

CITY OF ORLINDA, TENNESSEE

Annual Financial Report

For the Year Ended June 30, 2026

CITY OF ORLINDA, TENNESSEE

Table of Contents

	<u>Page Number</u>
INTRODUCTORY SECTION:	
Officials of the City of Orlinda, 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 Funds	16
Reconciliation of the Statement of Revenues, Expenditures, and Change in Fund Balance Of Governmental Funds to the Statement of Activities	17
Notes to Financial Statements	19-26
REQUIRED SUPPLEMENTAL INFORMATION:	
Budgetary Comparison Schedules:	
General Fund	28-30
State Street Aid Fund	31
Notes to Budgetary Comparison Schedules	32

CITY OF ORLINDA, TENNESSEE

Table of Contents, Continued

Page Number

SUPPLEMENTAL INFORMATION:

Capital Assets Used in the Operation of the Governmental Funds:

Schedule of Capital Assets - by Type	34
Schedule of Changes in Capital Assets	35
Schedule of Cash and Cash Equivalents and Certificate of Deposit - All Funds	36
Schedule of Federal and State Financial Assistance	37

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>	39-40
Schedule of Findings and Responses	41
Schedule of Disposition of Prior Year Comments	42
Management's Corrective Action Plan	43

INTRODUCTORY SECTION

CITY OF ORLINDA, TENNESSEE

Officials of the City of Orlinda, Tennessee

June 30, 2026

Name

Title

Elected Officials:

Tabitha Swearingen

Mayor

Ben Ellis

Vice Mayor

Jennifer Johnson

Commissioner

Sherry Carver

Commissioner

Management:

Tammie Carey

City Manager

Erinn Scates

City Clerk and CMFO candidate

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 Commissioners of the
City of Orlinda, Tennessee
Orlinda, Tennessee

Report on the Audit of the Financial Statements

Opinions

I have audited the accompanying financial statements of the governmental activities and the major funds of the City of Orlinda, Tennessee (the "City") as of and for the year ended June 30, 2026, 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 the major funds of the City as of June 30, 2026, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary information section, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information – Introductory Section

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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated August 20, 2026, 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.

August 20, 2026

MANAGEMENT'S
DISCUSSION AND
ANALYSIS

CITY OF ORLINDA, TENNESSEE

Management's Discussion and Analysis

The purpose of management's discussion and analysis (MD&A) is to help City residents and other readers understand what the financial statements and notes in this financial report say about the City's financial health and why it changed since last year. It contains information drawn from those other parts of the report, accompanied by explanations informed by the finance staff's knowledge of the City's finances.

Overview of the Financial Statements

The City's financial report contains basic financial statements. Those financial statements present the City's finances at both an overall and a detailed level. The first two—the government-wide financial statements—cover the City's governmental activities.

- Governmental activities comprise the City's most basic functions, such as public safety, culture and recreation, and social and economic development. Governmental activities primarily are financed by taxes paid by City residents and businesses and grants from the State of Tennessee and the federal government.

The remaining basic financial statements present the City's finances in greater detail. As their name implies, the fund financial statements disaggregate financial information by separate funds to report on the specific purposes for which resources are used or for which they are restricted. The City reports the following funds:

- Governmental fund financial statements report all of the governmental activities except those that involve providing services to City departments.

The next section of this financial report contains notes to financial statements, which delve deeper into the City's finances as reported in the financial statements. The information in the notes is as important to understanding the City's finances as the information in the financial statements. The City uses notes to (1) present information in greater detail than is possible within the financial statements themselves, (2) explain the nature of amounts reported in the financial statements and how those amounts were determined, and (3) report certain information that does not meet the requirements for inclusion in the financial statements (such as certain contingencies).

Types of Information in the Financial Statements

All of the City's financial statements, except for the governmental fund financial statements, use the economic resources measurement focus and accrual basis of accounting. In other words, they comprehensively report all types of financial statement elements:

- *Assets*—resources the City controls, from short-term assets like cash to long-term assets like roads and bridges.
- *Liabilities*—amounts the City owes, from short-term liabilities such as salaries payable to long-term liabilities such as outstanding debt and net amounts owed to employees for pensions.
- *Deferred outflows of resources and deferred inflows of resources*—flows that occurred during the year, or in prior years, that will not be reported as expenses and revenues until the future year to which they are related.
- *Revenues and expenses*—inflows and outflows of economic resources, respectively, related to the current year.

Governmental fund financial statements use the current financial resources measurement focus and modified accrual basis of accounting to report on the sources, uses, and balances of current financial resources. The governmental funds do not report nonfinancial assets, such as capital assets, or certain other long-term items, such as general obligation bonds, but they do report the flows of current financial resources related to those long-term items; for example, the proceeds from issuing bonds or selling equipment, as well as principal and interest payments on bonds and spending on the construction of a City building.

More detail about the measurement focuses and bases of accounting can be found in the first note to financial statements, the summary of significant accounting policies.

Financial Summary

Net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Orlinda, assets exceeded liabilities by \$4,369,708 at the close of the most recent fiscal year. By far the largest portion of the City's assets reflect its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Orlinda's Net Position - 2026

	Governmental
	<u>Activities</u>
Current and other assets	\$ 2,807,689
Capital assets	<u>1,583,577</u>
Total assets	4,391,266
Other liabilities	<u>21,558</u>
Total liabilities	21,558
Net position:	
Investment in capital assets	1,583,577
Restricted	105,559
Unrestricted	<u>2,680,572</u>
Total net position	\$ 4,369,708

City of Orlinda's Net Position - 2025

	Governmental
	<u>Activities</u>
Current and other assets	\$ 2,674,142
Capital assets	<u>1,602,829</u>
Total assets	4,276,971
Other liabilities	<u>21,558</u>
Total liabilities	21,558
Net position:	
Investment in capital assets	1,602,829
Restricted	81,789
Unrestricted	<u>2,570,795</u>
Total net position	\$ 4,255,413

At the end to the current fiscal year, the City is able to report positive balances in all three categories of net position. The same situation held true for the prior year.

The assets of the City of Orlinda exceeded its liabilities at the close of the most recent fiscal year by \$4,369,708. Of this amount, \$2,680,572 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors. The City's total net position increased by \$114,295 as a result of the City maintaining its expenditures within budgeted amounts and the City seeing improvements in its economy. Total government expenses increased by \$19,897 during the year primarily as a result of increased expenses related to personnel costs and repair and maintenance projects. Total revenues increased \$29,529 in the current year due to increased sales tax revenues combined with increased grant revenues.

Comparison of revenues and expenses for 2025 and 2026

	2026 Governmental <u>Activities</u>	2025 Governmental <u>Activities</u>	Change From Previous <u>Year</u>
Revenues:			
Program revenues:			
Charges for services	108,121	128,214	(20,093)
Operating grants and contributions	233,923	233,662	261
Capital grants and contributions	45,911	0	45,911
General revenues:			
Sales taxes	317,773	181,931	135,842
Other local taxes	65,208	178,589	(113,381)
Other state shared taxes	2,131	2,986	(855)
Other	110,368	128,524	(18,156)
Total revenues	<u>883,435</u>	<u>853,906</u>	<u>29,529</u>
Expenses:			
General government	530,617	498,666	31,951
Fire department	158,774	179,855	(21,081)
Community center	23,581	11,747	11,834
Highways and streets	43,654	49,527	(5,873)
Parks and recreations	12,514	9,448	3,066
Total expenses	<u>769,140</u>	<u>749,243</u>	<u>19,897</u>
Increases in net position	<u>114,295</u>	<u>104,663</u>	<u>9,632</u>

Detailed Analysis

Governmental Activities

General Fund

- Town assets increased \$114,295 as cash balances increased as Town revenues increased \$29,529 due in part from the Town's increased sales tax revenues and grant revenues.
- The Town's expenses increased \$19,897 even as the Town kept expenses within budgeted levels from decreased maintenance and supply costs.
- The City purchased \$112,182 in equipment for the fire department and the parks department.

Significant Capital Assets and Long-Term Financing Activity

Capital Assets

The City of Orlinda's investment in capital assets from its governmental activities at June 30, 2026, amounts to \$1,583,577 (net of accumulated depreciation). This investment in capital assets is in land, buildings, improvements, machinery and equipment.

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

- Equipment for the fire department.
- Purchase of mower for parks department.

City of Orlinda's Capital Assets

	2026 Governmental <u>Activities</u>	2025 Governmental <u>Activities</u>
Buildings	\$ 1,660,018	1,660,018
Land	101,896	101,896
Infrastructure	949,385	949,385
Machinery and Equipment	1,023,970	911,788
Furniture and fixtures	<u>29,755</u>	<u>29,755</u>
Less accumulated depreciation	(2,181,447)	(2,050,013)
Net Capital Assets	\$ <u>1,583,577</u>	<u>1,602,829</u>

Long-Term Debt

As of the year ended June 30, 2026, the City has no long-term debts.

Currently Known Facts, Decisions, or Conditions

Economic Factors and Next Year's Budget and Rates

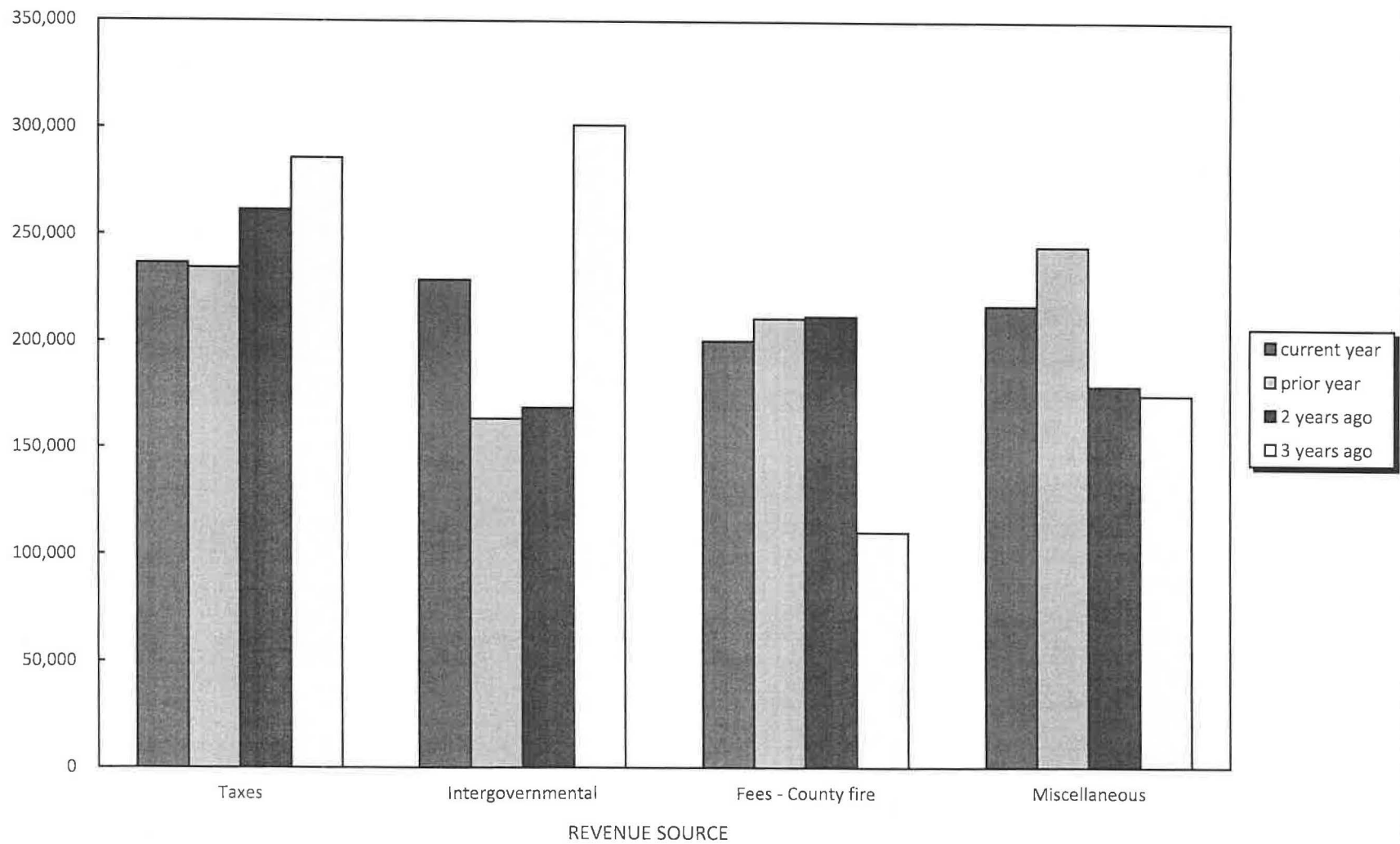
In the 2026-2027 budget, General fund revenues are budgeted to be stable from the 2025-2026 budget year primarily due to increases in the operating grants and lower state shared revenues. The City's budget has benefited by an expanding commercial and retail base producing increased local tax receipts. All of these factors were considered in preparing the City's budget for the 2026-2027 fiscal year.

Requests for Information

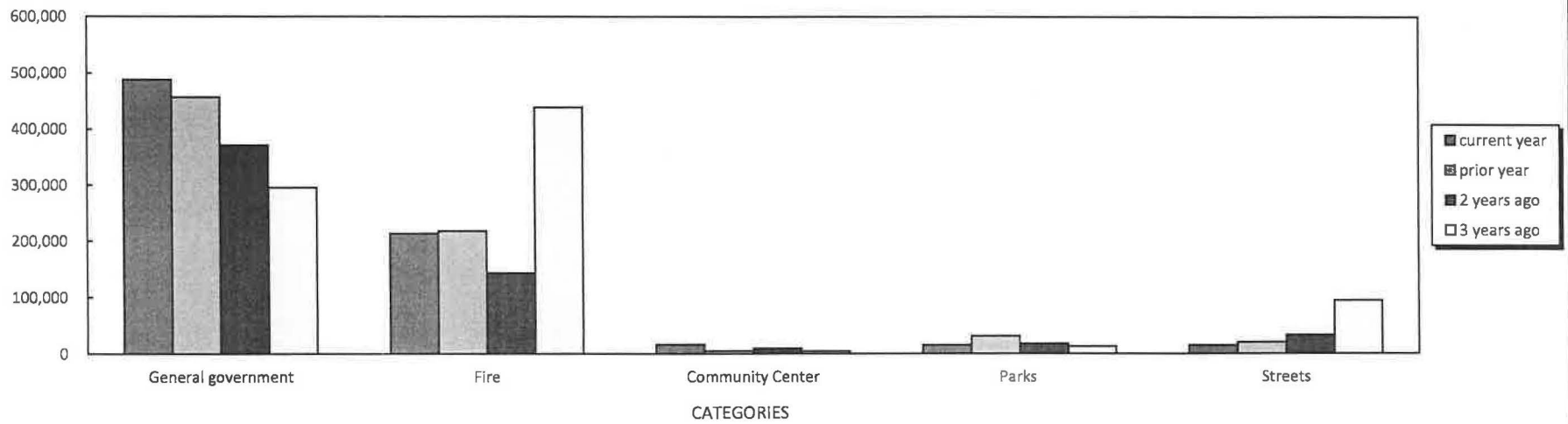
This financial report is designed to provide a general overview of the City of Orlinda, Tennessee's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed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

Tammie Carey, City of Orlinda

ORLINDA, TENNESSEE
GOVERNMENTAL FUND REVENUES



CITY OF ORLINDA, TENNESSEE
GOVERNMENTAL FUND EXPENDITURES



BASIC FINANCIAL STATEMENTS

CITY OF ORLINDA, TENNESSEE

Statement of Net Position

June 30, 2026

<u>Assets</u>	<u>Governmental Activities</u>	<u>Total</u>
Cash and cash equivalents	\$2,731,750	\$2,731,750
Accounts receivable from other governments	63,098	63,098
Prepaid assets	12,841	12,841
Capital assets not being depreciated	101,896	101,896
Capital assets, net of accumulated depreciation	<u>1,481,681</u>	<u>1,481,681</u>
Total Assets	<u>\$4,391,266</u>	<u>\$4,391,266</u>
<u>Liabilities</u>		
Liabilities:		
Accounts payable	\$17,715	\$17,715
Accrued expenses	3,843	3,843
Total Liabilities	<u>21,558</u>	<u>21,558</u>
Net Position:		
Investment in capital assets	1,583,577	1,583,577
Restricted - State street aid	105,559	105,559
Unrestricted	<u>2,680,572</u>	<u>2,680,572</u>
Total Net Position	<u>\$4,369,708</u>	<u>\$4,369,708</u>

See accompanying notes to financial statements.

CITY OF ORLINDA, TENNESSEE

Statement of Activities

For the Year Ended June 30, 2026

<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>Primary Governmental Activities</u>	<u>Total</u>
Government Activities:						
General government	530,617	101,386	0	45,911	(383,320)	(383,320)
Fire department	158,774	0	199,250	0	40,476	40,476
Community center	23,581	6,735	0	0	(16,846)	(16,846)
Highways and streets	43,654	0	34,673	0	(8,981)	(8,981)
Parks and recreation	12,514	0	0	0	(12,514)	(12,514)
Total Governmental Activities	769,140	108,121	233,923	45,911	(381,185)	(381,185)
General Revenues						
Sales taxes					317,773	317,773
Alcohol taxes					52,456	52,456
In lieu of taxes					12,752	12,752
Franchise taxes					2,131	2,131
Interest income					88,823	88,823
Other					21,545	21,545
Total general revenues					495,480	495,480
Changes in net position					114,295	114,295
Net position - beginning of year					4,255,413	4,255,413
Net position - ending of year					4,369,708	4,369,708

See accompanying notes to financial statements.

FUND FINANCIAL STATEMENTS

CITY OF ORLINDA, TENNESSEE

Balance Sheet

Governmental Funds

June 30, 2026

	General Fund	State Street Aid Fund	Total Governmental Funds
<u>Assets</u>			
Cash and cash equivalents	\$491,381	\$99,532	\$590,913
Certificate of Deposit	2,140,837	0	2,140,837
Accounts receivable	57,071	6,027	63,098
Prepaid assets	12,841	0	12,841
Total Assets	<u>\$2,702,130</u>	<u>\$105,559</u>	<u>\$2,807,689</u>
<u>Liabilities, Deferred Inflows and Fund Balance</u>			
Liabilities:			
Accounts payable	\$17,715	\$0	\$17,715
Accrued expenses	3,843	0	3,843
Total Liabilities	<u>21,558</u>	<u>0</u>	<u>21,558</u>
Fund balance:			
Restricted - State Street Aid	0	105,559	105,559
Non-spendable	12,841	0	12,841
Assigned - fire	836	0	836
Assigned - community center	19,304	0	19,304
Unassigned	2,647,591	0	2,647,591
Total Fund Balance	<u>\$2,680,572</u>	<u>\$105,559</u>	<u>\$2,786,131</u>
Total Liabilities, Deferred Inflows and Fund Balance	<u>\$2,702,130</u>	<u>\$105,559</u>	<u>\$2,807,689</u>

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

CITY OF ORLINDA, TENNESSEE

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

June 30, 2026

Amounts reported for fund balance - total governmental funds	\$ 2,786,131
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	1,583,577
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Net position of governmental activities	\$ <u>4,369,708</u>
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See accompanying notes to financial statements.

CITY OF ORLINDA, TENNESSEE

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

For the Year Ended June 30, 2026

	<u>General Fund</u>	<u>State Street Aid Funds</u>	<u>Total</u>
Revenues:			
Taxes	236,734	0	236,734
Intergovernmental	194,289	34,673	228,962
Fines and fees	200,532	0	200,532
Miscellaneous	217,207	0	217,207
Total Revenues	<u>848,762</u>	<u>34,673</u>	<u>883,435</u>
Expenditures:			
Current:			
General government	488,554	0	488,554
Fire department	110,107	0	110,107
Community center	17,031	0	17,031
Parks and recreation	6,912	0	6,912
Highway and streets	4,199	10,903	15,102
Capital outlay:			
Fire department	103,513	0	103,513
Parks and recreation	8,669	0	8,669
Total Expenditures	<u>738,985</u>	<u>10,903</u>	<u>749,888</u>
Excess (deficiency) of revenues over expenditures	<u>109,777</u>	<u>23,770</u>	<u>133,547</u>
 Fund Balance, Beginning of year	 <u>2,570,795</u>	 <u>81,789</u>	 <u>2,652,584</u>
Fund Balance, End of Year	<u>2,680,572</u>	<u>105,559</u>	<u>2,786,131</u>

See accompanying notes to financial statements.

CITY OF ORLINDA, 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, 2026

Net change in fund balances - total governmental funds:	\$	133,547
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Amounts reported for governmental activities in the statement of net position are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Acquisition of capital assets	112,182
Depreciation expense	(131,434)

Change in net position of governmental activities	\$	<u>114,295</u>
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See accompanying notes to financial statements.

NOTES TO THE FINANCIAL STATEMENTS

CITY OF ORLINDA, TENNESSEE

Notes to Financial Statements

June 30, 2026

(1) Summary of Significant Accounting Policies

The City of Orlinda, Tennessee, was incorporated under the Private Act of the Tennessee General Assembly. The City provides the following services, as authorized by its charter and duly passed ordinances: streets, public safety (police and fire) public improvements, and general administrative services. The accounting policies of the City of Orlinda, Tennessee conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

Reporting Entity:

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

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

Government -Wide and Fund Financial Statements

The Government-wide financial statements, the statement of Net Position and the statement of changes in Net Position, report information on all of the nonfiduciary activities of the primary government. For the most part the effect of the interfund activity has been removed from these statements. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately.

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 ORLINDA, TENNESSEE

Notes to Financial Statements

June 30, 2026

(1) Summary of Significant Accounting Policies, Continued

Separate financial statements are provided for governmental funds. Major individual governmental 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. 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 60 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.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

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.

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 ORLINDA, TENNESSEE

Notes to Financial Statements

June 30, 2026

(1) Summary of Significant Accounting Policies, Continued

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.

Capital Assets

Capital assets, which include property, plant and equipment are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an individual cost of \$5,000 and an estimated useful life in excess of three years. All 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:

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

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental fund.

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 proprietary 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 ORLINDA, TENNESSEE

Notes to Financial Statements

June 30, 2026

(1) Summary of Significant Accounting Policies, Continued

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.

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 Orlinda, 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.

Credit Risk

Financial instruments that potentially subject the City to significant concentrations of credit risk consist principally of cash and accounts receivable. The City places its cash with federally-insured financial institutions, institutions participating in the State collateral pool. With respect to accounts receivable, credit risk is dispersed across a large number of customers concentrated within one area of service.

CITY OF ORLINDA, TENNESSEE

Notes to Financial Statements

June 30, 2026

(1) Summary of Significant Accounting Policies, Continued

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has no items that qualify 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 no items that qualify for reporting in this category.

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.

Leases

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

CITY OF ORLINDA, TENNESSEE

Notes to Financial Statements

June 30, 2026

(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.

(3) Accounts Receivable

Accounts receivable at June 30, 2026, consist of the following:

<u>Fund</u>	<u>Other Government</u>
General Fund	\$ 57,071
State Street Aid	<u>6,027</u>
Total	\$ <u>63,098</u>

CITY OF ORLINDA, TENNESSEE

Notes to Financial Statements

June 30, 2026

(4) Capital Assets

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

	Balance July 1, 2025	Additions	Deletions	Balance June 30, 2026
Assets not being depreciated				
Land	\$ 101,896	-	-	101,896
Assets being depreciated				
Buildings	1,660,018	-	-	1,660,018
Infrastructure	949,385	-	-	949,385
Furniture and fixtures	29,755	-	-	29,755
Equipment	911,788	112,182	-	1,023,970
Total	\$ 3,652,842	112,182	-	3,765,024
Less: Accumulated depreciation	(2,050,013)			(2,181,447)
Net capital assets in service	\$ 1,602,829			1,583,577

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

General Fund:	
General Government	\$ 42,063
Fire department	48,667
Highway and streets	28,552
Community center	6,550
Parks and recreation	5,602
Total	131,434

All assets, except \$101,896 of land, are being depreciated.

(5) 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.

CITY OF ORLINDA, TENNESSEE

Notes to Financial Statements

June 30, 2026

(6) Risk Management

The City of Orlinda 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.

(7) Newly Adopted Accounting Pronouncements

The City adopted GASB Statement No. 103, Financial Reporting Model Improvements, effective for fiscal years beginning after June 15, 2025. The objective of the Statement is to improve key components of the financial reporting model to enhance the effectiveness in providing information that is essential for decision making and assessing a government's accountability.

REQUIRED
SUPPLEMENTARY
INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ORLINDA, TENNESSEE

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2026

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Variance with Original Budget over (under) Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget over (under) Actual Amounts</u>
Revenues:					
Taxes:					
Local sales tax	\$180,000	\$180,000	0	191,669	11,669
Wholesale beer	50,000	50,000	0	42,934	(7,066)
Franchise taxes	5,000	5,000	0	2,131	(2,869)
Total Taxes	<u>235,000</u>	<u>235,000</u>	<u>0</u>	<u>236,734</u>	<u>1,734</u>
Intergovernmental:					
State sales tax	115,000	115,000	0	123,873	8,873
State mixed drink tax	1,000	1,000	0	9,001	8,001
State grant	0	45,911	45,911	45,911	0
Sports betting	1,000	1,000	0	2,231	1,231
State beer tax	0	0	0	521	521
TVA in lieu	10,000	10,000	0	12,752	2,752
Total Intergovernmental Revenue	<u>127,000</u>	<u>172,911</u>	<u>45,911</u>	<u>194,289</u>	<u>21,378</u>
Licenses and permits:	<u>10,900</u>	<u>10,900</u>	<u>0</u>	<u>1,282</u>	<u>(9,618)</u>
County fire allotment	<u>200,000</u>	<u>200,000</u>	<u>0</u>	<u>199,250</u>	<u>(750)</u>
Miscellaneous:					
Interest income	100,000	100,000	0	88,823	(11,177)
Community center	11,000	11,000	0	6,735	(4,265)
Rental income	100,000	100,000	0	100,104	104
Special events	5,250	5,250	0	17,058	11,808
Insurance proceeds	30,000	30,000	0	3,043	(26,957)
Miscellaneous	0	0	0	1,444	1,444
Total Miscellaneous	<u>246,250</u>	<u>246,250</u>	<u>0</u>	<u>217,207</u>	<u>(29,043)</u>
Total Revenues	<u>\$819,150</u>	<u>\$865,061</u>	<u>45,911</u>	<u>848,762</u>	<u>(16,299)</u>

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ORLINDA, TENNESSEE

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2026

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Variance with Original Budget over (under) Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget over (under) Actual Amounts</u>
Expenditures:					
General Government:					
Current:					
Salaries	300,000	300,000	0	326,546	26,546
Payroll taxes	35,000	35,000	0	26,052	(8,948)
Dues and advertising	5,000	5,000	0	9,693	4,693
Utilities	27,500	27,500	0	19,741	(7,759)
Repair and maintenance	6,000	6,000	0	18,074	12,074
Office expenses	4,000	4,000	0	3,911	(89)
Insurance	60,000	60,000	0	57,979	(2,021)
Property taxes	3,500	3,500	0	2,635	(865)
Library	15,000	15,000	0	2,987	(12,013)
Donations	2,000	2,000	0	0	(2,000)
Professional services	10,000	10,000	0	20,643	10,643
Miscellaneous	11,000	11,000	0	293	(10,707)
	<u>479,000</u>	<u>479,000</u>	<u>0</u>	<u>488,554</u>	<u>9,554</u>
Capital outlay	0	0	0	0	0
Total General Government	<u>479,000</u>	<u>479,000</u>	<u>0</u>	<u>488,554</u>	<u>9,554</u>
Fire department:					
Volunteer firemen	20,000	20,000	0	21,385	1,385
Rent	8,000	8,000	0	6,050	(1,950)
Uniforms and supplies	75,000	75,000	0	27,416	(47,584)
Communications	15,000	15,000	0	16,957	1,957
Vehicle expense	35,000	35,000	0	35,591	591
Miscellaneous	18,000	18,000	0	2,708	(15,292)
	<u>171,000</u>	<u>171,000</u>	<u>0</u>	<u>110,107</u>	<u>(60,893)</u>
Capital outlay	0	45,911	45,911	103,513	57,602
Total Fire department	<u>171,000</u>	<u>216,911</u>	<u>45,911</u>	<u>213,620</u>	<u>(3,291)</u>
Community center:					
Supplies and utilities	7,750	7,750	0	17,031	9,281
	<u>7,750</u>	<u>7,750</u>	<u>0</u>	<u>17,031</u>	<u>9,281</u>
Capital outlay	0	0	0	0	0
Total Community center	<u>7,750</u>	<u>7,750</u>	<u>0</u>	<u>17,031</u>	<u>9,281</u>
Park and recreation:					
Supplies	4,500	4,500	0	6,912	2,412
	<u>4,500</u>	<u>4,500</u>	<u>0</u>	<u>6,912</u>	<u>2,412</u>
Capital outlay	15,000	15,000	0	8,669	(6,331)
Total Park and recreation	<u>19,500</u>	<u>19,500</u>	<u>0</u>	<u>15,581</u>	<u>(3,919)</u>

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ORLINDA, TENNESSEE

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2026

	Original Budget	Final Budget	Variance with Original Budget over (under) Final Budget	Actual Amounts	Variance with Final Budget over (under) Actual Amounts
Streets:					
Street lighting	14,000	14,000	0	0	(14,000)
Repair and maintenance	4,500	4,500	0	4,199	(301)
	18,500	18,500	0	4,199	(14,301)
Capital outlay	120,000	120,000	0	0	(120,000)
Total Streets	138,500	138,500	0	4,199	(134,301)
 Total Expenditures	 815,750	 861,661	 45,911	 738,985	 (122,676)
 Excess (deficiency) of Revenues over Expenditures	 3,400	 3,400	 0	 109,777	 106,377
 Fund Balance, July 1, 2025	 2,570,795	 2,570,795		 2,570,795	
 Fund Balance, June 30, 2026	 <u>\$2,574,195</u>	 <u>\$2,574,195</u>		 <u>2,680,572</u>	

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ORLINDA, TENNESSEE

Budgetary Comparison Schedule

State Street Aid Fund

For the Year Ended June 30, 2026

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Variance with Original Budget over (under) Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget over (under) Actual Amounts</u>
Revenues:					
Intergovernmental:					
Gasoline .03 tax	4,000	4,000	0	5,902	1,902
Gasoline 1989 tax	3,000	3,000	0	2,465	(535)
Gasoline 2017 tax	7,000	7,000	0	7,309	309
Gasoline and motor fuel	14,500	14,500	0	17,232	2,732
Special petroleum tax	1,500	1,500	0	1,765	265
Total Revenues	<u>30,000</u>	<u>30,000</u>	<u>0</u>	<u>34,673</u>	<u>4,673</u>
Expenditures:					
Streets:					
Maintenance and repair	30,000	30,000	0	10,903	(19,097)
Capital outlay	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>30,000</u>	<u>30,000</u>	<u>0</u>	<u>10,903</u>	<u>(19,097)</u>
Excess (deficiency) of revenues over expenditures	0	0	0	23,770	23,770
Fund Balance, July 1, 2025	<u>81,789</u>	<u>81,789</u>		<u>81,789</u>	
Fund Balance, June 30, 2026	<u><u>\$81,789</u></u>	<u><u>\$81,789</u></u>		<u><u>\$105,559</u></u>	

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

CITY OF ORLINDA, TENNESSEE

Notes to Budgetary Comparison Schedules

Note A – Notes to Schedules

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.

Note B – Budget results

The City increased revenue and expenses by \$45,911 based on the City receiving a grant for equipment purchases for the fire department.

Note C – Actual results

- Sales tax revenue was higher due to a growing local economy, while miscellaneous revenues were lower from decreased insurance recoveries.
- General government expenditures were lower than budgeted levels by \$122,676 due to lower capital outlay expenses than expected.
- State street aid fund expenses were lower due to decreased maintenance and repair expenses.

SUPPLEMENTAL INFORMATION

CITY OF ORLINDA, TENNESSEE

Capital Assets Used in the Operation of Governmental Funds

Schedule of Capital Assets - By Type

June 30, 2026

	<u>General Government</u>	<u>Fire Department</u>	<u>Parks</u>	<u>Community Center</u>	<u>Streets</u>	<u>Total</u>
Buildings and improvements	\$1,218,181	\$250,805	\$42,780	\$148,252	\$0	\$1,660,018
Land	101,896	0	0	0	0	101,896
Infrastructure	0	0	25,600	0	923,785	949,385
Furniture and fixtures	29,755	0	0	0	0	29,755
Vehicles and fire equipment	<u>7,439</u>	<u>969,885</u>	<u>31,581</u>	<u>0</u>	<u>15,065</u>	<u>1,023,970</u>
Total Capital assets	<u>1,357,271</u>	<u>1,220,690</u>	<u>99,961</u>	<u>148,252</u>	<u>938,850</u>	<u>3,765,024</u>

CITY OF ORLINDA, TENNESSEE

Capital Assets Used in the Operation of Governmental Funds

Schedule of Changes in Capital Assets

June 30, 2026

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Buildings and improvements	\$1,660,018	\$0	\$0	\$1,660,018
Land	101,896	0	0	101,896
Infrastructure	949,385	0	0	949,385
Furniture and fixtures	29,755	0	0	29,755
Vehicles and fire equipment	<u>911,788</u>	<u>112,182</u>	<u>0</u>	<u>1,023,970</u>
Total capital assets	<u><u>3,652,842</u></u>	<u><u>112,182</u></u>	<u><u>0</u></u>	<u><u>3,765,024</u></u>

CITY OF ORLINDA, TENNESSEE

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

June 30, 2026

	<u>Carrying Value</u>
General Fund:	
Demand deposits	\$ 2,632,218
Total General Fund	<u>2,632,218</u>
State Street Aid Fund:	
Demand deposits	<u>99,532</u>
Total State Street Aid Fund	<u>99,532</u>
 Total - All funds	 <u><u>\$2,731,750</u></u>

CITY OF ORLINDA, TENNESSEE

Schedule of State and Federal Financial Assistance

For the Year Ended June 30, 2026

<u>Assistance Listing Number</u>	<u>State Grant Number</u>	<u>Program Name</u>	<u>Grantor Agency</u>	<u>Receivable (Deferred) Balance July 1, 2025</u>	<u>Grant Receipts</u>	<u>Other Receipts</u>	<u>Grant Expenditures</u>	<u>Receivable (Deferred) Balance June 30, 2026</u>
State Program: N/A	N/A	Volunteer Fire Department	State of Tennessee Department of Finance and Administration	<u>0</u>	<u>45,911</u>	<u>0</u>	<u>45,911</u>	<u>0</u>
		Totals		<u>0</u>	<u>45,911</u>	<u>0</u>	<u>45,911</u>	<u>0</u>

This schedule prepared on the modified accrual basis.

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 Commissioners
City of Orlinda, Tennessee
Orlinda, 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 Orlinda as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the City of Orlinda's basic financial statements, and have issued a report thereon dated August 20, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the City of Orlinda'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 Orlinda's internal control. Accordingly, I do not express an opinion on the effectiveness of the City of Orlinda'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 item 2026-001, that I consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Orlinda'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 Orlinda's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Orlinda's response to the finding identified in my audit and described in the accompanying Schedule of Findings and Responses. The City of Orlinda'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.

August 20, 2026

CITY OF ORLINDA, TENNESSEE

Schedule of Findings and Responses

June 30, 2026

2026-001 - Separation of Duties

Condition: The City of Orlinda currently has two employees that work in performing the majority of the accounting functions for the City. Due to only having two 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 to the optimum level desired. There are only two employees 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 ORLINDA, TENNESSEE

Schedule of Disposition of Prior Year Comments

June 30, 2026

<u>Finding Number</u>	<u>Finding Title</u>	<u>Status</u>
2025 – 001	Separation of Duties	Repeated

The original finding number was 2001-001. The current finding number is 2026-001.

City of Orlinda

City Commission
Tabitha Swearingen, Mayor
Ben Ellis, Vice-Mayor
Sherry Carver, Commissioner
Jennifer Johnson, Commissioner



Administration
Tammie Carey
City Manager
Hannah Wallace
City Clerk

Management's Corrective Action Plan

Audit period: June 30, 2026

The findings from the June 30, 2026, *Schedule of Findings and Responses* are discussed below.

2026-001 Segregation of Duties (Internal Control)

Contact Person: Tammie Carey

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:

"The Sunniest Spot in Tennessee"

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