -</u></u>

The amount shown above for contributions subsequent to the measurement date of June 30, 2023, will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

<u>Year Ended June 30:</u>	
2025	\$ 7,375
2026	7,375
2027	7,375
2028	6,868
2029	6,862
Thereafter	48,034

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

**Payable to the Pension Plan**

At June 30, 2024, the City of Algood reported a payable of \$5,662 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2024.

**NOTE 7 – LEASES**

The City follows GASB No. 87, *Leases*, to address the accounting treatment and financial reporting of leases. Leases that are not classified as short-term leases or contracts that transfer ownership are required to recognize a right to use asset and a related lease liability. Right to use leased assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any

**City of Algood, Tennessee**  
**Notes to Financial Statements**  
**June 30, 2024**

lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. Right to use leased assets are amortized on a straight-line basis over the life of the related lease.

**Lease – City as a Lessor**

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgements include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value; (2) lease term; and (3) lease receipts.

- The City uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the non-cancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its leases, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Year Ending	<b>Governmental Activities</b>							
	<b>Future Lease Receipts</b>							
	<b>LBJ&amp;C</b>		<b>USPO</b>		<b>Milo and Lucy</b>		<b>Total</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2025	\$ 47,122	\$ 8,078	\$ 30,962	\$ 389	\$ 11,207	\$ 943	\$ 89,291	\$ 9,410
2026	49,385	5,815	2,608	4	11,434	716	63,427	6,535
2027	51,757	3,443	-	-	11,664	486	63,421	3,929
2028	45,024	976	-	-	11,900	250	56,924	1,226
2029	-	-	-	-	2,373	35	2,373	35
	<u>\$ 193,288</u>	<u>\$ 18,312</u>	<u>\$ 33,570</u>	<u>\$ 393</u>	<u>\$ 48,578</u>	<u>\$ 2,430</u>	<u>\$ 275,436</u>	<u>\$ 21,135</u>

**Lease – City as a Lessee**

At the commencement of the lease, the City initially measures the lease payable at the present value of payments expected to be paid during the lease term. Subsequently, the lease payable is reduced by the principal portion of lease payments paid. The deferred outflow of resources is initially measured as the initial amount of lease payable, adjusted for lease payments paid at or before the lease commencement date. Subsequently, the deferred outflow of resources is recognized as expense over the life of the lease term.

Key estimates and judgements include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value; (2) lease term; and (3) lease payments.

- The City uses its estimated incremental borrowing rate as the discount rate for leases.

**City of Algood, Tennessee**  
**Notes to Financial Statements**  
**June 30, 2024**

- The lease term includes the non-cancellable period of the lease. Lease payments included in the measurement of the lease payable is composed of fixed payments.

The City monitors changes in circumstances that would require a re-measurement of its leases, and will re-measure the lease payable and deferred outflow of resources if certain changes occur that are expected to significantly affect the amount of the lease payable.

**Lease Default Provisions**

Any failure of the City to pay all or any portion of the required payments may cause balances of the remaining term to be due immediately and an interest penalty to apply to each late monthly payment.

Year Ending June 30,	Governmental Activities Future Lease Payments		Governmental Activities Future Lease Payments		Total	
	Body Cameras		Tasers			
	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 11,061	\$ 1,026	\$ 10,510	\$ 1,319	\$ 21,571	\$ 2,345
2026	11,392	694	10,826	1,004	22,218	1,698
2027	11,734	352	11,150	679	22,884	1,031
2028	-	9	13,525	345	13,525	354
	<u>\$ 34,187</u>	<u>\$ 2,081</u>	<u>\$ 46,011</u>	<u>\$ 3,347</u>	<u>\$ 80,198</u>	<u>\$ 5,428</u>

**Governmental Activities**

Description	Date of Issue	Date of Maturity	Payment Terms	Payment Amount	Interest Rate	Lease Liability	Balance 6/30/2024
Body Cameras	1/1/2024	1/1/2027	48 months	\$ 12,086	3.00%	\$ 46,273	\$ 34,187
Tasers	7/1/2023	7/1/2028	60 months	11,829	3.00%	66,005	46,011
<b>Total Governmental Activities Lease Obligations</b>							<u>\$ 80,198</u>

**NOTE 8 – COMMITMENTS AND CONTINGENCIES**

**Litigation**

The City, at time to time, is involved in various lawsuits. Although the ultimate outcome of these lawsuits is not presently determinable, the City's attorney is of the opinion that the resolution of these matters will not have a material adverse effect on the financial condition of the City.

**Grants**

Amounts received from Grantor agencies are subject to audit and adjustments by Grantor agencies, principally the Federal government. Any disallowed claims including amounts already collected, could become a liability of the applicable fund.

**City of Algood, Tennessee**  
**Notes to Financial Statements**  
**June 30, 2024**

**NOTE 9 – INTERFUND BALANCES TRANSACTIONS**

Interfund receivable and payable balances at June 30, 2024 arose primarily as a result of the City contributing towards payroll in the subsequent month and interfund charges paid in the subsequent month and were as follows:

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 1,500	\$ 88,772
State Street Aid Fund	10,541	-
Drug Fund	24	-
Cemetery	-	1,500
Water and Sewer Fund	78,207	-
	<u>\$ 90,272</u>	<u>\$ 90,272</u>

**NOTE 10 – RISK MANAGEMENT AND UNCERTAINTIES**

The City is exposed to various risks to general liability and property and casualty losses. The City deemed it was more economically feasible to participate in a public entity risk pool as opposed to purchasing commercial insurance for general liability and property and casualty coverage.

**NOTE 11 – RESTATEMENT**

The City of Algood, Tennessee had to adjust beginning balances to agree with prior year depreciation schedules. The adjustments were made as follows:

Governmental:

Beginning Net Position	\$ 18,357,687
Restatement due to error in beginning balances	181,370
Beginning Net Position - Restated	<u>\$ 18,539,057</u>

Water and Sewer:

Beginning Net Position	\$ 8,451,014
Restatement due to error in beginning balances	(107,532)
Beginning Net Position - Restated	<u>\$ 8,343,482</u>

**NOTE 12 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through January 23, 2025, which is the date the financial statements were available to be issued. The City is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

# **REQUIRED SUPPLEMENTARY INFORMATION**

**City of Algood, Tennessee**  
**Schedules of Changes in the Net Pension Liability (Asset) and Related Ratios**  
**Based on Participation in the Public Employee Pension Plan of TCRS**  
**For the Fiscal Year Ended June 30**

	2022	2023
<b>Total Pension Liability (Asset)</b>		
Service Cost	\$ -	\$ 81,818
Interest	-	9,286
Changes in benefit terms	55,749	-
Differences between actual and expected experience	-	89,209
Change of assumptions	-	-
Benefit payments, including refund of employee contributions	-	-
Net change in total pension liability	<u>55,749</u>	<u>180,313</u>
Total Pension Liability - Beginning	-	55,749
Total Pension Liability - Ending (a)	<u><u>55,749</u></u>	<u><u>236,062</u></u>
<b>Plan fiduciary net position</b>		
Contributions - employer	49,285	127,251
Contributions - employee	-	4,379
Net Investment Income	(917)	7,530
Benefit payments, including refunds of employee contributions	-	-
Administrative Expense	(1,377)	(1,584)
Other	-	-
Net change in plan fiduciary net position	<u>46,991</u>	<u>137,576</u>
Plan fiduciary net position - Beginning	-	46,991
Plan fiduciary net position - Ending (b)	<u>46,991</u>	<u>184,567</u>
Net Pension Liability - ending (a) - (b)	<u><u>8,758</u></u>	<u><u>51,495</u></u>
Plan fiduciary net position as a percentage of total pension liability	84.29%	78.19%
Covered Payroll	\$ 440,042	\$ 1,173,702
Net pension liability (asset) as a percentage of covered payroll	1.99%	4.39%

**City of Algood, Tennessee**  
**Schedule of Contributions**  
**Based on Participation in the Public Employee Pension Plan of TCRS**  
**For the Fiscal Year Ended June 30**

	<u>2023</u>	<u>2024</u>
Actuarially determined contribution	\$ 127,251	\$ 143,956
Contributions in relation to the actuarially determine contribution	<u>127,251</u>	<u>143,956</u>
<b>Contribution Deficiency (Excess)</b>	<u><u>-</u></u>	<u><u>-</u></u>
<b>Covered Payroll</b>	<u>\$ 1,173,702</u>	<u>\$ 1,393,167</u>
<b>Contributions as a percentage of covered payroll</b>	10.84%	10.33%

\*\* GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68.  
The information in this schedule is not required to be presented retroactively prior to the implementation date.  
The City of Algood did not participate in the Public Employee Pension Plan of the TCRS prior to January 1, 2022. Data will be displayed as it becomes available.

**City of Algood, Tennessee**  
**Notes to Required Supplementary Information**  
**For the Fiscal Year Ended June 30**

Valuation date: Actuarially determined contribution rates for fiscal year 2024 were calculated based on the June 30, 2022 actuarial valuation.

*Methods and assumptions used to determine contribution rates:*

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by Year
Asset Valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	2.25 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment Rate of Return	6.75 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.125 percent

Changes of assumptions. In 2021, the following assumptions were changed: decreased inflation rate from 2.50 percent to 2.25 percent; decreased the investment rate of return from 7.25 percent to 6.75 percent; decreased the cost-of-living adjustment from 2.25 percent to 2.125 percent; and modified mortality assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

## **SUPPLEMENTARY INFORMATION**

**City of Algood, Tennessee**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2024**

	<b>Special Revenue Funds</b>			<b>Total</b>
	<b>State Street Aid Fund</b>	<b>Cemetery</b>	<b>Drug Fund</b>	<b>Nonmajor Governmental Funds</b>
<b>Assets:</b>				
Cash and cash equivalents	\$ 346,576	\$ 469,876	\$ 14,937	\$ 831,389
Accounts receivable:				
Due from other funds	10,541	-	24	10,565
Due from other governments	25,698	-	-	25,698
<b>Total Assets</b>	<b>382,815</b>	<b>469,876</b>	<b>14,961</b>	<b>867,652</b>
<b>Liabilities:</b>				
Accounts payable	4,638	32	-	4,670
Due to other funds	-	1,500	-	1,500
<b>Total Liabilities</b>	<b>4,638</b>	<b>1,532</b>	<b>-</b>	<b>6,170</b>
<b>Fund Balances:</b>				
Restricted for:				
Roads and streets	378,177	-	-	378,177
Public safety	-	-	14,961	14,961
Cemetery	-	468,344	-	468,344
<b>Total Fund Balances</b>	<b>378,177</b>	<b>468,344</b>	<b>14,961</b>	<b>861,482</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 382,815</b>	<b>\$ 469,876</b>	<b>\$ 14,961</b>	<b>\$ 867,652</b>

**City of Algood, Tennessee**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2024**

	<b>Special Revenue Funds</b>			<b>Total</b>
	<b>State Street Aid Fund</b>	<b>Cemetery</b>	<b>Drug Fund</b>	<b>Nonmajor Governmental Funds</b>
<b>Revenues</b>				
Taxes:				
Intergovernmental:				
Gas 3 cent tax	\$ 71,572	\$ -	\$ -	\$ 71,572
Gas 1989	11,116	-	-	11,116
State gasoline and motor fuel	7,257	-	-	7,257
State special petroleum tax	56,641	-	-	56,641
Fines and forfeitures:				
Drug related fines	-	-	7,678	7,678
Miscellaneous:				
Charges for services	-	5,000	-	5,000
Donation from public	-	6,452	-	6,452
Interest	22	2,450	2	2,474
<b>Total revenues</b>	<b>146,608</b>	<b>13,902</b>	<b>7,680</b>	<b>168,190</b>
<b>Expenditures</b>				
State street aid fund	96,491	-	-	96,491
Cemetery	-	11,589	-	11,589
Drug	-	-	23,573	23,573
<b>Total expenditures</b>	<b>96,491</b>	<b>11,589</b>	<b>23,573</b>	<b>131,653</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>50,117</b>	<b>2,313</b>	<b>(15,893)</b>	<b>36,537</b>
<b>Fund balance - beginning</b>	<b>328,060</b>	<b>466,031</b>	<b>30,854</b>	<b>824,945</b>
<b>Fund balance - ending</b>	<b>\$ 378,177</b>	<b>\$ 468,344</b>	<b>\$ 14,961</b>	<b>\$ 861,482</b>

**City of Algood, Tennessee**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balances (GAAP Basis) and Actual**  
**Street Aid Fund**  
**For the Year Ended June 30, 2024**

	<b>Budget</b>			<b>Variance With Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>Revenues:</b>				
Intergovernmental:				
State gasoline tax:				
Gas 3 cent tax	\$ 63,000	\$ 63,000	\$ 71,572	\$ 8,572
Gas 1989	41,000	41,000	11,116	(29,884)
State gasoline and motor fuel	7,000	7,000	7,257	257
State special petroleum tax	20,000	20,000	56,641	36,641
Total state gasoline tax	131,000	131,000	146,586	15,586
Miscellaneous:				
Interest income	100	100	22	(78)
Total revenues	131,100	131,100	146,608	15,508
<b>Expenditures:</b>				
Street lights and repairs	71,000	71,000	96,491	(25,491)
Capital outlay	60,100	60,100	-	60,100
Total expenditures	131,100	131,100	96,491	34,609
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>-</b>	<b>-</b>	<b>50,117</b>	<b>50,117</b>
Fund balances - beginning			328,060	
Fund balances - ending			<u>\$ 378,177</u>	

**City of Algood, Tennessee**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balances - (GAAP Basis) and Actual**  
**Drug Fund**  
**For the Year Ended June 30, 2024**

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Fines and forfeits				
Drug-related fines	\$ 34,985	\$ 34,985	\$ 7,678	\$ (27,307)
Miscellaneous:				
Interest	15	15	2	(13)
Total revenues	35,000	35,000	7,680	(27,320)
<b>Expenditures:</b>				
Current:				
Other expenses	35,000	35,000	23,573	11,427
Total expenditures	35,000	35,000	23,573	11,427
<b>Excess (deficiency) of revenues over (under) expenditures</b>	-	-	(15,893)	(15,893)
Fund balances - beginning			30,854	
Fund balances - ending			<u>\$ 14,961</u>	

**City of Algood, Tennessee**  
**Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balances - (GAAP Basis) and Actual**  
**Cemetery Fund**  
**For the Year Ended June 30, 2024**

	<b>Budget</b>		<b>Actual</b>	<b>Variance With Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Charges for services	\$ 13,000	\$ 13,000	\$ 5,000	\$ (8,000)
Donation from public	5,200	5,200	6,452	1,252
Interest income	275	275	2,450	2,175
Total revenues	18,475	18,475	13,902	(4,573)
<b>Expenditures:</b>				
Utility services	350	350	404	(54)
Maintenance	9,500	9,500	8,225	1,275
Miscellaneous	8,625	8,625	2,960	5,665
Total expenditures	18,475	18,475	11,589	6,886
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>-</b>	<b>-</b>	<b>2,313</b>	<b>2,313</b>
Fund balances - beginning			466,031	
Fund balances - ending			<u>\$ 468,344</u>	

## **OTHER INFORMATION**

**City of Algood, Tennessee**  
**Schedule of Changes in Property Taxes Receivable**  
**June 30, 2024**

<b>Tax Year</b>	<b>Beginning Balance</b>	<b>Property Tax Levied</b>	<b>Anticipated Levy</b>	<b>Abatements and Adjustments</b>	<b>Collections and Changes</b>	<b>Ending Balance</b>
2024	\$ -	\$ 421,531	\$ -	\$ -	\$ -	\$ 421,531
2023	401,400	-	-	-	(386,390)	15,010
2022	5,178	-	-	-	(3,819)	1,359
2021	1,522	-	-	-	(733)	789
2020	835	-	-	-	(464)	371
2019	1,285	-	-	-	(769)	516
2018	903	-	-	-	(376)	527
2017	643	-	-	-	(293)	350
2016	616	-	-	-	(196)	420
2015	181	-	-	-	(89)	92
2014	315	-	-	-	(315)	-
	<u>\$ 412,878</u>	<u>\$ 421,531</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (393,444)</u>	<u>\$ 440,965</u>

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

**City of Algood, Tennessee**  
**Schedule of Property Tax Rates and Assessments**  
**Ten Year Summary**

	Tax Year	Property Tax Rate*	Assessed Value of Taxable Property
	2024	0.3623	\$ 116,338,528
	2023	0.3623	110,792,161
	2022	0.3623	110,208,235
**	2021	0.3623	110,270,478
	2020	0.4407	89,210,177
	2019	0.4407	86,926,855
	2018	0.4887	83,275,629
	2017	0.5123	79,439,391
**	2016	0.5123	68,319,344
	2015	0.5123	68,319,344
	2014	0.5123	60,474,722
	2013	0.5123	56,618,594

\* Per \$100 of assessed value

\*\* Reappraisal year

**City of Algood, Tennessee**  
**Schedule of Changes in Long-Term Debt by Individual Issue**  
**June 30, 2024**

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/2023	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 6/30/2024
<b>Business-Type Activities:</b>									
<i>Notes from direct borrowings and direct placements</i>									
Payable through utility fund									
State Revolving Loan	\$ 1,829,054	2.14%	8/1/2011	9/30/2031	\$ 896,270	\$ -	\$ 100,427	\$ -	\$ 795,843
Local Government Loan Program Bond, Series 2023 (City of Algood Sewer System Loan)	2,300,000	4.24%	3/29/2023	4/1/2048	433,785	1,866,215	53,000	-	2,247,000
Total Notes Payable					<u>1,330,055</u>	<u>1,866,215</u>	<u>153,427</u>	<u>-</u>	<u>3,042,843</u>
Total Business-Type Activities					<u>\$ 1,330,055</u>	<u>\$ 1,866,215</u>	<u>\$ 153,427</u>	<u>\$ -</u>	<u>\$ 3,042,843</u>

**City of Algood, Tennessee**  
**Schedule of Debt Service Requirements - Utility Funds**  
**June 30, 2024**

For the Year Ended June 30	Business-Type Activities (Water and Sewer Fund)					
	Local Government Loan Program				Total	
	State Revolving Loan		Bond, Series 2023			
	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 102,596	\$ 16,032	\$ 56,000	\$ 17,681	\$ 158,596	\$ 33,713
2026	104,814	13,814	58,000	46,493	162,814	60,307
2027	107,078	11,551	60,000	45,262	167,078	56,813
2028	109,393	9,235	63,000	43,989	172,393	53,224
2029	111,757	6,870	66,000	42,652	177,757	49,522
2030	114,173	4,456	69,000	41,252	183,173	45,708
2031	116,640	1,988	71,000	39,788	187,640	41,776
2032	29,392	132	74,000	38,281	103,392	38,413
2033	-	-	78,000	36,711	78,000	36,711
2034	-	-	81,000	35,055	81,000	35,055
2035	-	-	84,000	33,337	84,000	33,337
2036	-	-	88,000	31,554	88,000	31,554
2037	-	-	92,000	29,687	92,000	29,687
2038	-	-	96,000	27,735	96,000	27,735
2039	-	-	100,000	25,697	100,000	25,697
2040	-	-	104,000	23,575	104,000	23,575
2041	-	-	108,000	21,369	108,000	21,369
2042	-	-	113,000	19,077	113,000	19,077
2043	-	-	118,000	16,679	118,000	16,679
2044	-	-	123,000	14,175	123,000	14,175
2045	-	-	128,000	11,565	128,000	11,565
2046	-	-	133,000	8,849	133,000	8,849
2047	-	-	139,000	6,026	139,000	6,026
2048	-	-	145,000	3,077	145,000	3,077
	<u>\$ 795,843</u>	<u>\$ 64,078</u>	<u>\$ 2,247,000</u>	<u>\$ 659,565</u>	<u>\$ 3,042,843</u>	<u>\$ 723,643</u>

**City of Algood, Tennessee**  
**Schedule of Changes in Lease Obligations**  
**For the Year Ended June 30, 2024**

	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/23	Issued During Period	Paid and/or Matured During Period	Outstanding 6/30/24
<b>LEASE PAYABLE</b>								
Body Cameras	\$ 46,273	3.0%	1/1/2024	1/1/2027	\$ -	\$ 46,273	\$ (12,086)	\$ 34,187
Tasers	66,005	3.0%	7/1/2023	7/1/2028	-	66,005	(19,994)	46,011
					<u>-</u>	<u>112,278</u>	<u>(32,080)</u>	<u>80,198</u>

**City of Algood, Tennessee**  
**Schedule of Insurance Coverage (Unaudited)**  
**June 30, 2024**

	<u><b>Coverage</b></u>
<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>Worker's Compensation</b>	Statutory
<b>Volunteer Fire Fighters Accident</b>	
Aggregate per accident	\$ 1,000,000

See independent auditor's report

**City of Algood, Tennessee**  
**Schedule of Bonds - Principal Officials (Unaudited)**  
**June 30, 2024**

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

See independent auditor's report

**City of Algood, Tennessee**  
**Schedule of Utility Information (Unaudited)**  
**June 30, 2024**

	Rate	
Inside City limits		
Minimum (0 - 2,000 gallons)	\$ 14.47	Minimum bill
2,001 - 10,000 gallons	6.52	Per 1,000 gal
Over 10,000 gallons	7.00	Per 1,000 gal
Outside City limits		
Minimum (0 - 2,000 gallons)	19.11	Minimum bill
2,001 - 10,000 gallons	8.39	Per 1,000 gal
Over 10,000 gallons	8.86	Per 1,000 gal
Sewer (based on water use)		
Minimum (0 - 2,000 gallons)	18.09	Minimum bill
2,001 - 10,000 gallons	8.15	Per 1,000 gal
Over 10,000 gallons	8.75	Per 1,000 gal

The City of Algood has approximately 4,344 customers at fiscal year-end.

# **GOVERNMENT AUDITING STANDARDS**

**City of Algood, Tennessee**  
**Schedule of Expenditures of Federal Awards and State Financial Assistance**  
**June 30, 2024**

Federal Grantor/Pass-Through Grantor	Program	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Expenditures
<b><u>Federal Awards</u></b>				
<b>U.S. Department of the Treasury</b>	<b>COVID-19 - Coronavirus State and Local Fiscal Recovery Funds</b>			
<b><u>Pass-through funding:</u></b>				
State of Tennessee	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027		\$ 625,577
Putnam County, Tennessee	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027		37,555
<b>National Highway Safety Administration</b>	<b>NHTSA Section 403 Discretionary Grants and Cooperative Agreements</b>			
<b><u>Pass-through funding:</u></b>				
TN Department of Safety	NHTSA Section 403 Discretionary Grants and Cooperative Agreements	20.614		19,078
<b>Total Expenditures of Federal Awards</b>				<u>682,210</u>
<b><u>State Awards</u></b>				
Office of Criminal Justice Programs	Violent Crime Intervention Fund (77241-VCIF)			90,125
State Fire Marshal's Office	Volunteer Firefighter Equipment and Training Grant Program (33501-2425402)			12,516
<b>Total Expenditures of State Awards</b>				<u>\$ 102,641</u>

**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, 2024. Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City. Expenditures reported on the schedule are reported on the accrual basis of accounting.

**Note 2 - Indirect Cost Rate**

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

# ***The MG Group, P.C.***

## **CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS**

**Tullahoma, Tennessee**

### **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**

To the Honorable 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Algood, Tennessee, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise City of Algood, Tennessee's basic financial statements and have issued our report thereon dated January 23, 2025.

#### **Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered City of Algood, Tennessee'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 City of Algood, Tennessee's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Algood, Tennessee's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings as item 2024-001 that we consider to be a material weakness.

#### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Algood, Tennessee'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 did not disclose instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### **City of Algood, Tennessee's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the City of Algood, Tennessee's

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**Phone (931) 393-3307**

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response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The City of Algood, Tennessee'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.

*MG Group, P.C.*

Tullahoma, Tennessee  
January 23, 2025

**City of Algood, Tennessee**  
**Schedule of Findings and Responses**  
**June 30, 2024**

**SECTION I. SUMMARY OF AUDITOR'S RESULTS**

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	Yes
Significant deficiency identified not considered to be material weakness?	None
Noncompliance material to the financial statements:	None

**SECTION II. FINANCIAL STATEMENT FINDINGS**

***2024-001: Accounting System and Accounting Discipline (Material Weakness)***

***Condition, Criteria, Cause and Effect:*** Year-end financial statements are to be prepared on a modified accrual basis for government fund statements and on the full accrual basis for the proprietary funds and government-wide statements. However, with a few exceptions, the City maintains its general ledger on a cash basis throughout the fiscal year and has relied on audit adjustments to correctly reflect receivables and payables in the financial statements. Although, significant improvements have been made in the accounting function of the City during fiscal year 2024, certain accounting functions, such as proper maintenance of the capital assets and the subsidiary ledger and other related records continue to need improvement in the consistent performance of these functions during the fiscal year. These issues required certain adjustments to be made during the audit process as restatement to fund balance due to the errors in recording capital assets.

***Recommendation:*** We recommend that the City continue to make improvements in its accounting processes, implement additional accounting procedures and assure personnel are in place or receive the appropriate level of training that will facilitate the production of accurate financial information on the appropriate basis of accounting for financial reporting. This could also be supplemented by an outside accounting firm or contractor to perform certain procedures related to the accounting function of the Town. In addition, the development over time of a well-structured accounting policies and procedures manual that defines proper procedures and documentation for the various accounting processes, reconciliations, and reviews would also be beneficial.

***Management's Response:*** See Management's Corrective Action Plan

**City of Algood, Tennessee**  
**Summary Schedule of Prior Year Findings**  
**Year Ended June 30, 2024**

***Prior-year Financial Statement Findings***

<b>Finding Number</b>	<b>Finding Title</b>	<b>Status/Current Year Finding Number</b>
2023-001	Internal controls over general ledger (Original finding #2021-001)	Repeated as Finding 2024-001



CITY OF ALGOOD  
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Management's Corrective Action Plan  
For the Fiscal Year Ended June 30, 2024

2024-001 – Accounting System and Accounting Discipline (Material Weakness)

Management's Response:

Management agrees with this finding and believes that improvements continue to be made from 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. The city has implemented new software and processes with new accounting staff to address and correct the issues identified in the finding.

Effective Date of Implementation: July 1, 2024

Person Responsible for Implementation: Keith Morrison, Amber Greenwood

*Keith Morrison*

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Keith Morrison  
City Administrator