

CITY OF LORETTO, TENNESSEE

Annual Financial Report

For the Year Ended June 30, 2023

CITY OF LORETTO, TENNESSEE

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CITY OF LORETTA, TENNESSEE

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INTRODUCTORY SECTION

CITY OF LORETTO, TENNESSEE

Officials of the City of Loretto, Tennessee

June 30, 2023

Name

Title

Elected Officials:

Steve McMasters

Mayor

Johnathan Pettus

Alderman

Chris Beckman

Alderman

Management:

Jesse Turner

City Administrator

Jennifer Augustin

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 Members of the City Council
City of Loretto, Tennessee
Loretto, 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 Loretto, Tennessee (the "City"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In 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, 2023, and the respective changes in financial position, and the respective budgetary comparison for the General Fund and the State Street Aid 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 and the Schedule of Changes in Net Pension Liability (Asset) and the Schedule of Contributions to the Employee Pension Plan and the Schedule of Changes in Total Liability and Related Ratios, 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 me 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 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 December 8, 2023, 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.

J. L. P. Poole, CPA

December 8, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF LORETTA, TENNESSEE

Management's Discussion and Analysis

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

Financial Highlights:

The assets of the City of Loretto exceeded its liabilities at the close of the most recent fiscal year by \$7,871,652. Of this amount, \$1,262,441 (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 \$626,890, as the City's grant revenues increased as compared to the prior year. The City's total revenues increased \$823,837 due to increases in grant revenues and user-related revenues from increased usage. Expenses were higher in the current year due to increased grant activities. The governmental funds showed an increase in net position of \$82,684 due to increased revenues. As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$522,846.

At the end of the current fiscal year, unassigned fund balance of the General Fund was \$330,004 or 21% of the total general fund expenditures.

The City's business-like activities total net position increased by \$544,206 due to increased grant revenues.

The City's total debt decreased by \$131,120 as the City borrowed for several capital asset purchases. The City paid \$219,143 to reduce governmental debt and \$120,712 to reduce enterprise fund debt. All of the City's debt is paying as scheduled.

Overview of the Financial Statements:

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

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The Statement of Net Position presents information on all the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The Statement of Activities presents information showing how the government's net position changed 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 Loretto 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.

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 Loretto, 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 resources, as well as on balances of 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 two individual governmental funds and three proprietary funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the funds all of which are considered to be major funds.

The City of Loretto adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. The basic financial statements can be found on pages 14-25 of this report.

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-52 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 Loretto's assets exceeded liabilities by \$7,871,652 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.

Financial Analysis of the Financial Statements - City of Loretto's Net Position - 2022

	<u>Governmental Activities</u>	<u>Business -Type Activities</u>
Current and other assets	\$ 857,259	1,414,869
Capital assets	<u>1,778,930</u>	<u>5,812,177</u>
Total assets	2,636,189	7,227,046
Deferred outflows	163,010	169,661
Long-term liabilities outstanding	625,527	1,275,063
Other liabilities	<u>87,856</u>	<u>144,608</u>
Total liabilities	713,383	1,419,671
Deferred inflows	350,088	438,002
Net position:		
Net investment in capital assets	1,153,403	4,537,114
Restricted	160,872	130,181
Unrestricted	<u>421,453</u>	<u>871,739</u>
Total net position	\$1,735,728	5,539,034

Financial Analysis of the Financial Statements - City of Loretto's Net Position - 2023

	<u>Governmental Activities</u>	<u>Business -Type Activities</u>
Current and other assets	\$ 704,559	1,035,525
Capital assets	<u>1,681,454</u>	<u>6,453,333</u>
Total assets	2,386,013	7,488,858
Deferred outflows	239,311	249,078
Long-term liabilities outstanding	560,118	1,239,352
Other liabilities	<u>105,347</u>	<u>100,098</u>
Total liabilities	665,465	1,339,450
Deferred inflows	171,447	315,246
Net position:		
Net investment in capital assets	1,121,336	5,213,981
Restricted	188,025	85,869
Unrestricted	<u>479,051</u>	<u>783,390</u>
Total net position	\$ 1,788,412	6,083,240

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.

Financial Analysis of the Financial Statements

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

Governmental Funds

The focus of the City of Loretto's governmental funds is to provide information on near-term inflows, outflows and balances of 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. At the end of the current fiscal year, unassigned fund balance of the general fund was \$330,004. 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 21% of total general fund expenditures.

Comparison of revenues and expenses 2022 and 2023

	<u>2023</u>	<u>2022</u>	<u>Variance</u>
Revenues:			
Property taxes	172,928	132,469	40,459
Sales taxes	944,241	908,834	35,407
Beer and liquor taxes	114,177	114,801	(624)
Income and excise taxes	609	1,147	(538)
Miscellaneous	68,438	56,100	12,338
Charges for services	2,060,456	1,914,087	146,369
Operating contributions	81,431	85,823	(4,392)
Capital contributions	694,720	99,902	594,818
Total Revenues	\$4,137,000	\$3,313,163	\$823,837
Expenses:			
General government	396,621	343,265	53,356
Police department	463,525	452,643	10,882
Fire department	74,761	79,130	(4,369)
Public works	72,942	61,545	11,397
Parks and culture	455,732	351,459	104,273
Water and Sewer Fund	1,170,193	978,805	191,388
Natural Gas	709,388	666,947	42,441
Sanitation	166,948	151,185	15,763
Total Expenses	\$3,510,110	\$3,084,979	\$425,131
Change in Net Position	626,890	228,184	398,706

Governmental Budgetary Highlights

The City maintained its expenditure budgets during the year. See pages 21-25 for further information about these individual fund budgets.

Capital Assets

The City of Loretto's investment in capital assets from its governmental activities at June 30, 2023, amounts to \$1,681,454 (net of accumulated depreciation) and its business-type activities amounts to \$6,453,333. This investment in capital assets is in land, buildings, improvements, machinery and equipment. There was no increase in the City's investment in capital assets for the current fiscal year.

City of Loretto's Capital Assets

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Land, buildings and improvement	\$ 2,974,631	137,509
Equipment and utility plant	<u>845,614</u>	<u>13,185,779</u>
Less accumulated depreciation	(2,138,791)	(6,869,955)
Net Capital Assets	<u>\$ 1,681,454</u>	<u>6,453,333</u>

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

Long-Term Debt

The City has governmental long-term debt of \$560,118 and utility long-term debt totaling \$1,239,352 which was used to make improvements to the utility system. The City's total debt decreased by \$131,120 as the City borrowed for several capital asset purchases. The City paid \$219,143 to reduce governmental debt and \$120,712 to reduce enterprise fund debt. See pages 60-64 for additional information.

Economic Factors and Next Year's Budget and Rates

In the 2023-2024 budget, General fund revenues are budgeted to increase from the 2022-2023 budget year primarily due to increases in local revenues and the state shared revenues. The City's budget has grown by an increasing commercial and retail base producing higher local sales tax receipts. The City's Utility fund budget will not change significantly from the previous year.

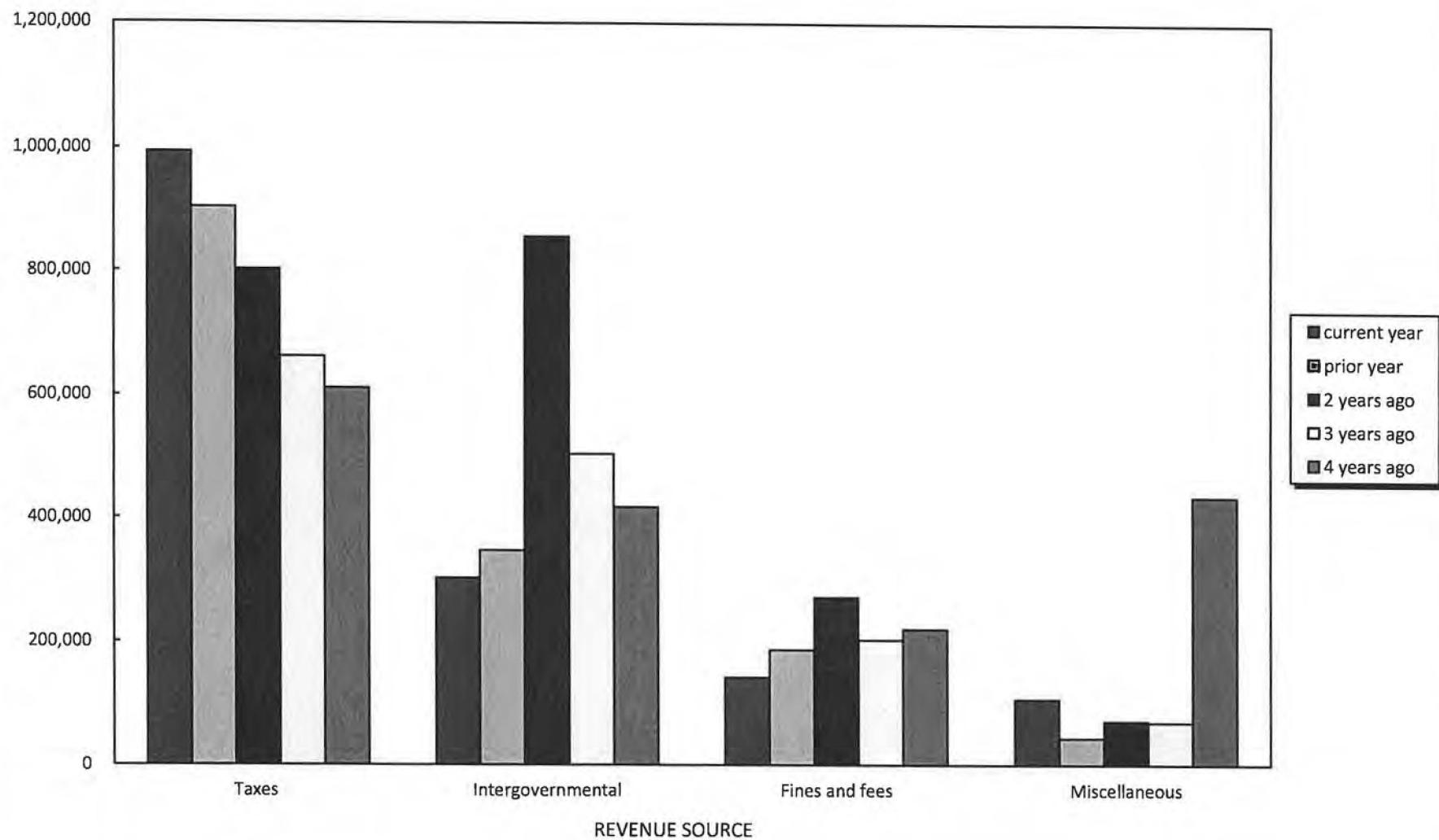
All of these factors were considered in preparing the City's budget for the 2023-2024 fiscal year.

Requests for Information

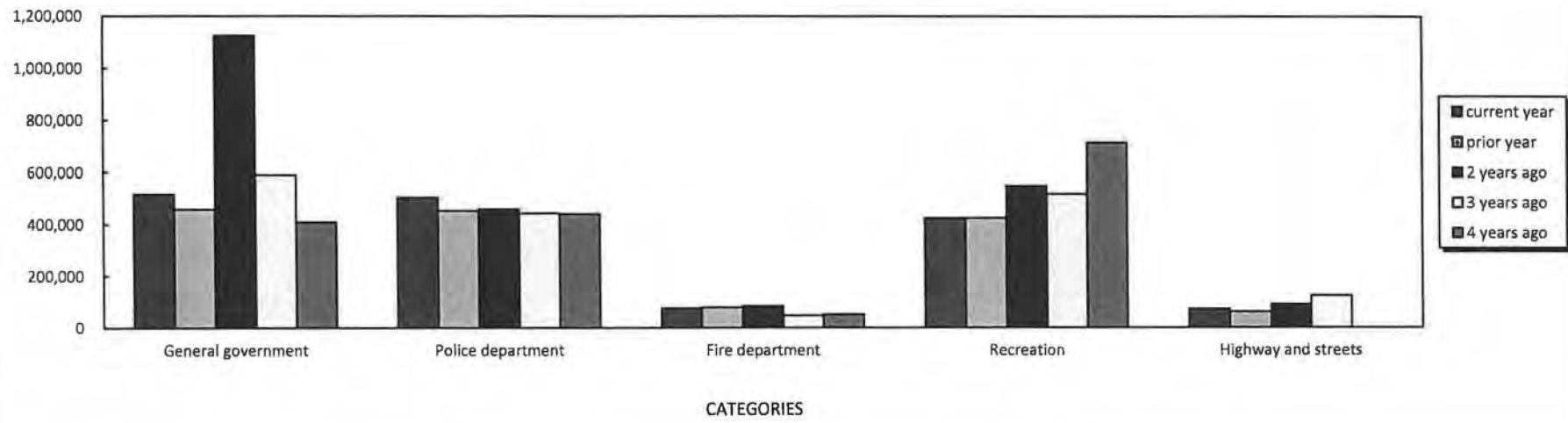
This financial report is designed to provide a general overview of the City of Loretto, Tennessee's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed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

Jesse Turner
City of Loretto

CITY OF LORETTO
GOVERNMENTAL FUND REVENUES



CITY OF LORETTO
GOVERNMENTAL FUND EXPENDITURES



BASIC FINANCIAL STATEMENTS

CITY OF LORETTA, TENNESSEE

Statement of Net Position

June 30, 2023

<u>Assets</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Cash and cash equivalents	278,792	815,134	1,093,926
Certificates of Deposit	51,086	99,249	150,335
Receivables	239,917	130,568	370,585
Internal balances	119,847	(119,947)	0
Prepaid assets	4,817	3,836	8,653
Inventory	0	106,585	106,585
Capital assets not being depreciated	172,185	888,283	1,060,468
Capital assets, net of accumulated depreciation	1,509,269	5,565,050	7,074,319
Total Assets	2,386,013	7,488,858	9,874,871
 Deferred Outflows of Resources:			
Deferred outflows of resources - OPEB	6,452	6,715	13,167
Deferred outflows of resources - pension	232,659	242,363	475,222
Total Deferred Outflows of Resources	239,311	249,078	488,389
 <u>Liabilities, Deferred Inflows, and Net Position</u>			
 Liabilities:			
Accounts payable	17,170	26,729	43,899
Accrued expenses	52,463	36,197	88,660
Total OPEB Liability	9,560	9,950	19,510
Net pension liability	26,154	27,222	53,376
Long-term liabilities:			
Due within one year	100,960	122,037	222,997
Due in more than one year	459,158	1,117,315	1,576,473
Total Liabilities	665,465	1,339,450	2,004,915
 Deferred Inflows of Resources:			
Deferred inflows of resources - property tax	137,050	0	137,050
Deferred inflows of resources - unspent grant receipts	0	279,445	279,445
Deferred inflows of resources - OPEB	15,849	16,496	32,345
Deferred inflows of resources - pension	18,548	19,305	37,853
Total Deferred Inflows of Resources	171,447	315,246	486,693
 Net Position:			
Net Investment in Capital Assets	1,121,336	5,213,981	6,335,317
Restricted - Debt Service	0	85,869	85,869
Restricted - State street aid fund	188,025	0	188,025
Unrestricted	479,051	783,390	1,262,441
Total Net Position	1,788,412	6,083,240	7,871,652

See accompanying notes to financial statements.

CITY OF LORETTO, TENNESSEE

Statement of Activities

For the Year Ended June 30, 2023

Function/Programs	Program Revenues			Net (Expenses) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities
					Total	Total
Government Activities:						
General government	396,621	50,180	21,546	0	(324,895)	0
Police department	463,525	40,393	0	0	(423,132)	0
Fire department	74,761	0	0	0	(74,761)	0
Public works	72,942	0	0	0	(72,942)	0
Swimming pool	69,147	63,271	0	0	(5,876)	0
Parks and recreation	381,727	37,980	0	0	(343,747)	0
Library	4,858	0	0	0	(4,858)	0
Highway and streets	0	9,963	59,885	0	69,848	0
Total Governmental Activities	1,463,581	201,787	81,431	0	(1,180,363)	0
Business - type Activities:						
Water and Sewer Fund	1,170,193	920,776	0	694,720	0	445,303
Natural gas fund	709,388	765,772	0	0	56,384	56,384
Solid Waste fund	166,948	172,121	0	0	5,173	5,173
Total Business Type Activities	2,046,529	1,858,669	0	694,720	0	506,860
Total	3,510,110	2,060,456	81,431	694,720	(1,180,363)	506,860
General Revenues:						
Property taxes				144,991	0	144,991
Public utility taxes				27,937	0	27,937
Sales taxes				883,775	0	883,775
Beer and liquor taxes				114,177	0	114,177
Franchise taxes				15,189	0	15,189
Business taxes				45,277	0	45,277
State income and excise taxes				609	0	609
Interest income				1,441	25,669	27,110
Other				29,651	11,677	41,328
Total general revenues				<u>1,263,047</u>	<u>37,346</u>	<u>1,300,393</u>
Changes in Net Position				82,684	544,206	626,890
Net Position - beginning of year				<u>1,735,728</u>	<u>5,539,034</u>	<u>7,274,762</u>
Restatement				(30,000)	0	(30,000)
Net Position - beginning of year, as restated				<u>1,705,728</u>	<u>5,539,034</u>	<u>7,244,762</u>
Net position - ending of year				<u>1,788,412</u>	<u>6,083,240</u>	<u>7,871,652</u>

See accompanying notes to financial statements.

FUND FINANCIAL STATEMENTS

CITY OF LORETTO, TENNESSEE

Balance Sheet

Governmental Funds

June 30, 2023

	General Fund	State Street Aid Fund	Total
Assets			
Cash and cash equivalents	96,090	182,702	278,792
Certificates of deposit	61,086	0	\$61,086
	<u>157,176</u>	<u>182,702</u>	<u>339,878</u>
Accounts receivable:			
Property taxes receivable	144,005	0	144,005
Other governments	90,589	5,323	95,912
	<u>234,594</u>	<u>5,323</u>	<u>239,917</u>
Prepaid assets	4,817	0	4,817
Due from other funds	119,947	0	119,947
	<u>119,947</u>	<u>0</u>	<u>119,947</u>
Total Assets	<u><u>\$516,534</u></u>	<u><u>\$188,025</u></u>	<u><u>\$704,559</u></u>
Liabilities, Deferred Inflow of Resources and Fund Balance			
Liabilities:			
Accounts payable	\$17,170	0	17,170
Accrued expenses	20,538	0	20,538
Total Liabilities	<u>37,708</u>	<u>0</u>	<u>37,708</u>
Deferred Inflow of Resources:			
Deferred inflows - current property taxes	137,050	0	137,050
Deferred inflows - delinquent property taxes	6,955	0	6,955
Total Deferred Inflow of Resources	<u>144,005</u>	<u>0</u>	<u>144,005</u>
Fund Balance:			
Non-spendable	4,817	0	4,817
Unassigned	330,004	0	330,004
Restricted	0	188,025	188,025
Total Fund Balance	<u>334,821</u>	<u>188,025</u>	<u>522,846</u>
Total Liabilities, Deferred Inflows, and Fund Balance	<u><u>\$516,534</u></u>	<u><u>\$188,025</u></u>	<u><u>\$704,559</u></u>

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

CITY OF LORETTO, TENNESSEE

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

June 30, 2023

Amounts reported for fund balance - total governmental funds	\$ <u>522,846</u>
 Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	1,681,454
Other long term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds	6,955
Pension related accounts - governmental funds do not record these post-benefit obligations	(26,154)
Net pension liability	232,859
Deferred outflow - pension	(18,548)
OPEB related accounts - governmental funds do not record these post-benefit obligations	(9,560)
Total OPEB liability	6,452
Deferred outflow - OPEB	(15,849)
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not recorded in the funds	(31,925)
Accrued vacation expense	(560,118)
Long-term debt	(560,118)
Net Position of governmental activities	\$ <u>1,788,412</u>

See accompanying notes to financial statements.

CITY OF LORETTA, TENNESSEE

**Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds**

For the Year Ended June 30, 2023

	General Fund	State Street Aid Fund	Total Governmental Funds
Revenues:			
Taxes	994,234	0	994,234
Intergovernmental	245,907	56,699	302,606
Fines and fees	141,824	0	141,824
Miscellaneous	106,917	684	107,601
Total revenues	\$1,488,882	\$57,383	\$1,546,265
Expenditures:			
General government	360,981	0	360,981
Police department	439,528	0	439,528
Fire department	48,159	0	48,159
Public works	72,942	0	72,942
Swimming pool	69,147	0	69,147
Parks and recreation	318,307	0	318,307
Library	4,858	0	4,858
Capital outlay:			
Police department	40,948	0	40,948
Debt service:			
Principal	219,143	0	219,143
Interest	21,973	0	21,973
Total expenditures	\$1,595,986	\$0	\$1,595,986
Excess (deficiency) of revenues over expenditures	(107,104)	57,383	(49,721)
Other financing sources: loan proceeds	123,734	0	123,734
Net change in fun balance	16,630	57,383	74,013
Fund balance, beginning of year	318,191	130,642	448,833
Fund balance, end of year	\$334,821	\$188,025	\$522,846

See accompanying notes to financial statements.

CITY OF LORETTO, 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, 2023

Net change in fund balances - total governmental funds:	\$ 74,013
Amounts reported for governmental activities in the statement of net position are different because:	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	6,955
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	40,948
Depreciation expense	(138,424)
Liabilities not reported in the governmental fund – change in accrued vacation liability	(1,764)
Liabilities not reported in the governmental fund – change in pension plan accrual	2,178
Liabilities not reported in the governmental fund – change in post retirement benefits liability	3,369
Revenues reported in the statement of activities that increase long-term debt	(123,734)
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	
Debt principal payments	<u>219,143</u>
Change in Net Position of governmental activities	<u>\$ 82,684</u>

See accompanying notes to financial statements.

CITY OF LORETTO, TENNESSEE

Statement of Net Position

Enterprise Funds

June 30, 2023

	Water and Sewer Fund	Natural Gas Fund	Sanitation Fund	Total
<u>Assets and Deferred Outflows</u>				
Current Assets:				
Cash and cash equivalents	\$508,096	\$244,948	\$62,090	815,134
Certificates of Deposit	99,249	0	0	99,249
Customer accounts receivable, net of allowance	92,617	22,971	15,080	130,668
Prepaid assets	1,793	2,043	0	3,836
Due from other funds	0	7,632	0	7,632
Inventory	89,424	17,161	0	106,585
Total Current Assets	<u>791,179</u>	<u>294,755</u>	<u>77,170</u>	<u>1,163,104</u>
Capital Assets:				
Capital assets in service	12,130,236	882,341	310,711	13,323,288
Less accumulated depreciation	(6,167,172)	(542,864)	(159,919)	(6,869,955)
Total Capital Assets, Net	<u>5,963,064</u>	<u>339,477</u>	<u>150,792</u>	<u>6,453,333</u>
Total Assets	<u>\$6,754,243</u>	<u>\$634,232</u>	<u>\$227,962</u>	<u>\$7,616,437</u>
Deferred outflows:				
Deferred outflows of resources - OPEB	3,028	2,370	1,317	6,715
Deferred outflows of resources - pension	109,301	85,540	47,522	242,363
Total Deferred Outflows	<u>\$112,329</u>	<u>\$87,910</u>	<u>\$48,839</u>	<u>\$249,078</u>
<u>Liabilities:</u>				
Current Liabilities:				
Accounts payable	19,792	6,937	0	26,729
Accrued expenses	19,514	10,339	6,344	36,197
Net OPEB Liability	4,487	3,512	1,951	9,950
Due to other funds	107,130	20,449	0	127,579
Current maturities - long-term debt	72,813	39,946	25,900	138,659
Total Current Liabilities	<u>223,736</u>	<u>81,183</u>	<u>34,195</u>	<u>339,114</u>
Other Liabilities:				
Net pension liability	12,276	9,608	5,338	27,222
Total Other Liabilities	<u>12,276</u>	<u>9,608</u>	<u>5,338</u>	<u>27,222</u>
Long-Term Debt	<u>926,925</u>	<u>65,068</u>	<u>108,700</u>	<u>1,100,693</u>
Total Liabilities	<u>1,162,937</u>	<u>155,859</u>	<u>148,233</u>	<u>1,467,029</u>
Deferred Inflows:				
Deferred inflow of resources - unspent grant receipts	279,445	0	0	279,445
Deferred inflow of resources - OPEB	7,439	5,822	3,235	16,496
Deferred inflow of resources - pension	8,644	6,814	3,847	19,305
Total Deferred Inflows	<u>295,528</u>	<u>12,636</u>	<u>7,082</u>	<u>315,246</u>
Net Position:				
Net investment in capital assets	4,963,326	234,463	16,192	5,213,981
Restricted - Debt service	85,869	0	0	85,869
Unrestricted	358,912	319,184	105,294	783,390
Total Net Position	<u>5,408,107</u>	<u>553,647</u>	<u>121,486</u>	<u>6,083,240</u>

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

CITY OF LORETTO, TENNESSEE

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

Enterprise Funds

For the Year Ended June 30, 2023

	<u>Water and Sewer Fund</u>	<u>Natural Gas Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>
Operating Revenues:				
Service fees	\$869,887	\$752,357	\$170,630	\$1,792,874
Tap and connection fees	50,889	13,415	0	64,304
Other income	0	0	1,491	1,491
Total Operating Revenues	<u>920,776</u>	<u>765,772</u>	<u>172,121</u>	<u>1,858,669</u>
Operating Expenses:				
Salaries	240,427	191,525	86,301	518,253
Payroll taxes	16,004	15,790	7,614	39,408
Employee benefits	41,388	46,533	11,658	99,579
Training and travel	4,174	5,112	0	9,286
Utilities	148,437	3,781	7,046	159,264
Professional services	3,216	4,576	1,070	8,862
Natural gas purchased	0	322,086	0	322,086
Repair and maintenance	82,710	18,998	10,573	112,281
Supplies	154,176	27,817	844	182,837
Office expense	11,160	9,268	1,308	21,736
Dues, subscriptions and fees	7,313	2,287	0	9,600
Vehicle expense	19,962	9,873	16,967	46,802
Rent	40,000	10,000	0	50,000
Insurance	47,493	16,071	0	63,564
Miscellaneous	16,767	0	0	16,767
Depreciation	312,871	24,330	20,695	357,896
Total Operating Expenses	<u>1,146,098</u>	<u>708,047</u>	<u>164,076</u>	<u>2,018,221</u>
Operating income (loss)	<u>(225,322)</u>	<u>57,725</u>	<u>8,045</u>	<u>(159,552)</u>
Nonoperating Revenues (Expenses):				
Interest income	21,595	3,986	88	25,669
Insurance recoveries	4,500	0	0	4,500
Sale of assets	7,177	0	0	7,177
Interest expense	(24,095)	(1,341)	(2,872)	(28,308)
Total Nonoperating Revenues (Expenses)	<u>9,177</u>	<u>2,645</u>	<u>(2,784)</u>	<u>9,038</u>
Capital contributions	<u>694,720</u>	<u>0</u>	<u>0</u>	<u>694,720</u>
Net change in position	<u>478,575</u>	<u>60,370</u>	<u>5,261</u>	<u>544,206</u>
Net Position, July 1, 2022	<u>4,929,532</u>	<u>493,277</u>	<u>116,225</u>	<u>5,539,034</u>
Net Position, June 30, 2023	<u>\$5,408,107</u>	<u>\$553,647</u>	<u>\$121,486</u>	<u>\$6,083,240</u>

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

CITY OF LORETTO, TENNESSEE

Statement of Cash Flows

Enterprise Fund Types

For the Year Ended June 30, 2023

	Water and Sewer Fund	Natural Gas Fund	Sanitation Fund	Total
Cash Flows from Operating Activities:				
Cash received from customers	910,597	762,660	170,206	1,843,463
Cash paid to suppliers	(396,593)	(444,696)	(46,492)	(887,781)
Cash paid to employees	(297,819)	(253,848)	(105,573)	(657,240)
Net Cash Provided (Used) by Operating Activities	216,185	64,116	18,141	298,442
Cash Flows from Capital and Related Financing Activities:				
Acquisition of capital assets	(929,608)	(69,444)	0	(999,052)
Capital contributions	694,720	0	0	694,720
Interest paid	(24,095)	(1,341)	(2,872)	(28,308)
Loan proceeds	46,487	38,514	0	85,001
Repayment of debt	(62,812)	(32,500)	(25,400)	(120,712)
Net Cash Provided (Used) by Capital and Financing Activities	(275,308)	(64,771)	(28,272)	(368,351)
Cash Flows from Investing Activities:				
Redemption (purchase) of certificate of deposit	(535)	0	0	(535)
Interest received	21,595	3,986	88	25,669
Net Cash Flows from Investing Activities	21,060	3,986	88	25,134
Net Change in Cash	(38,063)	3,331	(10,043)	(44,775)
Cash and Cash Equivalents, July 1, 2022	546,159	241,617	72,133	859,909
Cash and Cash Equivalents, June 30, 2023	508,096	244,948	62,090	815,134
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	(225,322)	57,725	8,045	(159,552)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	312,871	24,330	20,695	357,896
Sale of assets	7,177	0	0	7,177
Insurance proceeds	4,500	0	0	4,500
Change in assets (increase) decrease:				
Receivables	(10,179)	(3,112)	(1,915)	(15,206)
Inventory	(14,939)	953	0	(13,986)
Due from other funds	4,655	0	0	4,655
Prepaid assets	1,065	0	0	1,065
Deferred outflows	(35,815)	(28,029)	(15,573)	(79,417)
Net pension asset	107,617	84,222	46,790	238,629
Change in liabilities increase (decrease):				
Total OPEB liability	(2,830)	(2,214)	(1,230)	(6,274)
Net pension liability	12,276	9,608	5,338	27,222
Accounts payable	(13,527)	(10,715)	(7,614)	(31,856)
Accrued expenses	(10,124)	(23,478)	0	(33,602)
Due to other funds	99,498	20,449	0	119,947
Deferred inflows	(20,738)	(65,623)	(36,395)	(86,361)
Net Cash Provided (Used) by Operating Activities	216,185	64,116	18,141	298,442

See accompanying notes to the financial statements.

CITY OF LORETTO, TENNESSEE

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

General Fund

For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes:				
Property taxes	\$139,000	\$139,000	\$144,991	5,991
Public utility taxes	0	0	7,029	7,029
Local sales tax	602,000	602,000	668,365	66,365
Local beer and liquor tax	116,000	116,000	109,840	(6,160)
Mixed drink tax	3,000	3,000	3,543	543
Franchise taxes	17,000	17,000	15,189	(1,811)
Business taxes	51,500	51,500	45,277	(6,223)
Total Taxes	<u>928,500</u>	<u>928,500</u>	<u>994,234</u>	<u>65,734</u>
Intergovernmental:				
TVA in lieu	26,000	26,000	20,908	(5,092)
State sales tax	185,000	185,000	215,410	30,410
State beer tax	0	0	794	794
State income tax	0	0	609	609
State special petroleum tax	3,000	3,000	3,186	186
Grants	0	0	5,000	5,000
Corporate excise tax	1,000	1,000	0	(1,000)
Total Intergovernmental Revenue	<u>215,000</u>	<u>215,000</u>	<u>245,907</u>	<u>30,907</u>
Fines and fees:				
Swimming pool	42,000	42,000	63,271	21,271
Police fines	70,000	70,000	40,393	(29,607)
Parks and recreation	67,500	67,500	37,980	(29,520)
Other fines and fees	3,000	3,000	180	(2,820)
Total Fines and Fees	<u>182,500</u>	<u>182,500</u>	<u>141,824</u>	<u>(40,676)</u>
Miscellaneous:				
Rent	50,000	50,000	50,000	0
Insurance recoveries	10,000	10,000	9,763	(237)
Street maintenance contracts	10,000	10,000	9,963	(37)
Donations	20,000	20,000	16,546	(3,454)
Sale of assets	20,000	20,000	14,453	(5,547)
Miscellaneous	550,500	550,500	6,192	(544,308)
Total Miscellaneous Revenue	<u>660,500</u>	<u>660,500</u>	<u>106,917</u>	<u>(553,583)</u>
Total Revenues	<u>1,986,500</u>	<u>1,986,500</u>	<u>1,488,882</u>	<u>(497,618)</u>

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

CITY OF LORETO, TENNESSEE
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget (GAAP Basis) and Actual, Continued
General Fund
For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Expenditures:				
General Government:				
Current:				
Salaries	136,320	155,010	148,573	6,437
Payroll taxes	10,430	9,135	9,135	0
Employee benefits	29,800	11,495	11,495	0
Utilities	6,000	7,050	19,766	(12,716)
Professional services	11,000	26,300	43,370	(17,070)
Office supplies	3,000	3,090	9,854	(6,764)
Supplies	15,000	21,000	35,611	(14,611)
Public relation	12,500	15,500	15,488	12
Travel and training	5,000	6,225	12,654	(6,429)
Insurance	5,000	3,750	6,243	(2,493)
Dues and subscriptions	3,500	7,445	7,444	1
Repair and maintenance	25,600	44,020	41,348	2,672
Donations	7,500	0	0	0
Miscellaneous	21,400	100	0	100
	<u>292,050</u>	<u>310,120</u>	<u>360,981</u>	<u>(50,861)</u>
Debt service	244,708	156,787	156,787	0
Capital outlay	0	58,995	0	58,995
Total General Government	<u>536,758</u>	<u>525,902</u>	<u>517,768</u>	<u>8,134</u>
Public Safety:				
Police Department:				
Current:				
Salaries	277,200	277,600	283,884	(6,284)
Payroll taxes	20,675	18,800	18,741	59
Employee benefits	50,000	60,250	40,311	19,939
Insurance	20,000	20,000	20,000	0
Vehicle expense	20,000	18,750	18,692	58
Supplies	33,000	55,550	55,346	204
Miscellaneous	0	3,420	2,554	866
	<u>420,875</u>	<u>454,370</u>	<u>439,528</u>	<u>14,842</u>
Debt service	0	0	23,616	(23,616)
Capital outlay	4,000	45,671	40,948	4,723
Total Police Department	<u>424,875</u>	<u>500,041</u>	<u>504,092</u>	<u>(4,051)</u>

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

CITY OF LORETTA, TENNESSEE

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

General Fund

For the Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Fire Department:				
Current:				
Salaries	14,000		2,061	(2,061)
Supplies and maintenance	30,000	34,700	37,222	(2,522)
Insurance	7,500	10,675	8,876	1,799
Miscellaneous	0	1,985	0	1,985
	<u>51,500</u>	<u>47,360</u>	<u>48,159</u>	<u>(799)</u>
Debt service	0	29,498	28,648	850
Total Fire Department	<u>51,500</u>	<u>76,858</u>	<u>76,807</u>	<u>51</u>
Public Works:				
Street lighting	60,000	65,500	65,499	1
Maintenance and supplies	0	175	7,443	(7,268)
	<u>60,000</u>	<u>65,675</u>	<u>72,942</u>	<u>(7,267)</u>
Capital outlay	0	0	0	0
Total Public Works	<u>60,000</u>	<u>65,675</u>	<u>72,942</u>	<u>(7,267)</u>
Swimming Pool:				
Salaries	31,000	34,850	38,401	(3,551)
Payroll taxes	3,000	2,550	2,546	4
Employee benefits	1,000	100	96	4
Utilities	19,800		195	(195)
Maintenance and supplies	18,000	27,200	27,909	(709)
Miscellaneous	200	1,185	0	1,185
	<u>73,000</u>	<u>65,885</u>	<u>69,147</u>	<u>(3,262)</u>
Capital outlay	0	3,500	0	3,500
Total Swimming Pool	<u>73,000</u>	<u>69,385</u>	<u>69,147</u>	<u>238</u>

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

CITY OF LORETTO, TENNESSEE

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

General Fund

For the Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Parks and Recreation:				
Salaries	65,000	57,975	58,276	(301)
Payroll taxes	4,200	3,900	3,878	22
Employee benefits	12,500	18,400	18,940	(540)
Vehicle expense	5,000	3,700	4,023	(323)
Insurance	18,500	20,000	19,929	71
Concessions	32,000	13,500	13,364	136
Materials and supplies	55,500	132,516	133,060	(544)
Repair and maintenance	0	15,875	8,876	6,999
Utilities	40,000	59,650	57,791	1,859
Miscellaneous	0	745	170	575
	<u>232,700</u>	<u>326,261</u>	<u>318,307</u>	<u>7,954</u>
Capital outlay	550,000	0	0	0
Debt service	0	32,065	32,065	0
Total Parks and Recreation	<u>782,700</u>	<u>358,326</u>	<u>350,372</u>	<u>7,954</u>
Library:				
Utilities	2,500	3,200	3,197	3
Supplies	1,500	905	903	2
Insurance	350	775	758	17
	<u>4,350</u>	<u>4,880</u>	<u>4,858</u>	<u>22</u>
Capital outlay	0	0	0	0
Total Library	<u>4,350</u>	<u>4,880</u>	<u>4,858</u>	<u>22</u>
 Total Expenditures	 <u>1,933,183</u>	 <u>1,601,067</u>	 <u>1,595,986</u>	 <u>56,530</u>
 Excess (deficiency) of Revenues over Expenditures	 <u>53,317</u>	 <u>385,433</u>	 <u>(107,104)</u>	 <u>(441,088)</u>
 Other financing sources: loan proceeds	 <u>80,000</u>	 <u>80,000</u>	 <u>123,734</u>	 <u>43,734</u>
 Net change in fund balance	 <u>133,317</u>	 <u>465,433</u>	 <u>16,630</u>	 <u>(397,354)</u>
 Fund Balance, July 1, 2022	 <u>318,191</u>	 <u>318,191</u>	 <u>318,191</u>	 <u>0</u>
 Fund Balance, June 30, 2023	 <u>451,508</u>	 <u>783,624</u>	 <u>334,821</u>	 <u>(397,354)</u>

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

CITY OF LORETO, TENNESSEE

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

State Street Aid Fund

For the Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Intergovernmental:				
Gasoline .03 tax	7,120	7,120	8,973	1,853
Gasoline 1989 tax	2,605	2,605	4,858	2,253
Gasoline 2017 tax	15,275	15,275	15,681	406
Gasoline and motor fuel	36,000	36,000	27,187	(8,813)
Interest	0	0	684	684
 Total Revenues	 61,000	 61,000	 57,383	 (3,617)
 Expenditures:				
Streets:				
Street lights	61,000	62	0	62
Capital Outlay	0	0	0	0
 Total Expenditures	 61,000	 62	 0	 62
 Excess (deficiency) of revenues over expenditures	 0	 60,938	 57,383	 (3,555)
 Fund Balance, July 1, 2022	 130,642	 130,642	 130,642	 -
 Fund Balance, June 30, 2023	 \$130,642	 \$191,580	 188,025	 (3,555)

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

NOTES TO THE FINANCIAL STATEMENTS

CITY OF LORETTO, TENNESSEE

Notes to Financial Statements

June 30, 2023

(1) Summary of Significant Accounting Policies

The City of Loretto, Tennessee (“the City”) was incorporated under Chapter 26 Provisions of House Bill No. 79 of 1985 as amended. The City operates under a Mayor and Board of Aldermen form of government and provides the following services as authorized by its charter: public safety (police, fire, and street lighting), highways and streets, water and sewer, natural gas, sanitation, culture-recreation, public improvements, planning and zoning, and general administrative services.

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.

The government-wide financial statements present the City's programs between business-type and governmental activities.

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.

CITY OF LORETTA, TENNESSEE

Notes to Financial Statements

June 30, 2023

(1) Summary of Significant Accounting Policies, Continued

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.

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 most governmental revenues as available if received within 45 days of yearend. Expenditures are recorded generally 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 - The State Street Aid Fund is used to account for the operations of the state shared gasoline revenues.

CITY OF LORETTA, TENNESSEE

Notes to Financial Statements

June 30, 2023

(1) Summary of Significant Accounting Policies, Continued

The government reports the following major enterprise funds:

Water and Sewer Fund - This fund accounts for the activities of the water and sewer department, which operates and maintains a water distribution system for residents and businesses on a user charge basis. All activities necessary to provide this service are accounted for in such a manner as to show a profit or loss similar to comparable private enterprises.

Natural Gas System Fund - This fund accounts for the activities of the natural gas department, which operates and maintains a gas system for residents and businesses on a user charge basis. All activities necessary to provide this service are accounted for in such a manner as to show a profit or loss similar to comparable private enterprises.

Sanitation Fund – This fund accounts for the activities of the sanitation department, which picks up garbage for residents and businesses on a user charge basis. All activities necessary to provide this service are accounted for in such a manner as to show a profit or loss similar to comparable private enterprises.

The Enterprise funds are used to account for 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 nonoperating 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.

CITY OF LORETTA, TENNESSEE

Notes to Financial Statements

June 30, 2023

(1) Summary of Significant Accounting Policies, Continued

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.

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 two items (pension and OPEB) 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 three items (pension, OPEB, and unspent grant funds) that qualifies for reporting in this category.

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 LORETTA, TENNESSEE

Notes to Financial Statements

June 30, 2023

(1) Summary of Significant Accounting Policies, Continued

Property Tax

The City's property tax is levied each July 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 \$0.33 per \$100 of assessed valuation for the fiscal year ended June 30, 2023. Payments may be made during the period from July 1 through November 1. Current tax collections of \$131,890 for the fiscal year ended June 30, 2023 were approximately 96 percent of the tax levy. Delinquent taxes are turned over to the County for collection as required by the City's Municipal Code.

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 \$500 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:

Buildings	25-45 years
Improvements	10-30 years
Equipment	5-10 years

CITY OF LORETTA, TENNESSEE

Notes to Financial Statements

June 30, 2023

(1) Summary of Significant Accounting Policies, Continued

Inventory

Inventory of the Utility funds 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.

Compensated Absences

The City's policy permits employees to accumulate earned but unused annual (vacation) leave and sick days. Annual leave days may accumulate to a maximum of 20 days over the term of employment. Sick days may accumulate to a maximum of 90 days over the term of employment. During the first year of employment, five vacation days are earned, after the first year ten vacation days are earned per year, and after ten years of employment fifteen vacation days are earned each year. Twelve sick days are earned each year. Upon termination, employees receive payment for accumulated annual leave days. Compensated absences will be liquidated with expendable financial resources.

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

	Balance July 1, 2022	Addi- tions	Retire- ments	Balance June 30, 2023
Governmental activities	30,161	1,764	-	31,925
Business-type activities	64,942	-	31,491	33,451

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.

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 Loretto's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Loretto'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.

CITY OF LORETTA, TENNESSEE

Notes to Financial Statements

June 30, 2023

(1) Summary of Significant Accounting Policies, Continued

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of savings accounts, certificates of deposit with original maturities three months or less.

Restricted Assets

Certain proceeds of the Enterprise fund loans, 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.

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

In the fund, financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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.

CITY OF LORETTA, TENNESSEE

Notes to Financial Statements

June 30, 2023

(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 of Loretto, Tennessee. 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.

Other Post-Employment Benefit Plan- (OPEB)

For the purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other postemployment benefits, and OPEB expense, information about the fiduciary net position of the City of Loretto's participation in the Local Government OPEB Plan (LGOP), and additions to/deductions from the City of Loretto fiduciary net position have been determined on the same basis as they are reported by the LGOP. For this purpose, benefits are recognized when due and payable in accordance with benefit terms of the LGOP.

CITY OF LORETTA, TENNESSEE

Notes to Financial Statements

June 30, 2023

(1) Summary of Significant Accounting Policies, Continued

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.

(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. The City's deposits with financial institutions are fully insured or collateralized by securities held by the depository bank in the government's name. Additionally, the deposit accounts are covered by the Federal Depository Insurance Coverage.

CITY OF LORETO, TENNESSEE

Notes to Financial Statements

June 30, 2023

(3) Accounts Receivable

Accounts receivable at June 30, 2023, consist of the following:

<u>Fund</u>	<u>Other Government</u>	<u>Property Taxes</u>	<u>Customer Accounts</u>	<u>Total</u>
General Fund	\$ 90,589	144,005	-	234,594
Special Revenue Funds	5,323	-	-	5,323
Enterprise Funds	-	-	140,498	140,498
Less allowance for doubtful accounts	-	-	(9,830)	(9,830)
Total	<u>\$ 95,912</u>	<u>144,005</u>	<u>130,668</u>	<u>370,585</u>

(4) Capital Assets

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

	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2023</u>
Land	\$172,185	0	0	172,185
Buildings	885,393	0	0	885,393
Improvements	1,917,053	0	0	1,917,053
Equipment	804,666	40,948	0	845,614
Total	<u>3,779,297</u>	<u>40,948</u>	<u>0</u>	<u>3,820,245</u>
Less Accumulated Depreciation	<u>(2,000,367)</u>			<u>(2,138,791)</u>
Net capital assets in service	<u>\$1,778,930</u>			<u>\$1,681,454</u>

All assets, except land of \$172,185, are being depreciated.

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

General Fund:

General government administration	\$ 32,967
Police department	19,496
Fire department	22,616
Parks and Recreation	63,345
Total	<u>138,424</u>

CITY OF LORETTA, TENNESSEE

Notes to Financial Statements

June 30, 2023

(4) Capital Assets, Continued

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

	Balance July 1, 2022	Additions	Disposals	Balance June 30, 2023
Land	\$69,200	0	0	69,200
Construction in progress	23,374	864,018	0	887,392
Utility plant	11,006,287	0	0	11,006,287
Equipment	101,767	65,590	0	167,357
Total	11,200,628	929,608	0	12,130,236
Less Accumulated Depreciation	<u>(5,854,301)</u>			<u>(6,167,172)</u>
Net capital assets in service	<u>\$5,346,327</u>			<u>\$5,963,064</u>

All assets, except land and easements of \$69,200 and Construction in Progress of \$887,392 are being depreciated. Depreciation expense was \$312,871 in 2023.

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

	Balance July 1, 2022	Additions	Disposals	Balance June 30, 2023
Land and easement	\$68,309	0	0	68,309
Utility plant	557,594	0	0	557,594
Equipment	232,584	69,444	45,590	256,438
Total	858,487	69,444	45,590	882,341
Less Accumulated Depreciation	<u>(564,124)</u>			<u>(542,864)</u>
Net capital assets in service	<u>\$294,363</u>			<u>\$339,477</u>

All assets, except land of \$68,309, are being depreciated. Depreciation expense was \$24,330 in 2023.

CITY OF LORETTA, TENNESSEE

Notes to Financial Statements

June 30, 2023

(4) Capital Assets, Continued

A summary of changes in Solid Waste capital assets and related accumulated depreciation follows:

	Balance July 1, 2022	Additions	Disposals	Balance June 30, 2023
Equipment	310,711	0	0	310,711
Total	310,711	0	0	310,711
Less Accumulated Depreciation	(139,224)			(159,919)
Net capital assets in service	<u>\$171,487</u>			<u>\$150,792</u>

All assets are being depreciated. Depreciation expense was \$20,695 for the year ended June 30, 2023.

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

Direct Borrowings

The following schedule reflects the changes in long-term debt, as shown for governmental activities during the fiscal year 2023.

Loans Payable:	Balance			Balance June 30, 2023	Due Within One Year
	July 1, 2022	Additions	Retirements		
Sidewalk loan	\$ 80,000	\$ -	\$ 80,000	\$ -	\$ -
Capstar	\$ 102,893	\$ -	\$ 24,662	\$ 78,231	\$ 25,402
Bond	\$ 281,000	\$ 123,734	\$ 39,000	\$ 365,734	\$ 40,000
Bank of Waynesboro	\$ 31,990	\$ -	\$ 31,990	\$ -	\$ -
State Bank	\$ 20,834	\$ -	\$ 11,130	\$ 9,704	\$ 9,704
State Bank	\$ 8,663	\$ -	\$ 7,985	\$ 678	\$ 678
State Bank	\$ 130,147	\$ -	\$ 24,376	\$ 105,771	\$ 25,176
Total	<u>\$ 655,527</u>	<u>\$ 123,734</u>	<u>\$ 219,143</u>	<u>\$ 560,118</u>	<u>\$ 100,960</u>

*See Note 12 for additional information on restatement of prior year debt.

CITY OF LORETTA, TENNESSEE

Notes to Financial Statements

June 30, 2023

(5) Long-Term Debt Payable and Other Obligations Payable, Continued

The following schedule reflects the changes in long-term debt, as shown in the Enterprise (Water and Sewer) Fund during the fiscal year 2023.

Loans Payable:	Balance		Balance		Due Within One Year
	July 1, 2022	Additions	Retirements	June 30, 2023	
2023 Vehicle Loan	\$ -	\$ 46,487	\$ -	\$ 46,487	\$ 8,489
Series 2021	\$ 553,187	\$ -	\$ 39,987	\$ 513,200	\$ 41,000
Series 2017	\$ 462,876	\$ -	\$ 22,825	\$ 440,051	\$ 23,324
Total	\$ 1,016,063	\$ 46,487	\$ 62,812	\$ 999,738	\$ 72,813

The following schedule reflects the changes in long-term debt, as shown in the Enterprise (Gas) Fund during the fiscal year 2023.

Loans Payable:	Balance		Balance		Due Within One Year
	July 1, 2022	Additions	Retirements	June 30, 2023	
2023 Vehicle Loan	\$ -	\$ 38,514	\$ -	\$ 38,514	\$ -
Series 2021	\$ 99,000	\$ -	\$ 32,500	\$ 66,500	\$ 23,324
Total	\$ 99,000	\$ 38,514	\$ 32,500	\$ 105,014	\$ 23,324

The following schedule reflects the changes in long-term debt, as shown in the Enterprise (Sanitation) Fund during the fiscal year 2023.

Notes Payable:	Balance		Balance		Due Within One Year
	July 1, 2022	Additions	Retirements	June 30, 2023	
Series 2021	\$ 160,000	\$ -	\$ 25,400	\$ 134,600	\$ 25,900
Total	\$ 160,000	\$ -	\$ 25,400	\$ 134,600	\$ 25,900

CITY OF LORETTA, TENNESSEE

Notes to Financial Statements

June 30, 2023

(5) Long-Term Debt Payable and Other Obligations Payable, Continued

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

Year Ending	<u>General Obligation</u>	
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2024	100,960	11,755
2025	93,167	9,191
2026	95,520	6,580
2027	71,737	3,436
2028	45,000	1,221
2029-2032	<u>153,734</u>	<u>2,925</u>
Total	<u>560,118</u>	<u>35,108</u>

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

Year Ending	<u>Water and Sewer Fund</u>		<u>Natural Gas Fund</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
June 30,				
2024	72,813	23,672	39,946	3,064
2025	74,856	21,228	40,784	2,377
2026	76,827	18,952	7,634	1,052
2027	78,930	16,813	8,001	685
2028	80,901	14,788	8,649	302
2029-2033	<u>381,260</u>	<u>48,391</u>	-	-
2034-2038	<u>205,505</u>	<u>14,437</u>	-	-
2039	<u>28,646</u>	<u>641</u>	-	-
Total	<u>999,738</u>	<u>158,922</u>	<u>105,014</u>	<u>7,479</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 LORETTO, TENNESSEE

Notes to Financial Statements

June 30, 2023

(5) Long-Term Debt Payable and Other Obligations Payable, Continued

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

<u>Year Ending</u> <u>June 30,</u>	<u>Sanitation Fund</u>	
	<u>Principal</u>	<u>Interest</u>
2024	25,900	2,625
2025	26,400	2,120
2026	26,900	1,605
2027	27,400	1,080
2028	28,000	546
Total	<u>134,600</u>	<u>7,976</u>

CITY OF LORETTO, TENNESSEE

Notes to Financial Statements

June 30, 2023

(6) Pension Plan

General Information about the Pension Plan

Plan description. Employees of Loretto 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 <http://treasury.tn.gov/Retirement/Boards-and-Governance/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 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 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, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	8
Inactive employees entitled to but not yet receiving benefits	12
Active employees	<u>18</u>
Total	<u>38</u>

CITY OF LORETTO, TENNESSEE

Notes to Financial Statements

June 30, 2023

(6) Pension Plan, Continued

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. Loretto makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2023, employer contributions for Loretto were (\$86,331) based on a rate of (3.13%) percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Loretto's state shared taxes if required employer contributions are not remitted. The employers 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)

Loretto's net pension liability (asset) was measured as of June 30, 2022, 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, 2022, 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, 2022 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 LORETTO, TENNESSEE

Notes to Financial Statements

June 30, 2023

(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) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates by 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>	<i>Long-term Expected Real Rate of Return</i>	<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 three 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 Loretto 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 LORETTO, TENNESSEE

Notes to Financial Statements

June 30, 2023

(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)
Balance at 6/30/21	\$2,713,903	\$3,181,801	(\$467,898)
Changes for the Year:			
Service Cost	55,476	-	55,476
Interest	183,520	-	183,520
Changes in Benefit Terms	-	-	-
Differences between expected and actual experience	227,745	-	227,745
Changes in assumptions	-	-	-
Contributions-employer	-	28,126	(28,126)
Contributions-employees	-	40,180	(40,180)
Net investment income	-	(121,062)	121,062
Benefit payments, including refunds of employee contributions	(101,117)	(101,117)	-
Administrative expense	-	(1,777)	1,777
Other changes	-	-	-
Net changes	365,624	(155,650)	521,274
Balance at 6/30/22	\$ 3,079,527	\$ 3,026,151	\$ 53,376

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of Loretto 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%)
Loretto's net pension Liability (asset)	487,258	53,376	(306,909)

CITY OF LORETTO, TENNESSEE

Notes to Financial Statements

June 30, 2023

(6) Pension, Continued

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

Pension expense. For the year ended June 30, 2023, Loretto recognized pension expense of \$50,046.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2023, Loretto 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	194,235	37,853
Net difference between projected and		
Actual earning on pension plan		
Investments	5,949	-
Changes in assumptions	188,707	-
Contributions subsequent to the		
Measurement date of June 30, 2022	<u>86,331</u>	<u>-</u>
Total	<u>475,222</u>	<u>37,853</u>

The amounts shown above for 'Contributions subsequent to the measurement date of June 30, 2022', 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:

2024	58,191
2025	60,927
2026	47,420
2027	146,549
2028	37,958

Thereafter

-

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

CITY OF LORETTA, TENNESSEE

Notes to Financial Statements

June 30, 2023

(7) Other Postemployment Benefits For Retiree Health Insurance

Plan description – Employees of the City, who were hired prior to July 1, 2015, are provided with pre-65 retiree health insurance benefits through the closed Local Government OEB Plan (LGOP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). However, for accounting purposes, this plan will be treated as a single-employer plan. All eligible pre-65 retired employees and disability participants of local governments, who chose coverage, participate in the LGOP.

Benefits provided - The City offers the LGOP to provide health insurance coverage to eligible pre-65 retirees and disabled participants of local governments. Insurance coverage is the only postemployment benefit provided to retirees. An insurance committee created in accordance with TCA 8-27-701 establishes and amends the benefit terms of the LGOP. All members have the option of choosing between the premier preferred provider organization (PPO), standard PPO, limited PPO or the wellness health-savings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members, of the LGOP, receives the same plan benefits as active employees, at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Participating employers determine their own policy related to direct subsidies provided for the retiree premiums. The City does not directly subsidize and are only subject to the implicit. The LGOP is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement NO. 75.

Employees covered by benefit terms. At July 1, 2022, the following employees were covered by the benefit terms of the LGOP:

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	0
Active employees	<u>17</u>
Total	<u>18</u>

An insurance committee, created in accordance with TCA 8-27-701, establishes the required payments to the LGOP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to established premium rates. For the fiscal year ended June 30, 2023, the City paid \$4,937 to the LGOP for OPEB benefits as they came due.

CITY OF LORETTA, TENNESSEE

Notes to Financial Statements

June 30, 2023

(7) Other Postemployment Benefits For Retiree Health Insurance, Continued

Total OPEB Liability

Actuarial assumptions-The total OPEB liability on the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all the periods included in the measurement, unless otherwise specified.

Inflation -	2.25%
Salary increases -	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent.
Healthcare cost trend rates -	8.37% for pre-65 in 2022, decreasing annually over a 7-year period to an ultimate rate of 4.50%. 8.99% for post-65 in 2022, decreasing annually over an 8-year period to an ultimate rate of 4.50%
Retiree's share of benefit-related costs -	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this valuation a weighted average has been used with weights derived from the current distributions of members among plans offered.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2022, valuations were the same as those employed in the July 1, 2021 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2016 - June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the PUB-2010 Headcount-Weighted Employee mortality table for General Employees for non-disabled pre-retirement mortality, with mortality improvement projected generationally with MP-2020 from 2010. Post-retirement tables are Headcount-Weighted Below Median Healthy Annuitant and adjusted with a 6% load for males and a 14% load for females, projected generationally from 2010 with MP-2020. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load, projected generationally from 2018 with MP-2020.

Discount rate-The discount rate used to measure the total OPEB liability was 3.54 percent. This rate reflects the interest rate derived from yields on a 20-year, tax exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Bond Buyer 20-year Municipal GO AA index.

CITY OF LORETTO, TENNESSEE

Notes to Financial Statements

June 30, 2023

(7) Other Postemployment Benefits For Retiree Health Insurance, Continued

Changes in the Total OPEB Liability

	Total OPEB Liability (a)
Total OPEB liability - beginning balance	<u>\$ 31,812</u>
Changes for the year:	
Service cost	\$ 3,181
Interest	\$ 706
Changes of benefit terms	\$ -
Differences between expected and actual experience	\$ (2,145)
Change in assumptions	\$ (9,384)
Benefit payments	<u>\$ (4,660)</u>
Net changes	<u>\$ (12,302)</u>
Total OPEB liability - ending balance	<u>\$ 19,510</u>

Changes in assumptions-The discount rate was changed from 2.16% as of the beginning of the measurement period to 3.54% as of June 30, 2022. This change in assumption decreased the total OPEB liability. Other changes in assumptions include adjustments to initial per capita costs and health trend rates.

Sensitivity of total OPEB liability to changes in the discount rate-The following presents the total OPEB liability related to the LGOP, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage higher than the current discount rate.

	Current Discount	
1% Decrease	Rate Assumption	1% Increase
(2.54%)	(3.54%)	(4.54%)
\$ 20,579	\$ 19,510	\$ 18,510

Sensitivity of total OPEB liability to changes in the healthcare cost trend rate – The following presents the total OPEB liability related to the LGOP, as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-lower or 1-percentage-point-higher than the current healthcare cost trend rate.

	Current Healthcare Cost	
1% Decrease	Trend Rate Assumption	1% Increase
(7.37/7.99% Decreasing to 3.50%)	(8.37/8.99% decreasing to 4.50%)	(9.37/9.99% decreasing to 5.50%)
17,860	19,510	21,471

CITY OF LORETTO, TENNESSEE

Notes to Financial Statements

June 30, 2023

(7) Other Postemployment Benefits For Retiree Health Insurance, Continued

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

OPEB Expense - For the fiscal year ended June 30, 2023, the City of Loretto recognized OPEB expense of (\$1,939).

Deferred Outflows of Resources and Deferred Inflows of Resources - For the year ended June 30, 2023, the City of Loretto reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the LGOP from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and		
Actual experience	5,352	15,998
Changes in assumptions	2,878	16,347
Employer payments subsequent to		
The measurement date	<u>4,937</u>	<u>—</u>
Total	<u>13,167</u>	<u>32,345</u>

The amounts shown above for "Employer payments subsequent to the measurement date" will be recognized as a reduction to total OPEB liability in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in employee benefit expense as follows:

Year Ended June 30:

2024	(5,826)
2025	(5,826)
2026	(5,338)
2027	(2,849)
2028	(1,933)
Thereafter	(2,343)

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

Plan Assets

There are no plan assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

CITY OF LORETTA, TENNESSEE

Notes to Financial Statements

June 30, 2023

(8) Commitments and Contingencies

Litigation:

Management of the City estimates that potential claims against the City resulting from such litigation will not materially affect the financial statements of the City at yearend.

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.

(9) Risk Management

The City is exposed to various risks to general liability and property and casualty losses. The City has decided it is more economically feasible to be in a public entity risk pool as opposed to purchasing commercial insurance for general liability and property and casualty coverage. The City participates in the Public Entity Partners (formerly TML Insurance Pool), which is a public entity risk pool established by the Tennessee Municipal League, an association of member cities. The City pays an annual premium to the PEP for its general liability and property and casualty insurance coverage. The pool reinsures through commercial insurance companies. The City has not had claims in excess of insurance coverage during the last three years.

(10) Leases

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 87, Leases became effective for the year ended June 30, 2022. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, 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 LORETTO, TENNESSEE

Notes to Financial Statements

June 30, 2023

(11) Interfund Transactions

Interfund receivables and payables at June 30, 2023 were as follows:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 119,947	-
Natural Gas Fund	7,632	20,449
Water and Sewer Fund	<u>-</u>	<u>107,130</u>
Total	<u>\$ 127,579</u>	<u>127,579</u>

The Due To/From balance between the funds are for shared purchases that were funded by the other funds. These amounts will be repaid in the next fiscal year.

(12) Restatement

During the year, the City of Loretto restated its beginning governmental net position by \$30,000 due to a debt issue.

REQUIRED
SUPPLEMENTARY
INFORMATION

CITY OF LORETTO, 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
Total pension liability (asset)									
Service cost	\$ 39,586	\$ 37,097	\$ 42,899	\$ 43,062	\$ 45,490	\$ 52,523	\$ 52,591	\$ 48,947	\$ 55,476
Interest	\$ 117,502	\$ 120,242	\$ 128,357	\$ 140,962	\$ 143,702	\$ 153,409	\$ 162,980	\$ 169,804	\$ 183,520
Changes in benefit terms	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Differences between actual & expected experience	\$ (51,857)	\$ 10,543	\$ 65,998	\$ (67,825)	\$ 10,147	\$ 4,655	\$ (27,904)	\$ (21,317)	\$ 227,745
Change of assumptions	\$ -	\$ -	\$ -	\$ 55,042	\$ -	\$ -	\$ -	\$ 271,265	\$ -
Benefit payments, including refunds of employee contributions	\$ (69,519)	\$ (62,908)	\$ (68,054)	\$ (70,653)	\$ (71,476)	\$ (73,483)	\$ (83,817)	\$ (95,957)	\$ (101,117)
Net change in total pension liability (asset)	\$ 35,712	\$ 104,974	\$ 169,200	\$ 100,588	\$ 127,863	\$ 137,104	\$ 103,850	\$ 372,742	\$ 365,624
Total pension liability (asset)-beginning	\$ 1,561,870	\$ 1,597,582	\$ 1,702,556	\$ 1,871,756	\$ 1,972,344	\$ 2,100,207	\$ 2,237,311	\$ 2,341,161	\$ 2,713,903
Total pension liability (asset)-ending (a)	<u>\$ 1,597,582</u>	<u>\$ 1,702,556</u>	<u>\$ 1,871,756</u>	<u>\$ 1,972,344</u>	<u>\$ 2,100,207</u>	<u>\$ 2,237,311</u>	<u>\$ 2,341,161</u>	<u>\$ 2,713,903</u>	<u>\$ 3,079,527</u>

Plan fiduciary net position									
Contributions-employer	\$ -	\$ -	\$ -	\$ 5,255	\$ 11,633	\$ 12,732	\$ 19,932	\$ 19,846	\$ 28,126
Contributions-employee	\$ 20,542	\$ 22,734	\$ 25,407	\$ 26,277	\$ 29,082	\$ 31,829	\$ 33,220	\$ 33,076	\$ 40,180
Net investment income	\$ 283,431	\$ 60,237	\$ 52,351	\$ 224,823	\$ 180,331	\$ 172,863	\$ 122,176	\$ 657,049	\$ (121,062)
Benefit payments, including refunds of employee contributions	\$ (69,519)	\$ (62,908)	\$ (68,054)	\$ (70,653)	\$ (71,476)	\$ (73,483)	\$ (83,817)	\$ (95,957)	\$ (101,117)
Administrative expense	\$ (538)	\$ (711)	\$ (1,082)	\$ (1,259)	\$ (1,476)	\$ (1,403)	\$ (1,506)	\$ (1,480)	\$ (1,777)
Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net change in plan fiduciary net position	\$ 233,916	\$ 19,352	\$ 8,622	\$ 184,443	\$ 148,094	\$ 142,538	\$ 90,005	\$ 612,534	\$ (155,650)
Plan fiduciary net position-beginning	<u>\$ 1,742,300</u>	<u>\$ 1,976,216</u>	<u>\$ 1,995,568</u>	<u>\$ 2,004,190</u>	<u>\$ 2,188,633</u>	<u>\$ 2,336,727</u>	<u>\$ 2,479,265</u>	<u>\$ 2,569,267</u>	<u>\$ 3,181,801</u>
Plan fiduciary net position-ending (b)	<u>\$ 1,976,216</u>	<u>\$ 1,995,568</u>	<u>\$ 2,004,190</u>	<u>\$ 2,188,633</u>	<u>\$ 2,336,727</u>	<u>\$ 2,479,265</u>	<u>\$ 2,569,270</u>	<u>\$ 3,181,801</u>	<u>\$ 3,026,151</u>

Net Pension Liability (asset)-ending (a) - (b)	<u>\$ (378,634)</u>	<u>\$ (293,012)</u>	<u>\$ (132,434)</u>	<u>\$ (216,289)</u>	<u>\$ (236,520)</u>	<u>\$ (241,954)</u>	<u>\$ (228,109)</u>	<u>\$ (467,898)</u>	<u>\$ 53,376</u>
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Plan fiduciary net position as a percentage of total pension liability	123.70%	117.21%	107.08%	110.97%	111.26%	110.81%	109.74%	117.24%	98.27%
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Covered payroll	\$ 410,847	\$ 454,679	\$ 508,141	\$ 525,544	\$ 581,636	\$ 636,587	\$ 664,397	\$ 661,521	\$ 803,596
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Net pension liability (asset) as a percentage of covered payroll	92.16%	-64.44%	-26.06%	-41.16%	-40.66%	-38.01%	-34.33%	-70.73%	6.64%
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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, 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.

GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from TCRS GASB website for prior years' data, if needed.

CITY OF LORETTO, TENNESSEE

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

For the Year Ended June 30, 2023

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Actuarially determined contribution	0	0	0	0	5,816	6,366	10,497	10,452	12,697	86,331
Contributions in relation to the actuarially determined contribution	0	0	0	5,255	11,633	12,732	19,932	19,846	28,126	86,331
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$5,255)</u>	<u>(\$5,817)</u>	<u>(\$6,366)</u>	<u>(\$9,435)</u>	<u>(\$9,394)</u>	<u>(\$15,429)</u>	<u>\$0</u>
Covered-employee payroll	410,847	454,679	508,141	525,544	581,636	636,587	664,397	661,521	803,596	629,512
Contributions as a percentage covered-employee payroll	0.00%	0.00%	0.00%	1.00%	2.00%	2.00%	3.00%	3.00%	3.50%	3.13%

GASB 68 requires 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from the TCRS GASB website for prior years' data, if needed.

Notes to Schedule

Valuation date: Actuarially determined contribution rates for fiscal year 2023 were calculated based on the June 30, 2021 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 2.30 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 4.23 percent to an average of 4.00 percent; and modified mortality assumptions.

CITY OF LORETTO, TENNESSEE

Schedule of Required Supplementary Information- OPEB

Schedule of Changes in Total OPEB Liability and Related Ratios

Measurement Year ending June 30

	2018	2019	2020	2021	2021	2022
Total OPEB Liability						
Service Cost	\$ 3,080	\$ 2,856	\$ 3,090	\$ 2,832	\$ 3,220	\$ 3,181
Interest on the Total OPEB Liability	\$ 1,362	\$ 1,716	\$ 1,726	\$ 1,128	\$ 755	\$ 706
Change in Benefit Terms	\$ -	\$ -	\$ -	\$ 280,882	\$ -	\$ -
Difference between expected and actual experience of the Total OPEB Liability	\$ -	\$ (8,144)	\$ (20,385)	\$ (3,566)	\$ 7,680	\$ (2,145)
Changes in assumptions and other inputs	\$ (2,471)	\$ 3,222	\$ 874	\$ 1,894	\$ (10,358)	\$ (9,384)
Benefit payments	\$ -	\$ (319)	\$ (569)	\$ (559)	\$ (808)	\$ (4,660)
Net change in Total OPEB Liability	\$ 1,971	\$ (669)	\$ (15,264)	\$ 1,729	\$ 489	\$ (12,302)
Total OPEB Liability - Beginning	\$ 43,557	\$ 45,528	\$ 44,858	\$ 29,594	\$ 31,323	\$ 31,812
Total OPEB Liability - Ending	\$ 45,528	\$ 44,859	\$ 29,594	\$ 31,323	\$ 31,812	\$ 19,510
 Estimated Covered -Employee Payroll	 \$ 508,141	 \$ 581,636	 \$ 636,587	 \$ 664,397	 \$ 661,521	 \$ 803,596
 Total OPEB Liability as a Percentage of Covered- Employee Payroll	 8.96%	 7.71%	 4.65%	 4.71%	 4.81%	 2.43%

Notes to Schedule

Note: There are no assets accumulating, in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, related to this OPEB plan.

The amounts reported for each fiscal year were determined as of the prior fiscal year-end. The amounts reported for each fiscal year were determined as of the prior fiscal year-end.

This schedule is intended to display ten years of information. Additional years will be displayed as they become available.

SUPPLEMENTAL INFORMATION

CITY OF LORETTO, TENNESSEE

Capital Assets Used in the Operation of the Governmental Funds

Schedule of Changes in Capital Assets By Type

June 30, 2023

<u>Description</u>	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2023</u>
Land	\$172,185	0	0	172,185
Buildings	885,393	0	0	885,393
Improvements	1,917,053	0	0	1,917,053
Equipment	804,666	40,948	0	845,614
Total Capital Assets	<u>\$3,779,297</u>	<u>40,948</u>	<u>0</u>	<u>3,820,245</u>

CITY OF LORETTO, TENNESSEE

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

June 30, 2023

	Carrying Value
General Fund:	
Demand deposits	\$96,090
Certificate of Deposits	61,086
Total General Fund	<u>157,176</u>
State Street Aid Fund - demand deposit	<u>182,702</u>
Water and Sewer Fund:	
Demand deposits	508,096
Certificate of Deposits	99,249
Total Water and Sewer Fund	<u>607,345</u>
Natural Gas Fund:	
Demand deposits	244,948
Total Natural Gas Fund	<u>244,948</u>
Sanitation Fund:	
Demand deposits	62,090
Total Sanitation Fund	<u>62,090</u>
Total Cash and Cash Equivalents - All Funds	<u>\$1,254,261</u>

CITY OF LORETTO, TENNESSEE

Schedule of Changes in Property Taxes Receivable

For the Year Ended June 30, 2023

Tax Year	Balance July 1, 2022	Levy	Collections and Changes in Assessment	Balance June 30, 2023
2023	\$ -	137,050	0	137,050
2022	137,050	0	131,890	5,160
2021	6,880	0	5,259	1,621
2020	2,228	0	2,183	45
2019	1,209	0	1,109	100
2018	504	0	504	0
2017	323	0	323	0
2016	14	0	14	0
2015	41	0	26	15
2014	84	0	70	14
2013	20	0	20	0
2012	8	0	8	0
	<u>148,361</u>	<u>137,050</u>	<u>141,406</u>	<u>144,005</u>

Tax Year	Tax Rate	Tax Levy	Tax Adjustment and Collections	Outstanding Taxes
2023	\$ 0.3300	\$ 137,050	\$ 0	\$ 137,050
2022	0.3300	137,050	131,890	5,160
2021	0.4000	111,460	109,839	1,621
2020	0.4000	109,169	109,124	45
2019	0.40	106,679	106,579	100
2018	0.35	87,057	87,057	0
2017	0.25	60,680	60,680	0
2016	0.25	61,131	61,131	0
2015	0.19	44,446	44,431	15
2014	0.19	42,675	42,661	14
2013	0.19	42,271	42,271	0
2012	0.19	42,240	42,240	0

All delinquent taxes have been turned over to the County.

CITY OF LORETTA, TENNESSEE

Schedule of Debt Service Requirements-
General Obligation Debt

June 30, 2023

Year	Capital Outlay Note State Bank		Capital Outlay Note State Bank		Capital Outlay Note State Bank		Bond Security Bank & Trust		Capital Outlay Note State Bank		Total Principal	Total Interest
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest		
2024	\$ 25,402	2,275	25,176	3,472	678	2	40,000	5,785	9,704	221	100,960	11,755
2025	25,165	1,512	26,002	2,646	-	-	41,000	5,033	-	-	93,167	9,191
2026	26,664	1,013	26,856	1,792	-	-	42,000	3,775	-	-	95,520	6,580
2027	-	-	27,737	911	-	-	44,000	2,525	-	-	71,737	3,436
2028	-	-	-	-	-	-	45,000	1,221	-	-	45,000	1,221
2029	-	-	-	-	-	-	46,000	1,009	-	-	46,000	1,009
2030	-	-	-	-	-	-	48,000	874	-	-	48,000	874
2031	-	-	-	-	-	-	49,000	623	-	-	49,000	623
2032	-	-	-	-	-	-	10,734	419	-	-	10,734	419
	\$ 78,231	4,800	105,771	8,821	678	2	365,734	21,264	9,704	221	560,118	35,108

CITY OF LORETTO, TENNESSEE

Schedule of Debt Service Requirements
Water and Sewer Fund

June 30, 2023

Year	2021 Water Revenue Bond		2017 Water and Sewer Revenue and Tax Bond		2023 Vehicle Loan		TOTAL Principal	TOTAL Interest
	Principal	Interest	Principal	Interest	Principal	Interest		
2024	\$ 41,000	11,551	23,324	9,994	8,489	2,127	72,813	23,672
2025	42,100	10,050	23,853	9,464	8,903	1,714	74,856	21,228
2026	43,100	8,744	24,396	8,922	9,331	1,286	76,827	18,952
2027	44,200	7,608	24,951	8,367	9,779	838	78,930	16,813
2028	45,400	6,619	25,516	7,800	9,985	369	80,901	14,788
2029	46,500	5,759	26,099	7,220			72,599	12,979
2030	47,700	5,011	26,691	6,626			74,391	11,637
2031	48,900	3,758	27,297	6,020			76,197	9,778
2032	50,200	2,556	27,919	5,399			78,119	7,955
2033	51,400	1,278	28,554	4,764			79,954	6,042
2034	52,700	653	29,204	4,115			81,904	4,768
2035			29,866	3,451			29,866	3,451
2036			30,546	2,772			30,546	2,772
2037			31,239	2,078			31,239	2,078
2038			31,950	1,368			31,950	1,368
2039			28,646	641			28,646	641
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	\$ 513,200	63,587	440,051	89,001	46,487	6,334	999,738	158,922

CITY OF LORETTO, TENNESSEE

Schedule of Debt Service Requirements
Natural Gas Fund

June 30, 2023

Year	Natural Gas Revenue		2023 Vehicle Loan		TOTAL	TOTAL
	Principal	Interest	Principal	Interest		
2024	\$ 33,000	1,323	6,946	1,741	39,946	3,064
2025	33,500	974	7,284	1,403	40,784	2,377
2026	-	-	7,634	1,052	7,634	1,052
2027	-	-	8,001	685	8,001	685
2028	-	-	8,649	302	8,649	302
	\$ 66,500	2,297	38,514	3,442	105,014	7,479

CITY OF LORETTO, TENNESSEE

**Schedule of Debt Service Requirements
Sanitation Fund**

June 30, 2023

Capital Outlay Note Trustmark Bank		
<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 25,900	2,625
2025	26,400	2,120
2026	26,900	1,605
2027	27,400	1,080
2028	<u>28,000</u>	<u>546</u>
	<u>\$ 134,600</u>	<u>7,976</u>

CITY OF LORETTO, TENNESSEE

Schedule of Changes in Long-term Debt by Individual Issue

June 30, 2023

Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/2022	Issued During Period	Matured During Period	Paid and/or Refunded During Period	Outstanding 6/30/2023
Business-Type Activities								
Water and Sewer Fund								
2023 Vehicle Loan	46,487	4.750%	2023	3/14/2028	\$ 46,487	\$ -	\$ -	\$ 46,487
Series 2021	553,187	2.400%	2021	6/30/2034	\$ 553,187	\$ -	\$ 39,987	\$ 513,200
Series 2017	536,000	2.25%	2019	11/17/2039	\$ 462,876	\$ -	\$ 22,825	\$ 440,051
Total Water and Sewer					\$ 1,016,063	\$ 46,487	\$ 62,812	\$ 999,738
Natural Gas Fund								
2023 Vehicle Loan	38,514	4.750%	2023	3/14/2028	\$ 38,514	\$ -	\$ -	\$ 38,514
Series 2021	99,000	1.47%	2021	6/30/2025	\$ 99,000	\$ -	\$ 32,500	\$ 66,500
Total Natural Gas Fund					\$ 99,000	\$ 38,514	\$ 32,500	\$ 105,014
Sanitation Fund								
Series 2021	160,000	1.95%	2021	11/1/2027	\$ 160,000	\$ -	\$ 25,400	\$ 134,600
Total Sanitation Fund					\$ 160,000	\$ -	\$ 25,400	\$ 134,600
Governmental Activities								
Sidewalk loan	100,000	1.69%	2021	6/30/2026	\$ 80,000	\$ -	\$ 80,000	\$ -
Capstar	123,853	2.93%	2021	6/30/2026	\$ 102,893	\$ -	\$ 24,662	\$ 78,231
Bond	289,000	2.79%	2021	3/27/2025	\$ 281,000	\$ 123,734	\$ 39,000	\$ 365,734
Bank of Waynesboro	250,000	2.05%	2016	5/1/2023	\$ 31,990	\$ -	\$ 31,990	\$ -
State Bank	33,080	3.968%	2021	4/1/2024	\$ 20,834	\$ -	\$ 11,130	\$ 9,704
State Bank	23,243	2.888%	2020	7/1/2023	\$ 8,663	\$ -	\$ 7,985	\$ 678
State Bank	179,000	3.23%	2020	2/1/2027	\$ 130,147	\$ -	\$ 24,376	\$ 105,771
Total Governmental Activities					\$ 655,527	\$ 123,734	\$ 219,143	\$ 560,118

CITY OF LORETTO, TENNESSEE

Schedule of Utility Rates in Force

June 30, 2023

<u>Water Rates- Residential</u>	<u>Inside City</u>	<u>Outside City</u>
Up to 2,000 gallons	\$9.50 Minimum charge	\$19.50 Minimum charge
Next 8,000 gallons	\$4.80 per 1,000 gallons	\$4.80 per 1,000 gallons
Next 40,000 gallons	\$4.25 per 1,000 gallons	\$4.25 per 1,000 gallons
All over 50,000 gallons	\$3.60 per 1,000 gallons	\$3.60 per 1,000 gallons

<u>Sewer Rates- Residential</u>	<u>Inside City</u>	<u>Outside City</u>
Up to 2,000 gallons	\$17.50 Minimum charge	\$17.50 Minimum charge
Next 8,000 gallons	\$5.00 per 1,000 gallons	\$5.00 per 1,000 gallons
All over 10,000 gallons	\$4.25 per 1,000 gallons	\$4.25 per 1,000 gallons

<u>Natural Gas Rates - Residential</u>		
0 - 300cu. ft.	\$3.00	\$3.00
All over 300 cu.ft.	\$9.50	\$9.50
Large Commercial and Industrial	\$9.50	\$9.50

<u>Sanitation Rates - Residential</u>		
	\$8.50	\$8.50

There were approximately 1,660 water customers, approximately 815 sewer customers and approximately 770 natural gas customers at yearend.

CITY OF LORETO, TENNESSEE

Schedule of Federal and State Financial Assistance

For the Year Ended June 30, 2023

Assistance Listing Number	State Grant Number	Grantor Agency	Receivable (Deferred) Balance June 30, 2022	Grant Receipts	Other Receipts	Grant Expenditures	Receivable (Deferred) Balance June 30, 2023
State Program:							
N/A	Z-212THSO128	Tennessee Department of Transportation	0	5,000	0	5,000	0
		Total State	0	5,000	0	5,000	0
Federal Program:							
14.228	2018 CDBG Water System Improvement	Tennessee Department of Economic and Community Development from U. S Department of HUD	0	343,357	0	343,357	0
21.027	American Rescue Plan Act	US Department of Treasury thru the State of Tennessee	(\$216,269)	262,740	0	199,564	(\$279,445)
21.027	American Rescue Plan Act	US Department of Treasury thru Giles County Tennessee	\$0	140,000	0	140,000	\$0
84.923	Utility Improvements	Appalachian Regional Commission Program	\$0	11,799	0	11,799	0
		Total Federal	(216,269)	757,896	0	694,720	(279,445)
		Total Federal and State	(216,269)	762,896	0	699,720	(279,445)

This schedule prepared on the accrual basis of accounting.

COMPLIANCE AND INTERNAL CONTROL

JOHN R. POOLE, CPA
CERTIFIED PUBLIC ACCOUNTANT

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

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

I have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, and each major fund as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Loretto's basic financial statements, and have issued a report thereon dated December 8, 2023.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the City of Loretto's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Loretto's internal control. Accordingly, I do not express an opinion on the effectiveness of the City of Loretto'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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. I did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2023-001 and 2023-002, that I consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Loretto'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*.

Response to Findings

The City of Loretto's response to the finding identified in the audit is described in the Schedule of Findings and Responses. The City of Loretto's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

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.

Jahr R Prol, CPA

December 8, 2023

CITY OF LORETTO, TENNESSEE

Schedule of Findings and Responses

June 30, 2023

2023-001 - Separation of Duties

Condition: The City of Loretto currently has three employees that works in performing the majority of the accounting functions for the City. Due to only having three employees performing the accounting transactions there is currently an inadequate segregation of duties.

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

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

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

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

Response: "We agree that the staff size will not allow the City to segregate duties. There are only three employees working in the accounting/finance department so it is not possible to segregate duties unless more staff were hired. At the present time we do believe this would not benefit the City to hire additional employees."

2023-002 - Journal Entries

Condition: Several year-end journal entries were needed to agree the general ledger to the supporting detail records.

Cause: The City does not have adequate staffing for this accounting to occur.

Criteria: Generally accepted accounting principles require that the general ledger agree to these detailed records.

Effect: The risk of errors and irregularities occurring and not being detected in a timely manner increases when such accounts do not agree to the general ledger.

Recommendation: The general ledger should be reconciled to the account details on at least a monthly basis.

CITY OF LORETTO, TENNESSEE

Schedule of Findings and Responses

June 30, 2023

Response: "We agree. We will work to reduce the journal entries needed at year end. The contact person for this activity is our CMFO."

CITY OF LORETTA, TENNESSEE

Schedule of Disposition of Prior Year Comments

June 30, 2023

Finding Number

Finding Title

Status

2022 - 001

Separation of Duties

Repeated

The original finding number was 2007-001. The current year finding number is 2023-001.

2022 - 002

Journal Entries

Repeated

The original finding number was 2020-002. The current year finding number is 2023-002.



Management's Corrective Action Plan

Audit period: June 30, 2023

The findings from the June 30, 2023, *Schedule of Findings and Responses* are discussed below.

2023-001 Segregation of Duties (Internal Control)

Contact person: Jesse Turner

Planned Corrective Action: We do not think hiring additional staff to adequately separate the duties is an appropriate action at this time. The Board of Aldermen continues to monitor our finances and internal control.

Anticipated Completion Date: At the current time, due to our size, we do not believe we can fully segregate these duties. We will continue to improve and strengthen our internal controls, but we cannot give a definite date.

2023-002 - Journal Entries

Contact person: Jesse Turner

Planned Corrective Action: We will work to reduce the journal entries needed at year end.

Anticipated Completion Date: June 30, 2024

Signature: