

**TOWN OF MOUNT CARMEL, TENNESSEE**

**FINANCIAL STATEMENTS**

**JUNE 30, 2019**

**TOWN OF MOUNT CARMEL, TENNESSEE**  
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**June 30, 2019**

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**TOWN OF MOUNT CARMEL, TENNESSEE**  
**SCHEDULE OF PRINCIPAL OFFICIALS & MANAGEMENT OFFICIALS**  
**June 30, 2019**

**PRINCIPAL OFFICIALS**

Chris Jones	Mayor (-16/20)
Jennifer Williams	Vice-Mayor (-16/20)
Jim Gilliam	Alderman (-18/22)
Steven McLain	Alderman (-18/22)
Wanda Davidson	Alderman (-16/20)
Pat Stilwell	Alderman (-18/22)
Carl Wolfe	Alderman (-16/20)

**MANAGEMENT OFFICIALS**

Tammy Conner	CMFO
Michael Housewright	City Administrator

# DAVID M. ELLIS

*Certified Public Accountant*

*Member, American Institute of  
Certified Public Accountants*

*Member, Tennessee Society of  
Certified Public Accountants*

## INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Aldermen  
Town of Mount Carmel  
Mount Carmel, Tennessee

### Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information, of the Town of Mount Carmel, Tennessee, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Mount Carmel, Tennessee's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

## **Opinions**

In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Mount Carmel, Tennessee, as of June 30, 2019, and the respective changes in financial position, and where applicable, cash flows thereof and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 to 10 and the schedule of changes in net pension liability (asset) and related ratios based on participation in the public employee pension plan of TCRS and schedule of contributions based on participation in the public employee pension plan of TCRS on pages 46 to 48 be presented to supplement the financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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.

### *Other Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Mount Carmel, Tennessee's basic financial statements. The schedule of principal officers and management officials and other supplementary information sections are presented for purposes of additional analysis and are not a required part of basic financial statements.

The information included in the other supplementary information section as listed on pages 49 through 58 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. Such 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 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 information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The schedule of principal officers and management officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated August 20, 2020, on my consideration of the Town of Mount Carmel, Tennessee'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 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 Town of Mount Carmel, Tennessee's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "David M. Ellis".

David M. Ellis, CPA  
Greeneville, Tennessee  
August 20, 2020

**TOWN OF MOUNT CARMEL, TENNESSEE  
MANAGEMENT'S DISCUSSION & ANALYSIS  
(Unaudited-Required Supplementary Information)  
For the Year Ended, June 30, 2019**

As management of the Town of Mount Carmel, Tennessee (i.e., the Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the year ended June 30, 2019. We encourage readers to consider this information in conjunction with the basic financial statements, the notes to the financial statements and other supplementary information which has been provided.

**Financial Highlights**

Key financial highlights for the year ended June 30, 2019 are as follows:

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$13,584,988. Of this amount, \$5,659,577 (unrestricted net position) may be used to meet the Town's ongoing obligations.
- The Town's total net position increased \$619,739 during the current year.
- As of June 30, 2019, the Town's General Fund reported a fund balance of \$3,981,649 which was a \$539,477 increase over the prior year.
- The proprietary fund being the Sewer Fund had an increase of \$172,193 in net position for the current year.
- During the current year, the Town had no new debt issues.

**Overview of the Financial Statements**

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

**Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances in a manner similar to private-sector business.

The Statement of Net Position presents information on all of the Town's assets, liabilities, and deferred outflows and inflows of resources with the difference between these reported as net position. Over time, increases or decreases in net position serves as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The Statement of Activities presents information showing how the Town's net position changed during the most recent year. All changes in net positions 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.



Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the Town include general government, fire, police, streets, state street aid, recreation, library, sanitation, and the drug fund operations. The business-type activity of the Town represents sewer services with revenues being primarily user charges for services rendered.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. All of the funds of the Town can be divided into two categories- governmental funds and proprietary funds.

### **Governmental Funds**

Governmental funds are 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 year. Such information may be useful in evaluating the Town's near-term financial requirements.

Because the focus of governmental funds is narrower than that of 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. Both the governmental funds balance sheet and the governmental funds statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and activities.

The Town maintains two governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund which is always considered to be a major fund. Data for the other remaining fund which is the Drug Fund is presented in a single presentation. Prior to June 30, 2011, the Solid Waste Sanitation Fund was reported separate; however, with the implementation of GASB #54, the Solid Waste Sanitation Fund is now reported in the General Fund. A supplemental schedule of activities for the Solid Waste Sanitation Fund is presented as other supplemental information. Individual fund data for the Drug Fund is provided in the form of combining statements elsewhere in the report. The Town adopts an annual budget for its governmental funds and budgetary comparison information is located in the basic financial statements or in supplementary information.

### **Proprietary Funds**

The Town maintains one proprietary fund being the Sewer Fund. Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statements. Proprietary or enterprise funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sewer Fund, since this is considered to be a major fund of the Town.

### **Notes to the Basic Financial Statements**

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### Required & Other Supplementary Information

In addition to the basic financial statements and accompanying notes, additional supplementary information can be found in sections of this report.

### Government-Wide Financial Analysis

The Town presents its financial statements under the reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB34), Basic Financial Statements-and Management's Discussion and Analysis (MD & A) - for state and local governments. As noted earlier, net position changes over time serves as a useful indicator of the Town's financial position. In the case of the Town, its overall net position increased \$619,739 in the current year.

The largest portion of the Town's net position (52%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, sewer system plant, lines, swimming pool and equipment); less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town'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 for from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The second largest portion net position consists of unrestricted net position (42%) and this may be used to meet the Town's ongoing obligations to citizens and creditors.

An additional portion of the Town's net position (6%) represents resources that are subject to external restriction on how they may be used.

The Town of Mount Carmel's net position and changes in net position are presented on the following pages:

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>Assets &amp; Deferred Outflows of Resources</b>						
Current & Other Assets	\$ 5,787,291	\$ 5,296,689	\$ 2,052,305	\$ 1,859,196	\$ 7,839,596	\$ 7,155,885
Capital Assets (net)	1,893,638	2,030,432	5,684,616	5,915,181	7,578,254	7,945,613
Deferred Outflows of Resources	139,457	101,556	37,392	30,704	176,849	132,260
<b>Total Assets &amp; Deferred Outflows of Resources</b>	<b>7,820,386</b>	<b>7,428,677</b>	<b>7,774,313</b>	<b>7,805,081</b>	<b>15,594,699</b>	<b>15,233,758</b>
<b>Liabilities &amp; Deferred Inflows of Resources</b>						
Long-Term Liabilities	15,522	19,826	416,915	592,356	432,437	612,182
Other Liabilities	76,987	115,935	19,239	42,744	96,226	158,679
Deferred Inflows of Resources	1,461,525	1,474,110	19,523	23,538	1,481,048	1,497,648
<b>Total Liabilities &amp; Deferred Inflows of Resources</b>	<b>1,554,034</b>	<b>1,609,871</b>	<b>455,677</b>	<b>658,638</b>	<b>2,009,711</b>	<b>2,268,509</b>
<b>Net Position</b>						
Net Investment in Capital Assets	1,893,638	2,030,432	5,267,701	5,322,825	7,161,339	7,353,257
Restricted	548,257	603,596	215,815	219,104	764,072	822,700
Unrestricted	3,824,457	3,184,778	1,835,120	1,604,514	5,659,577	4,789,292
<b>Total Net Position</b>	<b>\$ 6,266,352</b>	<b>\$ 5,818,806</b>	<b>\$ 7,318,636</b>	<b>\$ 7,146,443</b>	<b>\$ 13,584,988</b>	<b>\$ 12,965,249</b>

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>Revenue</b>						
Charges for Services	\$ 136,573	\$ 169,121	\$ 971,641	\$ 973,523	\$ 1,108,214	\$ 1,142,644
Operating Grants/Contributions	216,905	211,541	-	-	216,905	211,541
Capital Grants/Contributions	-	-	-	-	-	-
Property Taxes	1,358,963	1,116,720	-	-	1,358,963	1,116,720
Local Sales Tax	399,169	376,132	-	-	399,169	376,132
Other Taxes	124,948	125,822	-	-	124,948	125,822
Intergovernmental	568,801	546,742	-	-	568,801	546,742
Other	24,217	22,324	2,099	1,114	26,316	23,438
<b>Total Revenue</b>	<b>2,829,576</b>	<b>2,568,402</b>	<b>973,740</b>	<b>974,637</b>	<b>3,803,316</b>	<b>3,543,039</b>
<b>Expenses</b>						
General Government	134,775	136,349	-	-	134,775	136,349
Financial/Administration	422,798	492,710	-	-	422,798	492,710
Public Safety - Police/Fire	682,540	870,434	-	-	682,540	870,434
Drug Fund Operations	10,900	6,623	-	-	10,900	6,623
Animal Control	55,073	47,687	-	-	55,073	47,687
Building Inspection	38,691	37,299	-	-	38,691	37,299
Highways & Streets	672,409	637,477	-	-	672,409	637,477
Solid Waste - Sanitation	237,742	232,665	-	-	237,742	232,665
Recreation	80,439	118,750	-	-	80,439	118,750
Library	46,663	48,219	-	-	46,663	48,219
Senior Citizens	-	-	-	-	-	-
Sewer Operations/Debt Service	-	-	801,547	812,974	801,547	812,974
<b>Total Expenses</b>	<b>2,382,030</b>	<b>2,628,213</b>	<b>801,547</b>	<b>812,974</b>	<b>3,183,577</b>	<b>3,441,187</b>
<b>Change in Net Position</b>	<b>447,546</b>	<b>(59,811)</b>	<b>172,193</b>	<b>161,663</b>	<b>619,739</b>	<b>101,852</b>
<b>Beginning Net Position</b>	<b>5,818,806</b>	<b>5,878,617</b>	<b>7,146,443</b>	<b>6,984,780</b>	<b>12,965,249</b>	<b>12,863,397</b>
<b>Ending Net Position</b>	<b>\$ 6,266,352</b>	<b>\$ 5,818,806</b>	<b>\$ 7,318,636</b>	<b>\$ 7,146,443</b>	<b>\$ 13,584,988</b>	<b>\$ 12,965,249</b>

### Financial Analysis of the Town's Funds

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

#### Governmental Funds

The focus of the Town's governmental funds is to provide information on the near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balances may serve as a useful measure of a government's net resources available for spending in the next fiscal year.

At the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$3,988,020. In the governmental funds, revenues and other sources totaled \$2,827,919 while expenditures totaled \$2,296,641 resulting in a \$531,278 increase to fund balance. As of June 30, 2019, 93% of the governmental fund balances were unassigned.

With respect to the General Fund, the overall fund balance increased \$539,477.

### Proprietary Funds

The Town maintains one proprietary fund being the Sewer Fund and in the current year, the Sewer Fund had an increase in net position of \$172,193.

### General Fund Budgetary Highlights

The Town made revisions to its original budget approved by the Town Council. Overall these changes resulted in a \$0 increase in budgeted revenues and \$0 increase in budgeted expenditures. Actual revenues were above final budgeted revenues by \$206,622 and actual expenditures were below final budgeted expenditures by \$609,889.

### Capital Assets

The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2019, totaled \$7,578,254 (net of accumulated depreciation). The investment in capital assets includes land, buildings, equipment, improvements, infrastructure, and sewer plant and lines. A summary of the capital assets are as follows:

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>Capital Assets</b>						
Land	\$ 352,312	\$ 337,312	\$ 167,190	\$ 167,190	\$ 519,502	\$ 504,502
Construction in Progress	-	-	-	-	-	-
Buildings/Improvements	623,590	623,590	-	-	623,590	623,590
Machinery/Equipment/Vehicles	2,046,295	2,035,395	588,944	588,944	2,635,239	2,624,339
Infrastructure	3,907,153	3,907,153	-	-	3,907,153	3,907,153
Utility Plant & Lines	-	-	11,331,142	11,322,392	11,331,142	11,322,392
Library	115,205	115,205	-	-	115,205	115,205
<b>Total Capital Assets</b>	<b>7,044,555</b>	<b>7,018,655</b>	<b>12,087,276</b>	<b>12,078,526</b>	<b>19,131,831</b>	<b>19,097,181</b>
Less: Accumulated Depreciation	(5,150,917)	(4,988,223)	(6,402,660)	(6,163,345)	(11,553,577)	(11,151,568)
<b>Total Capital Assets (net)</b>	<b>\$ 1,893,638</b>	<b>\$ 2,030,432</b>	<b>\$ 5,684,616</b>	<b>\$ 5,915,181</b>	<b>\$ 7,578,254</b>	<b>\$ 7,945,613</b>

### Debt Administration

For the year ending June 30, 2019, the Town had no new debt issues with the only outstanding debt related to business-type activities or the Sewer Fund. A summary of the outstanding debt is presented on the following page:

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Bonds Payable	\$ -	\$ -	\$ 416,915	\$ 592,356	\$ 416,915	\$ 592,356
Capital Outlay Notes	-	-	-	-	-	-
<b>Total Outstanding Debt</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 416,915</b>	<b>\$ 592,356</b>	<b>\$ 416,915</b>	<b>\$ 592,356</b>

**Economic Factors & Next Year's Budgets & Rates**

The Town's elected and appointed officials consider many factors when setting the fiscal 2019-20 budget including tax rates and fees that will be charged for business-type activities. Mount Carmel adjoins the city limits of Kingsport, Tennessee. As a result, a majority of the Towns' residents are employed in the Kingsport area as Mount Carmel has no major industries in its boundaries and sales tax revenues are primarily dependent on one major lumber company. No major changes are anticipated in the 2019-2020 year and the property tax rate remained the same.

**Contacting the Town's Financial Management**

This report is designed to provide those interested with a general overview of the Town's finances. If you have questions about this report or need additional information, contact the City Recorder at the Town of Mount Carmel, Mount Carmel, Tennessee.

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2019**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash & Cash Equivalents	\$ 3,554,824	\$ 1,633,056	\$ 5,187,880
Taxes Receivable	1,431,173	-	1,431,173
Intergovernmental Receivables	218,625	-	218,625
Receivables (net)	18,036	152,810	170,846
Inventory	16,376	50,624	67,000
<b>Restricted Assets</b>			
Cash & Cash Equivalents	250,732	163,309	414,041
Net Pension Asset	297,525	52,506	350,031
<b>Capital Assets Not Being Depreciated</b>			
Land	352,312	167,190	519,502
Construction in Progress	-	-	-
<b>Capital Assets Net of Depreciation</b>			
Buildings	114,279	-	114,279
Sewer System	-	5,517,426	5,517,426
Equipment and Other	1,427,047	-	1,427,047
<b>Total Assets</b>	<b>7,680,929</b>	<b>7,736,921</b>	<b>15,417,850</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension Contributions Subsequent To Measurement Date & Pension Changes In Assumptions	139,457	37,392	176,849
<b>Total Deferred Outflows of Resources</b>	<b>139,457</b>	<b>37,392</b>	<b>176,849</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	32,745	7,117	39,862
Accrued Expenses	44,242	11,832	56,074
Customer Deposits	-	290	290
<b>Noncurrent Liabilities</b>			
Due within one year	15,522	121,915	137,437
Due in more than one year	-	295,000	295,000
<b>Total Liabilities</b>	<b>92,509</b>	<b>436,154</b>	<b>528,663</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Net Difference Between Projected & Actual Investment Earnings On Pension Plan Investments & Pension Changes In Experience	110,622	19,523	130,145
Deferred Current Property Taxes	1,350,903	-	1,350,903
<b>Total Deferred Inflows of Resources</b>	<b>1,461,525</b>	<b>19,523</b>	<b>1,481,048</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	1,893,638	5,267,701	7,161,339
Restricted	548,257	215,815	764,072
Unrestricted	3,824,457	1,835,120	5,659,577
<b>Total Net Position</b>	<b>\$ 6,266,352</b>	<b>\$ 7,318,636</b>	<b>\$ 13,584,988</b>

The accompanying notes to financial statements are an integral part of this statement.

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**STATEMENT OF ACTIVITIES**  
For the Year ended June 30, 2019

Functions/Programs	Expenses	PROGRAM REVENUES			Net (Expense) Revenue	Governmental Activities	Business-Type Activities	Total
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions				
<b>Primary Government</b>								
Governmental Activities:								
General Government	\$ 134,775	\$ 22,580	\$ -	\$ -	\$ (112,195)			
Financial & Administration	422,798	-	-	-	(422,798)			
Public Safety-Police/Fire	682,540	88,968	21,078	-	(572,494)			
Drug Fund Operations	10,900	2,660	-	-	(8,240)			
Animal Control	55,073	596	-	-	(54,477)			
Building Inspection	38,691	5,344	-	-	(33,347)			
Highways & Streets	672,409	16,425	190,082	-	(465,902)			
Solid Waste/Sanitation	237,742	-	-	-	(237,742)			
Recreation	80,439	-	250	-	(80,189)			
Library	46,663	-	5,495	-	(41,168)			
Maintenance	-	-	-	-	-			
Interest on Long-Term Debt	-	-	-	-	-			
<b>Total Governmental Activities</b>	<b>2,382,030</b>	<b>136,573</b>	<b>216,905</b>	<b>-</b>	<b>(2,028,552)</b>			
Business-Type Activities:								
Sewer	801,547	971,641	-	-	170,094			
<b>Total Business-Type Activities</b>	<b>801,547</b>	<b>971,641</b>	<b>-</b>	<b>-</b>	<b>170,094</b>			
<b>Total Primary Government</b>	<b>\$3,183,577</b>	<b>\$ 1,108,214</b>	<b>\$ 216,905</b>	<b>\$ -</b>	<b>\$ (1,858,458)</b>			
<b>Change in Net Position</b>						<b>(2,028,552)</b>	<b>170,094</b>	<b>(1,858,458)</b>
<b>General Revenues</b>								
Property Taxes						1,358,963	-	1,358,963
Local Option Sales Tax						399,169	-	399,169
Franchise Taxes						71,913	-	71,913
Beer Taxes						53,035	-	53,035
Intergovernmental						568,801	-	568,801
Gain on Sale of Capital Assets						-	-	-
Interest Income						3,877	2,099	5,976
Miscellaneous						20,340	-	20,340
<b>Total General Revenues</b>						<b>2,476,098</b>	<b>2,099</b>	<b>2,478,197</b>
<b>Increase (Decrease) in Net Position</b>						<b>447,546</b>	<b>172,193</b>	<b>619,739</b>
<b>Net Position-Beginning</b>						<b>5,818,806</b>	<b>7,146,443</b>	<b>12,965,249</b>
<b>Net Position-Ending</b>						<b>\$ 6,266,352</b>	<b>\$ 7,318,636</b>	<b>\$ 13,584,988</b>

The accompanying notes to financial statements are an integral part of this statement.

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2019**

	General Fund	Other Governmental Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash & Cash Equivalents	\$ 3,799,185	\$ 6,371	\$ 3,805,556
Taxes Receivable	1,431,173	-	1,431,173
Accounts Receivable	18,036	-	18,036
Intergovernmental Receivables	218,625	-	218,625
Inventory	16,376	-	16,376
<b>Total Assets</b>	<b>\$ 5,483,395</b>	<b>\$ 6,371</b>	<b>\$ 5,489,766</b>
<b>LIABILITIES</b>			
Accounts Payable	32,745	-	32,745
Accrued Expenses	-	-	-
Accrued Salaries & Benefits	44,242	-	44,242
<b>Total Liabilities</b>	<b>76,987</b>	<b>-</b>	<b>76,987</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Current Property Taxes	1,350,903	-	1,350,903
Deferred Delinquent Property Taxes	73,856	-	73,856
<b>Total Deferred Inflows of Resources</b>	<b>1,424,759</b>	<b>-</b>	<b>1,424,759</b>
<b>FUND BALANCES</b>			
Non-spendable	16,376	-	16,376
Committed	-	-	-
Assigned	-	-	-
Restricted	244,361	6,371	250,732
Unassigned	3,720,912	-	3,720,912
<b>Total Fund Balances</b>	<b>3,981,649</b>	<b>6,371</b>	<b>3,988,020</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,483,395</b>	<b>\$ 6,371</b>	<b>\$ 5,489,766</b>

The accompanying notes to financial statements are an integral part of this statement.



**TOWN OF MOUNT CARMEL, TENNESSEE**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2019**

<b>Total Fund Balances - Governmental Funds</b>	<b>\$</b>	<b>3,988,020</b>
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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 current financial resources and, therefore, are not reported in the Governmental Fund.		1,893,638
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the Governmental Funds.

Due within one year:	15,522	
Due in more than one year:	-	
	15,522	15,522

Net pension assets & liabilities, and the related deferred outflows and deferred inflows, are reported in the statement of net position; however they are current financial resources; therefore, they are not reported in the governmental funds balance sheet.

Net Pension Asset		297,525
Deferred outflows of resources		139,457
Deferred inflows of resources		(110,622)

Unearned revenue is not recognized on property taxes in the Governmental Funds, as it is not available within the time period.

		42,812
<b>Net Position of Governmental Activities</b>	<b>\$</b>	<b>6,266,352</b>

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, & CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2019**

	General Fund	Other Governmental Fund	Total Governmental Funds
<b>REVENUES</b>			
Taxes:			
Property taxes	\$ 1,341,271	\$ -	\$ 1,341,271
Interest & Penalties - Taxes	16,035	-	16,035
Local Option Sales Tax	399,169	-	399,169
Wholesale Beer Tax	53,035	-	53,035
Cable TV Franchise Tax	71,913	-	71,913
Total Taxes	1,881,423	-	1,881,423
Intergovernmental Revenue	760,811	-	760,811
Charges for Services:			
Building Permits	5,344	-	5,344
Highway Contract Services	16,425	-	16,425
Animal Control	596	-	596
Fines/Forfeitures/Enforcement	88,968	2,660	91,628
Other Charges	22,580	-	22,580
Total Charges for Services	133,913	2,660	136,573
Donations	24,895	-	24,895
Sales of Surplus Property	-	-	-
Interest Income	3,836	41	3,877
Miscellaneous Income	20,340	-	20,340
Total Revenues	2,825,218	2,701	2,827,919
<b>EXPENDITURES</b>			
General Government	142,487	-	142,487
Financial & Administration	447,176	-	447,176
Public Safety	664,171	-	664,171
Drug Fund Operations	-	10,900	10,900
Animal Control	56,856	-	56,856
Building Inspection	38,691	-	38,691
Highway & Streets	569,295	-	569,295
Solid Waste - Sanitation	241,903	-	241,903
Recreation	78,499	-	78,499
Library	46,663	-	46,663
Maintenance	-	-	-
Debt Service	-	-	-
Total Expenditures	2,285,741	10,900	2,296,641
Excess (Deficiency) of Revenues Over (Under) Expenditures	539,477	(8,199)	531,278
Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balances	539,477	(8,199)	531,278
Fund Balances - Beginning	3,442,172	14,570	3,456,742
Fund Balances - Ending	\$ 3,981,649	\$ 6,371	\$ 3,988,020

The accompanying notes to financial statements are an integral part of this statement.

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2019**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ 531,278</b>
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the government-wide Statement of Activities and Changes in Net Position, the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense. This is the amount of capital assets purchased in the current period.	25,900
Depreciation expense on capital assets is reported in the government-wide Statement of Activities and Changes in Net Position but does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in Governmental Funds.	(162,694)
Some expenses reported in the Statement of Activities do not require the use of current financial resources; therefore, they are not reported as expenditures in Governmental Funds. Change in compensated absence accrual.	4,304
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the Governmental Funds. Property taxes - \$1,657.	1,657
Retirement contributions made after the actuarial measurement date are an expenditures in the governmental funds, but increase deferred outflows for governmental activities, net of pension expense.	47,101
	<hr/>
<b>Change in Net Position of Governmental Activities</b>	<b>\$ 447,546</b>

The accompanying notes to financial statements are an integral part of this statement.

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**June 30, 2019**

	<u><b>SEWER FUND</b></u>
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash & Cash Equivalents	\$ 1,633,056
Accounts Receivable (net)	152,810
Inventory	50,624
<b>Noncurrent &amp; Restricted Assets</b>	
Cash & Cash Equivalents	163,309
Net Pension Asset	52,506
Utility Plant & Equipment (net)	5,684,616
<b>Total Assets</b>	<u>7,736,921</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension Contributions Subsequent To Measurement	
Date and Other Pension Related Deferred Outflows	37,392
<b>Total Deferred Outflows of Resources</b>	<u>37,392</u>
 <b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts Payable & Accrued Liabilities	7,117
Accrued Interest	1,617
Accrued Salaries & Benefits	8,763
Accrued Compensated Absences - current	1,452
Customer Deposits	290
Bonds Payable - current	121,915
<b>Noncurrent Liabilities</b>	
Bonds Payable	295,000
<b>Total Liabilities</b>	<u>436,154</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Net Difference Between Projected & Actual	
Investment Earnings On Pension Plan Investments	19,523
 <b>NET POSITION</b>	
Net Investment In Capital Assets	5,267,701
Restricted for Net Pension Asset	52,506
Restricted for Debt Service	163,309
Unrestricted	1,835,120
<b>Total Net Position</b>	<u><u>\$ 7,318,636</u></u>

The accompanying notes to financial statements are an integral part of this statement.

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENSES, & CHANGES IN NET POSITION**  
**PROPRIETARY FUND**  
**For the Year Ended June 30, 2019**

	<u><b>SEWER FUND</b></u>
<b>OPERATING REVENUE</b>	
Charges for Services	\$ 971,641
<b>Total Operating Revenue</b>	<u>971,641</u>
<b>OPERATING EXPENSE</b>	
Personnel Services	184,617
Materials & Supplies	6,222
Repairs & Maintenance	160,049
Contractual Services	29,003
Utilities & Telephone	82,832
Insurance	19,365
General Expenses	57,935
Depreciation	239,315
<b>Total Operating Expense</b>	<u>779,338</u>
<b>Income (Loss) from Operations</b>	192,303
<b>NONOPERATING REVENUE (EXPENSE)</b>	
Interest Income	2,099
Interest Expense	(22,209)
<b>Total Nonoperating Revenue (Expense)</b>	<u>(20,110)</u>
<b>Income Before Contributions</b>	172,193
Capital Grants	-
<b>Change in Net Position</b>	<u>172,193</u>
<b>NET POSITION-BEGINNING</b>	<u>7,146,443</u>
<b>NET POSITION-ENDING</b>	<u><u>\$ 7,318,636</u></u>

The accompanying notes to financial statements are an integral part of this statement.

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
For the Year Ended June 30, 2019

	<u>SEWER FUND</u>
<b>Cash Flows from Operating Activities</b>	
Cash Received from Customers	\$ 967,032
Cash Payments for Supplies/Services	(379,781)
Cash Payments to Employees/Personnel	(188,382)
<b>Net Cash Provided by Operating Activities</b>	<u>398,869</u>
<b>Cash Flows from Capital &amp; Related Financing Activities</b>	
Purchases of Capital Assets	(8,750)
Retirement of Debt	(175,441)
Interest Paid on Debt	(22,209)
<b>Net Cash Provided by (Used for) Capital &amp; Related Financing Activities</b>	<u>(206,400)</u>
<b>Cash Flow from Investing Activities</b>	
Interest Income	<u>2,099</u>
<b>Net Increase (Decrease) in Cash &amp; Cash Equivalents</b>	<u>194,568</u>
<b>Cash &amp; Cash Equivalents - Beginning</b>	<u>1,601,797</u>
<b>Cash &amp; Cash Equivalents - Ending</b>	<u><u>\$ 1,796,365</u></u>
<b>Reconciliation of Income from Operations to Net Cash Provided by (Used for) Operating Activities</b>	
Income from Operations	192,303
<b>Adjustments to Reconcile Income from Operations to Net Cash Provided by (Used for) Operating Activities</b>	
Depreciation	239,315
(Increase) Decrease in:	
Accounts Receivable	(4,609)
Inventory	3,677
Net Pension Asset	2,391
Deferred Outflows Relating to Pension Plan	(6,688)
Increase (Decrease) in:	
Accounts Payable & Accrued Liabilities	(23,505)
Deferred Inflows Relating to Pension Plan	(4,015)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<u><u>\$ 398,869</u></u>
<b>Reconciliation of Total Cash &amp; Cash Equivalents</b>	
Cash & Cash Equivalents	1,633,056
Restricted Cash & Cash Equivalents	163,309
<b>Total Cash &amp; Cash Equivalents</b>	<u><u>\$ 1,796,365</u></u>

The accompanying notes to financial statements are an integral part of this statement.

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, & CHANGES IN FUND BALANCE**  
**- BUDGET & ACTUAL-**  
**GENERAL FUND**  
**For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUE</b>				
<b>Taxes</b>				
Property Taxes	\$ 1,288,600	\$ 1,288,600	\$ 1,341,271	\$ 52,671
Interest & Penalties - Taxes	9,000	9,000	16,035	7,035
Local Option Sales Tax	350,000	350,000	399,169	49,169
Wholesale Beer Tax	42,000	42,000	53,035	11,035
Cable TV & Power Franchise Tax	64,000	64,000	71,913	7,913
<b>Total Taxes</b>	<b>1,753,600</b>	<b>1,753,600</b>	<b>1,881,423</b>	<b>127,823</b>
<b>Intergovernmental Revenue</b>				
State Sales Tax	440,000	440,000	481,507	41,507
State Income Tax	4,000	4,000	4,459	459
State Beer Tax	2,500	2,500	2,513	13
State Street Aid	152,000	152,000	190,082	38,082
State Gas Tax	12,000	12,000	10,779	(1,221)
TVA in Lieu	60,000	60,000	64,290	4,290
State Pay Supplement	4,200	4,200	3,600	(600)
Telecommunication Tax	1,500	1,500	1,653	153
Federal/State/Other Grants	600	600	1,928	1,328
<b>Total Intergovernmental Revenue</b>	<b>676,800</b>	<b>676,800</b>	<b>760,811</b>	<b>84,011</b>
<b>Charges for Services</b>				
State Highway Services	7,000	7,000	16,425	9,425
Rental Income	22,536	22,536	22,580	44
Wrecker Services	200	200	-	(200)
<b>Total Charges for Services</b>	<b>29,736</b>	<b>29,736</b>	<b>39,005</b>	<b>9,269</b>
<b>Fines &amp; Forfeitures</b>				
City Court Fines	80,000	80,000	76,848	(3,152)
County Court Fines	3,500	3,500	3,487	(13)
Animal Control	500	500	596	96
Speed Enforcement	30,000	30,000	8,633	(21,367)
<b>Total Fines &amp; Forfeitures</b>	<b>114,000</b>	<b>114,000</b>	<b>89,564</b>	<b>(24,436)</b>
<b>Licenses &amp; Permits</b>				
Building Permits	4,000	4,000	5,344	1,344
<b>Total Licenses &amp; Permits</b>	<b>4,000</b>	<b>4,000</b>	<b>5,344</b>	<b>1,344</b>
<b>Other Revenue</b>				
Interest Income	1,210	1,210	3,836	2,626
Donations/Other	24,250	24,250	24,895	645
Miscellaneous	15,000	15,000	20,340	5,340
Surplus Sales	-	-	-	-
<b>Total Other Revenue</b>	<b>40,460</b>	<b>40,460</b>	<b>49,071</b>	<b>8,611</b>
<b>TOTAL REVENUES</b>	<b>\$ 2,618,596</b>	<b>\$ 2,618,596</b>	<b>\$ 2,825,218</b>	<b>\$ 206,622</b>

The accompanying notes to financial statements are an integral part of this statement.

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, & CHANGES IN FUND BALANCE**  
**- BUDGET & ACTUAL-**  
**GENERAL FUND**  
**For the Year Ended June 30, 2019**

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
<b>EXPENDITURES</b>				
<b>General Government</b>				
Fireworks Block Party	\$ -	\$ -	\$ -	\$ -
Dues	6,000	6,000	1,517	4,483
Senior Citizens	30,000	30,000	30,000	-
Utilities	16,000	15,362	13,531	1,831
Telephone	8,000	8,000	4,255	3,745
Engineering	7,000	7,000	3,668	3,332
Insurance	72,000	72,000	58,095	13,905
Reappraisal Cost	10,200	10,500	7,548	2,952
Safety Program	2,500	2,500	110	2,390
Bank Charges	100	100	125	(25)
First TN Dev. District	1,300	1,638	1,638	-
First TN Human Resources	2,500	2,500	2,000	500
Public Relations	5,000	5,000	2,500	2,500
Capital Outlay	-	-	15,000	(15,000)
Chamber of Commerce	2,500	2,500	2,500	-
<b>Total General Government</b>	<b>163,100</b>	<b>163,100</b>	<b>142,487</b>	<b>20,613</b>
<b>Financial &amp; Administration</b>				
Salaries	257,150	255,110	213,607	41,503
Payroll Taxes	19,660	19,660	15,406	4,254
Health Insurance	44,225	44,225	39,754	4,471
Retirement	24,500	24,500	20,074	4,426
Worker's Compensation Ins.	1,210	1,210	1,008	202
Training	5,000	5,000	1,650	3,350
Internet & Web Services	5,500	5,500	1,617	3,883
Newsletter	-	-	-	-
Housing Authority	250	250	-	250
Advertising	3,200	3,200	2,902	298
City Judge	4,800	4,800	4,800	-
Medical Services	300	300	345	(45)
Legal Services	55,000	55,000	45,118	9,882
Accounting Services	28,000	28,000	18,730	9,270
Computer & Support	53,000	53,000	34,580	18,420
State Planning Fees	10,700	12,740	12,740	-
Repairs & Maintenance	25,000	25,000	10,308	14,692
Travel	3,000	3,000	2,411	589
Tax Commission Fees	2,800	2,800	1,964	836
Miscellaneous & Dues	5,350	5,350	5,781	(431)
Contractual Fees	2,000	2,000	-	2,000

The accompanying notes to financial statements are an integral part of this statement.



**TOWN OF MOUNT CARMEL, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, & CHANGES IN FUND BALANCE**  
**- BUDGET & ACTUAL-**  
**GENERAL FUND**

For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Office Expense & Supplies	\$ 16,200	\$ 16,200	\$ 12,402	\$ 3,798
Copier Maintenance/Lease	2,000	2,000	1,344	656
Capital Outlay	5,000	5,000	635	4,365
<b>Total Financial &amp; Administration</b>	<b>573,845</b>	<b>573,845</b>	<b>447,176</b>	<b>126,669</b>
<b>Public Safety - Police</b>				
Salaries/Wages	338,000	307,392	261,068	46,324
Payroll Taxes	27,120	27,120	19,070	8,050
Health Insurance	86,000	86,000	58,946	27,054
Retirement	31,000	31,000	18,419	12,581
Worker's Compensation Ins.	19,500	19,500	15,462	4,038
Training	5,000	6,500	4,865	1,635
Dues & E-Com Expense	1,500	1,500	977	523
Utilities/Telephone	7,000	7,000	6,754	246
Internet Services	4,500	4,500	4,117	383
Computer & Support	14,000	14,000	7,841	6,159
Medical Services	1,200	1,200	626	574
Towing Services	750	750	335	415
Travel	2,000	3,700	2,933	767
Office Expense	5,000	5,000	4,161	839
Operating Supplies	5,000	6,750	6,469	281
Child Restraint Seats	-	-	-	-
Clothing/Uniforms	4,000	5,500	4,560	940
Vehicle/Fuel Expense	37,000	58,500	57,328	1,172
Copier Lease	2,500	2,500	2,077	423
Miscellaneous/Radio Expense	2,600	2,600	1,690	910
Department of Safety	13,000	13,000	9,866	3,134
Bullet Proof Vests	2,000	2,500	1,564	936
Capital Outlay/Grant Expenses	-	1,158	1,158	-
Repairs & Maintenance	5,000	6,000	5,323	677
<b>Total Public Safety - Police</b>	<b>613,670</b>	<b>613,670</b>	<b>495,609</b>	<b>118,061</b>
<b>Public Safety - Fire</b>				
Salaries/Wages	121,000	107,371	64,465	42,906
Payroll Taxes	9,580	9,580	4,993	4,587
Health Insurance	-	-	-	-
Retirement	4,100	4,100	819	3,281
Worker's Compensation Ins.	5,100	5,100	4,174	926
Training	7,000	7,000	3,029	3,971
Internet Services	-	-	-	-
Dues & E-Dispatch	2,500	2,500	884	1,616

The accompanying notes to financial statements are an integral part of this statement.

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, & CHANGES IN FUND BALANCE**  
**- BUDGET & ACTUAL-**  
**GENERAL FUND**

**For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public Relations	3,500	5,229	5,229	-
Utilities/Telephone	\$ 15,500	\$ 16,000	\$ 15,122	\$ 878
Medical Services	3,000	3,000	845	2,155
Computer & Support	1,200	1,200	584	616
Repairs & Maintenance	5,000	7,500	8,075	(575)
Travel	3,000	3,000	3,596	(596)
OSHA Testing	5,500	5,500	830	4,670
Contractual Services	3,000	3,500	2,426	1,074
Office Expense/Postage	2,000	2,000	932	1,068
Operating Supplies	5,000	5,000	1,657	3,343
Clothing/Uniforms	4,000	4,000	3,452	548
Vehicle/Fuel Expense	30,000	30,000	26,752	3,248
Radio Expense	4,000	4,000	2,024	1,976
Miscellaneous	1,000	1,000	108	892
Capital Outlay	18,000	26,400	18,566	7,834
Copier Maintenance	-	-	-	-
<b>Total Public Safety - Fire</b>	<b>252,980</b>	<b>252,980</b>	<b>168,562</b>	<b>84,418</b>
<b>Total Public Safety</b>	<b>866,650</b>	<b>866,650</b>	<b>664,171</b>	<b>202,479</b>
<b>Animal Control</b>				
Salaries/Wages	36,000	36,500	33,056	3,444
Payroll Taxes	3,160	3,160	2,394	766
Health Insurance	9,000	9,000	7,695	1,305
Retirement	2,500	3,000	2,463	537
Worker's Compensation Ins.	1,900	1,900	1,279	621
Training	800	600	-	600
Dues	100	100	-	100
Utilities/Telephone	2,150	2,150	1,706	444
Internet Services	600	1,500	1,381	119
Medical Services	800	800	1,226	(426)
Repairs & Maintenance	3,500	3,500	2,262	1,238
Travel	800	800	-	800
Radio Expense	-	-	-	-
Office Expense	500	500	383	117
Operating Supplies	1,000	1,500	1,118	382
Animal Food Purchases	1,000	1,000	908	92
Clothing/Uniforms	600	600	304	296
Vehicle Expense	4,300	2,100	681	1,419
Miscellaneous	-	-	-	-
<b>Total Animal Control</b>	<b>68,710</b>	<b>68,710</b>	<b>56,856</b>	<b>11,854</b>

The accompanying notes to financial statements are an integral part of this statement.

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, & CHANGES IN FUND BALANCE**  
**- BUDGET & ACTUAL -**  
**GENERAL FUND**

**For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Building Inspection</b>				
Salaries/Wages	\$ 32,000	\$ 32,000	\$ 26,691	\$ 5,309
Payroll Taxes	2,580	2,580	2,084	496
Worker's Compensation Ins.	1,600	1,600	1,245	355
Training	800	800	100	700
Dues/Fees	4,500	4,500	3,925	575
Utilities/Telephone	2,950	2,950	2,116	834
Travel	1,000	1,000	-	1,000
Operating Supplies	1,000	1,000	836	164
Miscellaneous & Demolition	1,150	1,150	938	212
Repairs & Maintenance	5,000	5,000	756	4,244
<b>Total Building Inspection</b>	<b>52,580</b>	<b>52,580</b>	<b>38,691</b>	<b>13,889</b>
<b>Highways &amp; Streets</b>				
Salaries/Wages	180,000	180,000	178,631	1,369
Payroll Taxes	14,400	14,400	12,267	2,133
Health Insurance	55,000	51,500	47,867	3,633
Retirement	19,000	20,500	17,945	2,555
Worker's Compensation Ins.	17,000	16,000	12,224	3,776
Training	2,500	2,500	410	2,090
Utilities/Telephone	10,500	11,250	10,536	714
Internet Services	2,000	2,000	1,672	328
Medical Services	1,000	1,000	180	820
Repairs & Maintenance	25,000	20,000	10,943	9,057
Travel	1,000	1,000	392	608
Equipment Rental	750	750	489	261
Office Expense	1,500	1,500	321	1,179
Operating Supplies	10,000	10,000	5,851	4,149
Clothing/Uniforms	5,000	5,000	2,654	2,346
Vehicle Expense	40,000	47,000	40,436	6,564
Traffic Light Study	-	-	-	-
Miscellaneous	1,500	1,750	1,205	545
Drainage Repairs	1,000	1,000	-	1,000
Paving	-	-	-	-
Capital Outlay	-	-	1,299	(1,299)
<b>Total Highways &amp; Streets</b>	<b>387,150</b>	<b>387,150</b>	<b>345,322</b>	<b>41,828</b>
<b>State Street Aid</b>				
Street Lighting	46,000	46,000	38,461	7,539
Signs & Parts/Traffic Light Maint.	11,000	11,000	1,440	9,560
Materials-Streets & Paving	314,000	314,000	184,072	129,928
Equipment	-	-	-	-

The accompanying notes to financial statements are an integral part of this statement.

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, & CHANGES IN FUND BALANCE**  
**- BUDGET & ACTUAL-**  
**GENERAL FUND**  
**For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Total State Street Aid</b>	\$ 371,000	\$ 371,000	\$ 223,973	\$ 147,027
<b>Solid Waste Sanitation</b>				
Salaries/Wages	41,500	44,500	41,005	3,495
Payroll Taxes	3,280	3,280	2,673	607
Health Insurance	20,000	20,000	15,768	4,232
Retirement	4,600	4,600	4,160	440
Worker's Compensation Ins.	3,000	3,000	2,283	717
Medical Services	250	250	-	250
Contractual Fees	162,000	158,000	156,023	1,977
Operating Supplies	500	500	-	500
Vehicle/Fuel Expense	15,000	16,000	19,991	(3,991)
State Permit Fees	-	-	-	-
<b>Total Solid Waste Sanitation</b>	<b>250,130</b>	<b>250,130</b>	<b>241,903</b>	<b>8,227</b>
<b>Recreation</b>				
Utilities/Telephone/Internet	6,000	6,000	5,497	503
Joint Recreation Program	71,000	71,000	62,777	8,223
War Memorial	1,500	3,500	2,438	1,062
Operating Supplies	1,000	1,000	-	1,000
Park Development	20,000	18,000	7,787	10,213
Capital Outlay	1,000	1,000	-	1,000
Miscellaneous	250	250	-	250
<b>Total Recreation</b>	<b>100,750</b>	<b>100,750</b>	<b>78,499</b>	<b>22,251</b>
<b>Library</b>				
Salaries/Wages	35,000	33,225	27,767	5,458
Payroll Taxes	2,940	2,940	2,252	688
Training	250	250	15	235
Worker's Compensation Ins.	150	150	104	46
Utilities/Telephone	3,975	5,600	5,372	228
Internet Services	850	850	722	128
Medical Services	200	200	-	200
Repairs	2,000	2,000	1,150	850
Travel	300	300	107	193
Office Expense	1,500	1,650	1,913	(263)
Materials	5,500	5,500	5,070	430
Summer Reading	850	850	578	272
Miscellaneous	250	250	160	90
Computer & Support	2,900	2,900	413	2,487
Copier Maintenance	800	800	440	360
Training	600	600	600	-
<b>Total Library</b>	<b>58,065</b>	<b>58,065</b>	<b>46,663</b>	<b>11,402</b>

The accompanying notes to financial statements are an integral part of this statement.

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, & CHANGES IN FUND BALANCE**  
**- BUDGET & ACTUAL -**  
**GENERAL FUND**  
**For the Year Ended June 30, 2019**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Other</b>				
Cemetery Maintenance	\$ 3,650	\$ 3,650	\$ -	\$ 3,650
<b>Total Other</b>	<u>3,650</u>	<u>3,650</u>	<u>-</u>	<u>3,650</u>
<b>Debt Service</b>				
Principal	-	-	-	-
Interest	-	-	-	-
<b>Total Debt Service</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 2,895,630</u>	<u>\$ 2,895,630</u>	<u>\$ 2,285,741</u>	<u>\$ 609,889</u>
<b>Excess (Deficiency) of Revenue Over (Under) Expenditures</b>	\$ (277,034)	\$ (277,034)	\$ 539,477	\$ 816,511
Other Financing Sources (Uses)	-	-	-	-
<b>Net Change in Fund Balance</b>	<u>(277,034)</u>	<u>(277,034)</u>	<u>539,477</u>	<u>816,511</u>
<b>FUND BALANCE - BEGINNING</b>	3,442,172	3,442,172	3,442,172	-
<b>FUND BALANCE - ENDING</b>	<u>\$ 3,165,138</u>	<u>\$ 3,165,138</u>	<u>\$ 3,981,649</u>	<u>\$ 816,511</u>

The accompanying notes to financial statements are an integral part of this statement.

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2019**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. General Statement**

The Town of Mount Carmel, Tennessee (the "Town") was incorporated in 1961 under the laws and provisions of the state of Tennessee. The Town operates under a Mayor-Aldermanic form of government. The Town provides the following services-Public Safety- Police and Fire, Streets, Sanitation, Public Improvements, General and Administrative Services, Recreation, Library, and Sewer Services.

The Town's financial statements are presented in accordance with accounting principles generally accepted in the United States of America (GAAP), as applied to governmental units. The Governmental Accounting Standard Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

The accounting and reporting framework and the more significant accounting policies are discussed in subsequent sections of these notes to the basic financial statements. In determining the financial reporting entity, the Town has no component units at June 30, 2019 over which the Town exercises significant influence.

**B. Basis of Presentation Government-wide Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and Statement of Activities) report information on the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services. The statement of activities demonstrates to the degree to which direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) 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 instead as general revenues. The Town does not allocate indirect costs to a specific function or segment.

### **Fund Financial Statements**

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories being governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental/enterprise fund are at least 10 percent of the corresponding total for all fund of that category type.
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental/enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the Town are described as follows:

#### **Governmental Funds**

**General Fund** – The General Fund is the primary operating fund of the Town and is classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds. State Street Aid revenues and expenditures are accounted for in the General Fund but separated to maintain their integrity.

**Special Revenue Funds** – The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes. The special revenue fund is the Drug Fund.

#### **Proprietary Fund**

**Enterprise Fund** – The Enterprise Funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the Town's Sewer Fund.

#### **Major & Non-major Funds**

The funds are further classified as major or non-major as follows:

##### **Funds Major:**

General Fund – See above for description.

Sewer Fund – Accounts for revenues and expenditures of the sewer fund.

##### **Funds Non-major:**

Drug Fund – Accounts for revenues and expenditures relating to drug fund operations.

### **C. Measurement Focus & Basis of Accounting**

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

**Measurement Focus**

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus and defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on the balance sheet. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balances as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of the measurement focus are the determination of operating income, changes in net assets, financial position and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

**Basis of Accounting**

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the accrual basis of accounting. As a result, revenues are recognized when earned and expenses are recorded when the liabilities are incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within 60 days after year end.

Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

The proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance****Cash & Cash Equivalents**

For the purpose of the Statement of Net Position, "cash & cash equivalents" includes all demand and savings accounts of the Town. The Town has no certificates of deposit. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" includes all demand accounts and savings accounts.



### **Interfund Receivables & Payables**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between the funds. Those related to goods and services type are classified as "due to and due from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

### **Receivables**

In the government-wide financial statements, receivables consist of all revenues earned and not yet received. Allowance for uncollectible accounts is based upon historical trends and the periodic ageing of accounts receivable. Major receivable balances for the governmental activities include property taxes, sales taxes, intergovernmental revenues and grants. Business-type activities report sewer charges as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property taxes, sales taxes, grants, and intergovernmental revenues since they are both usually measurable and available. Nonexchange transactions collectible, but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government wide financial statements in accordance with the accrual basis. Proprietary fund material receivables consist of all revenues earned at year end and not received. Utility accounts receivable compose the majority of proprietary fund receivables.

### **Inventories**

Inventories of materials and supplies on hand at year end are stated at cost on the first in first out method.

### **Capital Assets**

The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

### **Government-wide Statements**

In the government-wide financial statements, capital assets are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of the donation. Estimated historical cost was used to value the majority of the assets acquired prior to July 1, 2004. Prior to July 1, 2004, governmental funds' infrastructure assets were not capitalized. These assets have been valued at estimated historical cost. In the government-wide financial statements, capital assets are defined by the Town for governmental activities as assets with an initial individual cost greater than \$5,000. For business-type activities, capital assets are defined as assets with an estimated useful life greater than one year.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position.

Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as shown below:

Buildings	25-50 years
Improvements	10-50 years
Machinery/Equipment	5-15 years
Utility System	40-50 years
Infrastructure	25-50 years

Land and Construction in Progress are not depreciated.

#### **Fund Financial Statements**

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide financial statements. In the current year, there was \$0 interest capitalized on enterprise fund capital assets.

#### **Restricted Assets**

Restricted assets include cash in banks and receivables which are restricted because their use is limited by laws, grant agreements, or debt service requirements.

#### **Long-term Debt**

The accounting treatment for long-term debt depends on whether the assets are used in the governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements. All long-term debt to be repaid from governmental and business-type activities resources are reported as liabilities in the government-wide financial statements. The long-term debt consists primarily of capital outlay notes and bonds payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest are reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

#### **Compensated Absences**

The Town's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as a long-term debt in the government-wide financial statements while the current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred. The Town provides sick leave; however, in the event of termination, accumulated sick leave is not paid.

### **Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources relating to pensions, and pensions expense, information about the fiduciary net position of the Town's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from the Town's fiduciary net position have been determined on the same basis as they are reported by TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and paid in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

### **Post-Employment Benefits**

The Town provides no post-employment benefits to employees who retire or separate from service. Also, the Town under the Consolidated Omnibus Budget Reconciliation Act (COBRA) makes available healthcare benefits available to eligible former employees and eligible dependents according to certain requirements outlined by the Federal government for this coverage. At June 30, 2019, there were no participants in the COBRA program.

### **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 of deferred outflows of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town of Mount Carmel, Tennessee has one item qualifying for reporting in this category. This relates to deferred outflows of resources and deferred outflows of resources relating to pension plan reporting. See Note 8 for additional information on pension plan deferred outflows of resources.

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 and an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The government has items that qualify for reporting in this category. The items qualifying in this area are current/delinquent property taxes and deferred inflows relating to pension plan reporting. See Note 8 for additional information on deferred inflows relating to pensions.

### **Net Position and Fund Balance**

In the government-wide financial statements, equity is classified as net position and displayed in three components:

- 1) Net Investment in Capital Assets – Consists of capital assets including restricted capital assets (net of accumulated depreciation) and reduced by the outstanding borrowings attributable to the acquisition, construction or improvement of those assets.
- 2) Restricted Net Position – Consists of net position with constraints placed on the use either by
  - 1) external groups such as creditors, grantors, contributors, or laws or regulations of other

- governments; or 2) law through constitutional provisions or enabling legislation. The Town's policy is generally to use restricted net position first, as appropriate opportunities arise.
- 3) Unrestricted Net Position – All other net positions that do not meet the definition of "restricted" or "net investment in capital assets."

Governmental fund equity is classified as fund balance. Fund balances are classified into the following categories:

- Nonspendable fund balances comprise those amounts that are legally or contractually required to remain intact.
- Restricted fund balances comprise those amounts constrained to be used for a specific purpose by external parties, constitution provisions, or enabling legislation.
- Committed fund balances comprise those amounts constrained by the government itself using its highest level of authority.
- Assigned fund balances are amounts intended to be used for a specific purpose by the governing body through action other than the highest level of authority.
- Unassigned fund balances are any amounts other than those described above and are available for any purpose.

#### **Net Position and Fund Balance Flow Assumptions**

When outlays for a particular purpose are funded from both restricted and unrestricted resources, a flow assumption must be made about the order in which the resources are considered to be applied. The Town's policy is that when both restricted and unrestricted resources are available for expenditure, restricted resources should be spent first unless legal requirements disallow it. When outlays are incurred for purposes for which amounts in any unrestricted fund balance classification could be used, committed funds are to be spent first, assigned funds second, and unassigned funds last.

The Town's highest level of decision-making authority is the Board of Mayor and Alderman. This board may establish, modify, or rescind committed or assigned fund balances by majority vote. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the Town's policy to use unassigned resources first, then assigned and committed resources as needed. When both restricted and unrestricted fund balances are available for use, it is the Town's policy to use restricted fund balance first, then use unrestricted fund balance as stated above.

### **E. Revenues, Expenditures, & Expenses**

#### **Property Tax/Other Revenue**

Under state law, property taxes become a lien on January 1 of each year. Property taxes are levied annually and are due and payable from October 1st through February 28<sup>th</sup> of the following calendar year. The 2018 property taxes which are due and payable in the current fiscal year are recorded as revenue in the fund financial statements to the extent they are collected within 60 days of year-end with the remainder being recorded as a receivable and as deferred inflow of resources. The 2019 property taxes which became a lien on January 1, 2019 and are not levied until October 1, 2019 are

recorded as a receivable and as deferred inflows of resources in the fund financial statements. On the government-wide statements, property taxes are recorded as revenue in the year the tax becomes a lien with the exception of the 2019 property taxes which are recorded as a receivable and as deferred inflow of resources with the revenue being recognized in the following fiscal year which it is intended to finance. Those revenues susceptible to accrual are property taxes, sales tax, beer taxes, gas taxes, income taxes, interest revenues, and charges for utility services. Permits, fines, penalties and other revenues are not susceptible to accrual because they are not generally measurable until received in cash.

#### **Operating Revenue & Expenses**

The sewer fund distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the entire Town's enterprise fund is charges to customers for sales and services. The sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the sewer fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

#### **Expenditures/Expenses**

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities. In the fund financial statements, expenditures are classified by function and further classified as to current, debt service and capital outlay. The proprietary fund expenditures are classified by operating and nonoperating expenses. In the fund financial statements, governmental funds report expenditures of financial resources while proprietary funds report expenses relating to use of economic resources.

#### **Interfund Transfers**

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

#### **F. Use of Estimates**

In preparing the Town's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent 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.

#### **G. Implementation of GASB 88**

During the fiscal year ended June 30, 2019, the Town implemented GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which expands the disclosures related to debt for matters such as unused lines of credit, assets pledged as collateral for debt, terms specified in debt agreements related to significant events of default,

significant termination events and significant acceleration clauses. The standards also added direct borrowings as debt subject to these disclosure requirements. The requirements of this statement are effective for reporting periods beginning after June 15, 2018.

## **NOTE 2 – STEWARDSHIP, COMPLIANCE, & ACCOUNTABILITY**

### **A. Fund Accounting Requirements**

The Town complies with regulations requiring the use of separate funds. The legally required funds used by the Town include the following:

- General Fund
- Drug Fund

The Town accounts for its State Street Aid revenues and expenses in the general fund while still maintaining its integrity of the resources as allowed under Tennessee Code Annotated. Also, the Solid Waste Sanitation Fund is now included in the General Fund based on GASB Statement No. 54.

### **B. Budgetary Information**

The Town adopts annual budgets consistent with generally accepted accounting principles for the General Fund, Drug Fund, Solid Waste Sanitation Fund and the Sewer Fund. The Board of Mayor and Aldermen approve any amendments to these funds and all annual appropriations for these funds lapse at year end.

### **C. Deposits & Investment Laws & Regulations**

The Town has no formal deposit and investment policies; however, the Town is required to follow certain state statutes with respect to authorized investment and deposit procedures. See Note 3 with respect to these general requirements.

## **NOTE 3 – CASH & CASH EQUIVALENTS**

The Town of Mount Carmel has no formal policies with respect to deposits and investments; however, the Town is required to follow procedures regarding deposits and authorized investments which are allowed by applicable state laws. For the Town of Mount Carmel, TCA Code Section 6-56-106 prescribes the authorized investments for municipalities in the State of Tennessee. With respect to deposits, the State of Tennessee requires that all deposits in financial institutions be collateralized by securities whose market value is equal to 105% of the value of the uninsured deposits. The financial institution deposits must be covered by federal depository insurance or the Tennessee Collateral Bank Pool, by collateral held by the Town's agent in the Town's name, or by the Federal Reserve Banks acting as third party agents. As of June 30, 2019, the carrying amount of the Town's deposits was \$5,601,771 (excluding cash on hand of \$150) and the respective bank balances totaled \$5,681,207. The difference between the two amounts represented deposits in transit, outstanding checks, or other reconcilable items. As of June 30, 2019, the total bank balances of \$5,681,207 were covered by either F.D.I.C. insurance or by collateral pledged as part of the financial institutions' participation in the Tennessee Collateral Bank Pool. A recap of total deposits for the governmental and proprietary funds at June 30, 2019 is as follows:

Category	Governmental	Business-Type	Total
	Activities	Activities	
Cash in Banks	\$ 3,805,406	\$ 1,796,365	\$ 5,601,771
<b>Total Deposits &amp; Investments</b>	<b>3,805,406</b>	<b>1,796,365</b>	<b>5,601,771</b>
Cash on Hand	150	-	150
<b>Total Cash &amp; Cash Equivalents</b>	<b>\$ 3,805,556</b>	<b>\$ 1,796,365</b>	<b>\$ 5,601,921</b>

### Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of bank failure, the Town would not be able to recover deposits or collateral securities that are in the possession of an outside party. As previously noted, all deposits were either covered by F.D.I.C. Insurance, collateral pledged as part of the financial institutions participation in the Tennessee Collateral Pool or with collateralized securities held by the Town's agent in the Town's name, or by the Federal Reserve Banks acting as third party agents.

At June 30, 2019 the Town had the following cash & cash equivalents restricted:

	Governmental	Business-Type
	Activities	Activities
Drug Fund Operations	\$ 6,371	\$ -
State Street Aid	244,361	-
Capital Project/Grant	-	-
Debt Service Reserves	-	163,309
<b>Total</b>	<b>\$ 250,732</b>	<b>\$ 163,309</b>

### NOTE 4 – RECEIVABLES

Receivables as of year-end for the government's individual major funds and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as shown below:

Receivables	Non-major			Total
	General Fund	Sewer Fund	Funds	
Property Taxes	\$ 1,431,173	\$ -	\$ -	\$ 1,431,173
Accounts/Trade/Other	18,036	170,185	-	188,221
Intergovernmental	218,625	-	-	218,625
<b>Gross Receivables</b>	<b>1,667,834</b>	<b>170,185</b>	<b>-</b>	<b>1,838,019</b>
Less: Allowance for Uncollectibles	-	(17,375)	-	(17,375)
<b>Net Total Receivables</b>	<b>\$ 1,667,834</b>	<b>\$ 152,810</b>	<b>\$ -</b>	<b>\$ 1,820,644</b>

Revenues of the Sewer Fund are reported net of the allowance for uncollectibles.

## NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b><u>Governmental Activities</u></b>				
Capital Assets Not Being Depreciated:				
Land	\$ 337,312	\$ 15,000	\$ -	\$ 352,312
Construction in Progress	-	-	-	-
Total Capital Assets Not Being Depreciated	337,312	-	-	352,312
Capital Assets Being Depreciated:				
Buildings/Improvements	623,590	-	-	623,590
Machinery/Equipment/Vehicles	2,035,395	10,900	-	2,046,295
Library	115,205	-	-	115,205
Infrastructure	3,907,153	-	-	3,907,153
Total Capital Assets Being Depreciated	6,681,343	10,900	-	6,692,243
Less: Accumulated Depreciation for:				
Buildings/Improvements	(503,785)	(5,526)	-	(509,311)
Machinery/Equipment/Vehicles	(1,501,087)	(82,724)	-	(1,583,811)
Library	(115,205)	-	-	(115,205)
Infrastructure	(2,868,146)	(74,444)	-	(2,942,590)
Total Accumulated Depreciation	(4,988,223)	(162,694)	-	(5,150,917)
Total Capital Assets Being Depreciated (net)	1,693,120	(151,794)	-	1,541,326
<b>Governmental Activities Capital Assets (net)</b>	<b>\$2,030,432</b>	<b>\$(151,794)</b>	<b>\$ -</b>	<b>\$1,893,638</b>

	Beginning Balance	Increases	Decreases	Ending Balance
<b><u>Business-Type Activities</u></b>				
Capital Assets Not Being Depreciated:				
Land/Right of Ways	\$ 167,190	\$ -	\$ -	\$ 167,190
Construction in Progress	-	-	-	-
Total Capital Assets Not Being Depreciated	167,190	-	-	167,190
Capital Assets Being Depreciated:				
Machinery/Equipment	588,944	-	-	588,944
Utility Plant & Lines	11,322,392	8,750	-	11,331,142
Total Capital Assets Being Depreciated	11,911,336	8,750	-	11,920,086
Less: Accumulated Depreciation for:				
Machinery/Equipment	(588,944)	-	-	(588,944)
Utility Plant & Lines	(5,574,401)	(239,315)	-	(5,813,716)
Total Accumulated Depreciation	(6,163,345)	(239,315)	-	(6,402,660)
Total Capital Assets Being Depreciated (net)	5,747,991	(230,565)	-	5,517,426
<b>Business-Type Activities Capital Assets (net)</b>	<b>\$5,915,181</b>	<b>\$(230,565)</b>	<b>\$ -</b>	<b>\$5,684,616</b>



Depreciation expense was charged to functions/programs of the government are as shown below:

<b>Governmental Activities</b>	
General Government	\$ 7,288
Public Safety - Police & Fire	40,735
Highways & Streets (including infrastructure assets)	112,051
Sanitation	-
Culture/Recreation	1,940
Animal Control	680
Library	-
<b>Total Depreciation - Governmental Activities</b>	<b>162,694</b>
<b>Business-Type Activities</b>	
Sewer	238,129
<b>Total Depreciation - Business-Type Activities</b>	<b>238,129</b>
<b>TOTAL DEPRECIATION</b>	<b>\$ 400,823</b>

#### NOTE 6 – LONG-TERM DEBT

##### Business-Type Activities

Tennessee Local Development Authority Bonds- Issued for \$2,162,025 previously at 7.06%, maturing in 2020. Purpose – Construction of Sewer plant and facilities.

General Obligation Refunding Bond, Series 2013 issued on 11/27/2013 to refund the Series 2003 Sewer Revenue & Tax Refunding Bonds. Total bond issue \$545,000 with an average interest rate of 2.48%.

Bonds outstanding as of June 30, 2019 are shown as follows:

Issue	Governmental Business-Type		Total
	Activities	Activities	
TN Local Dev. Bonds	\$ -	\$ 86,915	\$ 86,915
2013 Refunding Bonds	-	330,000	330,000
<b>TOTAL</b>	<b>\$ -</b>	<b>\$ 416,915</b>	<b>\$ 416,915</b>

Changes in long-term liabilities for the year ended June 30, 2019 is as follows:

	Beginning			Ending	Due
	Balance	Additions	Reductions	Balance	Within 1
					Year
<b>Governmental Activities</b>					
Compensated Absences	\$ 19,826	\$ 15,522	\$ 19,826	\$ 15,522	\$ 15,522
<b>Governmental Activity Long-Term Liabilities</b>	<b>\$ 19,826</b>	<b>\$ 15,522</b>	<b>\$ 19,826</b>	<b>\$ 15,522</b>	<b>\$ 15,522</b>
	Beginning			Ending	Due
	Balance	Additions	Reductions	Balance	Within 1
					Year
<b>Business-Type Activities</b>					
Bonds Payable	\$ 227,356	\$ -	\$ 140,441	\$ 86,915	\$ 86,915
Bonds Payable	365,000	-	35,000	330,000	35,000
Total Notes & Bonds	592,356	-	175,441	416,915	121,915
Compensated Absences	3,775	1,452	3,775	1,452	1,452
<b>Business-Type Activity Long-Term Liabilities</b>	<b>\$ 596,131</b>	<b>\$ 1,452</b>	<b>\$ 179,216</b>	<b>\$ 418,367</b>	<b>\$ 123,367</b>

Annual debt service requirements to maturity for bonds are as follows:

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2020	\$ -	\$ -	\$ 121,915	\$ 9,202
2021	-	-	40,000	7,316
2022	-	-	40,000	6,324
2023	-	-	40,000	5,332
2024	-	-	45,000	4,340
2025-2027	-	-	130,000	6,448
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 416,915</b>	<b>\$ 38,962</b>

#### NOTE 7 – NET POSITION/FUND EQUITY

At June 30, 2019 on the government-wide statement of net position, restricted net position is as follows:

Restricted Net	Governmental	Business-Type	
Position	Activities	Activities	Total
State Street Aid	\$ 244,361	\$ -	\$ 244,361
Drug Fund Operations	6,371	-	6,371
Net Pension Asset	297,525	52,506	350,031
Debt Service	-	163,309	163,309
<b>Total</b>	<b>\$ 548,257</b>	<b>\$ 215,815</b>	<b>\$ 764,072</b>

## NOTE 8 – GENERAL INFORMATION ABOUT THE PENSION PLAN

**Plan description.** Employees of the Town of Mount Carmel, Tennessee are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the Tennessee Consolidated Retirement System (TCRS). The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at <https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies>.

**Benefits provided.** Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

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

**Employees Covered by Benefit Terms.** At the measurement date of June 30, 2018, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries	
Currently Receiving Benefits	5
Inactive Employees Entitled To But	
Not Yet Receiving Benefits	29
Active Employees	20
	<hr/>
	54

**Contributions.** Contributions for employees are established in the statutes governing the TCRS and may only be change by the Tennessee General Assembly. Employees contribute 5 percent of salary. The Town makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2019, employer contributions for the Town were \$76,620 based on

a rate of 10.07 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the Town's state shared taxes if require employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

#### **Net Pension Liability (Asset)**

The Town's net pension liability (asset) was measured as of June 30, 2018, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions- The total pension liability as of June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all period included in the measurement:

Inflation- 2.5 percent

Salary Increases- Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging at 4.00 percent

Investment Rate Of Return- 7.25 percent, net of pension plan investment expenses, including inflation

Cost-of-Living Adjustment- 2.25 percent

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

The actuarial assumptions used in the June 30, 2018 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012 through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5%. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. Equity	5.69%	31.00%
Developed Market International Equity	5.29%	14.00%
Emerging Market International Equity	6.36%	4.00%
Private Equity And Strategic Lending	5.79%	20.00%
U.S. Fixed Income	2.01%	20.00%
Real Estate	4.32%	10.00%
Short-term Securities	0.00%	1.00%
		100.00%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25% based on a blending of the factors described above.

*Discount rate.* The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the Town will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

#### Changes In The Net Pension Liability ( Asset)

	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability (Asset)</u>
<b>Balance at June 30, 2017</b>	<b>\$ 2,416,149</b>	<b>\$ 2,782,121</b>	<b>\$ (365,972)</b>
<b>Changes For The Year:</b>			
Service Cost	77,771		77,771
Interest	179,841		179,841
Differences Between Expected & Actual			
Experience	76,439		76,439
Changes In Assumptions	-		-
Contributions-Employer		86,597	(86,597)
Contributions-Employee		-	-
Net Investment Income	-	233,342	(233,342)
Benefit Payments, Including Refunds of Employee			
Contributions	(26,699)	(26,699)	-
Administrative Expense		(1,829)	1,829
<b>Net Changes</b>	<b>307,352</b>	<b>291,411</b>	<b>15,941</b>
<b>Balance at June 30, 2018</b>	<b>\$ 2,723,501</b>	<b>\$ 3,073,532</b>	<b>\$ (350,031)</b>

*Sensitivity of the net pension liability (assets) to changes in the discount rate.* The following represents the net pension liability (assets) of the Town calculated using the discount rate of 7.25%, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease 6.25%	Current Discount Rate (7.25%)	1% Increase 8.25%
Mount Carmel's net pension liability (asset)	\$ 29,567	\$ (350,031)	\$ (667,219)

**Pension Expense & Deferred Outflows of Resources & Deferred Inflows of Resources Related to Pensions**

*Pension expense (negative pension expense).* For the year ended June 30, 2019, the Town of Mount Carmel recognized pension expense of \$21,207.

*Deferred outflows of resources and deferred inflows of resources.* For the year ended June 30, 2019, the Town of Mount Carmel reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Differences Between Expected And Actual Experience	\$ 63,699	\$ 116,216
Net Difference Between Projected And Actual Earnings On Pension Plan Investments	-	13,929
Changes In Assumptions	36,530	
Contributions Subsequent To The Measurement Date Of June 30, 2018(1)	76,620	-
<b>Total</b>	<b>\$ 176,849</b>	<b>\$ 130,145</b>

- (1) The amount shown above for "Contributions subsequent to the measurement date of June 30, 2018," will be recognized as a reduction (increase) to the net pension liability (asset) in the following measurement period.

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

<b>Year Ended June 30th:</b>	<b>Deferred Inflows Of Resources</b>
2020	\$ 576
2021	\$ (19,734)
2022	\$ (26,327)
2023	\$ 2,826
2024	\$ 12,740
Thereafter	\$ -

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

As of June 30, 2019, the Town reported a payable of \$3,779 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2019.

#### **NOTE 9 – RISK ASSESSMENT**

The Town purchases commercial insurance to cover risks of loss related to torts, theft of, damage to, and destruction of assets; natural disasters; errors and omissions; injuries to employees; and the employees' health plan. For the current year, there have been no significant reductions in insurance coverage. Liabilities or settlements in excess of insurance coverage are reported when it is probable that a loss has been incurred and the amount of loss can be reasonably estimated. With regards to risk management, there were no settlement amounts which exceeded insurance coverage for the current year or the three prior years.

#### **NOTE 10 – LEGAL MATTERS**

At June 30, 2019 the Town was named as defendant in three different lawsuits involving property rights and employment issues. At the balance sheet date it was not possible to predict the outcome of any of the actions, consequently no liability for damages has been recorded.

#### **NOTE 11 – SUBSEQUENT EVENTS**

In preparing these financial statements, the Town has evaluated events and transactions for potential recognition or disclosure through August 20, 2020, the date the financial statements were available to be issued.

On June 25, 2020, the Town of Mount Carmel accepted the resignation of the serving Mayor. The Vice-Mayor was appointed as acting Mayor by the Board of Alderman. One July 30, 2020, the former mayor was indicted for one count of felony official misconduct.

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses. While the disruption is currently expected to be temporary, there is

considerable uncertainty around the duration of the closings. However, the related financial impact on the City and the duration cannot be estimated at this time.



**TOWN OF MOUNT CARMEL, TENNESSEE**  
**SCHEDULE OF CHANGES IN TOWN'S NET PENSION LIABILITY (ASSET) RELATED RATIOS BASED ON PARTICIPATION IN**  
**THE PUBLIC EMPLOYEE PENSION PLAN OF THE TCRS**  
**Last Fiscal Year Ending June 30**

	2014	2015	2016	2017	2018
Total Pension Liability					
Service Cost	\$ 71,153	\$ 57,268	\$ 65,319	\$ 65,726	\$ 77,771
Interest	146,637	151,243	158,292	168,499	179,841
Changes In Benefit Terms		-	-	-	-
Differences Between Actual & Expected Experience	(115,931)	(71,254)	(40,389)	(44,218)	76,439
Changes Of Assumptions		-	-	54,796	
Benefit Payments, Including Refunds Of Employee Contributions	(26,370)	(26,766)	(75,890)	(19,168)	(26,699)
Net Change In Total Pension Liability	75,489	110,491	107,332	225,635	307,352
Total Pension Liability-Beginning	1,897,202	1,972,691	2,083,182	2,190,514	2,416,149
Total Pension Liability-Ending-(A)	<u>\$ 1,972,691</u>	<u>\$ 2,083,182</u>	<u>\$ 2,190,514</u>	<u>\$ 2,416,149</u>	<u>\$ 2,723,501</u>
Plan Fiduciary Net Position					\$ 86,597
Contributions-employer	\$ 83,419	\$ 70,842	\$ 74,368	\$ 71,961	
Contributions-Employee	-	-	-	-	-
Net Investment Income	319,608	70,758	63,349	280,564	233,342
Benefit Payments, Including Refunds Of Employee Contributions	(26,370)	(26,766)	(75,890)	(19,168)	(26,699)
Administrative Expenses	(752)	(923)	(1,343)	(1,484)	(1,829)
Net Change In Plan Fiduciary Net Position	375,905	113,911	60,484	331,873	291,411
Plan Fiduciary Net Position-Beginning	1,899,948	2,275,853	2,389,764	2,450,248	\$ 2,782,121
Plan Fiduciary Net Position-Ending-(B)	<u>\$ 2,275,853</u>	<u>\$ 2,389,764</u>	<u>\$ 2,450,248</u>	<u>\$ 2,782,121</u>	<u>\$ 3,073,532</u>
Net Pension Liability (Asset)-Ending (A)-(B)	<u>\$ (303,162)</u>	<u>\$ (306,582)</u>	<u>\$ (259,734)</u>	<u>\$ (365,972)</u>	<u>\$ (350,031)</u>
Plan Fiduciary Net Position As A % Of					
Total Pension Liability	115.37%	114.72%	111.86%	111.15%	112.85%
Covered -Employee Payroll	\$ 692,489	\$ 703,494	\$ 738,515	\$ 714,604	\$ 859,953
Net Pension Liability (Asset) As A % Of					
Covered-Employee Payroll	-43.76%	-43.58%	-35.17%	-51.21%	-40.70%

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

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

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**SCHEDULE OF CONTRIBUTIONS BASED ON PARTICIPATION IN THE**  
**PUBLIC EMPLOYEE PENSION PLAN OF THE TCRS**  
**Last Fiscal Year ending June 30**

	2014	2015	2016	2017	2018	2019
Actuarially Determined Contribution	\$ 83,419	\$ 70,842	\$ 74,368	\$ 68,388	\$ 82,555	\$ 53,033
Contribution In Relation To The						
Actuarially Determined Contribution	83,419	70,842	74,368	71,961	86,597	76,620
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	(3,573)	\$ (4,042)	\$ (23,587)
Covered-Employee Payroll	\$ 692,849	\$ 703,494	\$ 738,515	\$ 714,604	\$ 859,953	\$ 760,875
Contributions As a Percentage Covered-						
Employee Payroll	12.04%	10.07%	10.07%	10.07%	10.07%	10.07%

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

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2019**

**NOTES TO SCHEDULES**

*Valuation date:* Actuarially determined contribution rates for fiscal year 2019 were calculated based on the June 30, 2017 actuarial valuation.

*Methods and assumptions used to determine contribution rates:*

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by year
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	2.50 Percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation averaging 4.00 percent
Investment Rate of Return	7.25 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.25 percent

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

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**COMBINING BALANCE SHEET**  
**-NON-MAJOR GOVERNMENTAL FUNDS-**  
**June 30, 2019**

	<b>Drug Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>ASSETS</b>		
Cash	\$ 6,371	\$ 6,371
Due from Other Funds	-	-
<b>Total Assets</b>	<b>6,371</b>	<b>6,371</b>
<b>LIABILITIES</b>		
Accounts Payable	-	-
Accrued Salaries & Benefits	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES</b>		
Restricted	6,371	6,371
<b>Total Fund Balances</b>	<b>6,371</b>	<b>6,371</b>
<b>Total Liabilities &amp; Fund Balance</b>	<b>\$ 6,371</b>	<b>\$ 6,371</b>

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, & CHANGES IN FUND BALANCES**  
**- NON-MAJOR GOVERNMENTAL FUNDS-**  
**For the Year Ended June 30, 2019**

	<b>Drug Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>REVENUE</b>		
Drug Fees	\$ 1,789	\$ 1,789
Drug Contributions	871	871
Interest Income	41	41
<b>Total Revenue</b>	<u>2,701</u>	<u>2,701</u>
<b>EXPENDITURES</b>		
Crime Prevention	-	-
Capital Outlay	10,900	10,900
Special Investigative Funds	-	-
<b>Total Expenditures</b>	<u>10,900</u>	<u>10,900</u>
<b>Excess (Deficiency) of Revenue Over (Under) Expenditures</b>	<u>(8,199)</u>	<u>(8,199)</u>
<b>Net Change in Fund Balance</b>	<u>(8,199)</u>	<u>(8,199)</u>
<b>Fund Balance - Beginning</b>	14,570	14,570
<b>Fund Balance - Ending</b>	<u><u>\$ 6,371</u></u>	<u><u>\$ 6,371</u></u>

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**SCHEDULE OF REVENUES, EXPENDITURES, & CHANGES IN FUND BALANCE**  
**- BUDGET & ACTUAL -**  
**DRUG FUND**  
**For the Year Ended June 30, 2019**

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget - Positive (Negative)
<b>REVENUE</b>				
Drug Fines	\$ 250	\$ 500	\$ 1,789	\$ 1,289
Drug Contributions	500	500	871	371
Interest Income	20	20	41	21
<b>Total Revenue</b>	<u>770</u>	<u>1,020</u>	<u>2,701</u>	<u>1,681</u>
<b>EXPENDITURES</b>				
Crime Prevention	5,000	4,100	-	4,100
Capital Outlay	10,000	10,900	10,900	-
Special Investigative Funds	-	-	-	-
<b>Total Expenditures</b>	<u>15,000</u>	<u>15,000</u>	<u>10,900</u>	<u>4,100</u>
<b>Net Change in Fund Balance</b>	(14,230)	(13,980)	(8,199)	5,781
<b>Fund Balance - Beginning</b>	14,570	14,570	14,570	-
<b>Fund Balance - Ending</b>	<u>\$ 340</u>	<u>\$ 590</u>	<u>\$ 6,371</u>	<u>\$ 5,781</u>

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**SCHEDULE OF ACTIVITIES**  
**SOLID WASTE SANITATION FUND**  
**For the Year Ended June 30, 2019**

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget - Positive (Negative)
<b>REVENUE</b>				
Revenues	\$ -	\$ -	\$ -	\$ -
<b>Total Revenue</b>	-	-	-	-
<b>EXPENDITURES</b>				
Wages/Salaries	41,500	44,500	41,005	3,495
Payroll Taxes	3,280	3,280	2,673	607
Insurance	23,000	23,000	18,051	4,949
Retirement	4,600	4,600	4,160	440
Contract Services	162,000	158,000	156,023	1,977
Supplies/Other	750	750	-	750
Equipment Operating Expenses	15,000	16,000	19,991	(3,991)
<b>Total Expenditures</b>	<b>250,130</b>	<b>250,130</b>	<b>241,903</b>	<b>8,227</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>\$ (250,130)</b>	<b>\$ (250,130)</b>	<b>\$ (241,903)</b>	<b>\$ 8,227</b>

Note: Excess expenditures are funded through property taxes levied by the Town. Effective July 1, 2011, the Solid Waste Sanitation Fund is reported within the General Fund.

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**SCHEDULE OF DEBT SERVICE REQUIREMENTS**  
**BUSINESS-TYPE ACTIVITIES**

June 30, 2019

	Principal	Interest	Total
<b>TLDA BONDS</b>			
Fiscal Year Ending June 30:			
2020	\$ 86,915	\$ 1,018	\$ 87,933
<b>Total</b>	<b>86,915</b>	<b>1,018</b>	<b>87,933</b>
<b>2013 GOB REFUNDING BONDS</b>			
Fiscal Year Ending June 30:			
2020	35,000	8,184	43,184
2021	40,000	7,316	47,316
2022	40,000	6,324	46,324
2023	40,000	5,332	45,332
2024	45,000	4,340	49,340
2025	45,000	3,224	48,224
2026	40,000	2,108	42,108
2027	45,000	1,116	46,116
<b>Total</b>	<b>330,000</b>	<b>37,944</b>	<b>367,944</b>
<b>Total Business-Type Activities</b>	<b>\$ 416,915</b>	<b>\$ 38,962</b>	<b>\$ 455,877</b>



**TOWN OF MOUNT CARMEL, TENNESSEE**  
**SCHEDULE OF CHANGES IN PROPERTY TAX RECEIVABLE**  
**GENERAL FUND**  
**For the Year Ended June 30, 2019**

<b>Tax Year</b>	<b>Property Tax Receivable Balance June 30, 2018</b>	<b>Property Tax Levied</b>	<b>Anticipated Current Year Levy</b>	<b>Abatements and Adjustments</b>	<b>Collections</b>	<b>Allowance for Uncollectibles</b>	<b>Net Receivable Balance June 30, 2019</b>
2019	\$ -	\$ -	\$ 1,350,903	\$ -	\$ -	\$ -	\$ 1,350,903
2018	1,340,738	-	-	2,902	1,281,617	-	56,219
2017	43,016	-	-	-	31,945	-	11,071
2016	17,583	-	-	-	13,972	-	3,611
2015	8,630	-	-	-	5,387	-	3,243
2014	2,804	-	-	-	1,170	-	1,634
2013	2,876	-	-	-	548	-	2,328
2012	1,565	-	-	-	478	-	1,087
2011	1,056	-	-	-	478	-	578
2010	499	-	-	-	-	-	499
2009	62	-	-	62	-	-	-
	<b>\$ 1,418,829</b>	<b>\$ -</b>	<b>\$ 1,350,903</b>	<b>\$ 2,964</b>	<b>\$ 1,335,595</b>	<b>\$ -</b>	<b>\$ 1,431,173</b>

The 2018 tax notices become a lien in the state of Tennessee on January 1st of each year. The notices are due from October 1, 2018 through February 28, 2019. The total amount is reflected as deferred inflows of resources on the governmental fund balance sheet as of June 30, 2019, while only the 2019 taxes are reflected as deferred inflows of resources on the government-wide statement of net position.

Note: These taxes upon delinquency are turned over to the Chancery Court one year after becoming delinquent.

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**SCHEDULE OF TAX RATES & ASSESSMENTS**  
**For the Year Ended June 30, 2019**

<u>Calendar Tax Year</u>	<u>Assessed Valuation</u>	<u>Tax Rate Per \$100</u>
2019	80,891,056	1.67
2018	80,269,222	1.67
2017	80,023,910	1.38
2016	79,484,091	1.38
2015	79,738,999	1.38
2014	79,683,576	1.38
2013	79,567,351	1.38
2012	75,481,644	1.38
2011	75,723,284	1.38 *
2010	67,303,092	1.72
2009	66,338,069	1.37
2008	65,063,639	1.37
2007	63,618,750	1.37
2006	62,309,455	1.15
2005	50,928,989	1.37
2004	49,217,549	1.37
2003	48,514,073	1.37
2002	47,578,283	1.27
2001	46,050,846	1.27
2000	35,995,220	1.58
1999	33,938,808	1.58
1998	32,446,222	1.58

\* Reappraisal year

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**SCHEDULE OF UTILITY RATES IN FORCE & CUSTOMERS**  
**For the Year Ended June 30, 2019**

**SEWER RATES**

Minimum Bill	\$32.50/month
Excess Over 2,000 Gallons	\$5.25/1,000 Gallons

Note: Sewer usage based on 90% of water usage

Total number of customers at year end:	1,990
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**TOWN OF MOUNT CARMEL, TENNESSEE**  
**SCHEDULE OF CAPITAL ASSETS USED IN OPERATION OF GOVERNMENTAL ACTIVITIES**  
**For the Year Ended June 30, 2019**

<b>Function</b>	<b>Construction in Progress &amp; Land</b>	<b>Buildings &amp; Improvements</b>	<b>Machinery, Equipment, Vehicles</b>	<b>Library Collection</b>	<b>Infrastructure</b>	<b>Total</b>
General Government	\$ 81,402	\$ 337,460	\$ 114,013	\$ -	\$ -	\$ 532,875
Police & Fire	14,000	128,862	1,109,777	-	-	1,252,639
Highways/Streets	27,000	22,900	772,656	-	3,875,923	4,698,479
Sanitation	-	-	49,849	-	-	49,849
Culture/Recreation	229,910	83,678	-	-	31,230	344,818
Animal Control	-	27,190	-	-	-	27,190
Library	-	23,500	-	115,205	-	138,705
<b>Total</b>	<b>\$ 352,312</b>	<b>\$ 623,590</b>	<b>\$ 2,046,295</b>	<b>\$ 115,205</b>	<b>\$ 3,907,153</b>	<b>\$ 7,044,555</b>

**TOWN OF MOUNT CARMEL**  
**SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE**  
**June 30, 2019**

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/2018	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 6/30/2019
<b>Business-type activities</b>									
<b><u>BONDS PAYABLE</u></b>									
<b><u>Payable through sewer fund</u></b>									
TLDA Bond	\$ 2,162,025	7.060%	1/1/2013	2020	\$ 227,356	\$ -	\$ 140,441	\$ -	\$ 86,915
Bond Series 2013	545,000	2.480%	11/27/2013	2027	\$ 365,000	\$ -	\$ 35,000	-	330,000
Total bonds payable through sewer fund					<u>\$ 592,356</u>	<u>\$ -</u>	<u>\$ 175,441</u>	<u>\$ -</u>	<u>\$ 416,915</u>

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS & STATE FINANCIAL ASSISTANCE**  
**For the Year Ended June 30, 2019**

<b>Federal Grantor/ Pass-Through Grantor</b>	<b>CFDA Number</b>	<b>Contract Number</b>	<b>Expenditures</b>
<b>FEDERAL AWARDS:</b>			
Passed Through Tn. Dept of Transportation High Visibility Enforcement	20.607	Z18THS225	\$ 1,928
<b>Total Federal Awards</b>			<b>\$ 1,928</b>
<b>STATE AWARDS:</b>			
Passed Through Tn. Dept of Econ. & Comm. Development	N/A	30501-0218-42	\$ 600
<b>Total State Awards</b>			<b>\$ 600</b>

**Basis of Presentation:**

Note 1: The accompanying Schedule of Federal Awards and State Financial Assistance summarizes the expenditures of Town of Mount Carmel, Tennessee under programs of the federal and state governments for the year ended June 30, 2019. The schedule is presented using the modified accrual basis of accounting. The information in this schedule is presented in accordance with requirements of OMB Circular A-133; therefore, some amounts in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

**DAVID M. ELLIS**

*Certified Public Accountant*

*Member, American Institute of  
Certified Public Accountants*

*Member, Tennessee Society of  
Certified Public Accountants*

**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***

To the Board of Mayor and Alderman  
Town of Mount Carmel, Tennessee  
Mount Carmel, Tennessee

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Mount Carmel, Tennessee, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Mount Carmel, Tennessee's basic financial statements and have issued my report thereon dated August 20, 2020.

**Internal Control over Financial Reporting**

In planning and performing my audit of the financial statements, I considered the Town of Mount Carmel, Tennessee's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Mount Carmel, Tennessee's internal control. Accordingly, I do not express an opinion on the effectiveness of the Town of Mount Carmel, Tennessee'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Town of Mount Carmel, Tennessee'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 internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Town of Mount Carmel, Tennessee's financial statements are free from 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 financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results 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.

A handwritten signature in cursive script that reads "David M. Ellis".

David M. Ellis, CPA  
Greeneville, TN  
August 20, 2020



**TOWN OF MOUNT CARMEL, TENNESSEE**  
**SCHEDULE OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS**  
**For the Fiscal Year Ended June 30, 2019**

**Internal Control Findings**

<b>Finding Number<sup>1</sup></b>	<b>Finding Title</b>	<b>Status</b>

**Compliance Findings**

<b>Finding Number<sup>1</sup></b>	<b>Finding Title</b>	<b>Status</b>

Note: There were no prior year internal control findings or compliance findings reported.