

**TOWN OF MOUNT CARMEL, TENNESSEE
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2022**

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**INTRODUCTORY SECTION
(UNAUDITED)**

TOWN OF MOUNT CARMEL, TENNESSEE
LIST OF ELECTED AND APPOINTED OFFICIALS
June 30, 2022

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	Emily Wood, CMFO

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

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

Report on the Audit of the Financial Statements

Opinions

I have audited the accompanying financial statements of the governmental activities, the business-type activities, 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, 2022, and the related notes to the financial statements, which collectively comprise the Town of Mount Carmel, Tennessee's basic financial statements as listed in the table of contents.

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, 2022, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-12 and the required supplementary information of pages 56-59 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Mount Carmel, Tennessee's basic financial statements. The individual fund schedules on page 60 and the supplemental information on pages 61-69 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to

prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the individual fund schedules and supplemental information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the list of elected and appointed officials on page 1 and the other supplemental information on pages 70-72 but does not include the basic financial statements and my auditor's report thereon. My opinion on the basic financial statements do not cover the other information, and I do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated September 21, 2023, 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 of Mount Carmel Tennessee's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Mount Carmel, Tennessee's internal control over financial reporting and compliance.



David M. Ellis, CPA
Greeneville, Tennessee
September 21, 2023

TOWN OF MOUNT CARMEL, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022

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, 2022. 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, 2022 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 \$16,735,479. Of this amount, \$8,488,497 (unrestricted net position) may be used to meet the Town's ongoing obligations.
- The Town's total net position increased \$911,948 during the current year.
- As of June 30, 2022, the Town's General Fund reported a fund balance of \$6,585,751 which was a \$897,498 increase over the prior year.
- The proprietary fund being the Sewer Fund had a decrease of (\$220,128) in net position for the current year.
- During the current year, the Town recognized new lease obligations of \$29,068 with the implementation of GASB 87 *Leases*.
- During the current year, the Town recognized new subscription-based IT arrangement obligations of \$28,924 with the implementation of GASB 96 *Subscription-based Information Technology Arrangements*

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.

TOWN OF MOUNT CARMEL, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022

GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

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).

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 13-14 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.

TOWN OF MOUNT CARMEL, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022

FUND FINANCIAL STATEMENTS (CONTINUED)

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

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 31-55 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 56-59 and supplementary information can be found on pages 60-72 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 \$16,735,479 at the close of the most recent fiscal year compared to \$15,823,531 for fiscal year 2021.

A large portion of the Town's net position (42%), 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 (7%) 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.

**TOWN OF MOUNT CARMEL, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

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 Net Position						
	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
ASSETS						
Current & Other Assets	\$ 8,641,751	7,957,945	3,496,512	2,764,120	12,138,263	10,722,065
Capital Assets, Net of Accumulated Depreciation	2,194,801	2,016,545	5,102,412	5,262,142	7,297,213	7,278,687
Total Assets	<u>10,836,552</u>	<u>9,974,490</u>	<u>8,598,924</u>	<u>8,026,262</u>	<u>19,435,476</u>	<u>18,000,752</u>
 DEFERRED OUTFLOWS OF RESOURCES	 <u>402,621</u>	 <u>126,677</u>	 <u>114,596</u>	 <u>30,144</u>	 <u>517,217</u>	 <u>156,821</u>
 LIABILITIES						
Current and Other Liabilities	95,703	212,730	867,385	92,609	963,088	305,339
Long-Term Liabilities	69,431	-	224,601	215,000	294,032	215,000
Total Liabilities	<u>165,134</u>	<u>212,730</u>	<u>1,091,986</u>	<u>307,609</u>	<u>1,257,120</u>	<u>520,339</u>
 DEFERRED INFLOWS OF RESOURCES	 <u>1,830,386</u>	 <u>1,776,860</u>	 <u>129,708</u>	 <u>36,844</u>	 <u>1,960,094</u>	 <u>1,813,704</u>
 NET POSITION						
Net Investment in Capital Assets	2,148,502	2,016,545	4,887,412	5,047,142	7,035,914	7,063,687
Restricted	962,907	856,595	248,161	199,876	1,211,068	1,056,471
Unrestricted	6,132,244	5,238,437	2,356,253	2,464,936	8,488,497	7,703,373
Total Net Position	<u>\$ 9,243,653</u>	<u>8,111,577</u>	<u>7,491,826</u>	<u>7,711,954</u>	<u>16,735,479</u>	<u>15,823,531</u>

Governmental Activities

- * The property tax rate is \$1.39 per \$100 of assessed value.
- * The Town was awarded federal grant funds totaling \$258,435.
- * The Town purchased a new police vehicle for the police department at a cost of \$34,063.
- * The Town purchased a new vehicle, air packs, and combi tool for the fire department at a cost of \$70,277, \$45,000, and \$11,435, respectively.
- * The Town purchased a new excavator and trailer for the street department at a cost of \$57,132 and \$10,315, respectively.
- * The Town purchased new playground equipment at a cost of \$119,400.
- * The Town was awarded state grant funds totaling \$221,804.

Business-type Activities

- * The Town purchased various sewer treatment equipment at a cost of \$77,832.
- * The Town received \$785,401 of federal grant funds that had not been spent as of June 30, 2022.

TOWN OF MOUNT CARMEL, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Town of Mount Carmel, Tennessee Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
REVENUES						
Program Revenues						
Charges for Services	\$ 151,285	163,820	989,378	948,351	1,140,663	1,112,171
Operating Grants	504,702	348,472	-	-	504,702	348,472
Capital Grants	219,995	-	-	-	219,995	-
General Revenues						
Property Taxes	1,397,915	1,346,623	-	-	1,397,915	1,346,623
Other Taxes	824,107	719,141	-	-	824,107	719,141
Intergovernmental	684,815	635,473	-	-	684,815	635,473
Other	203,783	45,021	2,637	11,323	206,420	56,344
Total Revenues	3,986,602	3,258,550	992,015	959,674	4,978,617	4,218,224
EXPENSES						
Governmental Activities						
General Government	193,059	115,278	-	-	193,059	115,278
Financial Administration	755,210	444,928	-	-	755,210	444,928
Public Safety	807,265	761,033	-	-	807,265	761,033
Drug Fund Operations	-	2,688	-	-	-	2,688
Animal Control	34,898	44,903	-	-	34,898	44,903
Building Inspection	35,404	34,792	-	-	35,404	34,792
Highways and Streets	626,304	470,681	-	-	626,304	470,681
Solid Waste Sanitation	241,151	241,756	-	-	241,151	241,756
Recreation	84,115	41,009	-	-	84,115	41,009
Library	77,120	59,159	-	-	77,120	59,159
Business-type Activities						
Sewer Operations	-	-	1,212,143	819,838	1,212,143	819,838
Total Expenses	2,854,526	2,216,227	1,212,143	819,838	4,066,669	3,036,065
Change in Net Position	1,132,076	1,042,323	(220,128)	139,836	911,948	1,182,159
Net Position, Beginning	8,111,577	7,028,724	7,711,954	7,548,109	15,823,531	14,576,833
Prior Period Adjustment	-	40,530	-	24,009	-	64,539
Net Position, Beginning - Adjusted	8,111,577	7,069,254	7,711,954	7,572,118	15,823,531	14,641,372
Net Position, Ending	\$ 9,243,653	8,111,577	7,491,826	7,711,954	16,735,479	15,823,531

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, 2022

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 \$6,590,599. \$6,138,005 (93%) 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 \$4,848 is restricted for Drug Fund.
- * The amount of \$444,746 is restricted for State Street Aid.
- * The amount of \$3,000 is assigned to the First Tennessee Human Resource Agency.

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 \$6,138,005 while the total fund balance was reported to be \$6,590,599. 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 193% of total General Fund expenditures, while total fund balance represents 208% of that same amount.

Proprietary Funds

Unrestricted net position of the sewer fund at the end of the fiscal year totaled \$2,356,253. 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) General Government Insurance original budget amount was \$72,000. The line item was amended by \$30,000 to account for higher than expected insurance costs.
- 2) Financial Administration Legal Services original budget amount was \$55,000. The line item was amended by \$35,000 to account for increased legal costs.
- 3) Financial Administration THDA HOME Grant original budget amount was \$0. The line item was amended by \$270,012 to account for administering the HOME Grant.
- 4) Fire Department Capital Outlay original budget amount was \$45,000. The line item was amended by \$115,000 to account for additional capital asset purchases, such as a vehicle.
- 5) Park Development original budget amount was \$40,000. The line item was amended by \$72,921 to account for additional playground equipment purchases.

TOWN OF MOUNT CARMEL, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022

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, 2022, totaled \$7,035,914 (net of accumulated depreciation and amortization). The investment in capital assets includes land, buildings, equipment, improvements, infrastructure, intangible right to use assets, 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	
	2022	2021	2022	2021	2022	2021
Land	\$ 352,312	352,312	167,190	167,190	519,502	519,502
Buildings	630,270	623,590	-	-	630,270	623,590
Machinery and Equipment	2,568,448	2,323,906	11,343,498	11,377,778	13,911,946	13,701,684
Infrastructure	3,907,696	3,907,696	-	-	3,907,696	3,907,696
Lines and Improvements	-	-	594,302	594,302	594,302	594,302
Library	115,205	115,205	-	-	115,205	115,205
Intangible Right to Use	57,992	-	-	-	57,992	-
Less: Accumulated Depreciation and Amortization	(5,437,122)	(5,306,164)	(7,002,578)	(6,877,128)	(12,439,700)	(12,183,292)
Total Capital Assets	<u>\$ 2,194,801</u>	<u>2,016,545</u>	<u>5,102,412</u>	<u>5,262,142</u>	<u>7,297,213</u>	<u>7,278,687</u>

Additional information on the Town's capital assets can be found in Note 4.C on pages 45-46 of this report.

Long-Term Debt

At the end of the current fiscal year, the Town had total debt outstanding of \$261,299. The bonded debt is secured solely by specified revenue sources.

Town of Mount Carmel, Tennessee's Outstanding Debt						
	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Outstanding Debt						
Bonds Payable	\$ -	-	215,000	255,000	215,000	255,000
Leases Payable	22,775	-	-	-	22,775	-
Subscription-Based IT Arrangement	23,524	-	-	-	23,524	-
Total Outstanding Debt	<u>\$ 46,299</u>	<u>-</u>	<u>215,000</u>	<u>255,000</u>	<u>261,299</u>	<u>255,000</u>

Additional information on the Town of Mount Carmel, Tennessee's long-term debt can be found in Note 4.E on pages 47-49 of this report.

**TOWN OF MOUNT CARMEL, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022**

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 5%
- C. Purchase two new police vehicles at a cost of \$97,725.
- D. Increase to the appropriation to the Senior Center.
- E. Major capital improvements at Sewer plant totaling \$1,570,801 including purchase of new belt press and SCADA system for lift stations
- F. Purchase of park playground equipment and pour in place surfacing at \$80,000

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, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 6,324,768	3,052,094	9,376,862
Accounts Receivable, Net of Estimated Uncollectible	-	142,158	142,158
Property Taxes Receivable	1,463,887	-	1,463,887
Less: Estimated Uncollectible	(19,794)	-	(19,794)
Other Receivables	23,426	-	23,426
Due From Other Governments	312,303	-	312,303
Internal Balances	23,848	(23,848)	-
Inventory	-	77,947	77,947
Restricted Cash and Cash Equivalents	-	102,059	102,059
Net Pension Asset	513,313	146,102	659,415
Capital Assets Not Being Depreciated	352,312	167,190	519,502
Capital Assets, Net of Accumulated Amortization and Depreciation	1,842,489	4,935,222	6,777,711
TOTAL ASSETS	10,836,552	8,598,924	19,435,476
DEFERRED OUTFLOWS OF RESOURCES			
Pension Changes in Experience	83,737	23,834	107,571
Pension Changes in Assumptions	277,331	78,935	356,266
Pension Contributions After Measurement Date	41,553	11,827	53,380
TOTAL DEFERRED OUTFLOWS OF RESOURCES	402,621	114,596	517,217
LIABILITIES			
Accounts Payable	77,740	73,613	151,353
Customer Deposits	-	290	290
Accrued Payroll and Related Liabilities	17,963	6,624	24,587
Accrued Interest Payable	-	1,457	1,457
Unearned Revenues	-	785,401	785,401
Long-Term Liabilities			
Due Within One Year	34,014	49,601	83,615
Due in More Than One Year	35,417	175,000	210,417
TOTAL LIABILITIES	165,134	1,091,986	1,257,120
DEFERRED INFLOWS OF RESOURCES			
Deferred - Current Property Taxes	1,374,668	-	1,374,668
Pension Changes in Experience	106,440	30,295	136,735
Pension Changes in Investment Earnings, Net	349,278	99,413	448,691
TOTAL DEFERRED INFLOWS OF RESOURCES	1,830,386	129,708	1,960,094
NET POSITION			
Net Investment in Capital Assets	2,148,502	4,887,412	7,035,914
Restricted for:			
Debt Service	-	102,059	102,059
Drug Fund	4,848	-	4,848
Net Pension Asset	513,313	146,102	659,415
State Street Aid	444,746	-	444,746
Unrestricted	6,132,244	2,356,253	8,488,497
TOTAL NET POSITION	\$ 9,243,653	7,491,826	16,735,479

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, 2022

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	\$ 193,059	22,539	243,504	-	72,984	-	72,984
Financial Administration	755,210	-	-	-	(755,210)	-	(755,210)
Public Safety	807,265	105,419	27,365	45,000	(629,481)	-	(629,481)
Drug Fund Operations	-	3,551	-	-	3,551	-	3,551
Animal Control	34,898	90	-	-	(34,808)	-	(34,808)
Building Inspection	35,404	9,669	-	-	(25,735)	-	(25,735)
Highways and Streets	626,304	10,017	210,631	102,074	(303,582)	-	(303,582)
Solid Waste Sanitation	241,151	-	-	-	(241,151)	-	(241,151)
Recreation	84,115	-	-	72,921	(11,194)	-	(11,194)
Library	77,120	-	23,202	-	(53,918)	-	(53,918)
TOTAL GOVERNMENTAL ACTIVITIES	2,854,526	151,285	504,702	219,995	(1,978,544)	-	(1,978,544)
BUSINESS-TYPE ACTIVITIES							
Sewer	1,212,143	989,378	-	-	-	(222,765)	(222,765)
TOTAL BUSINESS-TYPE ACTIVITIES	1,212,143	989,378	-	-	-	(222,765)	(222,765)
TOTAL PRIMARY GOVERNMENT	\$ 4,066,669	1,140,663	504,702	219,995	(1,978,544)	(222,765)	(2,201,309)
GENERAL REVENUES							
Property Taxes					1,397,915	-	1,397,915
Sales Taxes					704,204	-	704,204
Other Taxes					119,903	-	119,903
State Revenue					684,815	-	684,815
Unrestricted Investment Earnings					6,367	2,637	9,004
Loss on Sale of Capital Assets					(30,148)	-	(30,148)
Miscellaneous					227,564	-	227,564
TOTAL GENERAL REVENUES					3,110,620	2,637	3,113,257
Change in Net Position					1,132,076	(220,128)	911,948
Net Position, Beginning					8,111,577	7,711,954	15,823,531
Net Position, Ending					\$ 9,243,653	7,491,826	16,735,479

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

TOWN OF MOUNT CARMEL, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2022

	General Fund	Non-Major Police Drug Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 6,319,920	4,848	6,324,768
Property Taxes Receivable	1,463,887	-	1,463,887
Less: Estimated Uncollectible	(19,794)	-	(19,794)
Other Receivables	23,426	-	23,426
Due from Other Funds	23,848	-	23,848
Due From Other Governments	312,303	-	312,303
TOTAL ASSETS	<u>\$ 8,123,590</u>	<u>4,848</u>	<u>8,128,438</u>
LIABILITIES			
Accounts Payable	\$ 77,740	-	77,740
Accrued Payroll and Related Liabilities	17,963	-	17,963
TOTAL LIABILITIES	<u>95,703</u>	<u>-</u>	<u>95,703</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred - Current Property Taxes	1,374,668	-	1,374,668
Unavailable Revenues	67,468	-	67,468
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,442,136</u>	<u>-</u>	<u>1,442,136</u>
FUND BALANCES			
Restricted for			
State Street Aid	444,746	-	444,746
Drug Fund	-	4,848	4,848
Assigned for			
First Tennessee Human Resource Agency	3,000	-	3,000
Unassigned	6,138,005	-	6,138,005
TOTAL FUND BALANCES	<u>6,585,751</u>	<u>4,848</u>	<u>6,590,599</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 8,123,590</u>	<u>4,848</u>	<u>8,128,438</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, 2022

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

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 6,590,599
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 \$7,631,923 and the accumulated amortization and depreciation is \$5,437,122.	2,194,801
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	67,468
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.	460,216
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 leases payable, subscription-based IT arrangements, and compensated absences.	(69,431)
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 9,243,653</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, 2022

	General Fund	Non-Major Police Drug Fund	Total Governmental Funds
REVENUES			
Taxes	\$ 2,067,177	-	2,067,177
Licenses and Permits	9,669	-	9,669
Intergovernmental Revenues	1,446,162	-	1,446,162
Charges for Services	68,625	-	68,625
Fines and Forfeitures	105,419	3,551	108,970
Investment Earnings	6,367	-	6,367
Donations	30,836	-	30,836
Rental Income	22,539	-	22,539
Miscellaneous	226,328	-	226,328
TOTAL REVENUES	3,983,122	3,551	3,986,673
EXPENDITURES			
Current			
General Government	184,063	-	184,063
Financial Administration	806,677	-	806,677
Public Safety	979,651	-	979,651
Animal Control	34,060	-	34,060
Building Inspection	35,175	-	35,175
Highways and Streets	592,795	-	592,795
Solid Waste Sanitation	242,910	-	242,910
Recreation	201,247	-	201,247
Library	76,830	-	76,830
Debt Service:			
Lease Principal Payments	6,293	-	6,293
Subscription Based IT			
Financing Principal Payments	5,400	-	5,400
TOTAL EXPENDITURES	3,165,101	-	3,165,101
Excess (Deficiency) of Revenues Over (Under) Expenditures	818,021	3,551	821,572
OTHER FINANCING SOURCES (USES)			
Proceeds from Sale of Equipment	21,935	-	21,935
Lease Financing	29,068	-	29,068
Subscription-Based IT Arrangement	28,924	-	28,924
TOTAL OTHER FINANCING SOURCES (USES)	79,927	-	79,927
Net Change in Fund Balances	897,948	3,551	901,499
Fund Balances, Beginning	5,687,803	1,297	5,689,100
Fund Balances, Ending	\$ 6,585,751	4,848	6,590,599

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, 2022

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

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 901,499
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 \$412,294 exceeded depreciation of \$181,955 in the period.	230,339
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.	30,076
The net effect of various miscellaneous transactions involving capital assets (i.e, sales) is to decrease net position.	(52,083)
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 increased by this amount for the current fiscal year.	(8,334)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net position.	(46,299)
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>76,878</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 1,132,076</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, 2022

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Property Taxes	\$ 1,300,000	1,300,000	1,331,997	31,997
Property Taxes - Delinquent	40,000	40,000	22,094	(17,906)
Local Option Sales Tax	400,000	400,000	704,204	304,204
Penalties and Interest	11,000	11,000	8,882	(2,118)
Total Taxes	1,751,000	1,751,000	2,067,177	316,177
Licenses and Permits				
Building Permits	8,500	8,500	9,669	1,169
Total Licenses and Permits	8,500	8,500	9,669	1,169
Intergovernmental Revenues				
Federal Grant Revenue	-	-	258,435	258,435
State Grant Revenue	-	-	221,804	221,804
Other State Revenues	20,000	20,000	14,817	(5,183)
Telecommunications Sales Tax	1,600	1,600	1,912	312
State Sales Tax	490,000	490,000	624,143	134,143
State-City Streets and Transportation	175,000	175,000	170,334	(4,666)
State Gasoline Tax	20,000	20,000	38,488	18,488
TVA Replacement Tax	60,000	60,000	56,825	(3,175)
State Beer Tax	1,700	1,700	1,836	136
Wholesale Beer and Liquor Tax	50,000	50,000	52,064	2,064
Sportsbetting Tax	-	-	5,504	5,504
Total Intergovernmental Revenues	818,300	818,300	1,446,162	627,862
Charges for Services				
Cable TV Commissions	70,000	70,000	68,535	(1,465)
Animal Control Services	500	500	90	(410)
Total Charges for Services	70,500	70,500	68,625	(1,875)
Fines and Forfeitures	102,000	102,000	105,419	3,419
Investment Earnings	4,150	4,150	6,367	2,217

(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, 2022

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES (CONTINUED)				
Other Revenue				
Contributions and Donations	20,000	20,000	30,836	10,836
Rental Income	22,536	22,536	22,539	3
Miscellaneous	15,000	561,971	226,328	(335,643)
Total Other Revenue	57,536	604,507	279,703	(324,804)
TOTAL REVENUES	2,811,986	3,358,957	3,983,122	624,165
EXPENDITURES				
General Government				
Dues	4,000	4,000	6,121	(2,121)
Senior Citizens Donations	16,000	16,000	20,000	(4,000)
Utilities	13,500	13,500	14,685	(1,185)
Telephone	5,000	5,000	3,606	1,394
Engineering	4,000	4,000	-	4,000
Insurance	72,000	102,000	93,604	8,396
Reappraisal Cost	8,000	8,000	8,863	(863)
Safety Program	2,500	2,500	-	2,500
Bank Charges	120	120	110	10
First TN Development District	1,638	1,638	16,188	(14,550)
First TN Human Resources	2,500	2,500	-	2,500
Public Relations	25,311	25,311	18,386	6,925
Chamber of Commerce	2,500	2,500	2,500	-
Total General Government	157,069	187,069	184,063	3,006
Financial Administration				
Salaries	249,000	249,000	222,680	26,320
Payroll Taxes	17,500	17,500	19,167	(1,667)
Health Insurance	32,000	32,000	30,695	1,305
Retirement	15,000	15,000	9,969	5,031
Worker's Compensation Insurance	600	600	-	600
Training	4,000	4,000	400	3,600
Internet and Web Services	2,200	2,200	1,240	960
Housing Authority	250	250	-	250
Advertising	2,500	2,500	2,572	(72)
City Judge	4,800	4,800	4,800	-
Medical Services	300	300	140	160
Legal Services	55,000	90,000	86,443	3,557
Accounting Services	22,000	22,000	39,216	(17,216)

(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, 2022

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
EXPENDITURES (CONTINUED)				
Financial Administration (Continued)				
Computer and Support	60,000	60,000	73,254	(13,254)
State Planning Fees	11,704	11,704	11,704	-
Repairs and Maintenance	10,000	10,000	4,931	5,069
Travel	2,500	2,500	880	1,620
Tax Commission Fees	2,000	2,000	1,321	679
Miscellaneous and Dues	3,650	6,188	6,734	(546)
THDA HOME Grant	-	270,012	243,504	26,508
Contractual Fees	1,500	1,500	-	1,500
Office Expense and Supplies	14,200	14,200	10,107	4,093
Copier Maintenance and Lease	1,500	1,500	1,316	184
Subscription Right of Use Asset	-	-	28,924	(28,924)
Capital Outlay	1,500	1,500	6,680	(5,180)
Total Financial Administration	513,704	821,254	806,677	14,577
Public Safety				
Police Department				
Salaries and Wages	341,000	351,000	365,124	(14,124)
Payroll Taxes	25,750	25,750	30,575	(4,825)
Health Insurance	100,000	100,000	66,456	33,544
Retirement	26,000	36,000	22,727	13,273
Worker's Compensation Insurance	12,000	12,000	-	12,000
Training	4,500	4,500	6,683	(2,183)
Dues and E-Com Expense	1,500	1,500	977	523
Utilities and Telephone	3,500	3,500	5,330	(1,830)
Internet Services	1,100	1,100	1,360	(260)
Computer and Support	11,350	11,350	10,928	422
Medical Services	1,000	1,000	600	400
Travel	5,000	5,000	1,476	3,524
Office Expense	4,500	4,500	3,869	631
Operating Supplies	7,000	7,000	15,822	(8,822)
Clothing and Uniforms	5,500	5,500	2,845	2,655
Vehicle and Fuel Expense	47,500	47,500	54,520	(7,020)
Copier Lease	2,000	2,000	1,508	492
Miscellaneous and Radio Expense	6,000	6,000	3,001	2,999
Department of Safety	11,000	11,000	5,508	5,492
Bullet Proof Vests	2,500	2,500	1,355	1,145
Repairs and Maintenance	5,500	5,500	5,485	15
Safety Grant	1,500	1,500	-	1,500
High Visibility Grant	5,000	5,000	-	5,000
Capital Outlay	45,000	45,000	63,131	(18,131)
Total Police Department	675,700	695,700	669,280	26,420

(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, 2022

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
EXPENDITURES (CONTINUED)				
Public Safety (Continued)				
Fire Department				
Salaries and Wages	76,250	76,250	81,150	(4,900)
Payroll Taxes	6,500	6,500	7,725	(1,225)
Retirement	1,000	1,000	-	1,000
Worker's Compensation Insurance	4,500	4,500	-	4,500
Training	10,000	10,000	9,644	356
Dues and E-Dispatch	500	500	351	149
Utilities and Telephone	17,000	17,000	12,199	4,801
Computer and Support	1,000	1,000	3,432	(2,432)
Medical Services	1,500	1,500	300	1,200
Travel	3,000	3,000	1,858	1,142
Office Expense	1,000	1,000	623	377
Operating Supplies and Equipment	21,500	21,500	40,254	(18,754)
Clothing and Uniforms	3,000	3,000	3,225	(225)
Vehicle and Fuel Expense	25,000	25,000	13,747	11,253
Contractual Services	2,500	2,500	1,052	1,448
Miscellaneous Expense	1,000	1,000	903	97
OSHA Testing	4,000	4,000	-	4,000
Repairs and Maintenance	3,000	3,000	4,086	(1,086)
Radio Expense	5,000	5,000	-	5,000
Public Relations/Parade	2,500	2,500	3,110	(610)
Capital Outlay	45,000	160,000	126,712	33,288
Total Fire Department	234,750	349,750	310,371	39,379
Total Public Safety	910,450	1,045,450	979,651	65,799
Animal Control				
Salaries and Wages	19,500	19,500	16,384	3,116
Payroll Taxes	1,660	1,660	1,695	(35)
Worker's Compensation Insurance	1,200	1,200	-	1,200
Fees	8,000	8,000	8,700	(700)
Training	800	800	-	800
Dues	100	100	-	100
Utilities and Telephone	1,500	1,500	1,109	391
Medical Services	800	800	-	800
Travel	800	800	-	800
Office Expense	500	500	-	500
Operating Supplies	1,500	1,500	-	1,500
Animal Food Purchases	250	250	-	250
Clothing and Uniforms	500	500	90	410
Vehicle Expense	2,500	2,500	6,082	(3,582)
Total Animal Control	39,610	39,610	34,060	5,550

(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, 2022

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
EXPENDITURES (CONTINUED)				
Building Inspection				
Salaries and Wages	25,000	25,000	23,861	1,139
Payroll Taxes	1,810	1,810	2,193	(383)
Worker's Compensation Insurance	1,500	1,500	-	1,500
Training	800	800	-	800
Dues and Fees	4,500	4,500	5,185	(685)
Utilities and Telephone	2,750	2,750	2,422	328
Travel	1,000	1,000	-	1,000
Internet Services	650	650	688	(38)
Demolition	10,000	10,000	-	10,000
Operating Supplies	1,000	1,000	315	685
Miscellaneous	500	500	226	274
Repairs and Maintenance	5,000	5,000	285	4,715
Total Building Inspection	54,510	54,510	35,175	19,335
Highway and Streets				
Streets				
Salaries and Wages	165,000	165,000	179,376	(14,376)
Payroll Taxes	14,400	14,400	15,794	(1,394)
Health Insurance	42,000	42,000	39,800	2,200
Retirement	17,000	17,000	12,223	4,777
Worker's Compensation Insurance	15,000	15,000	-	15,000
Training	2,000	2,000	-	2,000
Utilities and Telephone	9,750	9,750	11,159	(1,409)
Internet Services	2,000	2,000	1,668	332
Medical Services	1,000	1,000	-	1,000
Repairs and Maintenance	25,000	25,000	13,136	11,864
Travel	1,000	1,000	234	766
Equipment Rental	2,500	2,500	-	2,500
Office Expense	750	750	470	280
Operating Supplies	5,000	5,000	13,745	(8,745)
Clothing and Uniforms	4,500	4,500	3,143	1,357
Vehicle Expense	44,000	44,000	54,584	(10,584)
Miscellaneous	1,500	1,500	360	1,140
Drainage Repairs	1,000	1,000	-	1,000
Paving	43,198	43,198	5,782	37,416
Capital Outlay	85,000	85,000	67,447	17,553
Total Streets	481,598	481,598	418,921	62,677

(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, 2022

	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	34,748	11,252
Repairs and Maintenance	-	-	912	(912)
Materials and Supplies	40,000	40,000	22,734	17,266
Paving	145,000	145,000	115,480	29,520
Total State Street Aid	231,000	231,000	173,874	57,126
Total Highways and Streets	712,598	712,598	592,795	119,803
Solid Waste Sanitation				
Salaries and Wages	45,000	45,000	45,697	(697)
Payroll Taxes	3,380	3,380	3,647	(267)
Health Insurance	16,000	16,000	13,852	2,148
Retirement	4,750	4,750	3,724	1,026
Worker's Compensation Insurance	1,200	1,200	-	1,200
Medical Services	250	250	-	250
Contractual Fees	165,000	165,000	163,125	1,875
Operating Supplies	500	500	189	311
Vehicle and Fuel Expense	15,000	15,000	12,676	2,324
Total Solid Waste Sanitation	251,080	251,080	242,910	8,170
Recreation				
Utilities and Telephone and Internet	4,500	4,500	6,599	(2,099)
Joint Recreation Director	43,000	43,000	32,047	10,953
Joint Recreation Program	20,000	20,000	21,756	(1,756)
War Memorial	1,000	1,000	-	1,000
Operating Supplies	1,000	1,000	297	703
Park Development	40,000	112,921	140,527	(27,606)
Miscellaneous	250	250	21	229
Total Recreation	109,750	182,671	201,247	(18,576)
Library				
Salaries and Wages	35,000	35,000	32,795	2,205
Payroll Taxes	2,940	2,940	3,104	(164)
Training	850	850	288	562
Worker's Compensation Insurance	150	150	-	150
Utilities and Telephone	3,975	3,975	5,393	(1,418)
Internet Services	850	850	2,478	(1,628)
Medical Services	200	200	-	200
Repairs and Maintenance	2,000	12,000	8,136	3,864

(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, 2022

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
EXPENDITURES (CONTINUED)				
Library (Continued)				
Travel	300	300	-	300
Operating Supplies	2,000	2,000	1,767	233
Books	5,500	5,500	7,369	(1,869)
Summer Reading	1,250	1,250	615	635
Miscellaneous	250	250	4,035	(3,785)
Computer and Support	2,000	2,000	10,434	(8,434)
Copier Maintenance	800	800	416	384
Total Library	58,065	68,065	76,830	(8,765)
Debt Service				
Lease Principal Payments	-	-	6,293	(6,293)
Subscription Based IT Financing Principal Payments	-	-	5,400	(5,400)
Total Debt Service	-	-	11,693	(11,693)
TOTAL EXPENDITURES	2,806,836	3,362,307	3,165,101	197,206
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,150	(3,350)	818,021	821,371
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Equipment	-	-	21,935	(21,935)
Lease Financing	-	-	29,068	(29,068)
Subscription-Based IT Arrangement	-	-	28,924	(28,924)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	79,927	(79,927)
Net Change in Fund Balance	5,150	(3,350)	897,948	741,444
Fund Balance, Beginning	5,687,803	5,687,803	5,687,803	-
Fund Balance, Ending	\$ 5,692,953	5,684,453	6,585,751	741,444

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, 2022

	Business-Type Activities Sewer Fund
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 3,052,094
Accounts Receivable, Net of Estimated Uncollectible	142,158
Inventory	77,947
Total Current Assets	3,272,199
Noncurrent Assets	
Capital Assets	
Land	167,190
Plant in Service	11,343,498
Machinery and Equipment	594,302
Less: Allowance for Depreciation	(7,002,578)
Net Capital Assets	5,102,412
Restricted Assets	
Cash and Cash Equivalents	102,059
Net Pension Asset	146,102
Total Noncurrent Assets	5,350,573
TOTAL ASSETS	8,622,772

(Continued)

TOWN OF MOUNT CARMEL, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2022

	Business-Type Activities Sewer Fund
DEFERRED OUTFLOWS OF RESOURCES	
Pension Changes in Experience	23,834
Pension Changes in Assumptions	78,935
Pension Contributions After Measurement Date	11,827
TOTAL DEFERRED OUTFLOWS OF RESOURCES	114,596
LIABILITIES	
Current Liabilities	
Accounts Payable	73,613
Due to Other Funds	23,848
Customer Deposits	290
Accrued Payroll and Related Liabilities	6,624
Accrued Interest Payable	1,457
Compensated Absences	9,601
Unearned Revenue	785,401
Bonds Payable - Current	40,000
Total Current Liabilities	940,834
Noncurrent Liabilities	
Bonds Payable	175,000
TOTAL LIABILITIES	1,115,834
DEFERRED INFLOWS OF RESOURCES	
Pension Changes in Experience	30,295
Pension Changes in Investment Earnings	99,413
TOTAL DEFERRED INFLOWS OF RESOURCES	129,708
NET POSITION	
Net Investment in Capital Assets	4,887,412
Restricted for Net Pension Asset	146,102
Restricted for Debt Service	102,059
Unrestricted	2,356,253
TOTAL NET POSITION	\$ 7,491,826

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, 2022

	Business-Type Activities <u>Sewer Fund</u>
OPERATING REVENUES	
Charges for Services Pledged as Security for Revenue Bonds	\$ 958,832
Other Revenue	<u>30,546</u>
TOTAL OPERATING REVENUES	<u>989,378</u>
OPERATING EXPENSES	
Personnel Services	227,272
Materials & Supplies	27,869
Repairs & Maintenance	230,385
Professional Services	323,563
Contractual Services	17,705
Utilities & Telephone	86,587
Insurance	20,543
General Expenses	34,349
Depreciation	<u>237,562</u>
TOTAL OPERATING EXPENSES	<u>1,205,835</u>
OPERATING INCOME (LOSS)	<u>(216,457)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest Income	2,637
Interest and Related Debt Expenses	<u>(6,308)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(3,671)</u>
Change in Net Position	(220,128)
Net Position, Beginning	<u>7,711,954</u>
Net Position, Ending	<u><u>\$ 7,491,826</u></u>

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, 2022

	Business-Type Activities Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 961,075
Cash Received from Other Revenues	30,547
Cash Paid to Suppliers and Service Provider	(738,178)
Cash Paid to Employees and Related Expenses	(258,385)
NET CASH USED FOR OPERATING ACTIVITIES	(4,941)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Change in Due To/Due From Other Funds	23,848
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	23,848
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of Property and Equipment	(77,832)
Federal Capital Grants	785,401
Principal Paid on General Obligation Bonds	(40,000)
Interest Paid and Related Debt Expenses	(6,308)
NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	661,261
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income	2,637
NET CASH PROVIDED BY INVESTING ACTIVITIES	2,637
NET INCREASE IN CASH AND CASH EQUIVALENTS	682,805
Cash and Cash Equivalents, Beginning	2,471,348
Cash and Cash Equivalents, Ending	\$ 3,154,153

(Continued)

TOWN OF MOUNT CARMEL, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2022

	Business-Type Activities <u>Sewer Fund</u>
RECONCILIATION OF OPERATING INCOME TO	
NET CASH USED FOR OPERATING ACTIVITIES	
Operating Income (Loss)	\$ (216,457)
Adjustments to Reconcile Operating Income to	
Net Cash Used for Operating Activities	
Depreciation	237,562
(Increase) Decrease in	
Accounts Receivable	2,243
Inventory	(27,496)
Deferred Outflows Related to Pensions	(84,452)
Net Pension Asset	(48,182)
Increase (Decrease) in	
Accounts Payable	30,219
Accrued Payroll and Related Liabilities	3,255
Compensated Absences	5,503
Deferred Inflows Related to Pensions	<u>92,864</u>
NET CASH USED FOR OPERATING ACTIVITIES	<u>\$ (4,941)</u>

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

Cash and Cash Equivalents	\$ 3,052,094
Restricted Cash and Cash Equivalents (Debt Service)	<u>102,059</u>
Total Cash and Cash Equivalents	<u>\$ 3,154,153</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, 2022

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, 2022

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. The 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, 2022

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, 2022

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, 2022, the 2021 calendar year property tax rate was \$1.39 per \$100 of assessed value.

TOWN OF MOUNT CARMEL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

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.

TOWN OF MOUNT CARMEL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

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, 2022

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 \$9,601. Expected future demands of \$23,132 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, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

9. Leases

The Town is a lessee for a noncancellable lease of equipment. The Town recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The Town recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the Town initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the Town determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Town uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Town generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Town is reasonably certain to exercise.

The Town monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

TOWN OF MOUNT CARMEL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

10. 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, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

11. 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.

12. 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.

13. 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, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

14. Recently Adopted Accounting Pronouncements

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases* establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Town did not have any material leases as the lessor at June 30, 2022.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, establishes a model for recording subscription-based information technology arrangements (SBITAs). Under this statement, a government is required to recognize a subscription liability and an intangible right-to-use asset.

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

Explanation of Certain Differences Between the Governmental Funds' Balance Sheet and the Government-Wide Statement of Net Position

The governmental funds' Balance Sheet includes a reconciliation between *fund balances-governmental funds* and *net position-governmental activities* as reported in the government-wide Statement of Net Position. One element of that reconciliation explains that "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 year end consist of leases payable, subscription-based IT financing payable, and related premiums, capital leases and compensated absences." The details of this \$(69,431) difference are as follows:

Leases Payable	\$ (22,775)
Subscription-based IT Financing Arrangement	(23,524)
Compensated Absences	<u>(23,132)</u>
Net adjustment to reduce <i>fund balances - governmental funds</i> to arrive at <i>net position-governmental activities</i>	<u>\$ (69,431)</u>

TOWN OF MOUNT CARMEL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

**NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(CONTINUED)**

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 \$76,878 are as follows:

Change in Deferred Outflows of Resources Related to Pensions	\$ 275,944
Change in Deferred Inflows of Resources Related to Pensions	(300,885)
Change in Net Pension Liability (Asset)	<u>101,819</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>\$ 76,878</u>

One element states that "the issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net position." The details of this \$(46,299) are as follows:

Acquisition of new leases	\$ (29,068)
Acquisition of new subscription-based software agreements	(28,924)
Principal payments on leases	6,293
Principal payments on subscription-based software agreements	<u>5,400</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	<u>\$ (46,299)</u>

TOWN OF MOUNT CARMEL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

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.

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.

TOWN OF MOUNT CARMEL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

NOTE 4 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and Investments (Continued)

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 \$9,376,862 and the bank balance was \$9,555,771. 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.

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, 2022, the Town has no investments. All amounts reflected in the basic financial statements represent deposits.

B. Receivables

Receivables as of June 30, 2022, including the applicable allowances for uncollectible accounts, are as follows:

	General	Sewer	Total
Receivables			
Accounts	\$ -	159,533	159,533
Taxes	1,463,887	-	1,463,887
Other Receivables	23,426	-	23,426
Due from Others			
Federal Government and Federal through State	17,256	-	17,256
State of Tennessee	295,047	-	295,047
Gross Receivables	1,799,616	159,533	1,959,149
Less: Allowance for Uncollectibles	(19,794)	(17,375)	(37,169)
Total Receivables	<u>\$ 1,779,822</u>	<u>142,158</u>	<u>1,921,980</u>

TOWN OF MOUNT CARMEL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

NOTE 4 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Receivables (Continued)

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.

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	\$ -	1,374,668
Property Tax Levied but Not Collected in Period of Availability	61,891	-
Other State Revenues	<u>5,577</u>	<u>-</u>
	<u>\$ 67,468</u>	<u>1,374,668</u>

C. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2022 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</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>352,312</u>
Capital Assets, Being Depreciated				
Buildings and Improvements	623,590	6,680	-	630,270
Machinery, Equipment, And Vehicles	2,323,906	347,622	(103,080)	2,568,448
Library	115,205	-	-	115,205
Infrastructure	3,907,696	-	-	3,907,696
Intangible Right to Use - Lease	-	29,068	-	29,068
Intangible Right to Use - Software Agreement	-	28,924	-	28,924
Total Capital Assets, Being Depreciated	<u>6,970,397</u>	<u>412,294</u>	<u>(103,080)</u>	<u>7,279,611</u>
Less Accumulated Depreciation For				
Buildings and Improvements	(512,655)	(5,389)	-	(518,044)
Machinery, Equipment, and Vehicles	(1,590,414)	(103,368)	50,997	(1,642,785)
Library	(115,205)	-	-	(115,205)
Infrastructure	(3,087,890)	(68,845)	-	(3,156,735)
Intangible Right to Use - Lease	-	(2,907)	-	(2,907)
Intangible Right to Use - Software Arrangement	-	(1,446)	-	(1,446)
Total Accumulated Amortization and Depreciation	<u>(5,306,164)</u>	<u>(181,955)</u>	<u>50,997</u>	<u>(5,437,122)</u>
Total Capital Assets, Being Depreciated, Net	<u>1,664,233</u>	<u>230,339</u>	<u>(52,083)</u>	<u>1,842,489</u>
Governmental Activities Capital Assets, Net	<u>\$ 2,016,545</u>	<u>230,339</u>	<u>(52,083)</u>	<u>2,194,801</u>

TOWN OF MOUNT CARMEL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

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	\$ 8,996
Public Safety	49,007
Highway and Streets	118,511
Sanitation	2,492
Animal Control	680
Recreation	<u>2,269</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 181,955</u>

	Beginning Balance	Increases	Decreases	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>167,190</u>
Capital Assets, Being Depreciated				
Machinery and Equipment	594,302	-	-	594,302
Utility Plant and Lines in Service	11,377,778	77,832	(112,112)	11,343,498
Total Capital Assets, Being Depreciated	<u>11,972,080</u>	<u>77,832</u>	<u>(112,112)</u>	<u>11,937,800</u>
Less Accumulated Depreciation For				
Machinery and Equipment	(594,302)	-	-	(594,302)
Utility Plant and Lines in Service	(6,282,826)	(237,562)	112,112	(6,408,276)
Total Accumulated Depreciation	<u>(6,877,128)</u>	<u>(237,562)</u>	<u>112,112</u>	<u>(7,002,578)</u>
Total Capital Assets, Being Depreciated, Net	<u>5,094,952</u>	<u>(159,730)</u>	<u>-</u>	<u>4,935,222</u>
Business-Type Activities Capital Assets, Net	<u>\$ 5,262,142</u>	<u>(159,730)</u>	<u>-</u>	<u>5,102,412</u>

D. Interfund Receivables and Payables

The Due to/from Other Funds is a result of the general fund paying for the sewer fund's portion of property insurance, and sewer fees receipted by the general fund on behalf of the sewer fund. The composition of interfund balances as of June 30, 2022 is as follows:

Receivable Fund	Payable Fund	Amount
General	Sewer	\$ 23,848

TOWN OF MOUNT CARMEL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

NOTE 4 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. 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, 2022:

	Balance Beginning of Year	Additions	Retirements/ Reductions	Balance End of Year	Due Within One Year
Governmental Activities					
Leases Payable	\$ -	29,068	(6,293)	22,775	5,353
Subscription-based IT Financing Payable	-	28,924	(5,400)	23,524	5,529
Compensated Absences	14,798	41,169	(32,835)	23,132	23,132
Governmental Activities Long-Term Liabilities	14,798	99,161	(44,528)	69,431	34,014
Business-Type Activities					
General Obligation Refunding Bonds	255,000	-	(40,000)	215,000	40,000
Compensated Absences	4,098	10,662	(5,159)	9,601	9,601
Business-Type Activities Long-Term Liabilities	259,098	10,662	(45,159)	224,601	49,601
Total Changes in Long-Term Liabilities	\$ 273,896	109,823	(89,687)	294,032	83,615

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, 2022
<u>Water and Sewer Fund Bonds Payable</u>					
G.O. Refunding Bonds, Series 2013	11/27/13	\$ 545,000	2.48%	2027	<u>\$ 215,000</u>

Interest expense related to business-type activities totaled \$6,308 for the fiscal year ended June 30, 2022.

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, 2022

NOTE 4 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. 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, 2022 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
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
	\$ 215,000	13,454	228,454

F. Leases Payable

The Town has one lease agreement for the use of police body cameras. An initial lease liability was recorded in the amount of \$29,068 during the current fiscal year. As of June 30, 2022, the value of the lease liability was \$22,775. The Town is required to make monthly principal and interest payments totaling \$6,293. The lease has an imputed interest rate of 4.05%, which is the Town's incremental borrowing rate. The equipment has an estimated useful life of 5 years. The value of the right-to-use asset as of the end of the current fiscal year was \$29,068 and had accumulated amortization of \$2,907.

The following is a summary of the lease currently outstanding from the General Fund:

	Original Amount of Issue	Interest Rate	Date of Issue	Maturity Date	Outstanding 7/1/2021	Issued During Period	Paid and/or Matured During Period	Outstanding 6/30/2022
Payable through General Fund:								
Body Cameras - Police	\$ 29,068	4.05%	12/31/2021	12/31/2025	\$ -	29,068	6,293	22,775

TOWN OF MOUNT CARMEL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

NOTE 4 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Leases Payable (Continued)

The future principal and interest lease payments as of June 30, 2022, were as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2023	\$ 5,353	940	6,293
2024	5,574	719	6,293
2025	5,804	489	6,293
2026	6,044	249	6,293
	<u>\$ 22,775</u>	<u>2,397</u>	<u>25,172</u>

G. Subscription-Based Information Technology Arrangements

At June 30, 2022, \$28,924 has been recorded as intangible right-to-use software arrangements in the General Fund capital assets. Due to the implementation of GASB Statement No. 96, this arrangement for OmniCourt Software in the Financial Administration department met the criteria of a Subscription-based Information Technology Arrangements (SBITA); thus, requiring it to be recorded by the Town as intangible assets and a SBITA liability. These assets will be amortized over the lease terms of five years since the related equipment will be replaced at the end of the arrangement term and replaced with upgraded software. The Town's incremental borrowing rate of 4.05% was utilized as the discount rate for this arrangement. There are no residual value guarantees in the arrangement provisions. The software arrangement will end in 2026.

A summary of the principal and interest amounts for the remaining arrangements includes the following principal and interest payments:

Fiscal Year Ending June 30	Principal	Interest	Total
2023	\$ 5,529	971	6,500
2024	5,758	742	6,500
2025	5,995	505	6,500
2026	6,242	258	6,500
	<u>\$ 23,524</u>	<u>2,476</u>	<u>26,000</u>

The total costs of the Town's subscription assets are recorded as \$28,924, less accumulated amortization of \$2,907.

TOWN OF MOUNT CARMEL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

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.

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, 2022

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, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	9
Inactive employees entitled to but not yet receiving benefits	27
Active employees	<u>20</u>
	<u><u>56</u></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, 2022, the employer contributions for the Town were \$53,380 based on a rate of 5.77 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, 2021, 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, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 percent
Salary Increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment Rate of Return	6.75 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.125 percent

TOWN OF MOUNT CARMEL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

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, 2021 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

Changes of Assumptions. In 2021, the following assumptions were changed: decreased inflation rate from 2.50 percent to 2.25 percent; decreased the investment rate of return from 7.25 percent to 6.75 percent; decreased the cost-of-living adjustment from 2.25 percent to 2.125 percent; and modified mortality assumptions.

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

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. Equity	4.88%	31%
Developed Market International Equity	5.37%	14%
Emerging Market International Equity	6.09%	4%
Private Equity and Strategic Lending	6.57%	20%
U.S. Fixed Income	1.20%	20%
Real Estate	4.38%	10%
Short-term Securities	0.00%	1%
		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75 percent based on a blending of the factors described above.

TOWN OF MOUNT CARMEL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

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 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from 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 6/30/2020	\$ 2,769,124	3,278,538	(509,414)
Changes for the Year:			
Service Cost	50,802	-	50,802
Interest	200,773	-	200,773
Differences Between Expected and Actual Experience	98,511	-	98,511
Changes in Assumptions	416,562	-	416,562
Contributions - Employer	-	75,965	(75,965)
Net Investment Income	-	842,289	(842,289)
Benefit Payments, Including Refunds of Employee Contributions	(101,289)	(101,289)	-
Administrative Expense	-	(1,605)	1,605
Net Changes	<u>665,359</u>	<u>815,360</u>	<u>(150,001)</u>
Balance at 6/30/2021	<u>\$ 3,434,483</u>	<u>4,093,898</u>	<u>(659,415)</u>

TOWN OF MOUNT CARMEL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

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 6.75 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1- percentage-point lower (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net Pension Liability (Asset)	\$ (166,204)	(659,415)	(1,063,054)

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

Pension Expense. For the year ended June 30, 2022, the Town recognized negative pension expense of \$63,268.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2022, 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
Differences Between Expected and Actual Experience	\$ 107,571	136,735
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	448,691
Changes in Assumptions	356,266	-
Contributions Subsequent to the Measurement Date of June 30, 2021	53,380	-
	<u>\$ 517,217</u>	<u>585,426</u>

TOWN OF MOUNT CARMEL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

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, 2021" will be recognized as a reduction (increase) 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:		
2023	\$	(50,575)
2024		(40,661)
2025		(52,197)
2026		(64,001)
2027		85,845
Thereafter		-

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

C. Contingent Liabilities

The Town generally follows the practice of recording liabilities from claims and legal actions only when it is probable that both 1) an asset has been impaired or a liability has been incurred, and 2) the amount of loss can be reasonably estimated. No material pending or threatened claims, litigation or assessments, asserted or unasserted, against the Town exist at this time.

D. 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.

The Town has entered into a contract in the sewer fund, which was not completed at fiscal year-end. At June 30, 2022, remaining commitments were \$191,777 for the GIS Mapping project.

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	2021
TOTAL PENSION LIABILITY								
Service Cost	\$ 71,153	57,268	65,319	65,726	77,771	86,912	61,638	50,802
Interest	146,637	151,243	158,292	168,499	179,841	200,842	206,979	200,773
Differences Between Actual and Expected Experience	(115,931)	(71,254)	(40,389)	(44,218)	76,439	(17,331)	(172,400)	98,511
Change of Assumptions	-	-	-	54,796	-	-	-	416,562
Benefit Payments, Including Refunds of Employee Contributions	(26,370)	(26,766)	(75,890)	(19,168)	(26,699)	(80,350)	(240,667)	(101,289)
NET CHANGE IN TOTAL PENSION LIABILITY	75,489	110,491	107,332	225,635	307,352	190,073	(144,450)	665,359
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	2,769,124
TOTAL PENSION LIABILITY - ENDING (a)	<u>\$ 1,972,691</u>	<u>2,083,182</u>	<u>2,190,514</u>	<u>2,416,149</u>	<u>2,723,501</u>	<u>2,913,574</u>	<u>2,769,124</u>	<u>3,434,483</u>
PLAN FIDUCIARY NET POSITION								
Contributions - Employer	\$ 83,419	70,842	74,368	71,961	86,597	76,620	64,635	75,965
Net Investment Income	319,608	70,758	63,349	280,564	233,342	228,656	159,125	842,289
Benefit Payments, Including Refunds of Employee Contributions	(26,370)	(26,766)	(75,890)	(19,168)	(26,699)	(80,350)	(240,667)	(101,289)
Administrative Expense	(752)	(923)	(1,343)	(1,484)	(1,829)	(1,618)	(1,395)	(1,605)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	375,905	113,911	60,484	331,873	291,411	223,308	(18,302)	815,360
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	3,278,538
PLAN FIDUCIARY NET POSITION - ENDING (b)	<u>\$ 2,275,853</u>	<u>2,389,764</u>	<u>2,450,248</u>	<u>2,782,121</u>	<u>3,073,532</u>	<u>3,296,840</u>	<u>3,278,538</u>	<u>4,093,898</u>
NET PENSION LIABILITY (ASSET) - ENDING (a) - (b)	<u>\$ (303,162)</u>	<u>(306,582)</u>	<u>(259,734)</u>	<u>(365,972)</u>	<u>(350,031)</u>	<u>(383,266)</u>	<u>(509,414)</u>	<u>(659,415)</u>
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%	119.20%
COVERED PAYROLL	\$ 692,489	703,494	735,515	714,604	859,953	760,875	641,857	754,374
NET PENSION LIABILITY (ASSET) AS A PERCENTAGE OF COVERED PAYROLL	-43.78%	-43.58%	-35.31%	-51.21%	-40.70%	-50.37%	-79.37%	-87.41%

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

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Actuarially Determined Contribution	\$ 83,419	70,842	74,368	68,388	82,555	53,033	44,545	52,354	53,574
Contributions in Relation to the									
Actuarially Determined Contribution	<u>83,419</u>	<u>70,842</u>	<u>74,368</u>	<u>71,961</u>	<u>86,597</u>	<u>76,620</u>	<u>64,635</u>	<u>75,965</u>	<u>53,380</u>
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>(23,611)</u>	<u>194</u>
Covered Payroll	\$ 692,849	703,494	735,515	714,604	859,953	760,875	641,857	754,374	925,130
Contributions as a Percentage of Covered Payroll	12.04%	10.07%	10.11%	10.07%	10.07%	10.07%	10.07%	10.07%	5.77%

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.

(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 2022 were calculated based on the June 30, 2020 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, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
REVENUES				
Fines and Forfeitures	\$ 350	350	3,551	3,201
Investment Earnings	25	25	-	(25)
TOTAL REVENUES	375	375	3,551	3,176
EXPENDITURES				
Drug Fund Operations	2,000	2,000	-	2,000
TOTAL EXPENDITURES	2,000	2,000	-	2,000
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(1,625)	(1,625)	3,551	5,176
Fund Balance, Beginning	1,297	1,297	1,297	-
Fund Balance, Ending	\$ (328)	(328)	4,848	5,176

SUPPLEMENTAL INFORMATION

TOWN OF MOUNT CARMEL, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2022

Grantor Agency	Pass-Through Agency/Program Name	Assistance Listing Number	Contract Number	Expenditures
National Highway Traffic Safety Administration	Pass-Through Tennessee Highway Safety Office High Visibility Enforcement Grant	20.607	Z21THS209	\$ 2,065
U.S. Department of Housing and Urban Development	Pass-Through State of Tennessee Tennessee Housing Development Authority HOME Program	14.239	HM19-14	243,504
Institute of Museum and Library Services	Pass-Through Tennessee State Library and Archives COVID-19 - CARES Act Library Grant	45.310	30501-01722-107	<u>12,866</u>
TOTAL FEDERAL AWARDS				<u><u>\$ 258,435</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, 2022.

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 EXPENDITURES OF STATE AWARDS
For the Fiscal Year Ended June 30, 2022

Grantor Agency	Pass-Through Agency/Program Name	Contract Number	Expenditures
Tennessee State Library and Archives	2022 TOP Grant	30501-01122-36	1,809
Tennessee Department of Finance and Administration	2021 Local Government Recovery and Rebuilding Direct Appropriation Grant	N/A	147,074
Tennessee Department of Finance and Administration	2022 Local Government Recovery and Rebuilding Direct Appropriation Grant	N/A	72,921
TOTAL STATE AWARDS			<u>\$ 221,804</u>

TOWN OF MOUNT CARMEL, TENNESSEE
SCHEDULE OF CHANGES IN PROPERTY TAX RECEIVABLE
For the Fiscal Year Ended June 30, 2022

<u>Tax Year</u>	<u>Property Tax Receivable at June 30, 2021</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, 2022</u>
2022	\$ -	1,374,669	-	-	-	1,374,669
2021	1,358,279	-	-	-	(1,311,197)	47,082
2020	28,437	-	-	-	(2,268)	26,169
2019	7,560	-	-	-	(885)	6,675
2018	2,892	-	-	-	-	2,892
2017	1,820	-	-	-	-	1,820
2016	930	-	-	26	-	956
2015	700	-	-	-	-	700
2014	427	-	-	1,761	-	2,188
2013	407	-	-	53	-	460
2012	-	-	-	-	-	-
2011	276	-	-	-	-	276
Total	<u>\$ 1,401,728</u>	<u>1,374,669</u>	<u>-</u>	<u>1,840</u>	<u>(1,314,350)</u>	<u>1,463,887</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, 2022

	Original Amount of Issue	Interest Rate	Date of Issue	Maturity Date	Outstanding 7/1/2021	Issued During Period	Paid and/or Matured During Period	Outstanding 6/30/2022
Payable through General Fund:								
Body Cameras - Police	\$ 29,068	4.05%	12/31/2021	12/31/2025	\$ -	29,068	6,293	22,775
OmniCourt Software - Finance	28,924	4.05%	3/25/2022	3/25/2026	-	28,924	5,400	23,524
					<u>\$ -</u>	<u>57,992</u>	<u>11,693</u>	<u>46,299</u>
Payable Through Sewer Fund:								
Sewer General Obligation								
Improvement Bonds - Series 2013	\$ 545,000	2.48%	11/27/2013	11/27/2027	<u>\$ 255,000</u>	<u>-</u>	<u>40,000</u>	<u>215,000</u>

TOWN OF MOUNT CARMEL, TENNESSEE
SCHEDULE OF LONG-TERM DEBT PRINCIPAL AND INTEREST
SEWER GENERAL OBLIGATION REFUNDING BONDS -
SERIES 2013
June 30, 2022

Fiscal Year Ending June 30	Principal	Interest	Total
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
Total	<u>\$ 215,000</u>	<u>13,454</u>	<u>228,454</u>

TOWN OF MOUNT CARMEL, TENNESSEE
SCHEDULE OF CHANGES IN LEASE OBLIGATIONS
For the Year Ended June 30, 2022

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Maturity Date	Outstanding 7/1/2021	Issued During Period	Paid and/or Matured During Period	Outstanding 6/30/2022
Governmental Activities:								
Leases Payable								
Payable through General Fund:								
Body Cameras - Police	\$ 29,068	4.05%	12/31/2021	12/31/2025	\$ -	29,068	6,293	22,775
Total Leases Payable through General Fund					<u>\$ -</u>	<u>29,068</u>	<u>6,293</u>	<u>22,775</u>

TOWN OF MOUNT CARMEL, TENNESSEE
SCHEDULE OF LEASE PRINCIPAL AND INTEREST REQUIREMENTS
GENERAL FUND LEASE
June 30, 2022

Fiscal Year Ending June 30	Principal	Interest	Total
2023	\$ 5,353	940	6,293
2024	5,574	719	6,293
2025	5,804	489	6,293
2026	6,044	249	6,293
Total	\$ 22,775	2,397	25,172

TOWN OF MOUNT CARMEL, TENNESSEE
SCHEDULE OF CHANGES IN SUBSCRIPTION-BASED IT ARRANGEMENTS
For the Year Ended June 30, 2022

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Maturity Date	Restated Outstanding 7/1/2021	Issued During Period	Paid and/or Matured During Period	Outstanding 6/30/2022
Governmental Activities:								
Subscription-based IT Arrangement								
Payable through General Fund:								
OmniCourt Software	\$ 29,068	4.05%	3/25/2022	3/25/2026	\$ -	28,924	5,400	23,524
Total Subscription-based IT Arrangements Payable through General Fund					<u>\$ -</u>	<u>28,924</u>	<u>5,400</u>	<u>23,524</u>

TOWN OF MOUNT CARMEL, TENNESSEE
SCHEDULE OF LEASE PRINCIPAL AND INTEREST REQUIREMENTS
GENERAL FUND SUBSCRIPTION-BASED IT ARRANGEMENT
June 30, 2022

Fiscal Year Ending June 30	Principal	Interest	Total
2023	\$ 5,529	971	6,500
2024	5,758	742	6,500
2025	5,995	505	6,500
2026	6,242	258	6,500
Total	\$ 23,524	2,476	26,000

**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
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
2022	94,661,146	1.39

TOWN OF MOUNT CARMEL, TENNESSEE
SCHEDULE OF CAPITAL ASSETS USED IN OPERATION OF GOVERNMENTAL ACTIVITIES
June 30, 2022

Function	Land	Buildings and Improvements	Machinery, Equipment, and Vehicles	Library Collection	Right of Use	Infrastructure	Total
General Government	\$ 81,402	326,043	103,478	-	28,924	-	539,847
Police and Fire	14,000	146,959	1,187,395	-	29,068	-	1,377,422
Highways and Streets	27,000	22,900	1,108,326	-	-	3,907,696	5,065,922
Sanitation	-	-	49,849	-	-	-	49,849
Recreation	229,910	83,678	119,400	-	-	-	432,988
Animal Control	-	27,190	-	-	-	-	27,190
Library	-	23,500	-	115,205	-	-	138,705
Total	<u>\$ 352,312</u>	<u>630,270</u>	<u>2,568,448</u>	<u>115,205</u>	<u>57,992</u>	<u>3,907,696</u>	<u>7,631,923</u>

TOWN OF MOUNT CARMEL, TENNESSEE
SEWER RATE STRUCTURE AND NUMBER OF CUSTOMERS
For the Fiscal Year Ended June 30, 2022

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	2,011
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VI. INTERNAL CONTROL AND COMPLIANCE REPORTS

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
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, 2022, 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 September 21, 2023.

Report on 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. 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 or significant deficiencies may exist that have not been identified.

Report on 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 responses as items 2022-001, 2022-002, and 2022-003.

Town of Mount Carmel, Tennessee's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Town of Mount Carmel, Tennessee's response to the findings identified in my audit and described in the accompanying schedule of findings and responses. Town of Mount Carmel, Tennessee's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of 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 black ink, reading "David M. Ellis". The signature is written in a cursive style with a large, stylized "D" and "E".

David M. Ellis, CPA
Greeneville, Tennessee
September 21, 2023

TOWN OF MOUNT CARMEL, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2022

Financial Statement Findings

Current Year Findings:

2022-001 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.

2022-002 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 Comptroller of the Treasury Audit Manual Standards and Procedures Auditing, Accounting and Reporting for Local Government Units and Other Organizations, Section C, number 5 states:

“complete minutes of actions taken by the governing body are maintained at the municipal office. The official minutes should be signed and kept together in date order and be easily accessible.”

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 the Tennessee Comptroller of the Treasury Audit Manual.

Recommendation: To ensure that action taken by the governing body is adequately documented, officials should ensure that the town recorder/administrator maintains

TOWN OF MOUNT CARMEL, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2022

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.

2022-003 Late Audit

Condition: For the year ending June 30, 2022, the Town failed to file audited financial statements with the Comptroller's office in a timely manner.

Criteria: Tennessee Code Annotated 6-56-105 states:

“(e) All such audits must be completed as soon as practicable after the end the fiscal year of the municipality.”

Cause: Oversight/error

Effect: The Town's late submission resulted in noncompliance with State law.

Recommendation: Future audited financial statements should be submitted to the Tennessee Comptroller of the Treasury on a timely basis.

View of responsible officials and planned correction actions: Management agrees with the finding and steps will be taken to ensure compliance with State law.

TOWN OF MOUNT CARMEL, TENNESSEE
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2022

Financial Statement Findings

Finding Number	Finding Title	Status

Compliance Findings

Finding Number	Finding Title	Status
2021-001	Closing of Books (Original finding # 2021-001)	Repeated (2022-001)
2021-002	Inadequate Minutes of Meetings (Original finding # 2021-002)	Repeated (2022-002)
2021-003	Vacation Leave (Original finding # 2021-003)	Corrected



**TOWN OF MOUNT CARMEL, TENNESSEE
MANAGEMENT'S CORRECTIVE ACTION PLAN
for Fiscal Year 2022**

The Town of Mount Carmel respectfully submits the following corrective action plan for the year ended June 30, 2022.

2022-001 Closing of Books

Corrective action: Management agrees with the finding and has implemented internal controls to strengthen oversight of closing the fiscal year end books. The Town has contracted with an accounting firm to assist in preparing appropriate journal entries for year-end closing of the books.

Completed: December 2022

2022-002 Inadequate Minutes of Meetings

Corrective action: The Town recorder will have minutes of meetings complete and signed by appropriate parties without delay upon approval by the Board of Mayor and Aldermen.

Completed: December 2022

2022-003 Late Audit

Corrective action: Management agrees with the finding and steps will be taken to ensure compliance with State law.

Completed: August 2023



Emily Wood, Town Administrator/ CMFO