

**TOWN OF MOUNT CARMEL, TENNESSEE  
FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
For the Fiscal Year Ended June 30, 2023**

**TOWN OF MOUNT CARMEL, TENNESSEE**  
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**INTRODUCTORY SECTION  
(UNAUDITED)**

**TOWN OF MOUNT CARMEL, TENNESSEE  
LIST OF ELECTED AND APPOINTED OFFICIALS  
June 30, 2023**

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**Elected Officials**

Mayor	Pat Stilwill
Vice Mayor	Teresa Mawk
Alderman	Jim Bare
Alderman	John Gibson
Alderman	Jim Gilliam
Alderman	Darby Patrick
Alderman	Mindy Shugart

**Appointed Officials**

Town Recorder	Emily Wood, CMFO
Town Administrator	Emily Wood, CMFO

## 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, 2023, 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, 2023, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison of the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

##### ***Basis for Opinions***

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 objective is 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 on 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 61-66 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 the 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 67-69 but does not include the basic financial statements and my auditor's report thereon. My opinions 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 October 3, 2024, 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  
October 3, 2024



## **FINANCIAL SECTION**

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2023**

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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, 2023. 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, 2023 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 \$16,995,217. Of this amount, \$9,310,688, (unrestricted net position) may be used to meet the Town's ongoing obligations.
- The Town's total net position increased \$259,738 during the current year.
- As of June 30, 2023, the Town's General Fund reported a fund balance of \$7,030,260 which was a \$444,509 increase over the prior year.
- The proprietary fund being the Sewer Fund had a decrease of (\$249,197) in net position for the current year.

**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, 2023**

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**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 11-12 of this report.

**FUND FINANCIAL STATEMENTS**

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

**Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

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

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2023**

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**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.

The proprietary fund financial statements can be found on pages 24-28 of this report.

**NOTES TO THE FINANCIAL STATEMENTS**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29-53 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 54-57 and supplementary information can be found on page 58-67 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 \$16,995,217 at the close of the most recent fiscal year compared to \$16,735,479 for fiscal year 2022.

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 (3%) 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, 2023**

**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	
	2023	2022	2023	2022	2023	2022
<b>ASSETS</b>						
Current & Other Assets	\$ 8,844,351	8,641,751	3,847,197	3,520,360	12,691,548	12,162,111
Capital Assets, Net of Accumulated Depreciation	2,245,160	2,194,801	5,153,648	5,102,412	7,398,808	7,297,213
Total Assets	11,089,511	10,836,552	9,000,845	8,622,772	20,090,356	19,459,324
 DEFERRED OUTFLOWS OF RESOURCES	 461,106	 402,621	 117,648	 114,596	 578,754	 517,217
<b>LIABILITIES</b>						
Current and Other Liabilities	82,942	95,703	1,672,074	940,834	1,755,016	1,036,537
Long-Term Liabilities	84,081	69,431	185,093	175,000	269,174	244,431
Total Liabilities	167,023	165,134	1,857,167	1,115,834	2,024,190	1,280,968
 DEFERRED INFLOWS OF RESOURCES	 1,631,006	 1,830,386	 18,697	 129,708	 1,649,703	 1,960,094
<b>NET POSITION</b>						
Net Investment in Capital Assets	2,209,743	2,148,502	4,943,727	4,887,412	7,153,470	7,035,914
Restricted	413,059	962,907	118,000	248,161	531,059	1,211,068
Unrestricted	7,129,786	6,132,244	2,180,902	2,356,253	9,310,688	8,488,497
Total Net Position	\$ 9,752,588	9,243,653	7,242,629	7,491,826	16,995,217	16,735,479

**Governmental Activities**

- \* The property tax rate is \$1.59 per \$100 of assessed value.
- \* The Town purchased a new police vehicle for the police department at a cost of \$49,958.
- \* The Town purchased a used vehicle for animal control at a cost of \$10,299.
- \* The Town purchased two trucks for the street department at a cost of \$62,113 and \$35,613, respectively.
- \* The Town purchased new playground equipment at a cost of \$94,017.

**Business-type Activities**

- \* The Town purchased various sewer treatment equipment at a cost of \$22,002.
- \* The Town began a sewer data acquisition project with a current cost of \$175,831.
- \* The Town purchased new fencing at the sewer plant for \$53,497.
- \* The Town purchased a new backhoe for \$58,800.
- \* The Town received an additional \$785,401 of federal grant funds. Total unspent ARPA grant funds were \$1,570,802. These funds are recorded as unearned revenues as of June 30, 2023.
- \* The Town has several ongoing projects with construction commitments totaling \$1,897,305. Construction in progress related to these projects was \$12,327 at June 30, 2023.

**TOWN OF MOUNT CARMEL, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2023**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

**Town of Mount Carmel, Tennessee Changes in Net Position**

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
<b>REVENUES</b>						
Program Revenues						
Charges for Services	\$ 175,026	151,285	981,941	989,378	1,156,967	1,140,663
Operating Grants	278,558	504,702	-	-	278,558	504,702
Capital Grants	-	219,995	-	-	-	219,995
General Revenues						
Property Taxes	1,392,251	1,397,915	-	-	1,392,251	1,397,915
Other Taxes	844,599	824,107	-	-	844,599	824,107
Intergovernmental	758,741	684,815	-	-	758,741	684,815
Other	62,911	203,783	(15,188)	2,637	47,723	206,420
Total Revenues	<u>3,512,086</u>	<u>3,986,602</u>	<u>966,753</u>	<u>992,015</u>	<u>4,478,839</u>	<u>4,978,617</u>
<b>EXPENSES</b>						
Governmental Activities						
General Government	279,519	193,059	-	-	279,519	193,059
Financial Administration	519,954	755,210	-	-	519,954	755,210
Public Safety	886,322	807,265	-	-	886,322	807,265
Drug Fund Operations	3,707	-	-	-	3,707	-
Animal Control	34,754	34,898	-	-	34,754	34,898
Building Inspection	57,050	35,404	-	-	57,050	35,404
Highways and Streets	824,647	626,304	-	-	824,647	626,304
Solid Waste Sanitation	256,291	241,151	-	-	256,291	241,151
Recreation	82,499	84,115	-	-	82,499	84,115
Library	56,497	77,120	-	-	56,497	77,120
Interest	1,911	-	-	-	1,911	-
Business-type Activities						
Sewer Operations	-	-	1,215,950	1,212,143	1,215,950	1,212,143
Total Expenses	<u>3,003,151</u>	<u>2,854,526</u>	<u>1,215,950</u>	<u>1,212,143</u>	<u>4,219,101</u>	<u>4,066,669</u>
Change in Net Position	<u>508,935</u>	<u>1,132,076</u>	<u>(249,197)</u>	<u>(220,128)</u>	<u>259,738</u>	<u>911,948</u>
Net Position, Beginning	<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>
Net Position, Ending	<u>\$ 9,752,588</u>	<u>9,243,653</u>	<u>7,242,629</u>	<u>7,491,826</u>	<u>16,995,217</u>	<u>16,735,479</u>

**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, 2023**

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**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 \$7,043,699. \$6,691,894 (95%) 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 \$13,439 is restricted for Drug Fund.
- \* The amount of \$338,366 is restricted for State Street Aid.

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 \$6,691,894 while the total fund balance was reported to be \$7,030,260. 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 221% of total General Fund expenditures, while total fund balance represents 232% of that same amount.

**Proprietary Funds**

Unrestricted net position of the sewer fund at the end of the fiscal year totaled \$2,145,981. 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) State Street Aid Street Lighting original budget amount was \$46,000. The line item was amended by \$50,000 to account for higher-than-expected electricity costs.
- 2) Recreation Park Development original budget amount was \$80,000. The line item was amended by \$40,000 to account for increased park improvements costs.
- 3) Miscellaneous Revenues original budget amount was \$15,000. The line item was amended by \$90,000 to account for additional funding the Town expected to receive, however these funds did not materialize.
- 4) Total revenues exceeded budgeted amounts by \$170,359.
- 5) Total expenditures came in below budget by an amount of \$254,403.

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2023**

**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, 2023, totaled \$7,363,887 (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	
	2023	2022	2023	2022	2023	2022
Land	\$ 352,312	352,312	167,190	167,190	519,502	519,502
Buildings	630,270	630,270	-	-	630,270	630,270
Machinery and Equipment	2,768,228	2,568,448	11,373,517	11,343,498	14,141,745	13,911,946
Infrastructure	3,907,696	3,907,696	-	-	3,907,696	3,907,696
Lines and Improvements	-	-	647,800	594,302	647,800	594,302
Library	115,205	115,205	-	-	115,205	115,205
Intangible Right to Use	57,992	57,992	-	-	57,992	57,992
Construction in Progress	-	-	188,158	-	188,158	-
Less: Accumulated Depreciation and Amortization	(5,586,543)	(5,437,122)	(7,223,017)	(7,002,578)	(12,809,560)	(12,439,700)
Total Capital Assets	<u>\$ 2,245,160</u>	<u>2,194,801</u>	<u>5,153,648</u>	<u>5,102,412</u>	<u>7,398,808</u>	<u>7,297,213</u>

Additional information on the Town's capital assets can be found in Note 4.C on pages 42-43 of this report.

**Long-Term Debt**

At the end of the current fiscal year, the Town had total debt outstanding of \$210,417. The bonded debt is secured solely by specified revenue sources.

Town of Mount Carmel, Tennessee's Outstanding Debt						
	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Outstanding Debt						
Bonds Payable	\$ -	-	175,000	215,000	175,000	215,000
Leases Payable	17,422	22,775	-	-	17,422	22,775
Subscription-Based IT Arrangement	17,995	23,524	-	-	17,995	23,524
Total Outstanding Debt	<u>\$ 35,417</u>	<u>46,299</u>	<u>175,000</u>	<u>215,000</u>	<u>210,417</u>	<u>261,299</u>

Additional information on the Town of Mount Carmel, Tennessee's long-term debt can be found in Note 4.E on pages 44-47 of this report.



**TOWN OF MOUNT CARMEL, TENNESSEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2023**

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**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

- A. Certified Property Tax Rate is \$1.5897 per \$100 of assessed value.
- B. Salary increases for employees of 5%.
- C. Major capital improvements at Sewer plant totaling \$1,570,801 including purchase of new belt press and SCADA system for lift stations. Construction commitments of \$1,773,000 are related to this project.

**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, 2023**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 6,804,079	3,553,761	10,357,840
Accounts Receivable, Net of Estimated Uncollectible	-	143,518	143,518
Property Taxes Receivable	1,650,072	-	1,650,072
Less: Estimated Uncollectible	(25,924)	-	(25,924)
Other Receivables	22,261	-	22,261
Due From Other Governments	307,302	-	307,302
Internal Balances	25,307	(25,307)	-
Inventory	-	31,918	31,918
Restricted Cash and Cash Equivalents	-	102,371	102,371
Net Pension Asset	61,254	15,629	76,883
Capital Assets Not Being Depreciated	352,312	355,348	707,660
Capital Assets, Net of Accumulated Amortization and Depreciation	<u>1,892,848</u>	<u>4,798,300</u>	<u>6,691,148</u>
<b>TOTAL ASSETS</b>	<u>11,089,511</u>	<u>8,975,538</u>	<u>20,065,049</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension Changes in Experience	185,339	47,288	232,627
Pension Changes in Investment Earnings	6,824	1,741	8,565
Pension Changes in Assumptions	221,256	56,452	277,708
Pension Contributions After Measurement Date	<u>47,687</u>	<u>12,167</u>	<u>59,854</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>461,106</u>	<u>117,648</u>	<u>578,754</u>
<b>LIABILITIES</b>			
Accounts Payable	62,447	70,111	132,558
Customer Deposits	-	290	290
Accrued Payroll and Related Liabilities	20,495	4,107	24,602
Accrued Interest Payable	-	1,457	1,457
Unearned Revenues	-	1,570,802	1,570,802
Long-Term Liabilities			
Due Within One Year	59,996	55,093	115,089
Due in More Than One Year	<u>24,085</u>	<u>130,000</u>	<u>154,085</u>
<b>TOTAL LIABILITIES</b>	<u>167,023</u>	<u>1,831,860</u>	<u>1,998,883</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred - Current Property Taxes	1,557,727	-	1,557,727
Pension Changes in Experience	<u>73,279</u>	<u>18,697</u>	<u>91,976</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>1,631,006</u>	<u>18,697</u>	<u>1,649,703</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	2,209,743	4,978,648	7,188,391
Restricted for:			
Debt Service	-	102,371	102,371
Drug Fund	13,439	-	13,439
Net Pension Asset	61,254	15,629	76,883
State Street Aid	338,366	-	338,366
Unrestricted	<u>7,129,786</u>	<u>2,145,981</u>	<u>9,275,767</u>
<b>TOTAL NET POSITION</b>	<u>\$ 9,752,588</u>	<u>7,242,629</u>	<u>16,995,217</u>

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, 2023**

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
<b>PRIMARY GOVERNMENT</b>							
GOVERNMENTAL ACTIVITIES							
General Government	\$ 279,519	22,539	-	-	(256,980)	-	(256,980)
Financial Administration	519,954	-	-	-	(519,954)	-	(519,954)
Public Safety	886,322	115,857	29,354	-	(741,111)	-	(741,111)
Drug Fund Operations	3,707	12,298	-	-	8,591	-	8,591
Animal Control	34,754	140	-	-	(34,614)	-	(34,614)
Building Inspection	57,050	13,439	-	-	(43,611)	-	(43,611)
Highways and Streets	824,647	10,753	243,818	-	(570,076)	-	(570,076)
Solid Waste Sanitation	256,291	-	-	-	(256,291)	-	(256,291)
Recreation	82,499	-	-	-	(82,499)	-	(82,499)
Library	56,497	-	5,386	-	(51,111)	-	(51,111)
Interest	1,911	-	-	-	(1,911)	-	(1,911)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>3,003,151</b>	<b>175,026</b>	<b>278,558</b>	<b>-</b>	<b>(2,549,567)</b>	<b>-</b>	<b>(2,549,567)</b>
BUSINESS-TYPE ACTIVITIES							
Sewer	1,215,950	981,941	-	-	-	(234,009)	(234,009)
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>1,215,950</b>	<b>981,941</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(234,009)</b>	<b>(234,009)</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 4,219,101</b>	<b>1,156,967</b>	<b>278,558</b>	<b>-</b>	<b>(2,549,567)</b>	<b>(234,009)</b>	<b>(2,783,576)</b>
GENERAL REVENUES							
Property Taxes					1,392,251	-	1,392,251
Sales Taxes					724,807	-	724,807
Other Taxes					119,792	-	119,792
State Revenue					758,741	-	758,741
Unrestricted Investment Earnings					11,148	6,717	17,865
Gain (Loss) from Sale of Capital Assets					2,029	(21,905)	(19,876)
Miscellaneous					49,734	-	49,734
<b>TOTAL GENERAL REVENUES</b>					<b>3,058,502</b>	<b>(15,188)</b>	<b>3,043,314</b>
Change in Net Position					508,935	(249,197)	259,738
Net Position, Beginning					9,243,653	7,491,826	16,735,479
Net Position, Ending					<b>\$ 9,752,588</b>	<b>7,242,629</b>	<b>16,995,217</b>

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

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2023**

	General Fund	Non-Major Police Drug Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 6,793,006	11,073	6,804,079
Property Taxes Receivable	1,650,072	-	1,650,072
Less: Estimated Uncollectible	(25,924)	-	(25,924)
Other Receivables	22,261	-	22,261
Due from Other Funds	25,307	2,366	27,673
Due From Other Governments	307,302	-	307,302
<b>TOTAL ASSETS</b>	<u><u>\$ 8,772,024</u></u>	<u><u>13,439</u></u>	<u><u>8,785,463</u></u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 62,447	-	62,447
Due to Other Funds	2,366	-	2,366
Accrued Payroll and Related Liabilities	20,495	-	20,495
<b>TOTAL LIABILITIES</b>	<u>85,308</u>	<u>-</u>	<u>85,308</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred - Current Property Taxes	1,557,727	-	1,557,727
Unavailable Revenues	98,729	-	98,729
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>1,656,456</u>	<u>-</u>	<u>1,656,456</u>
<b>FUND BALANCES</b>			
Restricted for			
State Street Aid	338,366	-	338,366
Drug Fund	-	13,439	13,439
Unassigned	6,691,894	-	6,691,894
<b>TOTAL FUND BALANCES</b>	<u>7,030,260</u>	<u>13,439</u>	<u>7,043,699</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u><u>\$ 8,772,024</u></u>	<u><u>13,439</u></u>	<u><u>8,785,463</u></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, 2023**

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

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 7,043,699
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 \$7,831,703 and the accumulated amortization and depreciation is \$5,586,543.	2,245,160
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	98,729
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.	449,081
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.	<u>(84,081)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 9,752,588</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, 2023**

	General Fund	Non-Major Police Drug Fund	Total Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 2,113,619	-	2,113,619
Licenses and Permits	13,439	-	13,439
Intergovernmental Revenues	1,047,526	-	1,047,526
Charges for Services	67,245	-	67,245
Fines and Forfeitures	115,857	12,298	128,155
Investment Earnings	11,148	-	11,148
Donations	25,391	-	25,391
Rental Income	22,539	-	22,539
Miscellaneous	26,255	-	26,255
<b>TOTAL REVENUES</b>	<b>3,443,019</b>	<b>12,298</b>	<b>3,455,317</b>
<b>EXPENDITURES</b>			
Current			
General Government	222,438	-	222,438
Financial Administration	512,846	-	512,846
Public Safety	863,784	-	863,784
Drug Fund Operations	-	3,707	3,707
Animal Control	42,907	-	42,907
Building Inspection	56,386	-	56,386
Highways and Streets	795,982	-	795,982
Solid Waste Sanitation	251,814	-	251,814
Recreation	165,776	-	165,776
Library	55,601	-	55,601
Intergovernmental Expenditures	43,691	-	43,691
Debt Service:			
Lease Principal Payments	5,353	-	5,353
Subscription Based IT			
Financing Principal Payments	5,529	-	5,529
Interest	1,911	-	1,911
<b>TOTAL EXPENDITURES</b>	<b>3,024,018</b>	<b>3,707</b>	<b>3,027,725</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	419,001	8,591	427,592
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from Sale of Assets	2,029	-	2,029
Insurance Proceeds	23,479	-	23,479
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>25,508</b>	<b>-</b>	<b>25,508</b>
Net Change in Fund Balances	444,509	8,591	453,100
Fund Balances, Beginning	6,585,751	4,848	6,590,599
Fund Balances, Ending	\$ 7,030,260	13,439	7,043,699

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, 2023**

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

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 453,100
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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 \$252,000 exceeded depreciation of \$201,641 in the period.	50,359
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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.	31,261
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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.	(25,532)
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The repayment of the principal of long-term debt consumes the current financial resources of the governmental funds.	10,882
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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>(11,135)</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 508,935</u></u>
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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, 2023**

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes				
Property Taxes	\$ 1,315,000	1,315,000	1,341,515	26,515
Property Taxes - Delinquent	25,000	25,000	43,295	18,295
Local Option Sales Tax	585,000	585,000	724,807	139,807
Penalties and Interest	8,000	8,000	4,002	(3,998)
Total Taxes	1,933,000	1,933,000	2,113,619	180,619
Licenses and Permits				
Building Permits	8,000	8,000	13,439	5,439
Total Licenses and Permits	8,000	8,000	13,439	5,439
Intergovernmental Revenues				
Federal Grant Revenue	-	-	48,240	48,240
Other State Revenues	15,000	15,000	15,553	553
Telecommunications Sales Tax	1,800	1,800	1,722	(78)
State Sales Tax	660,000	660,000	651,137	(8,863)
State-City Streets and Transportation	175,000	175,000	161,947	(13,053)
State Gasoline Tax	35,000	35,000	38,180	3,180
TVA Replacement Tax	60,000	60,000	65,803	5,803
State Beer Tax	1,700	1,700	2,483	783
Wholesale Beer and Liquor Tax	50,000	50,000	52,703	2,703
Sportsbetting Tax	-	-	9,758	9,758
Total Intergovernmental Revenues	998,500	998,500	1,047,526	49,026
Charges for Services				
Cable TV Commissions	70,000	70,000	67,105	(2,895)
Animal Control Services	50	50	140	90
Total Charges for Services	70,050	70,050	67,245	(2,805)
Fines and Forfeitures	107,800	107,800	115,857	8,057
Investment Earnings	4,650	4,650	11,148	6,498

(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, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES (CONTINUED)				
Other Revenue				
Contributions and Donations	25,000	25,000	25,391	391
Rental Income	20,660	20,660	22,539	1,879
Miscellaneous	15,000	105,000	26,255	(78,745)
Total Other Revenue	60,660	150,660	74,185	(76,475)
TOTAL REVENUES	3,182,660	3,272,660	3,443,019	170,359
EXPENDITURES				
General Government				
Dues	4,000	4,000	183	3,817
Senior Citizens Donations	30,000	30,000	30,000	-
Utilities	18,000	18,000	16,729	1,271
Telephone	4,500	4,500	6,498	(1,998)
Engineering	4,000	4,000	4,150	(150)
Insurance	120,000	120,000	113,469	6,531
Reappraisal Cost	9,000	9,000	8,543	457
Safety Program	2,500	2,500	-	2,500
Bank Charges	120	120	120	-
First TN Development District	1,650	1,650	7,487	(5,837)
First TN Human Resources	2,500	2,500	4,000	(1,500)
Public Relations	25,000	25,000	23,399	1,601
Chamber of Commerce	2,500	2,500	5,000	(2,500)
Of One Accord Lunchbox	1,200	1,200	2,860	(1,660)
Total General Government	224,970	224,970	222,438	2,532
Financial Administration				
Salaries	254,000	254,000	190,472	63,528
Payroll Taxes	19,500	19,500	12,909	6,591
Health Insurance	45,000	45,000	31,635	13,365
Retirement	20,000	20,000	8,614	11,386
Training	3,000	3,000	1,309	1,691
Internet and Web Services	2,200	2,200	1,768	432
Housing Authority	250	250	-	250
Advertising	5,000	5,000	2,664	2,336
City Judge	4,800	4,800	4,800	-
Medical Services	300	300	45	255
Legal Services	30,000	30,000	34,771	(4,771)
Accounting Services	25,000	25,000	34,569	(9,569)

(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, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
EXPENDITURES (CONTINUED)				
Financial Administration (Continued)				
Computer and Support	60,000	60,000	44,710	15,290
State Planning Fees	12,000	12,000	9,502	2,498
Repairs and Maintenance	15,000	15,000	41,233	(26,233)
Travel	2,500	2,500	1,242	1,258
Tax Commission Fees	2,000	2,000	1,897	103
Miscellaneous and Dues	3,700	3,700	78,758	(75,058)
Contractual Fees	1,500	1,500	1,250	250
Office Expense and Supplies	14,200	14,200	9,820	4,380
Copier Maintenance and Lease	1,500	1,500	878	622
Capital Outlay	1,500	1,500	-	1,500
Total Financial Administration	522,950	522,950	512,846	10,104
Public Safety				
Police Department				
Salaries and Wages	376,000	376,000	352,435	23,565
Payroll Taxes	28,750	28,750	23,378	5,372
Health Insurance	100,000	100,000	68,668	31,332
Retirement	37,000	37,000	21,808	15,192
Training	4,500	4,500	4,707	(207)
Dues and E-Com Expense	1,900	1,900	1,323	577
Utilities and Telephone	6,000	6,000	8,466	(2,466)
Internet Services	1,200	1,200	1,022	178
Computer and Support	17,000	17,000	22,170	(5,170)
Medical Services	1,000	1,000	385	615
Travel	5,000	5,000	4,110	890
Office Expense	5,000	5,000	4,945	55
Operating Supplies	7,000	7,000	23,113	(16,113)
Clothing and Uniforms	5,500	5,500	4,608	892
Vehicle and Fuel Expense	52,000	52,000	52,098	(98)
Copier Lease	2,000	2,000	1,682	318
Miscellaneous and Radio Expense	6,000	6,000	1,779	4,221
Department of Safety	11,000	11,000	8,364	2,636
Bullet Proof Vests	2,500	2,500	2,020	480
Repairs and Maintenance	7,500	7,500	8,170	(670)
Safety Grant	1,500	1,500	-	1,500
High Visibility Grant	5,000	5,000	-	5,000
Capital Outlay	67,000	67,000	49,958	17,042
Total Police Department	750,350	750,350	665,209	85,141

(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, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
EXPENDITURES (CONTINUED)				
Public Safety (Continued)				
Fire Department				
Salaries and Wages	73,250	73,250	65,200	8,050
Payroll Taxes	7,500	7,500	5,071	2,429
Retirement	500	500	1,200	(700)
Training	8,000	8,000	5,088	2,912
Dues and E-Dispatch	500	500	-	500
Utilities and Telephone	17,000	17,000	14,019	2,981
Computer and Support	800	800	2,840	(2,040)
Medical Services	500	500	291	209
Travel	2,000	2,000	426	1,574
Office Expense	1,000	1,000	383	617
Operating Supplies and Equipment	20,000	20,000	55,842	(35,842)
Clothing and Uniforms	3,000	3,000	2,495	505
Vehicle and Fuel Expense	25,000	25,000	24,647	353
Contractual Services	2,000	2,000	1,192	808
Miscellaneous Expense	1,000	1,000	203	797
OSHA Testing	4,000	4,000	4,183	(183)
Repairs and Maintenance	5,500	5,500	5,041	459
Radio Expense	9,500	9,500	8,398	1,102
Public Relations/Parade	3,000	3,000	2,056	944
Capital Outlay	45,000	45,000	-	45,000
Total Fire Department	229,050	229,050	198,575	30,475
Total Public Safety	979,400	979,400	863,784	115,616
Animal Control				
Salaries and Wages	19,750	19,750	15,727	4,023
Payroll Taxes	1,660	1,660	1,206	454
Fees	10,000	10,000	4,500	5,500
Training	400	400	-	400
Dues	100	100	-	100
Utilities and Telephone	1,600	1,600	582	1,018
Medical Services	800	800	-	800
Operating Supplies	500	500	7,365	(6,865)
Clothing and Uniforms	500	500	-	500
Vehicle Expense	9,500	9,500	3,228	6,272
Capital Outlay	20,000	20,000	10,299	9,701
Total Animal Control	64,810	64,810	42,907	21,903

(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, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
EXPENDITURES (CONTINUED)				
Building Inspection				
Salaries and Wages	24,000	24,000	22,361	1,639
Payroll Taxes	1,810	1,810	1,696	114
Training	800	800	-	800
Dues and Fees	4,500	4,500	3,630	870
Utilities and Telephone	2,800	2,800	2,445	355
Travel	1,000	1,000	-	1,000
Internet Services	900	900	447	453
Demolition	20,000	20,000	20,000	-
Operating Supplies	1,000	1,000	533	467
Miscellaneous	500	500	278	222
Repairs and Maintenance	5,000	5,000	4,996	4
Total Building Inspection	62,310	62,310	56,386	5,924
Highway and Streets				
Streets				
Salaries and Wages	243,000	243,000	228,943	14,057
Payroll Taxes	19,500	19,500	15,783	3,717
Health Insurance	65,000	65,000	47,786	17,214
Retirement	27,000	27,000	13,447	13,553
Training	2,000	2,000	-	2,000
Utilities and Telephone	12,000	12,000	11,810	190
Internet Services	2,000	2,000	1,772	228
Medical Services	1,000	1,000	155	845
Repairs and Maintenance	25,000	25,000	20,090	4,910
Travel	1,000	1,000	-	1,000
Equipment Rental	2,500	2,500	1,832	668
Office Expense	750	750	-	750
Operating Supplies	8,000	8,000	33,543	(25,543)
Clothing and Uniforms	4,500	4,500	3,881	619
Vehicle Expense	44,000	44,000	52,776	(8,776)
Traffic Light Maintenance	-	-	340	(340)
Miscellaneous	1,500	1,500	688	812
Drainage Repairs	1,000	1,000	125	875
Paving	5,000	5,000	(3,041)	8,041
Capital Outlay	131,000	131,000	97,725	33,275
Total Streets	595,750	595,750	527,655	68,095

(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, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
EXPENDITURES (CONTINUED)				
Highway and Streets (Continued)				
State Street Aid				
Street Lighting	46,000	96,000	88,405	7,595
Repairs and Maintenance	2,000	2,000	-	2,000
Materials and Supplies	30,000	30,000	40,990	(10,990)
Paving	145,000	145,000	138,932	6,068
Capital Outlay	5,000	5,000	-	5,000
Total State Street Aid	228,000	278,000	268,327	9,673
Total Highways and Streets	823,750	873,750	795,982	77,768
Solid Waste Sanitation				
Salaries and Wages	49,000	49,000	48,168	832
Payroll Taxes	4,080	4,080	3,032	1,048
Health Insurance	16,000	16,000	13,935	2,065
Retirement	5,000	5,000	3,106	1,894
Medical Services	250	250	-	250
Contractual Fees	175,000	175,000	163,125	11,875
Operating Supplies	500	500	492	8
Vehicle and Fuel Expense	15,000	15,000	19,956	(4,956)
Total Solid Waste Sanitation	264,830	264,830	251,814	13,016
Recreation				
Utilities and Telephone and Internet	6,500	6,500	8,369	(1,869)
Joint Recreation Director	43,000	43,000	23,205	19,795
Joint Recreation Program	20,000	20,000	3,938	16,062
War Memorial	1,000	1,000	-	1,000
Operating Supplies	1,000	1,000	344	656
Park Development	80,000	120,000	129,920	(9,920)
Miscellaneous	250	250	-	250
Total Recreation	151,750	191,750	165,776	25,974
Library				
Salaries and Wages	39,400	39,400	33,545	5,855
Payroll Taxes	3,340	3,340	2,508	832
Training	250	250	-	250
Utilities and Telephone	5,825	5,825	6,123	(298)
Internet Services	3,000	3,000	2,656	344
Medical Services	200	200	90	110
Repairs and Maintenance	2,000	2,000	1,083	917

(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, 2023**

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual	
EXPENDITURES (CONTINUED)				
Library (Continued)				
Travel	300	300	44	256
Operating Supplies	2,000	2,000	1,057	943
Books	7,050	7,050	6,046	1,004
Summer Reading	1,250	1,250	813	437
Miscellaneous	650	650	256	394
Computer and Support	2,000	2,000	946	1,054
Copier Maintenance	800	800	434	366
Total Library	68,065	68,065	55,601	12,464
Intergovernmental Expenditures				
CDBG Water System Project	-	-	43,691	(43,691)
Debt Service				
Lease Principal Payments	-	-	5,353	5,353
Subscription Based IT Financing Principal Payments	-	-	5,529	5,529
Interest	-	-	1,911	1,911
Total Debt Service	-	-	12,793	12,793
TOTAL EXPENDITURES	3,162,835	3,252,835	3,024,018	254,403
Excess (Deficiency) of Revenues Over (Under) Expenditures	19,825	19,825	419,001	424,762
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Assets	-	-	2,029	2,029
Insurance Proceeds	-	-	23,479	23,479
TOTAL OTHER FINANCING SOURCES (USES)	-	-	25,508	25,508
Net Change in Fund Balance	19,825	19,825	444,509	450,270
Fund Balance, Beginning	6,585,751	6,585,751	6,585,751	-
Fund Balance, Ending	\$ 6,605,576	6,605,576	7,030,260	450,270

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, 2023**

	Business-Type Activities <u>Sewer Fund</u>
<b>ASSETS</b>	
Current Assets	
Cash and Cash Equivalents	\$ 3,553,761
Accounts Receivable, Net of Estimated Uncollectible	143,518
Inventory	<u>31,918</u>
Total Current Assets	<u>3,729,197</u>
Noncurrent Assets	
Capital Assets	
Land	167,190
Plant in Service	11,373,517
Machinery and Equipment	647,800
Construction in Progress	188,158
Less: Allowance for Depreciation	<u>(7,223,017)</u>
Net Capital Assets	5,153,648
Restricted Assets	
Cash and Cash Equivalents	102,371
Net Pension Asset	<u>15,629</u>
Total Noncurrent Assets	<u>5,271,648</u>
<b>TOTAL ASSETS</b>	<u>9,000,845</u>

(Continued)

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**June 30, 2023**

	Business-Type Activities <u>Sewer Fund</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension Changes in Experience	47,288
Pension Changes in Investment Earnings	1,741
Pension Changes in Assumptions	56,452
Pension Contributions After Measurement Date	<u>12,167</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>117,648</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	70,111
Due to Other Funds	25,307
Customer Deposits	290
Accrued Payroll and Related Liabilities	4,107
Accrued Interest Payable	1,457
Compensated Absences	10,093
Unearned Revenue	1,570,802
Bonds Payable - Current	<u>45,000</u>
Total Current Liabilities	<u>1,727,167</u>
Noncurrent Liabilities	
Bonds Payable	<u>130,000</u>
TOTAL LIABILITIES	<u>1,857,167</u>
DEFERRED INFLOWS OF RESOURCES	
Pension Changes in Experience	<u>18,697</u>
NET POSITION	
Net Investment in Capital Assets	4,978,648
Restricted for Net Pension Asset	15,629
Restricted for Debt Service	102,371
Unrestricted	<u>2,145,981</u>
TOTAL NET POSITION	<u>\$ 7,242,629</u>

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, 2023**

	Business-Type Activities <u>Sewer Fund</u>
OPERATING REVENUES	
Charges for Services Pledged as Security for Revenue Bonds	\$ 980,897
Other Revenue	<u>1,044</u>
TOTAL OPERATING REVENUES	<u>981,941</u>
OPERATING EXPENSES	
Personnel Services	334,322
Materials and Supplies	64,475
Repairs and Maintenance	223,356
Professional Services	101,830
Contractual Services	22,898
Utilities and Telephone	120,416
Insurance	4,169
General Expenses	92,613
Depreciation	<u>246,538</u>
TOTAL OPERATING EXPENSES	<u>1,210,617</u>
OPERATING INCOME (LOSS)	<u>(228,676)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest Income	6,717
Interest and Related Debt Expenses	(5,333)
Gain (Loss) from Sale of Capital Assets	<u>(21,905)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(20,521)</u>
Change in Net Position	(249,197)
Net Position, Beginning	<u>7,491,826</u>
Net Position, Ending	<u><u>\$ 7,242,629</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, 2023**

	Business-Type Activities <u>Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 979,537
Cash Received from Other Revenues	1,044
Cash Paid to Suppliers and Service Provider	(585,821)
Cash Paid to Employees and Related Expenses	<u>(321,346)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>73,414</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Change in Due To Other Funds	<u>1,459</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>1,459</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of Property and Equipment	(322,457)
Proceeds from Sale of Property and Equipment	2,778
Federal Capital Grants	785,401
Principal Paid on General Obligation Bonds	(40,000)
Interest Paid and Related Debt Expenses	<u>(5,333)</u>
NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>420,389</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income	<u>6,717</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>6,717</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	501,979
Cash and Cash Equivalents, Beginning	<u>3,154,153</u>
Cash and Cash Equivalents, Ending	<u><u>\$ 3,656,132</u></u>

(Continued)

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**For the Fiscal Year Ended June 30, 2023**

	Business-Type Activities <u>Sewer Fund</u>
RECONCILIATION OF OPERATING INCOME TO	
NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income (Loss)	\$ (228,676)
Adjustments to Reconcile Operating Income to	
Net Cash Provided By Operating Activities	
Depreciation	246,538
(Increase) Decrease in	
Accounts Receivable	(1,360)
Inventory	46,029
Deferred Outflows Related to Pensions	(3,052)
Net Pension Asset	130,473
Increase (Decrease) in	
Accounts Payable	(3,502)
Accrued Payroll and Related Liabilities	(2,517)
Compensated Absences	492
Deferred Inflows Related to Pensions	<u>(111,011)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 73,414</u>
The Cash and Cash Equivalents are classified on the Statement of Net Position as the following:	
Cash and Cash Equivalents	\$ 3,553,761
Restricted Cash and Cash Equivalents (Debt Service)	<u>102,371</u>
Total Cash and Cash Equivalents	<u>\$ 3,656,132</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, 2023**

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**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, 2023**

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**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 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, 2023**

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**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, 2023**

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**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, 2023, the 2022 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, 2023**

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**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, 2023**

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**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), and net pension changes in experience and investment earnings. 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 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, 2023**

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**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 \$10,093. Expected future demands of \$48,664 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, 2023**

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**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, 2023**

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**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, 2023**

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**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, 2023**

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**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 \$(84,081) difference are as follows:

Leases Payable	\$ (17,422)
Subscription-based IT Financing Arrangement	(17,995)
Compensated Absences	<u>(48,664)</u>
Net adjustment to reduce <i>fund balances - governmental funds</i> to arrive at <i>net position-governmental activities</i>	<u>\$ (84,081)</u>

**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 \$(11,135) are as follows:

Change in Deferred Outflows of Resources Related to Pensions	\$ 58,485
Change in Deferred Inflows of Resources Related to Pensions	382,439
Change in Net Pension Liability (Asset)	<u>(452,059)</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>\$ (11,135)</u>

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2023**

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**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, 2023**

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**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 \$10,357,690 and the bank balance was \$10,683,723. 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, 2023, the Town has no investments. All amounts reflected in the basic financial statements represent deposits.

**B. Receivables**

Receivables as of June 30, 2023, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Sewer</u>	<u>Total</u>
Receivables			
Accounts	\$ -	160,893	160,893
Taxes	1,650,072	-	1,650,072
Other Receivables	22,261	-	22,261
Due from Others			
State of Tennessee	<u>307,302</u>	<u>-</u>	<u>307,302</u>
Gross Receivables	1,979,635	160,893	2,140,528
Less: Allowance for Uncollectibles	<u>(25,924)</u>	<u>(17,375)</u>	<u>(43,299)</u>
Total Receivables	<u><u>\$ 1,953,711</u></u>	<u><u>143,518</u></u>	<u><u>2,097,229</u></u>



**TOWN OF MOUNT CARMEL, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2023**

**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	\$ -	1,557,727
Property Tax Levied but Not Collected in Period		
of Availability	65,330	-
Other State Revenues	33,399	-
	<u>\$ 98,729</u>	<u>1,557,727</u>

**C. Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2023 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
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	630,270	-	-	630,270
Machinery, Equipment, And Vehicles	2,568,448	252,000	(52,220)	2,768,228
Library	115,205	-	-	115,205
Infrastructure	3,907,696	-	-	3,907,696
Intangible Right to Use - Lease - Equipment	29,068	-	-	29,068
Intangible Right to Use - Software Agreement	28,924	-	-	28,924
Total Capital Assets, Being Depreciated	<u>7,279,611</u>	<u>252,000</u>	<u>(52,220)</u>	<u>7,479,391</u>
Less Accumulated Depreciation For				
Buildings and Improvements	(518,044)	(5,444)	-	(523,488)
Machinery, Equipment, and Vehicles	(1,642,785)	(115,753)	52,220	(1,706,318)
Library	(115,205)	-	-	(115,205)
Infrastructure	(3,156,735)	(68,845)	-	(3,225,580)
Intangible Right to Use - Lease	(2,907)	(5,814)	-	(8,721)
Intangible Right to Use - Software Arrangement	(1,446)	(5,785)	-	(7,231)
Total Accumulated Amortization and Depreciation	<u>(5,437,122)</u>	<u>(201,641)</u>	<u>52,220</u>	<u>(5,586,543)</u>
Total Capital Assets, Being Depreciated, Net	<u>1,842,489</u>	<u>50,359</u>	<u>-</u>	<u>1,892,848</u>
Governmental Activities Capital Assets, Net	<u>\$ 2,194,801</u>	<u>50,359</u>	<u>-</u>	<u>2,245,160</u>

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2023**

**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	\$ 13,390
Public Safety	56,240
Highway and Streets	117,069
Sanitation	2,492
Animal Control	1,710
Recreation	<u>10,740</u>

Total Depreciation Expense - Governmental Activities \$ 201,641

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities</b>				
Capital Assets, Not Being Depreciated				
Land and Right of Ways	\$ 167,190	-	-	167,190
Construction in Progress	-	188,158	-	188,158
Total Capital Assets, Not Being Depreciated	<u>167,190</u>	<u>188,158</u>	<u>-</u>	<u>355,348</u>
Capital Assets, Being Depreciated				
Machinery and Equipment	594,302	53,498	-	647,800
Utility Plant and Lines in Service	11,343,498	80,801	(50,782)	11,373,517
Total Capital Assets, Being Depreciated	<u>11,937,800</u>	<u>134,299</u>	<u>(50,782)</u>	<u>12,021,317</u>
Less Accumulated Depreciation For				
Machinery and Equipment	(594,302)	-	-	(594,302)
Utility Plant and Lines in Service	(6,408,276)	(246,538)	26,099	(6,628,715)
Total Accumulated Depreciation	<u>(7,002,578)</u>	<u>(246,538)</u>	<u>26,099</u>	<u>(7,223,017)</u>
Total Capital Assets, Being Depreciated, Net	<u>4,935,222</u>	<u>(112,239)</u>	<u>(24,683)</u>	<u>4,798,300</u>
Business-Type Activities Capital Assets, Net	<u>\$ 5,102,412</u>	<u>75,919</u>	<u>(24,683)</u>	<u>5,153,648</u>

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2023**

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**NOTE 4 - DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**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 received by the general fund on behalf of the sewer fund. The composition of interfund balances as of June 30, 2023 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Sewer	\$ 25,307
Drug	General	2,366

**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, 2023:

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Retirements/ Reductions</u>	<u>Balance End of Year</u>	<u>Due Within One Year</u>
Governmental Activities					
Leases Payable	\$ 22,775	-	(5,353)	17,422	5,574
Subscription-based IT Financing Payable	23,524	-	(5,529)	17,995	5,758
Compensated Absences	23,132	70,395	(44,863)	48,664	48,664
Governmental Activities Long-Term Liabilities	69,431	70,395	(55,745)	84,081	59,996
Business-Type Activities					
General Obligation Refunding Bonds	215,000	-	(40,000)	175,000	45,000
Compensated Absences	9,601	10,269	(9,777)	10,093	10,093
Business-Type Activities Long-Term Liabilities	224,601	10,269	(49,777)	185,093	55,093
Total Changes in Long-Term Liabilities	\$ 294,032	80,664	(105,522)	269,174	115,089

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

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2023**

**NOTE 4 - DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**E. Long-Term Liabilities (Continued)**

**Business-Type Activities Debt**

<u>Water and Sewer Fund Bonds Payable</u>	<u>Date Issued</u>	<u>Amount Authorized and Issued</u>	<u>Interest Rate</u>	<u>Year of Maturity</u>	<u>Outstanding June 30, 2023</u>
G.O. Refunding Bonds, Series 2013	11/27/13	\$ 545,000	2.48%	2027	<u>\$ 175,000</u>

Interest expense related to business-type activities totaled \$5,333 for the fiscal year ended June 30, 2023.

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.

The annual requirements to amortize all business-type activities bonds, including principal and interest, outstanding as of June 30, 2023 are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 45,000	3,782	48,782
2025	45,000	2,666	47,666
2026	40,000	1,612	41,612
2027	45,000	558	45,558
	<u>\$ 175,000</u>	<u>8,618</u>	<u>183,618</u>

**F. Leases Payable**

The Town has one lease agreement for the use of police body cameras. An initial lease liability was previously recorded in the amount of \$29,068 at the commencement date of the lease. As of June 30, 2023, the value of the lease liability was \$17,422. 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 \$8,721.

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2023**

**NOTE 4 - DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**F. Leases Payable (Continued)**

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 7/1/2022	Issued During Period	Paid and/or Matured During Period	Outstanding 6/30/2023
Payable through General Fund:								
Body Cameras - Police	\$ 29,068	4.05%	12/31/2021	12/31/2025	\$ 22,775	-	5,353	17,422

The future principal and interest lease payments as of June 30, 2023, were as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2024	\$ 5,574	719	6,293
2025	5,804	489	6,293
2026	6,044	249	6,293
	<u>\$ 17,422</u>	<u>1,457</u>	<u>18,879</u>

**G. Subscription-Based Information Technology Arrangements**

The Town has one Subscription-based Information Technology Arrangement (SBITA) for OmniCourt Software at June 30, 2023. An initial liability was previously recorded in the amount of \$28,924 at the commencement date of the agreement. An intangible right-to-use software arrangements in the same amount was recorded in the General Fund capital assets. This asset will be amortized over the agreement term of five years since the related software 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. The software agreement will end in 2026. The total costs of the Town's subscription assets are recorded as \$28,924, less accumulated amortization of \$7,231.

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2023**

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**NOTE 4 - DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**G. Subscription-Based Information Technology Arrangements (Continued)**

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

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 5,758	742	6,500
2025	5,995	505	6,500
2026	6,242	258	6,500
	<u>\$ 17,995</u>	<u>1,505</u>	<u>19,500</u>

**NOTE 5 - OTHER INFORMATION**

**A. Risk Management**

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

**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>.

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2023**

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**NOTE 5 - OTHER INFORMATION (CONTINUED)**

**B. Employee Retirement Systems and Pension Plan (Continued)**

**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.

**Employees Covered by Benefit Terms.** At the measurement date of June 30, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	10
Inactive employees entitled to but not yet receiving benefits	32
Active employees	22
	<u>64</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, 2023, the employer contributions for the Town were \$59,854 based on a rate of 6.45 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.

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2023**

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**NOTE 5 - OTHER INFORMATION (CONTINUED)**

**B. Employee Retirement Systems and Pension Plan (Continued)**

**Net Pension Liability (Asset)**

**Pension Liabilities (Assets).** The Town's net pension liability (asset) was measured as of June 30, 2022, 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, 2022 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

Mortality rates were based on actual experience including an adjustment for some anticipated improvement. The actuarial assumptions used in the June 30, 2022 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.

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.



**TOWN OF MOUNT CARMEL, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2023**

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**NOTE 5 - OTHER INFORMATION (CONTINUED)**

**B. Employee Retirement Systems and Pension Plan (Continued)**

The best estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. Equity	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.

**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.

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2023**

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**NOTE 5 - OTHER INFORMATION (CONTINUED)**

**B. Employee Retirement Systems and Pension Plan (Continued)**

**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 6/30/2021	\$ 3,434,483	4,093,898	(659,415)
Changes for the Year:			
Service Cost	61,345	-	61,345
Interest	232,128	-	232,128
Differences Between Expected and Actual Experience	185,058	-	185,058
Contributions - Employer	-	53,379	(53,379)
Net Investment Income	-	(155,425)	155,425
Benefit Payments, Including Refunds of Employee Contributions	(113,786)	(113,786)	-
Administrative Expense	-	(1,955)	1,955
Net Changes	<u>364,745</u>	<u>(217,787)</u>	<u>582,532</u>
Balance at 6/30/2022	<u>\$ 3,799,228</u>	<u>3,876,111</u>	<u>(76,883)</u>

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2023**

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**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)	\$ 476,527	(76,883)	(529,449)

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

***Pension Expense.*** For the year ended June 30, 2023, the Town recognized negative pension expense of \$(87,398).

***Deferred Outflows of Resources and Deferred Inflows of Resources.*** For the year ended June 30, 2023, 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	\$ 232,627	91,976
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	8,565	-
Changes in Assumptions	277,708	-
Contributions Subsequent to the Measurement Date of June 30, 2022	59,854	-
	<u>\$ 578,754</u>	<u>91,976</u>

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2023**

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**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, 2022" 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:		
2024	\$	76,114
2025		64,578
2026		52,774
2027		202,621
2028		30,843
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, 2023, remaining commitments were \$1,773,000 for the Sewer Plant Improvement Project, \$67,502 for the SCADA Sewer Data Acquisition Project and \$56,803 for the Solids Dewatering 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	2022
<b>TOTAL PENSION LIABILITY</b>									
Service Cost	\$ 71,153	57,268	65,319	65,726	77,771	86,912	61,638	50,802	61,345
Interest	146,637	151,243	158,292	168,499	179,841	200,842	206,979	200,773	232,128
Differences Between Actual and Expected Experience	(115,931)	(71,254)	(40,389)	(44,218)	76,439	(17,331)	(172,400)	98,511	185,058
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)	(113,786)
<b>NET CHANGE IN TOTAL PENSION LIABILITY</b>	<b>75,489</b>	<b>110,491</b>	<b>107,332</b>	<b>225,635</b>	<b>307,352</b>	<b>190,073</b>	<b>(144,450)</b>	<b>665,359</b>	<b>364,745</b>
<b>TOTAL PENSION LIABILITY - BEGINNING</b>	<b>1,897,202</b>	<b>1,972,691</b>	<b>2,083,182</b>	<b>2,190,514</b>	<b>2,416,149</b>	<b>2,723,501</b>	<b>2,913,574</b>	<b>2,769,124</b>	<b>3,434,483</b>
<b>TOTAL PENSION LIABILITY - ENDING (a)</b>	<b>\$ 1,972,691</b>	<b>2,083,182</b>	<b>2,190,514</b>	<b>2,416,149</b>	<b>2,723,501</b>	<b>2,913,574</b>	<b>2,769,124</b>	<b>3,434,483</b>	<b>3,799,228</b>
<b>PLAN FIDUCIARY NET POSITION</b>									
Contributions - Employer	\$ 83,419	70,842	74,368	71,961	86,597	76,620	64,635	75,965	53,379
Net Investment Income	319,608	70,758	63,349	280,564	233,342	228,656	159,125	842,289	(155,425)
Benefit Payments, Including Refunds of Employee Contributions	(26,370)	(26,766)	(75,890)	(19,168)	(26,699)	(80,350)	(240,667)	(101,289)	(113,786)
Administrative Expense	(752)	(923)	(1,343)	(1,484)	(1,829)	(1,618)	(1,395)	(1,605)	(1,955)
<b>NET CHANGE IN PLAN FIDUCIARY NET POSITION</b>	<b>375,905</b>	<b>113,911</b>	<b>60,484</b>	<b>331,873</b>	<b>291,411</b>	<b>223,308</b>	<b>(18,302)</b>	<b>815,360</b>	<b>(217,787)</b>
<b>PLAN FIDUCIARY NET POSITION - BEGINNING</b>	<b>1,899,948</b>	<b>2,275,853</b>	<b>2,389,764</b>	<b>2,450,248</b>	<b>2,782,121</b>	<b>3,073,532</b>	<b>3,296,840</b>	<b>3,278,538</b>	<b>4,093,898</b>
<b>PLAN FIDUCIARY NET POSITION - ENDING (b)</b>	<b>\$ 2,275,853</b>	<b>2,389,764</b>	<b>2,450,248</b>	<b>2,782,121</b>	<b>3,073,532</b>	<b>3,296,840</b>	<b>3,278,538</b>	<b>4,093,898</b>	<b>3,876,111</b>
<b>NET PENSION LIABILITY (ASSET) - ENDING (a) - (b)</b>	<b>\$ (303,162)</b>	<b>(306,582)</b>	<b>(259,734)</b>	<b>(365,972)</b>	<b>(350,031)</b>	<b>(383,266)</b>	<b>(509,414)</b>	<b>(659,415)</b>	<b>(76,883)</b>
<b>PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY (ASSET)</b>	<b>115.37%</b>	<b>114.72%</b>	<b>111.86%</b>	<b>115.15%</b>	<b>112.85%</b>	<b>113.15%</b>	<b>118.40%</b>	<b>119.20%</b>	<b>102.02%</b>
<b>COVERED PAYROLL</b>	<b>\$ 692,489</b>	<b>703,494</b>	<b>735,515</b>	<b>714,604</b>	<b>859,953</b>	<b>760,875</b>	<b>641,857</b>	<b>754,374</b>	<b>925,105</b>
<b>NET PENSION LIABILITY (ASSET) AS A PERCENTAGE OF COVERED PAYROLL</b>	<b>-43.78%</b>	<b>-43.58%</b>	<b>-35.31%</b>	<b>-51.21%</b>	<b>-40.70%</b>	<b>-50.37%</b>	<b>-79.37%</b>	<b>-87.41%</b>	<b>-8.31%</b>

(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**

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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**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Actuarially Determined Contribution	\$ 83,419	70,842	74,368	68,388	82,555	53,033	44,545	52,354	53,379	59,854
Contributions in Relation to the										
Actuarially Determined Contribution	83,419	70,842	74,368	71,961	86,597	76,620	64,635	75,965	53,379	59,854
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>-</u>	<u>-</u>
Covered Payroll	\$ 692,849	703,494	735,515	714,604	859,953	760,875	641,857	754,374	925,105	927,969
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%	6.45%

(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**

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***Notes To Schedule***

Valuation date: Actuarially determined contribution rates for fiscal year 2023 were calculated based on the June 30, 2021 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	2.25 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 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	2.125 percent

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

## **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, 2023**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
REVENUES				
Fines and Forfeitures	\$ 500	500	12,298	11,798
Investment Earnings	25	25	-	(25)
TOTAL REVENUES	525	525	12,298	11,773
EXPENDITURES				
Drug Fund Operations	2,000	2,000	3,707	(1,707)
TOTAL EXPENDITURES	2,000	2,000	3,707	(1,707)
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(1,475)	(1,475)	8,591	10,066
Fund Balance, Beginning	4,848	4,848	4,848	-
Fund Balance, Ending	\$ 3,373	3,373	13,439	10,066

## **SUPPLEMENTAL INFORMATION**

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Fiscal Year Ended June 30, 2023**

Grantor Agency	Pass-Through Agency/Program Name	Assistance Listing Number	Contract Number	Expenditures	Subrecipient Amounts Passed Thru
Housing and Urban Development	Pass-Through State of Tennessee Department of Economic and Community Development	14.228	33004-32723	\$ 43,691	33,691
National Highway Traffic Safety Administration	Pass-Through Tennessee Highway Safety Office High Visibility Enforcement Grant	20.607	Z21THS209	4,549	-
TOTAL FEDERAL AWARDS				<u>\$ 48,240</u>	<u>33,691</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, 2023.

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**NOTE C: INDIRECT COSTS**

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

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**SCHEDULE OF CHANGES IN PROPERTY TAX RECEIVABLE**  
**For the Fiscal Year Ended June 30, 2023**

<u>Tax Year</u>	<u>Property Tax Receivable at June 30, 2022</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, 2023</u>
2023	\$ -	1,557,727	-	-	-	1,557,727
2022	1,374,669	-	-	25,321	(1,350,315)	49,675
2021	47,082	-	-	-	(24,988)	22,094
2020	26,169	-	-	-	(16,002)	10,167
2019	6,675	-	-	-	(2,953)	3,722
2018	2,892	-	-	-	(823)	2,069
2017	1,820	-	-	-	(681)	1,139
2016	956	-	-	-	(516)	440
2015	700	-	-	-	(309)	391
2014	2,188	-	-	-	-	2,188
2013	460	-	-	-	-	460
2012	-	-	-	-	-	-
2011	276	-	-	-	(276)	-
Total	<u>\$ 1,463,887</u>	<u>1,557,727</u>	<u>-</u>	<u>25,321</u>	<u>(1,396,863)</u>	<u>1,650,072</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, 2023**

	Original Amount of Issue	Interest Rate	Date of Issue	Maturity Date	Outstanding 7/1/2022	Issued During Period	Paid and/or Matured During Period	Outstanding 6/30/2023
Payable through General Fund:								
Body Cameras - Police	\$ 29,068	4.05%	12/31/2021	12/31/2025	\$ 22,775	-	5,353	17,422
OmniCourt Software - Finance	28,924	4.05%	3/25/2022	3/25/2026	23,524	-	5,529	17,995
					<u>\$ 46,299</u>	<u>-</u>	<u>10,882</u>	<u>35,417</u>
Payable Through Sewer Fund:								
Sewer General Obligation Improvement Bonds - Series 2013	\$ 545,000	2.48%	11/27/2013	11/27/2027	<u>\$ 215,000</u>	<u>-</u>	<u>40,000</u>	<u>175,000</u>

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**SCHEDULE OF LONG-TERM DEBT PRINCIPAL AND INTEREST**  
**SEWER GENERAL OBLIGATION REFUNDING BONDS -**  
**SERIES 2013**  
**June 30, 2023**

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Fiscal Year Ending June 30	Principal	Interest	Total
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>\$ 175,000</u>	<u>8,618</u>	<u>183,618</u>



**TOWN OF MOUNT CARMEL, TENNESSEE**  
**SCHEDULE OF CHANGES IN LEASE OBLIGATIONS**  
**For the Year Ended June 30, 2023**

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	\$ 22,775	-	5,353	17,422
Total Leases Payable through General Fund					<u>\$ 22,775</u>	<u>-</u>	<u>5,353</u>	<u>17,422</u>

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**SCHEDULE OF LEASE PRINCIPAL AND INTEREST REQUIREMENTS**  
**GENERAL FUND LEASE**  
**June 30, 2023**

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Fiscal Year Ending June 30	Principal	Interest	Total
2024	\$ 5,574	719	6,293
2025	5,804	489	6,293
2026	6,044	249	6,293
Total	\$ 17,422	1,457	18,879

**OTHER SUPPLEMENTAL  
INFORMATION  
(UNAUDITED)**

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

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Calendar Tax Year		Assessed Value	Tax Rate Per \$100
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		98,429,529	1.39
2023		97,988,793	1.59

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**SCHEDULE OF CAPITAL ASSETS USED IN OPERATION OF GOVERNMENTAL ACTIVITIES**  
**June 30, 2023**

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	1,082,054	-	29,068	-	1,272,081
Highways and Streets	27,000	22,900	1,309,131	-	-	3,907,696	5,266,727
Sanitation	-	-	49,849	-	-	-	49,849
Recreation	229,910	83,678	213,417	-	-	-	527,005
Animal Control	-	27,190	10,299	-	-	-	37,489
Library	-	23,500	-	115,205	-	-	138,705
Total	<u>\$ 352,312</u>	<u>630,270</u>	<u>2,768,228</u>	<u>115,205</u>	<u>57,992</u>	<u>3,907,696</u>	<u>7,831,703</u>

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**SEWER RATE STRUCTURE AND NUMBER OF CUSTOMERS**  
**For the Fiscal Year Ended June 30, 2023**

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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	2,025
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## DAVID M. ELLIS

*Certified Public Accountant*

*Member, American Institute of  
Certified Public Accountants*

*Member, Tennessee Society of  
Certified Public Accountants*

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

To the Board of Mayor and Aldermen  
Town of Mount Carmel  
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 remaining fund information of the Town of Mount Carmel, Tennessee, as of and for the year ended June 30, 2023, 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 October 3, 2024.

#### **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 2023-001, 2023-002, 2023-003 and 2023-004.

#### **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 auditing procedures applied in the other 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 that reads "David M. Ellis". The signature is written in a cursive style with a large, stylized "D" and "E".

David M. Ellis, CPA  
Greeneville, Tennessee  
October 3, 2024



**TOWN OF MOUNT CARMEL, TENNESSEE**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**June 30, 2023**

**Financial Statement Findings**

None

**Compliance Findings**

**Current Year Findings:**

**2023-001 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.

**2023-002 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.

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**June 30, 2023**

*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 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.

**2023-003 Late Audit**

*Condition:* For the year ending June 30, 2023, 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.

**2023-004 Failure to Implement Cyber Security Plan**

*Condition:* The Town failed to implement a Cyber Security Plan by the implementation date. A written plan was not available to read, review, or document compliance.

*Criteria:* TCA Sections 7-51-2301 et seq. were added by 112th General Assembly, Public Chapter 1111, effective June 1, 2022. This law amends sections of TCA to require certain utilities to prepare and implement a cyber security plan to provide for the protection of the utility's facilities from unauthorized use, alteration, ransom, or destruction of electronic data.

*Cause:* The Town was not able to implement a Cyber Security plan by the required date due to new management during the year.

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**June 30, 2023**

*Effect:* Without adequate security measures in place, the Town leaves itself vulnerable to data breaches and public safety of the drinking water.

*Recommendation:* The Town should design and implement a Cyber Security policy as soon as possible.

*Views of responsible officials and planned corrective actions:* Management has begun the discussion about the need for an effective Cyber Security Plan and a written document will be implemented as soon as possible.

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES**  
**For the Fiscal Year Ended June 30, 2023**

**Financial Statement Findings**

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

**Compliance Findings**

<b>Finding Number</b>	<b>Finding Title</b>	<b>Status</b>
2022-001	Closing of Books (Original finding # 2021-001)	Repeated (2023-001)
2022-002	Inadequate Minutes of Meetings (Original finding # 2021-002)	Repeated (2023-002)
2022-003	Late Audit (Original finding # 2022-003)	Repeated (2023-003)



**TOWN OF MOUNT CARMEL, TENNESSEE  
MANAGEMENT'S CORRECTIVE ACTION PLAN  
for Fiscal Year 2022-2023**

The Town of Mount Carmel respectfully submits the following corrective action plan for the year ending June 30, 2023.

**2023-001 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 the year-end closing of the books.

Completed: June 30, 2025

**2023-002 Inadequate Minutes of Meetings**

Corrective action: 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.

Completed: October 31, 2024

**2023-003 Late Audit**

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

Completed: June 30, 2025

**2023-004 Failure to Implement Cyber Security Plan**

Corrective action: Management has begun the discussion about the need for an effective Cyber Security Plan and a written document will be implemented as soon as possible. The Town will consider contracting with an IT consultant to assist in developing a Cyber Security Plan.

Completed: June 30, 2025

  
Jim Stables, Town Administrator

  
Tyler Williams, CMFO/Recorder