

**CITY OF LORETTO, TENNESSEE**

Annual Financial Report

For the Year Ended June 30, 2025

**CITY OF LORETTO, TENNESSEE**

Table of Contents

	<u>Page Number</u>
INTRODUCTORY SECTION:	
Officials of the City of Loretto, Tennessee . . . . .	I
FINANCIAL SECTION:	
Independent Auditor's Report . . . . .	1-3
Management's Discussion and Analysis . . . . .	4-10
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position . . . . .	11
Statement of Activities . . . . .	12
Fund Financial Statements:	
Balance Sheet - Governmental Funds . . . . .	14
Reconciliation of Balance Sheet to Statement of Net Position of Governmental Activities	15
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance Of Governmental Funds to the Statement of Activities . . . . .	17
Statement of Net Position - Enterprise Funds . . . . .	18
Statement of Revenues, Expenses, and Changes in Fund Net Position - Enterprise Funds . . . . .	19
Statement of Cash Flows - Enterprise Funds . . . . .	20
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (GAAP Basis) And Actual	
General Fund . . . . .	21-24
State Street Aid Fund . . . . .	25
Notes to Financial Statements . . . . .	27-52

# CITY OF LORETTO, TENNESSEE

## Table of Contents, Continued

	<u>Page Number</u>
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Changes in Net Pension Liability (Asset) .....	54
Schedule of Contributions to the Employee Pension Plan .....	55
Schedule of Changes in Total Liability and Related Ratios .....	56
SUPPLEMENTAL INFORMATION:	
Schedule of Changes in Capital Assets by Type .....	58
Schedule of Cash and Cash Equivalents and Certificate of Deposit - All Funds ..	59
Schedule of Changes in Property Taxes Receivable .....	60
Schedule of Debt Service Requirements - General Obligation Debt .....	61
Schedule of Debt Service Requirements - Water and Sewer Fund .....	62
Schedule of Debt Service Requirements - Natural Gas Fund .....	63
Schedule of Debt Service Requirements - Sanitation Fund .....	64
Schedule of Changes in Long-term Debt by Individual Issue .....	65
Schedule of Utility Rates in Force .....	66
Schedule of State and Federal Financial Assistance .....	67
Schedule of Expenditures of Federal Awards .....	68
COMPLIANCE AND INTERNAL CONTROL:	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	70-71
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the <i>Uniform Guidance</i> .....	72-74
Schedule of Findings and Questioned Costs .....	75
Schedule of Findings and Responses .....	76-77
Schedule of Disposition of Prior Year Comments .....	78
Management's Corrective Action Plan .....	79

# INTRODUCTORY SECTION

**CITY OF LORETTO, TENNESSEE**

Officials of the City of Loretto, Tennessee

June 30, 2025

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

**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 accompanying 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, 2025, 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 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, 2025, 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 15, 2025, 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.

*John R Poole, CPA*

December 15, 2025

MANAGEMENT'S  
DISCUSSION AND  
ANALYSIS

## **CITY OF LORETTO, 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, 2025. 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 \$10,436,387. Of this amount, \$814,664 (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 \$1,140,572, as the City's grant revenues increased as compared to the prior year. The City's total revenues increased \$94,385 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 \$535,117 due to keeping expenses within budgeted levels. As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$403,260.

At the end of the current fiscal year, unassigned fund balance of the General Fund was \$134,945 or 5% of the total general fund expenditures.

The City's business-like activities total net position increased by \$605,455 due to increased grant revenues and user-related fees.

The City's total debt increased by \$766,917 as the City borrowed for several capital asset purchases. The City paid \$104,909 to reduce governmental debt and \$137,327 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 enterprise 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 \$10,436,387 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**

	Governmental <u>Activities</u>	Business -Type <u>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 - 2025**

	<u>Governmental Activities</u>	<u>Business -Type Activities</u>
Current and other assets	\$ 645,839	1,163,966
Capital assets	<u>3,888,403</u>	<u>9,290,429</u>
Total assets	4,534,242	10,454,395
Deferred outflows	381,905	319,833
Long-term liabilities outstanding	1,254,342	2,666,861
Other liabilities	<u>335,113</u>	<u>753,181</u>
Total liabilities	1,589,455	3,420,042
Deferred inflows	213,220	31,271
Net position:		
Net investment in capital assets	2,634,061	6,623,568
Restricted	268,315	95,779
Unrestricted	<u>211,096</u>	<u>603,568</u>
Total net position	\$ 3,113,472	7,322,915

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 \$134,945. 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 5% of total general fund expenditures.

Comparison of Revenues and Expenses 2024 - 2025

	2024 Governmental Activities	2025 Governmental Activities	Change Between Years	2024 Business - type Activities	2025 Business - type Activities	Change Between Years
Revenues:						
Program revenues:						
Charges for services	245,301	186,929	(58,372)	2,119,011	2,149,375	30,364
Operating grants and contributions	132,210	105,785	(26,425)	0	0	0
Capital grants and contributions	594,192	611,770	17,578	809,354	901,851	92,497
General revenues:						
Property taxes	230,889	207,774	(23,115)	0	0	0
Sales taxes	865,272	948,788	83,516	0	0	0
Beer and liquor taxes	143,663	130,363	(13,300)	0	0	0
Other local taxes	68,524	70,642	2,118	0	0	0
Income and excise taxes	0	949	949	0	0	0
Miscellaneous	70,375	49,082	(21,293)	50,055	59,923	9,868
Total revenues	<u>\$2,350,426</u>	<u>\$2,312,082</u>	<u>(\$38,344)</u>	<u>\$2,978,420</u>	<u>\$3,111,149</u>	<u>\$132,729</u>
Expenses:						
General government	358,662	360,358	1,696	0	0	0
Police department	487,771	615,785	128,014	0	0	0
Fire department	150,128	148,108	(2,020)	0	0	0
Public works	87,485	124,139	36,654	0	0	0
Parks and recreation	370,231	441,937	71,706	0	0	0
Swimming pool	78,047	82,393	4,346	0	0	0
Library	28,159	4,245	(23,914)	0	0	0
Water and Sewer	0	0	0	1,464,338	1,544,921	80,583
Natural Gas	0	0	0	660,376	739,243	78,867
Sanitation	0	0	0	219,486	221,530	2,044
Total expenses	<u>\$1,560,483</u>	<u>\$1,776,965</u>	<u>\$216,482</u>	<u>\$2,344,200</u>	<u>\$2,505,694</u>	<u>\$161,494</u>
Increases in Net Position	<u>789,943</u>	<u>535,117</u>	<u>(254,826)</u>	<u>634,220</u>	<u>605,455</u>	<u>(28,765)</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, 2025, amounts to \$3,888,403 (net of accumulated depreciation) and its business-type activities amounts to \$9,290,429. 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

	Governmental Activities	Business-Type Activities
Land, buildings and improvement	\$ 4,946,380	137,509
Equipment and utility plant	<u>1,463,938</u>	<u>16,840,232</u>
Less accumulated depreciation	(2,521,915)	(7,687,312)
Net Capital Assets	<u>\$ 3,888,403</u>	<u>9,290,429</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 \$1,254,342 and utility long-term debt totaling \$2,666,861 which was used to make improvements to the utility system. The City's total debt increased by \$766,917 as the City borrowed for several capital asset purchases. The City paid \$104,909 to reduce governmental debt and \$137,327 to reduce enterprise fund debt. All of the City's debt is paying as scheduled. See pages 61-65 for additional information.

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

In the 2025-2026 budget, General fund revenues are budgeted to increase from the 2024-2025 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.

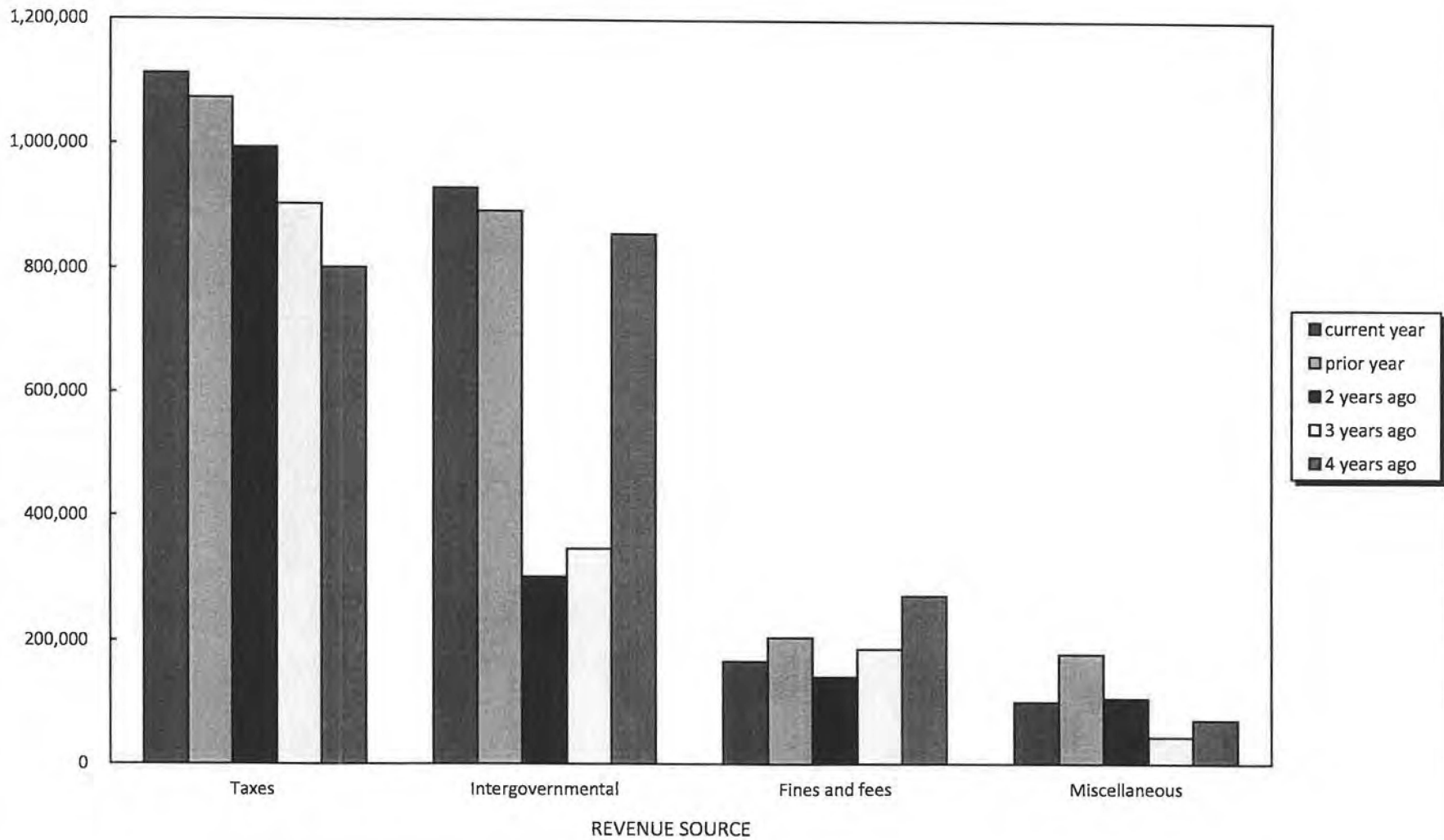
All of these factors were considered in preparing the City's budget for the 2025-2026 fiscal year.

## **Requests for Information**

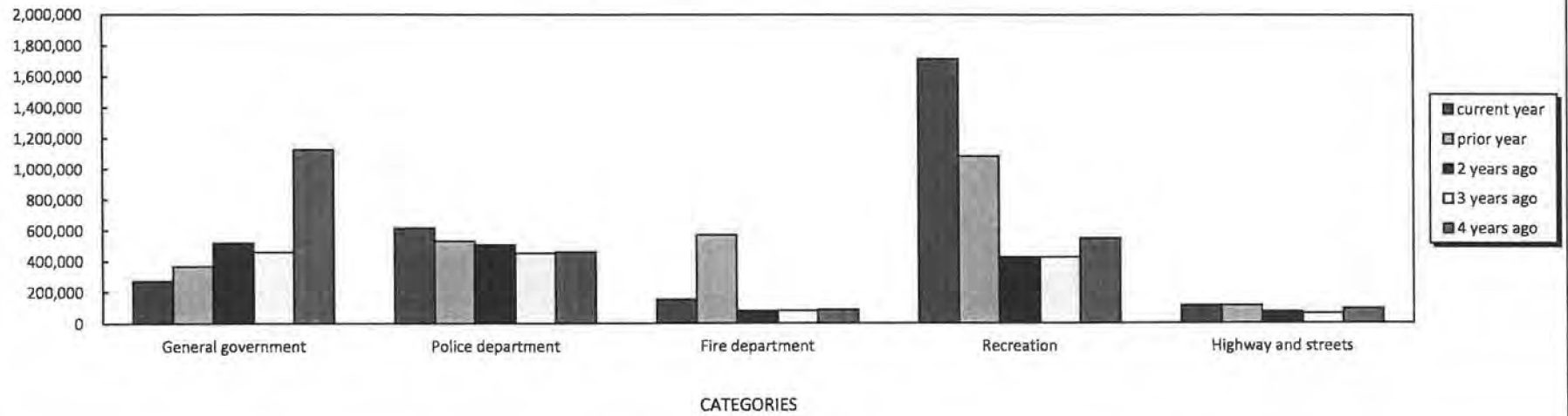
This financial report is designed to provide a general overview of the City of Loretto, Tennessee's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed 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, 2025**

<u>Assets</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Cash and cash equivalents	406,027	804,925	1,210,952
Certificates of Deposit	31,941	50,151	82,092
Receivables	320,902	140,109	461,011
Internal balances	(113,031)	113,031	0
Inventory	0	55,750	55,750
Capital assets not being depreciated	172,185	1,183,163	1,355,348
Capital assets, net of accumulated depreciation	<u>3,716,218</u>	<u>8,107,266</u>	<u>11,823,484</u>
<b>Total Assets</b>	<b><u>4,534,242</u></b>	<b><u>10,454,395</u></b>	<b><u>14,988,637</u></b>
Deferred Outflows of Resources:			
Deferred outflows of resources - OPEB	6,484	5,304	11,788
Deferred outflows of resources - pension	375,421	314,529	689,950
<b>Total Deferred Outflows of Resources</b>	<b><u>381,905</u></b>	<b><u>319,833</u></b>	<b><u>701,738</u></b>
<u>Liabilities, Deferred Inflows, and Net Position</u>			
Liabilities:			
Accounts payable	33,034	501,505	534,539
Accrued expenses	23,260	7,195	30,455
Total OPEB Liability	13,638	11,158	24,796
Net pension liability	221,719	181,406	403,125
Customer deposits	0	21,640	21,640
Compensated absences - current	43,462	30,277	73,739
Long-term liabilities:			
Due within one year	107,021	111,361	218,382
Due in more than one year	1,147,321	2,555,500	3,702,821
<b>Total Liabilities</b>	<b><u>1,589,455</u></b>	<b><u>3,420,042</u></b>	<b><u>5,009,497</u></b>
Deferred Inflows of Resources:			
Deferred inflows of resources - property tax	175,000	0	175,000
Deferred inflows of resources - OPEB	11,544	9,446	20,990
Deferred inflows of resources - pension	26,676	21,825	48,501
<b>Total Deferred Inflows of Resources</b>	<b><u>213,220</u></b>	<b><u>31,271</u></b>	<b><u>244,491</u></b>
Net Position:			
Net investment in Capital Assets	2,634,061	6,623,568	9,257,629
Restricted - Debt Service	0	95,779	95,779
Restricted - State street aid fund	268,315	0	268,315
Unrestricted	211,095	603,568	814,664
<b>Total Net Position</b>	<b><u>3,113,471</u></b>	<b><u>7,322,915</u></b>	<b><u>10,436,387</u></b>

See accompanying notes to financial statements.

CITY OF LORETTO, TENNESSEE

Statement of Activities

For the Year Ended June 30, 2025

Function/Programs	Program Revenues			Capital Grants and Contributions	Net (Expenses) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions		Governmental Activities	Business-Type Activities	
Government Activities:							
General government	360,358	15,320	33,183	611,770	299,915	0	299,915
Police department	615,785	78,814	4,000	0	(532,971)	0	(532,971)
Fire department	148,108	0	0	0	(148,108)	0	(148,108)
Public works	124,139	0	0	0	(124,139)	0	(124,139)
Swimming pool	82,393	52,993	0	0	(29,400)	0	(29,400)
Parks and recreation	441,937	35,316	0	0	(406,621)	0	(406,621)
Library	4,245	0	0	0	(4,245)	0	(4,245)
Highway and streets	0	4,486	68,802	0	73,088	0	73,088
Total Governmental Activities	<u>1,776,965</u>	<u>188,929</u>	<u>105,785</u>	<u>611,770</u>	<u>(872,481)</u>	<u>0</u>	<u>(872,481)</u>
Business - type Activities:							
Water and Sewer Fund	1,544,921	1,200,438	0	901,851	0	557,368	557,368
Natural gas fund	739,243	746,854	0	0	0	7,611	7,611
Solid Waste fund	221,530	202,083	0	0	0	(19,447)	(19,447)
Total Business Type Activities	<u>2,505,694</u>	<u>2,149,375</u>	<u>0</u>	<u>901,851</u>	<u>0</u>	<u>545,532</u>	<u>545,532</u>
Total	<u>4,282,659</u>	<u>2,336,304</u>	<u>105,785</u>	<u>1,513,621</u>	<u>(872,481)</u>	<u>545,532</u>	<u>(326,949)</u>
General Revenues:							
Property taxes					186,647	0	186,647
Public utility taxes					21,127	0	21,127
Sales taxes					948,788	0	948,788
Beer and liquor taxes					130,363	0	130,363
Franchise taxes					12,244	0	12,244
Business taxes					58,398	0	58,398
State income and excise tax					949	0	949
Interest income					5,480	24,668	30,146
Other					43,602	35,257	78,859
Total general revenues					<u>1,407,598</u>	<u>59,923</u>	<u>1,467,521</u>
Changes in Net Position					<u>535,117</u>	<u>605,455</u>	<u>1,140,572</u>
Net Position - beginning of year					<u>2,578,355</u>	<u>6,717,460</u>	<u>9,295,815</u>
Net position - ending of year					<u>3,113,472</u>	<u>7,322,915</u>	<u>10,436,387</u>

See accompanying notes to financial statements.

FUND FINANCIAL  
STATEMENTS

**CITY OF LORETTO, TENNESSEE**

**Balance Sheet**

**Governmental Funds**

**June 30, 2025**

	<u>General Fund</u>	<u>State Street Aid Fund</u>	<u>Total</u>
<u>Assets</u>			
Cash and cash equivalents	143,035	262,992	406,027
Certificates of deposit	31,941	0	31,941
	<u>174,976</u>	<u>262,992</u>	<u>437,968</u>
Accounts receivable:			
Property taxes receivable	186,285	0	186,285
Other governments	129,294	5,323	134,617
	<u>315,579</u>	<u>5,323</u>	<u>320,902</u>
Total Assets	<u>\$490,555</u>	<u>\$268,315</u>	<u>\$758,870</u>
 <u>Liabilities, Deferred Inflow of Resources and Fund Balance</u>			
Liabilities:			
Accounts payable	\$33,034	0	33,034
Due to other funds	\$113,031	0	113,031
Accrued expenses	23,260	0	23,260
	<u>169,325</u>	<u>0</u>	<u>169,325</u>
Deferred Inflow of Resources:			
Deferred inflows - current property taxes	175,000	0	175,000
Deferred inflows - delinquent property taxes	11,285	0	11,285
Total Deferred Inflow of Resources	<u>186,285</u>	<u>0</u>	<u>186,285</u>
Fund Balance:			
Unassigned	134,945	0	134,945
Restricted	0	268,315	268,315
Total Fund Balance	<u>134,945</u>	<u>268,315</u>	<u>403,260</u>
Total Liabilities, Deferred Inflows, and Fund Balance	<u>\$490,555</u>	<u>\$268,315</u>	<u>\$758,870</u>

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

CITY OF LORETTO, TENNESSEE

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

June 30, 2025

Amounts reported for fund balance - total governmental funds	\$ <u>403,260</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	3,888,403
Other long term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds	11,285
Pension related accounts - governmental funds do not record these post-benefit obligations	
Net pension liability	(221,719)
Deferred outflow - pension	375,421
Deferred inflow - pension	(26,676)
OPEB related accounts - governmental funds do not record these post-benefit obligations	
Total OPEB liability	(13,638)
Deferred outflow - OPEB	6,484
Deferred inflow - OPEB	(11,544)
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not recorded in the funds	
Accrued vacation expense	(43,462)
Long-term debt	<u>(1,254,342)</u>
Net Position of governmental activities	\$ <u><u>3,113,472</u></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, 2025**

	<u>General Fund</u>	<u>State Street Aid Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
Taxes	1,112,957	0	1,112,957
Intergovernmental	864,505	65,426	929,931
Fines and fees	167,443	0	167,443
Miscellaneous	96,944	4,806	101,750
Total revenues	<u>\$2,241,849</u>	<u>\$70,232</u>	<u>\$2,312,081</u>
<b>Expenditures:</b>			
General government	272,252	0	272,252
Police department	584,858	0	584,858
Fire department	93,018	0	93,018
Public works	124,139	0	124,139
Swimming pool	82,393	0	82,393
Parks and recreation	351,170	0	351,170
Library	4,245	0	4,245
<b>Capital outlay:</b>			
Fire department	58,317	0	58,317
Parks and recreation	1,258,700	0	1,258,700
<b>Debt service:</b>			
Principal	104,909	0	104,909
Interest	32,284	0	32,284
Total expenditures	<u>\$2,966,285</u>	<u>\$0</u>	<u>\$2,966,285</u>
Excess (deficiency) of revenues over expenditures	<u>(724,436)</u>	<u>70,232</u>	<u>(654,204)</u>
Other financing sources: loan proceeds	<u>296,504</u>	<u>0</u>	<u>296,504</u>
Net change in fun balance	<u>(427,932)</u>	<u>70,232</u>	<u>(357,700)</u>
Fund balance, beginning of year	562,877	198,083	760,960
Fund balance, end of year	<u>\$134,945</u>	<u>\$268,315</u>	<u>\$403,260</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, 2025

Net change in fund balances - total governmental funds:	\$ (357,700)
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.	3,765
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	1,317,017
Depreciation expense	(191,329)
Liabilities not reported in the governmental fund – change in accrued vacation liability	(6,652)
Liabilities not reported in the governmental fund – change in pension plan accrual	(37,170)
Liabilities not reported in the governmental fund – change in post retirement benefits liability	(1,220)
Revenues reported in the statement of activities that increase long-term debt	(296,503)
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>104,909</u>
Change in Net Position of governmental activities	<u>\$ 535,117</u>

See accompanying notes to financial statements.

CITY OF LORETTO, TENNESSEE

Statement of Net Position

Enterprise Funds

June 30, 2025

	Water and Sewer Fund	Natural Gas Fund	Sanitation Fund	Total
<u>Assets and Deferred Outflows</u>				
Current Assets:				
Cash and cash equivalents	\$435,239	\$328,048	\$41,638	804,925
Certificates of Deposit	50,151	0	0	50,151
Customer accounts receivable, net of allowance	97,293	24,952	17,864	140,109
Due from general fund	113,031	0	0	113,031
Inventory	38,550	17,200	0	55,750
Total Current Assets	<u>734,264</u>	<u>370,200</u>	<u>59,502</u>	<u>1,163,966</u>
Capital Assets:				
Capital assets in service	15,627,168	1,039,862	310,711	16,977,741
Less accumulated depreciation	(6,879,715)	(606,287)	(201,310)	(7,687,312)
Total Capital Assets, Net	<u>8,747,453</u>	<u>433,575</u>	<u>109,401</u>	<u>9,290,429</u>
Total Assets	<u>\$9,481,717</u>	<u>\$803,775</u>	<u>\$168,903</u>	<u>\$10,454,395</u>
Deferred outflows:				
Deferred outflows of resources - OPEB	2,475	1,768	1,061	5,304
Deferred outflows of resources - pension	146,780	104,843	62,906	314,529
Total Deferred Outflows	<u>\$149,255</u>	<u>\$106,611</u>	<u>\$63,967</u>	<u>\$319,833</u>
<u>Liabilities:</u>				
Current Liabilities:				
Accounts payable	358,983	140,717	1,805	501,505
Accrued expenses	7,195	0	0	7,195
Total OPEB Liability	5,207	3,719	2,232	11,158
Customer deposits	21,640	0	0	21,640
Compensated absences - current	6,202	14,608	9,467	30,277
Current maturities - long-term debt	76,827	7,634	26,900	111,361
Total Current Liabilities	<u>476,054</u>	<u>166,678</u>	<u>40,404</u>	<u>683,136</u>
Other Liabilities:				
Net pension liability	81,656	60,469	36,281	181,406
Total Other Liabilities	<u>81,656</u>	<u>60,469</u>	<u>36,281</u>	<u>181,406</u>
Long-Term Debt	<u>2,484,632</u>	<u>15,468</u>	<u>55,400</u>	<u>2,555,500</u>
Total Liabilities	<u>3,045,342</u>	<u>243,615</u>	<u>132,085</u>	<u>3,420,042</u>
Deferred Inflows:				
Deferred inflow of resources - OPEB	4,408	3,149	1,889	9,446
Deferred inflow of resources - pension	10,185	7,275	4,365	21,825
Total Deferred Inflows	<u>14,593</u>	<u>10,424</u>	<u>6,254</u>	<u>31,271</u>
Net Position:				
Net investment in capital assets	6,185,994	410,473	27,101	6,623,568
Restricted - Debt service	95,779	0	0	95,779
Unrestricted	289,264	246,874	67,430	603,568
Total Net Position	<u>6,571,037</u>	<u>657,347</u>	<u>94,531</u>	<u>7,322,915</u>

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

CITY OF LORETTO, TENNESSEE

Statement of Revenues, Expenses  
and Changes in Net Position

Enterprise Funds

For the Year Ended June 30, 2025

	Water and Sewer Fund	Natural Gas Fund	Sanitation Fund	Total
Operating Revenues:				
Service fees	\$1,128,520	\$742,109	\$202,083	\$2,072,712
Tap and connection fees	56,737	4,745	0	61,482
Other income	15,181	0	0	15,181
Total Operating Revenues	<u>1,200,438</u>	<u>746,854</u>	<u>202,083</u>	<u>2,149,375</u>
Operating Expenses:				
Salaries	421,883	212,884	125,021	759,788
Employee benefits	89,878	47,266	34,021	171,165
Training and travel	3,595	2,740	0	6,335
Utilities	193,169	6,874	421	200,464
Professional services	40,337	26,594	5,838	72,769
Natural gas purchased	0	304,371	0	304,371
Repair and maintenance	33,069	15,722	6,228	55,019
Supplies	192,565	52,763	8,887	254,215
Office expense	13,335	4,604	1,775	19,714
Dues, subscriptions and fees	10,403	3,453	229	14,085
Vehicle expense	15,195	5,296	14,260	34,751
Rent	0	15,000	0	15,000
Insurance	52,834	8,452	2,292	63,578
Miscellaneous	0	0	0	0
Depreciation	376,426	31,503	20,696	428,625
Total Operating Expenses	<u>1,442,689</u>	<u>737,522</u>	<u>219,668</u>	<u>2,399,879</u>
Operating income (loss)	<u>(242,251)</u>	<u>9,332</u>	<u>(17,585)</u>	<u>(250,504)</u>
Nonoperating Revenues (Expenses):				
Interest income	17,831	5,729	1,106	24,666
Insurance recoveries	13,974	0	0	13,974
Sale of assets	18,225	0	3,058	21,283
Interest expense	(102,232)	(1,721)	(1,862)	(105,815)
Total Nonoperating Revenues (Expenses)	<u>(52,202)</u>	<u>4,008</u>	<u>2,302</u>	<u>(45,892)</u>
Capital contributions	<u>901,851</u>	<u>0</u>	<u>0</u>	<u>901,851</u>
Net change in position	607,398	13,340	(15,283)	605,455
Net Position, July 1, 2024	<u>5,963,639</u>	<u>644,007</u>	<u>109,814</u>	<u>6,717,460</u>
Net Position, June 30, 2025	<u>\$6,571,037</u>	<u>\$657,347</u>	<u>\$94,531</u>	<u>\$7,322,915</u>

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

**CITY OF LORETTO, TENNESSEE**

**Statement of Cash Flows**

**Enterprise Fund Types**

**For the Year Ended June 30, 2025**

	<u>Water and Sewer Fund</u>	<u>Natural Gas Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>
<b>Cash Flows from Operating Activities:</b>				
Cash received from customers	1,692,433	744,873	202,249	2,639,555
Cash received from insurance recoveries	13,974	0	0	13,974
Cash paid to suppliers	(1,775,830)	(301,195)	(43,313)	(2,120,338)
Cash paid to employees	(511,761)	(260,150)	(159,042)	(930,953)
Net Cash Provided (Used) by Operating Activities	<u>(581,184)</u>	<u>183,528</u>	<u>(106)</u>	<u>(397,762)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Acquisition of capital assets	(919,470)	(126,184)	0	(1,045,654)
Capital contributions	901,851	0	0	901,851
Interest paid	(102,232)	(1,721)	(1,862)	(105,815)
Loan proceeds	712,650	0	0	712,650
Repayment of debt	(69,225)	(41,702)	(26,400)	(137,327)
Net Cash Provided (Used) by Capital and Financing Activities	<u>523,574</u>	<u>(169,607)</u>	<u>(28,262)</u>	<u>325,705</u>
<b>Cash Flows from Investing Activities:</b>				
Redemption (purchase) of certificate of deposit	51,470	0	0	51,470
Interest received	17,831	5,729	1,106	24,666
Net Cash Flows from Investing Activities	<u>69,301</u>	<u>5,729</u>	<u>1,106</u>	<u>76,136</u>
 Net Change in Cash	 <u>11,691</u>	 <u>19,650</u>	 <u>(27,262)</u>	 <u>4,079</u>
Cash and Cash Equivalents, July 1, 2024	423,548	308,398	68,900	800,846
Cash and Cash Equivalents, June 30, 2025	<u>435,239</u>	<u>328,048</u>	<u>41,638</u>	<u>804,925</u>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>				
Operating income (loss)	(242,251)	9,332	(17,585)	(250,504)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	376,426	31,503	20,696	428,625
Sale of assets	18,225	0	3,058	21,283
Insurance proceeds	13,974	0	0	13,974
Change in assets (increase) decrease:				
Receivables	491,995	(1,981)	166	490,180
Inventory	8,041	1,911	0	9,952
Due from other funds	(113,031)	3,427	0	(109,604)
Deferred outflows	(10,149)	2,253	(3,486)	(11,382)
Change in liabilities increase (decrease):				
Total OPEB liability	559	82	211	852
Net pension liability	29,851	17,577	12,453	59,881
Accounts payable	(802,072)	132,925	883	(668,264)
Accrued expenses	(32,973)	(13,306)	(10,350)	(56,629)
Due to other funds	(120,050)	(16,788)	(17,184)	(154,022)
Customer deposits	21,640	0	0	21,640
Compensated absences	6,202	14,608	9,467	30,277
Unearned revenue - ARPA grant	(231,380)	0	0	(231,380)
Deferred inflows	3,809	1,985	1,565	5,794
Net Cash Provided (Used) by Operating Activities	<u>(581,184)</u>	<u>183,528</u>	<u>(106)</u>	<u>(397,762)</u>

See accompanying notes to the financial statements.

CITY OF LORETTO, TENNESSEE

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

General Fund

For the Year Ended June 30, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes:				
Property taxes	\$181,000	\$181,000	\$186,647	5,647
Local sales tax	715,000	715,000	726,037	11,037
Local beer and liquor tax	117,800	117,800	129,631	11,831
Franchise taxes	13,000	13,000	12,244	(756)
Business taxes	48,130	48,130	58,398	10,268
Total Taxes	1,074,930	1,074,930	1,112,957	38,027
Intergovernmental:				
TVA in lieu	21,216	21,216	21,127	(89)
State sales tax	215,636	215,636	222,751	7,115
State beer tax	0	0	732	732
State supplement	0	0	4,000	4,000
State income and excise tax	0	0	949	949
State special petroleum tax	3,185	3,185	3,176	(9)
Grants	560,000	560,000	611,770	51,770
Total Intergovernmental Revenue	800,037	800,037	864,505	64,468
Fines and fees:				
Swimming pool	62,000	62,000	52,993	(9,007)
Police fines	80,000	80,000	78,814	(1,186)
Parks and recreation	32,500	32,500	35,316	2,816
Other fines and fees	0	0	320	320
Total Fines and Fees	174,500	174,500	167,443	(7,057)
Miscellaneous:				
Rent	1,500	1,500	15,000	13,500
Interest	0	0	674	674
Street maintenance contracts	10,000	10,000	4,486	(5,514)
Donations	0	0	33,183	33,183
Sale of assets	0	0	37,970	37,970
Miscellaneous	10,000	10,000	5,631	(4,369)
Total Miscellaneous Revenue	21,500	21,500	96,944	75,444
Total Revenues	2,070,967	2,070,967	2,241,849	170,882

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, 2025**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Expenditures:</b>				
<b>General Government:</b>				
<b>Current:</b>				
Salaries	114,380	114,380	112,210	2,170
Payroll taxes	5,400	5,400	14,518	(9,118)
Employee benefits	18,225	18,225	20,058	(1,833)
Utilities	12,000	12,000	10,743	1,257
Professional services	49,500	49,500	41,791	7,709
Office supplies	4,950	4,950	3,366	1,584
Supplies	13,250	13,250	11,688	1,562
Public relation	0	0	19,268	(19,268)
Travel and training	4,500	4,500	5,664	(1,164)
Insurance	12,650	12,650	5,088	7,562
Dues and subscriptions	14,500	14,500	5,703	8,797
Repair and maintenance	12,500	12,500	21,854	(9,354)
Miscellaneous	0	0	301	(301)
	<u>261,855</u>	<u>261,855</u>	<u>272,252</u>	<u>(10,397)</u>
Capital outlay	25,000	35,000	0	35,000
<b>Total General Government</b>	<u>286,855</u>	<u>296,855</u>	<u>272,252</u>	<u>24,603</u>
<b>Public Safety:</b>				
<b>Police Department:</b>				
<b>Current:</b>				
Salaries	306,000	326,000	350,225	(24,225)
Payroll taxes	19,000	19,000	47,145	(28,145)
Employee benefits	56,750	56,750	71,650	(14,900)
Insurance	16,000	16,000	18,070	(2,070)
Vehicle expense	24,050	24,050	28,462	(4,412)
Supplies	21,000	36,000	40,693	(4,693)
Utilities	5,000	5,000	7,953	(2,953)
Professional services	21,000	21,000	19,260	1,740
Miscellaneous	1,000	1,000	1,400	(400)
	<u>469,800</u>	<u>504,800</u>	<u>584,858</u>	<u>(80,058)</u>
Debt service	12,910	12,910	12,912	(2)
Capital outlay	65,000	65,000	0	65,000
<b>Total Police Department</b>	<u>547,710</u>	<u>582,710</u>	<u>597,770</u>	<u>(15,060)</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, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Fire Department:				
Current:				
Salaries	38,000	38,000	38,462	(462)
Supplies and maintenance	51,000	96,000	35,367	60,633
Utilities	8,750	8,750	8,176	574
Professional services	1,000	1,000	1,243	(243)
Insurance	9,250	9,250	9,770	(520)
Miscellaneous	1,500	1,500	0	1,500
	<u>109,500</u>	<u>154,500</u>	<u>93,018</u>	<u>61,482</u>
Debt service	28,652	28,652	28,648	4
Capital outlay	5,000	5,000	58,317	(53,317)
Total Fire Department	<u>143,152</u>	<u>188,152</u>	<u>179,983</u>	<u>8,169</u>
Public Works:				
Salaries and benefits	20,400	20,400	5,758	14,642
Street lighting	65,000	65,000	57,008	7,992
Maintenance and supplies	9,425	9,425	61,373	(51,948)
	<u>94,825</u>	<u>94,825</u>	<u>124,139</u>	<u>(29,314)</u>
Capital outlay	5,000	60,000	0	60,000
Total Public Works	<u>99,825</u>	<u>154,825</u>	<u>124,139</u>	<u>30,686</u>
Swimming Pool:				
Salaries	25,000	25,000	22,295	2,705
Payroll taxes and benefits	3,000	3,000	3,584	(584)
Utilities	1,200	1,200	449	751
Maintenance and supplies	38,000	48,000	42,621	5,379
Insurance	9,000	12,000	13,444	(1,444)
Miscellaneous	0	0	0	0
	<u>76,200</u>	<u>89,200</u>	<u>82,393</u>	<u>6,807</u>
Capital outlay	0	0	0	0
Total Swimming Pool	<u>76,200</u>	<u>89,200</u>	<u>82,393</u>	<u>6,807</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, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Parks and Recreation:				
Salaries	132,500	132,500	120,966	11,534
Payroll taxes	8,400	8,400	15,535	(7,135)
Employee benefits	30,200	30,200	23,608	6,592
Vehicle expense	7,000	7,000	8,275	(1,275)
Insurance	9,000	9,000	11,246	(2,246)
Concessions	15,000	15,000	20,189	(5,189)
Materials and supplies	16,500	16,500	31,291	(14,791)
Repair and maintenance	45,000	52,000	57,958	(5,958)
Utilities	60,000	60,000	55,198	4,802
Professional services	6,500	6,500	6,904	(404)
Miscellaneous	2,500	2,500	0	2,500
	<u>332,600</u>	<u>339,600</u>	<u>351,170</u>	<u>(11,570)</u>
Capital outlay	1,107,500	1,257,500	1,258,700	(1,200)
Debt service	73,800	86,189	95,633	(9,444)
Total Parks and Recreation	<u>1,513,900</u>	<u>1,683,289</u>	<u>1,705,503</u>	<u>(22,214)</u>
Library:				
Utilities	7,500	7,500	3,637	3,863
Supplies	1,500	1,500	229	1,271
Insurance	1,100	1,100	379	721
	<u>10,100</u>	<u>10,100</u>	<u>4,245</u>	<u>5,855</u>
Capital outlay	0	0	0	0
Total Library	<u>10,100</u>	<u>10,100</u>	<u>4,245</u>	<u>5,855</u>
Total Expenditures	<u>2,677,742</u>	<u>3,005,131</u>	<u>2,966,285</u>	<u>38,846</u>
Excess (deficiency) of Revenues over Expenditures	(606,775)	(934,164)	(724,436)	209,728
Other financing sources: operating	80,000	80,000	0	(80,000)
Other financing sources: loan proceeds	<u>305,000</u>	<u>305,000</u>	<u>296,504</u>	<u>(8,496)</u>
Net change in fund balance	<u>(221,775)</u>	<u>(549,164)</u>	<u>(427,932)</u>	<u>121,232</u>
Fund Balance, July 1, 2024	<u>562,877</u>	<u>562,877</u>	<u>562,877</u>	<u>0</u>
Fund Balance, June 30, 2025	<u>341,102</u>	<u>13,713</u>	<u>134,945</u>	<u>121,232</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 and Actual**

**State Street Aid Fund**

**For the Year Ended June 30, 2025**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental:				
Gasoline .03 tax	8,500	8,500	9,051	551
Gasoline 1989 tax	4,625	4,625	4,902	277
Gasoline 2017 tax	14,700	14,700	15,757	1,057
Gasoline and motor fuel	33,040	33,040	35,716	2,676
Interest	<u>3,500</u>	<u>3,500</u>	<u>4,806</u>	<u>1,306</u>
Total Revenues	<u>64,365</u>	<u>64,365</u>	<u>70,232</u>	<u>5,867</u>
Expenditures:				
Streets:				
Street lights	0	0	0	0
Capital Outlay	<u>60,865</u>	<u>60,865</u>	<u>0</u>	<u>60,865</u>
Total Expenditures	<u>60,865</u>	<u>60,865</u>	<u>0</u>	<u>60,865</u>
Excess (deficiency) of revenues over expenditures	3,500	3,500	70,232	66,732
Fund Balance, July 1, 2024	<u>198,083</u>	<u>198,083</u>	<u>198,083</u>	<u>-</u>
Fund Balance, June 30, 2025	<u>\$201,583</u>	<u>\$201,583</u>	<u>268,315</u>	<u>66,732</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, 2025

#### **(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, 2025

### (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 LORETTO, TENNESSEE

## Notes to Financial Statements

June 30, 2025

### (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, 2025

### (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 LORETTO, TENNESSEE

## Notes to Financial Statements

June 30, 2025

### (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, 2025. Payments may be made during the period from July 1 through November 1. Current tax collections of \$179,401 for the fiscal year ended June 30, 2025 were approximately 98 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 LORETTO, TENNESSEE

## Notes to Financial Statements

June 30, 2025

### (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.

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

#### 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, 2025

### (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 LORETTO, TENNESSEE

## Notes to Financial Statements

June 30, 2025

### (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, 2025

### (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 LORETTO, TENNESSEE**

Notes to Financial Statements

June 30, 2025

**(3) Accounts Receivable**

Accounts receivable at June 30, 2025, consist of the following:

<u>Fund</u>	<u>Other Government</u>	<u>Property Taxes</u>	<u>Customer Accounts</u>	<u>Total</u>
General Fund	\$ 129,294	186,285	-	315,579
Special Revenue Funds	5,323	-	-	5,323
Enterprise Funds	-	-	149,939	149,939
Less allowance for doubtful accounts	-	-	(9,830)	(9,830)
Total	\$ <u>134,617</u>	<u>186,285</u>	<u>140,109</u>	<u>461,011</u>

**(4) Capital Assets**

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

	<u>Balance July 1, 2024</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2025</u>
Land	\$172,185	0	0	172,185
Buildings	1,543,962	1,258,700	0	2,802,662
Improvements	1,971,533	0	0	1,971,533
Equipment	1,405,621	58,317	0	1,463,938
Total	<u>5,093,301</u>	<u>1,317,017</u>	<u>0</u>	<u>6,410,318</u>
Less Accumulated Depreciation	<u>(2,330,586)</u>			<u>(2,521,915)</u>
Net capital assets in service	<u>\$2,762,715</u>			<u>\$3,888,403</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	\$ 46,829
Police department	28,759
Fire department	52,396
Parks and Recreation	<u>63,345</u>
Total	<u>191,329</u>

**CITY OF LORETTO, TENNESSEE**

Notes to Financial Statements

June 30, 2025

**(4) Capital Assets, Continued**

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

	Balance July 1, 2024	Additions	Disposals	Balance June 30, 2025
Land	\$69,200	0	0	69,200
Construction in progress	2,399,081	919,470	2,399,081	919,470
Utility plant	12,010,835	2,399,081	0	14,409,916
Equipment	228,582	0	0	228,582
Total	14,707,698	3,318,551	2,399,081	15,627,168
Less Accumulated Depreciation	(6,503,289)			(6,879,715)
Net capital assets in service	\$8,204,409			\$8,747,453

All assets, except land and easements of \$69,200 and Construction in Progress of \$919,470 are being depreciated. Depreciation expense was \$376,426 in 2025.

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

	Balance July 1, 2024	Additions	Disposals	Balance June 30, 2025
Land and easement	\$68,309	0	0	68,309
Construction in progress	0	126,184	0	126,184
Utility plant	557,594	0	0	557,594
Equipment	287,775	0	0	287,775
Total	913,678	126,184	0	1,039,862
Less Accumulated Depreciation	(574,784)			(606,287)
Net capital assets in service	\$338,894			\$433,575

All assets, except land of \$68,309 and construction in progress of \$126,184, are being depreciated. Depreciation expense was \$31,503 in 2025.

**CITY OF LORETTO, TENNESSEE**

Notes to Financial Statements

June 30, 2025

**(4) Capital Assets, Continued**

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

	Balance July 1, 2024	Additions	Disposals	Balance June 30, 2025
Equipment	310,711	0	0	310,711
Total	310,711	0	0	310,711
Less Accumulated Depreciation	(180,614)			(201,310)
Net capital assets in service	\$130,097			\$109,401

All asset are being depreciated. Depreciation expense was \$20,696 for the year ended June 30, 2025.

**(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 2025.

	Balance July 1, 2024	Additions	Retirements	Balance June 30, 2025	Due Within One Year
Compensated Absences	\$ 36,810	\$ 6,652	\$ -	\$ 43,462	\$ 43,462
<b>Loans Payable:</b>					
Capstar	\$ 52,829	\$ -	\$ 25,954	\$ 26,875	\$ 26,875
Security Bank & Trust	\$ 883,000	\$ -	\$ 41,000	\$ 842,000	\$ 42,000
TMBF	\$ 46,324	\$ -	\$ 10,744	\$ 35,580	\$ 11,290
Civic Center Loan	\$ -	\$ 296,503	\$ -	\$ 296,503	\$ -
State Bank	\$ 80,595	\$ -	\$ 27,211	\$ 53,384	\$ 26,856
Total	\$ 1,099,558	\$ 303,155	\$ 104,909	\$1,297,804	\$ 150,483

**CITY OF LORETTO, TENNESSEE**

Notes to Financial Statements

June 30, 2025

**(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 2025.

	Balance July 1, 2024	Additions	Retirements	Balance June 30, 2025	Due Within One Year
Compensated Absences	\$ 7,166	\$ -	\$ 964	\$ 6,202	\$ 6,202
Loans Payable:					
2023 Vehicle Loan	\$ 38,261	\$ -	\$ 8,903	\$ 29,358	\$ 9,331
Series 2021	\$ 472,200	\$ -	\$ 51,200	\$ 421,000	\$ 43,100
Interim construction loan	\$ 990,846	\$ 712,650	\$ -	\$ 1,703,496	\$ -
Series 2017	\$ 416,727	\$ -	\$ 9,122	\$ 407,605	\$ 24,396
Total	<u>\$ 1,925,200</u>	<u>\$ 712,650</u>	<u>\$ 70,189</u>	<u>\$ 2,567,661</u>	<u>\$ 83,029</u>

The following schedule reflects the changes in long-term debt, as shown in the Enterprise (Natural Gas) Fund during the fiscal year 2025.

	Balance July 1, 2024	Additions	Retirements	Balance June 30, 2025	Due Within One Year
Compensated Absences	\$ 16,880	\$ -	\$ 2,272	\$ 14,608	\$ 14,608
Loans Payable:					
2023 Vehicle Loan	\$ 31,304	\$ -	\$ 8,202	\$ 23,102	\$ 7,634
Series 2021	\$ 33,500	\$ -	\$ 33,500	\$ -	\$ -
Total	<u>\$ 81,684</u>	<u>\$ -</u>	<u>\$ 43,974</u>	<u>\$ 37,710</u>	<u>\$ 22,242</u>

The following schedule reflects the changes in long-term debt, as shown in the Enterprise (Sanitation) Fund during the fiscal year 2025.

	Balance July 1, 2024	Additions	Retirements	Balance June 30, 2025	Due Within One Year
Compensated Absences	\$ 10,939	\$ -	\$ 1,472	\$ 9,467	\$ 9,467
Notes Payable:					
Trustmark Bank	\$ 108,700	\$ -	\$ 26,400	\$ 82,300	\$ 26,900
Total	<u>\$ 119,639</u>	<u>\$ -</u>	<u>\$ 27,872</u>	<u>\$ 91,767</u>	<u>\$ 36,367</u>

**CITY OF LORETTO, TENNESSEE**

Notes to Financial Statements

June 30, 2025

**(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, 2025, are as follows:

Year Ending	<u>General Obligation</u>	
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2026	107,021	27,819
2027	82,378	24,349
2028	57,440	21,597
2029	46,000	19,697
2030	48,000	18,358
2031-2035	258,000	70,559
2036-2040	295,000	31,555
2041	<u>64,000</u>	<u>984</u>
Total	<u>957,839*</u>	<u>214,919</u>

\*Additionally, the General Fund fund has an interim construction loan of \$296,503. This loan will be included in this schedule once the loan is fully funded.

Principal and interest requirements to maturity on all outstanding bonds, loans and obligations as of June 30, 2025, are as follows:

Year Ending	<u>Water and Sewer Fund</u>		<u>Natural Gas Fund</u>	
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2026	76,827	18,952	7,634	1,052
2027	78,930	16,813	8,001	685
2028	81,164	14,788	7,467	302
2029	72,599	12,979	-	-
2030	74,391	11,637	-	-
2031-2035	336,940	31,994	-	-
2036-2039	<u>137,112</u>	<u>6,859</u>	<u>-</u>	<u>-</u>
Total	<u>857,963*</u>	<u>114,021</u>	<u>23,102</u>	<u>2,039</u>

\*Additionally, the Water and Sewer fund has an interim construction loan of \$1,703,496. This loan will be included in this schedule once the loan is fully funded.

**CITY OF LORETTO, TENNESSEE**

Notes to Financial Statements

June 30, 2025

**(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, 2025, are as follows:

Year Ending June 30,	<u>Sanitation Fund</u>	
	<u>Principal</u>	<u>Interest</u>
2026	26,900	1,605
2027	27,400	1,080
2028	<u>28,000</u>	<u>546</u>
Total	<u>82,300</u>	<u>3,231</u>

The above bonds and notes 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, 2025

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

*Employees covered by benefit terms.* At the measurement date of June 30, 2024, 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	15
Active employees	<u>18</u>
Total	<u>42</u>

# CITY OF LORETTO, TENNESSEE

## Notes to Financial Statements

June 30, 2025

### (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, 2025, employer contributions for Loretto were \$131,720 based on a rate of 6.67% 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, 2024, 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, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

<i>Inflation</i>	2.25 percent
<i>Salary increases</i>	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation averaging 4.00 percent.
<i>Investment rate of return</i>	6.75 percent, net of pension plan investment expenses, including inflation.
<i>Cost-of-Living Adjustment</i>	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, 2024 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, 2025

**(6) Pension Plan, Continued**

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

<u>Asset class</u>	<u>Long-term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	4.88%	31%
Developed market international equity	5.37%	14%
Emerging market international equity	6.09%	4%
Private equity and strategic lending	6.57%	20%
U.S. fixed income	1.20%	20%
Real Estate	4.38%	10%
Short-term securities	0.00%	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, 2025

**(6) Pension, Continued**

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (Asset)	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
<b>Balance at 6/30/23</b>	\$3,429,537	\$3,191,253	\$238,284
<b>Changes for the Year:</b>			
Service Cost	86,419	-	86,419
Interest	232,953	-	232,953
Changes in Benefit Terms	-	-	-
Differences between expected and actual experience	263,783	-	263,783
Changes in assumptions	-	-	-
Contributions-employer	-	54,941	(54,941)
Contributions-employees	-	54,941	(54,941)
Net investment income	-	310,479	(310,479)
Benefit payments, including refunds of employee contributions	(129,606)	(129,606)	-
Administrative expense	-	(2,047)	2,047
Other changes	-	-	-
<b>Net changes</b>	453,549	288,708	164,841
<b>Balance at 6/30/24</b>	<u>\$ 3,883,086</u>	<u>\$ 3,479,961</u>	<u>\$ 403,125</u>

*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)	\$956,826	\$403,125	(\$51,147)

**CITY OF LORETTO, TENNESSEE**

Notes to Financial Statements

June 30, 2025

**(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, 2025, Loretto recognized pension expense of \$171,227.

*Deferred outflows of resources and deferred inflows of resources.* For the year ended June 30, 2025, 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	467,809	11,754
Net difference between projected and Actual earning on pension plan Investments	-	36,747
Changes in assumptions	90,421	-
Contributions subsequent to the Measurement date of June 30, 2024	<u>131,720</u>	<u>-</u>
Total	<u>689,950</u>	<u>48,501</u>

The amounts shown above for 'Contributions subsequent to the measurement date of June 30, 2024', 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:

2026	\$105,922
2027	\$205,051
2028	\$96,460
2029	\$58,333
2030	\$43,964

Thereafter

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

**CITY OF LORETTO, TENNESSEE**

Notes to Financial Statements

June 30, 2025

**(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, 2024, 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, 2025, the City paid \$441 to the LGOP for OPEB benefits as they came due.

# CITY OF LORETTO, TENNESSEE

## Notes to Financial Statements

June 30, 2025

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

#### Total OPEB Liability

*Actuarial assumptions* - The collective total OPEB liability in the June 30, 2025 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 -	10.68% for pre-65 in 2024, decreasing annually over a 13-year period to an ultimate rate of 4.50%. 13.44% for post-65 in 2024, decreasing annually over a 12 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, 2024, valuations were the same as those employed in the July 1, 2020 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 headcount-Weighted below median teachers PUB-2010 Healthy Participant Mortality table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2021. Post-retirement tables are adjusted with a 19% load for males and a 18% load for females. 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 with mortality improvement projected to all future years using Scale MP-2021.

*Discount rate*-The discount rate used to measure the total OPEB liability was 3.93 percent. This rate reflects the interest rate derived from yields on a 20-year, tax exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Bond Buyer 20-year Municipal GO AA index.

**CITY OF LORETTO, TENNESSEE**

Notes to Financial Statements

June 30, 2025

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

**Changes in the Total OPEB Liability**

	Total OPEB Liability (a)
Total OPEB liability - beginning balance	<u>\$ 20,208</u>
Changes for the year:	
Service cost	\$ 3,196
Interest	\$ 850
Changes of benefit terms	\$ -
Differences between expected and actual experience	\$ (2,559)
Change in assumptions	\$ 3,357
Benefit payments	<u>\$ (256)</u>
Net changes	<u>\$ 4,588</u>
Total OPEB liability - ending balance	<u><u>\$ 24,796</u></u>

*Changes in assumptions* - The discount rate was changed from 3.65% as of the beginning of the measurement period to 3.93% as of June 30, 2024. 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.

	1% Decrease	Current Discount Rate Assumption	1% Increase
	<u>(2.93%)</u>	<u>(3.93%)</u>	<u>(4.93%)</u>
	\$ 26,792	\$ 24,796	\$ 22,935

*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 Trend Rate Assumption	1% Increase
	<u>(5.60 decreasing to 3.50%)</u>	<u>(6.60% decreasing to 4.50%)</u>	<u>(7.60% decreasing to 5.50%)</u>
	\$ 21,899	\$ 24,796	\$ 28,202

**CITY OF LORETTO, TENNESSEE**

Notes to Financial Statements

June 30, 2025

**(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, 2025, the City of Loretto recognized OPEB expense of (\$1,229).

Deferred Outflows of Resources and Deferred Inflows of Resources - For the year ended June 30, 2025, 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	3,024	10,767
Changes in assumptions	8,323	10,223
Employer payments subsequent to The measurement date	<u>441</u>	<u>-</u>
Total	<u>11,788</u>	<u>20,990</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:

2026	\$ (4,787)
2027	(2,298)
2028	(1,382)
2029	(980)
2030	(358)
Thereafter	162

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, 2025

**(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, 2025 were as follows:

Transfers In:

	General Fund	Water and Sewer Fund
<u>Transfers Out:</u>		
General Fund	\$ -	113,031
Water and Sewer Fund	<u>113,031</u>	<u>-</u>
Total	\$ <u>113,031</u>	<u>113,031</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, 2025

#### **(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.

#### **(12) Comptroller's Investigative Report**

During the year, the State of Tennessee Comptroller's office issued an investigative report that contained findings related to the disposal of wastewater from the City administrator's property. The City management believes it has strengthened controls to reduce the possibilities of this occurring in the future.

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

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total pension liability (asset)										
Service cost	\$ 37,097	\$ 42,899	\$ 43,062	\$ 45,490	\$ 52,523	\$ 52,591	\$ 48,947	\$ 55,476	\$ 66,549	\$ 86,419
Interest	\$ 120,242	\$ 128,357	\$ 140,962	\$ 143,702	\$ 153,409	\$ 162,980	\$ 169,804	\$ 183,520	\$ 208,113	\$ 232,953
Changes in benefit terms	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Differences between actual & expected experience	\$ 10,543	\$ 65,998	\$ (67,825)	\$ 10,147	\$ 4,655	\$ (27,904)	\$ (21,317)	\$ 227,745	\$ 201,179	\$ 263,783
Change of assumptions	\$ -	\$ -	\$ 55,042	\$ -	\$ -	\$ -	\$ 271,265	\$ -	\$ -	\$ -
Benefit payments, including refunds of employee contributions	\$ (62,908)	\$ (68,054)	\$ (70,653)	\$ (71,476)	\$ (73,483)	\$ (83,817)	\$ (95,957)	\$ (101,117)	\$ (125,831)	\$ (129,606)
Net change in total pension liability (asset)	\$ 104,974	\$ 169,200	\$ 100,588	\$ 127,863	\$ 137,104	\$ 103,850	\$ 372,742	\$ 365,624	\$ 350,010	\$ 453,549
Total pension liability (asset)-beginning	\$ 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	\$ 3,429,537
Total pension liability (asset)-ending (a)	\$ 1,702,556	\$ 1,871,756	\$ 1,972,344	\$ 2,100,207	\$ 2,237,311	\$ 2,341,161	\$ 2,713,903	\$ 3,079,527	\$ 3,429,537	\$ 3,883,086
Plan fiduciary net position										
Contributions-employer	\$ -	\$ -	\$ 5,255	\$ 11,633	\$ 12,732	\$ 19,932	\$ 19,846	\$ 28,126	\$ 45,246	\$ 54,941
Contributions-employee	\$ 20,542	\$ 25,407	\$ 26,277	\$ 29,082	\$ 31,829	\$ 33,220	\$ 33,076	\$ 40,180	\$ 45,246	\$ 54,941
Net investment income	\$ 283,431	\$ 52,351	\$ 224,823	\$ 180,331	\$ 172,863	\$ 122,176	\$ 657,049	\$ (121,062)	\$ 202,168	\$ 310,479
Benefit payments, including refunds of employee contributions	\$ (69,519)	\$ (68,054)	\$ (70,653)	\$ (71,476)	\$ (73,483)	\$ (83,817)	\$ (95,957)	\$ (101,117)	\$ (125,831)	\$ (129,606)
Administrative expense	\$ (538)	\$ (1,082)	\$ (1,259)	\$ (1,476)	\$ (1,403)	\$ (1,506)	\$ (1,480)	\$ (1,777)	\$ (1,727)	\$ (2,047)
Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net change in plan fiduciary net position	\$ 233,916	\$ 8,622	\$ 184,443	\$ 148,094	\$ 142,538	\$ 90,005	\$ 612,534	\$ (155,650)	\$ 165,102	\$ 288,708
Plan fiduciary net position-beginning	\$ 1,742,300	\$ 1,976,216	\$ 1,984,838	\$ 2,169,281	\$ 2,317,375	\$ 2,459,913	\$ 2,569,267	\$ 3,181,801	\$ 3,026,151	\$ 3,191,253
Plan fiduciary net position-ending (b)	\$ 1,976,216	\$ 1,984,838	\$ 2,169,281	\$ 2,317,375	\$ 2,459,913	\$ 2,549,918	\$ 3,181,801	\$ 3,026,151	\$ 3,191,253	\$ 3,479,961
Net Pension Liability (asset)-ending (a) - (b)	\$ (273,660)	\$ (113,082)	\$ (196,937)	\$ (217,168)	\$ (222,602)	\$ (208,757)	\$ (467,898)	\$ 53,376	\$ 238,284	\$ 403,125
Plan fiduciary net position as a percentage of total pension liability	123.70%	107.08%	110.97%	111.26%	110.81%	109.74%	117.24%	98.27%	93.05%	89.62%
Covered payroll	\$ 410,847	\$ 508,141	\$ 525,544	\$ 581,636	\$ 636,587	\$ 664,397	\$ 661,521	\$ 803,596	\$ 904,908	\$ 1,098,819
Net pension liability (asset) as a percentage of covered payroll	92.16%	-26.06%	-41.16%	-40.66%	-38.01%	-34.33%	-70.73%	6.64%	26.33%	36.69%

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

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

CITY OF LORETTO, TENNESSEE  
 Schedule of Contributions Based on Participation in the  
 Public Employee Pension Plan of TCRS  
 For the Year Ended June 30, 2025

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Actuarially determined contribution	0	0	5,816	6,366	10,497	10,452	12,697	28,324	48,678	131,720
Contributions in relation to the actuarially determined contribution	0	5,255	11,633	12,732	19,932	19,846	28,126	45,246	54,941	131,720
Contribution deficiency (excess)	\$0	(\$5,255)	(\$5,817)	(\$6,366)	(\$9,435)	(\$9,394)	(\$15,429)	(\$16,922)	(\$6,263)	\$0
Covered-employee payroll	508,141	525,544	581,636	636,587	664,397	661,521	803,596	904,908	1,098,819	957,198
Contributions as a percentage covered-employee payroll	0.00%	1.00%	2.00%	2.00%	3.00%	3.00%	3.50%	5.00%	5.00%	6.67%

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, in needed.

Notes to Schedule

Valuation date: Actuarially determined contribution rates for fiscal year 2025 were calculated based on the June 30, 2023 actuarial valuation.

Methods and assumptions used to determine contribution rates:

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

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

**CITY OF LORETTO, TENNESSEE**

**Schedule of Required Supplementary Information - OPEB**

**Schedule of Changes in Total OPEB Liability and Related Ratios**

**Measurement Year ending June 30**

	2018	2019	2020	2021	2022	2023	2024	2025
<b>Total OPEB Liability</b>								
Service Cost	\$ 3,080	\$ 2,856	\$ 3,090	\$ 2,832	\$ 3,220	\$ 3,181	\$ 1,944	\$ 3,196
Interest on the Total OPEB Liability	\$ 1,362	\$ 1,716	\$ 1,726	\$ 1,128	\$ 755	\$ 706	\$ 673	\$ 850
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)	\$ (2,559)
Changes in assumptions and other inputs	\$ (2,471)	\$ 3,222	\$ 874	\$ 1,894	\$ (10,358)	\$ (9,384)	\$ 5,762	\$ 3,357
Benefit payments	\$ -	\$ (319)	\$ (569)	\$ (559)	\$ (808)	\$ (4,660)	\$ (4,937)	\$ (256)
<b>Net change in Total OPEB Liability</b>	<b>\$ 1,971</b>	<b>\$ (669)</b>	<b>\$ (15,264)</b>	<b>\$ 1,729</b>	<b>\$ 489</b>	<b>\$ (12,302)</b>	<b>\$ 698</b>	<b>\$ 4,588</b>
<b>Total OPEB Liability - Beginning</b>	<b>\$ 43,557</b>	<b>\$ 45,528</b>	<b>\$ 44,858</b>	<b>\$ 29,594</b>	<b>\$ 31,323</b>	<b>\$ 31,812</b>	<b>\$ 19,510</b>	<b>\$ 20,208</b>
<b>Total OPEB Liability - Ending</b>	<b>\$ 45,528</b>	<b>\$ 44,859</b>	<b>\$ 29,594</b>	<b>\$ 31,323</b>	<b>\$ 31,812</b>	<b>\$ 19,510</b>	<b>\$ 20,208</b>	<b>\$ 24,796</b>
<b>Estimated Covered -Employee Payroll</b>	<b>\$ 525,544</b>	<b>\$ 636,587</b>	<b>\$ 664,397</b>	<b>\$ 661,521</b>	<b>\$ 803,596</b>	<b>\$ 803,596</b>	<b>\$ 804,368</b>	<b>\$ 957,198</b>
<b>Total OPEB Liability as a Percentage of Covered -Employee Payroll</b>	<b>8.66%</b>	<b>7.05%</b>	<b>4.45%</b>	<b>4.73%</b>	<b>3.96%</b>	<b>2.43%</b>	<b>2.51%</b>	<b>2.59%</b>

**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, 2025

<u>Description</u>	<u>Balance July 1, 2024</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2025</u>
Land	\$172,185	0	0	172,185
Buildings	1,543,962	1,258,700	0	2,802,662
Improvements	1,971,533	0	0	1,971,533
Equipment	1,405,621	58,317	0	1,463,938
Total Capital Assets	<u>\$5,093,301</u>	<u>1,317,017</u>	<u>0</u>	<u>6,410,318</u>

CITY OF LORETTO, TENNESSEE

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

June 30, 2025

	<u>Carrying Value</u>
General Fund:	
Demand deposits	\$143,035
Certificate of Deposits	31,941
Total General Fund	<u>174,976</u>
State Street Aid Fund - demand deposit	<u>262,992</u>
Water and Sewer Fund:	
Demand deposits	435,239
Certificate of Deposits	50,151
Total Water and Sewer Fund	<u>485,390</u>
Natural Gas Fund:	
Demand deposits	328,048
Total Natural Gas Fund	<u>328,048</u>
Sanitation Fund:	
Demand deposits	41,638
Total Sanitation Fund	<u>41,638</u>
Total Cash and Cash Equivalents - All Funds	<u>\$1,293,044</u>

**CITY OF LORETTO, TENNESSEE**

**Schedule of Changes in Property Taxes Receivable**

**For the Year Ended June 30, 2025**

<u>Tax Year</u>	<u>Balance July 1, 2024</u>	<u>Levy</u>	<u>Collections and Changes in Assessment</u>	<u>Balance June 30, 2025</u>
2025	\$ -	175,000	0	175,000
2024	145,000	38,232	179,401	3,831
2023	1,765	0	0	1,765
2022	3,251	0	0	3,251
2021	1,488	0	0	1,488
2020	335	0	0	335
2019	320	0	0	320
2018	202	0	0	202
2017	93	0	0	93
2016	0	0	0	0
2015	0	0	0	0
2014	66	0	66	0
	<u>152,520</u>	<u>213,232</u>	<u>179,467</u>	<u>186,285</u>

<u>Tax Year</u>	<u>Tax Rate</u>	<u>Tax Levy</u>	<u>Tax Adjustment and Collections</u>	<u>Outstanding Taxes</u>
2025	\$ 0.33	\$ 175,000	\$ 0	\$ 175,000
2024	0.33	183,232	179,401	3,831
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	42,675	0

All delinquent taxes have been turned over to the County.

CITY OF LORETTO, TENNESSEE

Schedule of Debt Service Requirements-  
General Obligation Debt

June 30, 2025

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
2026	\$ 26,875	802	26,856	1,792	11,290	1,761	42,000	23,464	107,021	27,819
2027	-	-	26,528	911	11,850	1,202	44,000	22,236	82,378	24,349
2028	-	-	-	-	12,440	616	45,000	20,981	57,440	21,597
2029	-	-	-	-	-	-	46,000	19,697	46,000	19,697
2030	-	-	-	-	-	-	48,000	18,358	48,000	18,358
2031	-	-	-	-	-	-	49,000	16,991	49,000	16,991
2032	-	-	-	-	-	-	50,000	15,596	50,000	15,596
2033	-	-	-	-	-	-	52,000	14,145	52,000	14,145
2034	-	-	-	-	-	-	53,000	12,667	53,000	12,667
2035	-	-	-	-	-	-	54,000	11,160	54,000	11,160
2036	-	-	-	-	-	-	56,000	9,598	56,000	9,598
2037	-	-	-	-	-	-	57,000	8,007	57,000	8,007
2038	-	-	-	-	-	-	59,000	6,361	59,000	6,361
2039	-	-	-	-	-	-	61,000	4,659	61,000	4,659
2040	-	-	-	-	-	-	62,000	2,930	62,000	2,930
2041	-	-	-	-	-	-	64,000	984	64,000	984
	<u>\$ 26,875</u>	<u>802</u>	<u>53,384</u>	<u>2,703</u>	<u>35,580</u>	<u>3,579</u>	<u>842,000</u>	<u>207,835</u>	<u>957,839</u>	<u>214,919</u>

Additionally, the General fund has a interim construction loan of \$296,503. This loan will be included in this schedule once the loan is fully funded.

CITY OF LORETTO, TENNESSEE

Schedule of Debt Service Requirements  
Water and Sewer Fund

June 30, 2025

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		
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	43,600	653	29,204	4,115			72,804	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			43,377	641			43,377	641
	<u>\$ 421,000</u>	<u>41,986</u>	<u>407,605</u>	<u>69,543</u>	<u>29,358</u>	<u>2,492</u>	<u>857,963</u>	<u>114,021</u>

Additionally, the Water and Sewer fund has a interim construction loan of \$1,703,496. 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, 2025

2023 Vehicle Loan

	<u>Principal</u>	<u>Interest</u>
<u>Year</u>		
2026	\$ 7,634	1,052
2027	8,001	685
2028	<u>7,467</u>	<u>302</u>
	<u>\$ 23,102</u>	<u>2,039</u>

**CITY OF LORETTO, TENNESSEE**

**Schedule of Debt Service Requirements  
Sanitation Fund**

**June 30, 2025**

Capital Outlay Note Trustmark Bank		
	<u>Principal</u>	<u>Interest</u>
<u>Year</u>		
2026	\$ 26,900	1,605
2027	27,400	1,080
2028	<u>28,000</u>	<u>546</u>
	<u>\$ 82,300</u>	<u>3,231</u>

CITY OF LORETTO, TENNESSEE

Schedule of Changes in Long-term Debt by Individual Issue

June 30, 2025

	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/2024	Issued During Period	Matured During Period	Paid and/or Refunded During Period	Outstanding 6/30/2025
<b>Business-Type Activities</b>									
<b>Water and Sewer Fund</b>									
2023 Vehicle Loan Series 2021	46,487	4.750%	2023	3/14/2028	\$ 38,261	\$ -	\$ -	\$ 8,903	\$ 29,358
Interim construction loan Series 2017	553,187	2.400%	2021	6/30/2034	\$ 472,200	\$ -	\$ -	\$ 51,200	\$ 421,000
	990,846	n/a	2024	12/28/2028	\$ 990,846	\$ 712,650	\$ -	\$ -	\$ 1,703,496
	536,000	2.25%	2019	11/17/2039	\$ 416,727	\$ -	\$ -	\$ 9,122	\$ 407,605
<b>Total Water and Sewer</b>					<b>\$ 1,918,034</b>	<b>\$ 712,650</b>	<b>\$ -</b>	<b>\$ 69,225</b>	<b>\$ 2,561,459</b>
<b>Natural Gas Fund</b>									
2023 Vehicle Loan Series 2021	38,514	4.750%	2023	3/14/2028	\$ 31,304	\$ -	\$ -	\$ 8,202	\$ 23,102
	99,000	1.47%	2021	6/30/2025	\$ 33,500	\$ -	\$ -	\$ 33,500	\$ -
<b>Total Natural Gas Fund</b>					<b>\$ 64,804</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 41,702</b>	<b>\$ 23,102</b>
<b>Sanitation Fund</b>									
Trustmark Bank	160,000	1.95%	2021	11/1/2027	\$ 108,700	\$ -	\$ -	\$ 26,400	\$ 82,300
<b>Total Sanitation Fund</b>					<b>\$ 108,700</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 26,400</b>	<b>\$ 82,300</b>
<b>Governmental Activities</b>									
Capstar	123,853	2.93%	2021	6/30/2026	\$ 52,829	\$ -	\$ -	\$ 25,954	\$ 26,875
Security Bank & Trust	1,000,000	2.79%	2021	8/2/2041	\$ 883,000	\$ -	\$ -	\$ 41,000	\$ 842,000
TMBF	46,324	2.05%	2016	5/1/2023	\$ 46,324	\$ -	\$ -	\$ 10,744	\$ 35,580
Civic Center Loan	296,503	5.120%	2025	unknown	\$ -	\$ 296,503	\$ -	\$ -	\$ 296,503
State Bank	179,000	3.23%	2020	2/1/2027	\$ 80,595	\$ -	\$ -	\$ 27,211	\$ 53,384
<b>Total Governmental Activities</b>					<b>\$ 1,062,748</b>	<b>\$ 296,503</b>	<b>\$ -</b>	<b>\$ 104,909</b>	<b>\$ 1,254,342</b>

**CITY OF LORETTO, TENNESSEE**

**Schedule of Utility Rates in Force**

**June 30, 2025**

<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 LORETTO, TENNESSEE

Schedule of Federal and State Financial Assistance

For the Year Ended June 30, 2025

<u>Assistance Listing Number</u>	<u>State Grant Number</u>	<u>Grantor Agency</u>	<u>Receivable (Deferred) Balance June 30, 2024</u>	<u>Grant Receipts</u>	<u>Other Receipts</u>	<u>Grant Expenditures</u>	<u>Receivable (Deferred) Balance June 30, 2025</u>
<b>State Program:</b>							
N/A	Z-25THSO128	Tennessee Department of Transportation	<u>0</u>	<u>4,000</u>	<u>0</u>	<u>4,000</u>	<u>0</u>
N/A	Downtown	Tennessee Department of Transportation	<u>0</u>	<u>10,760</u>	<u>0</u>	<u>10,760</u>	<u>0</u>
N/A	Fire Safety	Tennessee Department of Finance and Administration	<u>0</u>	<u>24,720</u>	<u>0</u>	<u>24,720</u>	<u>0</u>
N/A	32701-04554	Local Parks and Recreation Fund	<u>0</u>	<u>535,521</u>	<u>0</u>	<u>569,790</u>	<u>34,269</u>
		<b>Total State</b>	<u>0</u>	<u>575,001</u>	<u>0</u>	<u>609,270</u>	<u>34,269</u>
<b>Federal Program:</b>							
14.228	2018 CDBG Water System Improvement	Tennessee Department of Economic and Community Development from U. S Department of HUD	<u>0</u>	<u>417,868</u>	<u>0</u>	<u>417,868</u>	<u>0</u>
21.027	American Rescue Plan Act	US Department of Treasury thru Giles County, Tennessee	<u>\$0</u>	<u>100,000</u>	<u>0</u>	<u>100,000</u>	<u>\$0</u>
21.027	American Rescue Plan Act	US Department of Treasury thru the State of Tennessee	<u>(\$231,380)</u>	<u>0</u>	<u>0</u>	<u>231,380</u>	<u>\$0</u>
23.002	Utility Improvements	Appalachian Regional Commission Program	<u>\$487,401</u>	<u>615,253</u>	<u>0</u>	<u>127,852</u>	<u>0</u>
		<b>Total Federal</b>	<u>256,021</u>	<u>1,133,121</u>	<u>0</u>	<u>877,100</u>	<u>0</u>
		<b>Total Federal and State</b>	<u>256,021</u>	<u>1,708,122</u>	<u>0</u>	<u>1,486,370</u>	<u>34,269</u>

This schedule prepared on the accrual basis of accounting.

**CITY OF LORETTO, TENNESSEE**

**Schedule of Expenditures of Federal Awards**

**June 30, 2025**

<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>417,868</u>
American Rescue Plan Act	US Department of Treasury thru the State of Tennessee	21.027	<u>231,380</u>
American Rescue Plan Act	US Department of Treasury thru Giles County, Tennessee	21.027	<u>100,000</u>
Utility Improvements	Appalachian Regional Commission Program	23.002	<u>127,852</u>
		Total	<u>877,100</u>

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

# COMPLIANCE AND INTERNAL CONTROL

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

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, 2025, 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 15, 2025.

**Report on 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 2025-001 and 2025-002, that I consider to be material weaknesses.

### **Report on 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*.

### **City of Loretto's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the City of Loretto's response to the finding identified in my audit and described in the accompanying 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 the response.

### **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.

Jak R Poole, CPA

December 15, 2025

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
THE UNIFORM GUIDANCE**

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, 2025. 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, 2025.

***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. My 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.

### *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

*Joli R Poole, CPA*

December 15, 2025

# CITY OF LORETTO, TENNESSEE

## Schedule of Findings and Questioned Costs

June 30, 2025

### 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. 2025-001 Separation of Duties.  
2025-002 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:

2018 CDBG Water System Improvement, Assistance Listing Number 14.228

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 finding related to the financial statements which are required to be reported in accordance with Government Auditing Standards. 2025-001 - Separation of Duties, 2025-002 Journal Entries.

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

There were no findings related to Federal Awards.

## CITY OF LORETTO, TENNESSEE

### Schedule of Findings and Responses

June 30, 2025

#### **2025-001 - 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."

#### **2025-002 - 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, 2025

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, 2025

<u>Finding Number</u>	<u>Finding Title</u>	<u>Status</u>
2024 - 001	Separation of Duties	Repeated

The original finding number was 2007-001. The current year finding number is 2025-001.

2024 - 002	Journal Entries	Repeated
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The original finding number was 2020-002. The current year finding number is 2025-002.



## Management's Corrective Action Plan

Audit period: June 30, 2025

The findings from the June 30, 2025, *Schedule of Findings and Responses* are discussed below.

### 2025-001 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.

### 2025-002 - 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, 2026

Signature: \_\_\_\_\_

A handwritten signature in cursive script, appearing to read "Jesse E. Turner", is written over a horizontal line.