

**CITY OF ORME, TENNESSEE**

Annual Financial Report

For the Year Ended June 30, 2023

# CITY OF ORME, TENNESSEE

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# CITY OF ORME, TENNESSEE

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# INTRODUCTORY SECTION

**CITY OF ORME, TENNESSEE**

Officials of the City of Orme, Tennessee

June 30, 2023

Name

Title

Elected Officials:

Jerry Godsby

Mayor

Tony Reames

Vice Mayor

Gwen Smith

Commissioner

Melissa Allison

City Recorder and Financial Oversight Designee

# FINANCIAL SECTION

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

134 NORTHLAKE DRIVE  
HENDERSONVILLE, TN 37075

(615) 822-4177

**Independent Auditor's Report**

Mayor and Board of Councilmen of the  
City of Orme, Tennessee  
Orme, Tennessee

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

***Opinions***

I have audited the accompanying financial statements of the governmental activities, each major fund of the City of Orme, Tennessee (the "City") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City as of June 30, 2023, and the respective changes in financial position and the respective budgetary comparison for the General Fund and the State Street Aid Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

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

***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

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

- ❖ Exercise professional judgment and maintain professional skepticism throughout the audit.
- ❖ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- ❖ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- ❖ Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- ❖ Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

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

Accounting principles generally accepted in the United States of America require that the Required Supplementary Information, which includes the Management's Discussion and Analysis, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the

limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The 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 July 31, 2023, on my consideration of the City's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.

*John R Poole, CPA*

July 31, 2023

MANAGEMENT'S  
DISCUSSION AND  
ANALYSIS

## CITY OF ORME, TENNESSEE

### Management's Discussion and Analysis

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

#### Financial Highlights:

The assets of the City of Orme exceeded its liabilities at the close of the most recent fiscal year by \$217,458. Of this amount, \$102,518 (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 \$35,353 primarily as a result of the City's ability to keep expenditures within budgeted levels. Revenues were 13,503 higher than the previous year as the City had increased grant revenues and expenses were \$6,402 higher in the current year.

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$119,460, a decrease of \$6,045 due to the City making capital outlay purchases of \$162,676 for infrastructure improvements.

At the end of the current fiscal year, unassigned fund balance of the General Fund was \$92,955 or 70% of the total general fund expenditures.

#### Overview of the Financial Statements:

This discussion and analysis is intended to serve as an introduction to the City of Orme'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 Orme include general government, personnel, finance, streets and public works. The government-wide financial statements can be found on pages 11-12 of this report.

Fund financial statements. A Fund is a grouping of related accounts that is used to maintain control over resources that have been segregated from specific activities or objectives. The City of Orme, 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. Governmental Funds are funds used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund which is considered to be major fund. The City of Orme 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 governmental fund financial statements can be found on pages 14-20 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-30 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 Orme, assets exceeded liabilities by \$217,458 at the close of the most recent fiscal year.

The City’s assets include its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure) less any related debt use to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**City of Orme’s Net Position**

	2023 Governmental <u>Activities</u>	2022 Governmental <u>Activities</u>
Current and other assets	\$ 119,460	141,824
Capital assets	<u>210,811</u>	<u>56,600</u>
Total assets	330,271	198,424
Other liabilities	-	-
Long-term debt	<u>112,813</u>	<u>-</u>
Total liabilities	112,813	-
Deferred Inflows	-	16,319
Net position:		
Net investment in capital assets	97,998	56,600
Restricted	16,942	10,776
Unrestricted	<u>102,518</u>	<u>114,729</u>
Total net position	\$ 217,458	182,105

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

Comparison of revenues and expenses for 2022 and 2023

	2022 Governmental <u>Activities</u>	2023 Governmental <u>Activities</u>	Change Between <u>Years</u>
Revenues:			
Program revenues:			
Operating grants and contributions	3,669	3,006	(663)
Capital grants and contributions	16,203	32,638	16,435
General revenues:			
Public utility taxes	903	1,046	143
Sales taxes	13,640	12,305	(1,335)
Beer taxes	40	40	0
Other	6,456	5,379	(1,077)
Total revenues	\$40,911	\$54,414	\$13,503
Expenses:			
General government	7,821	12,144	4,323
Highways and streets	4,838	6,917	2,079
Total expenses	\$12,659	\$19,061	\$6,402
Change in net position	28,252	35,353	7,101

The assets of the City of Orme exceeded its liabilities at the close of the most recent fiscal year by \$217,458. Of this amount, \$102,518 (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 \$35,353 primarily as a result of the City's ability to keep expenditures within budgeted levels. Revenues were 13,503 higher than the previous year as the City had increased grant revenues and expenses were \$6,402 higher in the current 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 Orme's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements in particular, unassigned fund balance may serve as a useful measure to a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$92,955. 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 70% of total general fund expenditures.

### General Fund Budgetary Highlights

The City maintained all of its departmental appropriation budgets during the year.

### Capital Assets

The City of Orme's investment in capital assets from its governmental activities at June 30, 2023, amounts to \$210,811 (net of accumulated depreciation). This investment in capital assets is in land, buildings, improvements, machinery and equipment.

### City of Orme's Capital Assets

	2023	2022
	Governmental	Governmental
	Activities	Activities
Land and buildings	\$ 99,634	99,634
Infrastructure	222,676	60,000
Furniture and equipment	<u>29,894</u>	<u>29,894</u>
Less accumulated depreciation	(141,393)	(132,928)
Net Capital Assets	\$ <u>210,811</u>	<u>56,600</u>

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

- Street and paving infrastructure improvements of \$162,676.

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

## **Debt**

During the year the City received loan proceeds of \$118,750 from Marion County. The City received this loan for purpose of stream bank stabilization. The loan requires monthly payments of \$495 for 240 months and is a noninterest-bearing loan. All City debts are being paid as scheduled. Additional information on the City of Orme's long-term debt can be found in the notes to the financial statements section of this report.

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

In the 2023-2024 budget, General fund revenues are budgeted to maintain from the 2022-2023 budget as the economy returns to a more normal level. Expenditures are expected to remain stable.

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

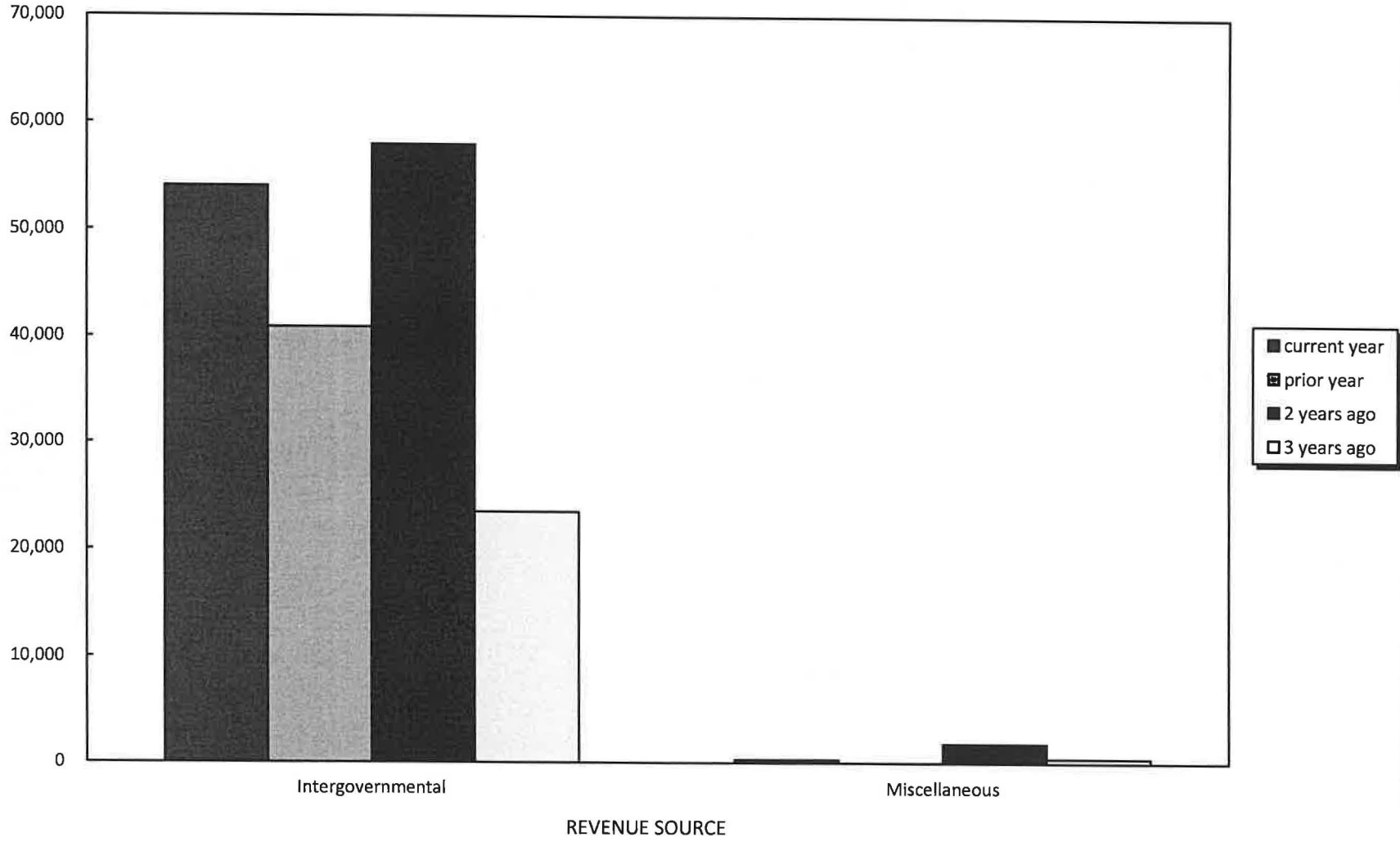
## **Requests for Information**

This financial report is designed to provide a general overview of the City of Orme, 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:

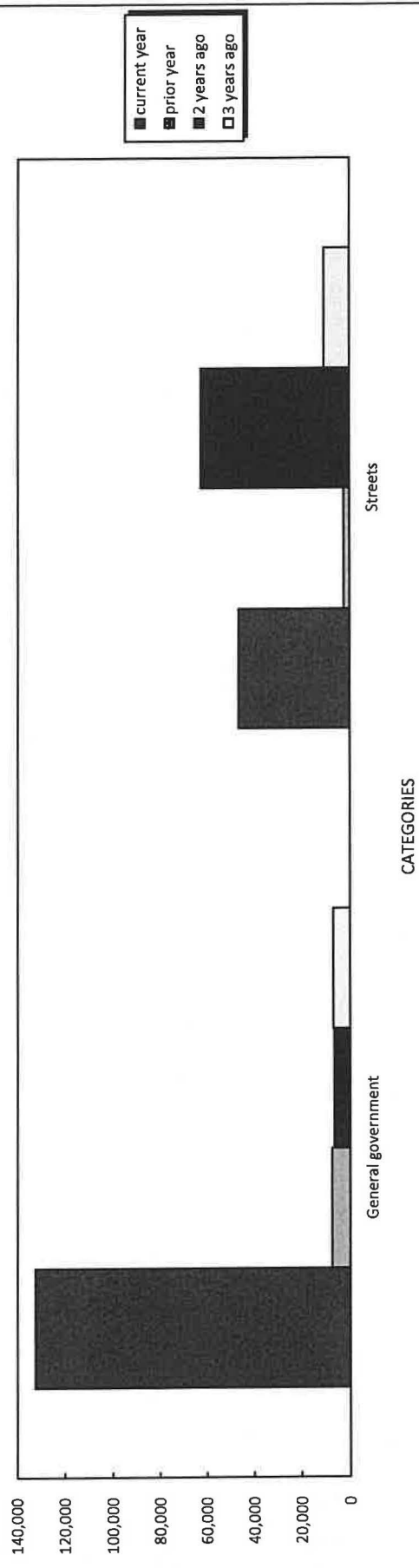
Mayor Jerry Godsby  
City of Orme

# CITY OF ORME, TENNESSEE

## GOVERNMENTAL FUND REVENUES



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



■ current year  
 ■ prior year  
 ■ 2 years ago  
 □ 3 years ago

Streets

CATEGORIES

General government

140,000  
 120,000  
 100,000  
 80,000  
 60,000  
 40,000  
 20,000  
 0

# BASIC FINANCIAL STATEMENTS

**CITY OF ORME, TENNESSEE**

**Statement of Net Position**

**June 30, 2023**

<u>Assets</u>	<u>Governmental Activities</u>	<u>Total</u>
Cash and cash equivalents	113,309	113,309
Receivables:	2,834	2,834
Prepaid insurance	3,317	3,317
Capital assets, net of accumulated depreciation	210,811	210,811
Total Assets	<u>330,271</u>	<u>330,271</u>
Liabilities		
Accounts payable	0	0
Long-term liabilities:		
Due within one year	5,937	5,937
Due within more than one year	106,876	106,876
Total Liabilities	<u>112,813</u>	<u>112,813</u>
Net Position:		
Net investment in capital assets	97,998	97,998
Restricted - state street aid	16,942	16,942
Unrestricted	102,518	102,518
Total Net Position	<u>217,458</u>	<u>217,458</u>

See accompanying notes to financial statements.

**CITY OF ORME, TENNESSEE**

**Statement of Activities**

**For the Year Ended June 30, 2023**

<u>Function/Programs</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenue and Changes in Net Position</u>	
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Total</u>
Government Activities:					
General government	12,144	0	159	32,638	20,653
Highways and Streets	6,917	0	2,847	0	(4,070)
Total Governmental Activities	19,061	0	3,006	32,638	16,583
General Revenues:					
Public utility tax				1,046	1,046
Sales taxes				12,305	12,305
Beer taxes				40	40
Franchise fees				5,049	5,049
Other income				330	330
Total general revenues				18,770	18,770
Changes in net position				35,353	35,353
Net position - beginning of year				182,105	182,105
Net position - ending of year				217,458	217,458

See accompanying notes to financial statements.

# FUND FINANCIAL STATEMENTS

**CITY OF ORME, TENNESSEE**

**Balance Sheet**

**Governmental Funds**

**June 30, 2023**

<u>Assets</u>	<u>General Fund</u>	<u>State Street Aid Fund</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents	<u>\$96,873</u>	<u>\$16,436</u>	<u>\$113,309</u>
Accounts receivable - due from other governments	<u>2,328</u>	<u>506</u>	<u>2,834</u>
Prepaid insurance	<u>3,317</u>	<u>0</u>	<u>3,317</u>
 Total Assets	 <u><u>\$102,518</u></u>	 <u><u>\$16,942</u></u>	 <u><u>\$119,460</u></u>
 <u>Liabilities and Fund Balance</u>			
Liabilities:			
Accounts payable	<u>0</u>	<u>0</u>	<u>0</u>
 Total Liabilities	 <u>0</u>	 <u>0</u>	 <u>0</u>
 Fund balance:			
Unassigned	92,955	0	92,955
Assigned - Fire	6,246	0	6,246
Non-spendable	3,317	0	3,317
Restricted	<u>0</u>	<u>16,942</u>	<u>16,942</u>
Total Fund Balance	<u>102,518</u>	<u>16,942</u>	<u>119,460</u>
 Total Liabilities and Fund Balance	 <u><u>\$102,518</u></u>	 <u><u>\$16,942</u></u>	 <u><u>\$119,460</u></u>

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

CITY OF ORME, TENNESSEE

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

June 30, 2023

Amounts reported for fund balance - total governmental funds	\$	119,460
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds		210,811
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not recorded in the funds		
Debt instruments		<u>(112,813)</u>
Net position of governmental activities	\$	<u><u>217,458</u></u>

See accompanying notes to the financial statements.

CITY OF ORME, TENNESSEE

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

For the Year Ended June 30, 2023

	<u>General Fund</u>	<u>State Street Aid Fund</u>	<u>Total</u>
Revenues:			
Intergovernmental	51,237	2,847	54,084
Miscellaneous	325	5	330
Total Revenues	<u>\$51,562</u>	<u>\$2,852</u>	<u>\$54,414</u>
Expenditures:			
Current:			
General government	7,836	0	7,836
Highway and streets	0	2,760	2,760
Capital outlay:			
General government	118,750	0	118,750
Highway and streets	0	43,926	43,926
Debt Service:			
Principal	5,937	0	5,937
Interest	0	0	0
Total Expenditures	<u>\$132,523</u>	<u>\$46,686</u>	<u>\$179,209</u>
Excess (deficiency) of revenues over expenditures	<u>(80,961)</u>	<u>(43,834)</u>	<u>(124,795)</u>
Other operating sources: Loan proceeds	118,750	0	118,750
Other operating sources: Operating transfer	<u>(50,000)</u>	<u>50,000</u>	<u>0</u>
Net change in fund balance	<u>(12,211)</u>	<u>6,166</u>	<u>(6,045)</u>
Fund Balance, Beginning of year	114,729	10,776	125,505
Fund Balance, End of Year	<u>\$102,518</u>	<u>\$16,942</u>	<u>\$119,460</u>

See accompanying notes to financial statements.

CITY OF ORME, TENNESSEE

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

For the Year Ended June 30, 2023

Net change in fund balances - total governmental funds:	\$	(6,045)
Amounts reported for governmental activities in the statement of net assets are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Acquisition of capital assets		162,676
Depreciation expense		(8,465)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(118,750)
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>5,937</u>
Change in net position of governmental activities	\$	<u><u>35,353</u></u>

See accompanying notes to the financial statements.

**CITY OF ORME, TENNESSEE**

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

**General Fund**

**For the Year Ended June 30, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental:				
In lieu of taxes	1,000	1,000	1,046	46
State sales tax	9,600	9,600	10,449	849
County sales tax	1,300	1,300	1,856	556
State beer tax	50	50	40	(10)
Grants	32,600	32,600	32,638	38
Utility franchise fee	5,600	5,600	5,049	(551)
State special petroleum tax	200	200	159	(41)
Total Intergovernmental Revenue	<u>50,350</u>	<u>50,350</u>	<u>51,237</u>	<u>887</u>
Miscellaneous:				
Interest income	20	20	25	5
Miscellaneous	500	500	0	(500)
Donations	300	300	300	0
Total Miscellaneous	<u>820</u>	<u>820</u>	<u>325</u>	<u>(495)</u>
 Total Revenues	 <u>51,170</u>	 <u>51,170</u>	 <u>51,562</u>	 <u>392</u>

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

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Expenditures:				
General Government:				
Current:				
Supplies	1,000	1,000	508	492
Maintenance and repairs	6,500	6,500	520	5,980
Professional services	1,800	1,800	2,199	(399)
Utilities	700	700	559	141
Insurance	3,400	3,400	3,561	(161)
Fire department - supplies	0	0	489	(489)
	<u>13,400</u>	<u>13,400</u>	<u>7,836</u>	<u>5,564</u>
Debt service	0	6,000	5,937	63
Capital outlay	0	118,750	118,750	0
Total General Government	<u>13,400</u>	<u>138,150</u>	<u>132,523</u>	<u>5,627</u>
Total Expenditures	<u>13,400</u>	<u>138,150</u>	<u>132,523</u>	<u>5,627</u>
Excess (deficiency) of Revenues over Expenditures	37,770	(86,980)	(80,961)	6,019
Other operating sources: Loan proceeds	0	118,750	118,750	0
Other operating sources: Operating transfer	<u>(49,000)</u>	<u>(49,000)</u>	<u>(50,000)</u>	<u>(1,000)</u>
Net change in fund balance	<u>(11,230)</u>	<u>(17,230)</u>	<u>(12,211)</u>	<u>5,019</u>
Fund Balance, July 1, 2022	<u>114,729</u>	<u>114,729</u>	<u>114,729</u>	<u>0</u>
Fund Balance, June 30, 2023	<u>\$103,499</u>	<u>\$97,499</u>	<u>\$102,518</u>	<u>\$5,019</u>

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

**CITY OF ORME, TENNESSEE**

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

**State Street Aid Fund**

**For the Year Ended June 30, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Intergovernmental:				
Gasoline .03 tax	\$700	\$700	\$449	(251)
Gasoline 1989 tax	400	400	243	(157)
Gasoline 2017 tax	1,200	1,200	784	(416)
Gasoline and motor fuel	2,400	2,400	1,371	(1,029)
Miscellaneous:				
Interest	<u>2</u>	<u>2</u>	<u>5</u>	<u>3</u>
Total Revenues	<u>4,702</u>	<u>4,702</u>	<u>2,852</u>	<u>(1,850)</u>
Expenditures:				
Streets:				
Utilities	2,400	2,400	2,233	167
Repair and maintenance	<u>200</u>	<u>200</u>	<u>527</u>	<u>(327)</u>
	2,600	2,600	2,760	(160)
Capital outlay	<u>49,000</u>	<u>49,000</u>	<u>43,926</u>	<u>5,074</u>
Total Expenditures	<u>51,800</u>	<u>51,800</u>	<u>46,686</u>	<u>5,114</u>
Excess (deficiency) of revenues over expenditures	(47,098)	(47,098)	(43,834)	3,264
Other operating sources: Operating transfer	<u>49,000</u>	<u>49,000</u>	<u>50,000</u>	<u>1,000</u>
Net change in fund balance	<u>1,902</u>	<u>1,902</u>	<u>6,166</u>	<u>4,264</u>
Fund Balance, July 1, 2022	<u>10,776</u>	<u>10,776</u>	<u>10,776</u>	<u>-</u>
Fund Balance, June 30, 2023	<u><u>\$12,678</u></u>	<u><u>\$12,678</u></u>	<u><u>\$16,942</u></u>	<u><u>\$4,264</u></u>

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

# NOTES TO THE FINANCIAL STATEMENTS

# CITY OF ORME, TENNESSEE

## Notes to Financial Statements

June 30, 2023

### (1) Summary of Significant Accounting Policies

The City of Orme provides the following services, as authorized by its charter and duly passed ordinances: public safety (Fire), streets, recreations, public improvements, and general administrative services. The accounting policies of the City of Orme, Tennessee conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

#### Reporting Entity:

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

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (i) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and (ii) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

# CITY OF ORME, TENNESSEE

## Notes to Financial Statements

June 30, 2023

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

Separate financial statements are provided for governmental funds and proprietary 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. 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 most governmental revenues as available if received within 45 days of years end. 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.

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

The government reports the following major funds:

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

**State Street Aid Fund** - To account for the receipt and usage of the City's share of State gasoline taxes. State law requires these gasoline taxes to be used to maintain streets.

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 governments 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.

# CITY OF ORME, TENNESSEE

## Notes to Financial Statements

June 30, 2023

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

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

#### Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets consisting of certain improvements other than buildings, including roads, 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 \$2,000 and an estimated useful life in excess of three years. All fixed assets are valued at historical cost or estimated useful life in excess of three years. All fixed assets are valued at historical cost or estimated historical cost, if actual historical cost is not available. Donated fixed 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.

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

The estimated useful lives are as follows:

Buildings	10-50 years
Furniture and Equipment	5-10 years

#### 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.

#### 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 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 ORME, TENNESSEE

## Notes to Financial Statements

June 30, 2023

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

#### Fund Balance

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

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

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

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

#### Inventory

Inventory of all the funds consists of expendable supplies held for consumption and are recorded at cost under the consumption method.

#### 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.

# CITY OF ORME, TENNESSEE

## Notes to Financial Statements

June 30, 2023

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

#### Leases

GASB Statement No 87, *Leases*, became effective for fiscal year ending June 30, 2022. Leases should be recognized and measured using the facts and circumstances that exist at the beginning of the period of implementation. Statement No. 87 establishes a single approach to accounting for and reporting leases by state and local governments. Under this statement, a government entity that is a lessee must recognize (1) a lease liability, (2) an intangible asset representing the lessee's right to use the leased asset, (3) report the amortization expense for using the lease asset over the shorter of the term of the lease or the useful life of the underlying asset, (4) interest expenses on the lease liability and (5) note disclosures about the lease. A lessor must recognize (1) a lease receivable, (2) deferred inflow of resources, (3) interest revenue on the lease receivable and (4) note disclosures of leasing arrangements and the total inflows of resources recognized from leases. Management has determined that the City has no arrangements that qualify as leases under the standard; therefore, it has no impact on the current year financial statements.

#### 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.

#### 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.

#### Cash and Cash Equivalents

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

# CITY OF ORME, TENNESSEE

## Notes to Financial Statements

June 30, 2023

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

#### Long-term Obligations

In the government-wide financial long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts, as well as prepaid insurance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year incurred.

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

### (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 and savings accounts. 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. Cash and cash equivalents were adequately covered by federal depository insurance, insured by the depository bank's participation in the State of Tennessee Bank Collateral Pool or collateralized by securities, pledged for deposits, held by an independent third-party financial institution under the terms of a safekeeping collateral agreement in the City's name. Investment policies of the City follow state law and bond requirements prohibiting investments that are not secured or insured by the U.S. Government.

**CITY OF ORME, TENNESSEE**

Notes to Financial Statements

June 30, 2023

**(3) Accounts Receivable**

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

<u>Fund</u>	<u>Other Government</u>
General Fund	\$ 2,328
Special Revenue Fund	<u>506</u>
Total	<u>\$ 2,834</u>

**(4) Capital Assets**

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

	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2023</u>
Buildings	99,634	-	-	99,634
Infrastructure	60,000	162,676	-	222,676
Equipment	<u>29,894</u>	<u>-</u>	<u>-</u>	<u>29,894</u>
Total	<u>\$ 189,528</u>	<u>162,676</u>	<u>-</u>	<u>\$ 352,204</u>
Less Accumulated depreciation	<u>(132,928)</u>			<u>(141,393)</u>
Net capital assets in service	<u>\$ 56,600</u>			<u>\$ 210,811</u>

All assets are being depreciated. Depreciation expense was charged to functions/programs of the primary government as follows:

General Fund:	
General government administration	\$ 4,308
State Street Aid Fund:	<u>4,157</u>
Total:	<u>\$ 8,465</u>

**CITY OF ORME, TENNESSEE**

Notes to Financial Statements

June 30, 2023

**(5) Long-Term Debt**

Direct Borrowings

The following schedule reflects the changes General Obligation debt during fiscal year 2023.

Debt Instruments:	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2023</u>	<u>Due Within</u> <u>One Year</u>
Marion County Loan	0	118,750	5,937	112,813	5,937
Total	<u>0</u>	<u>118,750</u>	<u>5,937</u>	<u>112,813</u>	<u>5,937</u>

Future maturities on long-term debt are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2024	5,937	-
2025	5,937	-
2026	5,937	-
2027	5,937	-
2028	5,937	-
2029-2033	29,685	-
2034-2038	29,685	-
2039-2041	23,758	-
Total	<u>\$ 112,813</u>	<u>-</u>

The City received this loan for the purpose of stream bank stabilization. The loan requires monthly payments of \$495 for 240 months and is a noninterest-bearing loan.

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

**(6) Risk Management**

The City of Orme is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The City obtains insurance coverage covering the above risks of loss through the purchase of commercial insurance.

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

**CITY OF ORME, TENNESSEE**

Notes to Financial Statements

June 30, 2023

**(7) Commitments and Contingencies**

Grants:

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

**(8) Operating Transfers**

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>
General Fund	State Street Aid Fund	\$50,000

The transfer from General Fund to State Street Aid Fund was for paving paid for by the State Street Aid Fund.

SUPPLEMENTAL  
INFORMATION

CITY OF ORME, TENNESSEE

Capital Assets Used in the Operation of the Governmental Funds

Schedule of Changes in Capital Assets - By Type

June 30, 2023

Capital Assets:	Balance <u>June 30, 2022</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2023</u>
Building	99,634	0	0	99,634
Infrastructure	60,000	162,676	0	222,676
Equipment	<u>29,894</u>	<u>0</u>	<u>0</u>	<u>29,894</u>
Total capital assets	<u>\$189,528</u>	<u>162,676</u>	<u>0</u>	<u>\$352,204</u>

**CITY OF ORME, TENNESSEE**

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

**June 30, 2023**

	<u>Carrying Value</u>
General Fund:	
Demand deposits	<u>96,873</u>
Total General Fund	<u>96,873</u>
State Street Aid Fund:	
Demand deposits	16,436
Total State Street Aid Fund	<u>16,436</u>
 Total - All funds	 <u><u>\$113,309</u></u>

**CITY OF ORME, TENNESSEE**

**Schedule of Debt Service Requirements - General Long-Term Debt**

**June 30, 2023**

<u>Year</u>	MARION COUNTY		TOTALS	
	Principal	Interest	Principal	Interest
2024	5,937	-	5,937	-
2025	5,937	-	5,937	-
2026	5,937	-	5,937	-
2027	5,937	-	5,937	-
2028	5,937	-	5,937	-
2029	5,937	-	5,937	-
2030	5,937	-	5,937	-
2031	5,937	-	5,937	-
2032	5,937	-	5,937	-
2033	5,937	-	5,937	-
2034	5,937	-	5,937	-
2035	5,937	-	5,937	-
2036	5,937	-	5,937	-
2037	5,937	-	5,937	-
2038	5,937	-	5,937	-
2039	5,937	-	5,937	-
2040	5,937	-	5,937	-
2041	5,937	-	5,937	-
2042	5,947	-	5,947	-
	112,813	0	112,813	0

**CITY OF ORME, TENNESSEE**

Schedule of Changes in Long-term Debt by Individual Issue

June 30, 2023

	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/2022	Issued During Period	Matured During Period	Paid and/or Refunded During Period	Outstanding 6/30/2023
<b>Governmental Activities</b>									
Marion County Loan	118,750	0.00%	2022	6/30/1941	\$ -	118,750	\$ 5,937	-	\$112,813

**CITY OF ORME, TENNESSEE**

**Schedule of Federal and State Financial Assistance**

**For the Year Ended June 30, 2023**

<u>Assistance Listing Number</u>	<u>State Grant Number</u>	<u>Program Name</u>	<u>Grantor Agency</u>	<u>Receivable (Deferred) Balance July 1, 2022</u>	<u>Cash Receipts</u>	<u>Other Receipts</u>	<u>Cash Expenditures</u>	<u>Receivable (Deferred) Balance June 30, 2023</u>
<b>Federal Programs:</b>								
21.027	N/A	American Rescue Plan Act	US Department of Treasury thru the State of Tennessee	<u>(\$16,319)</u>	<u>16,319</u>	<u>0</u>	<u>32,638</u>	<u>0</u>
	<b>Total</b>			<u>(\$16,319)</u>	<u>\$16,319</u>	<u>\$0</u>	<u>\$32,638</u>	<u>\$0</u>

This schedule is prepared on the accrual basis of accounting.

# COMPLIANCE AND INTERNAL CONTROL

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

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

Mayor and Board of Councilmen  
City of Orme, Tennessee  
Orme, 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 and each major fund of the City of Orme as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Orme's basic financial statements, and have issued a report thereon dated July 31, 2023.

**Internal Control Over Financial Reporting**

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

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

My consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. I did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2023-001 that I consider to be a material weakness.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Orme’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 is required to be reported under *Government Auditing Standards*.

**Response to Findings**

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

**Purpose of This Report**

The purpose of this report is solely to describe the scope of the testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

John R Poole, CPA

July 31, 2023

# CITY OF ORME, TENNESSEE

## Schedule of Findings and Responses

June 30, 2023

### 2023-001 - Separation of Duties

Condition: The City of Orme currently has one employee that works in performing the majority of the accounting functions for the City. Due to only having one employee 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 to the optimum level desired. There is only one employee working in the department so it is virtually impossible to segregate duties unless more staff could be hired and due to the finances of our small city, we could not financially hire additional office help.”

**CITY OF ORME, TENNESSEE**

Schedule of Disposition of Prior Year Comments

June 30, 2023

<u>Finding Number</u>	<u>Finding Title</u>	<u>Status</u>
2022 – 001	Separation of Duties	Repeated

The original finding number was 2008-001. The current finding number is 2023-001

CITY OF ORME, TENNESSEE

796 Orme Road, South Pittsburg, TN. 37380

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Management's Corrective Action Plan

Audit period: June 30, 2023

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

2023-001 Segregation of Duties (Internal Control)

Contact person: Jerry Godsby

Planned Corrective Action: It is not economically feasible at this time to hire a sufficient number of people to adequately separate the duties. The Board of Officials 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.

Signature:

A handwritten signature in cursive script that reads "Jerry Godsby". The signature is written in black ink and is positioned to the right of the printed word "Signature:".