

**TOWN OF MOUNT CARMEL, TENNESSEE**

**FINANCIAL STATEMENTS**

**JUNE 30, 2014**

**TOWN OF MOUNT CARMEL, TENNESSEE**  
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**June 30, 2014**

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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**

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

### **Report on the Financial Statements**

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Mount Carmel, Tennessee, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Mount Carmel, Tennessee, as of June 30, 2014, and the respective changes in financial position, where applicable, cash flows thereof, and the

respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of funding progress on pages 3-9 and 43 be presented to supplement the basic financial statements. Such information, 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.

#### *Other Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Mount Carmel, Tennessee's basic financial statements. The combining and individual nonmajor fund financial statements and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and other supplementary information are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 combining and individual nonmajor fund financial statements and other supplementary information are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, I have also issued my report dated December 16, 2014, 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 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 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  
December 16, 2014

**TOWN OF MOUNT CARMEL, TENNESSEE  
MANAGEMENT'S DISCUSSION & ANALYSIS  
(Unaudited-Required Supplementary Information)  
For the Year Ended, June 30, 2014**

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, 2014. 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, 2014 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 \$11,077,737. Of this amount, \$3,802,009 (unrestricted net position) may be used to meet the Town's ongoing obligations.
- The Town's total net position increased \$346,522 during the current year.
- As of June 30, 2014, the Town's General Fund reported a fund balance of \$2,698,145 which was a \$97,004 increase over the prior year.
- The proprietary fund being the Sewer Fund had an increase of \$296,866 in net position with \$259,991 of this amount relating to a capital grant.
- During the current year, the Town issued \$545,000 in refunding bonds to refund a previous bond issue in the Sewer Fund.

**Overview of the Financial Statements**

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

**Government-Wide Financial Statements**

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

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

The Statement of Activities presents information showing how the Town's net positions changed during the most recent year. All changes in net positions are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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

### **Fund Financial Statements**

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

### **Governmental Funds**

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

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Both the governmental funds balance sheet and the governmental funds statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and activities.

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

### **Proprietary Funds**

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

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

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

### **Required & Other Supplementary Information**

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

### **Government-Wide Financial Analysis**

The Town presents its financial statements under the reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB34), Basic Financial Statements-and Management's Discussion and Analysis (MD & A) - for state and local governments.

As noted earlier, net position changes over time serves as a useful indicator of the Town's financial position. In the case of the Town, its overall net position increased \$346,522 in the current year.

The largest portion of the Town's net position (63%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, sewer system plant, lines, swimming pool and equipment); less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided for from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The second largest portion net position consists of unrestricted net position (34%) and this may be used to meet the Town's ongoing obligations to citizens and creditors.

An additional portion of the Town's net position (3%) represents resources that are subject to external restriction on how they may be used.

The Town of Mount Carmel's net position and changes in net position are presented below:

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Assets &amp; Deferred Outflows of Resources</b>						
Current & Other Assets	\$ 4,089,013	\$ 3,884,770	\$ 1,315,385	\$ 1,330,406	\$ 5,404,398	\$ 5,215,176
Capital Assets (net)	2,247,057	2,309,917	6,006,002	5,917,325	8,253,059	8,227,242
Deferred Outflows of Resources	-	-	17,237	21,577	17,237	21,577
<b>Total Assets &amp; Deferred Outflows of Resources</b>	<b>6,336,070</b>	<b>6,194,687</b>	<b>7,338,624</b>	<b>7,269,308</b>	<b>13,674,694</b>	<b>13,463,995</b>
<b>Liabilities &amp; Deferred Inflows of Resources</b>						
Long-Term Liabilities	28,842	33,412	1,255,052	1,415,130	1,283,894	1,448,542
Other Liabilities	176,839	82,165	36,540	104,012	213,379	186,177
Deferred Inflows of Resources	1,099,684	1,098,061	-	-	1,099,684	1,098,061
<b>Total Liabilities &amp; Deferred Inflows of Resources</b>	<b>1,305,365</b>	<b>1,213,638</b>	<b>1,291,592</b>	<b>1,519,142</b>	<b>2,596,957</b>	<b>2,732,780</b>
<b>Net Position</b>						
Net Investment in Capital Assets	2,247,057	2,298,523	4,755,786	4,507,534	7,002,843	6,806,057
Restricted	106,429	58,164	166,456	130,372	272,885	188,536
Unrestricted	2,677,219	2,624,362	1,124,790	1,112,260	3,802,009	3,736,622
<b>Total Net Position</b>	<b>\$ 5,030,705</b>	<b>\$ 4,981,049</b>	<b>\$ 6,047,032</b>	<b>\$ 5,750,166</b>	<b>\$ 11,077,737</b>	<b>\$ 10,731,215</b>

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Revenue</b>						
Charges for Services	\$ 223,155	\$ 244,793	\$ 776,111	\$ 782,948	\$ 999,266	\$ 1,027,741
Operating Grants/Contributions	179,266	194,704	-	-	179,266	194,704
Capital Grants/Contributions	13,342	1,427	259,991	189,061	273,333	190,488
Property Taxes	1,109,114	1,114,366	-	-	1,109,114	1,114,366
Local Sales Tax	320,694	300,499	-	-	320,694	300,499
Other Taxes	119,629	118,824	-	-	119,629	118,824
Intergovernmental	512,440	506,427	-	-	512,440	506,427
Other	22,061	27,384	1,078	1,540	23,139	28,924
<b>Total Revenue</b>	<b>2,499,701</b>	<b>2,508,424</b>	<b>1,037,180</b>	<b>973,549</b>	<b>3,536,881</b>	<b>3,481,973</b>
<b>Expenses</b>						
General Government	121,243	129,949	-	-	121,243	129,949
Financial/Administration	310,657	336,938	-	-	310,657	336,938
Public Safety - Police/Fire	718,894	744,811	-	-	718,894	744,811
Drug Fund Operations	2,000	37,943	-	-	2,000	37,943
Animal Control	34,706	34,044	-	-	34,706	34,044
Building Inspection	29,027	26,770	-	-	29,027	26,770
Highways & Streets	920,949	683,266	-	-	920,949	683,266
Solid Waste - Sanitation	214,973	212,627	-	-	214,973	212,627
Recreation	57,096	47,423	-	-	57,096	47,423
Library	40,009	41,673	-	-	40,009	41,673
Maintenance	-	-	-	-	-	-
Interest - Gov. Activity Debt	491	1,947	-	-	491	1,947
Sewer Operations/Debt Service	-	-	740,314	674,611	740,314	674,611
<b>Total Expenses</b>	<b>2,450,045</b>	<b>2,297,391</b>	<b>740,314</b>	<b>674,611</b>	<b>3,190,359</b>	<b>2,972,002</b>
<b>Change in Net Position</b>	<b>49,656</b>	<b>211,033</b>	<b>296,866</b>	<b>298,938</b>	<b>346,522</b>	<b>509,971</b>
<b>Beginning Net Position</b>	<b>4,981,049</b>	<b>4,770,016</b>	<b>5,750,166</b>	<b>5,451,228</b>	<b>10,731,215</b>	<b>10,221,244</b>
<b>Ending Net Position</b>	<b>\$ 5,030,705</b>	<b>\$ 4,981,049</b>	<b>\$ 6,047,032</b>	<b>\$ 5,750,166</b>	<b>\$ 11,077,737</b>	<b>\$ 10,731,215</b>

### Financial Analysis of the Town's Funds

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

#### Governmental Funds

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

At the end of the current fiscal year, the Towns' governmental funds reported combined ending fund balances of \$2,733,657. In the governmental funds revenues and other sources totaled \$2,504,011 while expenditures totaled \$2,402,797 resulting in a \$101,214 increase to fund balance. At June 30, 2014, 95% of the governmental fund balances were unassigned.

With respect to the General Fund, the overall fund balance increased \$97,004.

### Proprietary Funds

The Town maintains one proprietary fund being the Sewer Fund and in the current year, the Sewer Fund had an increase in net position of \$296,866 with \$259,991 of the increase relating to a capital grant for sewer improvements.

### General Fund Budgetary Highlights

The Town made revisions to its original budget approved by the Town Council. Overall these changes resulted in a \$63,929 increase in budgeted revenues and \$63,929 increase in budgeted expenditures. Actual revenues exceeded final budgeted revenues by \$207,904 and actual expenditures were below final budgeted expenditures by \$582,190.

### Capital Assets

The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2014, totaled \$8,253,059 (net of accumulated depreciation). The investment in capital assets includes land, buildings, equipment, improvements, infrastructure, and sewer plant and lines. A summary of the capital assets are as follows:

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Capital Assets</b>						
Land	\$ 126,927	\$ 110,927	\$ 167,190	\$ 167,190	\$ 294,117	\$ 278,117
Construction in Progress	-	-	-	195,304	-	195,304
Buildings/Improvements	597,115	591,644	-	-	597,115	591,644
Machinery/Equipment/Vehicles	1,771,378	1,725,200	588,944	588,944	2,360,322	2,314,144
Infrastructure	3,907,153	3,907,153	-	-	3,907,153	3,907,153
Utility Plant & Lines	-	-	10,473,188	9,962,842	10,473,188	9,962,842
Library	115,205	115,205	-	-	115,205	115,205
<b>Total Capital Assets</b>	<b>6,517,778</b>	<b>6,450,129</b>	<b>11,229,322</b>	<b>10,914,280</b>	<b>17,747,100</b>	<b>17,364,409</b>
Less: Accumulated Depreciation	(4,270,721)	(4,140,212)	(5,223,320)	(4,996,955)	(9,494,041)	(9,137,167)
<b>Total Capital Assets (net)</b>	<b>\$ 2,247,057</b>	<b>\$ 2,309,917</b>	<b>\$ 6,006,002</b>	<b>\$ 5,917,325</b>	<b>\$ 8,253,059</b>	<b>\$ 8,227,242</b>

During the current year, in the governmental activities area, the Town had \$141,291 in new capital asset additions and the Sewer Fund had \$510,346 in new capital asset additions.

### Debt Administration

For the year ending June 30, 2014, the Town issued \$545,000 in refunding bonds to currently refund a previous sewer bond issue in order to take advantage of market interest rates. There were no new capital outlay notes issued in the current year. A summary of the outstanding debt is presented below:

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Bonds Payable	\$ -	\$ -	\$ 1,223,686	\$ 1,357,715	\$ 1,223,686	\$ 1,357,715
Capital Outlay Notes	-	11,394	26,530	52,076	26,530	63,470
<b>Total Outstanding Debt</b>	<b>\$ -</b>	<b>\$ 11,394</b>	<b>\$ 1,250,216</b>	<b>\$ 1,409,791</b>	<b>\$ 1,250,216</b>	<b>\$ 1,421,185</b>

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

The Town's elected and appointed officials consider many factors when setting the fiscal 2014-15 budget including tax rates and fees that will be charged for business-type activities. Mount Carmel adjoins the city limits of Kingsport, Tennessee. As a result, a majority of the Town's residents are employed in the Kingsport area as Mount Carmel has no major industries in its boundaries and sales tax revenues are primarily dependent on one major lumber company. For the year ending 2014-2015, the Town for its General Fund budgeted \$2,056,586 in revenues and \$2,317,777 in expenditures with the difference being provided by accumulated fund balance from the prior years and the property tax rate remained \$1.38 per \$100 of assessed value on real and personal property. There were no proposed changes in the sewer rates for the enterprise fund.

## **Contacting the Town's Financial Management**

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

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

<b>ASSETS</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Current Assets</b>			
Cash & Cash Equivalents	\$ 2,647,424	\$ 970,283	\$ 3,617,707
Taxes Receivable	1,187,089	-	1,187,089
Intergovernmental Receivables	168,224	-	168,224
Receivables (net)	22,973	130,603	153,576
Inventory	27,791	48,043	75,834
<b>Restricted Assets</b>			
Cash & Cash Equivalents	35,512	166,456	201,968
<b>Capital Assets Not Being Depreciated</b>			
Land	126,927	167,190	294,117
Construction in Progress	-	-	-
<b>Capital Assets Net of Depreciation</b>			
Buildings	124,018	-	124,018
Sewer System	-	5,838,812	5,838,812
Equipment and Other	1,996,112	-	1,996,112
<b>Total Assets</b>	<b>6,336,070</b>	<b>7,321,387</b>	<b>13,657,457</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Charge on Refunding	-	17,237	17,237
<b>Total Deferred Outflows of Resources</b>	<b>-</b>	<b>17,237</b>	<b>17,237</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	148,016	28,955	176,971
Accrued Expenses	28,823	7,295	36,118
Customer Deposits	-	290	290
<b>Noncurrent Liabilities</b>			
Due within one year	28,842	183,265	212,107
Due in more than one year	-	1,071,787	1,071,787
<b>Total Liabilities</b>	<b>205,681</b>	<b>1,291,592</b>	<b>1,497,273</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Current Property Taxes	1,099,684	-	1,099,684
<b>Total Deferred Inflows of Resources</b>	<b>1,099,684</b>	<b>-</b>	<b>1,099,684</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	2,247,057	4,755,786	7,002,843
Restricted			
Debt Service	-	166,456	166,456
State Street Aid	70,917	-	70,917
Drug Operations	35,512	-	35,512
Unrestricted	2,677,219	1,124,790	3,802,009
<b>Total Net Position</b>	<b>\$ 5,030,705</b>	<b>\$ 6,047,032</b>	<b>\$ 11,077,737</b>

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

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**STATEMENT OF ACTIVITIES**  
For the Year ended June 30, 2014

**PROGRAM REVENUES**

Functions/Programs	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Net (Expense) Revenue	Governmental Activities	Business-Type Activities	Total
<b>Primary Government</b>								
<b>Governmental Activities:</b>								
General Government	\$ 121,243	\$ 20,761	\$ -	\$ -	\$ (100,482)			
Financial & Administration	310,657	-	-	-	(310,657)			
Public Safety-Police/Fire	718,894	135,780	32,135	13,342	(537,637)			
Drug Fund Operations	2,000	32,828	-	-	30,828			
Animal Control	34,706	1,404	-	-	(33,302)			
Building Inspection	29,027	7,751	-	-	(21,276)			
Highways & Streets	920,949	24,631	140,992	-	(755,326)			
Solid Waste/Sanitation	214,973	-	-	-	(214,973)			
Recreation	57,096	-	450	-	(56,646)			
Library	40,009	-	5,689	-	(34,320)			
Maintenance	-	-	-	-	-			
Interest on Long-Term Debt	491	-	-	-	(491)			
<b>Total Governmental Activities</b>	<b>2,450,045</b>	<b>223,155</b>	<b>179,266</b>	<b>13,342</b>	<b>(2,034,282)</b>			
<b>Business-Type Activities:</b>								
Sewer	740,314	776,111	-	259,991	295,788			
<b>Total Business-Type Activities</b>	<b>740,314</b>	<b>776,111</b>	<b>-</b>	<b>259,991</b>	<b>295,788</b>			
<b>Total Primary Government</b>	<b>\$3,190,359</b>	<b>\$ 999,266</b>	<b>\$ 179,266</b>	<b>\$ 273,333</b>	<b>\$ (1,738,494)</b>			
<b>Change in Net Position</b>								
<b>General Revenues</b>						<b>(2,034,282)</b>	<b>295,788</b>	<b>(1,738,494)</b>
Property Taxes						1,109,114	-	1,109,114
Local Option Sales Tax						320,694	-	320,694
Franchise Taxes						70,874	-	70,874
Beer Taxes						48,755	-	48,755
Intergovernmental						512,440	-	512,440
Gain on Sale of Capital Assets						8,923	-	8,923
Interest Income						5,771	1,078	6,849
Miscellaneous						7,367	-	7,367
<b>Total General Revenues</b>						<b>2,083,938</b>	<b>1,078</b>	<b>2,085,016</b>
<b>Increase (Decrease) in Net Position</b>						<b>49,656</b>	<b>296,866</b>	<b>346,522</b>
<b>Net Position-Beginning</b>						<b>4,981,049</b>	<b>5,750,166</b>	<b>10,731,215</b>
<b>Net Position-Ending</b>						<b>\$ 5,030,705</b>	<b>\$ 6,047,032</b>	<b>\$ 11,077,737</b>

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

## TOWN OF MOUNT CARMEL, TENNESSEE

## BALANCE SHEET

## GOVERNMENTAL FUNDS

June 30, 2014

	General Fund	Other Governmental Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash & Cash Equivalents	\$ 2,647,424	\$ 35,512	\$ 2,682,936
Taxes Receivable	1,187,089	-	1,187,089
Accounts Receivable	22,973	-	22,973
Intergovernmental Receivables	168,224	-	168,224
Inventory	27,791	-	27,791
<b>Total Assets</b>	<b>\$ 4,053,501</b>	<b>\$ 35,512</b>	<b>\$ 4,089,013</b>
<b>LIABILITIES</b>			
Accounts Payable	148,016	-	148,016
Accrued Expenses	-	-	-
Accrued Salaries & Benefits	28,823	-	28,823
Customer Deposits	-	-	-
<b>Total Liabilities</b>	<b>176,839</b>	<b>-</b>	<b>176,839</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Current Property Taxes	1,099,684	-	1,099,684
Deferred Delinquent Property Taxes	78,833	-	78,833
<b>Total Deferred Inflows of Resources</b>	<b>1,178,517</b>	<b>-</b>	<b>1,178,517</b>
<b>FUND BALANCES</b>			
Non-spendable	27,791	-	27,791
Committed	-	-	-
Assigned	-	-	-
Restricted	70,917	35,512	106,429
Unassigned	2,599,437	-	2,599,437
<b>Total Fund Balances</b>	<b>2,698,145</b>	<b>35,512</b>	<b>2,733,657</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 4,053,501</b>	<b>\$ 35,512</b>	<b>\$ 4,089,013</b>

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

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

<b>Total Fund Balances - Governmental Funds</b>	<b>\$</b>	<b>2,733,657</b>
<p>Amounts reported for governmental activities in the Statement of Net Assets are different because:</p>		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the Governmental Fund.		2,247,057
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the Governmental Funds.		
	Due within one year:	28,842
	Due in more than one year:	-
		28,842
		(28,842)
Unearned revenue is not recognized on property taxes in the Governmental Funds, as it is not available within the time period.		78,833
<b>Net Position of Governmental Activities</b>	<b>\$</b>	<b><u>5,030,705</u></b>

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

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, & CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2014**

	General Fund	Other Governmental Fund	Total Governmental Funds
<b>REVENUES</b>			
Taxes:			
Property taxes	\$ 1,092,317	\$ -	\$ 1,092,317
Interest & Penalties - Taxes	10,065	-	10,065
Local Option Sales Tax	320,694	-	320,694
Wholesale Beer Tax	48,755	-	48,755
Cable TV Franchise Tax	70,874	-	70,874
Total Taxes	1,542,705	-	1,542,705
Intergovernmental Revenue	672,642	-	672,642
Charges for Services:			
Building Permits	7,751	-	7,751
Highway Contract Services	24,631	-	24,631
Animal Control	1,404	-	1,404
Fines/Forfeitures/Enforcement	135,780	32,828	168,608
Other Charges	20,761	-	20,761
Total Charges for Services	190,327	32,828	223,155
Donations	32,406	-	32,406
Sales of Surplus Property	19,965	-	19,965
Interest Income	5,699	72	5,771
Miscellaneous Income	7,367	-	7,367
<b>Total Revenues</b>	<b>2,471,111</b>	<b>32,900</b>	<b>2,504,011</b>
<b>EXPENDITURES</b>			
General Government	128,969	-	128,969
Financial & Administration	316,128	-	316,128
Public Safety	645,620	-	645,620
Drug Fund Operations	-	28,690	28,690
Animal Control	34,026	-	34,026
Building Inspection	29,027	-	29,027
Highway & Streets	897,420	-	897,420
Solid Waste - Sanitation	214,973	-	214,973
Recreation	56,050	-	56,050
Library	40,009	-	40,009
Maintenance	-	-	-
Debt Service	11,885	-	11,885
<b>Total Expenditures</b>	<b>2,374,107</b>	<b>28,690</b>	<b>2,402,797</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>97,004</b>	<b>4,210</b>	<b>101,214</b>
Other Financing Sources (Uses)	-	-	-
<b>Net Change in Fund Balances</b>	<b>97,004</b>	<b>4,210</b>	<b>101,214</b>
<b>Fund Balances - Beginning</b>	<b>2,601,141</b>	<b>31,302</b>	<b>2,632,443</b>
<b>Fund Balances - Ending</b>	<b>\$ 2,698,145</b>	<b>\$ 35,512</b>	<b>\$ 2,733,657</b>

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

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, &**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO**  
**THE STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2014**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$</b>	<b>101,214</b>
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the government-wide Statement of Activities and Changes in Net Position, the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense. This is the amount of capital assets purchased in the current period.		141,291
Depreciation expense on capital assets is reported in the government-wide Statement of Activities and Changes in Net Position but does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in Governmental Funds.		(193,109)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has an effect on net position. This amount is the net effect of these differences in the treatment of long-term debt. \$50,000 is the principal paid on debt in the current year. New debt issues totaled \$0.		11,394
Some expenses reported in the Statement of Activities do not require the use of current financial resources; therefore, they are not reported as expenditures in Governmental Funds. Change in compensated absence accrual.		(6,824)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the Governmental Funds. Property taxes - \$6,732.		6,732
Gain on sale of capital assets is reported in the government-wide Statement of Activities and Changes in Net Position while the Governmental Funds only recognize the total sales and not the gain or loss. Thus, the net book value is deducted on capital assets.		(11,042)
		(11,042)
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b><u>49,656</u></b>

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

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**June 30, 2014**

	<u><b>SEWER FUND</b></u>
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash & Cash Equivalents	\$ 970,283
Accounts Receivable (net)	130,603
Inventory	48,043
<b>Noncurrent &amp; Restricted Assets</b>	
Cash & Cash Equivalents	166,456
Utility Plant & Equipment (net)	6,006,002
<b>Total Assets</b>	<u>7,321,387</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Charge on Refunding	17,237
<b>Total Deferred Outflows of Resources</b>	<u>17,237</u>
 <b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts Payable & Accrued Liabilities	28,955
Accrued Interest	2,289
Accrued Salaries & Benefits	5,006
Accrued Compensated Absences - current	4,836
Customer Deposits	290
Capital Outlay Notes Payable - current	26,530
Bonds Payable - current	151,899
<b>Noncurrent Liabilities</b>	
Capital Outlay Notes Payable	-
Bonds Payable	1,071,787
<b>Total Liabilities</b>	<u>1,291,592</u>
 <b>NET POSITION</b>	
Net Investments In Capital Assets	4,755,786
Restricted for Debt Service	166,456
Unrestricted	1,124,790
<b>Total Net Position</b>	<u><u>\$ 6,047,032</u></u>

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

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENSES, & CHANGES IN NET POSITION**  
**PROPRIETARY FUND**  
**For the Year Ended June 30, 2014**

	<b>SEWER FUND</b>
<b>OPERATING REVENUE</b>	
Charges for Services	\$ 776,111
<b>Total Operating Revenue</b>	<b>776,111</b>
 <b>OPERATING EXPENSE</b>	
Personnel Services	171,016
Materials & Supplies	7,936
Repairs & Maintenance	131,250
Contractual Services	41,595
Utilities & Telephone	72,665
Insurance	14,089
General Expenses	27,546
Depreciation	226,365
<b>Total Operating Expense</b>	<b>692,462</b>
 <b>Income (Loss) from Operations</b>	 <b>83,649</b>
 <b>NONOPERATING REVENUE (EXPENSE)</b>	
Interest Income	1,078
Bond Issue Expenses	(8,000)
Interest Expense	(39,852)
<b>Total Nonoperating Revenue (Expense)</b>	<b>(46,774)</b>
 Income Before Contributions	 36,875
Capital Grants	259,991
<b>Change in Net Position</b>	<b>296,866</b>
 <b>NET POSITION-BEGINNING</b>	 5,750,166
<b>NET POSITION-ENDING</b>	<b>\$ 6,047,032</b>

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

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**For the Year Ended June 30, 2014**

	<u>SEWER FUND</u>
<b>Cash Flows from Operating Activities</b>	
Cash Received from Customers	\$ 777,997
Cash Payments for Supplies/Services	(363,807)
Cash Payments to Employees/Personnel	(170,854)
<b>Net Cash Provided by Operating Activities</b>	<u>243,336</u>
<b>Cash Flows from Capital &amp; Related Financing Activities</b>	
Purchases of Capital Assets	(315,042)
Issuance of Refunding Bonds	545,000
Retirement of Debt	(704,575)
Debt Issue Expenses on Refunding Bonds	(8,000)
Interest Paid on Debt	(35,512)
Capital Grants Received	292,396
<b>Net Cash Provided by (Used for) Capital &amp; Related Financing Activities</b>	<u>(225,733)</u>
<b>Cash Flow from Investing Activities</b>	
Interest Income	1,078
<b>Net Increase (Decrease) in Cash &amp; Cash Equivalents</b>	<u>18,681</u>
<b>Cash &amp; Cash Equivalents - Beginning</b>	1,118,058
<b>Cash &amp; Cash Equivalents - Ending</b>	<u><u>\$ 1,136,739</u></u>
 <b>Reconciliation of Income from Operations to Net Cash Provided by (Used for) Operating Activities</b>	
Income from Operations	83,649
 <b>Adjustments to Reconcile Income from Operations to Net Cash Provided by (Used for) Operating Activities</b>	
Depreciation	226,365
(Increase) Decrease in:	
Accounts Receivable	1,886
Inventory	(589)
Increase (Decrease) in:	
Accounts Payable & Accrued Liabilities	(67,975)
<b>Net Cash Provided by (Used for) Operating Activities</b>	<u><u>\$ 243,336</u></u>
 <b>Reconciliation of Total Cash &amp; Cash Equivalents</b>	
Cash & Cash Equivalents	970,283
Restricted Cash & Cash Equivalents	166,456
<b>Total Cash &amp; Cash Equivalents</b>	<u><u>\$ 1,136,739</u></u>

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

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, & CHANGES IN FUND BALANCE**  
**- BUDGET & ACTUAL-**  
**GENERAL FUND**  
**For the Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUE</b>				
<b>Taxes</b>				
Property Taxes	\$ 1,039,592	\$ 1,039,592	\$ 1,092,317	\$ 52,725
Interest & Penalties - Taxes	10,000	10,000	10,065	65
Local Option Sales Tax	250,000	281,060	320,694	39,634
Wholesale Beer Tax	30,000	30,000	48,755	18,755
Cable TV Franchise Tax	53,000	53,000	70,874	17,874
<b>Total Taxes</b>	<b>1,382,592</b>	<b>1,413,652</b>	<b>1,542,705</b>	<b>129,053</b>
<b>Intergovernmental Revenue</b>				
State Sales Tax	345,000	345,000	387,880	42,880
State Income Tax	2,500	2,500	11,059	8,559
State Beer Tax	2,500	2,500	2,569	69
State Street Aid	138,000	138,000	140,992	2,992
State Gas Tax	10,000	10,000	11,236	1,236
TVA in Lieu	58,000	58,000	95,541	37,541
State Pay Supplement	4,200	4,200	3,600	(600)
Telecommunication Tax	350	350	555	205
Federal/State/Other Grants	40,890	44,009	19,210	(24,799)
<b>Total Intergovernmental Revenue</b>	<b>601,440</b>	<b>604,559</b>	<b>672,642</b>	<b>68,083</b>
<b>Charges for Services</b>				
State Highway Services	15,000	15,000	24,631	9,631
Rental Income	22,536	22,536	20,661	(1,875)
Training Classes/Other	500	500	-	(500)
Wrecker Services	200	200	100	(100)
<b>Total Charges for Services</b>	<b>38,236</b>	<b>38,236</b>	<b>45,392</b>	<b>7,156</b>
<b>Fines &amp; Forfeitures</b>				
City Court Fines	85,000	85,000	85,694	694
County Court Fines	6,000	6,000	5,691	(309)
Animal Control	500	500	1,404	904
Speed Enforcement	45,000	45,000	44,395	(605)
<b>Total Fines &amp; Forfeitures</b>	<b>136,500</b>	<b>136,500</b>	<b>137,184</b>	<b>684</b>
<b>Licenses &amp; Permits</b>				
Building Permits	6,000	6,000	7,751	1,751
<b>Total Licenses &amp; Permits</b>	<b>6,000</b>	<b>6,000</b>	<b>7,751</b>	<b>1,751</b>
<b>Other Revenue</b>				
Interest Income	660	660	5,699	5,039
Donations/Other	20,200	29,950	32,406	2,456
Miscellaneous	13,650	33,650	7,367	(26,283)
Surplus Sales	-	-	19,965	19,965
<b>Total Other Revenue</b>	<b>34,510</b>	<b>64,260</b>	<b>65,437</b>	<b>1,177</b>
<b>TOTAL REVENUES</b>	<b>\$ 2,199,278</b>	<b>\$ 2,263,207</b>	<b>\$ 2,471,111</b>	<b>\$ 207,904</b>

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

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, & CHANGES IN FUND BALANCE**  
**- BUDGET & ACTUAL-**  
**GENERAL FUND**  
**For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
<b>General Government</b>				
Election Expense	\$ -	\$ -	\$ -	\$ -
Dues	1,600	1,600	1,517	83
Senior Citizens	36,000	36,000	36,000	-
Utilities	13,000	13,000	12,652	348
Telephone	4,500	4,510	4,506	4
Engineering	15,000	15,000	1,100	13,900
Insurance	51,000	51,000	42,267	8,733
Reappraisal Cost	6,500	6,490	5,895	595
Safety Program	3,000	3,000	2,422	578
Bank Charges	100	100	-	100
First TN Dev. District	1,110	1,110	1,110	-
First TN Human Resources	2,000	2,000	2,000	-
Of One Accord Donation	1,000	1,000	1,000	-
Capital Outlay	-	20,000	16,000	4,000
Chamber of Commerce	2,500	2,500	2,500	-
<b>Total General Government</b>	137,310	157,310	128,969	28,341
<b>Financial &amp; Administration</b>				
Salaries	171,600	171,700	166,792	4,908
Payroll Taxes	13,450	13,450	12,297	1,153
Health Insurance	23,000	23,000	20,792	2,208
Retirement	20,000	20,000	17,248	2,752
Worker's Compensation Ins.	1,500	1,500	536	964
Training	3,000	3,700	3,015	685
Internet & Web Services	1,280	1,350	889	461
Cable TV Channel	72	72	-	72
Housing Authority	1,000	-	-	-
Advertising	1,200	4,550	3,903	647
City Judge	4,800	4,800	4,600	200
Medical Services	200	200	175	25
Legal Services	20,000	17,399	9,368	8,031
Accounting Services	21,050	21,050	17,265	3,785
Computer & Support	18,000	18,000	16,585	1,415
State Planning Fees	8,400	8,400	6,300	2,100
Repairs & Maintenance	15,000	15,000	8,634	6,366
Travel	3,000	3,000	395	2,605
Tax Commission Fees	2,500	2,500	977	1,523
Miscellaneous	5,000	5,000	3,539	1,461
Contractual Fees	1,200	1,200	639	561
Office Expense & Supplies	15,900	15,900	12,922	2,978
Copier Maintenance/Lease	1,520	1,520	1,512	8

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

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, & CHANGES IN FUND BALANCE**  
**- BUDGET & ACTUAL-**  
**GENERAL FUND**  
**For the Year Ended June 30, 2014**

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
Capital Outlay	\$ 8,850	\$ 8,850	\$ 7,745	\$ 1,105
<b>Total Financial &amp; Administration</b>	361,522	362,141	316,128	46,013
<b>Public Safety - Police</b>				
Salaries/Wages	309,400	314,600	280,795	33,805
Payroll Taxes	24,720	24,720	19,910	4,810
Health Insurance	80,000	80,000	55,856	24,144
Retirement	35,000	35,000	29,291	5,709
Worker's Compensation Ins.	23,000	23,000	13,706	9,294
Training	3,000	5,000	4,093	907
Dues & E-Com Expense	900	900	452	448
Utilities/Telephone	6,500	6,600	6,588	12
Internet Services	1,300	1,300	1,141	159
Computer & Support	19,200	19,200	11,937	7,263
Medical Services	750	1,050	1,042	8
Towing Services	800	800	260	540
Travel	4,000	4,000	3,844	156
Office Expense	5,500	5,500	4,644	856
Operating Supplies	8,000	7,850	4,309	3,541
Child Restraint Seats	-	-	-	-
Clothing/Uniforms	3,600	5,600	5,345	255
Vehicle/Fuel Expense	53,000	53,000	33,131	19,869
Copier Lease	1,752	1,752	1,752	-
Miscellaneous/Radio Expense	4,200	4,200	467	3,733
Department of Safety	15,000	15,000	9,663	5,337
Bullet Proof Vests	500	500	28	472
Capital Outlay	40,890	43,690	10,574	33,116
Training Classes	1,000	1,000	-	1,000
<b>Total Public Safety - Police</b>	642,012	654,262	498,828	155,434
<b>Public Safety - Fire</b>				
Salaries/Wages	49,000	49,000	35,714	13,286
Payroll Taxes	4,090	4,090	2,552	1,538
Health Insurance	6,000	6,000	5,342	658
Retirement	5,800	5,800	3,920	1,880
Worker's Compensation Ins.	4,800	4,800	1,576	3,224
Training	2,000	2,000	754	1,246
Internet Services	-	-	-	-
Dues	330	330	100	230
Public Relations	2,000	2,500	2,417	83
Utilities/Telephone	14,800	14,800	12,323	2,477
Medical Services	1,000	1,000	211	789
Computer & Support	440	540	440	100
Repairs & Maintenance	10,000	17,750	17,734	16

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

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, & CHANGES IN FUND BALANCE**  
**- BUDGET & ACTUAL-**  
**GENERAL FUND**  
**For the Year Ended June 30, 2014**

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
Travel	\$ 1,200	\$ 3,700	\$ 1,983	\$ 1,717
OSHA Testing	3,500	3,500	1,625	1,875
Contractual Services	1,400	1,400	850	550
Office Expense/Postage	2,500	2,500	2,139	361
Operating Supplies	5,800	5,800	4,516	1,284
Clothing/Uniforms	2,500	4,550	4,487	63
Vehicle/Fuel Expense	29,000	26,550	23,673	2,877
Radio Expense	1,500	1,500	176	1,324
Miscellaneous	1,500	1,500	84	1,416
Capital Outlay	26,800	26,100	24,176	1,924
Copier Maintenance	-	-	-	-
<b>Total Public Safety - Fire</b>	<b>175,960</b>	<b>185,710</b>	<b>146,792</b>	<b>38,918</b>
<b>Total Public Safety</b>	<b>817,972</b>	<b>839,972</b>	<b>645,620</b>	<b>194,352</b>
<b>Animal Control</b>				
Salaries/Wages	21,500	21,500	17,498	4,002
Payroll Taxes	1,640	1,640	1,402	238
Health Insurance	-	-	-	-
Retirement	500	500	18	482
Worker's Compensation Ins.	1,400	1,400	858	542
Training	250	830	775	55
Dues	100	100	-	100
Utilities/Telephone	2,050	2,050	1,351	699
Internet Services	550	550	480	70
Medical Services	800	1,800	1,488	312
Repairs & Maintenance	3,500	3,500	3,039	461
Travel	400	2,000	1,619	381
Radio Expense	-	-	-	-
Office Expense	250	750	419	331
Operating Supplies	500	900	881	19
Animal Food Purchases	600	600	-	600
Clothing/Uniforms	800	800	-	800
Vehicle Expense	3,800	4,500	4,198	302
Miscellaneous	200	200	-	200
<b>Total Animal Control</b>	<b>38,840</b>	<b>43,620</b>	<b>34,026</b>	<b>9,594</b>
<b>Building Inspection</b>				
Salaries/Wages	22,000	22,000	20,395	1,605
Payroll Taxes	1,790	1,790	1,596	194
Worker's Compensation Ins.	1,600	1,600	1,171	429
Training	600	600	75	525
Dues/Fees	4,200	4,200	3,640	560
Telephone	500	500	320	180
Travel	600	600	421	179

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

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

**For the Year Ended June 30, 2014**

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
Operating Supplies	\$ 800	\$ 1,400	\$ 1,371	\$ 29
Miscellaneous & Demolition	3,100	2,500	38	2,462
Vehicle Expense	500	500	-	500
<b>Total Building Inspection</b>	35,690	35,690	29,027	6,663
<b>Highways &amp; Streets</b>				
Salaries/Wages	174,000	174,000	138,619	35,381
Payroll Taxes	13,450	13,450	9,319	4,131
Health Insurance	52,000	51,100	34,363	16,737
Retirement	20,000	20,000	16,356	3,644
Worker's Compensation Ins.	21,000	21,000	13,846	7,154
Training	200	200	-	200
Utilities/Telephone	10,300	10,800	8,754	2,046
Internet Services	1,260	1,460	1,267	193
Medical Services	500	500	206	294
Repairs & Maintenance	43,000	43,000	29,160	13,840
Travel	200	200	-	200
Equipment Rental	500	500	67	433
Office Expense	1,000	1,000	263	737
Operating Supplies	5,000	5,000	3,607	1,393
Clothing/Uniforms	4,000	4,000	1,711	2,289
Vehicle Expense	62,000	59,000	37,143	21,857
Traffic Light Study	-	-	-	-
Miscellaneous	2,000	2,000	-	2,000
Drainage Repairs	15,000	15,000	7,044	7,956
Paving	500,000	500,000	431,961	68,039
Capital Outlay	90,000	93,200	93,130	70
<b>Total Highways &amp; Streets</b>	1,015,410	1,015,410	826,816	188,594
<b>State Street Aid</b>				
Street Lighting	43,000	43,000	42,155	845
Signs & Parts	5,000	5,000	-	5,000
Materials-Streets & Paving	86,510	86,510	27,279	59,231
Traffic Light Maintenance	3,000	3,000	1,170	1,830
<b>Total State Street Aid</b>	137,510	137,510	70,604	66,906
<b>Solid Waste Sanitation</b>				
Salaries/Wages	33,000	34,200	32,092	2,108
Payroll Taxes	2,690	2,690	1,952	738
Health Insurance	17,000	17,550	15,738	1,812
Retirement	4,000	4,000	3,842	158
Worker's Compensation Ins.	3,200	3,200	2,184	1,016
Medical Services	200	200	-	200
Contractual Fees	161,425	158,425	153,928	4,497
Operating Supplies	300	300	-	300

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

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, & CHANGES IN FUND BALANCE**  
**- BUDGET & ACTUAL-**  
**GENERAL FUND**  
**For the Year Ended June 30, 2014**

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
Clothing/Uniforms	\$ -	\$ -	\$ -	\$ -
Vehicle/Fuel Expense	4,000	5,250	5,237	13
State Permit Fees	-	-	-	-
<b>Total Solid Waste Sanitation</b>	225,815	225,815	214,973	10,842
<b>Recreation</b>				
Worker's Compensation Ins.	-	-	(573)	573
Utilities/Telephone/Internet	5,320	5,320	4,068	1,252
Joint Recreation Program	43,000	58,000	46,253	11,747
War Memorial	2,000	3,500	2,687	813
Operating Supplies	1,000	1,000	-	1,000
Park Development	8,000	8,000	3,615	4,385
Miscellaneous	250	250	-	250
<b>Total Recreation</b>	59,570	76,070	56,050	20,020
<b>Library</b>				
Salaries/Wages	22,000	21,700	18,902	2,798
Payroll Taxes	1,970	1,970	1,514	456
Training	150	150	-	150
Retirement	-	-	-	-
Worker's Compensation Ins.	100	100	16	84
Utilities/Telephone	3,380	3,380	2,913	467
Internet Services	500	500	440	60
Medical Services	200	200	130	70
Repairs	1,000	1,000	605	395
Travel	500	500	29	471
Office Expense	1,000	1,000	766	234
Materials	5,000	5,300	5,171	129
Summer Reading	500	800	507	293
Miscellaneous	500	500	-	500
Computer & Support	2,500	2,500	1,940	560
Copier Maintenance	400	400	400	-
Capital Outlay	7,500	7,200	6,676	524
<b>Total Library</b>	47,200	47,200	40,009	7,191
<b>Other</b>				
Cemetery Maintenance	3,650	3,650	-	3,650
<b>Total Other</b>	3,650	3,650	-	3,650
<b>Debt Service</b>				
Principal	11,394	11,404	11,394	10
Interest	485	505	491	14
<b>Total Debt Service</b>	11,879	11,909	11,885	24
<b>TOTAL EXPENDITURES</b>	<b>\$ 2,892,368</b>	<b>\$ 2,956,297</b>	<b>\$ 2,374,107</b>	<b>\$ 582,190</b>

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

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**STATEMENT OF REVENUES, EXPENDITURES, & CHANGES IN FUND BALANCE**  
**- BUDGET & ACTUAL-**  
**GENERAL FUND**  
**For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Excess (Deficiency) of Revenue Over (Under) Expenditures</b>	\$ (693,090)	\$ (693,090)	\$ 97,004	\$ 790,094
Other Financing Sources (Uses)	-	-	-	-
<b>Net Change in Fund Balance</b>	(693,090)	(693,090)	97,004	790,094
<b>FUND BALANCE - BEGINNING</b>	2,601,141	2,601,141	2,601,141	-
<b>FUND BALANCE - ENDING</b>	\$ 1,908,051	\$ 1,908,051	\$ 2,698,145	\$ 790,094

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

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2014**

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

**A. General Statement**

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

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

The accounting and reporting framework and the more significant accounting policies are discussed in subsequent sections of these notes to the basic financial statements. In determining the financial reporting entity, the Town has no component units at June 30, 2014 over which the Town exercises significant influence.

**B. Basis of Presentation**

**Government-wide Financial Statements**

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

### **Fund Financial Statements**

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

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

The funds of the Town are described as follows:

#### **Governmental Funds**

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

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

#### **Proprietary Fund**

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

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

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

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

General Fund – See above for description.

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

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

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

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

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

#### **Measurement Focus**

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

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

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

#### **Basis of Accounting**

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

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

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

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

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

**Cash & Cash Equivalents**

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

**Interfund Receivables & Payables**

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

**Receivables**

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

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

**Inventories**

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

**Capital Assets**

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

### **Government-wide Statements**

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

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

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

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

Land and Construction in Progress are not depreciated.

### **Fund Financial Statements**

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

### **Restricted Assets**

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

### **Long-term Debt**

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

in the government-wide financial statements. The long-term debt consists primarily of capital outlay notes and bonds payable.

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

#### **Compensated Absences**

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

#### **Post-Employment Benefits**

The Town provides no post-employment benefits to employees who retire or separate from service. Also, the Town under the Consolidated Omnibus Budget Reconciliation Act (COBRA) makes available healthcare benefits available to eligible former employees and eligible dependents according to certain requirements outlined by the Federal government for this coverage. At June 30, 2014, there were no participants in the COBRA program.

#### **Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element of deferred outflows of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town of Mount Carmel, Tennessee has one item that qualifies for reporting in this category. This relates to deferred costs from the refunding of debt (result of reacquisition price excess), which was previously deferred and amortized are now presented as deferred outflows of resources.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The government has items that qualify for reporting in this category. Accordingly, these items are reported in the government-wide Statement of Net Position and/or governmental funds balance sheet. The items are from the following sources: Current property taxes and delinquent property taxes.

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

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

- 1) Net Investment in Capital Assets – Consists of capital assets including restricted capital assets (net of accumulated depreciation) and reduced by the outstanding borrowings attributable to the acquisition, construction or improvement of those assets.
- 2) Restricted Net Position – Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation. The City’s policy is generally to use restricted net position first, as appropriate opportunities arise.
- 3) Unrestricted Net Position – All other net positions that do not meet the definition of “restricted” or “net investment in capital assets.”

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

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

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

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

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

the Town's policy to use restricted fund balance first, then use unrestricted fund balance as stated above.

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

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

Under state law, property taxes become a lien on January 1 of each year. Property taxes are levied annually and are due and payable from October 1st through February 28<sup>th</sup> of the following calendar year. The 2013 property taxes which are due and payable in the current fiscal year are recorded as revenue in the fund financial statements to the extent they are collected within 60 days of year-end with the remainder being recorded as a receivable and as deferred inflow of resources. The 2014 property taxes which became a lien on January 1, 2014 and are not levied until October 1, 2014 are recorded as a receivable and as deferred inflows of resources in the fund financial statements. On the government-wide statements, property taxes are recorded as revenue in the year the tax becomes a lien with the exception of the 2014 property taxes which are recorded as a receivable and as deferred inflow of resources with the revenue being recognized in the following fiscal year which it is intended to finance. Those revenues susceptible to accrual are property taxes, sales tax, beer taxes, gas taxes, income taxes, interest revenues, and charges for utility services. Permits, fines, penalties and other revenues are not susceptible to accrual because they are not generally measurable until received in cash.

### **Operating Revenue & Expenses**

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

### **Expenditures/Expenses**

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

### **Interfund Transfers**

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

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

In preparing the Town's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

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

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

- General Fund
- Drug Fund

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

### **B. Budgetary Information**

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

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

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

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

The Town of Mount Carmel has no formal policies with respect to deposits and investments; however, the Town is required to follow procedures regarding deposits and authorized investments which are allowed by applicable state laws. For the Town of Mount Carmel, TCA Code Section 6-56-106 prescribes the authorized investments for municipalities in the State of Tennessee. With respect to deposits, the State of Tennessee requires that all deposits in financial institutions be collateralized by securities whose market value is equal to 105% of the value of the

uninsured deposits. The financial institution deposits must be covered by federal depository insurance or the Tennessee Collateral Bank Pool, by collateral held by the Town's agent in the Town's name, or by the Federal Reserve Banks acting as third party agents. As of June 30, 2014, the carrying amount of the Town's deposits was \$3,819,525 (excluding cash on hand of \$150) and the respective bank balances totaled \$3,837,160. The difference between the two amounts represented deposits in transit, outstanding checks, or other reconcilable items. As of June 30, 2014, the total bank balances of \$3,837,160 were covered by either F.D.I.C. insurance or by collateral pledged as part of the financial institutions participation in the Tennessee Collateral Bank Pool. A recap of total deposits for the governmental and proprietary funds at June 30, 2014 is as follows:

Category	Governmental	Business-Type	Total
	Activities	Activities	
Cash in Banks	\$ 2,682,786	\$ 1,136,739	\$ 3,819,525
<b>Total Deposits &amp; Investments</b>	<b>2,682,786</b>	<b>1,136,739</b>	<b>3,819,525</b>
Cash on Hand	150	-	150
<b>Total Cash &amp; Cash Equivalents</b>	<b>\$ 2,682,936</b>	<b>\$ 1,136,739</b>	<b>\$ 3,819,675</b>

#### Custodial Credit Risk

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

At June 30, 2014 the Town had the following cash & cash equivalents restricted:

	Governmental	Business-Type
	Activities	Activities
Drug Fund Operations	\$ 35,512	\$ -
Debt Service Reserves	-	166,456
<b>Total</b>	<b>\$ 35,512</b>	<b>\$ 166,456</b>

#### NOTE 4 – RECEIVABLES

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

Receivables	Non-major			Total
	General Fund	Sewer Fund	Funds	
Property Taxes	\$ 1,187,089	\$ -	\$ -	\$ 1,187,089
Accounts/Trade/Other	22,973	147,978	-	170,951
Intergovernmental	168,224	-	-	168,224
<b>Gross Receivables</b>	<b>1,378,286</b>	<b>147,978</b>	<b>-</b>	<b>1,526,264</b>
Less: Allowance for Uncollectibles	-	(17,375)	-	(17,375)
<b>Net Total Receivables</b>	<b>\$ 1,378,286</b>	<b>\$ 130,603</b>	<b>\$ -</b>	<b>\$ 1,508,889</b>

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

#### NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 110,927	\$ 16,000	\$ -	\$ 126,927
Construction in Progress	-	-	-	-
Total Capital Assets Not Being Depreciated	110,927	16,000	-	126,927
Capital Assets Being Depreciated:				
Buildings/Improvements	591,644	5,471	-	597,115
Machinery/Equipment/Vehicles	1,725,200	119,820	73,642	1,771,378
Library	115,205	-	-	115,205
Infrastructure	3,907,153	-	-	3,907,153
Total Capital Assets Being Depreciated	6,339,202	125,291	73,642	6,390,851
Less: Accumulated Depreciation for:				
Buildings/Improvements	(462,229)	(10,868)	-	(473,097)
Machinery/Equipment/Vehicles	(1,071,079)	(106,395)	(62,600)	(1,114,874)
Library	(115,205)	-	-	(115,205)
Infrastructure	(2,491,699)	(75,846)	-	(2,567,545)
Total Accumulated Depreciation	(4,140,212)	(193,109)	(62,600)	(4,270,721)
Total Capital Assets Being Depreciated (net)	2,198,990	(67,818)	11,042	2,120,130
<b>Governmental Activities Capital Assets (net)</b>	<b>\$2,309,917</b>	<b>\$ (51,818)</b>	<b>\$ 11,042</b>	<b>\$2,247,057</b>

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities</b>				
Capital Assets Not Being Depreciated:				
Land/Right of Ways	\$ 167,190	\$ -	\$ -	\$ 167,190
Construction in Progress	195,304	272,712	468,016	-
Total Capital Assets Not Being Depreciated	362,494	272,712	468,016	167,190
Capital Assets Being Depreciated:				
Machinery/Equipment	588,944	-	-	588,944
Utility Plant & Lines	9,962,842	510,346	-	10,473,188
Total Capital Assets Being Depreciated	10,551,786	510,346	-	11,062,132
Less: Accumulated Depreciation for:				
Machinery/Equipment	(550,353)	(12,064)	-	(562,417)
Utility Plant & Lines	(4,446,602)	(214,301)	-	(4,660,903)
Total Accumulated Depreciation	(4,996,955)	(226,365)	-	(5,223,320)
Total Capital Assets Being Depreciated (net)	5,554,831	283,981	-	5,838,812
<b>Business-Type Activities Capital Assets (net)</b>	<b>\$ 5,917,325</b>	<b>\$ 556,693</b>	<b>\$ 468,016</b>	<b>\$ 6,006,002</b>

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

<b>Governmental Activities</b>	
General Government	\$ 8,274
Public Safety - Police & Fire	66,450
Highways & Streets (including infrastructure assets)	116,659
Sanitation	-
Culture/Recreation	1,046
Animal Control	680
Library	-
<b>Total Depreciation - Governmental Activities</b>	<b>193,109</b>
<b>Business-Type Activities</b>	
Sewer	226,365
<b>Total Depreciation - Business-Type Activities</b>	<b>226,365</b>
<b>TOTAL DEPRECIATION</b>	<b>\$ 419,474</b>

#### NOTE 6 – LONG-TERM DEBT

##### Governmental Activities

Capital Outlay Note - Issued in July, 2007 for \$68,364 at 4.25%, maturing in 2013. Purpose - Capital outlay court reporting system. Note was retired in current year.

##### Business-Type Activities

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

Capital Outlay Note- Issued in July 2003 at a rate of 4.25% for a twelve year period maturing in 2015. Total issue – \$150,032. Purpose – Capital outlay note-Sewer.

Capital Outlay Note - Issued in August, 2004 for \$100,000 at a rate of 4.17% for a ten year period maturing in August, 2014. Principal payments of \$10,000 due annually in addition to interest. Purpose - Pump station improvements - Sewer.

Sewer Revenue & Tax Refunding Bonds, Series 2003, issued in July 2003 for \$1,495,000 with an average rate of 3.841%, maturing in 2027. Purpose of issue – To refund the Sewer Revenue & Tax Refunding Bonds, Series 1993, Sewer Revenue & Tax Bonds, Series 1993, and Sewer Revenue & Tax Bonds, Series 1993A. This bond issue was refunded in the current year.

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

Bond and capital outlay notes outstanding as of June 30, 2014 are shown as follows:

Issue	Governmental Business-Type		Total
	Activities	Activities	
Capital Outlay Note	\$ -	\$ -	\$ -
Capital Outlay Note	-	15,570	15,570
Capital Outlay Note	-	10,960	10,960
TN Local Dev. Bonds	-	708,686	708,686
2013 Refunding Bonds	-	515,000	515,000
<b>TOTAL</b>	<b>\$ -</b>	<b>\$ 1,250,216</b>	<b>\$ 1,250,216</b>

Changes in long-term liabilities for the year ended June 30, 2014 are as follows:

Governmental Activities	Beginning			Ending		Due Within 1 Year
	Balance	Additions	Reductions	Balance		
Capital Outlay Note	\$ 11,394	\$ -	\$ 11,394	\$ -	\$ -	
Total Capital Outlay Notes	11,394	-	11,394	-	-	
Compensated Absences	22,018	28,842	22,018	28,842	28,842	
<b>Governmental Activity Long-Term Liabilities</b>	<b>\$ 33,412</b>	<b>\$ 28,842</b>	<b>\$ 33,412</b>	<b>\$ 28,842</b>	<b>\$ 28,842</b>	

Business-Type Activities	Beginning			Ending		Due Within 1 Year
	Balance	Additions	Reductions	Balance		
Capital Outlay Note	\$ 30,379	\$ -	\$ 14,809	\$ 15,570	\$ 15,570	
Capital Outlay Note	21,697	-	10,737	10,960	10,960	
Bonds Payable	822,715	-	114,029	708,686	116,899	
Bonds Payable	-	545,000	30,000	515,000	35,000	
Bonds Payable	535,000	-	535,000	-	-	
Total Notes & Bonds	1,409,791	545,000	704,575	1,250,216	178,429	
Compensated Absences	5,339	4,836	5,339	4,836	4,836	
<b>Business-Type Activity Long-Term Liabilities</b>	<b>\$ 1,415,130</b>	<b>\$ 549,836</b>	<b>\$ 709,914</b>	<b>\$ 1,255,052</b>	<b>\$ 183,265</b>	

Annual debt service requirements to maturity for capital outlay notes and bonds are as follows:

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ -	\$ -	\$ 178,429	\$ 27,135
2016	-	-	154,060	23,215
2017	-	-	161,658	19,749
2018	-	-	164,024	16,391
2019	-	-	162,025	12,398
2020-2024	-	-	300,020	32,514
2025-2027	-	-	130,000	6,448
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,250,216</b>	<b>\$ 137,850</b>

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

At June 30, 2014 on the government-wide statement of net position, restricted net position is as follows:

<u>Restricted Net Position</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
State Street Aid	\$ 70,917	\$ -	\$ 70,917
Drug Fund Operations	35,512	-	35,512
Debt Service	-	166,456	166,456
<b>Total</b>	<b>\$ 106,429</b>	<b>\$ 166,456</b>	<b>\$ 272,885</b>

At the fund level for financial reporting in the Governmental Funds and Enterprise Fund, \$70,917 was reserved for State Street Aid as it is accounted for in the General Fund and \$166,456 was reserved for debt service in the Sewer Fund (i.e., an Enterprise Fund).

#### NOTE 8 – EMPLOYEE RETIREMENT PLANS

##### Plan Description

Employees of Mount Carmel are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, chapters 34-

37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Mount Carmel participates in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs/PS/>.

**Funding Policy**

Mount Carmel had adopted a non-contributory retirement plan for its employees by assuming employee contributions up to 5.0 percent of annual covered payroll.

Mount Carmel is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2014 was 12.04% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirements for Mount Carmel are established and may be amended by the TCRS Board of Trustees.

**Annual Pension Cost**

For the year ending June 30, 2014 Mount Carmel's annual pension cost of \$83,419 to TCRS was equal to Mount Carmel's required and actual contributions. The required contribution was determined as part of the July 1, 2011 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected 3.0 percent annual rate of inflation (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. Mount Carmel's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The amortization period at July 1, 2011 was 5 years. An actuarial valuation was performed as of July 1, 2011 which established contribution rates effective July 1, 2012.

Trend Information:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
06/30/14	\$ 83,419	100%	\$ -
06/30/13	\$ 94,930	100%	\$ -
06/30/12	\$ 85,542	100%	\$ -

Funded Status and Funding Progress:

As of July 1, 2013, the most recent actuarial valuation date, the plan was 96.65% funded. The actuarial accrued liability for benefits was \$1.98 million, and the actuarial value of assets was \$1.69 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.07 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.76 million, and the ratio of the UAAL to the covered payroll was 8.72%.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b) - (a)	(a/b)	(c)	((b-a) / c)
07/01/13	\$ 1,980	\$ 2,048	\$ 69	96.65%	\$ 787	8.72%
07/01/11	\$ 1,688	\$ 1,795	\$ 107	94.06%	\$ 758	14.06%
07/01/09	\$ 1,212	\$ 1,231	\$ 19	98.47%	\$ 759	2.48%

\* (Dollar Amounts in Thousands)

#### NOTE 9 – RISK ASSESSMENT

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

#### NOTE 10 – ADVANCE REFUNDED DEBT

In previous years, the Town advance refunded certain sewer revenue and tax bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments of the old bonds. On June 30, 2014, there were \$0 bonds outstanding that are considered defeased.

#### NOTE 11 – LEGAL MATTERS

Based on notification from legal counsel, the Town is involved in two litigation issues 1) regarding inverse condemnation with one claim seeking unspecified damages arising from alleged unlawful refusal to issue a building permit, and 2) vehicular accident with claimant stating officer was at fault. The Town is now in the process of contesting liabilities, and pre-trial

preparation has not advanced sufficiently to accurately evaluate the likelihood of an unfavorable outcome with any degree of certainty.

**NOTE 12 – SUBSEQUENT EVENTS**

In preparing these financial statements, the Town has evaluated events and transactions for potential recognition or disclosure through December 16, 2014, the date the financial statements were available to be issued.

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**SCHEDULE OF FUNDING PROGRESS - PENSION PLAN**  
**June 30, 2014**

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b) - (a)	(a/b)	(c)	((b-a) / (c))
07/01/11	\$ 1,688	\$ 1,795	\$ 107	94.04%	\$ 758	14.12%
07/01/09	\$ 1,212	\$ 1,231	\$ 19	98.46%	\$ 759	2.50%
07/01/07	\$ 986	\$ 1,007	\$ 21	97.91%	\$ 671	3.13%

**Note: Dollar Amounts in Thousands**

**TOWN OF MOUNT CARMEL, TENNESSEE  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 June 30, 2014**

	<b>Drug Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>ASSETS</b>		
Cash	\$ 35,512	\$ 35,512
Due from Other Funds	-	-
<b>Total Assets</b>	<b>35,512</b>	<b>35,512</b>
 <b>LIABILITIES</b>		
Accounts Payable	-	-
Accrued Salaries & Benefits	-	-
<b>Total Liabilities</b>	-	-
 <b>FUND BALANCES</b>		
Restricted	35,512	35,512
<b>Total Fund Balances</b>	<b>35,512</b>	<b>35,512</b>
<b>Total Liabilities &amp; Fund Balance</b>	<b>\$ 35,512</b>	<b>\$ 35,512</b>

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, & CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2014**

	<b>Drug Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>REVENUE</b>		
Drug Fees	\$ 1,496	\$ 1,496
Drug Contributions	31,332	31,332
Interest Income	72	72
<b>Total Revenue</b>	<b>32,900</b>	<b>32,900</b>
 <b>EXPENDITURES</b>		
Crime Prevention	-	-
Capital Outlay	26,690	26,690
Special Investigative Funds	2,000	2,000
<b>Total Expenditures</b>	<b>28,690</b>	<b>28,690</b>
<b>Excess (Deficiency) of Revenue Over (Under) Expenditures</b>	<b>4,210</b>	<b>4,210</b>
<b>Net Change in Fund Balance</b>	<b>4,210</b>	<b>4,210</b>
<b>Fund Balance - Beginning</b>	<b>31,302</b>	<b>31,302</b>
<b>Fund Balance - Ending</b>	<b>\$ 35,512</b>	<b>\$ 35,512</b>

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**SCHEDULE OF REVENUES, EXPENDITURES, & CHANGES IN FUND BALANCE**  
**- BUDGET & ACTUAL-**  
**DRUG FUND**  
**For the Year Ended June 30, 2014**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance With Final Budget - Positive (Negative)</b>
<b>REVENUE</b>				
Drug Fines	\$ 500	\$ 500	\$ 1,496	\$ 996
Drug Contributions	2,500	2,500	31,332	28,832
Interest Income	10	10	72	62
<b>Total Revenue</b>	<u>3,010</u>	<u>3,010</u>	<u>32,900</u>	<u>29,890</u>
<b>EXPENDITURES</b>				
Crime Prevention	3,000	3,000	-	3,000
Capital Outlay	27,000	27,000	26,690	310
Special Investigative Funds	2,000	2,000	2,000	-
<b>Total Expenditures</b>	<u>32,000</u>	<u>32,000</u>	<u>28,690</u>	<u>3,310</u>
<b>Net Change in Fund Balance</b>	(28,990)	(28,990)	4,210	33,200
<b>Fund Balance - Beginning</b>	31,302	31,302	31,302	-
<b>Fund Balance - Ending</b>	<u>\$ 2,312</u>	<u>\$ 2,312</u>	<u>\$ 35,512</u>	<u>\$ 33,200</u>

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**SCHEDULE OF ACTIVITIES**  
**SOLID WASTE SANITATION FUND**  
**For the Year Ended June 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget - Positive (Negative)</u>
<b>REVENUE</b>				
Revenues	\$ -	\$ -	\$ -	\$ -
<b>Total Revenue</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES</b>				
Wages/Salaries	33,000	34,200	32,092	2,108
Payroll Taxes	2,690	2,690	1,952	738
Insurance	20,200	20,750	17,922	2,828
Retirement	4,000	4,000	3,842	158
Contract Services	161,425	158,425	153,928	4,497
Supplies/Other	500	500	-	500
Equipment Operating Expenses	4,000	5,250	5,237	13
<b>Total Expenditures</b>	<u>225,815</u>	<u>225,815</u>	<u>214,973</u>	<u>10,842</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>\$ (225,815)</u>	<u>\$ (225,815)</u>	<u>\$ (214,973)</u>	<u>\$ 10,842</u>

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

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

**June 30, 2014**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<b>TLDA BONDS</b>			
Fiscal Year Ending June 30:			
2015	\$ 116,899	\$ 13,472	\$ 130,371
2016	119,060	11,311	130,371
2017	121,658	8,713	130,371
2018	124,024	6,347	130,371
2019	127,025	3,346	130,371
2020	100,020	1,018	101,038
<b>Total</b>	<u>708,686</u>	<u>44,207</u>	<u>752,893</u>
<b>2013 GOB REFUNDING BONDS</b>			
Fiscal Year Ending June 30:			
2015	35,000	12,772	47,772
2016	35,000	11,904	46,904
2017	40,000	11,036	51,036
2018	40,000	10,044	50,044
2019	35,000	9,052	44,052
2020	35,000	8,184	43,184
2021	40,000	7,316	47,316
2022	40,000	6,324	46,324
2023	40,000	5,332	45,332
2024	45,000	4,340	49,340
2025	45,000	3,224	48,224
2026	40,000	2,108	42,108
2027	45,000	1,116	46,116
<b>Total</b>	<u>515,000</u>	<u>92,752</u>	<u>607,752</u>
<b>CAPITAL OUTLAY NOTE</b>			
Fiscal Year Ending June 30:			
2015	15,570	660	16,230
<b>Total</b>	<u>15,570</u>	<u>660</u>	<u>16,230</u>
<b>CAPITAL OUTLAY NOTE</b>			
Fiscal Year Ending June 30:			
2015	10,960	231	11,191
<b>Total</b>	<u>10,960</u>	<u>231</u>	<u>11,191</u>
<b>Total Business-Type Activities</b>	<u><u>\$ 1,250,216</u></u>	<u><u>\$ 137,850</u></u>	<u><u>\$ 1,388,066</u></u>

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**SCHEDULE OF CHANGES IN PROPERTY TAX RECEIVABLE**  
**GENERAL FUND**  
**For the Year Ended June 30, 2014**

<b>Tax Year</b>	<b>Property Tax Receivable Balance June 30,2014</b>	<b>Property Tax Levied</b>	<b>Anticipated Current Year Levy</b>	<b>Abatements and Adjustments</b>	<b>Collections</b>	<b>Allowance for Uncollectibles</b>	<b>Net Receivable Balance June 30, 2014</b>
2014	\$ -	\$ -	\$ 1,099,684	\$ -	\$ -	\$ -	\$ 1,099,684
2013	1,098,061	1,783	-	-	1,047,041	-	52,803
2012	46,532	-	-	-	31,125	-	15,407
2011	17,378	-	-	-	8,527	-	8,851
2010	8,597	-	-	-	2,320	-	6,277
2009	435	-	-	-	81	-	354
2008	-	-	-	-	-	-	-
2007	1,056	-	-	-	-	-	1,056
2006	-	-	-	-	-	-	-
2005	454	-	-	-	-	-	454
2004	2,203	-	-	-	-	-	2,203
2003	795	-	-	795	-	-	-
	<b>\$ 1,175,511</b>	<b>\$ 1,783</b>	<b>\$ 1,099,684</b>	<b>\$ 795</b>	<b>\$ 1,089,094</b>	<b>\$ -</b>	<b>\$ 1,187,089</b>

The 2014 tax notices become a lien in the state of Tennessee on January 1st of each year. The notices are due from October 1, 2014 through February 28, 2015. The total amount is reflected as deferred inflows of resources on the governmental fund balance sheet as of June 30, 2014, while only the 2014 taxes are reflected as deferred inflows of resources on the government-wide statement of net position.

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

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**SCHEDULE OF TAX RATES & ASSESSMENTS**  
**For the Year Ended June 30, 2014**

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

\* Reappraisal year

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**SCHEDULE OF INSURANCE IN FORCE**  
**June 30, 2014**

**COVERAGE:**

TML Policy # 0053-15, Period 7/1/13 to 7/1/14

General Liability/Law Enforcement Liability/Errors/Omissions Liability/Auto Liability

- \$300,000 per person for bodily injury or personal injury as limited by the Tort Liability Act.
- \$700,000 per occurrence for bodily injury or personal injury as limited by the Tort Liability Act.
- \$100,000 per occurrence for property damage as limited by the Tort Liability Act.
- \$1,000,000 per occurrence for each other loss.
- \$1,000,000 per person or per occurrence for catastrophic medical expenses excess of bodily injury.
- \$1,000 per person and \$10,000 per accident for medical payments.
- \$85,000 per occurrence for fire damage.
- \$50,000 per occurrence for non-monetary defense costs.
- Errors/Omissions: \$1,000,000 per occurrence; \$100,000 per occurrence for non-monetary defense costs.
- Deductibles - Errors/Omissions: \$2,500 per occurrence, auto physical damage comprehensive and collision \$1,000 per occurrence.

**PROPERTY COVERAGE:**

TML Policy # 5-58-15, Period 7/1/13 to 7/1/14

- Blanket Limit Per Occurrence- \$6,597,869
- Building & Personal Property- \$6,097,467
- EDP Equipment - \$100,000
- Mobile Equipment - \$382,402
- Automatic Coverage for Flood, Earthquake, Demolition, and Pollution Clean-up with coverage's ranging from \$50,000 to \$1,500,000.
- Employee Dishonesty - \$150,000 per loss including same for forgery, theft, and computer fraud.

**WORKERS COMPENSATION COVERAGE:**

TML Policy # 0053-15 Period, 7/1/13 to 7/1/14

- Limits - \$300,000 per accident/\$700,000 by disease/\$300,000 each employee by disease.

**TOWN OF MOUNT CARMEL, TENNESSEE  
SCHEDULE OF UTILITY RATES IN FORCE & CUSTOMERS  
For the Year Ended June 30, 2014**

**SEWER RATES**

Minimum Bill	\$25.00/month
Excess Over 2,000 Gallons	\$5.25/1,000 Gallons

Note: Sewer usage based on 90% of water usage

<b>Total number of customers at year end:</b>	<b>1,948</b>
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**TOWN OF MOUNT CARMEL, TENNESSEE**  
**SCHEDULE OF CAPITAL ASSETS USED IN OPERATION**  
**OF GOVERNMENTAL ACTIVITIES**  
**For the Year Ended June 30, 2014**

<b>Function</b>	<b>Construction in Progress &amp; Land</b>	<b>Buildings &amp; Improvements</b>	<b>Machinery, Equipment, Vehicles</b>	<b>Library Collection</b>	<b>Infrastructure</b>	<b>Total</b>
General Government	\$ 58,927	\$ 337,460	\$ 87,771	\$ -	\$ -	\$ 484,158
Police & Fire	-	128,862	974,050	-	-	1,102,912
Highways/Streets	27,000	22,900	659,708	-	3,875,923	4,585,531
Sanitation	-	-	49,849	-	-	49,849
Culture/Recreation	41,000	57,203	-	-	31,230	129,433
Animal Control	-	27,190	-	-	-	27,190
Library	-	23,500	-	115,205	-	138,705
<b>Total</b>	<b>\$ 126,927</b>	<b>\$ 597,115</b>	<b>\$ 1,771,378</b>	<b>\$ 115,205</b>	<b>\$ 3,907,153</b>	<b>\$ 6,517,778</b>

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS &**  
**STATE FINANCIAL ASSISTANCE**  
**For the Year Ended June 30, 2014**

Federal Grantor/ Pass-Through Grantor	CFDA Number	Contract Number	Expenditures
<b>FEDERAL AWARDS:</b>			
<b>Department of Housing and Urban Development</b> <b>Pass-Through State of Tennessee, Department of</b> <b>Economic and Community Development</b> Community Development Block Grant	14.228	33004-63612	\$ 259,991
Total Program 14.228			\$ 259,991
<b>Department of Transportation</b> <b>Pass-Through State of Tennessee</b> <b>Department of Transportation</b> State and Community Highway Safety	20.600	154AL-13-167	\$ 1,511
State and Community Highway Safety	20.600	Z14GHS252	1,001
Total Program 20.600			\$ 2,512
<b>Department of Transportation</b> National Highway Traffic Safety Administration			
Alcohol Open Container Requirements	20.607	Z14GHS250	\$ 4,770
Alcohol Open Container Requirements	20.607	154AL-13-166	7,061
Alcohol Open Container Requirements	20.607	Z14GHS251	4,867
Total Program 20.600			\$ 16,698
<b>Total Federal Awards</b>			<b>\$ 279,201</b>

**Basis of Presentation:**

Note 1: The accompanying Schedule of Federal Awards and State Financial Assistance summarizes the expenditures of Town of Mount Carmel, Tennessee under programs of the federal and state governments for the year ended June 30, 2014. The schedule is presented using the modified accrual basis of accounting. The information in this schedule is presented in accordance with requirements of OMB Circular A-133; therefore, some amounts in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS & STATE**  
**FINANCIAL ASSISTANCE**  
**June 30, 2014**

**1. BASIS OF PRESENTATION:**

The accompanying Schedule of Expenditures of Federal Awards presents the expenditures incurred by Town of Mount Carmel, Tennessee that are reimbursable under federal programs of federal assistance. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Town of Mount Carmel, Tennessee, it is not intended to and does not present the financial position, changes in net assets or cash flows of Town of Mount Carmel, Tennessee. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**2. BASIS OF ACCOUNTING:**

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting. Expenditures reported include any property or equipment acquisitions incurred under the Federal Program

**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***

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

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Mount Carmel, Tennessee, as of and for the year ended June 30, 2014, 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 December 16, 2014.

**Internal Control over Financial Reporting**

In planning and performing my audit of the financial statements, I considered the Town of Mount Carmel, Tennessee's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Mount Carmel, Tennessee's internal control. Accordingly, I do not express an opinion on the effectiveness of the Town of Mount Carmel, Tennessee's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of 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.

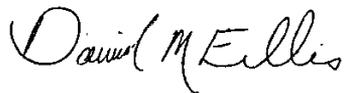
My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Mount Carmel, Tennessee's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



David M. Ellis, CPA  
Greeneville, Tennessee  
December 16, 2014

**TOWN OF MOUNT CARMEL, TENNESSEE**  
**SCHEDULE OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS**  
**For the Fiscal Year Ended June 30, 2014**

**Financial Statement Findings**

Finding Number	Finding Title	Status

Note: There were no prior year financial statement findings reported.

**Compliance Findings**

Finding Number	Finding Title	Status
2013-001	Potential Violation of Traffic Citation Statute	Corrected
2013-002	Violation of Purchasing Authority	Corrected