

CITY OF LORETTO, TENNESSEE

Annual Financial Report

For the Year Ended June 30, 2024

CITY OF LORETTO, TENNESSEE

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INTRODUCTORY SECTION

CITY OF LORETTA, TENNESSEE

Officials of the City of Loretto, Tennessee

June 30, 2024

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, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In my opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City, as of June 30, 2024, and the respective changes in financial position, and the respective budgetary comparison for the General Fund 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 Management's Discussion and Analysis, the Schedule of Changes in Net Pension Liability (Asset), 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 Town's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information section, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information – Introductory Section

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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated December 16, 2024, on my consideration of the City's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.

Jah R Poole, CPA

December 16, 2024

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, 2024. The analysis focuses on significant financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the City. Management's Discussion and Analysis (MD&A) focuses on current year activities and resulting changes.

Financial Highlights:

The assets of the City of Loretto exceeded its liabilities at the close of the most recent fiscal year by \$9,295,815. Of this amount, \$719,819 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.

The government's total net position increased by \$1,424,163, as the City's grant revenues increased as compared to the prior year. The City's total revenues increased \$1,191,846 due to increases in grant revenues and user-related revenues from increased usage. Expenses were higher in the current year due to increased repair and maintenance expenses and grant activities. The governmental funds showed an increase in net position of \$789,943 due to increased revenues. As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$760,960.

At the end of the current fiscal year, unassigned fund balance of the General Fund was \$562,877 or 21% of the total general fund expenditures.

The City's business-like activities total net position increased by \$634,220 due to increased grant revenues and user-related fees.

The City's total debt increased by \$1,354,816 as the City borrowed for several capital asset purchases. The City paid \$100,960 to reduce governmental debt and \$138,660 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 \$9,295,815 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 - 2024

	<u>Governmental Activities</u>	<u>Business -Type Activities</u>
Current and other assets	\$ 1,194,935	1,447,863
Capital assets	<u>2,762,715</u>	<u>8,673,400</u>
Total assets	3,957,650	10,121,263
Deferred outflows	296,355	308,451
Long-term liabilities outstanding	1,062,748	2,091,538
Other liabilities	<u>444,926</u>	<u>1,596,804</u>
Total liabilities	1,507,674	3,688,342
Deferred inflows	167,976	23,912
Net position:		
Net investment in capital assets	1,699,967	6,581,862
Restricted	198,083	96,084
Unrestricted	<u>680,305</u>	<u>39,514</u>
Total net position	\$ 2,578,355	6,717,460

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	<u>\$ 1,788,412</u>	<u>6,083,240</u>

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 \$562,877. 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 2023 - 2024

	2023 Governmental Activities	2024 Governmental Activities	Change Between Years	2023 Business - type Activities	2024 Business - type Activities	Change Between Years
Revenues:						
Program revenues:						
Charges for services	201,787	245,301	43,514	1,858,669	2,119,011	260,342
Operating grants and contributions	81,431	132,210	50,779	0	0	0
Capital grants and contributions	0	594,192	594,192	694,720	809,354	114,634
General revenues:						
Property taxes	172,928	230,889	57,961	0	0	0
Sales taxes	883,775	865,272	(18,503)	0	0	0
Beer and liquor taxes	114,177	143,663	29,486	0	0	0
Other local taxes	60,466	68,524	8,058	0	0	0
Income and excise taxes	609	0	(609)	0	0	0
Miscellaneous	31,092	70,375	39,283	37,346	50,055	12,709
Total revenues	<u>\$1,546,265</u>	<u>\$2,350,426</u>	<u>\$804,161</u>	<u>\$2,590,735</u>	<u>\$2,978,420</u>	<u>\$387,685</u>
Expenses:						
General government	396,621	358,662	(37,959)	0	0	0
Police department	463,525	487,771	24,246	0	0	0
Fire department	74,761	150,128	75,367	0	0	0
Public works	72,942	87,485	14,543	0	0	0
Parks and recreation	381,727	370,231	(11,496)	0	0	0
Swimming pool	69,147	78,047	8,900	0	0	0
Library	4,858	28,159	23,301	0	0	0
Water and Sewer	0	0	0	1,170,193	1,464,338	294,145
Natural Gas	0	0	0	709,388	660,376	(49,012)
Sanitation	0	0	0	166,948	219,486	52,538
Total expenses	<u>\$1,463,581</u>	<u>\$1,560,483</u>	<u>\$96,902</u>	<u>\$2,046,529</u>	<u>\$2,344,200</u>	<u>\$297,671</u>
Increases in Net Position	<u>82,684</u>	<u>789,943</u>	<u>707,259</u>	<u>544,206</u>	<u>634,220</u>	<u>90,014</u>

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, 2024, amounts to \$2,762,715 (net of accumulated depreciation) and its business-type activities amounts to \$8,673,400. 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	\$ 3,687,680	137,509
Equipment and utility plant	<u>1,405,621</u>	<u>15,794,578</u>
Less accumulated depreciation	(2,330,586)	(7,258,687)
Net Capital Assets	<u>\$ 2,762,715</u>	<u>8,673,400</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 \$1,062,748 and utility long-term debt totaling \$2,091,538 which was used to make improvements to the utility system. The City's total debt increased by \$1,354,816 as the City borrowed for several capital asset purchases. The City paid \$100,960 to reduce governmental debt and \$138,660 to reduce enterprise fund debt. See pages 61-65 for additional information.

Economic Factors and Next Year's Budget and Rates

In the 2024-2025 budget, General fund revenues are budgeted to increase from the 2023-2024 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.

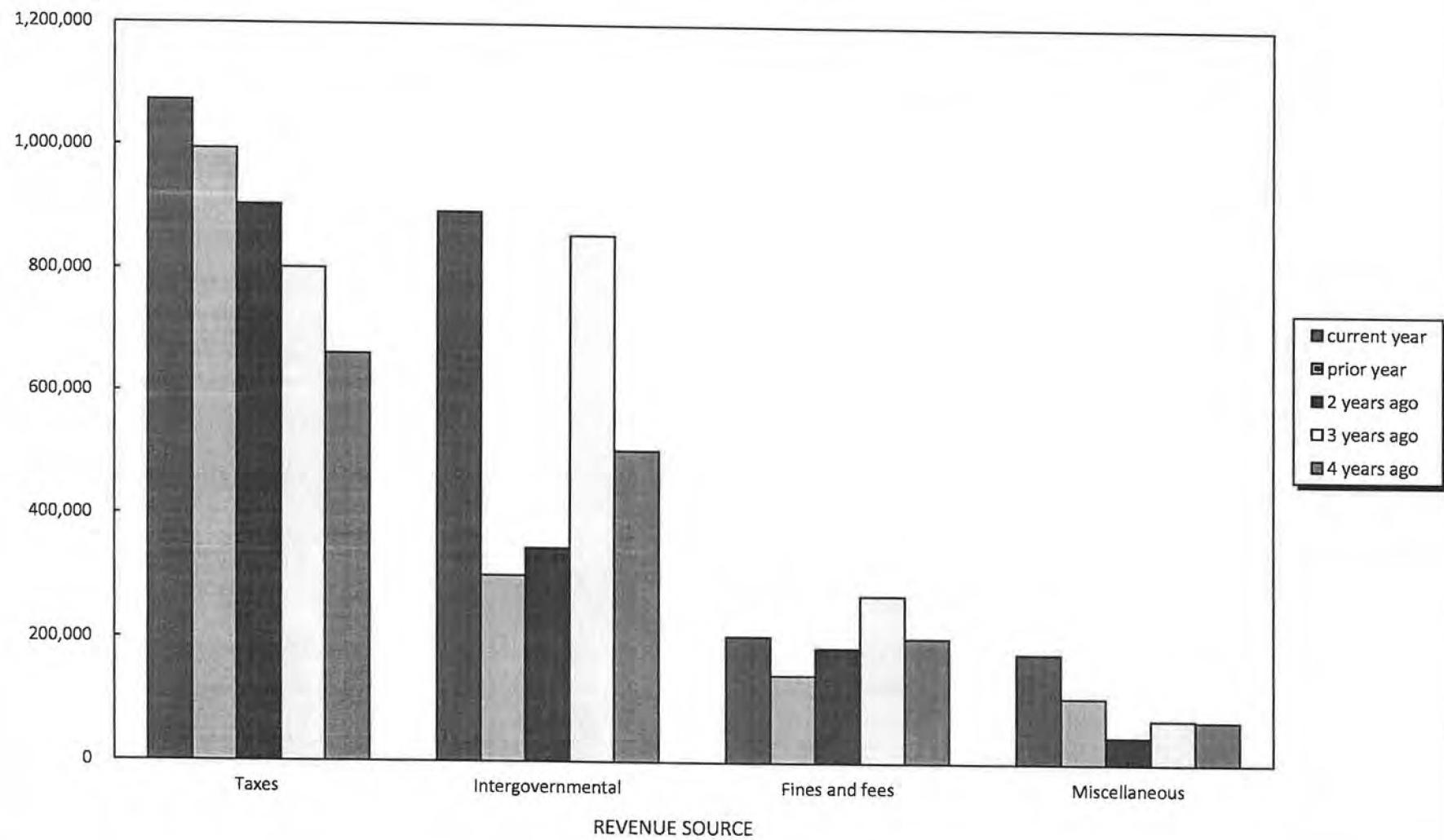
All of these factors were considered in preparing the City's budget for the 2024-2025 fiscal year.

Requests for Information

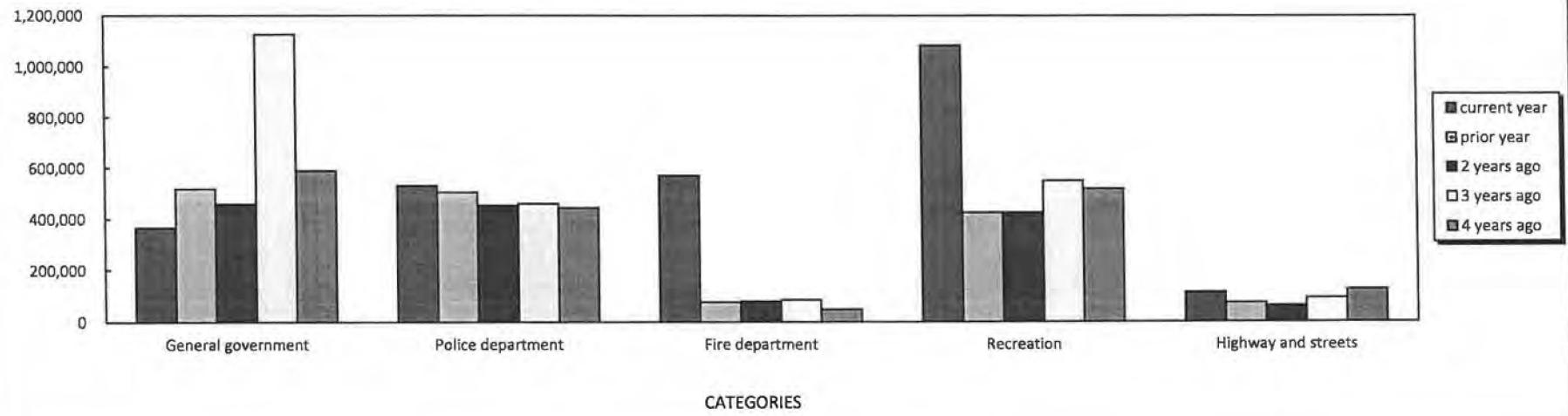
This financial report is designed to provide a general overview of the City of Loretto, Tennessee's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed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

Jesse Turner
City of Loretto

CITY OF LORETTO
GOVERNMENTAL FUND REVENUES



CITY OF LORETTO
GOVERNMENTAL FUND EXPENDITURES



BASIC FINANCIAL STATEMENTS

CITY OF LORETTO, TENNESSEE

Statement of Net Position

June 30, 2024

<u>Assets</u>	Governmental Activities	Business-type Activities	<u>Total</u>
Cash and cash equivalents	764,095	800,846	1,564,941
Certificates of Deposit	31,286	101,621	132,907
Receivables	248,959	630,289	879,248
Internal balances	150,595	(150,595)	0
Inventory	0	65,702	65,702
Capital assets not being depreciated	172,185	2,536,590	2,708,775
Capital assets, net of accumulated depreciation	2,590,530	6,136,810	8,727,340
Total Assets	3,957,650	10,121,263	14,078,913
Deferred Outflows of Resources:			
Deferred outflows of resources - OPEB	5,620	5,850	11,470
Deferred outflows of resources - pension	290,735	302,601	593,336
Total Deferred Outflows of Resources	296,355	308,451	604,806
Liabilities, Deferred Inflows, and Net Position			
Liabilities:			
Accounts payable	271,862	1,169,769	1,441,631
Accrued expenses	46,403	63,824	110,227
Total OPEB Liability	9,902	10,306	20,208
Net pension liability	116,759	121,525	238,284
Unearned revenue - ARPA grants	0	231,380	231,380
Long-term liabilities:			
Due within one year	103,911	142,040	245,951
Due in more than one year	958,837	1,949,498	2,908,335
Total Liabilities	1,507,674	3,688,342	5,196,016
Deferred Inflows of Resources:			
Deferred inflows of resources - property tax	145,000	0	145,000
Deferred inflows of resources - OPEB	13,196	13,734	26,930
Deferred inflows of resources - pension	9,780	10,178	19,958
Total Deferred Inflows of Resources	167,976	23,912	191,888
Net Position:			
Net investment in Capital Assets	1,699,967	6,581,862	8,281,829
Restricted - Debt Service	0	96,084	96,084
Restricted - State street aid fund	198,083	0	198,083
Unrestricted	680,305	39,514	719,819
Total Net Position	2,578,355	6,717,460	9,295,815

See accompanying notes to financial statements.

CITY OF LORETTA, TENNESSEE

Statement of Activities

For the Year Ended June 30, 2024

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
Government Activities:							
General government	358,662	32,940	68,240	594,192	336,710	0	336,710
Police department	487,771	89,458	0	0	(398,315)	0	(398,315)
Fire department	150,128	0	0	0	(150,128)	0	(150,128)
Public works	33,005	0	0	0	(33,005)	0	(33,005)
Swimming pool	78,047	61,753	0	0	(16,294)	0	(16,294)
Parks and recreation	370,231	53,467	0	0	(316,764)	0	(316,764)
Library	28,159	0	0	0	(28,159)	0	(28,159)
Highway and streets	54,480	7,685	63,970	0	17,175	0	17,175
Total Governmental Activities	1,560,483	245,301	132,210	594,192	(588,780)	0	(588,780)
Business - type Activities:							
Water and Sewer Fund	1,464,338	1,176,023	0	809,354	0	521,039	521,039
Natural gas fund	660,376	740,001	0	0	0	79,625	79,625
Solid Waste fund	219,486	202,987	0	0	0	(16,499)	(16,499)
Total Business Type Activities	2,344,200	2,119,011	0	809,354	0	584,165	584,165
Total	3,904,683	2,364,312	132,210	1,403,546	(588,780)	584,165	(4,615)
General Revenues:							
Property taxes				201,736	0	201,736	
Public utility taxes				29,153	0	29,153	
Sales taxes				865,272	0	865,272	
Beer and liquor taxes				143,663	0	143,663	
Franchise taxes				13,875	0	13,875	
Business taxes				54,649	0	54,649	
Interest income				5,289	30,293	35,582	
Other				65,086	19,762	84,848	
Total general revenues				1,378,723	50,055	1,428,778	
Changes in Net Position				789,943	634,220	1,424,163	
Net Position - beginning of year				1,788,412	6,083,240	7,871,652	
Net position - ending of year				2,578,355	6,717,460	9,295,815	

See accompanying notes to financial statements.

FUND FINANCIAL STATEMENTS

CITY OF LORETTO, TENNESSEE

Balance Sheet

Governmental Funds

June 30, 2024

	General Fund	State Street Aid Fund	Total
Assets			
Cash and cash equivalents	571,335	192,760	764,095
Certificates of deposit	31,286	0	\$31,286
	<u>602,621</u>	<u>192,760</u>	<u>795,381</u>
Accounts receivable:			
Property taxes receivable	152,520	0	152,520
Other governments	91,116	5,323	96,439
	<u>243,636</u>	<u>5,323</u>	<u>248,959</u>
Due from other funds	154,022	0	154,022
 Total Assets	 <u>\$1,000,279</u>	 <u>\$198,083</u>	 <u>\$1,198,362</u>
Liabilities, Deferred Inflow of Resources and Fund Balance			
Liabilities:			
Accounts payable	\$271,862	0	271,862
Due to other funds	\$3,427	0	3,427
Accrued expenses	9,593	0	9,593
 Total Liabilities	 <u>284,882</u>	 <u>0</u>	 <u>284,882</u>
Deferred Inflow of Resources:			
Deferred inflows - current property taxes	145,000	0	145,000
Deferred inflows - delinquent property taxes	7,520	0	7,520
Total Deferred Inflow of Resources	<u>152,520</u>	<u>0</u>	<u>152,520</u>
Fund Balance:			
Unassigned	562,877	0	562,877
Restricted	0	198,083	198,083
Total Fund Balance	<u>562,877</u>	<u>198,083</u>	<u>760,960</u>
 Total Liabilities, Deferred Inflows, and Fund Balance	 <u>\$1,000,279</u>	 <u>\$198,083</u>	 <u>\$1,198,362</u>

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

CITY OF LORETO, TENNESSEE

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

June 30, 2024

Amounts reported for fund balance - total governmental funds	\$ <u>760,960</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	2,762,715
Other long term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds	7,520
Pension related accounts - governmental funds do not record these post-benefit obligations	(116,759)
Net pension liability	290,735
Deferred outflow - pension	(9,780)
OPEB related accounts - governmental funds do not record these post-benefit obligations	(9,902)
Total OPEB liability	5,620
Deferred outflow - OPEB	(13,196)
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not recorded in the funds	(36,810)
Accrued vacation expense	(1,062,748)
Long-term debt	(1,062,748)
Net Position of governmental activities	\$ <u>2,578,355</u>

See accompanying notes to financial statements.

CITY OF LORETTO, TENNESSEE

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

For the Year Ended June 30, 2024

	<u>General Fund</u>	<u>State Street Aid Fund</u>	<u>Total Governmental Funds</u>
Revenues:			
Taxes	1,073,325	0	1,073,325
Intergovernmental	832,464	60,721	893,185
Fines and fees	205,116	0	205,116
Miscellaneous	174,983	3,817	178,800
Total revenues	<u>\$2,285,888</u>	<u>\$64,538</u>	<u>\$2,350,426</u>
Expenditures:			
General government	284,565	0	284,565
Police department	458,200	0	458,200
Fire department	94,486	0	94,486
Public works	87,485	0	87,485
Swimming pool	78,047	0	78,047
Parks and recreation	294,265	0	294,265
Library	28,159	0	28,159
Capital outlay:			
General government	49,975	0	49,975
Police department	60,714	0	60,714
Fire department	446,703	0	446,703
Public works	25,590	54,480	80,070
Parks and recreation	632,898	0	632,898
Library	2,696	0	2,696
Debt service:			
Principal	100,960	0	100,960
Interest	16,679	0	16,679
Total expenditures	<u>\$2,661,422</u>	<u>\$54,480</u>	<u>\$2,715,902</u>
Excess (deficiency) of revenues over expenditures	<u>(375,534)</u>	<u>10,058</u>	<u>(365,476)</u>
Other financing sources: loan proceeds	<u>603,590</u>	<u>0</u>	<u>603,590</u>
Net change in fund balance	<u>228,056</u>	<u>10,058</u>	<u>238,114</u>
 Fund balance, beginning of year	 334,821	 188,025	 522,846
 Fund balance, end of year	 <u>\$562,877</u>	 <u>\$198,083</u>	 <u>\$760,960</u>

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, 2024

Net change in fund balances - total governmental funds:	\$ 238,114
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.	565
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	1,273,056
Depreciation expense	(191,795)
Liabilities not reported in the governmental fund -- change in accrued vacation liability	(4,885)
Liabilities not reported in the governmental fund -- change in pension plan accrual	(23,961)
Liabilities not reported in the governmental fund -- change in post retirement benefits liability	1,479
Revenues reported in the statement of activities that increase long-term debt	(603,590)
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>100,960</u>
Change in Net Position of governmental activities	<u>\$ 789,943</u>

See accompanying notes to financial statements

CITY OF LORETTA, TENNESSEE

Statement of Net Position

Enterprise Funds

June 30, 2024

	Water and Sewer Fund	Natural Gas Fund	Sanitation Fund	Total
Assets and Deferred Outflows				
Current Assets:				
Cash and cash equivalents	\$423,548	\$308,398	\$68,900	800,846
Certificates of Deposit	101,621	0	0	101,621
Customer accounts receivable, net of allowance	589,288	22,971	18,030	630,289
Due from other funds	0	3,427	0	3,427
Inventory	46,591	19,111	0	65,702
Total Current Assets	1,161,048	353,907	86,930	1,601,885
Capital Assets:				
Capital assets in service	14,707,698	913,678	310,711	15,932,087
Less accumulated depreciation	(6,503,289)	(574,784)	(180,614)	(7,258,687)
Total Capital Assets, Net	8,204,409	338,894	130,097	8,673,400
Total Assets	\$9,365,457	\$692,801	\$217,027	\$10,275,285
Deferred outflows:				
Deferred outflows of resources - OPEB	2,638	2,065	1,147	5,850
Deferred outflows of resources - pension	136,468	106,799	59,334	302,601
Total Deferred Outflows	\$139,106	\$108,864	\$60,481	\$308,451
Liabilities:				
Current Liabilities:				
Accounts payable	1,161,055	7,792	922	1,169,769
Accrued expenses	40,168	13,306	10,350	63,824
Net OPEB Liability	4,648	3,637	2,021	10,306
Due to other funds	120,050	16,788	17,184	154,022
Unearned revenue - ARPA grants	231,380	0	0	231,380
Current maturities - long-term debt	74,856	40,784	26,400	142,040
Total Current Liabilities	1,632,157	82,307	56,877	1,771,341
Other Liabilities:				
Net pension liability	54,805	42,892	23,828	121,525
Total Other Liabilities	54,805	42,892	23,828	121,525
Long-Term Debt	1,843,178	24,020	82,300	1,949,498
Total Liabilities	3,530,140	149,219	163,005	3,842,364
Deferred Inflows:				
Deferred inflow of resources - OPEB	6,194	4,847	2,693	13,734
Deferred inflow of resources - pension	4,590	3,592	1,996	10,178
Total Deferred Inflows	10,784	8,439	4,689	23,912
Net Position:				
Net investment in capital assets	6,286,375	274,090	21,397	6,581,862
Restricted - Debt service	96,084	0	0	96,084
Unrestricted	(418,820)	369,917	88,417	39,514
Total Net Position	5,963,639	644,007	109,814	6,717,460

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

CITY OF LORETO, TENNESSEE

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

Enterprise Funds

For the Year Ended June 30, 2024

	Water and Sewer Fund	Natural Gas Fund	Sanitation Fund	Total
Operating Revenues:				
Service fees	\$1,027,299	\$733,467	\$202,987	\$1,963,753
Tap and connection fees	148,073	6,534	0	154,607
Other income	651	0	0	651
Total Operating Revenues	1,176,023	740,001	202,987	2,119,011
Operating Expenses:				
Salaries	364,534	210,195	116,421	691,150
Payroll taxes	37,156	21,425	11,867	70,448
Employee benefits	68,193	23,097	20,475	111,765
Training and travel	2,911	1,585	0	4,496
Utilities	170,167	6,657	731	177,555
Professional services	25,579	14,105	4,385	44,069
Natural gas purchased	0	266,889	0	266,889
Repair and maintenance	183,331	8,733	11,420	203,484
Supplies	159,456	22,148	11,526	193,130
Office expense	13,527	860	1,386	15,773
Dues, subscriptions and fees	9,100	3,626	259	12,985
Vehicle expense	15,728	4,948	16,525	37,201
Rent	0	32,500	0	32,500
Insurance	41,195	8,436	1,294	50,925
Miscellaneous	2,515	0	130	2,645
Depreciation	336,117	31,920	20,695	388,732
Total Operating Expenses	1,429,509	657,124	217,114	2,303,747
Operating income (loss)	(253,486)	82,877	(14,127)	(184,736)
Nonoperating Revenues (Expenses):				
Interest income	22,021	6,735	1,537	30,293
Insurance recoveries	794	0	0	794
Sale of assets	11,678	4,000	3,290	18,968
Interest expense	(34,829)	(3,252)	(2,372)	(40,453)
Total Nonoperating Revenues (Expenses)	(336)	7,483	2,455	9,602
Capital contributions	809,354	0	0	809,354
Net change in position	555,532	90,360	(11,672)	634,220
Net Position, July 1, 2023	5,408,107	553,647	121,486	6,083,240
Net Position, June 30, 2024	\$5,963,639	\$644,007	\$109,814	\$6,717,460

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

CITY OF LORETTA, TENNESSEE

Statement of Cash Flows

Enterprise Fund Types

For the Year Ended June 30, 2024

	<u>Water and Sewer Fund</u>	<u>Natural Gas Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>
Cash Flows from Operating Activities:				
Cash received from customers	679,352	740,001	200,037	1,619,390
Cash paid to suppliers	(563,320)	(355,752)	(18,827)	(937,899)
Cash paid to employees	(466,446)	(252,735)	(147,665)	(866,846)
Net Cash Provided (Used) by Operating Activities	<u>(350,414)</u>	<u>131,514</u>	<u>33,545</u>	<u>(185,355)</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition of capital assets	(1,446,604)	(31,337)	0	(1,477,941)
Capital contributions	809,354	0	0	809,354
Interest paid	(34,829)	(3,252)	(2,372)	(40,453)
Loan proceeds	990,846	0	0	990,846
Repayment of debt	(72,550)	(40,210)	(25,900)	(138,660)
Net Cash Provided (Used) by Capital and Financing Activities	<u>246,217</u>	<u>(74,799)</u>	<u>(28,272)</u>	<u>143,146</u>
Cash Flows from Investing Activities:				
Redemption (purchase) of certificate of deposit	(2,372)	0	0	(2,372)
Interest received	22,021	6,735	1,537	30,293
Net Cash Flows from Investing Activities	<u>19,649</u>	<u>6,735</u>	<u>1,537</u>	<u>27,921</u>
Net Change in Cash	<u>(84,548)</u>	<u>63,450</u>	<u>6,810</u>	<u>(14,288)</u>
Cash and Cash Equivalents, July 1, 2023	508,096	244,948	62,090	815,134
Cash and Cash Equivalents, June 30, 2024	<u>423,548</u>	<u>308,398</u>	<u>68,900</u>	<u>800,846</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	(253,486)	82,877	(14,127)	(184,736)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	336,117	31,920	20,695	388,732
Sale of assets	11,678	4,000	3,290	18,968
Insurance proceeds	794	0	0	794
Change in assets (increase) decrease:				
Receivables	(496,671)	0	(2,950)	(499,621)
Inventory	42,833	(1,950)	0	40,883
Due from other funds	0	4,205	0	4,205
Prepaid assets	1,793	2,043	0	3,836
Deferred outflows	(26,777)	(20,954)	(11,642)	(59,373)
Change in liabilities increase (decrease):				
Total OPEB liability	161	125	70	356
Net pension liability	45,966	33,284	18,490	97,740
Accounts payable	6,968	855	922	8,745
Accrued expenses	20,654	2,967	4,006	27,627
Due to other funds	12,920	(3,661)	17,184	26,443
Unearned revenue - ARPA grant	231,380	0	0	231,380
Deferred inflows	(284,744)	(4,197)	(2,393)	(288,941)
Net Cash Provided (Used) by Operating Activities	<u>(350,414)</u>	<u>131,514</u>	<u>33,545</u>	<u>(185,355)</u>

See accompanying notes to the financial statements.

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

General Fund

For the Year Ended June 30, 2024

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes:				
Property taxes	\$142,000	\$142,000	\$201,736	59,736
Public utility taxes	28,000	28,000	7,841	(20,159)
Local sales tax	660,000	660,000	652,325	(7,675)
Local beer and liquor tax	123,500	123,500	142,899	19,399
Franchise taxes	16,739	16,739	13,875	(2,864)
Business taxes	52,000	52,000	54,649	2,649
Total Taxes	<u>1,022,239</u>	<u>1,022,239</u>	<u>1,073,325</u>	<u>51,086</u>
Intergovernmental:				
TVA in lieu	0	0	21,312	21,312
State sales tax	208,680	208,680	212,947	4,267
State beer tax	0	0	764	764
State special petroleum tax	3,182	3,182	3,249	67
Grants	0	600,000	594,192	(5,808)
Total Intergovernmental Revenue	<u>211,862</u>	<u>811,862</u>	<u>832,464</u>	<u>20,602</u>
Fines and fees:				
Swimming pool	52,500	52,500	61,753	9,253
Police fines	75,000	75,000	89,456	14,456
Parks and recreation	43,000	43,000	53,467	10,467
Other fines and fees	0	0	440	440
Total Fines and Fees	<u>170,500</u>	<u>170,500</u>	<u>205,116</u>	<u>34,616</u>
Miscellaneous:				
Rent	3,000	3,000	32,500	29,500
Insurance recoveries	0	0	59,081	59,081
Street maintenance contracts	10,000	10,000	7,685	(2,315)
Donations	0	0	68,240	68,240
Sale of assets	0	0	459	459
Miscellaneous	90,000	90,000	7,018	(82,982)
Total Miscellaneous Revenue	<u>103,000</u>	<u>103,000</u>	<u>174,983</u>	<u>71,983</u>
Total Revenues	<u>1,507,601</u>	<u>2,107,601</u>	<u>2,285,888</u>	<u>178,287</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, 2024

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Expenditures:				
General Government:				
Current:				
Salaries	96,020	96,020	113,154	(17,134)
Payroll taxes	6,600	6,600	8,712	(2,112)
Employee benefits	19,250	19,250	25,486	(6,236)
Utilities	26,000	26,000	11,798	14,202
Professional services	42,980	42,980	39,389	3,591
Office supplies	3,500	3,500	5,609	(2,109)
Supplies	17,500	17,500	10,658	6,842
Public relation	15,000	15,000	25,987	(10,987)
Travel and training	12,000	12,000	13,055	(1,055)
Insurance	6,750	6,750	11,923	(5,173)
Dues and subscriptions	6,500	6,500	3,784	2,716
Repair and maintenance	32,500	32,500	15,010	17,490
Miscellaneous	0	0	0	0
	<u>284,600</u>	<u>284,600</u>	<u>284,565</u>	<u>35</u>
Capital outlay	0	0	49,975	(49,975)
Total General Government	<u>284,600</u>	<u>284,600</u>	<u>334,540</u>	<u>(49,940)</u>

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Public Safety:				
Police Department:				
Current:				
Salaries	285,000	285,000	320,287	(35,287)
Payroll taxes	21,803	21,803	11,343	10,460
Employee benefits	71,500	71,500	47,935	23,565
Insurance	23,100	23,100	15,383	7,717
Vehicle expense	40,000	40,000	27,515	12,485
Supplies	23,500	23,500	10,697	12,803
Utilities	8,000	8,000	4,684	3,316
Professional services	10,300	10,300	20,335	(10,035)
Miscellaneous	0	0	21	(21)
	<u>483,203</u>	<u>483,203</u>	<u>458,200</u>	<u>25,003</u>
Debt service	10,450	10,450	11,194	(744)
Capital outlay	85,000	75,000	60,714	14,286
Total Police Department	<u>578,653</u>	<u>568,653</u>	<u>530,108</u>	<u>38,545</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, 2024

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Fire Department:				
Current:				
Salaries	32,700	32,700	25,256	7,444
Supplies and maintenance	48,500	44,500	51,129	(6,629)
Utilities	7,300	7,300	7,795	(495)
Professional services	0	0	2,092	(2,092)
Insurance	10,050	10,050	8,192	1,858
Miscellaneous	0	0	22	(22)
	<u>98,550</u>	<u>94,550</u>	<u>94,486</u>	<u>64</u>
Debt service	28,680	28,680	28,648	32
Capital outlay	0	600,000	446,703	153,297
Total Fire Department	<u>127,230</u>	<u>723,230</u>	<u>569,837</u>	<u>153,393</u>
Public Works:				
Salaries and benefits	18,600	18,600	19,939	(1,339)
Street lighting	70,000	70,000	63,373	6,627
Maintenance and supplies	25,000	39,000	4,173	34,827
	<u>113,600</u>	<u>127,600</u>	<u>87,485</u>	<u>40,115</u>
Capital outlay	0	0	25,590	(25,590)
Total Public Works	<u>113,600</u>	<u>127,600</u>	<u>113,075</u>	<u>14,525</u>
Swimming Pool:				
Salaries	43,500	43,500	33,766	9,734
Payroll taxes and benefits	3,300	3,300	3,332	(32)
Utilities	19,100	19,100	989	18,111
Maintenance and supplies	47,500	47,500	31,419	16,081
Insurance	5,700	5,700	8,541	(2,841)
Miscellaneous	0	0	0	0
	<u>119,100</u>	<u>119,100</u>	<u>78,047</u>	<u>41,053</u>
Capital outlay	0	0	0	0
Total Swimming Pool	<u>119,100</u>	<u>119,100</u>	<u>78,047</u>	<u>41,053</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, 2024

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Parks and Recreation:				
Salaries	80,000	80,000	97,128	(17,128)
Payroll taxes	5,500	5,500	7,695	(2,195)
Employee benefits	24,250	24,250	21,343	2,907
Vehicle expense	7,000	7,000	5,951	1,049
Insurance	9,800	9,800	8,131	1,669
Concessions	20,000	20,000	16,925	3,075
Materials and supplies	50,000	50,000	20,878	29,122
Repair and maintenance	40,000	40,000	52,895	(12,895)
Utilities	45,700	45,700	56,674	(10,974)
Professional services	0	0	6,645	(6,645)
Miscellaneous	750	750	0	750
	<u>283,000</u>	<u>283,000</u>	<u>294,265</u>	<u>(11,265)</u>
Capital outlay	550,000	550,000	632,898	(82,898)
Debt service	42,300	42,300	77,797	(35,497)
Total Parks and Recreation	<u>875,300</u>	<u>875,300</u>	<u>1,004,960</u>	<u>(129,660)</u>
Library:				
Utilities	3,000	3,000	2,823	177
Supplies	1,500	1,500	24,286	(22,786)
Insurance	1,050	1,050	1,050	0
	<u>5,550</u>	<u>5,550</u>	<u>28,159</u>	<u>(22,609)</u>
Capital outlay	0	0	2,696	(2,696)
Total Library	<u>5,550</u>	<u>5,550</u>	<u>30,855</u>	<u>(25,305)</u>
Total Expenditures	<u>2,104,033</u>	<u>2,704,033</u>	<u>2,661,422</u>	<u>42,611</u>
Excess (deficiency) of Revenues over Expenditures	<u>(596,432)</u>	<u>(596,432)</u>	<u>(375,534)</u>	<u>220,898</u>
Other financing sources: loan proceeds	<u>660,000</u>	<u>660,000</u>	<u>603,590</u>	<u>(56,410)</u>
Net change in fund balance	<u>63,568</u>	<u>63,568</u>	<u>228,056</u>	<u>164,488</u>
Fund Balance, July 1, 2023	<u>334,821</u>	<u>334,821</u>	<u>334,821</u>	<u>0</u>
Fund Balance, June 30, 2024	<u>398,389</u>	<u>398,389</u>	<u>562,877</u>	<u>164,488</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, 2024

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Intergovernmental:				
Gasoline .03 tax	8,400	8,400	8,991	591
Gasoline 1989 tax	4,400	4,400	4,869	469
Gasoline 2017 tax	15,100	15,100	15,631	531
Gasoline and motor fuel	29,465	29,465	31,230	1,765
Interest	<u>3,500</u>	<u>3,500</u>	<u>3,817</u>	<u>317</u>
 Total Revenues	 <u>60,865</u>	 <u>60,865</u>	 <u>64,538</u>	 <u>3,673</u>
 Expenditures:				
Streets:				
Street lights	0	0	0	0
Capital Outlay	<u>60,865</u>	<u>60,865</u>	<u>54,480</u>	<u>6,385</u>
 Total Expenditures	 <u>60,865</u>	 <u>60,865</u>	 <u>54,480</u>	 <u>6,385</u>
 Excess (deficiency) of revenues over expenditures	 0	 0	 10,058	 10,058
 Fund Balance, July 1, 2023	 <u>188,025</u>	 <u>188,025</u>	 <u>188,025</u>	 -
 Fund Balance, June 30, 2024	 <u>\$188,025</u>	 <u>\$188,025</u>	 <u>198,083</u>	 <u>10,058</u>

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, 2024

(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 LORETTO, TENNESSEE

Notes to Financial Statements

June 30, 2024

(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, 2024

(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 an 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 LORETTO, TENNESSEE

Notes to Financial Statements

June 30, 2024

(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 two items (pension and OPEB) 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, 2024

(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, 2024. Payments may be made during the period from July 1 through November 1. Current tax collections of \$146,595 for the fiscal year ended June 30, 2024 were approximately 99 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, 2024

(1) Summary of Significant Accounting Policies, Continued

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, <u>2023</u>	Addi- tions	Retire- ments	Balance June 30, <u>2024</u>
Governmental activities	31,925	4,885	-	36,810
Business-type activities	33,451	1,534	-	34,985

The liability for compensated absences attributable to the Town's governmental funds is recorded in the government-wide financial statements as a long-term liability and is a reconciling item between the fund and government-wide financial statements. Compensated absences related to business-type activities are charged to expense with a corresponding liability established in both the government-wide and fund financial statements.

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 LORETTO, TENNESSEE

Notes to Financial Statements

June 30, 2024

(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.

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.

CITY OF LORETTA, TENNESSEE

Notes to Financial Statements

June 30, 2024

(1) Summary of Significant Accounting Policies, Continued

Fund Balance

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

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

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

Committed Fund Balance - This classification includes amounts that can only be used for the specific purposes determined by a formal action of the City's highest level of decision-making authority, the City Council of the City 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 LORETTO, TENNESSEE

Notes to Financial Statements

June 30, 2024

(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 LORETTA, TENNESSEE

Notes to Financial Statements

June 30, 2024

(3) Accounts Receivable

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

<u>Fund</u>	<u>Other Government</u>	<u>Property Taxes</u>	<u>Customer Accounts</u>	<u>Total</u>
General Fund	\$ 91,116	152,520	-	243,636
Special Revenue Funds	5,323	-	-	5,323
Enterprise Funds	-	-	640,119	640,119
Less allowance for doubtful accounts	-	-	(9,830)	(9,830)
Total	<u>\$ 96,439</u>	<u>152,520</u>	<u>630,289</u>	<u>879,248</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:

	Balance July 1, 2023	Additions	Disposals	Balance June 30, 2024
Land	\$172,185	0	0	172,185
Buildings	885,393	658,569	0	1,543,962
Improvements	1,917,053	54,480	0	1,971,533
Equipment	<u>845,614</u>	<u>560,007</u>	<u>0</u>	<u>1,405,621</u>
Total	<u>3,820,245</u>	<u>1,273,056</u>	<u>0</u>	<u>5,093,301</u>
Less Accumulated Depreciation	<u>(2,138,791)</u>			<u>(2,330,586)</u>
Net capital assets in service	<u>\$1,681,454</u>			<u>\$2,762,715</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	\$ 47,295
Police department	28,759
Fire department	52,396
Parks and Recreation	63,345
Total	<u>191,795</u>

CITY OF LORETTO, TENNESSEE

Notes to Financial Statements

June 30, 2024

(4) Capital Assets, Continued

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

	Balance July 1, 2023	Additions	Disposals	Balance June 30, 2024
Land	\$69,200	0	0	69,200
Construction in progress	887,392	2,487,211	975,522	2,399,081
Utility plant	11,006,287	1,004,548	0	12,010,835
Equipment	167,357	61,225	0	228,582
Total	12,130,236	3,552,984	975,522	14,707,698
Less Accumulated Depreciation	<u>(6,167,172)</u>			<u>(6,503,289)</u>
Net capital assets in service	<u>\$5,963,064</u>			<u>\$8,204,409</u>

All assets, except land and easements of \$69,200 and Construction in Progress of \$2,399,081 are being depreciated. Depreciation expense was \$336,117 in 2024.

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

	Balance July 1, 2023	Additions	Disposals	Balance June 30, 2024
Land and easement	\$68,309	0	0	68,309
Utility plant	557,594	0	0	557,594
Equipment	256,438	31,337	0	287,775
Total	882,341	31,337	0	913,678
Less Accumulated Depreciation	<u>(542,864)</u>			<u>(574,784)</u>
Net capital assets in service	<u>\$339,477</u>			<u>\$338,894</u>

All assets, except land of \$68,309, are being depreciated. Depreciation expense was \$31,920 in 2024.

CITY OF LORETTO, TENNESSEE

Notes to Financial Statements

June 30, 2024

(4) Capital Assets, Continued

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

	Balance July 1, 2023	Additions	Disposals	Balance June 30, 2024
Equipment	310,711	0	0	310,711
Total	310,711	0	0	310,711
Less Accumulated Depreciation	(159,919)			(180,614)
Net capital assets in service	<u>\$150,792</u>			<u>\$130,097</u>

All assets are being depreciated. Depreciation expense was \$20,695 for the year ended June 30, 2024.

(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 2024.

Loans Payable:	Balance			Balance June 30, 2024	Due Within One Year
	July 1, 2023	Additions	Retirements		
Capstar Security Bank & Trust	\$ 78,231	\$ -	\$ 25,402	\$ 52,829	\$ 26,165
TMBF	\$ 365,734	\$ 557,266	\$ 40,000	\$ 883,000	\$ 41,000
State Bank	\$ -	\$ 46,324	\$ -	\$ 46,324	\$ 10,744
State Bank	\$ 9,704	\$ -	\$ 9,704	\$ -	\$ -
State Bank	\$ 678	\$ -	\$ 678	\$ -	\$ -
State Bank	\$ 105,771	\$ -	\$ 25,176	\$ 80,595	\$ 26,002
Total	<u>\$ 560,118</u>	<u>\$ 603,590</u>	<u>\$ 100,960</u>	<u>\$ 1,062,748</u>	<u>\$ 103,911</u>

CITY OF LORETO, TENNESSEE

Notes to Financial Statements

June 30, 2024

(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 2024.

Loans Payable:	Balance		Balance		Due Within One Year
	July 1, 2023	Additions	Retirements	June 30, 2024	
2023 Vehicle Loan	\$ 46,487	\$ -	\$ 8,226	\$ 38,261	\$ 8,903
Series 2021	\$ 513,200	\$ -	\$ 41,000	\$ 472,200	\$ 42,100
Interim construction loan	\$ -	\$ 990,846	\$ -	\$ 990,846	\$ -
Series 2017	\$ 440,051	\$ -	\$ 23,324	\$ 416,727	\$ 23,853
Total	\$ 999,738	\$ 990,846	\$ 72,550	\$ 1,918,034	\$ 74,856

The following schedule reflects the changes in long-term debt, as shown in the Enterprise (Natural Gas) Fund during the fiscal year 2024.

Loans Payable:	Balance		Balance		Due Within One Year
	July 1, 2023	Additions	Retirements	June 30, 2024	
2023 Vehicle Loan	\$ 38,514	\$ -	\$ 7,210	\$ 31,304	\$ 7,284
Series 2021	\$ 66,500	\$ -	\$ 33,000	\$ 33,500	\$ 33,500
Total	\$ 105,014	\$ -	\$ 40,210	\$ 64,804	\$ 40,784

The following schedule reflects the changes in long-term debt, as shown in the Enterprise (Sanitation) Fund during the fiscal year 2024.

Notes Payable:	Balance		Balance		Due Within One Year
	July 1, 2023	Additions	Retirements	June 30, 2024	
Trustmark Bank	\$ 134,600	\$ -	\$ 25,900	\$ 108,700	\$ 26,400
Total	\$ 134,600	\$ -	\$ 25,900	\$ 108,700	\$ 26,400

CITY OF LORETTO, TENNESSEE

Notes to Financial Statements

June 30, 2024

(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, 2024, are as follows:

Year Ending <u>June 30,</u>	<u>General Obligation</u>	
	<u>Principal</u>	<u>Interest</u>
2025	103,911	30,954
2026	106,810	26,886
2027	83,587	23,205
2028	57,440	20,453
2029	46,000	18,554
2030-2034	252,000	72,038
2035-2039	287,000	34,066
2040-2041	<u>126,000</u>	<u>2,770</u>
Total	<u>1,062,748</u>	<u>228,925</u>

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

Year Ending <u>June 30,</u>	<u>Water and Sewer Fund</u>		<u>Natural Gas Fund</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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	81,164	14,788	8,385	302
2029	72,599	12,979	-	-
2030-2034	390,565	40,180	-	-
2035-2039	<u>152,247</u>	<u>10,310</u>	-	-
Total	<u>927,188*</u>	<u>135,249</u>	<u>64,804</u>	<u>4,416</u>

*Additionally, the Water and Sewer fund has an interim construction loan of \$990,846. This loan will be included in this schedule once the loan is fully funded.

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, 2024

(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, 2024, are as follows:

Year Ending <u>June 30,</u>	<u>Sanitation Fund</u>	
	<u>Principal</u>	<u>Interest</u>
2025	26,400	2,120
2026	26,900	1,605
2027	27,400	1,080
2028	<u>28,000</u>	<u>546</u>
Total	<u>108,700</u>	<u>5,351</u>

CITY OF LORETTO, TENNESSEE

Notes to Financial Statements

June 30, 2024

(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, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	9
Inactive employees entitled to but not yet receiving benefits	13
Active employees	<u>19</u>
Total	<u>41</u>

CITY OF LORETTO, TENNESSEE

Notes to Financial Statements

June 30, 2024

(6) Pension Plan, Continued

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be 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, 2024, employer contributions for Loretto were (\$112,204) based on a rate of (4.43%) 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, 2023, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

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

Inflation 2.25 percent

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

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

Cost-of-Living Adjustment 2.125 percent

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

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

CITY OF LORETTO, TENNESSEE

Notes to Financial Statements

June 30, 2024

(6) Pension Plan, Continued

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2020 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) 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:

<i>Asset class</i>	<i>Long-term Expected Real Rate of Return</i>	<i>Target Allocation</i>
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%	1%
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, 2024

(6) Pension, Continued

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (Asset)	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balance at 6/30/22	\$3,079,527	\$3,026,151	\$53,376
Changes for the Year:			
Service Cost	66,549	-	66,549
Interest	208,113	-	208,113
Changes in Benefit Terms	-	-	-
Differences between expected and actual experience	201,179	-	201,179
Changes in assumptions	-	-	-
Contributions-employer	-	45,246	(45,246)
Contributions-employees	-	45,246	(45,246)
Net investment income	-	202,168	(202,168)
Benefit payments, including refunds of employee contributions	(125,831)	(125,831)	-
Administrative expense	-	(1,727)	1,727
Other changes	-	-	-
Net changes	350,010	165,102	184,908
Balance at 6/30/23	\$ 3,429,537	\$ 3,191,253	\$ 238,284

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)	\$725,949	\$238,284	(\$164,858)

CITY OF LORETTO, TENNESSEE

Notes to Financial Statements

June 30, 2024

(6) Pension, Continued

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

Pension expense. For the year ended June 30, 2024, Loretto recognized pension expense of \$120,018.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2024, 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	321,700	19,958
Net difference between projected and		
Actual earning on pension plan		
Investments	23,800	-
Changes in assumptions	135,632	-
Contributions subsequent to the		
Measurement date of June 30, 2023	<u>112,204</u>	<u>-</u>
Total	<u>593,336</u>	<u>19,958</u>

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

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

Year Ended June 30:

2025	\$94,626
2026	\$81,119
2027	\$180,248
2028	\$71,657
2029	\$33,530

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, 2024

(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, 2023, the following employees were covered by the benefit terms of the LGOP:

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	0
Active employees	<u>18</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, 2024, the City paid \$256 to the LGOP for OPEB benefits as they came due.

CITY OF LORETO, TENNESSEE

Notes to Financial Statements

June 30, 2024

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

Total OPEB Liability

Actuarial assumptions - The total OPEB liability on the June 30, 2023 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 -	10.31% for pre-65 in 2023, decreasing annually over a 11-year period to an ultimate rate of 4.50%. 12.44% for post-65 in 2023, decreasing annually over a 11-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, 2023, valuations were the same as those employed in the July 1, 2022 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-2021 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-2021. 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-2021.

Discount rate - The discount rate used to measure the total OPEB liability was 3.65 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 LORETTA, TENNESSEE

Notes to Financial Statements

June 30, 2024

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

Changes in the Total OPEB Liability

	Total OPEB Liability (a)
Total OPEB liability - beginning balance	\$ 19,510
Changes for the year:	
Service cost	\$ 1,944
Interest	\$ 673
Changes of benefit terms	\$ -
Differences between expected and actual experience	\$ (2,744)
Change in assumptions	\$ 5,762
Benefit payments	<u>\$ (4,937)</u>
Net changes	\$ 698
Total OPEB liability - ending balance	<u>\$ 20,208</u>

Changes in assumptions - The discount rate was changed from 3.54% as of the beginning of the measurement period to 3.65% as of June 30, 2023. 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	
	Rate Assumption	1% Increase
1% Decrease	(2.65%)	(4.65%)
\$ 21,669	\$ 20,208	\$ 18,835

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.

1% Decrease	Current Healthcare Cost	1% Increase
Trend Rate Assumption		
(9.31/11.44% decreasing to 3.50%)	(10.31/12.44% decreasing to 4.50%)	(11.31/13.44% decreasing to 5.50%)
\$ 18,053	\$ 20,208	\$ 22,730

CITY OF LORETTA, TENNESSEE

Notes to Financial Statements

June 30, 2024

(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, 2024, the City of Loretto recognized OPEB expense of (\$2,764).

Deferred Outflows of Resources and Deferred Inflows of Resources - For the year ended June 30, 2024, 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	4,188	13,645
Changes in assumptions	7,026	13,285
Employer payments subsequent to		
The measurement date	256	-
Total	<u>11,470</u>	<u>26,930</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:

2025	\$ (5,381)
2026	(4,893)
2027	(2,404)
2028	(1,488)
2029	(1,086)
Thereafter	(464)

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 LORETTO, TENNESSEE

Notes to Financial Statements

June 30, 2024

(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) Interfund Transactions

Interfund receivables and payables at June 30, 2024 were as follows:

Transfers In:

	General Fund	Natural Gas Fund	Totals
<u>Transfers Out:</u>			
General Fund	\$ -	3,427	3,427
Sanitation Fund	17,184	-	17,184
Natural Gas Fund	16,788	-	16,788
Water and Sewer Fund	<u>120,050</u>	<u>-</u>	<u>120,050</u>
Total	<u>\$ 154,022</u>	<u>3,427</u>	<u>157,449</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.

CITY OF LORETTO, TENNESSEE

Notes to Financial Statements

June 30, 2024

(11) Leases

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

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	2023
Total pension liability (asset)										
Service cost	\$ 39,586	\$ 37,097	\$ 42,899	\$ 43,062	\$ 45,490	\$ 52,523	\$ 52,591	\$ 48,947	\$ 55,476	\$ 66,549
Interest	\$ 117,502	\$ 120,242	\$ 128,357	\$ 140,962	\$ 143,702	\$ 153,409	\$ 162,980	\$ 169,804	\$ 183,520	\$ 208,113
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	\$ 201,179
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)	\$ (125,831)
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	\$ 350,010
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	\$ 3,079,527
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>	<u>\$ 3,429,537</u>
Plan fiduciary net position										
Contributions-employer	\$ -	\$ -	\$ -	\$ 5,255	\$ 11,633	\$ 12,732	\$ 19,932	\$ 19,846	\$ 28,126	\$ 45,246
Contributions-employee	\$ 20,542	\$ 22,734	\$ 25,407	\$ 26,277	\$ 29,082	\$ 31,829	\$ 33,220	\$ 33,076	\$ 40,180	\$ 45,246
Net investment income	\$ 283,431	\$ 60,237	\$ 52,351	\$ 224,823	\$ 180,331	\$ 172,863	\$ 122,176	\$ 657,049	\$ (121,062)	\$ 202,168
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)	\$ (125,831)
Administrative expense	\$ (538)	\$ (711)	\$ (1,082)	\$ (1,259)	\$ (1,476)	\$ (1,403)	\$ (1,506)	\$ (1,480)	\$ (1,777)	\$ (1,727)
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)	\$ 165,102
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>	<u>\$ 3,026,151</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>	<u>\$ 3,191,253</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>	<u>\$ 238,284</u>

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% 93.05%

Covered payroll \$ 410,847 \$ 454,679 \$ 508,141 \$ 525,544 \$ 581,636 \$ 636,587 \$ 664,397 \$ 661,521 \$ 803,596 \$ 904,908

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% 26.33%

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 LORETO, TENNESSEE

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

For the Year Ended June 30, 2024

	<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>	<u>2024</u>
Actuarially determined contribution	0	6	11	5,816	6,366	10,497	10,452	12,697	28,324	112,204
Contributions in relation to the actuarially determined contribution	0	0	5,255	11,633	12,732	19,932	19,846	28,126	45,246	112,204
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>(55,255)</u>	<u>(55,817)</u>	<u>(56,366)</u>	<u>(59,435)</u>	<u>(59,394)</u>	<u>(515,429)</u>	<u>(516,922)</u>	<u>\$0</u>
Covered-employee payroll	454,679	508,141	525,544	581,636	636,587	664,397	661,521	803,596	904,908	804,368
Contributions as a percentage covered-employee payroll	0.00%	0.00%	1.00%	2.00%	2.00%	3.00%	3.00%	3.50%	5.00%	4.43%

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, as needed.

Notes to Schedule

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by Year
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	2.25 percent
Salary increases	Graded salary ranges from 8.7% to 1.44 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 1.25 percent; decreased the investment rate of return from 7.25 percent to 6.75 percent; decreased the cost-of-living adjustment from 2.25 percent to 2.125 percent, and modified mortality assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

CITY OF LORETTA, 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	2023
Total OPEB Liability							
Service Cost	\$ 3,080	\$ 2,856	\$ 3,090	\$ 2,832	\$ 3,220	\$ 3,181	\$ 1,944
Interest on the Total OPEB Liability	\$ 1,362	\$ 1,716	\$ 1,726	\$ 1,128	\$ 755	\$ 706	\$ 673
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)	\$ (2,744)
Changes in assumptions and other inputs	\$ (2,471)	\$ 3,222	\$ 874	\$ 1,894	\$ (10,358)	\$ (9,384)	\$ 5,762
Benefit payments	\$ -	\$ (319)	\$ (569)	\$ (559)	\$ (808)	\$ (4,660)	\$ (4,937)
Net change in Total OPEB Liability	\$ 1,971	\$ (669)	\$ (15,264)	\$ 1,729	\$ 489	\$ (12,302)	\$ 698
Total OPEB Liability - Beginning	\$ 43,557	\$ 45,528	\$ 44,858	\$ 29,594	\$ 31,323	\$ 31,812	\$ 19,510
Total OPEB Liability - Ending	\$ 45,528	\$ 44,859	\$ 29,594	\$ 31,323	\$ 31,812	\$ 19,510	\$ 20,208
 Estimated Covered -Employee Payroll	 \$ 508,141	 \$ 581,636	 \$ 636,587	 \$ 664,397	 \$ 661,521	 \$ 803,596	 \$ 804,368
 Total OPEB Liability as a Percentage of Covered- Employee Payroll	 8.96%	 7.71%	 4.65%	 4.71%	 4.81%	 2.43%	 2.51%

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, 2024

<u>Description</u>	<u>Balance July 1, 2023</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2024</u>
Land	\$172,185	0	0	172,185
Buildings	885,393	658,569	0	1,543,962
Improvements	1,917,053	54,480	0	1,971,533
Equipment	845,614	560,007	0	1,405,621
Total Capital Assets	\$3,820,245	1,273,056	0	5,093,301

CITY OF LORETTO, TENNESSEE

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

June 30, 2024

	Carrying Value
General Fund:	
Demand deposits	\$571,335
Certificate of Deposits	31,286
Total General Fund	<u>602,621</u>
State Street Aid Fund - demand deposit	<u>192,760</u>
Water and Sewer Fund:	
Demand deposits	423,548
Certificate of Deposits	101,621
Total Water and Sewer Fund	<u>525,169</u>
Natural Gas Fund:	
Demand deposits	308,398
Total Natural Gas Fund	<u>308,398</u>
Sanitation Fund:	
Demand deposits	68,900
Total Sanitation Fund	<u>68,900</u>
Total Cash and Cash Equivalents - All Funds	<u>\$1,697,848</u>

CITY OF LORETTA, TENNESSEE

Schedule of Changes in Property Taxes Receivable

For the Year Ended June 30, 2024

Tax Year	Balance July 1, 2023	Levy	Collections and Changes in Assessment	Balance June 30, 2024
2024	\$ -	145,000	0	145,000
2023	137,050	11,310	146,595	1,765
2022	5,160	0	1,909	3,251
2021	1,621	0	133	1,488
2020	45	0	(290)	335
2019	100	0	(220)	320
2018	0	0	(202)	202
2017	0	0	(93)	93
2016	0	0	0	0
2015	15	0	15	0
2014	14	0	(52)	66
	<hr/> <u>144,005</u>	<hr/> <u>156,310</u>	<hr/> <u>147,795</u>	<hr/> <u>152,520</u>

Tax Year	Tax Rate	Tax Levy	Tax Adjustment and Collections	Outstanding Taxes
2024	\$ 0.33	\$ 145,000	\$ 0	\$ 145,000
2023	0.33	148,360	146,595	1,765
2022	0.33	137,050	133,799	3,251
2021	0.40	111,460	109,972	1,488
2020	0.40	109,169	108,834	335
2019	0.40	106,679	106,359	320
2018	0.35	87,057	86,855	202
2017	0.25	60,680	60,587	93
2016	0.25	61,131	61,131	0
2015	0.19	44,446	44,446	0
2014	0.19	42,675	42,609	66

All delinquent taxes have been turned over to the County.

CITY OF LORETTA, TENNESSEE

Schedule of Debt Service Requirements-
General Obligation Debt

June 30, 2024

Year	Capital Outlay Note Capstar		Capital Outlay Note State Bank		Capital Outlay Note TMBF		Bond Security Bank & Trust		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2025	\$ 26,165	1,512	26,002	2,646	10,744	2,180	41,000	24,636	103,911	30,954
2026	26,664	1,013	26,856	1,792	11,290	1,761	42,000	22,320	106,810	26,886
2027	-	-	27,737	911	11,850	1,202	44,000	21,092	83,587	23,205
2028	-	-	-	-	12,440	616	45,000	19,837	57,440	20,453
2029	-	-	-	-	-	-	46,000	18,554	46,000	18,554
2030	-	-	-	-	-	-	48,000	17,214	48,000	17,214
2031	-	-	-	-	-	-	49,000	15,847	49,000	15,847
2032	-	-	-	-	-	-	50,000	14,452	50,000	14,452
2033	-	-	-	-	-	-	52,000	13,001	52,000	13,001
2034	-	-	-	-	-	-	53,000	11,523	53,000	11,523
2035	-	-	-	-	-	-	54,000	10,016	54,000	10,016
2036	-	-	-	-	-	-	56,000	8,454	56,000	8,454
2037	-	-	-	-	-	-	57,000	6,863	57,000	6,863
2038	-	-	-	-	-	-	59,000	5,217	59,000	5,217
2039	-	-	-	-	-	-	61,000	3,515	61,000	3,515
2040	-	-	-	-	-	-	62,000	1,786	62,000	1,786
2041	-	-	-	-	-	-	64,000	984	64,000	984
	\$ 52,829	2,525	80,595	5,349	46,324	5,739	883,000	215,312	1,062,748	228,925

CITY OF LORETTA, TENNESSEE

Schedule of Debt Service Requirements
Water and Sewer Fund

June 30, 2024

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		
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	10,248	369	81,164	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
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 472,200	52,036	416,727	79,007	38,261	4,206	927,188	135,249

Additionally, the Water and Sewer fund has a interim construction loan of \$990,846. This loan will be included in this schedule once the loan is fully funded.

CITY OF LORETTO, TENNESSEE

Schedule of Debt Service Requirements
Natural Gas Fund

June 30, 2024

Year	Natural Gas Revenue		2023 Vehicle Loan		TOTAL	TOTAL
	Principal	Interest	Principal	Interest		
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	-	-	8,385	302	8,385	302
	\$ 33,500	974	31,304	3,442	64,804	4,416

CITY OF LORETTO, TENNESSEE

**Schedule of Debt Service Requirements
Sanitation Fund**

June 30, 2024

Capital Outlay Note Trustmark Bank		
<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 26,400	2,120
2026	26,900	1,605
2027	27,400	1,080
2028	28,000	546
	<hr/> <u>\$ 108,700</u>	<hr/> <u>5,351</u>

CITY OF LORETO, TENNESSEE

Schedule of Changes in Long-term Debt by Individual Issue

June 30, 2024

Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/2023	Issued During Period	Matured During Period	Paid and/or Refunded During Period	Outstanding 6/30/2024
Business-Type Activities								
Water and Sewer Fund								
2023 Vehicle Loan Series 2021	46,487 553,187	4.750% 2.400%	2023 2021	3/14/2028 6/30/2034	\$ 46,487 \$ 513,200	\$ - \$ -	\$ - \$ -	\$ 8,226 \$ 41,000
Interim construction loan Series 2017	990,846 536,000	n/a 2.25%	2024 2019	12/28/2028 11/17/2039	\$ - \$ 440,051	\$ 990,846 \$ -	\$ - \$ -	\$ 990,846 \$ 23,324
Total Water and Sewer					\$ 999,738	\$ 990,846	\$ -	\$ 72,550
Natural Gas Fund								
2023 Vehicle Loan Series 2021	38,514 99,000	4.750% 1.47%	2023 2021	3/14/2028 6/30/2025	\$ 38,514 \$ 66,500	\$ - \$ -	\$ - \$ -	\$ 7,210 \$ 33,000
Total Natural Gas Fund					\$ 105,014	\$ -	\$ -	\$ 40,210
Sanitation Fund								
Trustmark Bank	160,000	1.95%	2021	11/1/2027	\$ 134,600	\$ -	\$ -	\$ 25,900
Total Sanitation Fund					\$ 134,600	\$ -	\$ -	\$ 25,900
Governmental Activities								
Capstar Security Bank & Trust	123,853 1,000,000	2.93% 2.79%	2021 2021	6/30/2026 8/2/1905	\$ 78,231 \$ 365,734	\$ - \$ 557,266	\$ - \$ -	\$ 25,402 \$ 40,000
TMBF	46,324	2.05%	2016	5/1/2023	\$ -	\$ 46,324	\$ -	\$ -
State Bank	33,080	3.968%	2021	4/1/2024	\$ 9,704	\$ -	\$ -	\$ 9,704
State Bank	23,243	2.888%	2020	7/1/2023	\$ 678	\$ -	\$ -	\$ 678
State Bank	179,000	3.23%	2020	2/1/2027	\$ 105,771	\$ -	\$ -	\$ 25,176
Total Governmental Activities					\$ 560,118	\$ 603,590	\$ -	\$ 100,960
								\$ 1,062,748

CITY OF LORETTA, TENNESSEE

Schedule of Utility Rates in Force

June 30, 2024

<u>Water Rates - Residential</u>	<u>Inside City</u>	<u>Outside City</u>
	\$7.50 Minimum charge plus \$0.50 per 100 gallons	\$17.50 Minimum charge plus \$0.50 per 100 gallons
<u>Sewer Rates- Residential</u>	<u>Inside City</u>	<u>Outside City</u>
	\$15.00 Minimum charge plus \$0.50 per 100 gallons	\$20.00 Minimum charge plus \$0.50 per 100 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>		
	\$10.00	\$30.00

There were approximately 1,675 water customers, approximately 825 sewer customers and approximately 775 natural gas customers at yearend.

CITY OF LORETTA, TENNESSEE

Schedule of Federal and State Financial Assistance

For the Year Ended June 30, 2024

Assistance Listing Number	State Grant Number	Grantor Agency	Receivable (Deferred) Balance June 30, 2023	Grant Receipts	Other Receipts	Grant Expenditures	Receivable (Deferred) Balance June 30, 2024
State Program:							
N/A	Z-23THSO128	Tennessee Department of Transportation	0	4,075	0	4,075	0
N/A	32701-04554	Local Parks and Recreation Fund	0	215,317	0	215,317	0
		Total State	0	219,392	0	219,392	0
Federal Program:							
14.228	2018 CDBG Water System Improvement	Tennessee Department of Economic and Community Development from U. S Department of HUD	0	38,288	0	38,288	0
21.027	American Rescue Plan Act	US Department of Treasury thru the State of Tennessee	(\$279,445)	0	0	48,065	(\$231,380)
97.044	Assistance to Firefighters	FEMA thru the Tennessee Emergency Management Agency	\$0	370,800	0	370,800	\$0
23.002	Utility Improvements	Appalachian Regional Commission Program	\$0	235,600	0	723,001	487,401
		Total Federal	(\$279,445)	644,688	0	1,180,154	256,021
		Total Federal and State	(\$279,445)	864,080	0	1,399,546	256,021

This schedule prepared on the accrual basis of accounting.

CITY OF LORETTO, TENNESSEE

Schedule of Expenditures of Federal Awards

June 30, 2024

<u>Federal Financial Assistance Program</u>	<u>Grantor Agency</u>	<u>Assistance Listing Number</u>	<u>Expenditures</u>
2018 CDBG Water System Improvement	Tennessee Department of Economic and Community Development from U. S Department of HUD	14.228	<u>38,288</u>
American Rescue Plan Act	US Department of Treasury thru the State of Tennessee	21.027	<u>48,065</u>
Assistance to Firefighters	FEMA thru the Tennessee Emergency Management Agency	97.044	<u>370,800</u>
Utility Improvements	Appalachian Regional Commission Program	23.002	<u>723,001</u>
		Total	<u>1,180,154</u>

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

COMPLIANCE AND INTERNAL CONTROL

JOHN R. POOLE, CPA
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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, 2024, 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 16, 2024.

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 2024-001 and 2024-002, 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.

Jah R. Paolo, CPA

December 16, 2024

JOHN R. POOLE, CPA
CERTIFIED PUBLIC ACCOUNTANT

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- ❖ Exercise professional judgment and maintain professional skepticism throughout the audit.
- ❖ Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Loretto's compliance with the compliance requirements referred to above and performing such other procedures as I considered necessary in the circumstances.
- ❖ Obtain an understanding of the City of Loretto's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances, and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City of Loretto's internal control over compliance. Accordingly, no such opinion is expressed.

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

Other Matters

The results of the auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with Uniform Guidance.

Report on Internal Control Over Compliance

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

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

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

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

John R. Poole, CPA

December 16, 2024

CITY OF LORETTA, TENNESSEE

Schedule of Findings and Questioned Costs

June 30, 2024

Section I - Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

Material weakness identified ? Yes. 2024-001 Separation of Duties,
2024-002 Journal Entries

Significant deficiencies identified ? None reported

Noncompliance material to financial statements noted ? No.

Federal Awards

Internal control over major programs:

Material weakness identified ? No.

Significant deficiencies identified ? None reported

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

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

The Major Programs were:

Utility Improvements, Assistance Listing Number 23.002

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

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

Section II - Financial Statement Findings

There were two findings related to the financial statements which are required to be reported in accordance with
Government Auditing Standards. 2024-001 - Separation of Duties, 2024-002 Journal Entries.

Section III - Federal Award Findings and Questioned Costs

There were no findings related to Federal Awards.

The accompanying notes are an integral part of these statements.

CITY OF LORETTA, TENNESSEE

Schedule of Findings and Responses

June 30, 2024

2024-001 - 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."

2024-002 - 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. continued

June 30, 2024

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 LORETTO, TENNESSEE

Schedule of Disposition of Prior Year Comments

June 30, 2024

<u>Finding Number</u>	<u>Finding Title</u>	<u>Status</u>
2023 - 001	Separation of Duties	Repeated

The original finding number was 2007-001. The current year finding number is 2024-001.

2023 - 002	Journal Entries	Repeated
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The original finding number was 2020-002. The current year finding number is 2024-002.



Management's Corrective Action Plan

Audit period: June 30, 2024

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

2024-001 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.

2024-002 - 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, 2025

Signature: Jesse Turner