

**CITY OF LAFAYETTE, TENNESSEE**

Annual Financial Report

For the Year Ended June 30, 2024

# CITY OF LAFAYETTE, TENNESSEE

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# INTRODUCTORY SECTION

**CITY OF LAFAYETTE, TENNESSEE**

Officials of the City of Lafayette, Tennessee

June 30, 2024

Name

Title

Elected Officials:

Tony Day

Mayor

Jason Phelps

Vice mayor

David Kempf

Council Member

Mike Marshall

Council Member

Steve Turner

Council Member

Roger Jones

Council Member

Dale Hix

Council Member

Management:

Kristie Talley

City Recorder, CMFO

# FINANCIAL SECTION

**JOHN R. POOLE, CPA**  
**CERTIFIED PUBLIC ACCOUNTANT**

134 NORTHLAKE DRIVE  
HENDERSONVILLE, TN 37075

(615) 822-4177

**Independent Auditor's Report**

Mayor and Council Members of the  
City of Lafayette, Tennessee  
Lafayette, Tennessee

**Report on the Audit of the Financial Statements**

***Opinions***

I have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Lafayette, 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 my opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City, as of June 30, 2024, and the respective changes in financial position, and the respective budgetary comparison for the General Fund, State Street Aid Fund, Sanitation Fund, Industrial Park Fund, and the Drug Fund for the year then ended and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

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

My 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 my 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 judgement 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, I:

- ❖ 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 my 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.

I am 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 I identified during the audit.

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

Accounting principles generally accepted in the United States of America require that the Required Supplementary Information, which includes the Management's Discussion and Analysis, the Schedule of Changes in Net Pension Liability (Asset), and the Schedule of Contributions to the Employee Pension Plan, 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I 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***

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information section, as listed in the table of contents, is presented for purposes of additional analysis and is 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 my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

### ***Other Information – Introductory Section***

Management is responsible for the Introductory Section included in the annual report. The Introductory Section, as listed in the table of contents, does not include the basic financial statements and my auditor's report thereon. My opinion on the basic financial statements does not cover the Introductory Section, and I do not express an opinion or any other assurance thereon.

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with Government Auditing Standards, I have also issued my report dated September 30, 2024, on my consideration of the City's internal control over financial reporting and on my 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 my 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.

September 30, 2024

MANAGEMENT'S  
DISCUSSION AND  
ANALYSIS

## CITY OF LAFAYETTE, TENNESSEE

### Management's Discussion and Analysis

As management of the City of Lafayette, 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 of Lafayette exceeded its liabilities at the close of the most recent fiscal year by \$67,736,244. Of this amount, \$19,165,971 (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 \$1,966,511 as the local and state economy expanded during the current year. Governmental revenues were lower by \$2,385,318 than in the prior year due to a decrease in capital grants received in the current year. Governmental expenses were \$903,965 more than in the prior year due to higher depreciation expenses. Utility revenues decreased \$444,165 in the current year due to decreased interest income and lower user fee revenues. Capital assets of \$2,360,953 for governmental funds and \$2,336,982 for the Utility fund were purchased during the year.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$8,103,354, a decrease of \$1,085,649 in comparison to the prior year. The fund balance decreased during the year due to decreased grant funds received and increased expenditures. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$6,549,719 or 98% 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 of Lafayette'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.

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

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

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected tax). Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Lafayette include general government, personnel, finance, parks, planning, police, fire, disposal service, streets and public works. The government-wide financial statements can be found on pages 11-12 of this report.

The Statement of Cash Flows presents the flow of cash inflows/outflows for all enterprise funds during the fiscal year.

Fund financial statements. A Fund is a grouping of related accounts that is used to maintain control over resources that have been segregated from specific activities or objectives. The City of Lafayette, 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 are governmental funds.

Governmental Funds are funds used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains several individual governmental funds and one proprietary fund. 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 funds all of which are considered to be major funds. The City of Lafayette adopts an annual appropriated budget for all funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. The basic financial statements can be found on pages 14-20 of this report. The notes to the financial statements 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 29-48 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 of Lafayette, assets exceeded liabilities by \$67,736,244 at the close of the most recent fiscal year.

By far 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. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### City of Lafayette's Net Position - 2024

	Governmental <u>Activities</u>	Business - Type <u>Activities</u>
Current and other assets	\$ 9,165,122	13,792,595
Capital assets	<u>16,959,347</u>	<u>31,439,192</u>
Total	26,124,469	45,231,787
Deferred outflows	1,336,114	688,301
Long-term liabilities outstanding	-	1,484,849
Other liabilities	<u>1,839,375</u>	<u>1,304,919</u>
Total	1,839,375	2,789,768
Deferred inflows	935,919	79,365
Net position:		
Net investment in capital assets	16,959,347	29,954,343
Restricted	1,553,635	102,948
Unrestricted	<u>6,172,307</u>	<u>12,993,664</u>
Total net position	\$ 24,685,289	43,050,955

**City of Lafayette's Net Position - 2023**

	Governmental <u>Activities</u>	Business -Type <u>Activities</u>
Current and other assets	\$ 10,201,426	13,024,357
Capital assets	<u>15,523,374</u>	<u>30,598,177</u>
Total	25,724,800	43,622,534
 Deferred outflows	 874,385	 535,914
Long-term liabilities outstanding	-	1,543,375
Other liabilities	<u>1,376,944</u>	<u>1,004,308</u>
Total	1,376,944	2,547,683
 Deferred inflows	 950,740	 112,533
Net position:		
Net investment in capital assets	15,523,374	29,054,802
Restricted	2,140,197	102,948
Unrestricted	<u>6,607,930</u>	<u>12,340,482</u>
Total net position	\$ 24,271,501	41,498,232

At the end to 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.

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 of Lafayette'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 to a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the City's. At the end of the current fiscal year, unassigned fund balance of the general fund was \$6,549,719. 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 98% of total general fund expenditures.

**Business- Type Activities**

The City's business -like activities (Utility Fund) total net position increased by \$1,552,723 as a result of an increasing customer base and controlling expenses at budgeted levels.

**Comparison of revenues and expenses 2023 and 2024**

	2023 Governmental Activities	2024 Governmental Activities	Change Between Years	2023 Business- type Activities	2024 Business- type Activities	Change Between Years
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	938,212	914,382	(23,830)	7,142,578	7,014,890	(127,688)
Operating grants and contributions	242,468	294,355	51,887	0	0	0
Capital grants and contributions	3,085,670	532,430	(2,553,240)	781,239	745,995	(35,244)
<b>General revenues:</b>						
Property taxes	1,092,069	1,072,931	(19,138)	0	0	0
Sales taxes	3,105,523	3,279,230	173,707	0	0	0
Other local taxes	617,167	629,383	12,216	0	0	0
State income and excise tax	26,369	59,439	33,070	0	0	0
Other	466,248	406,258	(59,990)	668,581	387,348	(281,233)
Total revenues	<u>9,573,726</u>	<u>7,188,408</u>	<u>(2,385,318)</u>	<u>8,592,398</u>	<u>8,148,233</u>	<u>(444,165)</u>
<b>Expenses:</b>						
General government	\$1,216,423	\$1,025,282	(191,141)	0	0	0
Police department	2,277,784	2,864,254	586,470	0	0	0
Fire department	1,009,593	1,345,528	335,935	0	0	0
Public works	346,056	391,150	45,094	0	0	0
Parks and recreations	341,513	343,999	2,486	0	0	0
Highways and streets	246,379	317,554	71,175	0	0	0
Sanitation	432,907	486,853	53,946	0	0	0
Water, Sewer and Gas	0	0	0	6,121,828	6,595,510	473,682
Total expenses	<u>5,870,655</u>	<u>6,774,620</u>	<u>903,965</u>	<u>6,121,828</u>	<u>6,595,510</u>	<u>473,682</u>
Change in net position	<u>3,703,071</u>	<u>413,788</u>	<u>(3,289,283)</u>	<u>2,470,570</u>	<u>1,552,723</u>	<u>(917,847)</u>

### Governmental Budgetary Highlights

The City maintained its expenditures within budgeted levels. See pages 21-28 for an analysis of the budgets. Amendments were made to reflect the purchase of capital assets.

### Capital Assets

The City of Lafayette's investment in capital assets from its governmental activities at June 30, 2024, amounts to \$16,959,347 (net of accumulated depreciation) and its business-type activities amounts to \$31,439,192. This investment in capital assets is in land, buildings, improvements, machinery and equipment. The total increase in the City's investment in governmental capital assets for the current fiscal year was \$2,072,253. The total increase in the City's investment in business-like capital assets for the current fiscal year was \$2,336,982.

### City of Lafayette's Capital Assets – 2024

	Governmental Activities	Business-Type Activities
Land, buildings and improvement	\$ 21,090,424	\$ 54,949,504
Equipment	<u>5,097,493</u>	<u>2,553,552</u>
Less accumulated depreciation	(9,228,570)	(26,063,864)
Net Capital Assets	<u>\$ 16,959,347</u>	<u>\$ 31,439,192</u>

### City of Lafayette's Capital Assets – 2023

	Governmental Activities	Business-Type Activities
Land, buildings and improvement	\$ 20,355,265	\$ 52,836,532
Equipment	<u>3,760,399</u>	<u>2,329,542</u>
Less accumulated depreciation	(8,592,290)	(24,567,897)
Net Capital Assets	<u>\$15,523,374</u>	<u>\$ 30,598,177</u>

### Major Capital asset additions:

- Improvements to Utility plant
- Equipment purchases for Police, Fire, Sanitation, and Parks departments

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

### **Long-Term Debt**

The City has \$1,484,850 in long-term debt which is related to the construction and improvement of the utility system. During the year the City paid off \$58,526 during the year. The loan is paying as scheduled.

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

### **Economic Factors and Next Year's Budget and Rates**

In the 2024-2025 budget, General fund revenues are budgeted to slightly increase from the 2023-2024 budget as local revenues are growing. The City's budget has benefited by an expanding commercial and retail base producing increased utility charges, property taxes and local sales tax receipts.

All of these factors were considered in preparing the City's budget for the 2024-2025 fiscal year.

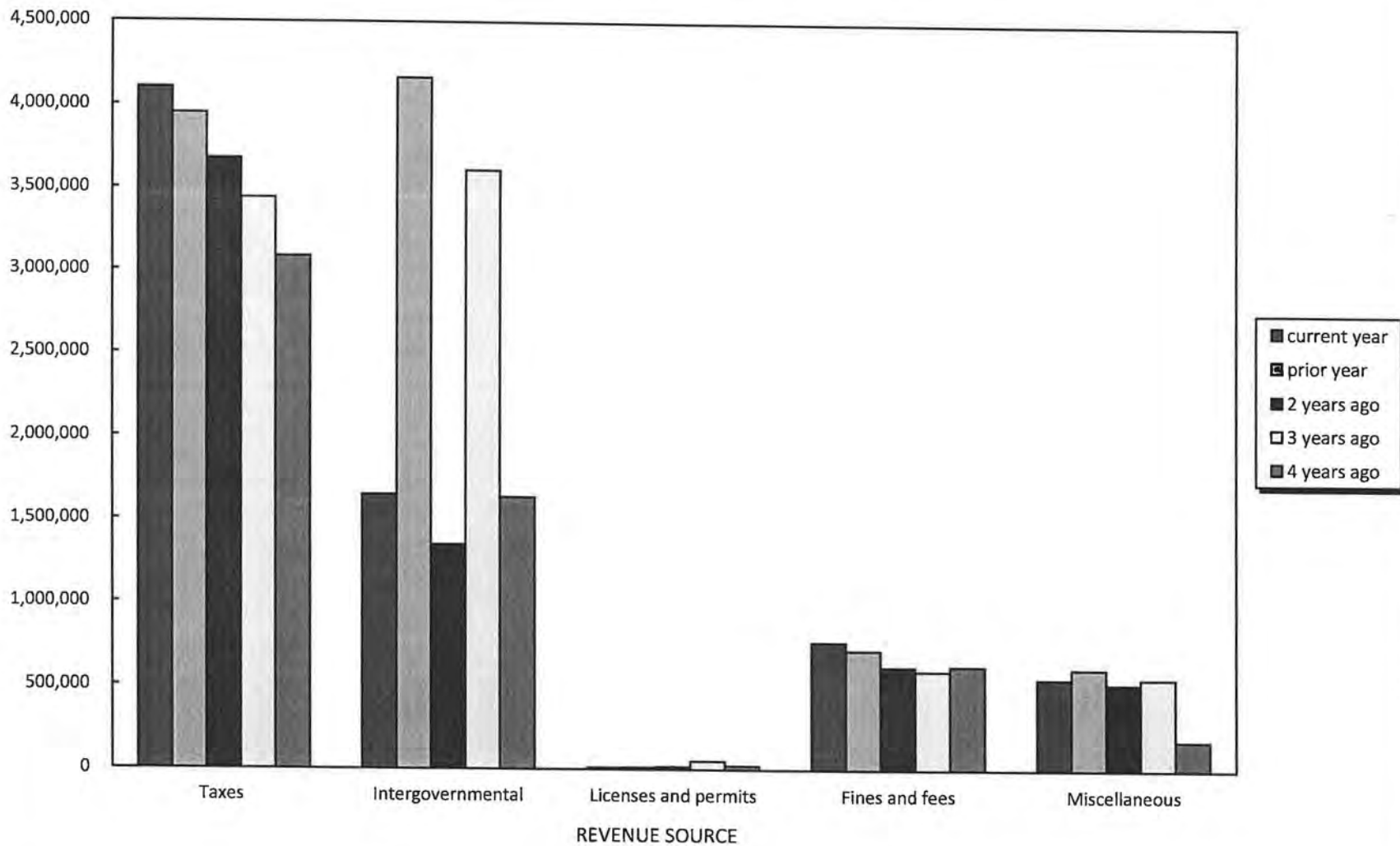
### **Requests for Information**

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

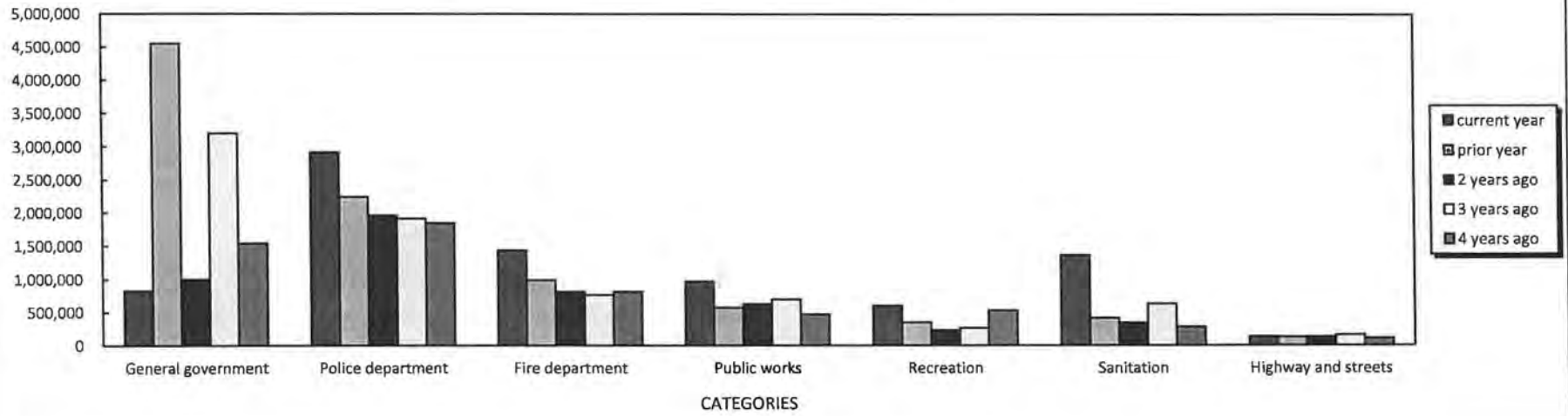
Kristie Talley, CMFO  
City of Lafayette

# CITY OF LAFAYETTE, TENNESSEE

## GOVERNMENTAL FUND REVENUES



**CITY OF LAFAYETTE, TENNESSEE**  
**GOVERNMENTAL FUND EXPENDITURES**



# BASIC FINANCIAL STATEMENTS

CITY OF LAFAYETTE, TENNESSEE

Statement of Net Position

June 30, 2024

<u>Assets</u>	<u>Governmental Activities</u>	<u>Business Activities</u>	<u>Total</u>
Cash and cash equivalents	1,893,623	2,474,324	4,367,947
Certificate of deposit	5,845,453	10,442,889	16,288,342
Receivables	1,426,046	522,292	1,948,338
Prepaid	0	80	80
Inventory	0	353,010	353,010
Capital assets, not being depreciated	2,872,797	947,091	3,819,888
Capital assets, net of accumulated depreciation	<u>14,086,550</u>	<u>30,492,101</u>	<u>44,578,651</u>
Total Assets	<u>\$26,124,469</u>	<u>45,231,787</u>	<u>71,356,256</u>
Deferred outflows:			
Deferred outflow of resources - pension	<u>1,336,114</u>	<u>688,301</u>	<u>2,024,415</u>
Total Deferred Outflows	<u>\$1,336,114</u>	<u>\$688,301</u>	<u>\$2,024,415</u>
<u>Liabilities</u>			
Accounts payable	81,466	133,358	214,824
Accrued expenses	44,340	194,311	238,651
Customer deposits	0	62,305	62,305
Compensated absences - current	1,004,461	549,645	1,554,106
Net Pension liability	709,108	365,300	1,074,408
Long-term liabilities			
Due within one year	0	59,550	59,550
Due in more than one year	0	1,425,299	1,425,299
Total Liabilities	<u>1,839,375</u>	<u>2,789,768</u>	<u>4,629,143</u>
Deferred Inflows			
Deferred inflow of resources - property taxes	875,000	0	875,000
Deferred inflow of resources - donations	0	47,983	47,983
Deferred inflow of resources - pension	<u>60,919</u>	<u>31,382</u>	<u>92,301</u>
Total Deferred Inflows	<u>935,919</u>	<u>79,365</u>	<u>1,015,284</u>
Net position:			
Net investment in capital assets	16,959,347	29,954,343	46,913,690
Restricted - State Street Aid	447,396	0	447,396
Restricted - Drug Fund	103,979	0	103,979
Restricted - Sanitation Fund	535,045	0	535,045
Restricted - Industrial Park Fund	467,215	0	467,215
Restricted - Debt Service	0	102,948	102,948
Unrestricted	<u>6,172,307</u>	<u>12,993,664</u>	<u>19,165,971</u>
Total Net Position	<u>\$24,685,289</u>	<u>\$43,050,955</u>	<u>\$67,736,244</u>

See accompanying notes to financial statements

CITY OF LAFAYETTE, TENNESSEE

Statement of Activities

For the Year Ended June 30, 2024

Function/Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
<b>Government Activities:</b>							
General government	\$1,025,282	10,352	3,000	532,430	(479,500)	0	(479,500)
Police	2,864,254	109,875	85,516	0	(2,668,863)	0	(2,668,863)
Fire	1,345,528	92,928	0	0	(1,252,600)	0	(1,252,600)
Public works	391,150	0	0	0	(391,150)	0	(391,150)
Parks and recreations	343,999	44,413	0	0	(299,586)	0	(299,586)
Industrial park	0	48,000	0	0	48,000	0	48,000
Sanitation	486,853	608,814	0	0	121,961	0	121,961
Highways and streets	317,554	0	205,839	0	(111,715)	0	(111,715)
<b>Total Governmental Activities</b>	<b>6,774,620</b>	<b>914,382</b>	<b>294,355</b>	<b>532,430</b>	<b>(5,033,453)</b>	<b>0</b>	<b>(5,033,453)</b>
<b>Business - type Activities:</b>							
Water and Sewer department	4,977,381	5,591,238	0	745,995	0	1,359,852	1,359,852
Natural Gas department	1,508,386	1,423,652	0	0	0	(84,734)	(84,734)
<b>Total Business Type Activities</b>	<b>6,485,767</b>	<b>7,014,890</b>	<b>0</b>	<b>745,995</b>	<b>0</b>	<b>1,275,118</b>	<b>1,275,118</b>
<b>Total</b>	<b>13,260,387</b>	<b>7,929,272</b>	<b>294,355</b>	<b>1,278,425</b>	<b>(5,033,453)</b>	<b>1,275,118</b>	<b>(3,758,335)</b>
<b>General Revenues:</b>							
Property taxes					857,091	0	857,091
Public utility tax					106,097	0	106,097
Sales taxes					3,279,230	0	3,279,230
Business taxes					241,081	0	241,081
Franchise taxes					42,205	0	42,205
Beer and liquor taxes					346,097	0	346,097
State income and excise tax					59,439	0	59,439
Interest income					297,279	362,403	659,682
Other					108,979	24,945	133,924
<b>Total general revenues</b>					<b>5,337,498</b>	<b>387,348</b>	<b>5,724,846</b>
Transfers - in lieu of property taxes					109,743	(109,743)	0
Changes in net position					413,788	1,552,723	1,966,511
Net position - beginning of year					24,271,501	41,498,232	65,769,733
Net position - ending of year					<u>24,685,289</u>	<u>43,050,955</u>	<u>67,736,244</u>

See accompanying notes to financial statements

# FUND FINANCIAL STATEMENTS

**CITY OF LAFAYETTE, TENNESSEE**

**Balance Sheet**

**Governmental Funds**

**June 30, 2024**

<u>Assets</u>	<u>General Fund</u>	<u>State Street Aid Fund</u>	<u>Sanitation Fund</u>	<u>Drug Fund</u>	<u>Industrial Park Fund</u>	<u>Total Governmental Fund</u>
Cash and cash equivalents	\$913,391	\$422,100	\$86,964	\$104,404	\$366,764	\$1,893,623
Certificates of deposit	5,344,395	0	400,607	0	100,451	5,845,453
Accounts receivable:						
Taxes receivable	935,962	0	0	0	0	935,962
Other receivables	0	0	59,104	0	0	59,104
Other governments	396,471	34,509	0	0	0	430,980
	<u>1,332,433</u>	<u>34,509</u>	<u>59,104</u>	<u>0</u>	<u>0</u>	<u>1,426,046</u>
<b>Total Assets</b>	<u>\$7,590,219</u>	<u>\$456,609</u>	<u>\$546,675</u>	<u>\$104,404</u>	<u>\$467,215</u>	<u>\$9,165,122</u>
<u>Liabilities, Deferred Inflows and Fund Balance</u>						
Liabilities:						
Accounts payable	62,284	9,213	9,969	0	0	81,466
Accrued expenses	42,254	0	1,661	425	0	44,340
<b>Total Liabilities</b>	<u>104,538</u>	<u>9,213</u>	<u>11,630</u>	<u>425</u>	<u>0</u>	<u>125,806</u>
Deferred Inflow of Resources:						
Deferred current property taxes	875,000	0	0	0	0	875,000
Deferred delinquent property taxes	60,962	0	0	0	0	60,962
<b>Total Deferred Inflow of Resources</b>	<u>935,962</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>935,962</u>
Fund balance:						
Unassigned	6,549,719	0	0	0	0	6,549,719
Restricted	0	447,396	535,045	103,979	467,215	1,553,635
<b>Total Fund Balance</b>	<u>6,549,719</u>	<u>447,396</u>	<u>535,045</u>	<u>103,979</u>	<u>467,215</u>	<u>8,103,354</u>
<b>Total Liabilities, Deferred Inflow and Fund Balance</b>	<u>\$7,590,219</u>	<u>\$456,609</u>	<u>\$546,675</u>	<u>\$104,404</u>	<u>\$467,215</u>	<u>\$9,165,122</u>

The notes accompanying the financial statements are an integral part of these financial statements.

CITY OF LAFAYETTE, TENNESSEE

Reconciliation of the Balance Sheet to the Statement of Net Position  
of Governmental Activities

June 30, 2024

Amounts reported for fund balance - total governmental funds	\$ <u>8,103,354</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Long-term liabilities, including payables that are not due and payable in the current period and therefore are not recorded in the funds	
Accrued vacation and sick leave	(1,004,461)
Pension related accounts - governmental funds to not record these post-benefit obligations	
Net pension liability	(709,108)
Deferred outflow - pension	1,336,114
Deferred inflow - pension	(60,919)
Other long term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds	60,962
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	<u>16,959,347</u>
Net position of governmental activities	\$ <u>24,685,289</u>

See accompanying notes to financial statements.

CITY OF LAFAYETTE, TENNESSEE

Governmental Funds  
Statement of Revenues, Expenditures and Changes in Fund Balances

For the Year Ended June 30, 2024

	General Fund	State Street Aid Fund	Sanitation Fund	Drug Fund	Industrial Park Fund	Total Governmental Funds
<b>Revenues:</b>						
Taxes	4,104,426	0	0	0	0	4,104,426
Intergovernmental	1,369,469	195,614	0	85,516	0	1,650,599
Licenses and permits	10,352	0	0	0	0	10,352
Fines and fees	104,224	0	608,814	5,651	48,000	766,689
Miscellaneous	474,677	778	65,283	0	5,861	546,599
<b>Total Revenues</b>	<b>6,063,148</b>	<b>196,392</b>	<b>674,097</b>	<b>91,167</b>	<b>53,861</b>	<b>7,078,665</b>
<b>Expenditures:</b>						
<b>Current:</b>						
General government	653,636	0	0	0	0	653,636
Police department	2,629,551	0	0	98,533	0	2,728,084
Fire department	1,244,362	0	0	0	0	1,244,362
Public works	391,150	0	0	0	0	391,150
Parks and recreation	287,081	0	0	0	0	287,081
Sanitation	0	0	473,690	0	0	473,690
Industrial park	0	0	0	0	0	0
Highway and streets	0	135,101	0	0	0	135,101
<b>Capital outlay:</b>						
General government	175,586	0	0	0	0	175,586
Fire department	196,096	0	0	0	0	196,096
Public works	584,339	0	0	0	0	584,339
Police department	193,892	0	0	0	0	193,892
Sanitation	0	0	894,755	0	0	894,755
Parks and recreation	316,285	0	0	0	0	316,285
<b>Total Expenditures</b>	<b>6,071,978</b>	<b>135,101</b>	<b>1,368,445</b>	<b>98,533</b>	<b>0</b>	<b>8,274,057</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(608,830)</b>	<b>61,291</b>	<b>(694,348)</b>	<b>(7,366)</b>	<b>53,861</b>	<b>(1,195,392)</b>
Other financing sources: In lieu of taxes	109,743	0	0	0	0	109,743
<b>Net change in fund balance</b>	<b>(499,087)</b>	<b>61,291</b>	<b>(694,348)</b>	<b>(7,366)</b>	<b>53,861</b>	<b>(1,085,649)</b>
Fund Balance, Beginning of year	7,048,806	386,105	1,229,393	111,345	413,354	9,189,003
<b>Fund Balance, End of Year</b>	<b>6,549,719</b>	<b>447,396</b>	<b>535,045</b>	<b>103,979</b>	<b>467,215</b>	<b>8,103,354</b>

See accompanying notes to financial statements.

CITY OF LAFAYETTE, TENNESSEE

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance  
of Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2024

Net change in fund balances - total governmental funds:	\$	<u>(1,085,649)</u>
Amounts reported for governmental activities in the statement of net position 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.		
Acquisition of capital assets		2,360,953
Depreciation expense		<u>(924,980)</u>
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		25,215
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		
Change in pension plan accounts		26,484
Compensated absences		<u>11,765</u>
Change in net position of governmental activities	\$	<u>413,788</u>

See accompanying notes to financial statements

CITY OF LAFAYETTE, TENNESSEE

Statement of Net Position

Enterprise (Water, Sewer and Gas) Fund

June 30, 2024

<u>Assets</u>	
Current Assets:	
Cash and cash equivalents	\$2,474,324
Certificate of deposit	10,442,889
Accounts receivable, net of allowance of \$400,974	522,292
Prepaid assets	80
Inventory	353,010
Total Current Assets	<u>13,792,595</u>
Capital Assets:	
Utility plant in service	57,503,056
Less accumulated depreciation	<u>(26,063,864)</u>
Capital Assets, Net of accumulated depreciation	<u>31,439,192</u>
Total Assets	<u>\$45,231,787</u>
Deferred outflows:	
Deferred outflows - pension	688,301
Total Deferred outflows	<u>\$688,301</u>
<u>Liabilities</u>	
Current Liabilities	
Accounts payable	\$133,358
Accrued expenses	194,311
Compensated absences - current	549,645
Current maturities - long-term debt	59,550
Total Current Liabilities (payable from current assets)	<u>936,864</u>
Other Liabilities:	
Net pension liability	365,300
Customer deposits	62,305
Total Other Liabilities	<u>427,605</u>
Long-Term Debt	<u>1,425,299</u>
Total Liabilities	<u>\$2,789,768</u>
Deferred inflows:	
Deferred inflows - Pension	\$31,382
Deferred inflows - Donations	47,983
Total Deferred inflows	<u>\$79,365</u>
Net Position:	
Net investment in capital assets	29,954,343
Restricted - Debt service	102,948
Unrestricted	<u>12,993,664</u>
Total Net Position	<u>\$43,050,955</u>

The notes accompanying the financial statements are an integral part of these financial statements.

**CITY OF LAFAYETTE, TENNESSEE**

**Statement of Revenues, Expenses  
and Changes in Net Position**

**Enterprise (Water, Sewer and Gas) Fund**

**For the Year Ended June 30, 2024**

Operating Revenues:	
Metered sales, net of change in allowance of \$12,283	\$6,189,476
Penalties	108,105
Tap and service fees	717,309
Total Operating Revenues	<u>7,014,890</u>
Operating Expenses:	
Salaries	1,564,852
Payroll taxes	120,732
Employee benefits	748,182
Training	11,840
Gas purchased	664,621
Utilities	398,860
Dues, subscriptions and fees	129,669
Professional services	117,913
Repair and maintenance	498,860
Supplies	219,712
Office expense	62,462
Gas and oil	59,740
Insurance	336,211
Depreciation	1,495,967
Miscellaneous	11,724
Total Operating Expenses	<u>6,441,345</u>
Operating income (loss)	<u>573,545</u>
Nonoperating Revenues (Expenses):	
Interest expense	(44,422)
Tank lease	15,000
Sale of assets	9,945
Interest income	362,403
Total Nonoperating Revenues (Expenses)	<u>342,926</u>
Payment of in lieu of taxes	<u>(109,743)</u>
Capital contribution	<u>745,995</u>
Net change in Net Position	1,552,723
Net Position, beginning of year	<u>41,498,232</u>
Net Position, end of year	<u>43,050,955</u>

The notes accompanying the financial statements are an integral part of these financial statements.

**CITY OF LAFAYETTE, TENNESSEE**

**Statement of Cash Flows**

**Enterprise Fund Type**

**Water, Sewer and Gas Fund**

**For the Year Ended June 30, 2024**

Cash Flows from Operating Activities:	
Cash received from customers	\$7,029,717
Cash paid to suppliers	(2,448,731)
Cash paid to employees	(2,433,766)
Net Cash Provided (Used) by Operating Activities	<u>2,147,220</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of capital assets	(2,336,982)
Capital contribution	745,995
Interest paid	(44,422)
Repayment of debt	(58,526)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,693,935)</u>
Cash Flows from Non Capital Financing Activities:	
In lieu of taxes	<u>(109,743)</u>
Net Cash Provided (Used) from Non Capital Financing Activities	<u>(109,743)</u>
Cash Flows from Investing Activities:	
(Purchase) Redemption of certificate of deposit	696,826
Interest received	362,403
Net Cash Provided (Used) from Investing Activities	<u>1,059,229</u>
Net Increase (Decrease) in Cash	1,402,771
Cash and Cash Equivalents, July 1, 2023	<u>1,071,553</u>
Cash and Cash Equivalents, June 30, 2024	<u>\$2,474,324</u>

Reconciliation of Operating Income to Net Cash Provided by Operating Activities

Operating income (loss)	\$573,545
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,495,967
Tank lease	15,000
Sale of assets	9,945
Change in assets (increase) decrease:	
Accounts receivable	14,827
Inventory	(77,120)
Deferred outflows	(152,387)
Change in liabilities increase (decrease):	
Accounts payable	83,901
Accrued expenses	(545,845)
Compensated absences	549,645
Customer deposits	(4,042)
Net pension liability	216,952
Deferred inflows	<u>(33,168)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$2,147,220</u>

See accompanying notes to financial statements.

**CITY OF LAFAYETTE, TENNESSEE**

**Statement of Revenues, Expenditures  
and Changes in Fund Balance - Budget (GAAP Basis) and Actual**

**General Fund**

**For the Year Ended June 30, 2024**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes:				
Property taxes	\$940,000	\$940,000	\$851,520	(88,480)
Public utility tax	40,000	40,000	37,665	(2,335)
Penalty and interest	2,500	2,500	5,571	3,071
Local sales tax	2,600,000	2,600,000	2,582,741	(17,259)
Business taxes	140,000	140,000	241,081	101,081
Cable TV tax	57,000	57,000	42,205	(14,795)
Liquor tax	60,000	60,000	103,045	43,045
Wholesale beer tax	275,000	275,000	240,598	(34,402)
Total Taxes	<u>4,114,500</u>	<u>4,114,500</u>	<u>4,104,426</u>	<u>(10,074)</u>
Intergovernmental:				
TVA in lieu	60,000	60,000	68,432	8,432
State sales tax	707,000	707,000	696,489	(10,511)
State income tax	20,000	20,000	0	(20,000)
State beer tax	2,000	2,000	2,454	454
State special petroleum tax	11,000	11,000	10,225	(775)
Grants	722,978	887,978	532,430	(355,548)
State supplement	13,600	13,600	0	(13,600)
Corporate excise tax	35,000	35,000	59,439	24,439
Total Intergovernmental Revenue	<u>1,571,578</u>	<u>1,736,578</u>	<u>1,369,469</u>	<u>(367,109)</u>
Licenses and Permits:				
Other permits and licenses	12,400	12,400	10,352	(2,048)
Total Licenses and Permits	<u>12,400</u>	<u>12,400</u>	<u>10,352</u>	<u>(2,048)</u>
Fines and Fees				
Court fines and fees	122,900	122,900	104,224	(18,676)
Miscellaneous:				
Swimming pool	24,500	24,500	44,413	19,913
Sale of assets	28,000	28,000	47,096	19,096
Fire calls	44,000	44,000	92,928	48,928
Other income	100,100	100,100	30,383	(69,717)
Donations	0	0	3,000	3,000
Insurance proceeds	4,000	4,000	0	(4,000)
Interest income	192,500	192,500	256,857	64,357
Total Miscellaneous Revenue	<u>393,100</u>	<u>393,100</u>	<u>474,677</u>	<u>81,577</u>
Total Revenues	<u>6,214,478</u>	<u>6,379,478</u>	<u>6,063,148</u>	<u>(316,330)</u>

The notes accompanying the financial statements are an integral part of these financial statements.

**CITY OF LAFAYETTE, TENNESSEE**

**Statement of Revenues, Expenditures  
and Changes in Fund Balance - Budget (GAAP Basis) and Actual, Continued**

**General Fund**

**For the Year Ended June 30, 2024**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Expenditures:				
General Government:				
Current:				
Salaries	215,000	215,000	207,376	7,624
Payroll taxes	15,000	15,000	16,461	(1,461)
Employee benefits	82,550	82,550	89,212	(6,662)
Training	5,000	5,000	1,891	3,109
Postage	3,000	3,000	2,466	534
Advertising	3,000	3,000	1,546	1,454
Dues and subscriptions	13,000	13,000	12,129	871
Utilities	13,650	13,650	11,912	1,738
Telephone	7,000	7,000	5,671	1,329
Professional services	20,100	20,100	18,534	1,566
Data processing	45,000	45,000	49,227	(4,227)
Building codes	12,000	12,000	12,000	0
Repair and maintenance	15,500	15,500	11,784	3,716
Custodian	5,000	5,000	6,139	(1,139)
Supplies	50,800	50,800	40,984	9,816
Donations	35,000	35,000	31,850	3,150
Airport expenses	650,000	650,000	91,431	558,569
Insurance	26,000	26,000	26,228	(228)
Miscellaneous	16,200	16,200	16,795	(595)
	<u>1,232,800</u>	<u>1,232,800</u>	<u>653,636</u>	<u>579,164</u>
Capital outlay	0	165,000	175,586	(10,586)
Total General Government	<u>1,232,800</u>	<u>1,397,800</u>	<u>829,222</u>	<u>568,578</u>

The notes accompanying the financial statements are an integral part of these financial statements.

CITY OF LAFAYETTE, TENNESSEE

Statement of Revenues, Expenditures  
and Changes in Fund Balance - Budget (GAAP Basis) and Actual, Continued

General Fund

For the Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Public Safety:				
Police Department:				
Current:				
Salaries	1,616,500	1,616,500	1,598,234	18,266
Payroll taxes	83,400	83,400	91,428	(8,028)
Employee benefits	341,486	341,486	564,894	(223,408)
Employee training	15,000	15,000	9,915	5,085
Dues	1,500	1,500	1,236	264
Telephone and radio expense	18,000	18,000	12,600	5,400
Repair and maintenance	23,000	23,000	50,331	(27,331)
Office supplies	12,100	12,100	6,564	5,536
Supplies	19,000	19,000	53,682	(34,682)
Utilities	22,900	22,900	16,664	6,236
Custodian	8,000	8,000	3,180	4,820
Contractual services	61,100	61,100	30,949	30,151
Professional services	27,500	27,500	20,553	6,947
Clothing and uniforms	20,000	20,000	25,392	(5,392)
Jail and prisoner cost	5,600	5,600	5,370	230
Animal control	5,000	5,000	3,065	1,935
Vehicle expenses	60,000	60,000	52,436	7,564
Insurance	75,000	75,000	80,054	(5,054)
Miscellaneous	11,500	11,500	3,004	8,496
	<u>2,426,586</u>	<u>2,426,586</u>	<u>2,629,551</u>	<u>(202,965)</u>
Capital outlay	181,788	181,788	193,892	(12,104)
Total Police Department	<u>2,608,374</u>	<u>2,608,374</u>	<u>2,823,443</u>	<u>(215,069)</u>
Fire Department:				
Current:				
Salaries	654,500	654,500	704,254	(49,754)
Payroll taxes	46,000	46,000	55,861	(9,861)
Employee benefits	175,100	175,100	238,778	(63,678)
Volunteer fire calls	55,500	55,500	53,317	2,183
Employee training	8,500	8,500	14,721	(6,221)
Dues	1,000	1,000	3,395	(2,395)
Telephone and radio expense	7,500	7,500	7,494	6
Professional services	11,800	11,800	12,914	(1,114)
Repair and maintenance	61,000	61,000	39,670	21,330
Utilities	14,100	14,100	10,502	3,598
Vehicle expense	14,500	14,500	13,340	1,160
Supplies	30,100	30,100	30,925	(825)
Clothing and uniforms	8,000	8,000	7,803	197
Insurance	40,000	40,000	45,054	(5,054)
Miscellaneous	6,000	6,000	6,334	(334)
	<u>1,133,600</u>	<u>1,133,600</u>	<u>1,244,362</u>	<u>(110,762)</u>
Capital outlay	150,000	150,000	196,096	(46,096)
Total Fire Department	<u>1,283,600</u>	<u>1,283,600</u>	<u>1,440,458</u>	<u>(156,858)</u>
Total Public Safety	<u>3,891,974</u>	<u>3,891,974</u>	<u>4,263,901</u>	<u>(371,927)</u>

The notes accompanying the financial statements are an integral part of these financial statements.

CITY OF LAFAYETTE, TENNESSEE

Statement of Revenues, Expenditures  
and Changes in Fund Balance - Budget (GAAP Basis) and Actual, Continued

General Fund

For the Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Expenditures, Continued:				
Public Works:				
Current:				
Salaries	\$212,000	\$212,000	\$176,521	35,479
Payroll taxes	15,000	15,000	13,392	1,608
Employee benefits	69,950	69,950	82,546	(12,596)
Street Lighting	18,000	18,000	3,555	14,445
Supplies	16,950	16,950	20,436	(3,486)
Repair and maintenance	49,300	49,300	56,847	(7,547)
Vehicle expense	25,000	25,000	18,212	6,788
Insurance	16,000	16,000	16,054	(54)
Professional services	6,250	6,250	164	6,086
Utilities	4,030	4,030	3,423	607
Miscellaneous	5,000	5,000	0	5,000
	<u>437,480</u>	<u>437,480</u>	<u>391,150</u>	<u>46,330</u>
Capital outlay	560,000	560,000	584,339	(24,339)
Total Public Works Department	<u>997,480</u>	<u>997,480</u>	<u>975,489</u>	<u>21,991</u>
Parks and Recreation:				
Current:				
Salaries	136,000	136,000	115,256	20,744
Payroll taxes	10,000	10,000	8,804	1,196
Employee benefits	35,200	35,200	40,623	(5,423)
Contract services	15,000	15,000	16,805	(1,805)
Repair and maintenance	43,700	43,700	34,312	9,388
Utilities	35,400	35,400	33,215	2,185
Professional services	1,800	1,800	1,244	556
Vehicle expense	8,500	8,500	4,677	3,823
Insurance	10,000	10,000	10,054	(54)
Supplies	46,900	46,900	20,497	26,403
Miscellaneous	3,000	3,000	1,594	1,406
	<u>345,500</u>	<u>345,500</u>	<u>287,081</u>	<u>58,419</u>
Capital outlay	48,000	48,000	316,285	(268,285)
Total Parks and Recreation Department	<u>393,500</u>	<u>393,500</u>	<u>603,366</u>	<u>(209,866)</u>
Total Expenditures	<u>6,515,754</u>	<u>6,680,754</u>	<u>6,671,978</u>	<u>8,776</u>
Excess (deficiency) of Revenues over Expenditures	<u>(301,276)</u>	<u>(301,276)</u>	<u>(608,830)</u>	<u>(307,554)</u>
Other financing sources: In lieu of taxes	<u>135,000</u>	<u>135,000</u>	<u>109,743</u>	<u>(25,257)</u>
Net change in fund balance	<u>(166,276)</u>	<u>(166,276)</u>	<u>(499,087)</u>	<u>(332,811)</u>
Fund Balance, July 1, 2023	7,048,806	7,048,806	7,048,806	0
Fund Balance, June 30, 2024	<u>\$6,882,530</u>	<u>\$6,882,530</u>	<u>\$6,549,719</u>	<u>(\$332,811)</u>

The notes accompanying the financial statements are an integral part of these financial statements.

**CITY OF LAFAYETTE, TENNESSEE**

**Statement of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual**

**State Street Aid Fund**

**For the Year Ended June 30, 2024**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Intergovernmental:				
Gasoline .03 tax	\$26,900	\$28,600	\$28,871	271
Gasoline 1989 tax	13,000	15,000	15,636	636
Gasoline 2017 tax	46,800	48,800	50,193	1,393
Gasoline and motor fuel	113,300	107,600	100,914	(6,686)
Miscellaneous				
Interest	800	800	778	(22)
Total Revenues	<u>200,800</u>	<u>200,800</u>	<u>196,392</u>	<u>(4,408)</u>
Expenditures:				
Streets:				
Street lighting	130,800	130,800	119,721	11,079
Repair and maintenance	70,000	70,000	15,380	54,620
Capital outlay	0	0	0	0
Total Expenditures	<u>200,800</u>	<u>200,800</u>	<u>135,101</u>	<u>65,699</u>
Excess (deficiency) of revenues over expenditures	0	0	61,291	61,291
Fund Balance, July 1, 2023	<u>386,105</u>	<u>386,105</u>	<u>386,105</u>	<u>-</u>
Fund Balance, June 30, 2024	<u>\$386,105</u>	<u>\$386,105</u>	<u>447,396</u>	<u>61,291</u>

The notes accompanying the financial statements are an integral part of these financial statements.

CITY OF LAFAYETTE, TENNESSEE

Statement of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual

Sanitation Fund

For the Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Charges for services:				
Refuse collection charges	\$551,900	\$551,900	\$608,814	56,914
Miscellaneous				
Sale of assets:	400,000	400,000	31,500	(368,500)
Interest	21,340	21,340	33,783	12,443
Total Revenues	973,240	973,240	674,097	(299,143)
Expenditures:				
Sanitation:				
Current:				
Personnel costs	80,000	80,000	95,414	(15,414)
Payroll taxes	5,800	5,800	7,567	(1,767)
Employee benefits	33,450	33,450	30,981	2,469
Landfill costs	120,000	120,000	113,929	6,071
Vehicle costs	40,000	40,000	32,535	7,465
Professional services	94,500	94,500	117,613	(23,113)
Insurance	9,000	9,000	10,494	(1,494)
Utilities	3,100	3,100	1,347	1,753
Repair and maintenance	34,900	34,900	3,268	31,632
Supplies	11,900	11,900	60,247	(48,347)
Miscellaneous	1,000	1,000	295	705
	433,650	433,650	473,690	(40,040)
Capital outlay	1,355,000	1,355,000	894,755	460,245
Total Expenditures	1,788,650	1,788,650	1,368,445	420,205
Excess (deficiency) of revenues over expenditures	(815,410)	(815,410)	(694,348)	121,062
Fund Balance, July 1, 2023	1,229,393	1,229,393	1,229,393	0
Fund Balance, June 30, 2024	\$413,983	\$413,983	\$535,045	\$121,062

The notes accompanying the financial statements are an integral part of these financial statements.

**CITY OF LAFAYETTE, TENNESSEE**

**Statement of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual**

**Drug Fund**

**For the Year Ended June 30, 2024**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Task Force Reimbursement	93,700	93,700	85,516	(8,184)
Miscellaneous	6,100	6,100	0	(6,100)
Fines	<u>7,000</u>	<u>7,000</u>	<u>5,651</u>	<u>(1,349)</u>
Total Revenues	<u>106,800</u>	<u>106,800</u>	<u>91,167</u>	<u>(15,633)</u>
Expenditures:				
Salaries	74,960	74,960	65,131	9,829
Payroll taxes	5,740	5,740	4,968	772
Employee benefits	16,100	16,100	21,389	(5,289)
Miscellaneous	10,000	10,000	7,045	2,955
Capital outlay	0	0	0	0
Total Expenditures	<u>106,800</u>	<u>106,800</u>	<u>98,533</u>	<u>8,267</u>
Excess (deficiency) of revenues over expenditures	0	0	(7,366)	(7,366)
 Fund Balance, July 1, 2023	 <u>111,345</u>	 <u>111,345</u>	 <u>111,345</u>	 <u>0</u>
Fund Balance, June 30, 2024	<u>\$111,345</u>	<u>\$111,345</u>	<u>103,979</u>	<u>(7,366)</u>

The notes accompanying the financial statements are an integral part of these financial statements.

**CITY OF LAFAYETTE, TENNESSEE**

**Statement of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual**

**Industrial Park Fund**

**For the Year Ended June 30, 2024**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Rents and lease payments	48,000	48,000	48,000	0
Miscellaneous:				
Interest	<u>5,960</u>	<u>5,960</u>	<u>5,861</u>	<u>(99)</u>
Total Revenues	<u>53,960</u>	<u>53,960</u>	<u>53,861</u>	<u>(99)</u>
Expenditures:				
Improvements	50,000	50,000	0	50,000
Miscellaneous	2,000	2,000	0	2,000
Capital outlay	<u>350,000</u>	<u>350,000</u>	<u>0</u>	<u>350,000</u>
Total Expenditures	<u>402,000</u>	<u>402,000</u>	<u>0</u>	<u>402,000</u>
Excess (deficiency) of revenues over expenditures	(348,040)	(348,040)	53,861	401,901
Fund Balance, July 1, 2023	<u>413,354</u>	<u>413,354</u>	<u>413,354</u>	<u>0</u>
Fund Balance, June 30, 2024	<u>\$65,314</u>	<u>\$65,314</u>	<u>467,215</u>	<u>401,901</u>

The notes accompanying the financial statements are an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

# CITY OF LAFAYETTE, TENNESSEE

## Notes to Financial Statements

June 30, 2024

### (1) Summary of Significant Accounting Policies

The City of Lafayette, Tennessee, was incorporated by the Private Act of the Tennessee General Assembly. The City is a municipal corporation governed by a Mayor-Council form of government. The City provides the following services, as authorized by its charter and duly passed ordinances: public safety (Police and Fire), water and sewerage, natural gas, streets, sanitation, recreations, public improvements, planning and zoning, and general administrative services. The accounting policies of the City of Lafayette, Tennessee 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 applicable 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 yearend.

The financial statements now include government-wide financial statements prepared on the accrual basis of accounting and the economic measurement focus for all funds. The fund financial statements present information for individual major funds rather than by fund type. Nonmajor funds are presented in one column. The reporting includes the reporting of capital assets, infrastructure and depreciation, the elimination of account groups, and the inclusion of management's discussion and analysis.

#### Government -Wide and Fund Financial Statements

The Government-wide financial statements, the statement of net position and the statement of changes in net position, report information on all of the nonfiduciary activities of the primary government. For the most part the effect of the interfund activity has been removed from these 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 activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (i) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and (ii) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

# CITY OF LAFAYETTE, TENNESSEE

## Notes to Financial Statements

June 30, 2024

### (1) Summary of Significant Accounting Policies, Continued

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

#### 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 enterprise 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 all other governmental revenues as available if received within 45 days of year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Property taxes, state shared revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period using the criteria specified in the paragraph above. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major funds:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources of the general government except those required to be accounted for in another fund.

State Street Aid Fund - 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 - To account for drug fines received and usage of those monies to further drug investigations.

Sanitation Fund - To account for the revenues and expenditures of the City's Sanitation Department.

Industrial Park Fund - To account for the revenues and expenses of the City's interest in the Industrial Park.

# CITY OF LAFAYETTE, TENNESSEE

## Notes to Financial Statements

June 30, 2024

### (1) Summary of Significant Accounting Policies, Continued

The government reports the following major enterprise funds:

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

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.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a enterprise 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 recognize 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 non-operating revenues and expenses.

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

#### 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 LAFAYETTE, TENNESSEE

## Notes to Financial Statements

June 30, 2024

### (1) Summary of Significant Accounting Policies, Continued

#### Fund Balance

The City implemented GASB 54 which addresses issues related to how fund balances are reported. Fund balances are now reported in the following manner:

**Nonspendable Fund Balance** - This classification includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes terms that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

**Restricted Fund Balance** - This classification includes amounts that are restricted for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted with the consent of resource providers.

**Committed Fund Balance** - This classification includes amounts that can only be used for the specific purposes determined by a formal action of the City’s highest level of decision-making authority, the City Council of the City. Commitments may be changed or lifted only by the City taking the same formal action that imposed the constraint originally (for example: ordinance).

**Assigned Fund Balance** - This classification included amounts intended to be used by the City for specific purposes that are neither restricted nor committed. The City Council and its designee, the Recorder, have the authority to assign amounts to be used for specific purposes. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) that are not classified as nonspendable, restricted, or committed.

**Unassigned Fund Balance** - This fund balance is the residual classification for the general fund. It is also used to report negative fund balances in other governmental funds.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

#### 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 enterprise 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.

**CITY OF LAFAYETTE, TENNESSEE**

Notes to Financial Statements

June 30, 2024

**(1) Summary of Significant Accounting Policies, Continued**

Property Tax

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

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

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

Taxes were levied at a rate of \$0.4669 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 \$830,558 for the fiscal year ended June 30, 2024 were approximately 93 percent of the tax levy. Delinquent taxes are turned over to the City Attorney for collection as required by the City Municipal Code.

Compensated Absences

The City has accrued a liability for unused sick and vacation pay which is earned but not taken by City employees.

	July 1, <u>2023</u>	Addi- <u>tions</u>	Retire- <u>ments</u>	June 30, <u>2024</u>
Governmental activities	<u>1,016,226</u>	<u>-</u>	<u>11,765</u>	<u>1,004,461</u>
Business-type activities	<u>615,951</u>	<u>-</u>	<u>66,306</u>	<u>549,645</u>

The City has accrued a liability for unused sick and vacation pay which is earned but not taken by City employees. The liability for compensated absences attributable to the City's governmental funds is recorded in the government-wide financial statements as a long-term liability and is a reconciling item between the fund and government-wide financial statements. Compensated absences related to business-type activities are charged to expense with a corresponding liability established in both the government-wide and fund financial statements.

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.

CITY OF LAFAYETTE, TENNESSEE

Notes to Financial Statements

June 30, 2024

**(1) 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 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 incurred during the construction phase of capital assets of business-type activities is expensed when paid and thus not a part of the capitalized cost.

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

The estimated useful lives are as follows:

Infrastructure	40-50 years
Buildings	10-50 years
Utility Plant in Service	10-50 years
Furniture and Equipment	5-10 years

Long-term Obligations

In the government-wide financial statements and enterprise 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 enterprise fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year incurred.

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. Debt issuance costs, such as insurance costs, fees and other related costs should be recognized as an expense.

# CITY OF LAFAYETTE, TENNESSEE

## Notes to Financial Statements

June 30, 2024

### (1) Summary of Significant Accounting Policies, Continued

#### 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.

#### 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.

#### 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.

#### 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.

# CITY OF LAFAYETTE, TENNESSEE

## Notes to Financial Statements

June 30, 2024

### (1) Summary of Significant Accounting Policies, Continued

#### 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 one item (pension) that qualifies 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, 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. Additionally, the government has pension related items that qualifies for reporting in this category.

#### Pension

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

#### Leases

Under GASB Statement 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Management has determined that the City's leases do not qualify for reporting under GASB 87 due to the short-term nature of the leases.

CITY OF LAFAYETTE, TENNESSEE

Notes to Financial Statements

June 30, 2024

**(1) Summary of Significant Accounting Policies, Continued**

Government Wide – Net Position

Net position is a component of equity and is displayed in the following three components:

Net Investment in Capital Assets – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds that are attributable to the acquisition, construction, or improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination.

Restricted – Consists of net position for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations, and enabling legislation, including self-imposed legal mandates, less any related liabilities. The restrictions are evident from the classification titles.

Unrestricted – All other net position that does not meet the description of the above categories.

**(2) 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. 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. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the City.

# CITY OF LAFAYETTE, TENNESSEE

## Notes to Financial Statements

June 30, 2024

### (2) Cash and Cash Equivalents, Continued

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. At June 30, 2024, all cash and certificate of deposits were insured and/or collateralized depending on the particular financial institution. The City uses several financial institutions for its 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 collateralization by securities, pledged for deposits, held by an independent third-party financial institution under the terms if a safekeeping collateral agreement in the City's name. Investment policies of the City follow State law.

### (3) Accounts Receivable

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

<u>Fund</u>	<u>Other Government</u>	<u>Property Taxes</u>	<u>Customer Accounts</u>	<u>Total</u>
General Fund	\$ 396,471	935,962	-	1,332,433
Special Revenue Funds	34,509	-	59,104	93,613
Enterprise Fund	-	-	923,266	923,266
Less allowance for doubtful accounts	-	-	(400,974)	(400,974)
Total	<u>\$ 430,980</u>	<u>935,962</u>	<u>581,396</u>	<u>1,948,338</u>

**CITY OF LAFAYETTE, TENNESSEE**

Notes to Financial Statements

June 30, 2024

**(4) Capital Assets**

A summary of changes in capital assets as presented in the governmental activities column of the government- wide financial statements is as follows:

	<u>Balance</u> <u>July 1, 2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2024</u>
Assets not being depreciated				
Land	\$ 2,872,797	-	-	2,872,797
Assets being depreciated				
Buildings and improvements	14,817,447	200,564	-	15,018,011
Infrastructure	2,665,021	534,595	-	3,199,616
Equipment and vehicles	<u>3,760,399</u>	<u>1,625,794</u>	<u>288,700</u>	<u>5,097,493</u>
Total	\$ <u>24,115,664</u>	<u>2,360,953</u>	<u>288,700</u>	<u>26,187,917</u>
Less Accumulated depreciation	<u>(8,592,290)</u>			<u>(9,228,570)</u>
Net capital assets in service	\$ <u>15,523,374</u>			<u>16,959,347</u>

Land of \$2,072,797 is not being depreciated.

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

General Fund:	
General government administration	\$ 435,110
Police department	136,170
Fire department	101,166
Highways and Streets	182,453
Parks department	56,918
Sanitation Fund	<u>13,163</u>
Total	\$ <u>924,980</u>

**CITY OF LAFAYETTE, TENNESSEE**

Notes to Financial Statements

June 30, 2024

**(4) Capital Assets, Continued**

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

	<u>Balance</u> <u>July 1, 2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2024</u>
Assets not being depreciated				
Land and easements	\$ 906,354	-	-	906,354
Construction in progress	1,573,508	950,719	2,483,490	40,737
Assets being depreciated				
Utility plant	44,594,807	3,645,743	-	48,240,550
Equipment	2,329,542	224,010	-	2,553,552
Buildings	<u>5,761,863</u>	<u>-</u>	<u>-</u>	<u>5,761,863</u>
Total	55,166,074	<u>4,820,472</u>	<u>2,483,490</u>	57,503,056
Less accumulated depreciation	<u>(24,567,897)</u>			<u>(26,063,864)</u>
Net plant in service	\$ <u>30,598,177</u>			<u>31,439,192</u>

Land and easements of \$906,354 and construction in progress of \$40,737 are not being depreciated.

Depreciation expense was \$1,495,967 in 2024.

**CITY OF LAFAYETTE, TENNESSEE**

Notes to Financial Statements

June 30, 2024

**(5) Long-Term Debt and Other Obligations Payable**

**Business-type activities- Direct Loans**

The following schedule reflects the changes in long-term debt, as shown in the Enterprise Water, Sewer and Gas Fund during the fiscal year 2024.

Bonds Payable:	<u>Balance</u> <u>July 1, 2023</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2024</u>	<u>Due Within</u> <u>One Year</u>
Series 2017	1,543,376	0	58,526	1,484,850	59,550
Total	<u>1,543,376</u>	<u>0</u>	<u>58,526</u>	<u>1,484,850</u>	<u>59,550</u>

Principal and interest requirements to maturity on all outstanding bonds, loans and obligations as of June 30, 2024, are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2025	59,550	43,398
2026	60,592	42,356
2027	61,652	41,296
2028	62,731	40,217
2029	63,829	39,119
2030-2034	336,297	178,443
2035-2039	366,770	147,970
2040-2044	400,007	114,733
2045	<u>73,422</u>	<u>29,526</u>
Total	<u>\$1,484,850</u>	<u>677,058</u>

The above bonds payable contain provisions that in the event of default, the lender can use any remedy allowed by state or federal law.

# CITY OF LAFAYETTE, TENNESSEE

## Notes to Financial Statements

June 30, 2024

### (6) Pension Plan

#### General Information about the Pension Plan

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

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

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

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

Inactive employees or beneficiaries currently receiving benefits	52
Inactive employees entitled to but not yet receiving benefits	59
Active employees	<u>77</u>
Total	188

CITY OF LAFAYETTE, TENNESSEE

Notes to Financial Statements

June 30, 2024

(6) Pension Plan, Continued

*Contributions.* Contributions for employees are established in the statutes governing the TCRS and may only be charged by the Tennessee General Assembly. Employees contribute 5 percent of salary. Lafayette makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2024, employer contributions for Lafayette were (\$333,536) based on a rate of (7.41%) percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Lafayette's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

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

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

*Inflation* 2.25 percent

*Salary increases* Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation averaging 4.00 percent.

*Investment rate of return* 6.75 percent, net of pension plan investment expenses, including inflation.

*Cost-of-Living Adjustment* 2.125 percent

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

The actuarial assumptions used in the June 30, 2023 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

**CITY OF LAFAYETTE, TENNESSEE**

Notes to Financial Statements

June 30, 2024

**(6) Pension Plan, Continued**

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

<u>Asset class</u>	<u>Long-term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	4.88%	31%
Developed market international equity	5.37%	14%
Emerging market international equity	6.09%	4%
Private equity and strategic lending	6.57%	20%
U.S. fixed income	1.20%	20%
Real Estate	4.38%	10%
Short-term securities	0.00%	<u>1%</u>
Total		<u>100%</u>

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

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

**CITY OF LAFAYETTE, TENNESSEE**

Notes to Financial Statements

June 30, 2024

**(6) Pension, Continued**

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
Total Pension Liability (Asset)	Plan Fiduciary Net Position	Net Pension Liability (Asset)	(a) - (b)
(a)	(b)		
<b>Balance at 6/30/22</b>	\$14,968,483	\$14,578,093	\$390,390
<b>Changes for the Year:</b>			
Service Cost	286,133	-	286,133
Interest	1,007,435	-	1,007,435
Changes of benefit terms	-	-	-
Differences between expected and actual experience	829,804	-	829,804
Changes in assumptions	-	-	-
Contributions-employer	-	268,511	(268,511)
Contributions-employees	-	205,051	(205,051)
Net investment income	-	973,421	(973,421)
Benefit payments, including refunds of employee contributions	(659,309)	(659,309)	-
Administrative expense	-	(7,629)	7,629
Other changes	-	-	-
<b>Net changes</b>	1,464,063	780,045	684,018
<b>Balance at 6/30/23</b>	<u>\$ 16,432,546</u>	<u>\$ 15,358,138</u>	<u>\$ 1,074,408</u>

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

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Lafayette's net pension (asset)/liability	\$3,380,003	\$1,074,408	(\$824,102)

**CITY OF LAFAYETTE, TENNESSEE**

Notes to Financial Statements

June 30, 2024

**(6) Pension, Continued**

**Pension Expense (income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

*Pension expense (negative pension expense).* For the year ended June 30, 2024, Lafayette recognized pension expense of \$351,495.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and Actual experience	862,031	92,301
Net difference between projected and Actual earning on pension plan Investments	112,136	-
Changes in assumptions	716,712	-
Contributions subsequent to the Measurement date of June 30, 2023	<u>333,536</u>	<u>-</u>
Total	<u>2,024,415</u>	<u>92,301</u>

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

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

Year Ended June 30:	
2025	\$234,630
2026	\$184,450
2027	\$622,808
2028	\$298,072
2029	\$140,078
Thereafter	\$118,543

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

# CITY OF LAFAYETTE, TENNESSEE

## Notes to Financial Statements

June 30, 2024

### (7) Commitments and Contingencies

#### Litigation:

There are pending lawsuits in which the City is involved. The City attorney estimates that potential claims against the City resulting from such litigation will not materially affect the financial statements of the City at year end.

#### 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.

### (8) Risk Management

The City of Lafayette 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 pays an annual premium for its general liability and property and casualty insurance coverage. The pool reinsures through commercial insurance companies for claims in excess of \$130,000 for each insured event.

The City has not had claims in excess of insurance coverage during the last three years.

**CITY OF LAFAYETTE, TENNESSEE**

Notes to Financial Statements

June 30, 2024

**(9) Segment Reporting**

The City's Utility Fund has the following segments to be reported.

	<u>Water and Sewer</u>	<u>Natural Gas</u>
Current assets	9,733,818	4,058,777
Deferred outflows	546,592	141,709
Capital assets, net	<u>30,609,724</u>	<u>829,468</u>
Total assets and deferred outflows	40,890,134	5,029,954
Current liabilities	644,840	292,024
Long-term debt	1,425,299	0
Deferred inflows	68,737	10,628
Other liabilities	<u>327,491</u>	<u>100,114</u>
Total liabilities and deferred	2,466,367	402,766
Net position – capital assets	29,124,875	829,468
Net position – restricted	102,948	0
Net position – unrestricted	9,195,944	3,797,720
Operating revenues:		
Metered sales and penalties	4,925,329	1,372,252
Tap and service fees	665,909	51,400
Operating expenses, excluding depreciation	3,530,398	1,414,980
Depreciation expense	1,402,561	93,406
Operating income/(loss)	658,279	(84,734)
Nonoperating revenues/exp.		
Interest expense	(44,422)	-
Interest income	241,811	120,592
Miscellaneous income/(expense)	(52,282)	(32,516)
Capital contributions	745,995	-
Net change in position	1,549,381	3,342
Net position, beginning of year	36,874,386	4,623,846
Net position, end of year	38,423,767	4,627,188

REQUIRED  
SUPPLEMENTARY  
INFORMATION

CITY OF LAFAYETTE, TENNESSEE

Schedule of Required Supplementary Information

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Based on Participation in the Public Employee Pension Plan of TCRS

Last Fiscal Year ending June 30

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total pension liability (asset)										
Service cost	\$ 203,033	\$ 229,243	\$ 227,185	\$ 232,744	\$ 224,843	\$ 234,769	\$ 249,506	\$ 257,967	\$ 275,540	\$ 286,133
Interest	\$ 616,888	\$ 670,937	\$ 699,823	\$ 737,158	\$ 763,356	\$ 803,239	\$ 859,180	\$ 906,247	\$ 958,105	\$ 1,007,435
Changes in benefit terms	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Differences between actual & expected experience	\$ 167,084	\$ (231,236)	\$ (117,225)	\$ (114,248)	\$ (30,139)	\$ 144,820	\$ 4,012	\$ (153,995)	\$ 150,745	\$ 829,804
Change of assumptions	\$ -	\$ -	\$ -	\$ 234,927	\$ -	\$ -	\$ -	\$ 1,254,246	\$ -	\$ -
Benefit payments, including refunds of employee contributions	\$ (312,972)	\$ (272,163)	\$ (291,306)	\$ (343,778)	\$ (421,032)	\$ (414,724)	\$ (437,219)	\$ (506,693)	\$ (669,017)	\$ (659,309)
Net change in total pension liability (asset)	\$ 674,033	\$ 396,781	\$ 518,477	\$ 746,803	\$ 537,028	\$ 768,104	\$ 675,479	\$ 1,757,772	\$ 715,373	\$ 1,464,063
Total pension liability (asset)-beginning	\$ 8,178,633	\$ 8,852,666	\$ 9,249,447	\$ 9,767,924	\$ 10,514,727	\$ 11,051,755	\$ 11,819,859	\$ 12,495,338	\$ 14,253,110	\$ 14,968,483
Total pension liability (asset)-ending (a)	\$ 8,852,666	\$ 9,249,447	\$ 9,767,924	\$ 10,514,727	\$ 11,051,755	\$ 11,819,859	\$ 12,495,338	\$ 14,253,110	\$ 14,968,483	\$ 16,432,546
<b>Plan fiduciary net position</b>										
Contributions-employer	\$ 157,414	\$ 152,365	\$ 155,370	\$ 157,103	\$ 157,897	\$ 162,928	\$ 193,990	\$ 192,638	\$ 191,845	\$ 268,511
Contributions-employee	\$ 142,327	\$ 139,529	\$ 143,655	\$ 148,578	\$ 145,848	\$ 150,212	\$ 187,023	\$ 160,265	\$ 161,429	\$ 205,051
Net investment income	\$ 1,262,183	\$ 274,496	\$ 243,933	\$ 1,067,453	\$ 863,575	\$ 830,354	\$ 590,094	\$ 3,192,448	\$ (586,312)	\$ 973,421
Benefit payments, including refunds of employee contributions	\$ (312,972)	\$ (272,163)	\$ (291,306)	\$ (343,778)	\$ (421,032)	\$ (414,724)	\$ (437,219)	\$ (506,693)	\$ (669,017)	\$ (659,309)
Administrative expense	\$ (2,810)	\$ (3,257)	\$ (5,110)	\$ (5,483)	\$ (6,399)	\$ (6,054)	\$ (6,542)	\$ (6,744)	\$ (7,355)	\$ (7,629)
Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net change in plan fiduciary net position	\$ 1,246,142	\$ 290,970	\$ 246,542	\$ 1,023,873	\$ 739,889	\$ 722,716	\$ 527,346	\$ 3,031,914	\$ (909,410)	\$ 780,045
Plan fiduciary net position-beginning	\$ 7,658,111	\$ 8,904,253	\$ 9,195,223	\$ 9,441,765	\$ 10,465,638	\$ 11,205,527	\$ 11,928,243	\$ 12,455,589	\$ 15,487,503	\$ 14,578,093
Plan fiduciary net position-ending (b)	\$ 8,904,253	\$ 9,195,223	\$ 9,441,765	\$ 10,465,638	\$ 11,205,527	\$ 11,928,243	\$ 12,455,589	\$ 15,487,503	\$ 14,578,093	\$ 15,358,138
<b>Net Pension Liability (asset)-ending (a) - (b)</b>	\$ (51,587)	\$ 54,224	\$ 326,159	\$ 49,089	\$ (153,772)	\$ (108,384)	\$ 39,749	\$ (1,234,393)	\$ 390,390	\$ 1,074,408
<b>Plan fiduciary net position as a percentage of total pension liability</b>	100.58%	99.41%	96.66%	99.53%	101.39%	100.92%	99.68%	108.66%	97.39%	93.46%
<b>Covered payroll</b>	\$ 2,846,541	\$ 2,790,574	\$ 2,845,603	\$ 2,877,335	\$ 2,891,881	\$ 2,984,037	\$ 3,227,778	\$ 3,205,295	\$ 3,192,098	\$ 3,623,636
<b>Net pension liability (asset) as a percentage of covered payroll</b>	-1.81%	1.94%	11.46%	1.71%	-5.32%	-3.63%	1.23%	-38.51%	12.23%	29.65%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

*Changes of assumptions.* In 2021, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, salary growth and mortality improvements. In 2017, amounts reported as changes of assumptions resulted from changes to the inflation rate, investment rate of return, cost-of-living adjustment, salary growth and mortality improvements.

CITY OF LAFAYETTE, TENNESSEE

Schedule of Contributions Based on Participation in the  
Public Employee Pension Plan of TCRS

For the Year Ended June 30, 2024

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Actuarially determined contribution	152,365	155,370	157,102	157,897	162,928	193,990	192,638	191,845	268,511	333,536
Contributions in relation to the actuarially determined contribution	<u>152,365</u>	<u>155,370</u>	<u>157,102</u>	<u>157,897</u>	<u>162,928</u>	<u>193,990</u>	<u>192,638</u>	<u>191,845</u>	<u>268,511</u>	<u>333,536</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Covered-employee payroll	<u>2,790,574</u>	<u>2,845,603</u>	<u>2,877,335</u>	<u>2,891,881</u>	<u>2,984,037</u>	<u>3,227,778</u>	<u>3,205,295</u>	<u>3,192,098</u>	<u>3,623,636</u>	<u>3,119,274</u>
Contributions as a percentage covered-employee payroll	5.46%	5.46%	5.46%	5.46%	5.46%	6.01%	6.01%	6.01%	7.41%	7.41%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Notes to Schedule

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

Methods and assumptions used to determine contribution rates:

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

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

SUPPLEMENTAL  
INFORMATION

**CITY OF LAFAYETTE, TENNESSEE**

**Capital Assets Used in the Operation of the Governmental Funds**

**Schedule of Changes in Capital Assets - By Type**

**June 30, 2024**

<u>Description</u>	<u>Balance July 1, 2023</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2024</u>
Land	\$2,872,797	0	0	2,872,797
Infrastructure	2,665,021	534,595	0	3,199,616
Buildings and Improvements	14,817,447	200,564	0	15,018,011
Equipment and Machinery	3,760,399	1,625,794	288,700	5,097,493
Total Capital Assets	<u>\$24,115,664</u>	<u>2,360,953</u>	<u>288,700</u>	<u>26,187,917</u>

**CITY OF LAFAYETTE, TENNESSEE**

**Capital Assets Used in the Operation of the Governmental Funds**

**Schedule of Capital Assets - By Function and Activity**

**June 30, 2024**

<u>Description</u>	<u>Land and Infrastructure</u>	<u>Buildings and Improvements</u>	<u>Equipment and Machinery</u>	<u>Total</u>
General government	\$2,872,797	12,454,077	416,934	15,743,808
Police department	0	690,188	730,963	1,421,151
Fire department	0	432,432	1,697,013	2,129,445
Public works	3,199,616	78,303	757,134	4,035,053
Parks and recreation	0	1,363,011	26,293	1,389,304
Sanitation	0	0	1,469,156	1,469,156
Total	<u>\$6,072,413</u>	<u>15,018,011</u>	<u>5,097,493</u>	<u>26,187,917</u>

**CITY OF LAFAYETTE, TENNESSEE**

**Schedule of Cash and Cash Equivalents and Certificate of Deposits  
All Funds**

**June 30, 2024**

	Total
General Fund:	
Demand deposits	\$913,391
Certificate of deposit	5,344,395
Total General Fund	6,257,786
State Street Aid Fund - Demand deposits	422,100
Drug Fund - Demand deposits	104,404
Industrial Park Fund:	
Demand deposits	366,764
Certificate of deposit	100,451
Total Industrial Park Fund	467,215
Sanitation Fund:	
Demand deposits	86,964
Certificate of deposit	400,607
Total Sanitation Fund	487,571
Total Special Revenue Funds	1,481,290
Enterprise Fund:	
Demand deposits	2,474,324
Certificate of deposit	10,442,889
Total Water and Sewer Fund	12,917,213
Total Cash and Cash Equivalents - All Funds	\$20,656,289

**CITY OF LAFAYETTE, 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 in Assessment</u>	<u>Balance June 30, 2024</u>
2024	\$ -	875,000	0	875,000
2023	858,000	19,112	830,558	46,554
2022	25,137	0	19,494	5,643
2021	6,269	0	1,539	4,730
2020	4,028	0	306	3,722
2019	257	0	0	257
2018	36	0	0	36
2017	18	0	0	18
2016	2	0	0	2
	<u>\$893,747</u>	<u>894,112</u>	<u>851,897</u>	<u>935,962</u>

<u>Tax Year</u>	<u>Tax Assessment</u>	<u>Tax Rate</u>	<u>Tax Levy</u>	<u>Tax Adjustments and Collections</u>	<u>Outstanding Delinquent Taxes</u>
2024	190,000,000	\$ .4669	\$ 858,000	\$ 0	\$ 875,000
2023	189,825,726	.4669	877,112	830,558	46,554
2022	114,499,054	.70	858,901	853,258	5,643
2021	107,606,178	.70	788,001	783,271	4,730
2020	105,946,316	.70	795,246	791,524	3,722
2019	104,702,955	.70	786,530	786,273	257
2018	103,478,472	.6528	735,321	735,285	36
2017	85,508,316	.75	705,533	705,515	18
2016	84,406,358	.75	694,331	694,329	2
2015	83,920,508	.75	689,290	689,290	0
2014	81,494,618	.6880	671,101	671,101	0
2013	75,857,550	.6880	556,787	556,787	0

All delinquent taxes have been filed with the Chancery Court.

**CITY OF LAFAYETTE, TENNESSEE**

**Schedule of Debt Service Requirements -  
Water, Sewer and Gas Fund**

**June 30, 2024**

Year	SERIES 2017 RURAL DEVELOPMENT		TOTAL	TOTAL
	Principal	Interest	Principal	Interest
2025	\$ 59,550	43,398	59,550	43,398
2026	60,592	42,356	60,592	42,356
2027	61,652	41,296	61,652	41,296
2028	62,731	40,217	62,731	40,217
2029	63,829	39,119	63,829	39,119
2030	64,946	38,002	64,946	38,002
2031	66,083	36,865	66,083	36,865
2032	67,239	35,709	67,239	35,709
2033	68,416	34,532	68,416	34,532
2034	69,613	33,335	69,613	33,335
2035	70,831	32,117	70,831	32,117
2036	72,071	30,877	72,071	30,877
2037	73,332	29,616	73,332	29,616
2038	74,615	28,333	74,615	28,333
2039	75,921	27,027	75,921	27,027
2040	77,250	25,698	77,250	25,698
2041	78,602	24,346	78,602	24,346
2042	79,977	22,971	79,977	22,971
2043	81,377	21,571	81,377	21,571
2044	82,801	20,147	82,801	20,147
2045	\$ 73,422	29,526	73,422	29,526
	<u>\$ 1,484,850</u>	<u>677,058</u>	<u>1,484,850</u>	<u>677,058</u>

CITY OF LAFAYETTE, TENNESSEE

Schedule of Changes in Long-term Debt by Individual Issue

June 30, 2024

	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/2023	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 6/30/2024
Business-Type Activities									
NOTES PAYABLE									
Series 2017	2,900,000	2.50%	2017	12/1/2045	\$ 1,543,376	-	\$ 58,526	-	\$1,484,850
Total Notes Payable					\$ 1,543,376	\$ -	\$ 58,526	\$ -	\$ 1,484,850

CITY OF LAFAYETTE, TENNESSEE  
 Schedule of Utility Rates and Information  
 June 30, 2024

<u>Water Rates</u>	<u>Inside City</u>	<u>Outside City</u>
Up to 1,000 gallons	\$9.00 Minimum charge	\$15.00 Minimum charge
Over 1,000 gallons	\$4.50 per 1,000 Gallons	\$9.00 per 1,000 Gallons

There were approximately 7,644 water customers at yearend.

<u>Sewer Rates</u>	<u>Inside City</u>	<u>Outside City</u>
Up to 1,000 gallons	\$14.39 Minimum charge	\$28.77 Minimum charge
Over 1,000 gallons	\$9.84 per 1,000 Gallons	\$19.68 per 1,000 Gallons

At year-end the sewer department had approximately 2,369 customers.

<u>Gas Rates</u>	<u>Inside City</u>	<u>Outside City</u>
Residential	\$10.00 Minimum charge and Cost of natural gas plus \$1.97 per MCF	\$10.00 Minimum charge and Cost of natural gas plus \$3.23 per MCF
Commercial	\$10.00 Minimum charge and Cost of natural gas plus \$2.37 per MCF	\$10.00 Minimum charge and Cost of natural gas plus \$3.73 per MCF
Industrial	\$25.00 Minimum charge and Cost of natural gas plus \$3.73 per MCF	\$25.00 Minimum charge and Cost of natural gas plus \$3.73 per MCF

There were approximately 2,278 natural gas customers at yearend.

CITY OF LAFAYETTE, TENNESSEE

Schedule of Federal and State Financial Assistance

For the Year Ended June 30, 2024

<u>Assistance Listing Number</u>	<u>State Grant Number</u>	<u>Program Name</u>	<u>Grantor Agency</u>	<u>Receivable (Deferred) Balance June 30, 2023</u>	<u>Grant Receipts</u>	<u>Other Receipts</u>	<u>Grant Expenditures</u>	<u>Receivable (Deferred) Balance June 30, 2024</u>
<b>Federal Programs:</b>								
16,579	97DG046	Byrne Grant	U. S. Department of Justice, thru TN. Department of Finance and Administration	\$2,995	88,511	0	85,516	0
14,288	N/A	CDBG	U.S. Department of HUD thru State of Tennessee Economic and Community Dev.	\$0	540,509	0	540,509	0
20,106	N/A	Airport Improvements	U.S. Department of Transportation thru State of Tennessee Department of Transportation	\$21,671	300,743	0	279,072	0
84,923	N/A	Sewer Improvements	Appalachian Regional Commission Program thru the State of Tennessee	\$0	205,486	0	205,486	0
		<b>Total Federal</b>		<u>24,666</u>	<u>1,135,249</u>	<u>0</u>	<u>1,110,583</u>	<u>0</u>
<b>State Programs:</b>								
N/A	N/A	Police Department Equipment	TN. Department of Transportation of Finance and Administration	\$0	69,118	0	69,118	0
N/A	N/A	Fire Department Equipment	TN. Department of Transportation of Finance and Administration	\$0	109,240	0	109,240	0
N/A	N/A	PublicSafety	TN. Department of Transportation of Finance and Administration	\$0	50,000	0	50,000	0
N/A	N/A	Healthy Built Grant	TN. Department of Transportation of Finance and Administration	\$0	25,000	0	25,000	0
		<b>Total State</b>		<u>\$0</u>	<u>253,358</u>	<u>0</u>	<u>253,358</u>	<u>0</u>
		<b>Total Federal and State</b>		<u>24,666</u>	<u>1,388,607</u>	<u>0</u>	<u>1,363,941</u>	<u>0</u>

This schedule is prepared on the accrual basis of accounting.

CITY OF LAFAYETTE, TENNESSEE

Schedule of Net Position

Enterprise (Water, Sewer and Gas) Fund

June 30, 2024

<u>Assets</u>	Water and Sewer <u>Department</u>	Gas <u>Department</u>	<u>Total</u>
Current Assets:			
Cash and cash equivalents	\$2,101,815	\$372,509	\$2,474,324
Certificate of deposit	6,968,378	3,474,511	10,442,889
Accounts receivable, net of allowance of \$355,681	402,558	119,734	522,292
Prepaid asset	80	0	80
Inventory	260,987	92,023	353,010
Total Current Assets	<u>9,733,818</u>	<u>4,058,777</u>	<u>13,792,595</u>
Capital Assets:			
Utility plant in service	55,276,441	2,226,615	57,503,056
Less accumulated depreciation	<u>(24,666,717)</u>	<u>(1,397,147)</u>	<u>(26,063,864)</u>
Capital Assets, Net of accumulated depreciation	<u>30,609,724</u>	<u>829,468</u>	<u>31,439,192</u>
Total Assets	<u>\$40,343,542</u>	<u>\$4,888,245</u>	<u>\$45,231,787</u>
Deferred outflows:			
Deferred outflows - pension	546,592	141,709	688,301
Total Deferred outflows	<u>\$546,592</u>	<u>\$141,709</u>	<u>\$688,301</u>
<u>Liabilities</u>			
Current Liabilities			
Accounts payable	\$109,250	\$24,108	\$133,358
Accrued expenses	189,953	4,358	194,311
Compensated absences - current	286,087	263,558	549,645
Current maturities - long-term debt	59,550	0	59,550
Total Current Liabilities (payable from current assets)	<u>644,840</u>	<u>292,024</u>	<u>936,864</u>
Other Liabilities:			
Net pension liability	290,091	75,209	365,300
Customer deposits	37,400	24,905	62,305
Total Other Liabilities	<u>327,491</u>	<u>100,114</u>	<u>427,605</u>
Long-Term Debt	<u>1,425,299</u>	<u>0</u>	<u>1,425,299</u>
Total Liabilities	<u>\$2,397,630</u>	<u>\$392,138</u>	<u>\$2,789,768</u>
Deferred inflows:			
Deferred inflows - pension	\$24,921	\$6,461	31,382
Deferred inflows - donations	43,816	4,167	47,983
Total Deferred inflows	<u>\$68,737</u>	<u>\$10,628</u>	<u>\$79,365</u>
Net Position:			
Net investment in capital assets	29,124,875	829,468	29,954,343
Restricted	102,948	0	102,948
Unrestricted	<u>9,195,944</u>	<u>3,797,720</u>	<u>12,993,664</u>
Total Net Position	<u>\$38,423,767</u>	<u>\$4,627,188</u>	<u>\$43,050,955</u>

**CITY OF LAFAYETTE, TENNESSEE**

**Schedule of Revenues, Expenses  
and Changes in Net Position**

**Enterprise (Water, Sewer and Gas) Fund**

**For the Year Ended June 30, 2024**

	<u>Water and Sewer Department</u>	<u>Gas Department</u>	<u>Total</u>
Operating Revenues:			
Metered sales, net of change in allowance	\$4,834,879	\$1,354,597	6,189,476
Penalties	90,450	17,655	108,105
Tap and service fees	665,909	51,400	717,309
Total Operating Revenues	<u>5,591,238</u>	<u>1,423,652</u>	<u>7,014,890</u>
Operating Expenses:			
Salaries	1,260,854	303,998	1,564,852
Payroll taxes	97,767	22,965	120,732
Employee benefits	592,580	155,602	748,182
Training	6,414	5,426	11,840
Gas purchased	0	664,621	664,621
Utilities	388,522	10,338	398,860
Dues, subscriptions and fees	84,912	44,757	129,669
Professional services	99,556	18,357	117,913
Repair and maintenance	474,984	23,876	498,860
Supplies	134,070	85,642	219,712
Office expense	45,360	17,102	62,462
Gas and oil	43,926	15,814	59,740
Insurance	295,466	40,745	336,211
Depreciation	1,402,561	93,406	1,495,967
Miscellaneous	5,987	5,737	11,724
Total Operating Expenses	<u>4,932,959</u>	<u>1,508,386</u>	<u>6,441,345</u>
Operating income (loss)	<u>658,279</u>	<u>(84,734)</u>	<u>573,545</u>
Nonoperating Revenues (Expenses):			
Interest expense	(44,422)	0	(44,422)
Tank lease	15,000	0	15,000
Sale of assets	9,945	0	9,945
Interest income	241,811	120,592	362,403
Total Nonoperating Revenues (Expenses)	<u>222,334</u>	<u>120,592</u>	<u>342,926</u>
Payment of in lieu of taxes	<u>(77,227)</u>	<u>(32,516)</u>	<u>(109,743)</u>
Capital contribution	<u>745,995</u>	<u>0</u>	<u>745,995</u>
Net change in Net Position	1,549,381	3,342	1,552,723
Net Position, beginning of year	<u>36,874,386</u>	<u>4,623,846</u>	<u>41,498,232</u>
Net Position, end of year	<u>38,423,767</u>	<u>4,627,188</u>	<u>43,050,955</u>

The notes accompanying the financial statements are an integral part of these financial statements.

CITY OF LAFAYETTE, TENNESSEE

Schedule of Cash Flows

Enterprise Fund Type

Water, Sewer and Gas Fund

For the Year Ended June 30, 2024

	Water and Sewer Department	Gas Department	Total
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers	\$5,596,824	\$1,432,893	\$7,029,717
Cash paid to suppliers	(1,485,104)	(963,627)	(2,448,731)
Cash paid to employees	(1,951,201)	(482,565)	(2,433,766)
Net Cash Provided (Used) by Operating Activities	<u>2,160,519</u>	<u>(13,299)</u>	<u>2,147,220</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition of capital assets	(2,254,474)	(82,508)	(2,336,982)
Capital contribution	745,995	0	745,995
Interest paid	(44,422)	0	(44,422)
Repayment of debt	(58,526)	0	(58,526)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,611,427)</u>	<u>(82,508)</u>	<u>(1,693,935)</u>
<b>Cash Flows from Non Capital Financing Activities:</b>			
In lieu of taxes	(77,227)	(32,516)	(109,743)
Net Cash Provided (Used) from Non Capital Financing Activities	<u>(77,227)</u>	<u>(32,516)</u>	<u>(109,743)</u>
<b>Cash Flows from Investing Activities:</b>			
(Purchase) Redemption of certificate of deposit	721,224	(24,398)	696,826
Interest received	241,811	120,592	362,403
Net Cash Provided (Used) from Investing Activities	<u>963,035</u>	<u>96,194</u>	<u>1,059,229</u>
Net Increase (Decrease) in Cash	1,434,900	(32,129)	1,402,771
Cash and Cash Equivalents, July 1, 2023	<u>666,915</u>	<u>404,638</u>	<u>1,071,553</u>
Cash and Cash Equivalents, June 30, 2024	<u>\$2,101,815</u>	<u>\$372,509</u>	<u>\$2,474,324</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>			
Operating income (loss)	\$658,279	(\$84,734)	\$573,545
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,402,561	93,406	1,495,967
Tank lease	15,000	0	15,000
Sale of assets	9,945	0	9,945
Change in assets (increase) decrease:			
Accounts receivable	5,586	9,241	14,827
Inventory	(52,297)	(24,823)	(77,120)
Deferred outflows	(123,502)	(28,885)	(152,387)
Change in liabilities increase (decrease):			
Accounts payable	76,909	6,992	83,901
Accrued expenses	(275,085)	(270,760)	(545,845)
Compensated absences	286,087	263,558	549,645
Customer deposits	(1,800)	(2,242)	(4,042)
Net pension liability	172,974	43,978	216,952
Deferred inflows	(14,138)	(19,030)	(33,168)
Net Cash Provided (Used) by Operating Activities	<u>\$2,160,519</u>	<u>(\$13,299)</u>	<u>\$2,147,220</u>

See accompanying notes to financial statements.

**CITY OF LAFAYETTE, TENNESSEE**

**Schedule of Expenditures of Federal Awards**

**June 30, 2024**

<u>Federal Financial Assistance Program</u>	<u>Grantor Agency</u>	<u>Assistance Listing Number</u>	<u>Expenditures</u>
CDBG	U.S. Department of HUD thru State of Tennessee Economic and Community Dev.	14.288	<u>540,509</u>
Airport Improvements	U.S. Department of Housing and Urban Development	20.106	<u>279,072</u>
Byrne Grant	U. S. Department of Justice	16.579	<u>85,516</u>
Sewer Improvements	Appalachian Regional Commission Program thru the State of Tennessee	84.923	<u>205,486</u>
	Total		<u>1,110,583</u>

1. This schedule is prepared on the accrual basis of accounting.
2. The Organization did not elect to use the 10% de minimis cost rate.
3. The Organization had \$0 outstanding loan balances related to this grant program.

# COMPLIANCE AND INTERNAL CONTROL

**JOHN R. POOLE, CPA**  
**CERTIFIED PUBLIC ACCOUNTANT**

134 NORTHLAKE DRIVE  
HENDERSONVILLE, TN 37075

(615) 822-4177

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Mayor and Council Members  
City of Lafayette, Tennessee  
Lafayette, Tennessee

I 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, each major fund of the City of Lafayette as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City of Lafayette's basic financial statements, and have issued a report thereon dated September 30, 2024.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered the City of Lafayette'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 an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Lafayette's internal control. Accordingly, I do not express an opinion on the effectiveness of the City of Lafayette'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 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.

My consideration of the 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. Given these limitations, during the audit I did not identify any deficiencies in internal control that I consider to be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Lafayette’s financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of the audit and, accordingly, I 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*.

**Purpose of This Report**

The purpose of this report is solely to describe the scope of the testing of internal control and compliance and the result 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.

September 30, 2024

**JOHN R. POOLE, CPA**  
**CERTIFIED PUBLIC ACCOUNTANT**

134 NORTHLAKE DRIVE  
HENDERSONVILLE, TN 37075

(615) 822-4177

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

Mayor and Council Members  
City of Lafayette, Tennessee  
Lafayette, Tennessee

***Report on Compliance for Each Major Federal Program***

***Opinion on Each Major Federal Program***

I have audited the City of Lafayette's compliance with the types of compliance requirements identified as subject to audit in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024. The City's major federal programs are identified in the summary of the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

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

***Basis for Opinion on Each Major Federal Program***

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

I am required to be independent of the City of Lafayette and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion on compliance for each major programs. Our audit does not provide a legal determination of the City of Lafayette'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 grants agreements applicable to the City of Lafayette's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

My 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 to express an opinion of City of Lafayette's compliance based on the 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 judgement made by a reasonable user of the report on compliance about City of Lafayette's compliance with the requirements of each major federal program as a whole.

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

- ❖ 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 of Lafayette's compliance with the compliance requirements referred to above and performing such other procedures as I considered necessary in the circumstances.
- ❖ Obtain an understanding of the City of Lafayette'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 of Lafayette's internal control over compliance. Accordingly, no such opinion is expressed.

I am 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 I 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 the types of compliance requirements of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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.

My consideration of the 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 the audit I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

My 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 the testing of internal control over compliance and the result of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

September 30, 2024

# CITY OF LAFAYETTE, TENNESSEE

## Schedule of Findings and Questioned Costs

June 30, 2024

### Section I - Summary of Auditor's Results

#### Financial Statements

The Auditor's Report on the Financial Statements was an unmodified opinion.

Internal control over financial reporting:

Material weakness identified ? No.

Significant deficiencies identified ? None reported

Noncompliance material to financial statements noted ? No.

#### Federal Awards

Internal control over major programs:

Material weakness identified ? No.

Significant deficiencies identified ? None reported

The auditor's report on compliance for major programs was unmodified.

There were no audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a).

The Major Program was:

Assistance to Rural Communities Assistance Listing Number 14.288

Type A programs have been distinguished as those programs with expenditures greater than \$750,000.  
No program met this threshold.

The Organization was not considered to be a low risk auditee.

### Section II - Financial Statement Findings

There were no findings.

### Section III - Federal Award Findings and Questioned Costs

There were no findings related to Federal Awards.

The accompanying notes are an integral part of these statements.

**CITY OF LAFAYETTE, TENNESSEE**

Schedule of Disposition of Prior Year Comments

June 30, 2024

There were no prior year comments.