

**TOWN OF MOUNT CARMEL, TENNESSEE
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2021**

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**INTRODUCTORY SECTION
(UNAUDITED)**

**TOWN OF MOUNT CARMEL, TENNESSEE
LIST OF ELECTED AND APPOINTED OFFICIALS
June 30, 2021**

Elected Officials

Mayor	Pat Stilwill
Vice Mayor	Tresa Mawk
Alderman	Mindy Fleishour
Alderman	John Gibson
Alderman	Jim Gilliam
Alderman	Steven McLain
Alderman	Darby Patrick

Appointed Officials

Town Recorder	Emily Wood, CMFO
Town Administrator	Mike Housewright

FINANCIAL SECTION

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 Board of Mayor and Aldermen
Town of Mount Carmel, Tennessee
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, 2021, and the related notes to the financial statements, which collectively comprise the Town'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 from 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 above 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, 2021, and the respective changes in financial position and, where applicable, cash flows thereof and 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 4 to 11 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 53 to 56 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 introductory section, individual fund schedules, supplemental information and other supplemental information are presented for purposes of additional analysis and are not a required part of basic financial statements.

The individual fund schedules and the supplemental information on pages 57-61 are the responsibility of management and were 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 introductory section and other supplemental information 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 December 1, 2022, 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 the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Mount Carmel, Tennessee's internal control over financial reporting and compliance.



David M. Ellis, CPA
Greeneville, Tennessee
December 1, 2022

TOWN OF MOUNT CARMEL, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021

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, 2021. 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, 2021 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 \$15,823,531. Of this amount, \$7,743,373 (unrestricted net position) may be used to meet the Town's ongoing obligations.
- The Town's total net position increased \$1,182,159 during the current year.
- As of June 30, 2021, the Town's General Fund reported a fund balance of \$5,687,803 which was a \$980,724 increase over the prior year.
- The proprietary fund being the Sewer Fund had an increase of \$139,836 in net position for the current year.
- During the current year, the Town had no new debt issues.

OVERVIEW OF THE FINANCIAL STATEMENTS

The 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 financial statements. This report also contains required supplementary information and 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 a private-sector business.

The statement of net position presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave are two possible examples).

TOWN OF MOUNT CARMEL, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021

GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (business-type 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.

The government-wide financial statements can be found on pages 11-12 of this report.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the 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 fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The Town adopts an annual appropriated budget for its General Fund and Police Drug Fund. A budgetary comparison statement has been provided for such governmental funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 13-23 of this report.

TOWN OF MOUNT CARMEL, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021

FUND FINANCIAL STATEMENTS (CONTINUED)

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 FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29-51 of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Required supplementary information can be found on page 52-55 and supplementary information can be found on page 56-63 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In this case, the Town's total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$15,823,531 at the close of the most recent fiscal year compared to \$14,641,372 for fiscal year 2020.

A large portion of the Town's net position (44%), reflects its investment in capital assets (e.g., land, buildings, machinery, 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 from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position (6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its' separate governmental and business-type activities.

**TOWN OF MOUNT CARMEL, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Town of Mount Carmel, Tennessee Net Position						
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
ASSETS						
Current & Other Assets	\$ 7,694,197	6,558,403	2,764,120	2,418,631	10,458,317	8,977,034
Capital Assets, Net of Accumulated Depreciation	2,016,545	1,929,378	5,262,142	5,450,929	7,278,687	7,380,307
Total Assets	<u>9,710,742</u>	<u>8,487,781</u>	<u>8,026,262</u>	<u>7,869,560</u>	<u>17,737,004</u>	<u>16,357,341</u>
 DEFERRED OUTFLOWS OF RESOURCES	 <u>126,677</u>	 <u>110,678</u>	 <u>30,144</u>	 <u>32,313</u>	 <u>156,821</u>	 <u>142,991</u>
LIABILITIES						
Current and Other Liabilities	212,730	81,589	92,608	74,547	305,338	156,136
Long-Term Liabilities	-	22,779	215,000	260,000	215,000	282,779
Total Liabilities	<u>212,730</u>	<u>104,368</u>	<u>307,608</u>	<u>334,547</u>	<u>520,338</u>	<u>438,915</u>
 DEFERRED INFLOWS OF RESOURCES	 <u>1,513,112</u>	 <u>1,465,367</u>	 <u>36,844</u>	 <u>19,217</u>	 <u>1,549,956</u>	 <u>1,484,584</u>
NET POSITION						
Net Investment in Capital Assets	2,016,545	1,929,378	5,047,142	5,155,929	7,063,687	7,085,307
Restricted	856,595	659,666	199,876	159,345	1,056,471	819,011
Unrestricted	5,238,437	4,439,680	2,464,936	2,232,835	7,703,373	6,672,515
Total Net Position	<u>\$ 8,111,577</u>	<u>7,028,724</u>	<u>7,711,954</u>	<u>7,548,109</u>	<u>15,823,531</u>	<u>14,576,833</u>

Governmental Activities

- * The property tax rate is \$1.3897 per \$100 of assessed value.
- * The Town was awarded federal grant funds totaling \$87,487.
- * The Town purchased a new brush truck for the street department at a cost of \$151,246.
- * The Town purchased a new side-by-side ATV for the street department at a cost of \$8,249.
- * The Town purchased a new vehicle for the police department at a cost of \$32,539.
- * The Town received \$147,074 in state grant funds, which had not been spent as of June 30, 2021.

Business-type Activities

- * The Town purchased various sewer treatment equipment at a cost of \$31,194.

**TOWN OF MOUNT CARMEL, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Town of Mount Carmel, Tennessee Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
REVENUES						
Program Revenues						
Charges for Services	\$ 163,820	135,071	948,351	967,693	1,112,171	1,102,764
Operating Grants	348,472	223,184	-	-	348,472	223,184
General Revenues						
Property Taxes	1,346,623	1,352,508	-	-	1,346,623	1,352,508
Other Taxes	719,141	536,791	-	-	719,141	536,791
Intergovernmental	635,473	583,108	-	-	635,473	583,108
Other	45,021	100,661	11,323	2,394	56,344	103,055
Total Revenues	3,258,550	2,931,323	959,674	970,087	4,218,224	3,901,410
EXPENSES						
Governmental Activities						
General Government	115,278	110,638	-	-	115,278	110,638
Financial Administration	444,928	399,475	-	-	444,928	399,475
Public Safety	761,033	692,177	-	-	761,033	692,177
Drug Fund Operations	2,688	3,750	-	-	2,688	3,750
Animal Control	44,903	53,757	-	-	44,903	53,757
Building Inspection	34,792	32,270	-	-	34,792	32,270
Highways and Streets	470,681	530,773	-	-	470,681	530,773
Solid Waste Sanitation	241,756	239,140	-	-	241,756	239,140
Recreation	41,009	62,858	-	-	41,009	62,858
Library	59,159	44,113	-	-	59,159	44,113
Business-type Activities						
Sewer Operations	-	-	819,838	740,614	819,838	740,614
Total Expenses	2,216,227	2,168,951	819,838	740,614	3,036,065	2,909,565
Change in Net Position	1,042,323	762,372	139,836	229,473	1,182,159	991,845
Net Position, Beginning	7,028,724	6,266,352	7,548,109	7,318,636	14,576,833	13,584,988
Prior Period Adjustment	40,530	-	24,009	-	64,539	-
Net Position, Beginning - Adjusted	7,069,254	-	7,572,118	-	14,641,372	13,584,988
Net Position, Ending	\$ 8,111,577	7,028,724	7,711,954	7,548,109	15,823,531	14,576,833

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.

**TOWN OF MOUNT CARMEL, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021**

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (CONTINUED)

Governmental Funds

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

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$5,689,100. \$5,216,927 (91%) of this balance is unassigned. This amount is available for spending at the government's discretion. The remainder of the fund balance is nonspendable, committed or assigned for specific purposes.

- * The amount of \$21,072 is considered non-spendable for prepaid expenses.
- * The amount of \$1,297 is restricted for Drug Fund.
- * The amount of \$443,804 is restricted for State Street Aid.
- * The amount of \$6,000 is assigned to the Senior Citizens' Center.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$5,216,927 while the total fund balance was reported to be \$5,689,100. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 226% of total General Fund expenditures, while total fund balance represents 246% of that same amount.

Proprietary Funds

Unrestricted net position of the sewer fund at the end of the fiscal year totaled \$2,504,936. Other factors concerning the finances of these funds have already been addressed in the discussion of the Town's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

- 1) Financial Administration Salaries original budget amount was \$255,800. The line item was amended by \$12,500 to account for lower than expected salary costs.
- 2) Financial Administration Legal Services original budget amount was \$55,000. The line item was amended by \$10,000 to account for increased legal costs.
- 3) Police Department Health Insurance original budgeted amounts was \$70,000. This line item was amended by \$12,000 to account for increased insurance costs.

TOWN OF MOUNT CARMEL, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2021, totaled \$7,278,687 (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:

Town of Mount Carmel, Tennessee Capital Assets						
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 352,312	352,312	167,190	167,190	519,502	519,502
Buildings	623,590	623,590	-	-	623,590	623,590
Machinery and Equipment	2,323,906	2,098,362	11,377,778	594,302	13,701,684	2,692,664
Infrastructure	3,907,696	3,907,153	-	-	3,907,696	3,907,153
Lines and Improvements	-	-	594,302	11,329,874	594,302	11,329,874
Library	115,205	115,205	-	-	115,205	115,205
Less: Accumulated Depreciation	(5,306,164)	(5,167,244)	(6,877,128)	(6,640,437)	(12,183,292)	(11,807,681)
Total Capital Assets	<u>\$ 2,016,545</u>	<u>1,929,378</u>	<u>5,262,142</u>	<u>5,450,929</u>	<u>7,278,687</u>	<u>7,380,307</u>

Additional information on the Town's capital assets can be found in Note 4.C on pages 41-42 of this report.

Long-Term Debt

At the end of the current fiscal year, the Town had total debt outstanding of \$255,000. The bonded debt is secured solely by specified revenue sources.

Town of Mount Carmel, Tennessee's Outstanding Debt						
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Outstanding Debt						
Bonds Payable	\$ -	-	255,000	295,000	255,000	295,000
Total Outstanding Debt	<u>\$ -</u>	<u>-</u>	<u>255,000</u>	<u>295,000</u>	<u>255,000</u>	<u>295,000</u>

Additional information on the Town of Mount Carmel, Tennessee's long-term debt can be found in Note 4.D on pages 43-44 of this report.

**TOWN OF MOUNT CARMEL, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- A. Certified Property Tax Rate is \$1.3897 per \$100 of assessed value.
- B. Salary increases for employees of .35
- C. Purchase a new police vehicle at a cost of \$42,000.
- D. Increase to the appropriation to the Senior Center.
- E. Budgeted sewer plant improvements of \$1,000,000
- F. GIS Sewer survey totaling \$491,053.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town's finances. Questions or requests for additional information should be addressed to the Town Administrator, 100 Main Street East, Mount Carmel, TN 37645.

TOWN OF MOUNT CARMEL, TENNESSEE
STATEMENT OF NET POSITION
June 30, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 5,553,298	2,369,392	7,922,690
Accounts Receivable, Net of Estimated Uncollectible	-	144,401	144,401
Property Taxes Receivable	1,401,728	-	1,401,728
Less: Estimated Uncollectible	(9,588)	-	(9,588)
Other Receivables	27,709	-	27,709
Due From Other Governments	288,484	-	288,484
Inventory	-	50,451	50,451
Prepaid Expenses	21,072	-	21,072
Restricted Cash and Cash Equivalents	-	101,956	101,956
Net Pension Asset	411,494	97,920	509,414
Capital Assets Not Being Depreciated	352,312	167,190	519,502
Capital Assets, Net of Accumulated Depreciation	1,664,233	5,094,952	6,759,185
TOTAL ASSETS	9,710,742	8,026,262	17,737,004
DEFERRED OUTFLOWS OF RESOURCES			
Pension Changes in Experience	30,873	7,346	38,219
Pension Changes in Investment Earnings	19,688	4,685	24,373
Pension Changes in Assumptions	14,753	3,511	18,264
Pension Contributions After Measurement Date	61,363	14,602	75,965
TOTAL DEFERRED OUTFLOWS OF RESOURCES	126,677	30,144	156,821
LIABILITIES			
Accounts Payable	43,892	43,394	87,286
Customer Deposits	-	290	290
Accrued Payroll and Related Liabilities	6,966	3,369	10,335
Accrued Interest Payable	-	1,457	1,457
Unearned Revenues	147,074	-	147,074
Long-Term Liabilities			
Due Within One Year	14,798	44,098	58,896
Due in More Than One Year	-	215,000	215,000
TOTAL LIABILITIES	212,730	307,608	520,338
DEFERRED INFLOWS OF RESOURCES			
Deferred - Current Property Taxes	1,358,279	-	1,358,279
Pension Changes in Experience	154,833	36,844	191,677
TOTAL DEFERRED INFLOWS OF RESOURCES	1,513,112	36,844	1,549,956
NET POSITION			
Net Investment in Capital Assets	2,016,545	5,007,142	7,023,687
Restricted for:			
Debt Service	-	101,956	101,956
Drug Fund	1,297	-	1,297
Net Pension Asset	411,494	97,920	509,414
State Street Aid	443,804	-	443,804
Unrestricted	5,238,437	2,504,936	7,743,373
TOTAL NET POSITION	\$ 8,111,577	7,711,954	15,823,531

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

TOWN OF MOUNT CARMEL, TENNESSEE
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2021

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT							
GOVERNMENTAL ACTIVITIES							
General Government	\$ 115,278	22,539	-	-	(92,739)	-	(92,739)
Financial Administration	444,928	-	-	-	(444,928)	-	(444,928)
Public Safety	761,033	118,664	32,200	-	(610,169)	-	(610,169)
Drug Fund Operations	2,688	901	-	-	(1,787)	-	(1,787)
Animal Control	44,903	467	-	-	(44,436)	-	(44,436)
Building Inspection	34,792	6,339	-	-	(28,453)	-	(28,453)
Highways and Streets	470,681	14,910	303,818	-	(151,953)	-	(151,953)
Solid Waste Sanitation	241,756	-	-	-	(241,756)	-	(241,756)
Recreation	41,009	-	50	-	(40,959)	-	(40,959)
Library	59,159	-	12,404	-	(46,755)	-	(46,755)
TOTAL GOVERNMENTAL ACTIVITIES	2,216,227	163,820	348,472	-	(1,703,935)	-	(1,703,935)
BUSINESS-TYPE ACTIVITIES							
Sewer	819,838	948,351	-	-	-	128,513	128,513
TOTAL BUSINESS-TYPE ACTIVITIES	819,838	948,351	-	-	-	128,513	128,513
TOTAL PRIMARY GOVERNMENT	\$ 3,036,065	1,112,171	348,472	-	(1,703,935)	128,513	(1,575,422)
GENERAL REVENUES							
Property Taxes					1,346,623	-	1,346,623
Sales Taxes					592,426	-	592,426
Other Taxes					126,715	-	126,715
State Revenue					635,473	-	635,473
Unrestricted Investment Earnings					5,004	11,323	16,327
Miscellaneous					40,017	-	40,017
TOTAL GENERAL REVENUES					2,746,258	11,323	2,757,581
Change in Net Position					1,042,323	139,836	1,182,159
Net Position, Beginning					7,028,724	7,548,109	14,576,833
Prior Period Adjustment					40,530	24,009	64,539
Net Position, Beginning - Adjusted					7,069,254	7,572,118	14,641,372
Net Position, Ending					\$ 8,111,577	7,711,954	15,823,531

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

TOWN OF MOUNT CARMEL, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2021

	General Fund	Non-Major Police Drug Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 5,552,001	1,297	5,553,298
Property Taxes Receivable	1,401,728	-	1,401,728
Less: Estimated Uncollectible	(9,588)	-	(9,588)
Other Receivables	27,709	-	27,709
Due From Other Governments	288,484	-	288,484
Prepaid Expenses	21,072	-	21,072
TOTAL ASSETS	<u>\$ 7,281,406</u>	<u>1,297</u>	<u>7,282,703</u>
LIABILITIES			
Accounts Payable	\$ 43,892	-	43,892
Accrued Payroll and Related Liabilities	6,966	-	6,966
Unearned Revenues	147,074	-	147,074
TOTAL LIABILITIES	<u>197,932</u>	<u>-</u>	<u>197,932</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred - Current Property Taxes	1,358,279	-	1,358,279
Unavailable Revenues	37,392	-	37,392
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,395,671</u>	<u>-</u>	<u>1,395,671</u>
FUND BALANCES			
Non-Spendable			
Prepaid Expenses	21,072	-	21,072
Assigned to			
Senior Citizen's Center	6,000	-	6,000
Restricted for			
State Street Aid	443,804	-	443,804
Drug Fund	-	1,297	1,297
Unassigned	5,216,927	-	5,216,927
TOTAL FUND BALANCES	<u>5,687,803</u>	<u>1,297</u>	<u>5,689,100</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 7,281,406</u>	<u>1,297</u>	<u>7,282,703</u>

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

TOWN OF MOUNT CARMEL, TENNESSEE
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2021

Amounts reported for governmental activities in the Statement of Net Position are different because:

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 5,689,100
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$7,322,709 and the accumulated depreciation is \$5,306,164.	2,016,545
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	37,392
Long-term pension retirement plans are not due and payable in the current period and, therefore, are not reported in the governmental funds. This amount is the net pension asset, net of deferred inflows and deferred outflows of resources.	383,338
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at fiscal year end consist of compensated absences.	<u>(14,798)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 8,111,577</u></u>

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

TOWN OF MOUNT CARMEL, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2021

	General Fund	Non-Major Police Drug Fund	Total Governmental Funds
REVENUES			
Taxes	\$ 1,961,571	-	1,961,571
Licenses and Permits	6,339	-	6,339
Intergovernmental Revenues	1,036,454	-	1,036,454
Charges for Services	68,684	-	68,684
Fines and Forfeitures	118,664	901	119,565
Investment Earnings	4,986	18	5,004
Donations	31,341	-	31,341
Rental Income	22,539	-	22,539
Miscellaneous	40,021	-	40,021
TOTAL REVENUES	3,290,599	919	3,291,518
EXPENDITURES			
Current			
General Government	108,341	-	108,341
Financial Administration	460,137	-	460,137
Public Safety	776,373	-	776,373
Drug Fund Operations	-	2,688	2,688
Animal Control	46,482	-	46,482
Building Inspection	34,999	-	34,999
Highways and Streets	539,177	-	539,177
Solid Waste Sanitation	243,796	-	243,796
Recreation	39,404	-	39,404
Library	59,397	-	59,397
TOTAL EXPENDITURES	2,308,106	2,688	2,310,794
Excess (Deficiency) of Revenues Over (Under) Expenditures	982,493	(1,769)	980,724
Fund Balances, Beginning	4,721,136	3,066	4,724,202
Prior Period Adjustment	(15,826)	-	(15,826)
Fund Balances, Beginning - Adjusted	4,705,310	3,066	4,708,376
Fund Balances, Ending	<u>\$ 5,687,803</u>	<u>1,297</u>	<u>5,689,100</u>

The notes to the 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 Fiscal Year Ended June 30, 2021

Amounts reported for governmental activities in the Statement of Activities are different because:

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 980,724
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$200,034 exceeded depreciation of \$169,223 in the period.	30,811
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. Unavailable revenues decreased by this amount for the current year.	(32,965)
Compensated absences reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. Compensated absences decreased by this amount for the current fiscal year.	7,981
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>55,772</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 1,042,323</u></u>

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

TOWN OF MOUNT CARMEL, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Property Taxes	\$ 1,245,000	1,245,000	1,315,001	70,001
Property Taxes - Delinquent	35,000	35,000	43,391	8,391
Local Option Sales Tax	365,000	365,000	592,426	227,426
Penalties and Interest	11,000	11,000	10,753	(247)
Total Taxes	1,656,000	1,656,000	1,961,571	305,571
Licenses and Permits				
Building Permits	-	-	6,339	6,339
Total Licenses and Permits	-	-	6,339	6,339
Intergovernmental Revenues				
Federal Grant Revenue	5,000	5,000	7,712	2,712
State Grant Revenue	147,073	147,073	79,575	(67,498)
Other State Revenues	19,000	19,000	20,510	1,510
Telecommunications Sales Tax	1,500	1,500	1,930	430
State Sales Tax	450,000	450,000	575,998	125,998
State-City Streets and Transportation	158,000	158,000	191,776	33,776
State Gasoline Tax	8,000	8,000	32,467	24,467
TVA Replacement Tax	60,000	60,000	62,057	2,057
State Income Tax	2,000	2,000	941	(1,059)
State Beer Tax	1,500	1,500	2,570	1,070
Wholesale Beer and Liquor Tax	45,000	45,000	59,780	14,780
Sportsbetting Tax	-	-	1,138	1,138
Total Intergovernmental Revenues	897,073	897,073	1,036,454	139,381
Charges for Services				
Cable TV Commissions	68,000	68,000	68,217	217
Animal Control Services	600	600	467	(133)
Total Charges for Services	68,600	68,600	68,684	84
Fines and Forfeitures	93,500	93,500	118,664	25,164
Investment Earnings	2,650	2,650	4,986	2,336

(Continued)

TOWN OF MOUNT CARMEL, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES (CONTINUED)				
Other Revenue				
Contributions and Donations	20,000	20,000	31,341	11,341
Rental Income	22,536	22,536	22,539	3
Miscellaneous	15,000	15,000	40,021	25,021
Total Other Revenue	57,536	57,536	93,901	36,365
TOTAL REVENUES	2,775,359	2,775,359	3,290,599	515,240
EXPENDITURES				
General Government				
Dues	6,000	6,000	3,060	2,940
Senior Citizens Donations	12,000	12,000	12,000	-
Utilities	16,000	16,000	13,652	2,348
Telephone	7,000	7,000	4,648	2,352
Engineering	7,000	7,000	-	7,000
Insurance	72,000	72,000	65,318	6,682
Reappraisal Cost	10,500	10,500	7,895	2,605
Safety Program	2,500	2,500	-	2,500
Bank Charges	120	120	130	(10)
First TN Dev. District	1,638	1,638	1,638	-
First TN Human Resources	2,500	2,500	-	2,500
Public Relations	5,000	5,000	-	5,000
Chamber of Commerce	2,500	2,500	-	2,500
Total General Government	144,758	144,758	108,341	36,417
Financial Administration				
Salaries	255,800	243,300	209,860	33,440
Payroll Taxes	20,060	20,060	15,685	4,375
Health Insurance	44,000	44,000	37,474	6,526
Retirement	20,000	20,000	11,713	8,287
Worker's Compensation Insurance	700	700	254	446
Training	5,000	5,000	1,626	3,374
Intenet and Web Services	4,000	4,200	1,804	2,396
Housing Authority	250	250	-	250
Advertising	3,200	3,200	1,959	1,241
City Judge	5,000	5,000	5,000	-
Medical Services	300	600	485	115
Legal Services	55,000	65,000	62,863	2,137
Accounting Services	28,000	28,000	17,565	10,435

(Continued)

TOWN OF MOUNT CARMEL, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
EXPENDITURES (CONTINUED)				
Financial Administration (Continued)				
Computer and Support	53,000	53,000	48,037	4,963
State Planning Fees	14,500	14,500	10,640	3,860
Repairs and Maintenance	15,000	15,000	15,089	(89)
Travel	3,000	3,000	1,261	1,739
Tax Commission Fees	2,800	2,800	1,089	1,711
Miscellaneous and Dues	4,150	6,150	8,337	(2,187)
Contractual Fees	2,000	2,000	-	2,000
Office Expense and Supplies	14,200	14,200	8,052	6,148
Copier Maintenance and Lease	2,000	2,000	1,344	656
Total Financial Administration	551,960	551,960	460,137	91,823
Public Safety				
Police Department				
Salaries and Wages	339,000	345,700	324,429	21,271
Payroll Taxes	30,000	26,000	22,976	3,024
Health Insurance	70,000	82,000	83,951	(1,951)
Retirement	32,000	27,000	24,607	2,393
Worker's Compensation Insurance	14,500	6,500	5,393	1,107
Training	7,500	5,000	4,445	555
Dues and E-Com Expense	1,500	1,500	977	523
Utilities and Telephone	6,500	4,500	3,638	862
Internet Services	1,500	1,500	960	540
Computer and Support	4,200	6,500	10,002	(3,502)
Medical Services	1,200	1,200	575	625
Travel	5,000	5,000	2,011	2,989
Office Expense	4,200	4,200	2,945	1,255
Operating Supplies	5,250	5,750	18,127	(12,377)
Clothing and Uniforms	5,500	5,500	4,320	1,180
Vehicle and Fuel Expense	48,500	48,500	44,933	3,567
Copier Lease	2,500	2,500	2,095	405
Miscellaneous and Radio Expense	3,000	5,000	2,692	2,308
Department of Safety	13,000	13,000	7,715	5,285
Bullet Proof Vests	2,500	2,500	1,028	1,472
Repairs and Maintenance	7,500	3,500	7,727	(4,227)
Safety Grant	1,500	1,500	-	1,500
High Visibility Grant	5,000	5,000	-	5,000
Capital Outlay	45,000	47,000	32,539	14,461
Total Police Department	656,350	656,350	608,085	48,265

(Continued)

TOWN OF MOUNT CARMEL, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
EXPENDITURES (CONTINUED)				
Public Safety (Continued)				
Fire Department				
Salaries and Wages	87,500	87,500	74,596	12,904
Payroll Taxes	7,560	7,560	5,800	1,760
Retirement	1,500	1,500	463	1,037
Worker's Compensation Insurance	6,400	6,400	2,457	3,943
Training	10,000	11,500	12,305	(805)
Dues and E-Dispatch	500	1,100	914	186
Utilities and Telephone	16,000	17,000	15,874	1,126
Computer and Support	1,000	1,000	613	387
Medical Services	1,500	1,500	1,113	387
Travel	3,000	3,000	1,112	1,888
Office Expense	1,000	1,300	1,231	69
Operating Supplies and Equipment	22,000	22,000	13,830	8,170
Clothing and Uniforms	3,000	3,500	3,264	236
Vehicle and Fuel Expense	25,000	22,500	24,091	(1,591)
Contractual Services	3,000	3,000	1,064	1,936
Miscellaneous Expense	1,000	1,000	448	552
OSHA Testing	4,000	4,000	3,322	678
Repairs and Maintenance	3,000	5,000	4,003	997
Radio Expense	5,000	1,600	-	1,600
Public Relations/Parade	2,500	2,500	1,788	712
Total Fire Department	204,460	204,460	168,288	36,172
Total Public Safety	860,810	860,810	776,373	84,437
Animal Control				
Salaries and Wages	31,000	29,250	25,697	3,553
Payroll Taxes	3,160	3,160	1,819	1,341
Health Insurance	7,500	7,500	7,004	496
Retirement	3,000	3,000	2,214	786
Worker's Compensation Insurance	1,400	1,400	611	789
Training	800	800	-	800
Dues	100	100	-	100
Utilities and Telephone	2,250	2,250	1,328	922
Internet Services	750	1,500	1,100	400
Medical Services	800	800	689	111
Repairs and Maintenance	5,000	5,000	1,050	3,950
Travel	800	800	-	800
Office Expense	500	1,000	511	489
Operating Supplies	2,000	2,500	2,455	45
Animal Food Purchases	1,000	1,000	610	390
Clothing and Uniforms	500	500	257	243
Vehicle Expense	4,300	4,300	1,133	3,167
Miscellaneous	-	-	4	(4)
Total Animal Control	64,860	64,860	46,482	18,378

(Continued)

TOWN OF MOUNT CARMEL, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
EXPENDITURES (CONTINUED)				
Building Inspection				
Salaries and Wages	28,000	27,000	20,970	6,030
Payroll Taxes	2,060	2,060	1,634	426
Worker's Compensation Insurance	1,600	1,600	309	1,291
Training	800	800	-	800
Dues and Fees	4,500	4,500	3,905	595
Utilities and Telephone	2,950	2,950	2,136	814
Travel	1,000	1,000	-	1,000
Internet Services	650	650	423	227
Demolition	10,000	10,000	-	10,000
Operating Supplies	1,000	1,000	610	390
Miscellaneous	500	500	282	218
Repairs and Maintenance	5,000	6,000	4,730	1,270
	<u>58,060</u>	<u>58,060</u>	<u>34,999</u>	<u>23,061</u>
Total Building Inspection				
	<u>58,060</u>	<u>58,060</u>	<u>34,999</u>	<u>23,061</u>
Highway and Streets				
Streets				
Salaries and Wages	170,000	170,000	150,255	19,745
Payroll Taxes	14,400	14,400	10,369	4,031
Health Insurance	42,000	42,000	39,965	2,035
Retirement	18,000	18,000	15,077	2,923
Worker's Compensation Insurance	17,500	17,500	8,382	9,118
Training	2,500	2,500	177	2,323
Utilities and Telephone	10,250	13,000	11,443	1,557
Internet Services	2,000	2,000	1,671	329
Medical Services	1,000	1,000	460	540
Repairs and Maintenance	25,000	26,500	18,586	7,914
Travel	1,000	1,000	152	848
Equipment Rental	2,500	2,500	326	2,174
Office Expense	750	750	212	538
Operating Supplies	6,000	6,000	9,725	(3,725)
Clothing and Uniforms	5,000	5,000	3,250	1,750
Vehicle Expense	44,000	44,000	29,570	14,430
Miscellaneous	1,500	1,500	1,384	116
Drainage Repairs	1,000	1,000	-	1,000
Paving	184,116	179,866	-	179,866
Capital Outlay	-	-	159,246	(159,246)
	<u>548,516</u>	<u>548,516</u>	<u>460,250</u>	<u>88,266</u>
Total Streets				
	<u>548,516</u>	<u>548,516</u>	<u>460,250</u>	<u>88,266</u>

(Continued)

TOWN OF MOUNT CARMEL, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
EXPENDITURES (CONTINUED)				
Highway and Streets (Continued)				
State Street Aid				
Street Lighting	46,000	46,000	44,589	1,411
Repairs and Maintenance	5,000	5,000	2,073	2,927
Materials and Supplies	50,000	50,000	24,016	25,984
Capital Outlay	160,000	160,000	8,249	151,751
Total State Street Aid	261,000	261,000	78,927	182,073
Total Highways and Streets	809,516	809,516	539,177	270,339
Solid Waste Sanitation				
Salaries and Wages	42,500	45,850	43,692	2,158
Payroll Taxes	3,380	3,260	2,893	367
Health Insurance	15,000	15,000	15,272	(272)
Retirement	4,600	4,845	4,521	324
Worker's Compensation Insurance	1,200	-	-	-
Medical Services	250	-	-	-
Contractual Fees	165,000	163,125	163,125	-
Operating Supplies	500	350	294	56
Vehicle and Fuel Expense	15,000	15,000	13,999	1,001
Total Solid Waste Sanitation	247,430	247,430	243,796	3,634
Recreation				
Utilities and Telephone and Internet	4,500	5,150	4,955	195
Joint Recreation Director	46,000	43,850	22,244	21,606
Joint Recreation Program	20,000	20,000	-	20,000
War Memorial	1,000	1,000	-	1,000
Operating Supplies	1,000	1,000	1,166	(166)
Park Development	10,000	11,500	11,039	461
Miscellaneous	250	250	-	250
Total Recreation	82,750	82,750	39,404	43,346
Library				
Salaries and Wages	35,000	26,800	25,802	998
Payroll Taxes	2,940	2,285	2,111	174
Training	850	-	-	-
Worker's Compensation Insurance	150	80	66	14
Utilities and Telephone	3,975	5,750	5,939	(189)
Internet Services	850	1,800	1,855	(55)
Medical Services	200	150	150	-
Repairs and Maintenance	2,000	6,800	6,720	80

(Continued)

TOWN OF MOUNT CARMEL, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
EXPENDITURES (CONTINUED)				
Library (Continued)				
Travel	300	-	-	-
Operating Supplies	2,000	1,300	1,398	(98)
Books	5,500	5,000	6,123	(1,123)
Summer Reading	1,250	2,000	2,572	(572)
Miscellaneous	250	150	127	23
Computer and Support	2,000	5,500	6,073	(573)
Copier Maintenance	800	450	461	(11)
Total Library	58,065	58,065	59,397	(1,332)
TOTAL EXPENDITURES	2,878,209	2,878,209	2,308,106	570,103
Excess (Deficiency) of Revenues Over (Under) Expenditures	(102,850)	(102,850)	982,493	1,085,343
Fund Balance, Beginning	4,721,136	4,721,136	4,721,136	-
Prior Period Adjustment	(15,826)	(15,826)	(15,826)	-
Fund Balance, Beginning - Adjusted	4,705,310	4,705,310	4,705,310	-
Fund Balance, Ending	<u>\$ 4,602,460</u>	<u>4,602,460</u>	<u>5,687,803</u>	<u>1,085,343</u>

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

TOWN OF MOUNT CARMEL, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2021

	Business-Type Activities <u>Sewer Fund</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 2,369,392
Accounts Receivable, Net of Estimated Uncollectible	144,401
Inventory	<u>50,451</u>
Total Current Assets	<u>2,564,244</u>
Noncurrent Assets	
Capital Assets	
Land	167,190
Machinery and Equipment	11,377,778
Plant in Service	594,302
Less: Allowance for Depreciation	<u>(6,877,128)</u>
Net Capital Assets	5,262,142
Restricted Assets	
Cash and Cash Equivalents	101,956
Net Pension Asset	<u>97,920</u>
Total Noncurrent Assets	<u>5,462,018</u>
TOTAL ASSETS	<u>8,026,262</u>

(Continued)

TOWN OF MOUNT CARMEL, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2021

	Business-Type Activities Sewer Fund
DEFERRED OUTFLOWS OF RESOURCES	
Pension Changes in Experience	7,346
Pension Changes in Investment Earnings	4,685
Pension Changes in Assumptions	3,511
Pension Contributions After Measurement Date	14,602
TOTAL DEFERRED OUTFLOWS OF RESOURCES	30,144
LIABILITIES	
Current Liabilities	
Accounts Payable	43,394
Customer Deposits	290
Accrued Payroll and Related Liabilities	3,369
Accrued Interest Payable	1,457
Compensated Absences	4,098
Bonds Payable - Current	40,000
Total Current Liabilities	92,608
Noncurrent Liabilities	
Bonds Payable	215,000
TOTAL LIABILITIES	307,608
DEFERRED INFLOWS OF RESOURCES	
Pension Changes in Experience	36,844
NET POSITION	
Net Investment in Capital Assets	5,007,142
Restricted for Net Pension Asset	97,920
Restricted for Debt Service	101,956
Unrestricted	2,504,936
TOTAL NET POSITION	\$ 7,711,954

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

TOWN OF MOUNT CARMEL, TENNESSEE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2021

	Business-Type Activities Sewer Fund
OPERATING REVENUES	
Charges for Services Pledged as Security for Revenue Bonds	\$ 947,526
Other Revenue	825
TOTAL OPERATING REVENUES	948,351
OPERATING EXPENSES	
Personnel Services	178,294
Materials & Supplies	23,887
Repairs & Maintenance	164,488
Professional Services	31,894
Contractual Services	25,571
Utilities & Telephone	89,497
Insurance	17,179
General Expenses	43,319
Depreciation	238,156
TOTAL OPERATING EXPENSES	812,285
OPERATING INCOME	136,066
NONOPERATING REVENUES (EXPENSES)	
Interest Income	11,323
Interest and Related Debt Expenses	(7,553)
TOTAL NONOPERATING REVENUES (EXPENSES)	3,770
Change in Net Position	139,836
Net Position, Beginning	7,548,109
Prior Period Adjustment	24,009
Net Position, Beginning - Adjusted	7,572,118
Net Position, Ending	\$ 7,711,954

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

TOWN OF MOUNT CARMEL, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2021

	Business-Type Activities <u>Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 948,279
Cash Received from Other Revenues	826
Cash Paid to Suppliers and Service Provider	(368,667)
Cash Paid to Employees and Related Expenses	<u>(207,438)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>373,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of Property and Equipment	(31,194)
Principal Paid on General Obligation Bonds	(40,000)
Interest Paid and Related Debt Expenses	<u>(7,315)</u>
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(78,509)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income	<u>11,323</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>11,323</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	305,814
Cash and Cash Equivalents, Beginning	<u>2,165,534</u>
Cash and Cash Equivalents, Ending	<u><u>\$ 2,471,348</u></u>

(Continued)

TOWN OF MOUNT CARMEL, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2021

	Business-Type Activities <u>Sewer Fund</u>
RECONCILIATION OF OPERATING INCOME TO	
NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income	\$ 136,066
Adjustments to Reconcile Operating Income to	
Net Cash Provided By Operating Activities	
Depreciation	238,156
(Increase) Decrease in	
Accounts Receivable	753
Deferred Outflows Related to Pensions	2,169
Net Pension Asset	(40,429)
Increase (Decrease) in	
Accounts Payable	26,039
Accrued Payroll and Related Liabilities	(6,513)
Compensated Absences	(868)
Deferred Inflows Related to Pensions	<u>17,627</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 373,000</u>

The Cash and Cash Equivalents are classified on the Statement of Net Position as the following:

Cash and Cash Equivalents	\$ 2,369,392
Restricted Cash and Cash Equivalents (Debt Service)	<u>101,956</u>
Total Cash and Cash Equivalents	<u>\$ 2,471,348</u>

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

TOWN OF MOUNT CARMEL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Town of Mount Carmel, Tennessee (the Town) is a municipal corporation incorporated in 1961, and is governed by a Board of Mayor and Aldermen form of government. As required by accounting principles generally accepted in the United States of America (GAAP), these financial statements present the government and its component units, entities for which the government is considered to be financially accountable.

Individual Component Unit Disclosures

In evaluating how to define the government, for financial reporting purposes, the Town management has considered all potential component units. A component unit is an organization for which the Town is financially accountable, or for which the nature and significance of their relationship with the Town is such that exclusion from the Town's financial statements would cause them to be misleading or incomplete. The decision to include a potential component unit in the reporting entity was made by applying the criteria as set forth in GAAP. The Town is financially accountable if (1) it appoints a voting majority of the organization's governing body and it is able to impose its will on the organization or (2) there is a potential for the entity to provide specific financial benefit to or impose specific financial burden on the Town. Additionally, the primary government is required to consider other entities for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based upon the application of these criteria, the Town does not have any component units other than the funds operated by the Town.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 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*.

TOWN OF MOUNT CARMEL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements (Continued)

Separate fund financial statements are provided for governmental funds and the proprietary fund. Major individual governmental fund and the major individual enterprise fund are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied, even though the receivable is recognized in the prior period when the enforceable legal claim arises. Property taxes recognized as receivable before the period of revenue recognition have been reported as deferred inflows of resources. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers property taxes as available if they are collected within 60 days after fiscal year end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

In accordance with the Governmental Accounting Standards Board (GASB), certain revenues are required to be, and are recognized, in the General Fund as a receivable at June 30 and either as revenue or deferred outflows of resources, depending upon revenue recognition policies of the entity. The following items for the Town are accrued: in-lieu of tax for TVA, hotel and motel tax, local sales tax, state telecommunications tax, state income tax, state beer tax, gas/motor fuel tax, corporate excise tax and local property tax.

TOWN OF MOUNT CARMEL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Litigation tax, business tax, fines, forfeitures and penalties are required to be recognized as earned by GASB; however, they are not measurable or able to be estimated and are not, generally, material to the financial statements. Therefore, they are not recognized as revenue until received.

The Town reports the following major governmental fund:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Town reports the following major proprietary fund:

The *sewer fund* is used to account for the provision of sewer service to the residents of the Town. All activities necessary to provide such service are accounted for in this fund, including, but not limited to, administration, operations, maintenance, and financing.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's sewer functions and various other functions of the Town. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

TOWN OF MOUNT CARMEL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation
(Continued)**

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise fund are charges to customers for sales and services. The Town 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 enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

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

1. Deposits and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, regular savings accounts, and certificates of deposit with original maturities of ninety days or less.

2. Receivables and Payables

Property taxes receivable are recognized as of the date an enforceable legal claim to the taxable property arise. This date is January 1 and is referred to as the lien date. However, revenues from property taxes are recognized in the period for which the taxes are levied, which is the ensuing fiscal year. Since the receivable is recognized before the period of revenue recognition, the entire amount of the receivable less an estimated allowance for uncollectible taxes, is reported as a deferred inflow of resources as of June 30.

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected and reported as revenue during the current fiscal year. These property taxes receivable are presented on the balance sheet as a deferred inflow of resources to reflect amounts not available as of June 30. Property taxes collected within 60 days of fiscal year end are considered available and accrued. Estimated uncollectible taxes were based on the prior year's collection experience. Property taxes are levied as of July 15 and the billings are considered past due on August 31 at which time the applicable property is subject to lien and penalties and interest are assessed. For the fiscal year ending June 30, 2021, the 2020 calendar year property tax rate was \$1.67 per \$100 of assessed value.

TOWN OF MOUNT CARMEL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/
Fund Balance (Continued)**

3. Inventories and Prepaid Items

Inventories in the General and Sewer Funds are valued at cost using the first-in/first-out (FIFO) method. The costs of inventory are reported as expenses when consumed rather than when purchased.

Certain payments reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the government-wide financial statements and on the fund level for the proprietary fund. The payments are being recorded as expenditures on the fund level for the governmental funds.

4. Restricted Assets

Resources have been set aside in demand deposits for restricted use, such as debt retirements.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. 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.

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

TOWN OF MOUNT CARMEL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/
Fund Balance (Continued)**

5. Capital Assets (Continued)

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	25-50
Improvements	10-50
Machinery and Equipment	5-15
Utility System	40-50
Infrastructure	25-50

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has items that qualify for reporting in this category. These items, deferred outflows related to pensions, are reported on the government-wide and proprietary fund Statement of Net Position. These expenses are current year retirement contributions and differences in actuarial experience and assumptions related to the net pension liability (asset). These amounts are deferred and recognized as an outflow of resources in the period to which they apply.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide and proprietary fund statements of net position, and the governmental funds balance sheet. These items are from the following sources: current and delinquent property taxes, net pension changes in experience and investment earnings, and various receivables for revenues which do not meet the availability criteria in governmental funds. These amounts are deferred and recognized as an inflow of resources in the period that the amount becomes available.

TOWN OF MOUNT CARMEL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/
Fund Balance (Continued)**

7. 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. The proprietary fund's accrued vacation at fiscal year-end was \$4,098. Expected future demands of \$14,798 for vacation benefits have been reflected in the Statement of Net Position as compensated absences for the governmental activities.

8. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discounts. Bond issuance costs are expensed in the period in which they are incurred.

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

TOWN OF MOUNT CARMEL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/
Fund Balance (Continued)**

9. Fund Equity

In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. The Town has not reported any amounts that are legally or contractually required to be maintained intact.

Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed – includes amounts that can only be used for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Board of Mayor and Aldermen is the highest level of decision-making authority for the government that can, by adoption of an ordinance, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Assigned – includes amounts that the Town intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Amounts can be assigned by the Board of Mayor and Aldermen.

Unassigned – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, the Town considers restricted funds to have been spent first. When expenditures are incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Town has provided otherwise in its commitment or assignment actions.

TOWN OF MOUNT CARMEL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/
Fund Balance (Continued)**

10. Net Position

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

Net Investment in Capital Assets – Consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, deferred bond refunding costs, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

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.

Unrestricted Net Position – All other net position that does not meet the definition of restricted or net investment in capital assets.

11. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

12. Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension 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 the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

TOWN OF MOUNT CARMEL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of Certain Differences Between the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental funds' Statement of Revenues, Expenditures and Changes in Fund Balances includes a reconciliation between *net changes in fund balances-total governmental funds* and *change in net position of governmental activities* as reported in the government-wide Statement of Activities.

One element states that "some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds." The details of this \$55,772 are as follows:

Change in Deferred Outflows of Resources Related to Pensions	\$ 15,999
Change in Deferred Inflows of Resources Related to Pensions	(45,946)
Change in Net Pension Liability (Asset)	<u>85,719</u>
Net adjustment to increase <i>net changes in fund balances – total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	<u>\$ 55,772</u>

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The Town authorizes an annual operating budget ordinance for expenditures and related estimated revenues for the General Fund and all special revenue funds. The Town's financial operations are subject to the comprehensive appropriated budget. Budget amendments are authorized during the fiscal year. The Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual include budget amounts as originally adopted or as amended by the Board of Mayor and Aldermen. The budgetary basis only differs from accounting principles generally accepted in the United States of America concerning the reporting of property tax collections.

TOWN OF MOUNT CARMEL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 4 - DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Deposits include demand deposits, passbook savings accounts and certificates of deposit.

Various restrictions on deposits and investments are imposed by state statutes. These restrictions are summarized as follows:

DEPOSITS: State statutes require all deposits with financial institutions other than savings and loan associations to be collateralized in an amount equal to 105% of the market value of uninsured deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the Town. Deposits with savings and loan associations must be collateralized by one of the following methods: 1) by an amount equal to 110% of the face amount of uninsured deposits if the collateral is of the same character as that required for other financial institutions; 2) by an irrevocable letter of credit issued by the Federal Home Loan Bank; or 3) by providing notes secured by first mortgages or first deeds of trust upon residential real property located in Tennessee. The promissory notes must be in an amount equal to 150% of the amount of uninsured deposits.

INVESTMENTS: State statutes authorized the Town to invest in treasury bonds, notes or bills of the United States; nonconvertible debt securities of the Federal Home Loan Bank, The Federal National Mortgage Association, The Federal Farm Credit Bank and the State Loan Marketing Association; other obligations not listed above which are guaranteed as to principal and interest by the United States or any of its agencies; obligations of the United States or its agencies under a repurchase agreement and money market funds whose portfolios consist of any of the foregoing investments if approved by the State Director of Local Finance and made in accordance with procedures established by the State Funding Board; The State of Tennessee Local Government Investment Pool; obligations of the Public Housing Authority and bonds of the Tennessee Valley Authority.

The Town does not have a policy for interest rate risk or for other credit risk other than pledging securities for amounts in excess of the Federal Deposit Insurance Corporation (FDIC) coverage.

Deposits

At fiscal year end, the Town has \$150 of cash on hand which has been included in cash and cash equivalents. The Town's carrying amount of deposits was \$7,922,540 and the bank balance was \$8,051,109. The Town's bank balance was covered by securities held by the entity or its agent in the entity's name or by amounts insured by the FDIC.

TOWN OF MOUNT CARMEL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 4 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and Investments (Continued)

Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The Town does not have a formal policy for custodial credit risk.

As of June 30, 2021, the Town has no investments. All amounts reflected in the basic financial statements represent deposits.

B. Receivables

Receivables as of June 30, 2021, including the applicable allowances for uncollectible accounts, are as follows:

	General	Sewer	Total
Receivables			
Accounts	\$ -	161,776	161,776
Taxes	1,401,728	-	1,401,728
Other Receivables	27,709	-	27,709
Due from Others			
Federal Government and Federal through State	3,604	-	3,604
State of Tennessee	284,880	-	284,880
Gross Receivables	1,717,921	161,776	1,879,697
Less: Allowance for Uncollectibles	(9,588)	(17,375)	(26,963)
Total Receivables	\$ 1,708,333	144,401	1,852,734

Governmental funds report *unavailable revenues* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

TOWN OF MOUNT CARMEL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 4 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Receivables (Continued)

At the end of the current fiscal year, the various components of *deferred inflows of resources* reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Receivables Not Received within Period of Availability		
Property Tax Levied for Ensuing Fiscal Year		
General Fund	\$ -	1,358,279
Property Tax Levied but Not Collected in Period of Availability	26,949	-
Other State Revenues	<u>10,443</u>	<u>-</u>
	<u>\$ 37,392</u>	<u>1,358,279</u>

C. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2021 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments/ Transfers</u>	<u>Ending Balance</u>
Governmental Activities					
Capital Assets, Not Being Depreciated					
Land	\$ 352,312	-	-	-	352,312
Total Capital Assets, Not Being Depreciated	<u>352,312</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>352,312</u>
Capital Assets, Being Depreciated					
Buildings and Improvements	623,590	-	-	-	623,590
Machinery, Equipment, And Vehicles	2,098,362	200,034	-	25,510	2,323,906
Library	115,205	-	-	-	115,205
Infrastructure	3,907,153	-	-	543	3,907,696
Total Capital Assets, Being Depreciated	<u>6,744,310</u>	<u>200,034</u>	<u>-</u>	<u>26,053</u>	<u>6,970,397</u>
Less Accumulated Depreciation For					
Buildings and Improvements	(514,168)	(4,776)	-	6,289	(512,655)
Machinery, Equipment, and Vehicles	(1,521,793)	(92,135)	-	23,514	(1,590,414)
Library	(115,205)	-	-	-	(115,205)
Infrastructure	(3,016,078)	(72,312)	-	500	(3,087,890)
Total Accumulated Depreciation	<u>(5,167,244)</u>	<u>(169,223)</u>	<u>-</u>	<u>30,303</u>	<u>(5,306,164)</u>
Total Capital Assets, Being Depreciated, Net	<u>1,577,066</u>	<u>30,811</u>	<u>-</u>	<u>56,356</u>	<u>1,664,233</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,929,378</u>	<u>30,811</u>	<u>-</u>	<u>56,356</u>	<u>2,016,545</u>

TOWN OF MOUNT CARMEL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 4 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets (Continued)

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

Governmental Activities	
General Government	\$ 6,937
Public Safety	43,350
Highway and Streets	114,158
Sanitation	2,493
Animal Control	680
Recreation	<u>1,605</u>

Total Depreciation Expense - Governmental Activities	<u>\$ 169,223</u>
--	-------------------

	Beginning Balance	Increases	Decreases	Adjustments/ Transfers	Ending Balance
Business-Type Activities					
Capital Assets, Not Being Depreciated					
Land and Right of Ways	\$ 167,190	-	-	-	167,190
Total Capital Assets, Not Being Depreciated	<u>167,190</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>167,190</u>
Capital Assets, Being Depreciated					
Machinery and Equipment	594,302	-	-	-	594,302
Utility Plant and Lines in Service	11,329,875	31,194	-	16,709	11,377,778
Total Capital Assets, Being Depreciated	<u>11,924,177</u>	<u>31,194</u>	<u>-</u>	<u>16,709</u>	<u>11,972,080</u>
Less Accumulated Depreciation For					
Machinery and Equipment	(594,302)	-	-	-	(594,302)
Utility Plant and Lines in Service	(6,051,970)	(238,156)	-	7,300	(6,282,826)
Total Accumulated Depreciation	<u>(6,646,272)</u>	<u>(238,156)</u>	<u>-</u>	<u>7,300</u>	<u>(6,877,128)</u>
Total Capital Assets, Being Depreciated, Net	<u>5,277,905</u>	<u>(206,962)</u>	<u>-</u>	<u>24,009</u>	<u>5,094,952</u>
Business-Type Activities Capital Assets, Net	<u>\$ 5,445,095</u>	<u>(206,962)</u>	<u>-</u>	<u>24,009</u>	<u>5,262,142</u>

Adjustments to governmental and business-type activity capital assets were due to prior period adjustments. See Note 5.D for additional information.

TOWN OF MOUNT CARMEL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 4 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Long-Term Liabilities

Changes in Long-Term Liabilities

The following is a summary of the changes in long-term liabilities for the fiscal year ended June 30, 2021:

	Balance Beginning of Year	Additions	Retirements/ Reductions	Balance End of Year	Due Within One Year
Governmental Activities					
Compensated Absences	\$ 22,779	8,107	(16,088)	14,798	14,798
Governmental Activities					
Long-Term Liabilities	22,779	8,107	(16,088)	14,798	14,798
Business-Type Activities					
General Obligation Refunding Bonds	295,000	-	(40,000)	255,000	40,000
Compensated Absences	4,966	6,868	(7,736)	4,098	4,098
Business-Type Activities					
Long-Term Liabilities	299,966	6,868	(47,736)	259,098	44,098
Total Changes in					
Long-Term Liabilities	\$ 322,745	14,975	(63,824)	273,896	58,896

For governmental activities, compensated absences are liquidated by the General fund.

Business-Type Activities Debt

	Date Issued	Amount Authorized and Issued	Interest Rate	Year of Maturity	Outstanding June 30, 2021
<u>Water and Sewer Fund Bonds Payable</u>					
G.O. Refunding Bonds, Series 2013	11/27/13	\$ 545,000	2.48%	2027	<u>\$ 255,000</u>

Interest expense related to business-type activities totaled \$7,553 for the fiscal year ended June 30, 2021.

The bonds shall be payable from unlimited ad valorem taxes to be levied on all taxable property within the corporate limits of the Town. For the prompt payment of principal of and interest on the bonds, the full faith and credit of the Town are irrevocably pledged. The bonds are additionally payable from and secured by certain revenues of the sewer system of the Town, which are pledged to the payment of the bonds; subject, however, to any prior pledges of such revenues to the payment of other bonds or obligations of the Town.

TOWN OF MOUNT CARMEL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 4 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Long-Term Liabilities (Continued)

Business-Type Activities Debt (Continued)

The annual requirements to amortize all business-type activities bonds, including principal and interest, outstanding as of June 30, 2021 are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 40,000	5,828	45,828
2023	40,000	4,836	44,836
2024	45,000	3,782	48,782
2025	45,000	2,666	47,666
2026	40,000	1,612	41,612
2027	45,000	558	45,558
	<u>\$ 255,000</u>	<u>19,282</u>	<u>274,282</u>

NOTE 5 - OTHER INFORMATION

A. Risk Management

The Town is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions, natural disasters; and injuries of employees for which the Town carries commercial insurance purchased from independent third parties. The Town purchases conventional insurance coverage through the Public Entity Partners (PEP). Even though the PEP policy contains an assessment clause, no assessment has been levied during the fiscal years the Town has participated in this program. There has been no significant reduction in insurance coverage from the prior fiscal year and the Town has not had any settlements in the last three fiscal years which were not covered by insurance.

TOWN OF MOUNT CARMEL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 5 - OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plan

General Information about the Pension Plan

Plan Description. Employees of the Town are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under *Tennessee Code Annotated*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a 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.

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

TOWN OF MOUNT CARMEL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 5 - OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plan (Continued)

Employees Covered by Benefit Terms. At the measurement date of June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	8
Inactive employees entitled to but not yet receiving benefits	26
Active employees	<u>16</u>
	<u>50</u>

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. 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, 2021, the employer contributions for the Town were \$75,965 based on a rate of 6.94 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the Town's state shared taxes if required employer contributions are not remitted. The employer's 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)

Pension Liabilities (Assets). The Town's net pension liability (asset) was measured as of June 30, 2020, 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 the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods 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 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

TOWN OF MOUNT CARMEL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 5 - OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plan (Continued)

Actuarial Assumptions (Continued). Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2020 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 percent. The best estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. Equity	5.69%	31%
Developed Market International Equity	5.29%	14%
Emerging Market International Equity	6.36%	4%
Private Equity and Strategic Lending	5.79%	20%
U.S. Fixed Income	2.01%	20%
Real Estate	4.32%	10%
Short-term Securities	0.00%	1%
		<u>100%</u>

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

TOWN OF MOUNT CARMEL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 5 - OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plan (Continued)

Discount Rate. The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from 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)

	Increases (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balance at 6/30/2019	\$ 2,913,574	3,296,840	(383,266)
Changes for the Year:			
Service Cost	61,638	-	61,638
Interest	206,979	-	206,979
Differences Between Expected and Actual Experience	(172,400)	-	(172,400)
Contributions - Employer	-	64,635	(64,635)
Net Investment Income	-	159,125	(159,125)
Benefit Payments, Including Refunds of Employee Contributions	(240,667)	(240,667)	-
Administrative Expense	-	(1,395)	1,395
Net Changes	<u>(144,450)</u>	<u>(18,302)</u>	<u>(126,148)</u>
Balance at 6/30/2020	<u>\$ 2,769,124</u>	<u>3,278,538</u>	<u>(509,414)</u>

TOWN OF MOUNT CARMEL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 5 - OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plan (Continued)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the net pension liability (asset) of the Town calculated using the discount rate of 7.25 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
	<u> </u>	<u> </u>	<u> </u>
Net Pension Liability (Asset)	\$ (125,775)	(509,414)	(827,716)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Expense. For the year ended June 30, 2021, the Town recognized negative pension expense of \$440.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2021, the Town 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
	<u> </u>	<u> </u>
Differences Between Expected and Actual Experience	\$ 38,219	191,677
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	24,373	
Changes in Assumptions	18,264	-
Contributions Subsequent to the Measurement Date of June 30, 2020	75,965	-
	<u>\$ 156,821</u>	<u>191,677</u>

TOWN OF MOUNT CARMEL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 5 - OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plan (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2020" will be recognized as a reduction to 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:

Year Ended June 30:		
2022	\$	(44,460)
2023		(15,307)
2024		(5,393)
2025		(16,929)
2026		(28,732)
Thereafter		-

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

C. Economic Dependency

The Town depends on financial resources flowing from, or associated with, both the federal government and the State of Tennessee. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and state laws and federal and state appropriations.

D. Prior Period Adjustments

The beginning fund balance of the General Fund and net position of the governmental-activities in the government-wide Statement of Net Position have been restated to record a prior period adjustment to correct an error in the Town's inventory. The effect of the adjustment was to reduce beginning fund balance and net position of the governmental-activities in the government-wide Statement of Net Position by \$15,826.

TOWN OF MOUNT CARMEL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 5 - OTHER INFORMATION (CONTINUED)

D. Prior Period Adjustments (Continued)

Additionally, the net position of the governmental-activities in the government-wide Statement of Net Position and the net position of the Sewer Fund have been restated to record a prior period adjustment to correct errors in recording the Town's capital assets and accumulated depreciation. The effects of these adjustments was to increase the beginning net position of the governmental-activities in the government-wide Statement of Net Position by \$56,356, and the beginning net position of the Sewer Fund by \$24,009.

E. Subsequent Events

In August of 2021, the Town entered into a contract for GIS mapping of the sewer system. The contract is for a commitment of \$491,053.

REQUIRED SUPPLEMENTARY INFORMATION

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

	2014	2015	2016	2017	2018	2019	2020
TOTAL PENSION LIABILITY							
Service Cost	\$ 71,153	57,268	65,319	65,726	77,771	86,912	61,638
Interest	146,637	151,243	158,292	168,499	179,841	200,842	206,979
Differences Between Actual and Expected Experience	(115,931)	(71,254)	(40,389)	(44,218)	76,439	(17,331)	(172,400)
Change of Assumptions	-	-	-	54,796	-	-	-
Benefit Payments, Including Refunds of Employee Contributions	(26,370)	(26,766)	(75,890)	(19,168)	(26,699)	(80,350)	(240,667)
NET CHANGE IN TOTAL PENSION LIABILITY	75,489	110,491	107,332	225,635	307,352	190,073	(144,450)
TOTAL PENSION LIABILITY - BEGINNING	1,897,202	1,972,691	2,083,182	2,190,514	2,416,149	2,723,501	2,913,574
TOTAL PENSION LIABILITY - ENDING (a)	\$ 1,972,691	2,083,182	2,190,514	2,416,149	2,723,501	2,913,574	2,769,124
PLAN FIDUCIARY NET POSITION							
Contributions - Employer	\$ 83,419	70,842	74,368	71,961	86,597	76,620	64,635
Net Investment Income	319,608	70,758	63,349	280,564	233,342	228,656	159,125
Benefit Payments, Including Refunds of Employee Contributions	(26,370)	(26,766)	(75,890)	(19,168)	(26,699)	(80,350)	(240,667)
Administrative Expense	(752)	(923)	(1,343)	(1,484)	(1,829)	(1,618)	(1,395)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	375,905	113,911	60,484	331,873	291,411	223,308	(18,302)
PLAN FIDUCIARY NET POSITION - BEGINNING	1,899,948	2,275,853	2,389,764	2,450,248	2,782,121	3,073,532	3,296,840
PLAN FIDUCIARY NET POSITION - ENDING (b)	\$ 2,275,853	2,389,764	2,450,248	2,782,121	3,073,532	3,296,840	3,278,538
NET PENSION LIABILITY (ASSET) - ENDING (a) - (b)	\$ (303,162)	(306,582)	(259,734)	(365,972)	(350,031)	(383,266)	(509,414)
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY (ASSET)	115.37%	114.72%	111.86%	115.15%	112.85%	113.15%	118.40%
COVERED PAYROLL	\$ 692,489	703,494	735,515	714,604	859,953	760,875	641,857
NET PENSION LIABILITY (ASSET) AS A PERCENTAGE OF COVERED PAYROLL	-43.78%	-43.58%	-35.31%	-51.21%	-40.70%	-50.37%	-79.37%

(Continued)

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

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 MOUNTAIN CITY, TENNESSEE
SCHEDULE OF CONTRIBUTIONS BASED ON PARTICIPATION
IN THE PUBLIC EMPLOYEE PENSION PLAN OF TCRS
Last Fiscal Year Ending June 30

	2014	2015	2016	2017	2018	2019	2020	2021
Actuarially Determined Contribution	\$ 83,419	70,842	74,368	68,388	82,555	53,033	44,545	75,965
Contributions in Relation to the								
Actuarially Determined Contribution	83,419	70,842	74,368	71,961	86,597	76,620	64,635	75,965
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>(3,573)</u>	<u>(4,042)</u>	<u>(23,587)</u>	<u>(20,090)</u>	<u>-</u>
Covered Payroll	\$ 692,849	703,494	735,515	714,604	859,953	760,875	641,857	1,094,597
Contributions as a Percentage of Covered Payroll	12.04%	10.07%	10.11%	10.07%	10.07%	10.07%	10.07%	6.94%

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

(Continued)

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

Notes To Schedule

Valuation date: Actuarially determined contribution rates for fiscal year 2021 were calculated based on the June 30, 2019 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

INDIVIDUAL FUND SCHEDULES

TOWN OF MOUNT CARMEL, TENNESSEE
DRUG FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Fine and Forfeitures	\$ 300	300	901	601
Investment Earnings	25	25	18	(7)
TOTAL REVENUES	325	325	919	594
EXPENDITURES				
Drug Fund Operations	5,000	5,000	2,688	2,312
TOTAL EXPENDITURES	5,000	5,000	2,688	2,312
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,675)	(4,675)	(1,769)	2,906
Fund Balance, Beginning	3,066	3,066	3,066	-
Fund Balance, Ending	<u>\$ (1,609)</u>	<u>(1,609)</u>	<u>1,297</u>	<u>2,906</u>

SUPPLEMENTAL INFORMATION

TOWN OF MOUNT CARMEL, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2021

Grantor Agency	Pass-Through Agency/Program Name	Assistance Listing Number	Contract Number	Expenditures
FEDERAL AWARDS				
National Highway Traffic Safety Administration	Pass-Through Tennessee Highway Safety Office High Visibility Enforcement Grant	20.607	Z21THS209	\$ 2,405
U.S. Department of Treasury	Pass-Through State of Tennessee Department of Finance and Administration COVID-19 - Coronavirus Relief Fund	21.019	[1]	79,575
Institute of Museum and Library Services	Pass-Through Tennessee State Library and Archives 2021 Library Technology Grant	45.310	LS-246189-OLS-20	1,043
Institute of Museum and Library Services	Pass-Through Tennessee State Library and Archives COVID-19 - CARES Act Library Grant	45.310	30501-03320-95	4,464
	Subtotal for Assistance Listing Number 45.310			<u>5,507</u>
TOTAL FEDERAL AWARDS				<u><u>\$ 87,487</u></u>

NOTE A: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of the Town under programs of the federal government for the fiscal year ended June 30, 2021.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting.

Non-monetary assistance is reported in the schedule of federal awards at the estimated fair market value of property received and used.

NOTE C: INDIRECT COSTS

The Town has not elected to use the 10% *de minimis* indirect costs allocation option.

TOWN OF MOUNT CARMEL, TENNESSEE
SCHEDULE OF CHANGES IN PROPERTY TAX RECEIVABLE
For the Fiscal Year Ended June 30, 2021

<u>Tax Year</u>	<u>Property Tax Receivable at June 30, 2020</u>	<u>Property Tax Levied</u>	<u>Anticipated Current Year Levy</u>	<u>Adjustments</u>	<u>Collections</u>	<u>Property Tax Receivable at June 30, 2021</u>
2021	\$ -	1,358,279	-	-	-	1,358,279
2020	1,356,480	-	-	(8,404)	(1,319,639)	28,437
2019	53,692	-	-	-	(46,132)	7,560
2018	12,835	-	-	-	(9,943)	2,892
2017	2,963	-	-	-	(1,143)	1,820
2016	1,736	-	-	-	(806)	930
2015	1,119	-	-	-	(419)	700
2014	2,457	-	-	-	(2,030)	427
2013	460	-	-	-	(53)	407
2012	-	-	-	-	-	-
2011	276	-	-	-	-	276
Total	<u>\$ 1,432,018</u>	<u>1,358,279</u>	<u>-</u>	<u>(8,404)</u>	<u>(1,380,165)</u>	<u>1,401,728</u>

NOTE:

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

TOWN OF MOUNT CARMEL, TENNESSEE
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
For the Fiscal Year Ended June 30, 2021

Business-Type Activities

<u>Water and Sewer Fund</u>	<u>Date Issued</u>	<u>Amount Issued</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Outstanding June 30, 2020</u>	<u>Issued During Period</u>	<u>Paid During Period</u>	<u>Outstanding June 30, 2021</u>
Sewer General Obligation Improvement Bonds - Series 2013	11/27/2013	\$ 545,000	2.48%	11/27/2027	<u>\$ 295,000</u>	<u>-</u>	<u>40,000</u>	<u>255,000</u>

TOWN OF MOUNT CARMEL, TENNESSEE
SCHEDULE OF LONG-TERM DEBT PRINCIPAL AND INTEREST
SEWER GENERAL OBLIGATION REFUNDING BONDS -
SERIES 2013
June 30, 2021

Fiscal Year Ending June 30	Principal	Interest	Total
2022	\$ 40,000	5,828	45,828
2023	40,000	4,836	44,836
2024	45,000	3,782	48,782
2025	45,000	2,666	47,666
2026	40,000	1,612	41,612
2027	45,000	558	45,558
	<hr/>	<hr/>	<hr/>
Total	\$ 255,000	19,282	274,282
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**OTHER SUPPLEMENTAL
INFORMATION
(UNAUDITED)**

TOWN OF MOUNT CARMEL, TENNESSEE
SCHEDULE OF TAX RATES AND ASSESSMENTS
Last Ten Fiscal Years

Calendar Tax Year		Assessed Value	Tax Rate Per \$100
2012	\$	75,481,644	1.38
2013		79,567,351	1.38
2014		79,683,576	1.38
2015		79,738,999	1.38
2016		79,484,091	1.38
2017		80,023,910	1.38
2018		80,269,222	1.67
2019		80,891,056	1.67
2020		81,224,229	1.67
2021		94,145,431	1.39

TOWN OF MOUNT CARMEL, TENNESSEE
SCHEDULE OF CAPITAL ASSETS USED IN OPERATION OF GOVERNMENTAL ACTIVITIES
June 30, 2021

Function	Land	Buildings and Improvements	Machinery, Equipment, and Vehicles	Library Collection	Infrastructure	Total
General Government	\$ 81,402	319,363	103,478	-	-	504,243
Police and Fire	14,000	146,959	1,026,620	-	-	1,187,579
Highways and Streets	27,000	22,900	1,143,959	-	3,907,696	5,101,555
Sanitation	-	-	49,849	-	-	49,849
Recreation	229,910	83,678	-	-	-	313,588
Animal Control	-	27,190	-	-	-	27,190
Library	-	23,500	-	115,205	-	138,705
Total	<u>\$ 352,312</u>	<u>623,590</u>	<u>2,323,906</u>	<u>115,205</u>	<u>3,907,696</u>	<u>7,322,709</u>

**TOWN OF MOUNT CARMEL, TENNESSEE
SEWER RATE STRUCTURE AND NUMBER OF CUSTOMERS
For the Fiscal Year Ended June 30, 2021**

Sewer Rates

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

Note: Sewer usage based on 90% of water usage

Customers	1,993
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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 Aldermen
Town of Mount Carmel, Tennessee
Mount Carmel, Tennessee

I have audited, in accordance with the 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, 2021, 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 November 23, 2022.

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) as a basis for designing 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 the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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 the 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 financial statements. However, providing an opinion on compliance with those provisions was not an

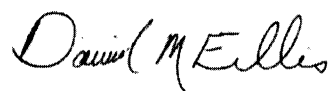
objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and recommendations as items 2021-001, 2021-002 and 2021-003.

Town of Mount Carmel, Tennessee's Response to Findings

Town of Mount Carmel, Tennessee's response to the findings identified in my audit is described in the accompanying schedule of findings and recommendations. Town of Mount Carmel, Tennessee's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of 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, Tennessee
November 23, 2022

TOWN OF MOUNT CARMEL, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2021

Financial Statement Findings

Current Year Findings:

2021-001 Closing of Books

Condition: Closing of books was not completed timely.

Criteria: Tennessee Code Annotated Section 9-2-102 states:

“to require all local governments to close their official accounting records and to have those records available for audit no later than two (2) months after the close of their fiscal year end.”

Cause: Journal entries to close the Town’s accounting cycle and prepare the records for a new accounting cycle were not completed in the two-month requirement after the close of the fiscal year.

Effect: The Town is noncompliant with Tennessee state law.

Recommendation: Management should follow procedures to ensure compliance.

Views of responsible officials and planned corrective actions: Management agrees with the finding and has implemented internal controls to strengthen oversight of closing the fiscal year end books.

2021-002 Inadequate Minutes of Meetings

Condition: Minutes of several meetings of the mayor and board of aldermen were not signed to document approval. Minutes of several meetings of the mayor and board of aldermen were only signed by the town recorder/administrator.

Criteria: Tennessee Code Annotated Section 8-4-104 and The Internal Control and Compliance Manual for Tennessee Municipalities, Title 1, Chapter 1, Sections 4, respectively states:

“The minutes of a meeting of any such governmental body shall be promptly and fully recorded, shall be open to public inspection, and shall include, but not be limited to, a record of persons present, all motions, proposals and resolutions offered, the results of any votes taken, and a record of individual votes in the event of roll call.”

“requires that complete minutes of actions taken by the legislative body be maintained and provides a list of items which should be included in the minutes. “to require all local governments to close their official accounting records and to have those records available for audit no later than two (2) months after the close of their fiscal year end.”

TOWN OF MOUNT CARMEL, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2021

Cause: Minutes of the meetings of the mayor and board of aldermen were not signed by the required authorized individual to show approval.

Effect: The Town is noncompliant with Tennessee state law.

Recommendation: To ensure that action taken by the governing body is adequately documented, officials should ensure that the town recorder/administrator maintains complete minutes of all meetings of the governing body. The mayor and town recorder/administrator should sign the minutes to document approval.

Views of responsible officials and planned corrective actions: Management agrees with the finding and will have the board of mayor and aldermen sign the minutes without any delay once they are approved at the subsequent meeting.

2021-003 Vacation Leave

Condition: Vacation leave allowed in excess of Town policy.

Criteria: Town of Mount Carmel Personnel Policies and Procedure manual chapter 4.10 states:

“each employee shall be entitled to the vacation time earned up to that date and thereafter each full-time permanent employee shall earn vacation time in accordance with the following schedule: years of service 1-year allowable vacation per year one week...”

Cause: Prior to implementation of updated policy Town did not comply with the Town’s policy. Advancement of vacation was not approved through the Board of Mayor and Aldermen.

Effect: Noncompliance with the Town’s personnel policy and procedures manual.

Recommendation: Management should follow personnel policies and procedures to ensure compliance.

Views of responsible officials and planned corrective actions: Management agrees with the finding and effective April 22, 2021, has updated personnel policies and procedures manual.

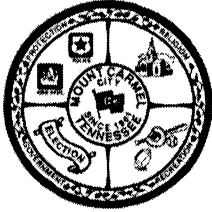
TOWN OF MOUNT CARMEL, TENNESSEE
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2021

Financial Statement Findings

Finding Number	Finding Title	Status

Compliance Findings

Finding Number	Finding Title	Status



Town of Mount Carmel

Emily Wood, Town Administrator

100 East Main Street, P.O. Box 1421

Mount Carmel, TN 37645

Phone (423) 357-7311

TOWN OF MOUNT CARMEL, TENNESSEE MANAGEMENT'S CORRECTIVE ACTION PLAN For the Year Ended June 30, 2021

Town of Mount Carmel respectfully submits the following corrective action plan for the year ended June 30, 2021.

Corrective Action: **Financial Statement Finding**

Name of Contact Person: Emily Wood

Finding 2021-001: Closing of Books

Corrective Action: The Town has contracted with an accounting firm to assist in preparing appropriate journal entries for year-end closing of books. Management will enter journal entries no later than 2 months after the close of the fiscal year end. Management has reviewed and updated internal control policies and procedures and will follow policy to ensure compliance.

Completed: December 2022

Finding 2021-002: Inadequate Minutes of Meetings

Corrective Action: The Town Recorder will have minutes of meetings signed by appropriate parties without delay upon approval by the Board of Mayor and Alderman.

Completed: December 2022

Finding 2021-003: Vacation Leave

Corrective Action: Management reviewed and updated the personnel policies on April 22, 2021. Management has done a thorough review and is currently working to update the personnel policy. Management will follow the policy closely to ensure compliance.

Completed: December 2022

A handwritten signature in black ink, appearing to read "Emily Wood", is written over a horizontal line.

Emily Wood, Town Administrator/ CMFO
December 1, 2022