

CITY OF RIDGETOP, TENNESSEE

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEAR ENDED JUNE 30, 2024

CITY OF RIDGETOP, TENNESSEE
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

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CITY OF RIDGETOP, TENNESSEE
FINANCIAL STATEMENTS
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INTRODUCTORY SECTION



CITY OF RIDGETOP, TENNESSEE
OFFICIALS OF THE CITY OF RIDGETOP, TENNESSEE
JUNE 30, 2024

| <u>Name</u> | <u>Title</u> |
|--------------------------|------------------------|
| ELECTED OFFICIALS | |
| Tim Shaw | Mayor |
| John Senft | Vice Mayor |
| Kristen Harrison | Alderman |
| Monty Gregory | Alderman |
| Kim Martin | Alderman |
| MANAGEMENT | |
| Kelly Rider | City Recorder and CMFO |

FINANCIAL SECTION





Independent Auditor's Report

Mayor and Aldermen of the
City of Ridgetop, Tennessee
Ridgetop, 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, and each major fund of the City of Ridgetop, Tennessee (the "City") as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, the business-type activities, and each major fund of the City 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, State Street Aid, and Drug 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 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 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's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 an opinion on the financial statements that collectively comprise the City's basic financial statements. The supplementary schedules on pages 41 through 44 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* on page 46 is presented for purposes of additional analysis and is also 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 schedules on pages 41 through 44 and the schedule of expenditures of federal awards on page 46 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 basic financial statements. The other information comprises the introductory section and the schedule of utility rates, as listed in the table of contents, but does not include the basic financial statements and our auditor's report thereon. Our opinion 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 December 13, 2024, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Crosslin, PLLC

Nashville, Tennessee
December 13, 2024

CITY OF RIDGETOP, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024

As management of the City of Ridgetop, 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 and variances from the budget, and specific issues related to funds and the economic factors affecting the City. Management's Discussion and Analysis ("MD&A") focuses on current year activities and resulting changes.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$12,618,996. Of this amount, \$5,116,483 (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 \$1,520,812. The City's governmental expenses increased by \$31,866 due primarily to an increase in public safety expenses. The governmental revenues increased by \$207,975 mainly due to an increase in grants and interest income during the current year. Revenues in the Utility Funds are higher than in the prior year by \$657,619 primarily due to grants revenue of \$616,226. Expenses in the Utility Funds decreased \$116,363 from the prior year mainly due to less natural gas purchases because of a milder winter.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,355,293 an increase of \$181,525 in comparison to the prior year. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,873,805 or 208% of the total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City'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 themselves.

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, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference 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 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).

CITY OF RIDGETOP, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024

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

The government-wide financial statements can be found on pages 12 - 13 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into 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 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 three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, State Street Aid Fund, and Drug Fund, all of which are considered to be major funds.

The City adopts an annual appropriated budget for its General Fund, State Street Aid Fund, and Drug Fund. Budgetary comparison statements have been provided for these funds to demonstrate compliance with the budgets.

The basic governmental fund financial statements can be found on pages 14 - 23 of this report.

Proprietary Funds. The City has two proprietary funds, which include the Sewer Fund and the Natural Gas Fund. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 24 - 26 of this report.

CITY OF RIDGETOP, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27 - 40 of this report.

FINANCIAL ANALYSIS OF THE FINANCIAL STATEMENTS – GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities and deferred inflows by \$12,618,996 at the close of the most recent fiscal year. The largest portion of the City's assets reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

FINANCIAL ANALYSIS OF THE FINANCIAL STATEMENTS – THE CITY'S NET POSITION AS OF JUNE 30, 2024 AND 2023

| Net Position - Primary Government June 30, 2024 and 2023 | | | | | | |
|-------------------------------------------------------------|-------------------------|--------------|--------------------------|--------------|---------------|---------------|
| | Governmental Activities | | Business-Type Activities | | Total | |
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| Current and other assets | \$ 3,777,492 | \$ 3,471,548 | \$ 2,598,087 | \$ 2,639,766 | \$ 6,375,579 | \$ 6,111,314 |
| Capital assets | 4,248,802 | 3,774,730 | 2,869,433 | 2,217,134 | 7,118,235 | 5,991,864 |
| Total assets | 8,026,294 | 7,246,278 | 5,467,520 | 4,856,900 | 13,493,814 | 12,103,178 |
| Deferred inflows of resources | - | - | - | - | - | - |
| Other liabilities | 149,743 | 38,908 | 78,307 | 64,338 | 228,050 | 103,246 |
| Long-term liabilities outstanding | - | - | - | - | - | - |
| Total liabilities | 149,743 | 38,908 | 78,307 | 64,338 | 228,050 | 103,246 |
| Deferred inflows of resources | 276,141 | 267,671 | 370,627 | 634,077 | 646,768 | 901,748 |
| Net position: | | | | | | |
| Net investment in capital assets | 4,248,802 | 3,774,730 | 2,869,433 | 2,217,134 | 7,118,235 | 5,991,864 |
| Restricted | 384,278 | 323,552 | - | - | 384,278 | 323,552 |
| Unrestricted | 2,967,330 | 2,841,417 | 2,149,153 | 1,941,351 | 5,116,483 | 4,782,768 |
| Total net position | \$ 7,600,410 | \$ 6,939,699 | \$ 5,018,586 | \$ 4,158,485 | \$ 12,618,996 | \$ 11,098,184 |

At the end of the current fiscal year, the City is able to report positive balances in all categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior year.

CITY OF RIDGETOP, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024

FINANCIAL ANALYSIS OF THE FINANCIAL STATEMENTS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent a portion of fund balance that has not yet been limited to use for a particular purpose.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,873,805. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 208% of total general fund expenditures.

Business-Type Activities. The net position balance of the City's Utility Funds increased by \$860,101 during the current fiscal year, due to a growing local economy.

CHANGES IN NET POSITION FOR THE YEAR ENDED JUNE 30, 2024 AND 2023

| Changes in Net Position For the Year Ended June 30, 2024 and 2023 | | | | | | |
|----------------------------------------------------------------------|-------------------------|--------------|--------------------------|--------------|---------------|---------------|
| | Governmental Activities | | Business-Type Activities | | Total | |
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| Program revenues: | | | | | | |
| Charges for service | \$ 33,853 | \$ 64,841 | \$ 1,058,935 | \$ 1,044,462 | \$ 1,092,788 | \$ 1,109,303 |
| Operating grants and contributions | 316,609 | 187,984 | - | - | 316,609 | 187,984 |
| Capital grants and contributions | - | - | 616,226 | - | 616,226 | - |
| General revenues: | | | | | | |
| Property taxes | 379,367 | 377,399 | (29,581) | (31,552) | 349,786 | 345,847 |
| Sales taxes | 600,325 | 558,355 | - | - | 600,325 | 558,355 |
| Other local taxes | 39,241 | 46,349 | - | - | 39,241 | 46,349 |
| Other state shared taxes | 6,892 | 6,952 | - | - | 6,892 | 6,952 |
| Other | 215,451 | 141,883 | 112,878 | 85,958 | 328,329 | 227,841 |
| Total revenues | 1,591,738 | 1,383,763 | 1,758,458 | 1,098,868 | 3,350,196 | 2,482,631 |
| Expenses: | | | | | | |
| General government | 264,362 | 278,644 | - | - | 264,362 | 278,644 |
| Police department | 157,743 | 146,358 | - | - | 157,743 | 146,358 |
| Fire department | 209,073 | 164,518 | - | - | 209,073 | 164,518 |
| Employer's contribution | 17,754 | 14,162 | - | - | 17,754 | 14,162 |
| Parks and recreation | 105,119 | 72,087 | - | - | 105,119 | 72,087 |
| Highways and streets | 172,247 | 165,511 | - | - | 172,247 | 165,511 |
| City court | 4,729 | 5,250 | - | - | 4,729 | 5,250 |
| Natural gas | - | - | 441,192 | 544,496 | 441,192 | 544,496 |
| Sewer | - | - | 457,165 | 470,224 | 457,165 | 470,224 |
| Total expenses | 931,027 | 846,530 | 898,357 | 1,014,720 | 1,829,384 | 1,861,250 |
| Change in net position | 660,711 | 537,233 | 860,101 | 84,148 | 1,520,812 | 621,381 |
| Net position - beginning of year | 6,939,699 | 6,402,466 | 4,158,485 | 4,074,337 | 11,098,184 | 10,476,803 |
| Net position - end of year | \$ 7,600,410 | \$ 6,939,699 | \$ 5,018,586 | \$ 4,158,485 | \$ 12,618,996 | \$ 11,098,184 |

CITY OF RIDGETOP, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024

GOVERNMENTAL BUDGETARY HIGHLIGHTS

During the year, the City exceeded some of its departmental budgets. See pages 18 - 23 for further analysis.

CAPITAL ASSETS

The City's investment in capital assets from its governmental activities at June 30, 2024, amounts to \$4,248,802 (net of accumulated depreciation) and its business-type activities amounts to \$2,869,433. This investment in capital assets is in land, buildings, improvements, machinery and equipment.

Major capital asset purchases during the current fiscal year included the following:

- \$138,938 for a John Deere backhoe
- \$157,859 for fire truck repairs
- \$244,807 for street paving
- \$523,713 for Lake Road sewer main project

**Capital Assets
June 30, 2024 and 2023**

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------------|-------------------------|---------------------|--------------------------|---------------------|---------------------|---------------------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| Land | \$ 611,809 | \$ 611,809 | \$ 15,000 | \$ 15,000 | \$ 626,809 | \$ 626,809 |
| Building and improvements | 1,304,008 | 1,266,871 | 5,238,875 | 4,555,889 | 6,542,883 | 5,822,760 |
| Infrastructure | 3,133,124 | 2,888,317 | - | - | 3,133,124 | 2,888,317 |
| Equipment | 1,164,597 | 920,597 | 438,272 | 299,334 | 1,602,869 | 1,219,931 |
| Construction in progress | 278,725 | 77,516 | - | 17,880 | 278,725 | 95,396 |
| Total capital assets | 6,492,263 | 5,765,110 | 5,692,147 | 4,888,103 | 12,184,410 | 10,653,213 |
| Less: Accumulated depreciation | (2,243,461) | (1,990,380) | (2,822,714) | (2,670,969) | (5,066,175) | (4,661,349) |
| Capital assets, net | <u>\$ 4,248,802</u> | <u>\$ 3,774,730</u> | <u>\$ 2,869,433</u> | <u>\$ 2,217,134</u> | <u>\$ 7,118,235</u> | <u>\$ 5,991,864</u> |

Additional information on the City's capital assets can be found in the notes to the financial statements section of this report.

LONG-TERM DEBT

The City has no long-term debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's budget has benefited by a stable commercial and retail base producing increasing local sales tax receipts. All of these factors were considered in preparing the City's budget for the 2024-2025 fiscal year.

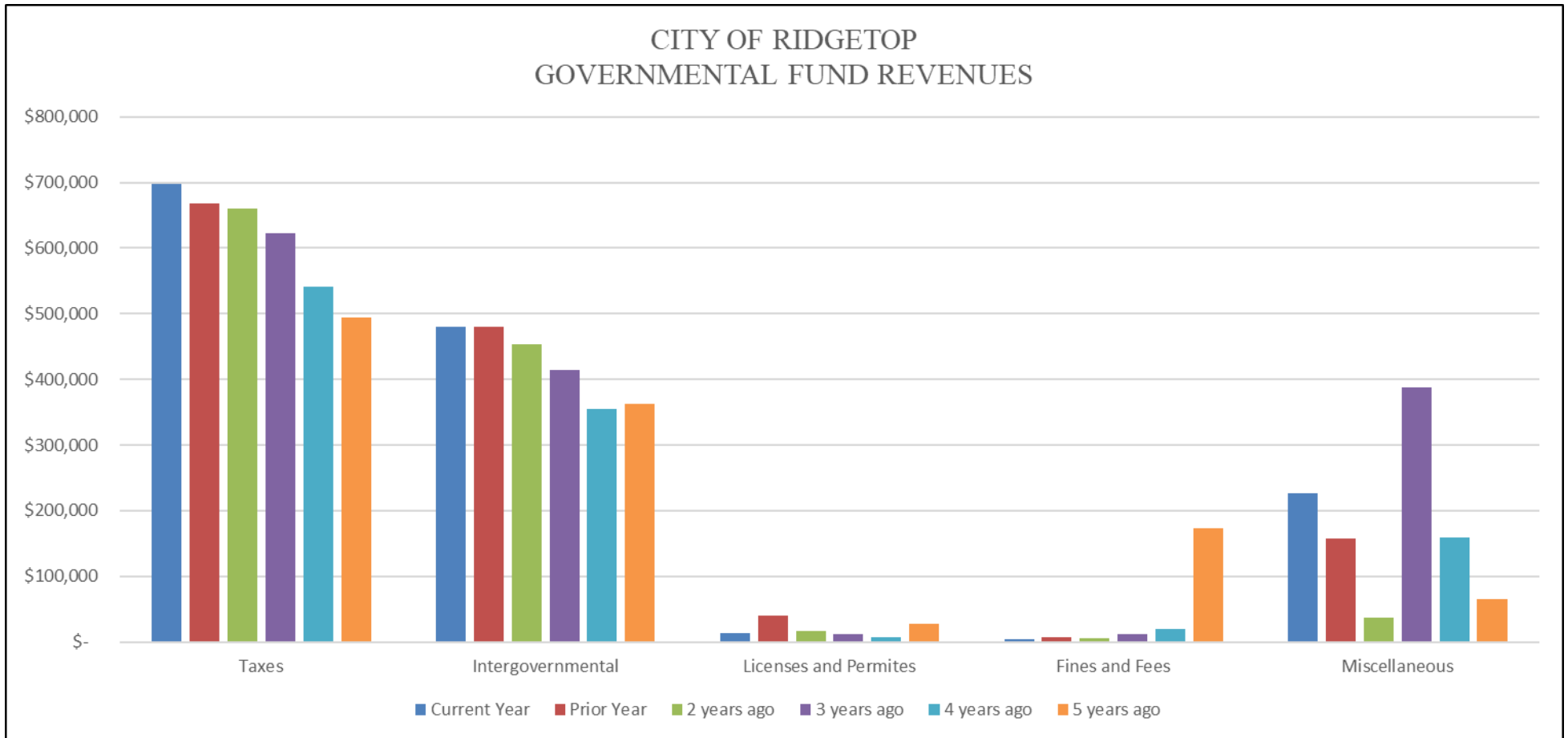
CITY OF RIDGETOP, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024

REQUESTS FOR INFORMATION

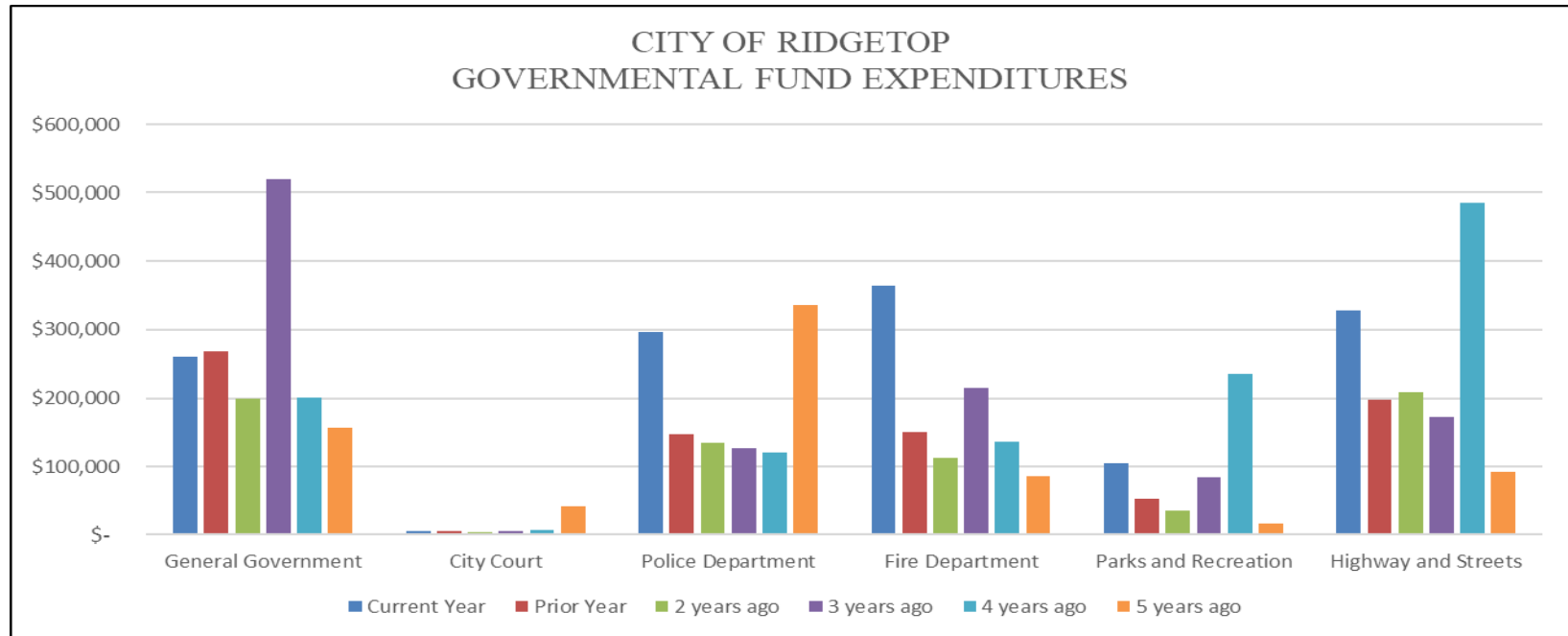
This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

City of Ridgetop
Attn: Kelly Rider
City Recorder
Ridgetop, Tennessee

CITY OF RIDGETOP, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024



CITY OF RIDGETOP, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2024



City of Ridgetop, Tennessee
Statement of Net Position
June 30, 2024

| | Governmental Activities | Business- Type Activities | Total Primary Government |
|------------------------------------------------|------------------------------------|------------------------------------------|-----------------------------------------|
| Assets: | | | |
| Cash | \$ 3,486,432 | \$ 2,200,097 | \$ 5,686,529 |
| Taxes receivable | 285,861 | - | 285,861 |
| Accounts and other receivables, net | 237,722 | 50,321 | 288,043 |
| Internal balances | (328,854) | 328,854 | - |
| Inventory of supplies, at cost | - | 18,815 | 18,815 |
| Prepaid expenses and other assets | 96,331 | - | 96,331 |
| Capital assets: | | | |
| Capital assets not being depreciated | 890,534 | 15,000 | 905,534 |
| Capital assets net of accumulated depreciation | 3,358,268 | 2,854,433 | 6,212,701 |
| Total assets | 8,026,294 | 5,467,520 | 13,493,814 |
| Liabilities: | | | |
| Accounts payable and accrued expenses | 136,338 | 37,387 | 173,725 |
| Accrued compensated absences | 13,405 | - | 13,405 |
| Customer deposits | - | 40,920 | 40,920 |
| Total liabilities | 149,743 | 78,307 | 228,050 |
| Deferred Inflows of Resources: | | | |
| Grants | - | 370,627 | 370,627 |
| Property taxes | 276,141 | - | 276,141 |
| Total deferred inflows of resources | 276,141 | 370,627 | 646,768 |
| Net Position: | | | |
| Net investment in capital assets | 4,248,802 | 2,869,433 | 7,118,235 |
| Restricted for: | | | |
| State street aid | 382,857 | - | 382,857 |
| Drug fund | 1,421 | - | 1,421 |
| Unrestricted | 2,967,330 | 2,149,153 | 5,116,483 |
| Total net position | \$ 7,600,410 | \$ 5,018,586 | \$ 12,618,996 |

The notes to the financial statements are an integral part of this statement.

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

| Functions/Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position | | |
|---------------------------------------|---------------------|-------------------------|------------------------------------------|----------------------------------------|------------------------------------------------------|-----------------------------|----------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | |
| | | | | | Governmental Activities | Business-Type Activities | Total |
| Primary Government: | | | | | | | |
| Governmental Activities: | | | | | | | |
| General Government | \$ 264,362 | \$ 29,832 | \$ 148,151 | \$ - | \$ (86,379) | \$ - | \$ (86,379) |
| City Court | 4,729 | - | - | - | (4,729) | - | (4,729) |
| Public Safety: | | | | | | | |
| Police Department | 157,743 | 4,021 | - | - | (153,722) | - | (153,722) |
| Fire Department | 209,073 | - | 89,125 | - | (119,948) | - | (119,948) |
| Highways and Streets | 172,247 | - | 79,333 | - | (92,914) | - | (92,914) |
| Employer's Contribution | 17,754 | - | - | - | (17,754) | - | (17,754) |
| Parks and Recreation | 105,119 | - | - | - | (105,119) | - | (105,119) |
| Total Governmental Activities | 931,027 | 33,853 | 316,609 | - | (580,565) | - | (580,565) |
| Business-Type Activities: | | | | | | | |
| Sewer Fund | 457,165 | 578,107 | - | 616,226 | - | 737,168 | 737,168 |
| Natural Gas Fund | 441,192 | 480,828 | - | - | - | 39,636 | 39,636 |
| Total Business-Type Activities | 898,357 | 1,058,935 | - | 616,226 | - | 776,804 | 776,804 |
| Total primary government | \$ 1,829,384 | \$ 1,092,788 | \$ 316,609 | \$ 616,226 | (580,565) | 776,804 | 196,239 |
| General revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes | | | | | 311,585 | - | 311,585 |
| Public utilities taxes | | | | | 38,201 | - | 38,201 |
| Sales taxes | | | | | 600,325 | - | 600,325 |
| Business taxes | | | | | 38,294 | - | 38,294 |
| Beer taxes | | | | | 947 | - | 947 |
| State income and excise tax | | | | | 6,892 | - | 6,892 |
| Interest income | | | | | 161,102 | 112,878 | 273,980 |
| Miscellaneous | | | | | 54,349 | - | 54,349 |
| Transfers - in lieu of property taxes | | | | | 29,581 | (29,581) | - |
| Total general revenues and transfers | | | | | 1,241,276 | 83,297 | 1,324,573 |
| Change in net position | | | | | 660,711 | 860,101 | 1,520,812 |
| Net position - beginning | | | | | 6,939,699 | 4,158,485 | 11,098,184 |
| Net position - ending | | | | | <u>\$ 7,600,410</u> | <u>\$ 5,018,586</u> | <u>\$ 12,618,996</u> |

The notes to the financial statements are an integral part of this statement.

City of Ridgetop, Tennessee
Balance Sheet
Governmental Funds
June 30, 2024

| | <u>General Fund</u> | <u>State Street Aid Fund</u> | <u>Drug Fund</u> | <u>Total Governmental Funds</u> |
|------------------------------------------------------------------------|-------------------------|----------------------------------|----------------------|-----------------------------------------|
| Assets: | | | | |
| Cash | \$ 3,114,691 | \$ 370,320 | \$ 1,421 | \$ 3,486,432 |
| Receivables (net, where applicable, allowances for uncollectible): | | | | |
| Taxes receivable | 285,861 | - | - | 285,861 |
| Other governments | 224,226 | 13,496 | - | 237,722 |
| Prepaid expenses and other assets | 96,331 | - | - | 96,331 |
| | <u>3,721,109</u> | <u>383,816</u> | <u>1,421</u> | <u>4,106,346</u> |
| Total assets | | | | |
| | <u>\$ 3,721,109</u> | <u>\$ 383,816</u> | <u>\$ 1,421</u> | <u>\$ 4,106,346</u> |
| Liabilities: | | | | |
| Accounts payable | \$ 135,379 | \$ 959 | \$ - | \$ 136,338 |
| Due to other funds | 328,854 | - | - | 328,854 |
| Total liabilities | 464,233 | 959 | - | 465,192 |
| | <u>464,233</u> | <u>959</u> | <u>-</u> | <u>465,192</u> |
| Deferred Inflows of Resources: | | | | |
| Unavailable revenue - current property taxes | 276,141 | - | - | 276,141 |
| Unavailable revenue - delinquent property taxes | 9,720 | - | - | 9,720 |
| Total deferred inflows of resources | 285,861 | - | - | 285,861 |
| | <u>285,861</u> | <u>-</u> | <u>-</u> | <u>285,861</u> |
| Fund Balances: | | | | |
| Nonspendable | 96,331 | - | - | 96,331 |
| Restricted | - | 382,857 | 1,421 | 384,278 |
| Assigned - police | 879 | - | - | 879 |
| Unassigned | 2,873,805 | - | - | 2,873,805 |
| Total fund balances | 2,971,015 | 382,857 | 1,421 | 3,355,293 |
| | <u>2,971,015</u> | <u>382,857</u> | <u>1,421</u> | <u>3,355,293</u> |
| | | | | |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 3,721,109</u> | <u>\$ 383,816</u> | <u>\$ 1,421</u> | <u>\$ 4,106,346</u> |

The notes to the financial statements are an integral part of this statement.

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

| | |
|----------------------------------------------------------------------------------------------------------------------------------------|----------------------------|
| Total fund balances of governmental funds | \$ 3,355,293 |
| 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 governmental funds. | 4,248,802 |
| Receivables not available to pay for current expenditures, and therefore, are unavailable in the governmental funds. | 9,720 |
| Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the governmental funds. | |
| Compensated absences | <u>(13,405)</u> |
| Net position of governmental activities | <u><u>\$ 7,600,410</u></u> |

The notes to the financial statements are an integral part of this statement.

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

| | General Fund | State Street Aid Fund | Drug Fund | Total Governmental Funds |
|-------------------------------------------------|-------------------------|----------------------------------|----------------------|-----------------------------------------|
| Revenues: | | | | |
| Taxes | \$ 697,672 | \$ - | \$ - | \$ 697,672 |
| Intergovernmental | 544,189 | 74,993 | - | 619,182 |
| Licenses and permits | 12,792 | - | - | 12,792 |
| Fines and fees | 4,021 | - | - | 4,021 |
| Miscellaneous | 212,383 | 16,107 | - | 228,490 |
| | | | | |
| Total revenues | 1,471,057 | 91,100 | - | 1,562,157 |
| Expenditures: | | | | |
| Current: | | | | |
| General Government | 217,914 | - | - | 217,914 |
| City Court | 4,729 | - | - | 4,729 |
| Public Safety: | | | | |
| Police Department | 297,315 | - | - | 297,315 |
| Fire Department | 146,153 | - | - | 146,153 |
| Highways and Streets | 22,170 | 30,374 | - | 52,544 |
| Employer's Contribution | 17,754 | - | - | 17,754 |
| Parks and Recreation | 86,223 | - | - | 86,223 |
| Capital outlay: | | | | |
| General Government | 42,656 | - | - | 42,656 |
| Public Safety: | | | | |
| Fire Department | 218,864 | - | - | 218,864 |
| Highways and Streets | 306,444 | - | - | 306,444 |
| Parks and Recreation | 19,617 | - | - | 19,617 |
| | | | | |
| Total expenditures | 1,379,839 | 30,374 | - | 1,410,213 |
| | | | | |
| Excess of revenues over expenditures | 91,218 | 60,726 | - | 151,944 |
| Other Financing Sources: | | | | |
| Transfers in - in lieu of taxes | 29,581 | - | - | 29,581 |
| | | | | |
| Total other financing sources | 29,581 | - | - | 29,581 |
| | | | | |
| Net change in fund balances | 120,799 | 60,726 | - | 181,525 |
| | | | | |
| Fund balance - beginning | 2,850,216 | 322,131 | 1,421 | 3,173,768 |
| | | | | |
| Fund balance - ending | \$ 2,971,015 | \$ 382,857 | \$ 1,421 | \$ 3,355,293 |

The notes to the financial statements are an integral part of this statement.

City of Ridgetop, 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 change in fund balances - total governmental funds | \$ 181,525 |
|---------------------------------------------------------------|------------|

Amounts reported for the 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 | 727,153 |
| Depreciation expense | (253,081) |

Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the governmental funds for:

| | |
|----------------------|--------------|
| Compensated absences | <u>5,114</u> |
|----------------------|--------------|

| | |
|----------------------------------------------------------|--------------------------|
| Change in net position of governmental activities | <u><u>\$ 660,711</u></u> |
|----------------------------------------------------------|--------------------------|

The notes to the financial statements are an integral part of this statement.

City of Ridgetop, Tennessee
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended June 30, 2024

| | Budgeted Amounts | | | Variance with |
|----------------------------------|-------------------------|---------------|---------------|----------------------|
| | Original | Final | | Final Budget |
| | Budget | Budget | Actual | Over (Under) |
| REVENUES: | | | | |
| Taxes: | | | | |
| Property taxes | \$ 295,000 | \$ 295,000 | \$ 309,228 | \$ 14,228 |
| Public utilities taxes | 12,000 | 12,000 | 11,791 | (209) |
| Interest and penalty on taxes | 350 | 350 | 2,357 | 2,007 |
| Local sales tax | 250,000 | 250,000 | 336,002 | 86,002 |
| Business tax | 8,000 | 8,000 | 18,967 | 10,967 |
| Cable TV tax | 18,000 | 18,000 | 19,327 | 1,327 |
| Total Taxes | 583,350 | 583,350 | 697,672 | 114,322 |
| Intergovernmental: | | | | |
| Grants | 165,983 | 165,983 | 148,151 | (17,832) |
| State sales tax | 246,480 | 246,480 | 264,323 | 17,843 |
| State income tax | 3,200 | 3,200 | - | (3,200) |
| State beer tax | 945 | 945 | 947 | 2 |
| State special petroleum tax | 3,759 | 3,759 | 4,340 | 581 |
| TVA payments in lieu of taxes | 24,648 | 24,648 | 26,410 | 1,762 |
| County - fire department support | 59,125 | 59,125 | 89,125 | 30,000 |
| Corporate excise tax | 5,500 | 5,500 | 6,892 | 1,392 |
| Sports betting | 2,054 | 2,054 | 4,001 | 1,947 |
| Total Intergovernmental | 511,694 | 511,694 | 544,189 | 32,495 |
| Licenses and Permits: | | | | |
| Building licenses | 10,000 | 10,000 | 12,792 | 2,792 |
| Total Licenses and Permits | 10,000 | 10,000 | 12,792 | 2,792 |
| Fines and Fees: | | | | |
| City court fines and fees | 2,500 | 2,500 | 4,021 | 1,521 |
| Total Fines and Fees | 2,500 | 2,500 | 4,021 | 1,521 |
| Miscellaneous: | | | | |
| Miscellaneous revenues | 3,000 | 3,000 | 9,037 | 6,037 |
| Rent | 16,400 | 16,400 | 17,040 | 640 |
| Park events | 500 | 500 | 15,150 | 14,650 |
| Interest income | 25,000 | 25,000 | 144,995 | 119,995 |
| Insurance recoveries | - | - | 26,161 | 26,161 |
| | 44,900 | 44,900 | 212,383 | 167,483 |
| Total Revenues | 1,152,444 | 1,152,444 | 1,471,057 | 318,613 |

The notes to the financial statements are an integral part of this statement.

City of Ridgetop, Tennessee
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended June 30, 2024

| | Budgeted Amounts | | | Variance with |
|-----------------------------|-------------------------|----------------|----------------|----------------------|
| | Original | Final | | Final Budget |
| | Budget | Budget | Actual | Over (Under) |
| EXPENDITURES: | | | | |
| General Government: | | | | |
| Mayor and Alderman: | | | | |
| Salaries | 7,200 | 7,200 | 7,000 | (200) |
| Advertising | 1,500 | 1,500 | 1,305 | (195) |
| Dues and fees | 10,500 | 10,500 | 16,264 | 5,764 |
| Professional services | 36,500 | 36,500 | 23,566 | (12,934) |
| Property tax expense | 2,000 | 2,000 | - | (2,000) |
| Zoning expense | 15,000 | 15,000 | 1,401 | (13,599) |
| Repair and maintenance | 3,000 | 3,000 | - | (3,000) |
| Insurance | 25,000 | 25,000 | 10,920 | (14,080) |
| Miscellaneous | 2,000 | 2,000 | 207 | (1,793) |
| | <u>102,700</u> | <u>102,700</u> | <u>60,663</u> | <u>(42,037)</u> |
| Capital outlay | 5,000 | 5,000 | - | (5,000) |
| Total Mayor and Alderman | <u>107,700</u> | <u>107,700</u> | <u>60,663</u> | <u>(47,037)</u> |
| Recorder's office: | | | | |
| Salaries | 55,811 | 55,811 | 48,008 | (7,803) |
| Training | 3,500 | 3,500 | 2,641 | (859) |
| Postage | 1,000 | 1,000 | 411 | (589) |
| Telephone | 5,800 | 5,800 | 5,682 | (118) |
| Office supplies | 1,500 | 1,500 | 3,150 | 1,650 |
| Computer and copier expense | 2,800 | 2,800 | 3,865 | 1,065 |
| Equipment maintenance | 500 | 500 | - | (500) |
| Insurance | 2,700 | 2,700 | 527 | (2,173) |
| Data processing | 11,000 | 11,000 | 8,113 | (2,887) |
| Miscellaneous | 500 | 500 | 199 | (301) |
| | <u>85,111</u> | <u>85,111</u> | <u>72,596</u> | <u>(12,515)</u> |
| Capital outlay | 6,000 | 6,000 | 5,519 | (481) |
| Total Recorder's office | <u>91,111</u> | <u>91,111</u> | <u>78,115</u> | <u>(12,996)</u> |
| Government building: | | | | |
| Salaries | - | - | 765 | 765 |
| Utilities | 40,000 | 40,000 | 35,643 | (4,357) |
| Repair and maintenance | 75,000 | 75,000 | 34,796 | (40,204) |
| Insurance | 25,500 | 25,500 | 12,597 | (12,903) |
| Supplies | 2,000 | 2,000 | 854 | (1,146) |
| Miscellaneous | 500 | 500 | - | (500) |
| | <u>143,000</u> | <u>143,000</u> | <u>84,655</u> | <u>(58,345)</u> |
| Capital outlay | 10,000 | 10,000 | 37,137 | 27,137 |
| Total Government building | <u>153,000</u> | <u>153,000</u> | <u>121,792</u> | <u>(31,208)</u> |
| Total General Government | <u>351,811</u> | <u>351,811</u> | <u>260,570</u> | <u>(91,241)</u> |

The notes to the financial statements are an integral part of this statement.

City of Ridgetop, Tennessee
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended June 30, 2024

| | Budgeted Amounts | | | Variance with |
|------------------------------------------------|-------------------------|---------------|---------------|----------------------|
| | Original | Final | | Final Budget |
| | Budget | Budget | Actual | Over (Under) |
| City Court: | | | | |
| Salaries | 600 | 600 | - | (600) |
| Data processing Services | 4,200 | 4,200 | 4,729 | 529 |
| Computer Expenses | 700 | 700 | - | (700) |
| Total City Court | 5,500 | 5,500 | 4,729 | (771) |
| Public Safety: | | | | |
| Grant expenses | 160,983 | 160,983 | 139,572 | (21,411) |
| Professional services | 159,856 | 159,856 | 157,743 | (2,113) |
| Total Police Department | 320,839 | 320,839 | 297,315 | (23,524) |
| Fire Department: | | | | |
| Salaries | 54,080 | 54,080 | 55,168 | 1,088 |
| Training | 1,000 | 1,000 | 133 | (867) |
| Telephone | 2,800 | 2,800 | 2,592 | (208) |
| Repair and maintenance | 10,000 | 45,000 | 38,422 | (6,578) |
| Gas and oil | 3,000 | 3,000 | 2,474 | (526) |
| Supplies | 5,300 | 5,300 | 5,459 | 159 |
| Clothing and uniforms | 10,000 | 10,000 | 210 | (9,790) |
| Equipment | 15,000 | 15,000 | - | (15,000) |
| Insurance | 9,200 | 9,200 | 13,797 | 4,597 |
| Professional services | 27,217 | 27,217 | 27,217 | - |
| Miscellaneous | 1,000 | 1,000 | 681 | (319) |
| | 138,597 | 173,597 | 146,153 | (27,444) |
| Capital outlay | 205,747 | 216,638 | 218,864 | 2,226 |
| Total Fire | 344,344 | 390,235 | 365,017 | (25,218) |
| Total Public Safety | 665,183 | 711,074 | 662,332 | (48,742) |
| Highways and Streets: | | | | |
| Repair and maintenance | 20,000 | 20,000 | 22,004 | 2,004 |
| Insurance | 900 | 900 | 166 | (734) |
| Miscellaneous | 100 | 100 | - | (100) |
| | 21,000 | 21,000 | 22,170 | 1,170 |
| Capital outlay | 470,000 | 608,938 | 306,444 | (302,494) |
| Total Highways and Streets | 491,000 | 629,938 | 328,614 | (301,324) |
| Employer's contributions for employee benefits | 16,365 | 18,365 | 17,754 | (611) |

The notes to the financial statements are an integral part of this statement.

City of Ridgetop, Tennessee
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended June 30, 2024

| | Budgeted Amounts | | | Variance with |
|---------------------------------|-------------------------|-------------------------|-------------------------|-----------------------|
| | Original | Final | | Final Budget |
| | Budget | Budget | Actual | Over (Under) |
| Parks and Recreation: | | | | |
| Salaries | 2,483 | 2,483 | 2,410 | (73) |
| Supplies | 10,000 | 10,000 | 11,116 | 1,116 |
| Activities | 15,000 | 15,000 | 30,628 | 15,628 |
| Insurance | 3,000 | 3,000 | 1,552 | (1,448) |
| Repair and maintenance | 60,000 | 60,000 | 40,517 | (19,483) |
| Park rental reimbursement | 1,200 | 1,200 | - | (1,200) |
| Miscellaneous | 500 | 500 | - | (500) |
| | 92,183 | 92,183 | 86,223 | (5,960) |
| Capital outlay | 100,000 | 100,000 | 19,617 | (80,383) |
| Total Parks and Recreation | 192,183 | 192,183 | 105,840 | (86,343) |
| Total Expenditures | 1,722,042 | 1,908,871 | 1,379,839 | (529,032) |
| Other financing sources | | | | |
| Transfers in - in lieu of taxes | 29,581 | 29,581 | 29,581 | - |
| Total other financing sources | 29,581 | 29,581 | 29,581 | - |
| Net change in fund balance | (540,017) | (726,846) | 120,799 | 847,645 |
| Fund balance - beginning | 2,850,216 | 2,850,216 | 2,850,216 | - |
| Fund balance - ending | <u>\$ 2,310,199</u> | <u>\$ 2,123,370</u> | <u>\$ 2,971,015</u> | <u>\$ 847,645</u> |

The notes to the financial statements are an integral part of this statement.

City of Ridgetop, Tennessee
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - State Street Aid Fund
For the Year Ended June 30, 2024

| | Budgeted Amounts | | | Variance with |
|-------------------------------|-------------------------|-------------------|-------------------|----------------------|
| | Original | Final | | Final Budget |
| | Budget | Budget | Actual | Over (Under) |
| REVENUES: | | | | |
| State street aid fund revenue | \$ 73,328 | \$ 73,328 | \$ 74,993 | \$ 1,665 |
| Miscellaneous: | | | | |
| Interest | 300 | 300 | 16,107 | 15,807 |
| Total revenues | <u>73,628</u> | <u>73,628</u> | <u>91,100</u> | <u>17,472</u> |
| EXPENDITURES: | | | | |
| Highways and streets: | | | | |
| Street lighting | 38,000 | 33,000 | 28,901 | (4,099) |
| Maintenance and repair | 20,000 | 20,000 | 1,473 | (18,527) |
| Liability insurance | 1,500 | 1,500 | - | (1,500) |
| Miscellaneous | 500 | 500 | - | (500) |
| Total highways and streets | <u>60,000</u> | <u>55,000</u> | <u>30,374</u> | <u>(24,626)</u> |
| Total expenditures | <u>60,000</u> | <u>55,000</u> | <u>30,374</u> | <u>(24,626)</u> |
| Net change in fund balance | 13,628 | 18,628 | 60,726 | 42,098 |
| Fund balance - beginning | <u>322,131</u> | <u>322,131</u> | <u>322,131</u> | <u>-</u> |
| Fund balance - ending | <u>\$ 335,759</u> | <u>\$ 340,759</u> | <u>\$ 382,857</u> | <u>\$ 42,098</u> |

The notes to the financial statements are an integral part of this statement.

City of Ridgetop, Tennessee
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - Drug Fund
For the Year Ended June 30, 2024

| | <u>Budgeted Amounts</u> | | | <u>Variance with</u> |
|----------------------------|-------------------------|-----------------|-----------------|----------------------|
| | <u>Original</u> | <u>Final</u> | | <u>Final Budget</u> |
| | <u>Budget</u> | <u>Budget</u> | <u>Actual</u> | <u>Over (Under)</u> |
| REVENUES: | | | | |
| Fines and forfeitures: | | | | |
| Drug related | \$ - | \$ - | \$ - | \$ - |
| Total revenues | - | - | - | - |
| EXPENDITURES: | | | | |
| Miscellaneous | - | - | - | - |
| Capital outlay | - | - | - | - |
| Total expenditures | - | - | - | - |
| Net change in fund balance | - | - | - | - |
| Fund balance - beginning | 1,421 | 1,421 | 1,421 | - |
| Fund balance - ending | <u>\$ 1,421</u> | <u>\$ 1,421</u> | <u>\$ 1,421</u> | <u>\$ -</u> |

The notes to the financial statements are an integral part of this statement.

City of Ridgetop, Tennessee
Statement of Net Position
Proprietary Funds
June 30, 2024

| | <u>Sewer Fund</u> | <u>Natural Gas Fund</u> | <u>Total</u> |
|----------------------------------------|-----------------------|-----------------------------|---------------------|
| Assets: | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 955,176 | \$ 1,244,921 | \$ 2,200,097 |
| Accounts receivable, net of allowances | 48,434 | 1,887 | 50,321 |
| Due from other funds | 328,854 | - | 328,854 |
| Inventory | - | 18,815 | 18,815 |
| Total current assets | <u>1,332,464</u> | <u>1,265,623</u> | <u>2,598,087</u> |
| Capital assets: | | | |
| Land - not being depreciated | 15,000 | - | 15,000 |
| Utility plant in service | 4,616,526 | 1,060,621 | 5,677,147 |
| Less accumulated depreciation | <u>(2,240,723)</u> | <u>(581,991)</u> | <u>(2,822,714)</u> |
| Capital assets, net | <u>2,390,803</u> | <u>478,630</u> | <u>2,869,433</u> |
| Total assets | <u>3,723,267</u> | <u>1,744,253</u> | <u>5,467,520</u> |
| Liabilities: | | | |
| Current liabilities: | | | |
| Accounts payable and accrued expenses | 8,042 | 29,345 | 37,387 |
| Customer deposits | <u>14,150</u> | <u>26,770</u> | <u>40,920</u> |
| Total current liabilities | <u>22,192</u> | <u>56,115</u> | <u>78,307</u> |
| Total liabilities | <u>22,192</u> | <u>56,115</u> | <u>78,307</u> |
| Deferred Inflows of Resources: | | | |
| Grants | <u>370,627</u> | <u>-</u> | <u>370,627</u> |
| Total deferred inflows of resources | <u>370,627</u> | <u>-</u> | <u>370,627</u> |
| Net Position: | | | |
| Net investment in capital assets | 2,390,803 | 478,630 | 2,869,433 |
| Unrestricted | <u>939,645</u> | <u>1,209,508</u> | <u>2,149,153</u> |
| Total net position | <u>\$ 3,330,448</u> | <u>\$ 1,688,138</u> | <u>\$ 5,018,586</u> |

The notes to the financial statements are an integral part of this statement.

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

| | Sewer Fund | Natural Gas Fund | Total |
|-----------------------------------------|----------------------------|-----------------------------|----------------------------|
| Operating Revenues: | | | |
| Charges for services | \$ 573,510 | \$ 474,594 | \$ 1,048,104 |
| Miscellaneous | 4,597 | 6,234 | 10,831 |
| Total operating revenues | <u>578,107</u> | <u>480,828</u> | <u>1,058,935</u> |
| Operating Expenses: | | | |
| Salaries | 81,444 | 117,627 | 199,071 |
| Employee benefits | 11,146 | 33,249 | 44,395 |
| Utilities | 1,518 | 6,072 | 7,590 |
| Maintenance and supplies | 96,523 | 60,002 | 156,525 |
| Uniforms | 824 | - | 824 |
| Office expenses | 5,499 | 7,410 | 12,909 |
| Depreciation | 111,354 | 40,391 | 151,745 |
| Natural gas purchased | - | 109,975 | 109,975 |
| Automobile expenses | 2,916 | 5,386 | 8,302 |
| Insurance | 12,379 | 16,945 | 29,324 |
| Sewer treatment | 95,229 | - | 95,229 |
| Professional services | 35,610 | 30,830 | 66,440 |
| Rent | 2,400 | 12,000 | 14,400 |
| Miscellaneous | 323 | 1,305 | 1,628 |
| Total operating expenses | <u>457,165</u> | <u>441,192</u> | <u>898,357</u> |
| Operating income | <u>120,942</u> | <u>39,636</u> | <u>160,578</u> |
| Non-operating Income: | | | |
| Interest income | 50,189 | 62,689 | 112,878 |
| Capital grant revenue | 616,226 | - | 616,226 |
| Total non-operating income | <u>666,415</u> | <u>62,689</u> | <u>729,104</u> |
| Transfers - in lieu of tax - out | <u>(8,577)</u> | <u>(21,004)</u> | <u>(29,581)</u> |
| Change in net position | 778,780 | 81,321 | 860,101 |
| Net position, beginning of year | <u>2,551,668</u> | <u>1,606,817</u> | <u>4,158,485</u> |
| Net position, end of year | <u><u>\$ 3,330,448</u></u> | <u><u>\$ 1,688,138</u></u> | <u><u>\$ 5,018,586</u></u> |

The notes to the financial statements are an integral part of this statement.

City of Ridgetop, Tennessee
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2024

| | Sewer Fund | Natural Gas Fund | Total |
|-----------------------------------------------------------------------------------------|----------------------------|-----------------------------|----------------------------|
| Cash Flows from Operating Activities: | | | |
| Receipts from customers | \$ 573,648 | \$ 481,903 | \$ 1,055,551 |
| Payments to general fund | (347,412) | - | (347,412) |
| Payments to or on behalf of employees | (92,590) | (150,876) | (243,466) |
| Payments to suppliers | (263,071) | (244,891) | (507,962) |
| Net cash (used in) provided by operating activities | <u>(129,425)</u> | <u>86,136</u> | <u>(43,289)</u> |
| Cash Flows from Noncapital Financing Activities: | | | |
| Receipts from grants | 352,776 | - | 352,776 |
| Transfers to other funds | (8,577) | (21,004) | (29,581) |
| Net cash (used in) provided by noncapital financing activities | <u>344,199</u> | <u>(21,004)</u> | <u>323,195</u> |
| Cash Flows from Capital and Related Financing Activities: | | | |
| Cash payments for the purchase of capital assets | (715,890) | (88,154) | (804,044) |
| Net cash used in capital and related financing activities | <u>(715,890)</u> | <u>(88,154)</u> | <u>(804,044)</u> |
| Cash Flows from Investing Activities: | | | |
| Interest income | 50,189 | 62,689 | 112,878 |
| Net cash provided by investing activities | <u>50,189</u> | <u>62,689</u> | <u>112,878</u> |
| Net (decrease) increase in cash | (450,927) | 39,667 | (411,260) |
| Cash, Beginning of Year | <u>1,406,103</u> | <u>1,205,254</u> | <u>2,611,357</u> |
| Cash, End of Year | <u><u>\$ 955,176</u></u> | <u><u>\$ 1,244,921</u></u> | <u><u>\$ 2,200,097</u></u> |
| Reconciliation of operating income to net cash provided by operating activities: | | | |
| Operating income | \$ 120,942 | \$ 39,636 | \$ 160,578 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | |
| Depreciation | 111,354 | 40,391 | 151,745 |
| (Increase) decrease in assets: | | | |
| Accounts receivable | (9,534) | - | (9,534) |
| Inventory | - | (6,765) | (6,765) |
| Increase (decrease) in liabilities: | | | |
| Accounts payable and accrued expenses | (5,075) | 17,669 | 12,594 |
| Customer deposits | 300 | 1,075 | 1,375 |
| Due to/from other funds | (347,412) | (5,870) | (353,282) |
| Total adjustments | <u>(250,367)</u> | <u>46,500</u> | <u>(203,867)</u> |
| Net cash (used in) provided by operating activities | <u><u>\$ (129,425)</u></u> | <u><u>\$ 86,136</u></u> | <u><u>\$ (43,289)</u></u> |

The notes to the financial statements are an integral part of this statement.

BASIC FINANCIAL STATEMENTS



CITY OF RIDGETOP, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Ridgetop, Tennessee (the “City”) was incorporated by the Private Act of the Tennessee General Assembly. The City provides the following services, as authorized by its charter and duly passed ordinances: public safety (Police and Fire), sewerage, natural gas services, streets, recreations, public improvements, planning and zoning, and general administrative services. The accounting policies of the City conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

Reporting Entity

In evaluating the City as a reporting entity, management follows all GASB statements and has addressed 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. The City (the primary government) is financially accountable if it appoints a voting majority of the organization’s governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit or to impose specific financial burden on the City. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The City has no component units at year-end.

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 nonfiduciary 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 attributable 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.
- *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.

CITY OF RIDGETOP, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- *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 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 provisions. 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 - enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

- 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 State Street Aid Fund is used to account for the receipt and usage of the City's share of State gasoline taxes. State law requires these gasoline taxes to be used to maintain streets.
- Drug Fund is used to account for drug fines received and usage of those monies to further drug investigations.

The City reports the following major proprietary - enterprise funds:

- The Sewer Fund accounts for the activities of providing sewer services to the citizens of the City.
- The Natural Gas Fund accounts for natural gas services to the citizens of the City.

CITY OF RIDGETOP, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund 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 year end. 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.

Property taxes, state shared revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and 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 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 nonoperating 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 various utility funds are charges to customers for sales and services. The Utility Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. 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 nonoperating 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.

CITY OF RIDGETOP, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of savings accounts, certificates of deposit with original maturities three months or less, and amounts held by the State Local Government Investment Pool.

Restricted Assets

Certain proceeds of the Enterprise Fund bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on their respective balance sheets because they are maintained in separate bank accounts and their use is either limited by applicable bond covenants or represent proceeds from bond issues that are restricted for use in construction.

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 government has no items that qualify for reporting in this category.

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 government has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide statement of net position and the governmental funds balance sheet. These revenues are from the following sources: current and delinquent property taxes as well as grants, which do not meet the availability criteria in governmental funds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either due from/due to other funds (i.e. the current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available resources. All trade receivables are shown net of an allowance for uncollectible, if applicable.

CITY OF RIDGETOP, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Net Position Flow Assumption

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

Inventory

Inventory of the Utility Fund is valued at cost, using the first in first out method. Inventory of all the governmental funds consists of expendable supplies held for consumption and are recorded at cost under the consumption method.

Property Tax

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

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

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

Taxes were levied at a rate of \$0.3770 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. Current tax collections of \$267,672 for the fiscal year ended June 30, 2024 were approximately 100 percent of the tax levy.

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

CITY OF RIDGETOP, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Capital Assets

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

Depreciation is provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

| <u>Assets</u> | <u>Years</u> |
|--------------------------|---------------|
| Infrastructure | 40 - 50 years |
| Buildings | 10 - 50 years |
| Utility Plant in Service | 10 - 50 years |
| Furniture and Equipment | 5 - 10 years |

Compensated Absences

The City has accrued a liability for vacation pay, which is earned but not yet taken by the City's employees.

| | <u>Balance</u> <u>June 30, 2023</u> | <u>Additions</u> | <u>Retirements</u> | <u>Balance</u> <u>June 30, 2024</u> |
|-------------------------|----------------------------------------|------------------|--------------------|----------------------------------------|
| Governmental activities | <u>\$18,520</u> | <u>\$10,627</u> | <u>\$(15,742)</u> | <u>\$13,405</u> |

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds and are presented in the accompanying financial statements as other assets, when applicable. Debt issuance costs, when applicable, are recognized as an expense.

CITY OF RIDGETOP, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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.

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

Budgets and Budgetary Accounting

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

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

During the year, the City had one department exceed their departmental budget; however, the amount was immaterial.

CITY OF RIDGETOP, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Balances

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Based on the requirements of GASB No. 54, fund balances are reported in the following categories:

- *Nonspendable fund balance* - amounts that cannot currently be spent, such as inventories.
- *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 the 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.

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

B. CASH AND CASH EQUIVALENTS

The City is authorized to invest funds in Federal treasury bills and notes, State of Tennessee Local Government Investment Pool and financial institution demand deposit accounts and certificates of deposit. During the year, the City invested funds that were not immediately needed in certificates of deposits, savings accounts, and investments in the State of Tennessee Local Government Investment Pool. The City has deposit policies to minimize custodial credit risks.

CITY OF RIDGETOP, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

B. CASH AND CASH EQUIVALENTS - Continued

All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

For deposits with financial institutions that do not participate in the bank collateral pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits. Cash and cash equivalents were adequately covered by federal depository insurance, insured by the depository bank's participation in the State of Tennessee Bank Collateral Pool or collateralized by securities, pledged for deposits, held by an independent third-party financial institution under the terms of a safekeeping collateral agreement in the City's name. Investment policies of the City follow state law and bond requirements prohibiting investments that are not secured or insured by the U.S. Government.

C. ACCOUNTS RECEIVABLE

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

| <u>Fund</u> | <u>Other Government</u> | <u>Property Taxes</u> | <u>Customer and Other Accounts</u> | <u>Total</u> |
|------------------------------------------|-----------------------------|---------------------------|--------------------------------------------|------------------|
| General Fund | \$224,226 | \$285,861 | \$ - | \$510,087 |
| State Street Aid Fund | 13,496 | - | - | 13,496 |
| Sewer Fund | - | - | 64,699 | 64,699 |
| Natural Gas Fund | - | - | 1,887 | 1,887 |
| Less: Allowance for doubtful accounts | <u>-</u> | <u>-</u> | <u>(16,265)</u> | <u>(16,265)</u> |
| Total | <u>\$237,722</u> | <u>\$285,861</u> | <u>\$ 50,321</u> | <u>\$573,904</u> |

CITY OF RIDGETOP, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

D. CAPITAL ASSETS

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

| | <u>Balance</u> <u>June 30, 2023</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance</u> <u>June 30, 2024</u> |
|------------------------------------------------|----------------------------------------|------------------|-------------------|----------------------------------------|
| <i>Capital assets, not being depreciated -</i> | | | | |
| Land | \$ 611,809 | \$ - | \$ - | \$ 611,809 |
| Construction in progress | <u>77,516</u> | <u>201,209</u> | <u>-</u> | <u>278,725</u> |
| Subtotal | <u>689,325</u> | <u>201,209</u> | <u>-</u> | <u>890,534</u> |
| <i>Capital assets, being depreciated -</i> | | | | |
| Building and improvements | 1,266,871 | 37,137 | - | 1,304,008 |
| Infrastructure | 2,888,317 | 244,807 | - | 3,133,124 |
| Equipment | <u>920,597</u> | <u>244,000</u> | <u>-</u> | <u>1,164,597</u> |
| Subtotal | <u>5,075,785</u> | <u>525,944</u> | <u>-</u> | <u>5,601,729</u> |
| <i>Accumulated depreciated -</i> | | | | |
| Building and improvements | 664,866 | 48,510 | - | 713,376 |
| Infrastructure | 719,253 | 125,687 | - | 844,940 |
| Equipment | <u>606,261</u> | <u>78,884</u> | <u>-</u> | <u>685,145</u> |
| Subtotal | <u>1,990,380</u> | <u>253,081</u> | <u>-</u> | <u>2,243,461</u> |
| Capital assets, being depreciated | <u>3,085,405</u> | <u>272,863</u> | <u>-</u> | <u>3,358,268</u> |
| Capital assets, net | <u>\$3,774,730</u> | <u>\$474,072</u> | <u>\$ -</u> | <u>\$4,248,802</u> |

Included in construction in progress for the governmental activities capital assets at June 30, 2024 is the Shedden Road Bridge Project that has an estimated cost to complete of approximately \$428,000.

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

| | |
|----------------------|------------------|
| General Government | \$ 51,562 |
| Public Safety: | |
| Fire Department | 62,920 |
| Highways and Streets | 119,703 |
| Parks Department | <u>18,896</u> |
| Total | <u>\$253,081</u> |

CITY OF RIDGETOP, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

D. CAPITAL ASSETS - Continued

A summary of changes in business-type activities capital assets for the year ended June 30, 2024 is presented below:

Sewer Fund

| | Balance <u>June 30, 2023</u> | <u>Additions</u> | <u>Reductions</u> | Balance <u>June 30, 2024</u> |
|------------------------------------------------|---------------------------------|--------------------|-------------------|---------------------------------|
| Plant in service | | | | |
| <i>Capital assets, not being depreciated -</i> | | | | |
| Land | \$ 15,000 | \$ - | \$ - | \$ 15,000 |
| Construction in progress | <u>17,880</u> | <u>523,713</u> | <u>541,593</u> | <u>-</u> |
| Subtotal | <u>32,880</u> | <u>523,713</u> | <u>541,593</u> | <u>15,000</u> |
| <i>Capital assets, being depreciated -</i> | | | | |
| Plant and distribution | 3,769,983 | 594,832 | - | 4,364,815 |
| Equipment | <u>112,773</u> | <u>138,938</u> | <u>-</u> | <u>251,711</u> |
| Subtotal | <u>3,882,756</u> | <u>733,770</u> | <u>-</u> | <u>4,616,526</u> |
| <i>Accumulated depreciated -</i> | | | | |
| Plant and distribution | 2,021,223 | 110,385 | - | 2,131,608 |
| Equipment | <u>108,146</u> | <u>969</u> | <u>-</u> | <u>109,115</u> |
| Subtotal | <u>2,129,369</u> | <u>111,354</u> | <u>-</u> | <u>2,240,723</u> |
| Plant in service, being depreciated | <u>1,753,387</u> | <u>622,416</u> | <u>-</u> | <u>2,375,803</u> |
| Net plant in service | <u>\$1,786,267</u> | <u>\$1,146,129</u> | <u>\$ 541,593</u> | <u>\$2,390,803</u> |

CITY OF RIDGETOP, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

D. CAPITAL ASSETS - Continued

Natural Gas

| | <u>Balance</u> <u>June 30, 2023</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance</u> <u>June 30, 2024</u> |
|------------------------------------------------|----------------------------------------|------------------|-------------------|----------------------------------------|
| Plant in service | | | | |
| <i>Capital assets, not being depreciated -</i> | | | | |
| Plant and distribution | \$577,970 | \$ 5,269 | \$ - | \$ 583,239 |
| Building | 207,936 | 82,885 | - | 290,821 |
| Equipment | <u>186,561</u> | <u>-</u> | <u>-</u> | <u>186,561</u> |
| Subtotal | <u>972,467</u> | <u>88,154</u> | <u>-</u> | <u>1,060,621</u> |
| <i>Accumulated depreciated -</i> | | | | |
| Plant and distribution | 385,657 | 18,998 | - | 404,655 |
| Building | 19,413 | 7,282 | - | 26,695 |
| Equipment | <u>136,530</u> | <u>14,111</u> | <u>-</u> | <u>150,641</u> |
| Subtotal | <u>541,600</u> | <u>40,391</u> | <u>-</u> | <u>581,991</u> |
| Plant in service, being Depreciated | <u>430,867</u> | <u>47,763</u> | <u>-</u> | <u>478,630</u> |
| Net plant in service | <u>\$430,867</u> | <u>\$47,763</u> | <u>\$ -</u> | <u>\$ 478,630</u> |

Depreciation expense was charged to functions/programs of the business-type activities as follows:

| | |
|------------------|------------------|
| Sewer Fund | \$111,354 |
| Natural Gas Fund | <u>40,391</u> |
| Total | <u>\$151,745</u> |

CITY OF RIDGETOP, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

E. RISK MANAGEMENT

The City is exposed to various risks to general liability and property and casualty losses. The City has decided it was more economically feasible to join a public entity risk pool as opposed to purchasing commercial insurance for general liability and property and casualty coverage. The City joined TML Insurance Pool which is a public entity risk pool established by the Tennessee Municipal League, an association of member cities. The City pays an annual premium to the TML for its general liability and property and casualty insurance coverage. The creation of the pool provides for it to be self-sustaining through member premiums. The City has not had any claims in excess of insurance coverage during the last three years.

F. INTERFUND TRANSACTIONS

Interfund receivables and payables at June 30, 2024 are attributable to unsettled balances at year end primarily for internal billings and transfers between funds and are expected to be repaid within one year. As of June 30, 2024, the General Fund has \$328,854 due to the Sewer Fund.

During the year, the Sewer Fund transferred \$8,577 to the General Fund and the Natural Gas Fund transferred \$21,004 to the General Fund as an in-lieu tax payment.

G. COMMITMENTS AND CONTINGENCIES

Litigation

The City has outstanding litigation related to the closure of the City's police department. These claims are in the early stages of proceeding through the legal system. City management believes that there will be no material unfavorable outcomes related to the claims.

Grants

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

H. RECENT ACCOUNTING PRONOUNCEMENTS

The following are recent accounting pronouncements which, to the extent applicable, pose consideration for the City. Management is currently in the process of determining the impact of these Statements to the City's financial statements.

GASB Statement No. 101, *Compensated Absences* Effective Date: The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

GASB Statement No. 102, *Certain Risk Disclosures* Effective Date: For fiscal years beginning after June 15, 2024, and all reporting periods thereafter.

CITY OF RIDGETOP, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

H. RECENT ACCOUNTING PRONOUNCEMENTS - Continued

GASB issued Statement No. 103, *Financial Reporting Model Improvements*, which is effective for reporting periods beginning after June 15, 2025, fiscal year 2026 for the City.

GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*, which is effective for reporting periods beginning after June 15, 2025, fiscal year 2026 for the City.

I. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 13, 2024, the date the financial statements were available for issuance, and has determined there were no subsequent events requiring disclosure.

SUPPLEMENTARY INFORMATION



City of Ridgetop, Tennessee
Capital Assets Used in the Operation of the Governmental Funds
Schedule of Changes in Capital Assets - By Type
June 30, 2024

| Description | Balance July 1, 2023 | Additions | Retirements | Balance June 30, 2024 |
|----------------------------|-------------------------|-------------------|-------------|--------------------------|
| Land | \$ 611,809 | \$ - | \$ - | \$ 611,809 |
| Buildings and improvements | 1,266,871 | 37,137 | - | 1,304,008 |
| Infrastructure | 2,888,317 | 244,807 | - | 3,133,124 |
| Equipment | 920,597 | 244,000 | - | 1,164,597 |
| Construction in progress | 77,516 | 201,209 | - | 278,725 |
| | <u>\$ 5,765,110</u> | <u>\$ 727,153</u> | <u>\$ -</u> | <u>\$ 6,492,263</u> |

See independent auditor's report.

City of Ridgetop, Tennessee
Capital Assets Used in the Operation of the Governmental Funds
Schedule of Changes in Capital Assets - By Function and Activity
June 30, 2024

| Description - Asset Cost | Land | Buildings and Improvements | Infrastructure | Equipment | Construction in Progress | Total |
|----------------------------------------|-------------------|----------------------------|---------------------|-------------------|--------------------------|---------------------|
| General government | \$ 611,809 | \$ 1,014,474 | \$ - | \$ 107,350 | \$ - | \$ 1,733,633 |
| Public safety: | | | | | | |
| Police department | - | - | - | 26,747 | 139,572 | 166,319 |
| Fire department | - | - | - | 923,241 | - | 923,241 |
| Highways and streets | - | - | 3,133,124 | 38,910 | - | 3,172,034 |
| Parks and recreation | - | 289,534 | - | 68,349 | 139,153 | 497,036 |
| | <u>611,809</u> | <u>1,304,008</u> | <u>3,133,124</u> | <u>1,164,597</u> | <u>278,725</u> | <u>6,492,263</u> |
| Description - Accumulated Depreciation | Land | Buildings and Improvements | Infrastructure | Equipment | Construction in Progress | Total |
| General government | - | (518,960) | - | (73,325) | - | (592,285) |
| Public safety: | | | | | | |
| Police department | - | - | - | (26,747) | - | (26,747) |
| Fire department | - | - | - | (535,508) | - | (535,508) |
| Highways and streets | - | - | (844,940) | (29,072) | - | (874,012) |
| Parks and recreation | - | (194,416) | - | (20,493) | - | (214,909) |
| | <u>-</u> | <u>(713,376)</u> | <u>(844,940)</u> | <u>(685,145)</u> | <u>-</u> | <u>(2,243,461)</u> |
| Description - Net Book Value | Land | Buildings and Improvements | Infrastructure | Equipment | Construction in Progress | Total |
| General government | 611,809 | 495,514 | - | 34,025 | - | 1,141,348 |
| Public safety: | | | | | | |
| Police department | - | - | - | - | 139,572 | 139,572 |
| Fire department | - | - | - | 387,733 | - | 387,733 |
| Highways and streets | - | - | 2,288,184 | 9,838 | - | 2,298,022 |
| Parks and recreation | - | 95,118 | - | 47,856 | 139,153 | 282,127 |
| | <u>\$ 611,809</u> | <u>\$ 590,632</u> | <u>\$ 2,288,184</u> | <u>\$ 479,452</u> | <u>\$ 278,725</u> | <u>\$ 4,248,802</u> |

See independent auditor's report.

City of Ridgetop, Tennessee
Schedule of Cash and Cash Equivalents
All Funds
June 30, 2024

| | <u>Carrying Value</u> |
|-----------------------------------------|----------------------------|
| General Fund - Demand deposits | <u>\$ 3,114,691</u> |
| State Street Aid Fund - Demand deposits | <u>370,320</u> |
| Drug Fund - Demand deposits | <u>1,421</u> |
| Proprietary Funds: | |
| Sewer Fund - Demand deposits | 955,176 |
| Natural Gas Fund - Demand deposits | <u>1,244,921</u> |
| Total Proprietary Funds | <u>2,200,097</u> |
| | <u><u>\$ 5,686,529</u></u> |

See independent auditor's report.

City of Ridgeway, Tennessee
Schedule of Changes in Property Taxes Receivable
For the Year Ended June 30, 2024

| <u>Tax Year</u> | <u>Balance July 1, 2023</u> | <u>Levy</u> | <u>Collections and Changes and Adjustments</u> | <u>Balance June 30, 2024</u> |
|-----------------|---------------------------------|-------------------|--------------------------------------------------------|----------------------------------|
| 2024 | \$ - | \$ 276,141 | \$ - | \$ 276,141 |
| 2023 | 267,671 | - | 262,532 | 5,139 |
| 2022 | 5,798 | - | 2,927 | 2,871 |
| 2021 | 2,405 | - | 1,263 | 1,142 |
| 2020 | 1,135 | - | 948 | 187 |
| 2019 | 220 | - | (20) | 240 |
| 2018 | 32 | - | - | 32 |
| 2017 | 6 | - | - | 6 |
| 2016 | 103 | - | - | 103 |
| 2015 | 22 | - | 22 | - |
| | <u>\$ 277,392</u> | <u>\$ 276,141</u> | <u>\$ 267,672</u> | <u>\$ 285,861</u> |

| | <u>Tax Rate</u> | <u>Tax Levy</u> | <u>Collections and Changes and Adjustments</u> | <u>Outstanding Taxes</u> |
|------|---------------------|---------------------|--------------------------------------------------------|------------------------------|
| 2024 | \$ 0.3770 | \$ 276,141 | - | \$ 276,141 |
| 2023 | 0.6325 | 267,671 | 262,532 | 5,139 |
| 2022 | 0.6325 | 285,000 | 282,129 | 2,871 |
| 2021 | 0.6325 | 285,000 | 283,858 | 1,142 |
| 2020 | 0.6325 | 285,000 | 284,813 | 187 |
| 2019 | 0.6325 | 275,000 | 274,760 | 240 |
| 2018 | 0.7998 | 277,586 | 277,554 | 32 |
| 2017 | 0.7998 | 270,325 | 270,319 | 6 |
| 2016 | 0.7998 | 268,105 | 268,002 | 103 |
| 2015 | 0.7600 | 261,899 | 261,899 | - |

* All delinquent property taxes have been turned over to the County for collection except for the 2023 tax year.

See independent auditor's report.

**CITY OF RIDGETOP, TENNESSEE
SCHEDULE OF UTILITY RATES
JUNE 30, 2024
(UNAUDITED)**

Sewer Rates

| | <u>Inside City</u> | <u>Outside City</u> |
|----------------|--------------------------|---------------------|
| Minimum charge | \$41.40 | N/A |
| User charge | \$6.72 per 1,000 gallons | N/A |

The number of active customers at June 30, 2024 was 600.

Natural Gas Rates

| | | |
|----------------|-----------------------|-----------------------|
| Minimum charge | \$10.00 | \$10.00 |
| User charge | \$1.05 per cubic foot | \$1.10 per cubic foot |

The number of active customers at June 30, 2024 was 603.

See independent auditor's report.

**CITY OF RIDGETOP, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024**

| GRANTOR AGENCY | Assistance Listing Number | GRANTOR'S NUMBER | EXPENDITURES |
|---------------------------------------------------------------------------------------------------------------------------------|---------------------------------|----------------------------------|-------------------|
| <u>U.S. Department of the Treasury</u> | | | |
| Passed through the Tennessee Department of Environment and Conservation State and Local Fiscal Recovery Funds Program | 21.027 | American Rescue Plan Act of 2021 | \$ 616,226 |
| <u>U.S. Department of Transportation</u> | | | |
| Passed through the Tennessee Department of Transportation Highway Planning and Construction Safe Routes to School Project | 20.205 | 150060 | 139,572 |
| Total Federal Awards | | | \$ 755,798 |

Note 1 - Basis of Presentation: The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") summarizes the expenditures of the City of Ridgetop under programs of the federal government and passed through the State of Tennessee for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

Note 2 - Summary of Significant Accounting Policies: Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The City has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3 - Subrecipients: There were no amounts passed through to subrecipients during the year ended June 30, 2024.

COMPLIANCE AND INTERNAL CONTROL





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*

The Board of Mayor and Aldermen
City of Ridgetop, 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, the business-type activities, and each major fund of the City of Ridgetop, Tennessee (the "City") as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 13, 2024.

Report on Internal Control Over Financial Reporting

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

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

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



Report Compliance and Other Matters

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

The City's Response to Findings

Government Auditing Standards require the auditor to perform limited procedures on the City's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City's response was not subjected to the 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.

Crosslin, PLLC

Nashville, Tennessee
December 13, 2024



Independent Auditor's Report on Compliance For the Major
Program and on Internal Control Over Compliance
Required by Uniform Guidance

The Board of Mayor and Aldermen
City of Ridgetop, Tennessee

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited City of Ridgetop, Tennessee's (the "City") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended June 30, 2024. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2024.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for the major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.



Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.



Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Crosslin, PUC

Nashville, Tennessee
December 13, 2024

CITY OF RIDGETOP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X Yes No
- Significant deficiency(ies) identified? Yes X None Reported

Noncompliance material to financial statements
noted?

 Yes X No

Federal Awards

Internal control over major program:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None Noted

Type of auditor's report issued on compliance for
major program:

Unmodified

Any audit findings disclosed that are required
to be reported in accordance with
2 CFR 200.516(a)?

 Yes X No

CITY OF RIDGETOP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS - Continued

Major Programs:

| Assistance Listing Number | Name of Federal Program | Amount Expended |
|-------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|-----------------|
| U.S. Department of the Treasury – Passed through the Tennessee Department of Environment and Conservation 21.027 | American Rescue Plan Act of 2021 State and Local Fiscal Recovery Funds Program | \$616,226 |

Dollar threshold used to distinguish between type A and type B programs \$750,000

Auditee qualified as low-risk auditee ☐ Yes ☒ No

II. FINANCIAL STATEMENT FINDINGS

A. Material Weakness in Internal Control

2024-001 – Segregation of Duties

Condition: The City currently has three employees that work in performing the majority of the accounting functions for the City. Although the City has three employees performing the accounting transactions, there is currently one employee/position that has access to perform all steps in every cycle, which leads to an inadequate segregation of duties.

Criteria: Generally accepted accounting principles require that accounting functions be adequately segregated to ensure that the internal accounting controls are effective.

Cause: The City has a limited number of office employees to provide for a proper division of duties.

Effect: The risk of errors and irregularities occurring and not being detected in a timely manner along with the possibility of fraud or misappropriation of assets increases when accounting functions are not adequately segregated.

Recommendation: For adequate segregation of duties, the employee who writes receipts, prepares and makes bank deposits, or writes checks should neither reconcile bank statements nor post to the cash receipts and disbursements journals.

Response: See management's corrective action plan on page 56.

CITY OF RIDGETOP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

II. FINANCIAL STATEMENT FINDINGS - Continued

B. Compliance Findings

None Reported.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None Reported.

CITY OF RIDGETOP
SCHEDULE OF DISPOSITION OF PRIOR YEAR FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

| Finding Number | Finding Title | Status |
|----------------|-----------------------|------------------------------------|
| 2023-001 | Segregation of Duties | Repeated, but partially corrected. |

The original finding number was 1998-001. The current finding number is 2024-001.

City of Ridgetop

P. O. Box 650
Ridgetop, Tennessee 37152

Management's Corrective Action Plan

Audit period: June 30, 2024

The findings from June 30, 2024, Schedule of Findings and Responses are discussed below.

2024-001 Segregation of Duties (Internal Control)

Contact person: Kelly Rider

Planned Corrective Action:

We agree with the recommendation and partially corrected the finding during fiscal year 2023. The City hired a third person in the City's finance department and has segregated duties to the optimum level desired. However, due to the small size of City staff, one of the three employees/positions has access to perform each of the processes noted in the finding as there are times that there is only one employee in the City's offices. This issue is mitigated by the continued oversight of the Board as the Board continues to monitor the City's finances and internal controls and has implemented various safeguards in relation to each of the City's significant processes.

Anticipated Completion Date: As noted above, the City hired a third person in the City's finance department and has segregated duties to the optimum level desired. We will continue to improve and strengthen our internal controls, but we cannot give a definite date.

Signature: Kelly Rider

