

**TOWN OF MOUNT CARMEL, TENNESSEE
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2025**

TOWN OF MOUNT CARMEL, TENNESSEE
TABLE OF CONTENTS

	<u>PAGE NUMBER</u>
I. INTRODUCTORY SECTION (UNAUDITED)	
List of Elected and Appointed Officials	1
II. FINANCIAL SECTION	
Independent Auditor's Report	2
Management's Discussion and Analysis	5
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	15
Statement of Activities	16
Fund Financial Statements	
Balance Sheet - Governmental Funds	17
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	18
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	21
Statement of Net Position - Proprietary Fund	28
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund	30
Statement of Cash Flows - Proprietary Fund	31
Notes to the Financial Statements	33
Required Supplementary Information	
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Based on Participation in the Public Employee Pension Plan of TCRS	61
Schedule of Contributions Based on Participation in the Public Employee Pension Plan of TCRS	62

**TOWN OF MOUNT CARMEL, TENNESSEE
TABLE OF CONTENTS**

	<u>PAGE NUMBER</u>
III. INDIVIDUAL FUND SCHEDULES	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Drug Fund	64
IV. SUPPLEMENTAL INFORMATION	
Schedule of Expenditures of Federal Awards	65
Schedule of Expenditures of State Awards	66
Schedule of Changes in Property Tax Receivable	67
Schedule of Changes in Long-Term Debt by Individual Issue	68
Schedule of Long-Term Debt Principal and Interest - Sewer General Obligation Refunding Bonds - Series 2013	69
Schedule of Changes in Lease Obligations	70
Schedule of Lease Principal and Interest Requirements - General Fund Lease	71
V. OTHER SUPPLEMENTAL INFORMATION (UNAUDITED)	
Schedule of Tax Rates and Assessments	72
Schedule of Capital Assets Used in Operation of Governmental Activities	73
Sewer Rate Structure and Number of Customers	74
VI. INTERNAL CONTROL AND COMPLIANCE REPORTS	
Internal Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	75
Schedule of Prior Year Findings	77

**INTRODUCTORY SECTION
(UNAUDITED)**

TOWN OF MOUNT CARMEL, TENNESSEE
LIST OF ELECTED AND APPOINTED OFFICIALS
June 30, 2025

Elected Officials

Mayor	John Gibson
Vice Mayor	Jim Bare
Alderman	Philip Binstock
Alderman	James Cross
Alderman	Jim Gilliam
Alderman	Darby Patrick
Alderman	Mindy Shugart

Appointed Officials

Assistant Town Manager/CFO	Tyler Williams
Town Manager	Jim Stables

FINANCIAL SECTION

DAVID M. ELLIS

Certified Public Accountant

*Member, American Institute of
Certified Public Accountants*

*Member, Tennessee Society of
Certified Public Accountants*

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Mount Carmel, Tennessee, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Town of Mount Carmel, Tennessee's basic financial statements as listed in the table of contents.

In my opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Mount Carmel, Tennessee, as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison of the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-14 and the required supplementary information on pages 61-63 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Mount Carmel, Tennessee's basic financial statements. The individual fund schedules on page 64 and the supplemental information schedules on pages 65-71 are presented for purposes of

additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the individual fund schedules and the supplemental information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the list of elected and appointed officials on page 1 and the other supplemental information on pages 72-74 but does not include the basic financial statements and my auditor's report thereon. My opinions on the basic financial statements do not cover the other information, and I do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated December 16, 2025, on my consideration of the Town of Mount Carmel, Tennessee's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Mount Carmel, Tennessee's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Mount Carmel, Tennessee's internal control over financial reporting and compliance.



David M. Ellis, CPA
Greeneville, Tennessee
December 16, 2025

TOWN OF MOUNT CARMEL, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2025

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, 2025. 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, 2025 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 \$19,822,859. Of this amount, \$9,897,283, (unrestricted net position) may be used to meet the Town's ongoing obligations.
- The Town's total net position increased \$885,011 during the current year.
- As of June 30, 2025, the Town's General Fund reported a fund balance of \$8,077,496 which was a \$349,423 increase over the prior year.
- The proprietary fund being the Sewer Fund had an increase of \$115,479 in net position for the current year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

TOWN OF MOUNT CARMEL, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2025

GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

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

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (business-type activities). The governmental activities of the Town include general government, fire, police, streets, state street aid, recreation, library, sanitation, and the drug fund operations. The business-type activity of the Town represents sewer services with revenues being primarily user charges for services rendered.

The government-wide financial statements can be found on pages 13-14 of this report.

FUND FINANCIAL STATEMENTS

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

Governmental Funds

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

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

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

TOWN OF MOUNT CARMEL, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2025

FUND FINANCIAL STATEMENTS (CONTINUED)

The basic governmental fund financial statements can be found on pages 15-25 of this report.

Proprietary Funds

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

The proprietary fund financial statements can be found on pages 26-30 of this report.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31-58 of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Required supplementary information can be found on pages 59-61 and supplementary information can be found on pages 62-72 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In this case, the Town's total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$19,822,859 at the close of the most recent fiscal year compared to \$18,937,848 for fiscal year 2024.

A large portion of the Town's net position (48%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position (2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.

TOWN OF MOUNT CARMEL, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2025

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

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

Town of Mount Carmel, Tennessee Net Position						
	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
ASSETS						
Current & Other Assets	\$ 10,209,857	9,481,638	2,000,310	2,383,321	12,210,167	11,864,959
Capital Assets, Net of						
Accumulated Depreciation	2,914,299	2,461,698	6,770,472	6,375,157	9,684,771	8,836,855
Total Assets	13,124,156	11,943,336	8,770,782	8,758,478	21,894,938	20,701,814
 DEFERRED OUTFLOWS OF RESOURCES	 401,377	 445,496	 -	 117,319	 401,377	 562,815
 LIABILITIES						
Current and Other Liabilities	267,722	60,169	280,618	384,184	548,340	444,353
Long-Term Liabilities	81,773	85,678	45,000	149,347	126,773	235,025
Total Liabilities	349,495	145,847	325,618	533,531	675,113	679,378
 DEFERRED INFLOWS OF RESOURCES	 1,798,343	 1,634,822	 -	 12,581	 1,798,343	 1,647,403
 NET POSITION						
Net Investment in Capital Assets	2,902,013	2,442,613	6,595,192	6,245,157	9,497,205	8,687,770
Restricted	322,519	255,623	105,852	102,888	428,371	358,511
Unrestricted	8,153,163	7,909,927	1,744,120	1,981,640	9,897,283	9,891,567
Total Net Position	\$ 11,377,695	10,608,163	8,445,164	8,329,685	19,822,859	18,937,848

Governmental Activities

- * The property tax rate is \$1.59 per \$100 of assessed value.
- * The Town completed a remodeling of Town Hall for a cost of \$203,457.
- * The Town purchased various vehicles and equipment for the Street Department at a cost of \$226,824.
- * The Town purchased various pieces of equipment for the State Street Aid Department at a cost of \$9,400.
- * The Town purchased various items for parks such as equipment, and various park improvements at costs of \$20,000 and \$4,000, respectively.
- * The Town purchased a new vehicle for the police department for \$57,227 and completed a remodel of the police department for \$10,688.
- * The Town purchased various pieces of equipment for the fire department for \$158,171 and completed a remodel of the fire department for \$37,634.

TOWN OF MOUNT CARMEL, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2025

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Activities (Continued)

- * HOME grant funds totaling \$139,256 were received for rehabilitation of resident's homes.
- * Federal and state grants totaling \$70,000 and \$20,446 were received by the fire and police departments, respectively.
- * The Parks and Recreation department received grant funds totaling \$4,000 for park improvements.
- * The Town received contributions from private entities totaling \$14,995.
- * Total grant revenue recognized by governmental activities was \$233,702 in 2025, which was \$207,970 lower than the amount recognized in 2024. In 2024, grant funds of \$432,387 were received and passed through to other entities.
- * A transfer of \$96,273 was received from the Sewer Fund, which represented the net amount of the Sewer Fund's net pension liability and deferred outflows and inflows of resources on June 30, 2024. The Town eliminated all positions in the Sewer Fund and outsourced its operations during 2025. Accordingly, all the pension obligations for the Town were assumed by the governmental activities in 2025.
- * The Town also outsourced building inspections during 2025 for a total \$81,976.
- * The Town made investments in the state Local Government Investment Pool (LGIP) totaling \$5,152,155 in 2025. Total interest received from these funds were \$152,155.
- * A prior period restatement of \$81,806 was recorded at the government-wide level upon adoption of GASB 101, *Compensated Absences*. This amount represents an estimate of the balance of sick leave that was accrued at July 1, 2024.
- * An additional prior period adjustment was of \$25,307 was recorded at the government-wide level to correct errors in reporting internal balances in the previous year.

Business-type Activities

- * Sewer rates were increased 35% from \$32.50 to \$43.88 on April 1, 2025 in an effort to mitigate ongoing losses from operations.
- * The Town purchased various sewer treatment equipment at a cost of \$26,511.
- * The Town recognized \$383,632 of ARPA grant revenues during fiscal year 2025. These funds are being used for sewer treatment plant improvements. Total projects costs incurred in fiscal year 2025 were \$651,099. These costs are recorded as part of construction in progress at June 30, 2025. Total accumulated project costs are \$1,909,054.
- * The Town has recorded \$56,424 in additional construction in progress for solids dewatering and additional Sewer Fund projects. These costs were reimbursed by Coronavirus State and Local Fiscal Recovery Funds.
- * The Town has several ongoing projects with construction commitments totaling \$129,365. Construction in progress related to these projects was \$1,965,478 at June 30, 2025.

**TOWN OF MOUNT CARMEL, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2025**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Business-type Activities (Continued)

- * Sewer operations were outsourced during 2025. All sewer positions were eliminated. Accordingly, the net pension liability and related deferred outflows and inflows of resources were derecognized on the Sewer Fund's Statement of Net Position. The net amount of these items was \$96,273, which is shown as a transfer to the governmental activities on the Sewer Fund's Statement of Revenues, Expenses, and Changes in Net Position. Compensated absences of \$10,882 and payroll related liabilities of \$8,849 were settled or transferred to the governmental activities during 2025.

Town of Mount Carmel, Tennessee Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
REVENUES						
Program Revenues						
Charges for Services	\$ 128,615	144,973	1,069,216	975,361	1,197,831	1,120,334
Operating Grants	470,156	671,566	-	14,105	470,156	685,671
Capital Grants	-	55,300	383,632	1,309,671	383,632	1,364,971
General Revenues						
Property Taxes	1,608,305	1,561,269	-	-	1,608,305	1,561,269
Other Taxes	850,883	806,889	-	-	850,883	806,889
Intergovernmental	775,674	775,349	-	-	775,674	775,349
Other	230,793	89,673	34,051	15,764	264,844	105,437
Total Revenues	4,064,426	4,105,019	1,486,899	2,314,901	5,551,325	6,419,920
EXPENSES						
Governmental Activities						
General Government	367,551	650,992	-	-	367,551	650,992
Financial Administration	594,008	474,838	-	-	594,008	474,838
Public Safety	871,257	762,194	-	-	871,257	762,194
Drug Fund Operations	-	1,069	-	-	-	1,069
Animal Control	20,758	27,394	-	-	20,758	27,394
Building Inspection	82,070	26,633	-	-	82,070	26,633
Highways and Streets	954,922	875,028	-	-	954,922	875,028
Solid Waste Sanitation	344,901	333,487	-	-	344,901	333,487
Recreation	32,649	30,504	-	-	32,649	30,504
Library	65,559	65,844	-	-	65,559	65,844
Interest	993	1,461	-	-	993	1,461
Business-type Activities						
Sewer Operations	-	-	1,341,568	1,227,845	1,341,568	1,227,845
Total Expenses	3,334,668	3,249,444	1,341,568	1,227,845	4,676,236	4,477,289
TRANSFERS	96,273	-	(96,273)	-	-	-
Change in Net Position	826,031	855,575	49,058	1,087,056	875,089	1,942,631
Net Position, Beginning of Year, as Previously Presented	10,608,163	9,752,588	8,329,685	7,242,629	18,937,848	16,995,217
Restatements	(56,499)	-	66,421	-	9,922	-
Net Position, Beginning of Year, as Restated	10,551,664	9,752,588	8,396,106	7,242,629	18,947,770	16,995,217
Net Position, Ending	\$ 11,377,695	10,608,163	8,445,164	8,329,685	19,822,859	18,937,848

TOWN OF MOUNT CARMEL, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2025

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

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$8,108,775. \$7,786,256 (96%) of this balance is unassigned. This amount is available for spending at the government's discretion. The remainder of the fund balance is nonspendable, or restricted for specific purposes.

- * The amount of \$26,279 is restricted for the Drug Fund.
- * The amount of \$291,240 is restricted for State Street Aid.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$7,786,256 while the total fund balance was reported to be \$8,077,496. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 208% of total General Fund expenditures, while total fund balance represents 216% of that same amount. The General Fund's beginning unassigned fund balance was increased by \$25,307 due to an error in reporting internal balances between the Sewer Fund and General Fund in the prior year.

Proprietary Funds

Unrestricted net position of the sewer fund at the end of the fiscal year totaled \$1,744,120. This was an increase of \$49,058 from the prior year. The Sewer Fund's beginning unassigned fund balance was increased by \$66,421 due errors in reporting inventory balances in the Sewer Fund, and errors in reporting internal balances between the Sewer Fund and General Fund in the prior year. While the total change in net position for 2025 was a positive \$49,058, the Sewer Fund incurred an operating loss of \$270,187. Sewer rates were increased 35% on April 1, 2025. The Town estimates this increase generated an additional \$85,000 of operating revenue for fiscal year 2025 and will generate an estimated \$328,200 of additional operating revenue in fiscal year 2026. Other factors concerning the finances of these funds have already been addressed in the discussion of the Town's business-type activities.

TOWN OF MOUNT CARMEL, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2025

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (CONTINUED)

GENERAL FUND BUDGETARY HIGHLIGHTS

- 1) The initial budget for General Government activities was increased by amendments totaling \$183,625. This increase was mainly for expenditures related to the HOME grant that was received after the initial budget was adopted.
- 2) The initial budget for Financial Administration activities was increased by amendments totaling \$19,100. This increase was to cover increased health insurance and accounting service cost. The budget for repairs and maintenance was reduced by \$40,000, however due to lower than anticipated repair expenditures.
- 3) The initial budget for the Fire Department was increased by amendments totaling \$516,200. These amendments were for additional anticipated capital outlay expenditures of \$457,795 and operating supplies of \$70,000.
- 4) The initial budget for the Building Inspection function was increased by amendments totaling \$25,000. These amendments were for additional costs associated with outsourcing the building inspection function of \$50,000 and reducing the budget for demolition by \$25,000.
- 5) The initial budget for Parks and Recreation was decreased by amendments totaling \$207,392. These amendments were to reduce initial anticipated capital purchases by the parks and Recreation Department.
- 6) Debt Service expenditures were initially not budgeted. However, amendments totaling \$12,792 were adopted during fiscal year 2025.
- 7) Total revenues were below budgeted amounts by \$402,913. This was driven by federal and state grant revenues, which were \$415,554 and \$196,000 lower than budgeted. However, this was offset by investment earnings from LGIP investments exceeding budgeted amounts by \$187,612.
- 8) Total expenditures came in below budget by an amount of \$1,389,429. Lower than anticipated capital outlay expenditures were the primary reason expenditures were below anticipated amounts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2025, totaled \$9,684,771 (net of accumulated depreciation and amortization). The investment in capital assets includes land, buildings, equipment, improvements, infrastructure, intangible right to use assets, and sewer plant and lines. A summary of the capital assets are as follows:

TOWN OF MOUNT CARMEL, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2025

CAPITAL ASSET AND DEBT ADMINISTRATION

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	\$ 352,312	352,312	167,190	167,190	519,502	519,502
Buildings	927,507	705,818	-	-	927,507	705,818
Machinery and Equipment	3,534,395	3,088,780	11,559,926	11,533,415	15,094,321	14,622,195
Infrastructure	3,907,696	3,907,696	-	-	3,907,696	3,907,696
Lines and Improvements	-	-	856,211	856,211	856,211	856,211
Library	115,205	115,205	-	-	115,205	115,205
Intangible Right to Use	57,992	57,992	-	-	57,992	57,992
Construction in Progress	9,000	27,000	1,965,478	1,314,380	1,974,478	1,341,380
Less: Accumulated Depreciation and Amortization	(5,989,808)	(5,793,104)	(7,778,333)	(7,496,039)	(13,768,141)	(13,289,143)
Total Capital Assets	<u>\$ 2,914,299</u>	<u>2,461,699</u>	<u>6,770,472</u>	<u>6,375,157</u>	<u>9,684,771</u>	<u>8,836,856</u>

Additional information on the Town's capital assets can be found in Note 4.C on pages 46-47 of this report.

Long-Term Debt

At the end of the current fiscal year, the Town had total debt outstanding of \$97,286. The bonded debt is secured solely by specified revenue sources.

Town of Mount Carmel, Tennessee's Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Outstanding Debt						
Bonds Payable	\$ -	-	85,000	130,000	85,000	130,000
Leases Payable	6,044	11,848	-	-	6,044	11,848
Subscription-Based IT Arrangement	6,242	12,237	-	-	6,242	12,237
Total Outstanding Debt	<u>\$ 12,286</u>	<u>24,085</u>	<u>85,000</u>	<u>130,000</u>	<u>97,286</u>	<u>154,085</u>

Additional information on the Town of Mount Carmel, Tennessee's long-term debt can be found in Note 4.E on pages 49-51 of this report.

**TOWN OF MOUNT CARMEL, TENNESSEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2025**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- A. Certified Property Tax Rate is \$1.5897 per \$100 of assessed value.
- B. Salary increases for employees of 4%.
- C. Sewer Fund rates are expected to be unchanged in fiscal year 2026. Budgeted service charges are expected to be \$1,302,750.
- D. Outsourcing of Sewer operations is expected to cost \$950,000. Additionally, equipment rentals are expected to total \$200,000.
- E. Federal grant funds of \$1,149,816 are anticipated to fund ongoing sewer plant rehabilitation.
- F. Capital projects for Recreation are budgeted to be \$510,000.
- G. Equipment purchases of \$265,000, and paving costs of \$350,000 are budgeted for the Highway and Street Department.
- H. Equipment Purchases of \$1,030,000 are budgeted for Public Safety. Additionally, \$160,000 has been budgeted for parking lot paving and a security system.
- I. The Solid Waste function is expected to be outsourced to a third-party contractor in fiscal year 2026. Budgeted costs are \$275,000.
- J. HOME grant, CDBG grant, and FEMA federal grant revenues of \$130,000, \$420,000, and \$210,000 have been budgeted.
- K. State Local Parks and Recreation Fund grant funds of \$200,000 have also been budgeted.

REQUESTS FOR INFORMATION

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

TOWN OF MOUNT CARMEL, TENNESSEE
STATEMENT OF NET POSITION
June 30, 2025

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 2,917,668	1,515,055	4,432,723
Investments in LGIP	5,152,155	-	5,152,155
Accounts Receivable, Net of Estimated Uncollectible	-	185,316	185,316
Property Taxes Receivable	1,713,891	-	1,713,891
Less: Estimated Uncollectible	(37,975)	-	(37,975)
Other Receivables	16,208	-	16,208
Due From Other Governments	219,573	75,889	295,462
Inventory	-	118,198	118,198
Prepaid Expenses	5,000	-	5,000
Net Pension Asset	223,337	-	223,337
Restricted Cash and Cash Equivalents	-	105,852	105,852
Capital Assets Not Being Depreciated	361,312	2,132,668	2,493,980
Capital Assets, Net of Accumulated Amortization and Depreciation	2,552,987	4,637,804	7,190,791
TOTAL ASSETS	13,124,156	8,770,782	21,894,938
DEFERRED OUTFLOWS OF RESOURCES			
Pension Changes in Experience	197,920	-	197,920
Pension Changes in Assumptions	138,854	-	138,854
Pension Contributions After Measurement Date	64,603	-	64,603
TOTAL DEFERRED OUTFLOWS OF RESOURCES	401,377	-	401,377
LIABILITIES			
Accounts Payable	114,528	190,576	305,104
Retainage Payable	-	90,280	90,280
Internal Balances	40,930	(40,931)	(1)
Customer Deposits	-	290	290
Accrued Payroll and Related Liabilities	52,711	-	52,711
Accrued Interest Payable	-	403	403
Long-Term Liabilities			
Due Within One Year	59,553	40,000	99,553
Due in More Than One Year	81,773	45,000	126,773
TOTAL LIABILITIES	349,495	325,618	675,113
DEFERRED INFLOWS OF RESOURCES			
Deferred - Current Property Taxes	1,597,449	-	1,597,449
Pension Changes in Experience	155,945	-	155,945
Pension Changes in Investment Earnings, Net	44,949	-	44,949
TOTAL DEFERRED INFLOWS OF RESOURCES	1,798,343	-	1,798,343
NET POSITION			
Net Investment in Capital Assets	2,902,013	6,595,192	9,497,205
Restricted for:			
Debt Service	-	105,852	105,852
Drug Fund	31,279	-	31,279
State Street Aid	291,240	-	291,240
Unrestricted	8,153,163	1,744,120	9,897,283
TOTAL NET POSITION	\$ 11,377,695	8,445,164	19,822,859

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

TOWN OF MOUNT CARMEL, TENNESSEE
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2025

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT							
GOVERNMENTAL ACTIVITIES							
General Government	\$ 367,551	22,539	139,256	-	(205,756)	-	(205,756)
Financial Administration	594,008	-	-	-	(594,008)	-	(594,008)
Public Safety	871,257	35,580	120,441	-	(715,236)	-	(715,236)
Drug Fund Operations	-	4,542	-	-	4,542	-	4,542
Animal Control	20,758	10	-	-	(20,748)	-	(20,748)
Building Inspection	82,070	11,114	-	-	(70,956)	-	(70,956)
Highways and Streets	954,922	54,830	201,459	-	(698,633)	-	(698,633)
Solid Waste Sanitation	344,901	-	-	-	(344,901)	-	(344,901)
Recreation	32,649	-	4,000	-	(28,649)	-	(28,649)
Library	65,559	-	5,000	-	(60,559)	-	(60,559)
Interest	993	-	-	-	(993)	-	(993)
TOTAL GOVERNMENTAL ACTIVITIES	3,334,668	128,615	470,156	-	(2,735,897)	-	(2,735,897)
BUSINESS-TYPE ACTIVITIES							
Sewer	1,341,568	1,069,216	-	383,632	-	111,280	111,280
TOTAL BUSINESS-TYPE ACTIVITIES	1,341,568	1,069,216	-	383,632	-	111,280	111,280
TOTAL PRIMARY GOVERNMENT	\$ 4,676,236	1,197,831	470,156	383,632	(2,735,897)	111,280	(2,624,617)
GENERAL REVENUES							
Property Taxes					1,608,305	-	1,608,305
Sales Taxes					752,383	-	752,383
Other Taxes					98,500	-	98,500
State Revenue					775,674	-	775,674
Unrestricted Investment Earnings					212,612	34,051	246,663
Proceeds from Sale of Equipment					8,175	-	8,175
Miscellaneous					10,006	-	10,006
Transfer of Net Pension Liability to Governmental Activities					96,273	(96,273)	-
TOTAL GENERAL REVENUES					3,561,928	(62,222)	3,499,706
Change in Net Position					826,031	49,058	875,089
Net Position, Beginning of Year, as Previously Presented					10,608,163	8,329,685	18,937,848
Restatements					(56,499)	66,421	9,922
Net Position, Beginning of Year, as Restated					10,551,664	8,396,106	18,947,770
Net Position, Ending					\$ 11,377,695	8,445,164	19,822,859

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

TOWN OF MOUNT CARMEL, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2025

	General Fund	Non-Major Police Drug Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 2,902,053	15,615	2,917,668
Investments in LGIP	5,152,155	-	5,152,155
Property Taxes Receivable	1,713,891	-	1,713,891
Less: Estimated Uncollectible	(37,975)	-	(37,975)
Other Receivables	16,208	-	16,208
Due from Other Funds	81,973	15,663	97,636
Due From Other Governments	219,573	-	219,573
Prepaid Expenses	-	5,000	5,000
TOTAL ASSETS	<u><u>\$ 10,047,878</u></u>	<u><u>36,278</u></u>	<u><u>10,084,156</u></u>
LIABILITIES			
Accounts Payable	\$ 114,528	-	114,528
Due to Other Funds	133,567	5,000	138,567
Accrued Payroll and Related Liabilities	52,711	-	52,711
TOTAL LIABILITIES	<u><u>300,806</u></u>	<u><u>5,000</u></u>	<u><u>305,806</u></u>
DEFERRED INFLOWS OF RESOURCES			
Deferred - Current Property Taxes	1,597,449	-	1,597,449
Unavailable Revenues	72,127	-	72,127
TOTAL DEFERRED INFLOWS OF RESOURCES	<u><u>1,669,576</u></u>	<u><u>-</u></u>	<u><u>1,669,576</u></u>
FUND BALANCES			
Non-Spendable			
Prepaid Expenses	-	5,000	5,000
Restricted for			
State Street Aid	291,240	-	291,240
Drug Fund	-	26,278	26,278
Unassigned	7,786,256	-	7,786,256
TOTAL FUND BALANCES	<u><u>8,077,496</u></u>	<u><u>31,278</u></u>	<u><u>8,108,774</u></u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u><u>\$ 10,047,878</u></u>	<u><u>36,278</u></u>	<u><u>10,084,156</u></u>

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

TOWN OF MOUNT CARMEL, TENNESSEE
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2025

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

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 8,108,775
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$8,904,107 and the accumulated amortization and depreciation is \$5,989,808.	2,914,299
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	72,127
Long-term pension retirement plans are not due and payable in the current period and, therefore, are not reported in the governmental funds. This amount is the net pension asset, net of deferred inflows and deferred outflows of resources.	423,820
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at fiscal year end consist of leases payable, subscription-based IT arrangements, and compensated absences.	<u>(141,326)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 11,377,695</u></u>

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

TOWN OF MOUNT CARMEL, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2025

	General Fund	Non-Major Police Drug Fund	Total Governmental Funds
REVENUES			
Taxes	\$ 2,368,067	-	2,368,067
Licenses and Permits	11,114	-	11,114
Intergovernmental Revenues	1,332,457	-	1,332,457
Charges for Services	51,823	-	51,823
Fines and Forfeitures	35,580	4,542	40,122
Investment Earnings	212,612	-	212,612
Donations	14,995	-	14,995
Rental Income	22,539	-	22,539
Miscellaneous	10,005	-	10,005
TOTAL REVENUES	4,059,192	4,542	4,063,734
EXPENDITURES			
Current			
General Government	555,374	-	555,374
Financial Administration	579,208	-	579,208
Public Safety	1,036,558	-	1,036,558
Animal Control	18,868	-	18,868
Building Inspection	82,070	-	82,070
Highways and Streets	1,019,341	-	1,019,341
Solid Waste Sanitation	341,396	-	341,396
Recreation	33,243	-	33,243
Library	64,401	-	64,401
Debt Service:			
Lease Principal Payments	5,804	-	5,804
Subscription Based IT			
Financing Principal Payments	5,995	-	5,995
Interest	993	-	993
TOTAL EXPENDITURES	3,743,251	-	3,743,251
Excess (Deficiency) of Revenues Over (Under) Expenditures	315,941	4,542	320,483
OTHER FINANCING SOURCES (USES)			
Proceeds from Sale of Assets	8,175	-	8,175
Net Change in Fund Balances	324,116	4,542	328,658
Fund Balances, Beginning of Year, as Previously Presented	7,728,073	26,736	7,754,809
Restatement	25,307	-	25,307
Fund Balance, Beginning of Year, as Restated	7,753,380	26,736	7,780,116
Fund Balances, Ending	\$ 8,077,496	31,278	8,108,774

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

TOWN OF MOUNT CARMEL, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2025

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

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 328,658
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$727,401 exceeded depreciation of \$274,801 in the period.	452,600
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. Unavailable revenues decreased by this amount for the current year.	(7,484)
Compensated absences reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. Compensated absences increased by this amount for the current fiscal year.	(17,783)
The repayment of the principal of long-term debt consumes the current financial resources of the governmental funds.	11,799
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>58,241</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 826,031</u></u>

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

TOWN OF MOUNT CARMEL, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Property Taxes	\$ 1,513,000	1,513,000	1,557,477	44,477
Property Taxes - Delinquent	40,000	40,000	56,023	16,023
Local Option Sales Tax	775,000	775,000	752,383	(22,617)
Penalties and Interest	3,500	3,500	2,184	(1,316)
Total Taxes	<u>2,331,500</u>	<u>2,331,500</u>	<u>2,368,067</u>	<u>36,567</u>
Licenses and Permits				
Building Permits	7,000	7,000	11,114	4,114
Total Licenses and Permits	<u>7,000</u>	<u>7,000</u>	<u>11,114</u>	<u>4,114</u>
Intergovernmental Revenues				
Federal Grant Revenue	424,000	424,000	8,446	(415,554)
State Grant Revenue	305,595	305,595	276,086	(29,509)
Other State Revenues	200,000	200,000	4,000	(196,000)
Telecommunications Sales Tax	1,300	1,300	1,669	369
Contributions from Local Governments	-	-	20,000	20,000
State Sales Tax	650,000	650,000	690,627	40,627
State-City Streets and Transportation	160,000	160,000	163,060	3,060
State Gasoline Tax	37,000	37,000	38,399	1,399
TVA Replacement Tax	60,000	60,000	66,490	6,490
State Beer Tax	1,700	1,700	2,199	499
Wholesale Beer and Liquor Tax	55,000	55,000	46,792	(8,208)
Transportation Modernization Fees	-	-	2,403	2,403
Sportsbetting Tax	8,000	8,000	12,286	4,286
Total Intergovernmental Revenues	<u>1,902,595</u>	<u>1,902,595</u>	<u>1,332,457</u>	<u>(570,138)</u>
Charges for Services				
Cable TV Commissions	70,000	70,000	51,813	(18,187)
Animal Control Services	50	50	10	(40)
Total Charges for Services	<u>70,050</u>	<u>70,050</u>	<u>51,823</u>	<u>(18,227)</u>
Fines and Forfeitures	<u>80,300</u>	<u>80,300</u>	<u>35,580</u>	<u>(44,720)</u>
Investment Earnings	<u>25,000</u>	<u>25,000</u>	<u>212,612</u>	<u>187,612</u>

(Continued)

TOWN OF MOUNT CARMEL, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2025

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual	
REVENUES (CONTINUED)				
Other Revenue				
Contributions and Donations	5,000	5,000	14,995	9,995
Rental Income	20,660	20,660	22,539	1,879
Miscellaneous	20,000	20,000	10,005	(9,995)
Total Other Revenue	45,660	45,660	47,539	1,879
TOTAL REVENUES	4,462,105	4,462,105	4,059,192	(402,913)
EXPENDITURES				
General Government				
Dues	4,000	4,000	3,312	688
Senior Citizens Donations	33,000	33,000	33,000	-
Utilities	18,000	18,000	20,242	(2,242)
Telephone	3,000	3,000	2,177	823
Engineering	4,000	4,000	-	4,000
Repairs and Maintenance	-	21,000	18,156	2,844
Office Supplies and Postage	-	-	5,450	(5,450)
Insurance	125,000	114,000	79,266	34,734
Reappraisal Cost	9,000	9,000	7,739	1,261
Safety Program	2,500	2,500	-	2,500
Bank Charges	120	9,620	9,021	599
First TN Development District	1,700	35,825	1,635	34,190
First TN Human Resources	2,500	2,500	2,500	-
Public Relations	25,000	30,000	26,463	3,537
Chamber of Commerce	2,500	2,500	2,500	-
Of One Accord Lunchbox	1,600	1,600	1,200	400
HOME Grant	-	139,000	139,256	(256)
Capital Outlay	250,000	236,000	203,457	32,543
Total General Government	481,920	665,545	555,374	110,171
Financial Administration				
Salaries	264,000	264,000	264,815	(815)
Payroll Taxes	20,500	21,250	20,572	678
Health Insurance	45,000	65,000	60,857	4,143
Retirement	31,000	31,000	15,551	15,449
Worker's Compensation Insurance	-	-	8,352	(8,352)
Training	1,000	2,000	1,915	85
Internet and Web Services	2,200	2,200	995	1,205
Advertising	3,000	3,000	1,827	1,173
City Judge	4,800	4,800	4,800	-
Medical Services	200	200	50	150
Legal Services	30,000	30,000	25,617	4,383
Accounting Services	40,000	64,000	65,544	(1,544)

(Continued)

TOWN OF MOUNT CARMEL, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
EXPENDITURES (CONTINUED)				
Financial Administration (Continued)				
Computer and Support	56,400	56,400	50,719	5,681
State Planning Fees	15,000	15,450	15,450	-
Repairs and Maintenance	50,000	10,000	5,903	4,097
Travel	2,500	2,500	1,958	542
Tax Commission Fees	2,000	2,900	2,885	15
Miscellaneous and Dues	5,000	15,000	14,647	353
Office Expense and Supplies	10,200	15,700	15,844	(144)
Copier Maintenance and Lease	1,500	1,500	907	593
Capital Outlay	5,500	2,000	-	2,000
Total Financial Administration	589,800	608,900	579,208	29,692
Public Safety				
Police Department				
Salaries and Wages	380,000	357,000	331,529	25,471
Payroll Taxes	30,500	30,500	20,208	10,292
Health Insurance	75,500	75,500	47,634	27,866
Retirement	48,000	48,000	22,252	25,748
Training	4,500	15,500	15,480	20
Dues and E-Com Expense	1,400	1,600	1,781	(181)
Utilities and Telephone	6,000	6,000	6,451	(451)
Internet Services	1,000	1,000	880	120
Computer and Support	15,000	15,000	16,633	(1,633)
Wrecker and Towing Service	-	350	150	200
Medical Services	500	545	545	-
Travel	2,500	4,250	4,678	(428)
Office Expense	3,000	4,750	4,539	211
Operating Supplies	5,800	10,800	9,210	1,590
Clothing and Uniforms	4,000	5,500	6,084	(584)
Vehicle and Fuel Expense	45,000	45,000	34,170	10,830
Copier Lease	2,000	2,000	782	1,218
Miscellaneous and Radio Expense	6,000	6,000	1,753	4,247
Department of Safety	6,500	6,500	2,292	4,208
Bullet Proof Vests	2,000	2,000	1,275	725
Repairs and Maintenance	15,000	15,000	3,256	11,744
High Visibility Grant	5,000	10,000	7,547	2,453
Capital Outlay	62,000	60,000	67,915	(7,915)
Total Police Department	721,200	722,795	607,044	115,751

(Continued)

TOWN OF MOUNT CARMEL, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
EXPENDITURES (CONTINUED)				
Public Safety (Continued)				
Fire Department				
Salaries and Wages	92,000	77,000	67,956	9,044
Payroll Taxes	7,500	7,500	5,621	1,879
Retirement	-	-	2,694	(2,694)
Worker's Compensation Insurance	-	-	2,343	(2,343)
Training	6,000	6,000	3,037	2,963
Dues and E-Dispatch	500	500	270	230
Utilities and Telephone	13,800	11,021	8,843	2,178
Computer and Support	3,000	4,250	4,078	172
Medical Services	500	500	100	400
Travel	1,000	2,000	2,237	(237)
Office Expense	1,000	1,000	980	20
Operating Supplies and Equipment	20,000	90,000	82,224	7,776
Clothing and Uniforms	3,000	3,100	3,077	23
Vehicle and Fuel Expense	36,000	36,000	23,833	12,167
Contractual Services	2,000	2,000	1,350	650
Miscellaneous Expense	1,000	1,000	698	302
OSHA Testing	8,000	10,400	10,346	54
Repairs and Maintenance	42,000	43,000	5,722	37,278
Radio Expense	5,000	5,000	4,866	134
Public Relations/Parade	3,000	3,434	3,434	-
Capital Outlay	145,000	602,795	195,805	406,990
Total Fire Department	390,300	906,500	429,514	476,986
Total Public Safety	1,111,500	1,629,295	1,036,558	592,737
Animal Control				
Salaries and Wages	17,000	16,755	9,490	7,265
Payroll Taxes	1,600	1,600	530	1,070
Retirement	-	-	299	(299)
Worker's Compensation Insurance	-	-	320	(320)
Fees	8,000	8,000	5,500	2,500
Training	100	100	-	100
Dues	100	100	-	100
Utilities and Telephone	700	700	492	208
Medical Services	100	100	-	100
Operating Supplies	100	100	-	100
Clothing and Uniforms	100	100	-	100
Vehicle Expense	3,700	3,935	2,227	1,708
Capital Outlay	4,500	-	-	-
Miscellaneous	-	10	10	-
Total Animal Control	36,000	31,500	18,868	12,632

(Continued)

TOWN OF MOUNT CARMEL, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
EXPENDITURES (CONTINUED)				
Building Inspection				
Training	2,600	-	-	-
Dues and Fees	32,900	87,900	81,976	5,924
Demolition	25,000	-	-	-
Operating Supplies	2,000	100	52	48
Miscellaneous	550	50	42	8
Total Building Inspection	63,050	88,050	82,070	5,980
Highway and Streets				
Streets				
Salaries and Wages	256,000	258,000	230,571	27,429
Payroll Taxes	20,200	20,200	13,145	7,055
Health Insurance	42,000	48,000	42,379	5,621
Retirement	31,000	31,000	16,522	14,478
Worker's Compensation Insurance	-	-	4,929	(4,929)
Training	1,500	1,500	299	1,201
Utilities and Telephone	11,300	11,300	10,474	826
Internet Services	2,000	2,000	1,891	109
Medical Services	500	500	380	120
Repairs and Maintenance	18,000	19,500	13,037	6,463
Travel	1,000	1,000	-	1,000
Equipment Rental	3,500	3,500	1,119	2,381
Office Expense	500	550	501	49
Operating Supplies	8,000	10,500	8,659	1,841
Clothing and Uniforms	4,500	4,500	2,863	1,637
Vehicle Expense	60,000	60,000	78,228	(18,228)
Miscellaneous	1,000	1,000	954	46
Drainage Repairs	1,000	1,000	-	1,000
Paving	330,000	317,950	253,573	64,377
Capital Outlay	230,000	230,000	226,824	3,176
Total Streets	1,022,000	1,022,000	906,348	115,652

(Continued)

TOWN OF MOUNT CARMEL, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
EXPENDITURES (CONTINUED)				
Highway and Streets (Continued)				
State Street Aid				
Street Lighting	80,000	80,000	72,516	7,484
Repairs and Maintenance	2,000	2,000	384	1,616
Materials and Supplies	38,000	38,000	23,924	14,076
Paving	50,000	37,500	6,769	30,731
Capital Outlay	5,000	9,000	9,400	(400)
Total State Street Aid	175,000	166,500	112,993	53,507
Total Highways and Streets	1,197,000	1,188,500	1,019,341	169,159
Solid Waste Sanitation				
Salaries and Wages	53,900	59,900	54,697	5,203
Payroll Taxes	4,200	4,200	2,942	1,258
Health Insurance	13,000	14,500	13,003	1,497
Retirement	8,000	8,000	3,861	4,139
Worker's Compensation Insurance	-	-	1,745	(1,745)
Medical Services	100	100	45	55
Contractual Fees	245,000	245,000	241,446	3,554
Operating Supplies	500	500	210	290
Vehicle and Fuel Expense	23,000	24,000	23,447	553
Total Solid Waste Sanitation	347,700	356,200	341,396	14,804
Recreation				
Utilities and Telephone and Internet	20,000	20,000	4,934	15,066
War Memorial	1,000	1,000	182	818
Operating Supplies	1,500	1,500	1,415	85
Miscellaneous	250	250	2,712	(2,462)
Capital Outlay	660,000	452,608	24,000	428,608
Total Recreation	682,750	475,358	33,243	442,115
Library				
Salaries and Wages	45,500	45,500	44,305	1,195
Payroll Taxes	4,140	4,140	2,876	1,264
Training	3,000	3,000	274	2,726
Worker's Compensation Insurance	-	-	1,449	(1,449)
Utilities and Telephone	6,000	6,000	2,990	3,010
Internet Services	3,000	3,000	1,967	1,033
Medical Services	100	100	-	100
Repairs and Maintenance	3,000	3,000	814	2,186

(Continued)

TOWN OF MOUNT CARMEL, TENNESSEE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2025

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual	
EXPENDITURES (CONTINUED)				
Library (Continued)				
Travel	500	500	-	500
Operating Supplies	1,500	2,000	1,860	140
Books	5,300	5,300	5,102	198
Summer Reading	2,000	2,000	1,336	664
Miscellaneous	400	400	321	79
Computer and Support	1,100	1,100	667	433
Copier Maintenance	500	500	440	60
Total Library	76,040	76,540	64,401	12,139
Debt Service				
Lease Principal Payments	-	5,804	5,804	-
Subscription Based IT Financing Principal Payments	-	5,995	5,995	-
Interest	-	993	993	-
Total Debt Service	-	12,792	12,792	-
TOTAL EXPENDITURES	4,585,760	5,132,680	3,743,251	1,389,429
Excess (Deficiency) of Revenues Over (Under) Expenditures	(123,655)	(670,575)	315,941	986,516
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Assets	-	-	8,175	8,175
Net Change in Fund Balance	(123,655)	(670,575)	324,116	994,691
Fund Balances, Beginning of Year, as Previously Presented	7,728,073	7,728,073	7,728,073	-
Restatement	-	-	25,307	25,307
Fund Balance, Beginning of Year, as Restated	7,728,073	7,728,073	7,753,380	25,307
Fund Balance, Ending	\$ 7,604,418	7,057,498	8,077,496	1,019,998

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

TOWN OF MOUNT CARMEL, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2025

	Business-Type Activities <u>Sewer Fund</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 1,515,055
Accounts Receivable, Net of Estimated Uncollectible	185,316
Due from Other Funds	117,904
Due from Other Governments	75,889
Inventory	<u>118,198</u>
Total Current Assets	<u>2,012,362</u>
Noncurrent Assets	
Capital Assets	
Land	167,190
Plant in Service	11,559,926
Machinery and Equipment	856,211
Construction in Progress	1,965,478
Less: Allowance for Depreciation	<u>(7,778,333)</u>
Net Capital Assets	6,770,472
Restricted Assets	
Cash and Cash Equivalents	<u>105,852</u>
Total Noncurrent Assets	<u>6,876,324</u>
TOTAL ASSETS	<u>8,888,686</u>

(Continued)

TOWN OF MOUNT CARMEL, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2025

	Business-Type Activities Sewer Fund
LIABILITIES	
Current Liabilities	
Accounts Payable	190,576
Retainage Payable	90,280
Due to Other Funds	76,973
Customer Deposits	290
Accrued Interest Payable	403
Bonds Payable - Current	40,000
	<u>398,522</u>
Total Current Liabilities	
	<u>398,522</u>
Noncurrent Liabilities	
Bonds Payable	45,000
	<u>45,000</u>
TOTAL LIABILITIES	<u><u>443,522</u></u>
NET POSITION	
Net Investment in Capital Assets	6,595,192
Restricted for Debt Service	105,852
Unrestricted	1,744,120
	<u>8,445,164</u>
TOTAL NET POSITION	<u><u>\$ 8,445,164</u></u>

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

TOWN OF MOUNT CARMEL, TENNESSEE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2025

	Business-Type Activities Sewer Fund
OPERATING REVENUES	
Charges for Services Pledged as	
Security for Revenue Bonds	\$ 1,062,309
Other Revenue	6,907
TOTAL OPERATING REVENUES	<u>1,069,216</u>
OPERATING EXPENSES	
Personnel Services	152,397
Materials and Supplies	43,194
Repairs and Maintenance	161,291
Professional Services	57,805
Contractual Services	295,352
Utilities and Telephone	175,599
Insurance	22,707
General Expenses	143,139
Bad Debt Expense	5,625
Depreciation	282,294
TOTAL OPERATING EXPENSES	<u>1,339,403</u>
OPERATING INCOME (LOSS)	<u>(270,187)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest Income	34,051
Interest and Related Debt Expenses	(2,165)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>31,886</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>(238,301)</u>
TRANSFERS AND CAPITAL CONTRIBUTIONS	
Transfer of Net Pension Liability to Governmental Activities	(96,273)
Federal Capital Grant Revenue	383,632
TOTAL TRANSFERS AND CAPITAL CONTRIBUTIONS	<u>287,359</u>
Change in Net Position	<u>49,058</u>
Net Position, Beginning of Year, as Previously Presented	8,329,685
Restatements	66,421
Net Position, Restated	<u>8,396,106</u>
Net Position, Beginning of Year, as Restated	<u>\$ 8,445,164</u>

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

TOWN OF MOUNT CARMEL, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2025

	Business-Type Activities <u>Sewer Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 1,009,975
Cash Received from Other Revenues	6,907
Cash Paid to Suppliers and Service Provider	(791,206)
Cash Paid to Employees and Related Expenses	<u>(172,128)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>53,548</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Change in Due To Other Funds	<u>(58,217)</u>
NET CASH USED FOR NONCAPITAL FINANCING ACTIVITIES	<u>(58,217)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of Property and Equipment	(587,329)
Federal Capital Grants	60,717
Principal Paid on General Obligation Bonds	(45,000)
Interest Paid and Related Debt Expenses	<u>(3,219)</u>
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(574,831)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income	<u>34,051</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>34,051</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(545,449)
Cash and Cash Equivalents, Beginning	<u>2,166,356</u>
Cash and Cash Equivalents, Ending	<u><u>\$ 1,620,907</u></u>

(Continued)

TOWN OF MOUNT CARMEL, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2025

	Business-Type Activities <u>Sewer Fund</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income (Loss)	\$ (270,187)
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities	
Depreciation	282,294
(Increase) Decrease in Accounts Receivable	(46,709)
Increase (Decrease) in Accounts Payable	107,881
Accrued Payroll and Related Liabilities	(8,849)
Compensated Absences	<u>(10,882)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 53,548</u></u>
The Cash and Cash Equivalents are classified on the Statement of Net Position as the following:	
Cash and Cash Equivalents	\$ 1,515,055
Restricted Cash and Cash Equivalents (Debt Service)	<u>105,852</u>
Total Cash and Cash Equivalents	<u><u>\$ 1,620,907</u></u>

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

TOWN OF MOUNT CARMEL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

Individual Component Unit Disclosures

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

B. Government-wide and Fund Financial Statements

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

TOWN OF MOUNT CARMEL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

TOWN OF MOUNT CARMEL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

The Town reports the following major governmental fund:

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

The Town reports the following major proprietary fund:

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

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

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

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

TOWN OF MOUNT CARMEL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

1. Deposits and Investments

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

2. Receivables and Payables

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

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected and reported as revenue during the current fiscal year. These property taxes receivable are presented on the balance sheet as a deferred inflow of resources to reflect amounts not available as of June 30. Property taxes collected within 60 days of fiscal year end are considered available and accrued. Estimated uncollectible taxes were based on the prior year's collection experience. Property taxes are levied as of July 15 and the billings are considered past due on August 31 at which time the applicable property is subject to lien and penalties and interest are assessed. For the fiscal year ending June 30, 2025, the 2024 calendar year property tax rate was \$1.59 per \$100 of assessed value.

TOWN OF MOUNT CARMEL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

3. Inventories and Prepaid Items

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

Certain payments reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the government-wide financial statements and on the fund level.

4. Restricted Assets

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

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. In the government-wide financial statements, capital assets are defined by the Town for governmental activities as assets with an initial individual cost greater than \$5,000. For business-type activities, capital assets are defined as assets with an estimated useful life greater than one year.

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

TOWN OF MOUNT CARMEL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. Capital Assets (Continued)

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

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

6. Deferred Outflows/Inflows of Resources

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

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

TOWN OF MOUNT CARMEL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

7. Compensated Absences

The Town recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled (for example paid in cash to the employee or payment to an employee flex spending account) during or upon separation from employment. Based on the criteria listed, two types of leave qualify for liability recognition for compensated absences – *vacation* and *sick leave*. The liability for compensated absences is reported as incurred in the government-wide and proprietary fund financial statements. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

Vacation

The Town's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment at the employee's current pay rate upon separation from employment.

Sick Leave

The Town's policy permits employees to accumulate earned but unused sick leave. All sick leave lapses when employees leave the employ of the Town and, upon separation from service, no monetary obligation exists. However, a liability for estimated value of sick leave that will be used by employees as time off is included in the liability for compensated absences.

8. Long-Term Obligations

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

TOWN OF MOUNT CARMEL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

8. Long-Term Obligations (Continued)

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

9. Leases

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

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

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

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

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

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

TOWN OF MOUNT CARMEL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

10. Fund Equity

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

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

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

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

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

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

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

TOWN OF MOUNT CARMEL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

11. Net Position

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

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

Restricted Net Position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.

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

12. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

13. Pensions

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

TOWN OF MOUNT CARMEL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

14. Adjustments and Restatements of Beginning Balances

During the current year, the Town implemented GASB Statement No. 101, *Compensated Absences*. In addition to the value of unused vacation time owed to employees upon separation of employment, the Town now recognizes an estimated amount of sick leave earned as of year-end that will be used by employees as time off in future years as part of the liability for compensated absences. The effects of the change in accounting principle are summarized in the "Restatement - GASB 101 implementation" column in the table below.

The beginning fund balances of the General Fund and Sewer Fund and the net position of the governmental activities have been restated on the fund and government-wide financial statements to correct errors in reporting internal due to/from balances between the General and Sewer Funds. The effect of the change within the financial reporting entity is summarized below in the "Restatement – Correction of Internal Balances" column in the table below.

The beginning fund balance of the Sewer Fund has been restated to correct errors from previous years in reporting inventory balances. The effect of this change within the reporting entity is summarized below in the "Restatement – Correction of Inventory Balances" column.

	Net Position/Fund Balance 6/30/2024 as Previously Reported	Restatement - GASB 101 Implementation	Restatement - Correction of Internal Balances	Restatement - Correction of Inventory Balances	Net Position/Fund Balance 6/30/2024 as Adjusted
Government-wide					
Governmental Activities	\$ 10,608,163	(81,806)	25,307	-	10,551,664
Business-type Activities	8,329,685	-	(25,307)	91,728	8,396,106
Total Government-wide	<u>\$ 18,937,848</u>	<u>(81,806)</u>	<u>-</u>	<u>91,728</u>	<u>18,947,770</u>
Fund Level					
General Fund	\$ 7,728,073	-	25,307	-	7,753,380
Sewer Fund	8,329,685	-	(25,307)	91,728	8,396,106
Total Fund Level	<u>\$ 16,057,758</u>	<u>-</u>	<u>-</u>	<u>91,728</u>	<u>16,149,486</u>

TOWN OF MOUNT CARMEL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2025

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

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

The governmental funds' Balance Sheet includes a reconciliation between *fund balances-governmental funds* and *net position-governmental activities* as reported in the government-wide Statement of Net Position. One element of that reconciliation explains that "long-term liabilities are not due and payable in the current period, and therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of leases payable, subscription-based IT financing payable and compensated absences." The details of this \$(141,326) difference are as follows:

Leases Payable	\$ (6,044)
Subscription-based IT Financing Arrangement	(6,242)
Compensated Absences	<u>(129,040)</u>
 Net adjustment to reduce <i>fund balances - governmental funds</i> to arrive at <i>net position-governmental activities</i>	 <u>\$ (141,326)</u>

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

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

One element states that "some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds." The details of this \$58,241 are as follows:

Change in Deferred Outflows of Resources Related to Pensions	\$ (44,118)
Change in Deferred Inflows of Resources Related to Pensions	(153,120)
Change in Net Pension Asset	<u>255,479</u>
 Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	 <u>\$ 58,241</u>

TOWN OF MOUNT CARMEL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2025

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

NOTE 4 - DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

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

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

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

TOWN OF MOUNT CARMEL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2025

NOTE 4 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and Investments (Continued)

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

Deposits

At fiscal year end, the Town has \$450 of cash on hand which has been included in cash and cash equivalents. The Town's carrying amount of deposits was \$4,432,273 and the bank balance was \$4,819,004. The Town's bank balance was covered by securities held by the entity or its agent in the entity's name or by amounts insured by the FDIC.

Investments

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

The Town invests funds in the State of Tennessee's Local Government Investment Pool (LGIP). The Town's interest in LGIP is recorded at amortized cost which approximates fair market value and at June 30, 2025, funds totaled \$5,152,155. The entire balance of the LGIP funds is considered to have investment maturities of less than one year. At June 30, 2025, the LGIP reported a weighted average maturity of 1 to 45 days.

TOWN OF MOUNT CARMEL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2025

NOTE 4 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Receivables

Receivables as of June 30, 2025, including the applicable allowances for uncollectible accounts, are as follows:

	General	Drug	Sewer	Total
Receivables				
Accounts	\$ -	-	208,316	208,316
Taxes	1,713,891	-	-	1,713,891
Other Receivables	16,208	-	-	16,208
Due from Others				
Due from Other Funds	81,973	15,663	117,904	215,540
Federal Government and Federal through State	-	-	75,889	75,889
County Government	57,215	-	-	57,215
State of Tennessee	162,358	-	-	162,358
Gross Receivables	2,031,645	15,663	402,109	2,449,417
Less: Allowance for Uncollectibles	(37,975)	-	(23,000)	(60,975)
Total Receivables	<u>\$ 1,993,670</u>	<u>15,663</u>	<u>379,109</u>	<u>2,388,442</u>

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

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

	<u>Unavailable</u>	<u>Unearned</u>
Receivables Not Received within Period of Availability		
Property Tax Levied for Ensuing Fiscal Year		
General Fund	\$ -	1,597,449
Property Tax Levied but Not Collected in Period of Availability	71,603	-
Other State Revenues	524	-
	<u>\$ 72,127</u>	<u>1,597,449</u>

TOWN OF MOUNT CARMEL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2025

NOTE 4 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2025 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 352,312	-	-	352,312
Construction in Progress	27,000	4,000	(22,000)	9,000
Total Capital Assets, Not Being Depreciated	379,312	4,000	(22,000)	361,312
Capital Assets, Being Depreciated				
Buildings and Improvements	705,818	199,689	22,000	927,507
Machinery, Equipment, And Vehicles	3,088,780	523,712	(78,097)	3,534,395
Library	115,205	-	-	115,205
Infrastructure	3,907,696	-	-	3,907,696
Intangible Right to Use - Lease - Equipment	29,068	-	-	29,068
Intangible Right to Use - Software Agreement	28,924	-	-	28,924
Total Capital Assets, Being Depreciated	7,875,491	723,401	(56,097)	8,542,795
Less Accumulated Depreciation For				
Buildings and Improvements	(530,594)	(20,923)	-	(551,517)
Machinery, Equipment, and Vehicles	(1,826,705)	(181,006)	78,097	(1,929,614)
Library	(115,205)	-	-	(115,205)
Infrastructure	(3,293,051)	(61,275)	-	(3,354,326)
Intangible Right to Use - Lease	(14,534)	(5,813)	-	(20,347)
Intangible Right to Use - Software Arrangement	(13,015)	(5,784)	-	(18,799)
Total Accumulated Amortization and Depreciation	(5,793,104)	(274,801)	78,097	(5,989,808)
Total Capital Assets, Being Depreciated, Net	2,082,387	448,600	22,000	2,552,987
Governmental Activities Capital Assets, Net	\$ 2,461,699	452,600	-	2,914,299

TOWN OF MOUNT CARMEL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2025

NOTE 4 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets (Continued)

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

Governmental Activities	
General Government	\$ 15,634
Public Safety	76,844
Highway and Streets	156,864
Animal Control	1,710
Library	343
Recreation	<u>23,406</u>

Total Depreciation Expense - Governmental Activities	<u>\$ 274,801</u>
--	-------------------

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital Assets, Not Being Depreciated				
Land and Right of Ways	\$ 167,190	-	-	167,190
Construction in Progress	<u>1,314,379</u>	<u>651,099</u>	-	<u>1,965,478</u>
Total Capital Assets, Not Being Depreciated	<u>1,481,569</u>	<u>651,099</u>	-	<u>2,132,668</u>
Capital Assets, Being Depreciated				
Machinery and Equipment	856,211	-	-	856,211
Utility Plant and Lines in Service	<u>11,533,415</u>	<u>26,511</u>	-	<u>11,559,926</u>
Total Capital Assets, Being Depreciated	<u>12,389,626</u>	<u>26,511</u>	-	<u>12,416,137</u>
Less Accumulated Depreciation For				
Machinery and Equipment	(634,073)	(49,042)	-	(683,115)
Utility Plant and Lines in Service	<u>(6,861,966)</u>	<u>(233,252)</u>	-	<u>(7,095,218)</u>
Total Accumulated Depreciation	<u>(7,496,039)</u>	<u>(282,294)</u>	-	<u>(7,778,333)</u>
Total Capital Assets, Being Depreciated, Net	<u>4,893,587</u>	<u>(255,783)</u>	-	<u>4,637,804</u>
Business-Type Activities Capital Assets, Net	<u>\$ 6,375,156</u>	<u>395,316</u>	-	<u>6,770,472</u>

TOWN OF MOUNT CARMEL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2025

NOTE 4 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Interfund Receivables and Payables

The Due to/from Other Funds is a result of the general fund paying for the sewer fund's portion of property insurance, and sewer fees receipted by the general fund on behalf of the sewer fund. Amounts the general fund owes the drug fund are the result of proceeds from confiscations and fines being receipted into the general fund rather than the drug fund. The composition of interfund balances as of June 30, 2025 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Sewer	\$ 76,973
General	Drug	5,000
Drug	General	15,663
Sewer	General	117,904

During the year ended June 30, 2025, the sewer fund made a transfer of \$96,273 to the governmental activities on the government-wide Statement of Activities. This transfer represents the net amount of the net pension liability and deferred outflows and inflows that were previously recorded on the Sewer Fund prior to the elimination of all staff positions in the Sewer Fund.

TOWN OF MOUNT CARMEL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2025

NOTE 4 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Liabilities

Changes in Long-Term Liabilities

The following is a summary of the changes in long-term liabilities for the fiscal year ended June 30, 2025:

	Balance Beginning of Year*	Additions	Retirements/ Reductions	Balance End of Year	Due Within One Year
Governmental Activities					
Leases Payable	\$ 11,848	-	(5,804)	6,044	6,044
Subscription-based IT Financing Payable	12,237	-	(5,995)	6,242	6,242
Compensated Absences*	111,257	17,783	-	129,040	47,267
Governmental Activities Long-Term Liabilities	135,342	17,783	(11,799)	141,326	59,553
Business-Type Activities					
General Obligation Refunding Bonds	130,000	-	(45,000)	85,000	40,000
Compensated Absences*	10,882	-	(10,882)	-	-
Net Pension Liability	8,465	-	(8,465)	-	-
Business-Type Activities Long-Term Liabilities	149,347	-	(64,347)	85,000	40,000
Total Changes in Long-Term Liabilities	\$ 284,689	17,783	(76,146)	226,326	99,553

* Net change has been reported for compensated absences. Restatement of \$81,806 is reflected in beginning balance and is a result of accrued sick leave, due to the implementation of GASB Statement 101, *Compensated Absences*.

Business-Type Activities Debt

	Date Issued	Amount Authorized and Issued	Interest Rate	Year of Maturity	Outstanding June 30, 2025
<u>Water and Sewer Fund Bonds Payable</u>					
G.O. Refunding Bonds, Series 2013	11/27/13	\$ 545,000	2.48%	2027	<u>\$ 85,000</u>

Interest expense related to business-type activities totaled \$2,165 for the fiscal year ended June 30, 2025.

TOWN OF MOUNT CARMEL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2025

NOTE 4 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Liabilities (Continued)

Business-Type Activities Debt (Continued)

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

The annual requirements to amortize all business-type activities bonds, including principal and interest, outstanding as of June 30, 2025 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 40,000	1,612	41,612
2027	45,000	558	45,558
	<u>\$ 85,000</u>	<u>2,170</u>	<u>87,170</u>

F. Leases Payable

The Town has one lease agreement for the use of police body cameras. An initial lease liability was previously recorded in the amount of \$29,068 at the commencement date of the lease. As of June 30, 2025, the value of the lease liability was \$6,044. The Town is required to make monthly principal and interest payments totaling \$6,293. The lease has an imputed interest rate of 4.05%, which is the Town's incremental borrowing rate. The equipment has an estimated useful life of 5 years. The value of the right-to-use asset as of the end of the current fiscal year was \$29,068 and had accumulated amortization of \$20,347.

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

	Original Amount of Issue	Interest Rate	Date of Issue	Maturity Date	Outstanding 7/1/2024	Issued During Period	Paid and/or Matured During Period	Outstanding 6/30/2025
Payable through General Fund:								
Body Cameras - Police	\$ 29,068	4.05%	12/31/2021	12/31/2025	<u>\$ 11,848</u>	<u>-</u>	<u>5,804</u>	<u>6,044</u>

TOWN OF MOUNT CARMEL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2025

NOTE 4 - DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Leases Payable (Continued)

The future principal and interest lease payments as of June 30, 2025, were as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	<u>\$ 6,044</u>	<u>249</u>	<u>6,293</u>

G. Subscription-Based Information Technology Arrangements

The Town has one Subscription-based Information Technology Arrangement (SBITA) for OmniCourt Software at June 30, 2025. An initial liability was previously recorded in the amount of \$28,924 at the commencement date of the agreement. An intangible right-to-use software arrangements in the same amount was recorded in the General Fund capital assets. This asset will be amortized over the agreement term of five years since the related software will be replaced at the end of the arrangement term and replaced with upgraded software. The Town's incremental borrowing rate of 4.05% was utilized as the discount rate for this arrangement. The software agreement will end in 2026. The total costs of the Town's subscription assets are recorded as \$28,924, less accumulated amortization of \$18,799.

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

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	<u>\$ 6,242</u>	<u>253</u>	<u>6,495</u>

TOWN OF MOUNT CARMEL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2025

NOTE 5 - OTHER INFORMATION

A. Risk Management

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

B. Employee Retirement Systems and Pension Plan

General Information about the Pension Plan

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

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

TOWN OF MOUNT CARMEL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2025

NOTE 5 - OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plan (Continued)

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

Employees Covered by Benefit Terms. At the measurement date of June 30, 2024, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	13
Inactive employees entitled to but not yet receiving benefits	44
Active employees	17
	<u>74</u>

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. The Town makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2025, the employer contributions for the Town were \$64,603 based on a rate of 7.32 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the Town's state shared taxes if required employer contributions are not remitted. The employer's ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

TOWN OF MOUNT CARMEL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2025

NOTE 5 - OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plan (Continued)

Net Pension Liability (Asset)

Pension Liabilities (Assets). The Town's net pension liability (asset) was measured as of June 30, 2024, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability as of the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were based on actual experience including an adjustment for some anticipated improvement. The actuarial assumptions used in the June 30, 2024 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. The demographic assumptions were adjusted to reflect more closely actual and expected future experience.

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

TOWN OF MOUNT CARMEL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2025

NOTE 5 - OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plan (Continued)

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

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

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

Discount Rate. The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the Town will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF MOUNT CARMEL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2025

NOTE 5 - OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plan (Continued)

Changes in the Net Pension Liability (Asset)

	Increases (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balance at 6/30/2023	\$ 4,100,614	4,060,007	40,607
Changes for the Year:			
Service Cost	60,954	-	60,954
Interest	274,793	-	274,793
Differences Between Expected and Actual Experience	(152,652)	-	(152,652)
Contributions - Employer	-	58,977	(58,977)
Net Investment Income	-	390,283	(390,283)
Benefit Payments, Including Refunds of Employee Contributions	(181,122)	(181,122)	-
Administrative Expense	-	(2,221)	2,221
Net Changes	<u>1,973</u>	<u>265,917</u>	<u>(263,944)</u>
Balance at 6/30/2024	<u>\$ 4,102,587</u>	<u>4,325,924</u>	<u>(223,337)</u>

During fiscal year 2025, the Sewer Fund eliminated all positions within that department. Accordingly, the existing net pension liability, deferred outflows and deferred inflows previously recorded on the Sewer Fund of \$96,273 were transferred to the governmental activities.

TOWN OF MOUNT CARMEL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2025

NOTE 5 - OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plan (Continued)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the net pension liability (asset) of the Town calculated using the discount rate of 6.75 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1- percentage-point lower (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net Pension Liability (Asset)	\$ 336,648	(223,337)	(682,833)

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

Pension Expense. For the year ended June 30, 2025, the Town recognized pension expense of \$101,522.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2025, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 197,920	155,945
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	44,949
Changes in Assumptions	138,854	-
Contributions Subsequent to the Measurement Date of June 30, 2024	64,603	-
	<u>\$ 401,377</u>	<u>200,894</u>

TOWN OF MOUNT CARMEL, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2025

NOTE 5 - OTHER INFORMATION (CONTINUED)

B. Employee Retirement Systems and Pension Plan (Continued)

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

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2024" will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

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

Year Ended June 30:		
2026	\$	21,601
2027		171,448
2028		(330)
2029		(31,389)
2030		(25,450)
Thereafter		-

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

C. Contingent Liabilities

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

D. Economic Dependency

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

E. Commitments

The Town has entered into three contracts in the sewer fund, which were not completed at fiscal year-end. At June 30, 2025, remaining commitments were \$114,415 for the ARPA Sewer Project and \$14,950 for the Solids Dewatering Project.

REQUIRED SUPPLEMENTARY INFORMATION

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

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
TOTAL PENSION LIABILITY										
Service Cost	\$ 57,268	65,319	65,726	77,771	86,912	61,638	50,802	61,345	69,636	60,954
Interest	151,243	158,292	168,499	179,841	200,842	206,979	200,773	232,128	256,635	274,793
Differences Between Actual and Expected Experience	(71,254)	(40,389)	(44,218)	76,439	(17,331)	(172,400)	98,511	185,058	108,834	(152,652)
Change of Assumptions	-	-	54,796	-	-	-	416,562	-	-	-
Benefit Payments, Including Refunds of Employee Contributions	(26,766)	(75,890)	(19,168)	(26,699)	(80,350)	(240,667)	(101,289)	(113,786)	(133,719)	(181,122)
NET CHANGE IN TOTAL PENSION LIABILITY	110,491	107,332	225,635	307,352	190,073	(144,450)	665,359	364,745	301,386	1,973
TOTAL PENSION LIABILITY - BEGINNING	1,972,691	2,083,182	2,190,514	2,416,149	2,723,501	2,913,574	2,769,124	3,434,483	3,799,228	4,100,614
TOTAL PENSION LIABILITY - ENDING (a)	\$ 2,083,182	2,190,514	2,416,149	2,723,501	2,913,574	2,769,124	3,434,483	3,799,228	4,100,614	4,102,587
PLAN FIDUCIARY NET POSITION										
Contributions - Employer	\$ 70,842	74,368	71,961	86,597	76,620	64,635	75,965	53,379	61,707	58,977
Net Investment Income	70,758	63,349	280,564	233,342	228,656	159,125	842,289	(155,425)	258,055	390,283
Benefit Payments, Including Refunds of Employee Contributions	(26,766)	(75,890)	(19,168)	(26,699)	(80,350)	(240,667)	(101,289)	(113,786)	(133,719)	(181,122)
Administrative Expense	(923)	(1,343)	(1,484)	(1,829)	(1,618)	(1,395)	(1,605)	(1,955)	(2,147)	(2,221)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	113,911	60,484	331,873	291,411	223,308	(18,302)	815,360	(217,787)	183,896	265,917
PLAN FIDUCIARY NET POSITION - BEGINNING	2,275,853	2,389,764	2,450,248	2,782,121	3,073,532	3,296,840	3,278,538	4,093,898	3,876,111	4,060,007
PLAN FIDUCIARY NET POSITION - ENDING (b)	\$ 2,389,764	2,450,248	2,782,121	3,073,532	3,296,840	3,278,538	4,093,898	3,876,111	4,060,007	4,325,924
NET PENSION LIABILITY (ASSET) - ENDING (a) - (b)	\$ (306,582)	(259,734)	(365,972)	(350,031)	(383,266)	(509,414)	(659,415)	(76,883)	40,607	(223,337)
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY (ASSET)	114.72%	111.86%	115.15%	112.85%	113.15%	118.40%	119.20%	102.02%	99.01%	105.44%
COVERED PAYROLL	\$ 692,489	703,494	735,515	714,604	859,953	760,875	641,857	754,374	925,105	843,740
NET PENSION LIABILITY (ASSET) AS A PERCENTAGE OF COVERED PAYROLL	-44.27%	-36.92%	-49.76%	-48.98%	-44.57%	-66.95%	-102.74%	-10.19%	4.39%	-26.47%

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

See Independent Auditors' Report.

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

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Actuarially Determined Contribution	\$ 74,368	68,388	82,555	53,033	44,545	52,354	53,379	61,707	58,977	64,603
Contributions in Relation to the										
Actuarially Determined Contribution	74,368	71,961	86,597	76,620	64,635	75,965	53,379	61,707	58,977	64,603
Contribution Deficiency (Excess)	\$ -	(3,573)	(4,042)	(23,587)	(20,090)	(23,611)	-	-	-	-
Covered Payroll	\$ 703,494	735,515	714,604	859,953	760,875	641,857	754,374	925,105	843,740	882,555
Contributions as a Percentage of Covered Payroll	10.57%	9.78%	12.12%	8.91%	8.49%	11.84%	7.08%	6.67%	6.99%	7.32%

(Continued)

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

Notes To Schedule

Valuation date: Actuarially determined contribution rates for fiscal year 2025 were calculated based on the June 30, 2023 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar, closed (not to exceed 20 years)
Remaining Amortization Period	Varies by year
Asset Valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	2.25 percent
Salary Increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment Rate of Return	6.75 percent, net of investment expense, including inflation
Retirement Age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.125 percent

Changes of Assumptions. In 2021, the following assumptions were changed: decreased inflation rate from 2.50 percent to 2.25 percent; decreased the investment rate of return from 7.25 percent to 6.75 percent; decreased the cost-of-living adjustment from 2.25 percent to 2.125 percent; and modified mortality assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

See Independent Auditors' Report.

INDIVIDUAL FUND SCHEDULES

TOWN OF MOUNT CARMEL, TENNESSEE
DRUG FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
REVENUES				
Fines and Forfeitures	\$ -	-	4,542	4,542
TOTAL REVENUES	-	-	4,542	4,542
EXPENDITURES				
Drug Fund Operations	-	-	-	-
TOTAL EXPENDITURES	-	-	-	-
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	-	-	4,542	4,542
Fund Balance, Beginning	26,736	26,736	26,736	-
Fund Balance, Ending	\$ 26,736	26,736	31,278	4,542

See Independent Auditors' Report.

SUPPLEMENTAL INFORMATION

TOWN OF MOUNT CARMEL, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2025

Grantor Agency	Pass-Through Agency/Program Name	Assistance Listing Number	Contract Number	Expenditures
U.S. Department of Treasury	COVID-19: Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	\$ 298,914
U.S. Department of Treasury	Pass-Through State of Tennessee Department of Environment and Conservation COVID-19: Coronavirus State and Local Fiscal Recovery Funds	21.027	32701-04807	84,718
U.S. Department of Transportation/ National Highway Traffic Safety Administration	Pass-Through Tennessee Highway Safety Office Alcohol Open Container Requirements	20.607	Z25THS407	8,446
U.S. Department of Housing and Urban Development	Pass-Through State of Tennessee Housing Development Agency	14.239	N/A	139,256
TOTAL FEDERAL AWARDS				<u>\$ 531,334</u>

NOTE A: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of the Town under programs of the federal government for the fiscal year ended June 30, 2025.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

NOTE C: INDIRECT COSTS

The Town has not elected to use the 15% *de minimis* indirect costs allocation option.

See Independent Auditors' Report.

TOWN OF MOUNT CARMEL, TENNESSEE
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Fiscal Year Ended June 30, 2025

Grantor Agency	Pass-Through Agency/Program Name	Contract Number	Expenditures
Tennessee Department of Commerce and Insurance	Police Salary Supplements	85061-29	\$ 800
Tennessee Department of Commerce and Insurance	Recruitment and Retention Grant	33501-2548353	11,200
Tennessee Department of Commerce and Insurance	Volunteer Firefighter Equipment and Training Grant	N/A	70,000
Tennessee Department of Environment and Conservation	Local Parks and Recreation Fund Grant	32701-05280	<u>4,000</u>
TOTAL STATE AWARDS			<u><u>\$ 86,000</u></u>

See Independent Auditors' Report.

TOWN OF MOUNT CARMEL, TENNESSEE
SCHEDULE OF CHANGES IN PROPERTY TAX RECEIVABLE
For the Fiscal Year Ended June 30, 2025

<u>Tax Year</u>	<u>Property Tax Receivable at June 30, 2024</u>	<u>Property Tax Levied</u>	<u>Anticipated Current Year Levy</u>	<u>Adjustments</u>	<u>Collections</u>	<u>Property Tax Receivable at June 30, 2025</u>
2025	\$ -	1,597,449	-	-	-	1,597,449
2024	1,587,049	-	-	-	(1,527,875)	59,174
2023	63,928	-	-	-	(36,743)	27,185
2022	27,202	-	-	-	(15,108)	12,094
2021	11,111	-	-	-	(4,704)	6,407
2020	6,629	-	-	-	(1,502)	5,127
2019	2,286	-	-	-	(698)	1,588
2018	1,175	-	-	-	(462)	713
2017	950	-	-	-	(275)	675
2016	440	-	-	-	-	440
2015	391	-	-	-	-	391
2014	2,188	-	-	-	-	2,188
2013	460	-	-	-	-	460
Total	<u>\$ 1,703,809</u>	<u>1,597,449</u>	<u>-</u>	<u>-</u>	<u>(1,587,367)</u>	<u>1,713,891</u>

NOTE:

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

See Independent Auditors' Report.

TOWN OF MOUNT CARMEL, TENNESSEE
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
For the Fiscal Year Ended June 30, 2025

	<u>Original Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Maturity Date</u>	<u>Outstanding 7/1/2024</u>	<u>Issued During Period</u>	<u>Paid and/or Matured During Period</u>	<u>Outstanding 6/30/2025</u>
Payable Through Sewer Fund: Sewer General Obligation Improvement Bonds - Series 2013	\$ 545,000	2.48%	11/27/2013	11/27/2026	<u>\$ 130,000</u>	<u>-</u>	<u>45,000</u>	<u>85,000</u>

See Independent Auditors' Report.

TOWN OF MOUNT CARMEL, TENNESSEE
SCHEDULE OF LONG-TERM DEBT PRINCIPAL AND INTEREST
SEWER GENERAL OBLIGATION REFUNDING BONDS -
SERIES 2013
June 30, 2025

Fiscal Year Ending June 30	Principal	Interest	Total
2026	\$ 40,000	1,612	41,612
2027	45,000	558	45,558
Total	\$ 85,000	2,170	87,170

See Independent Auditors' Report.

TOWN OF MOUNT CARMEL, TENNESSEE
SCHEDULE OF CHANGES IN LEASE OBLIGATIONS
For the Year Ended June 30, 2025

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Maturity Date	Outstanding 7/1/2024	Issued During Period	Paid and/or Matured During Period	Outstanding 6/30/2025
Governmental Activities:								
Leases Payable								
Payable through General Fund:								
Body Cameras - Police	\$ 29,068	4.05%	12/31/2021	12/31/2025	\$ 11,848	-	5,804	6,044
Total Leases Payable through General Fund					<u>\$ 11,848</u>	<u>-</u>	<u>5,804</u>	<u>6,044</u>

See Independent Auditors' Report.

TOWN OF MOUNT CARMEL, TENNESSEE
SCHEDULE OF LEASE PRINCIPAL AND INTEREST REQUIREMENTS
GENERAL FUND LEASE
June 30, 2025

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	<u>\$ 6,044</u>	<u>249</u>	<u>6,293</u>

See Independent Auditors' Report.

**OTHER SUPPLEMENTAL
INFORMATION
(UNAUDITED)**

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

Calendar Tax Year		Assessed Value	Tax Rate Per \$100
2016	\$	79,484,091	1.38
2017		80,023,910	1.38
2018		80,269,222	1.67
2019		80,891,056	1.67
2020		81,224,229	1.67
2021		94,145,431	1.39
2022		98,429,529	1.39
2023		97,988,793	1.59
2024		99,833,332	1.59
2025		100,487,538	1.59

See Independent Auditors' Report.

TOWN OF MOUNT CARMEL, TENNESSEE
SCHEDULE OF CAPITAL ASSETS USED IN OPERATION OF GOVERNMENTAL ACTIVITIES
June 30, 2025

Function	Land	Construction in Progress	Buildings and Improvements	Machinery, Equipment, and Vehicles	Library Collection	Right of Use	Infrastructure	Total
General Government	\$ 81,402	-	459,157	184,880	-	28,924	-	754,363
Police and Fire	14,000	-	231,980	1,512,404	-	29,068	-	1,787,452
Highways and Streets	27,000	-	38,762	1,545,702	-	-	3,907,696	5,519,160
Sanitation	-	-	-	49,849	-	-	-	49,849
Recreation	229,910	9,000	141,778	231,261	-	-	-	611,949
Animal Control	-	-	27,190	10,299	-	-	-	37,489
Library	-	-	28,640	-	115,205	-	-	143,845
Total	<u>\$ 352,312</u>	<u>9,000</u>	<u>927,507</u>	<u>3,534,395</u>	<u>115,205</u>	<u>57,992</u>	<u>3,907,696</u>	<u>8,904,107</u>

See Independent Auditors' Report.

TOWN OF MOUNT CARMEL, TENNESSEE
SEWER RATE STRUCTURE AND NUMBER OF CUSTOMERS
For the Fiscal Year Ended June 30, 2025

Sewer Rates

Minimum Bill	2,000 Gallons Minimum	\$43.88
	All Over 2,000 Gallons	\$7.08/1,000 Gallons

Note: Sewer usage based on 90% of water usage

Customers	2,020
-----------	-------

See Independent Auditors' Report.

DAVID M. ELLIS

Certified Public Accountant

*Member, American Institute of
Certified Public Accountants*

*Member, Tennessee Society of
Certified Public Accountants*

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

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

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the remaining fund information of the Town of Mount Carmel, Tennessee, as of and for the year ended June 30, 2025, 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, 2025.

Report on Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

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

David M. Ellis, CPA
Greeneville, Tennessee
December 16, 2025

TOWN OF MOUNT CARMEL, TENNESSEE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
For the Fiscal Year Ended June 30, 2025

Financial Statement Findings

Finding Number	Finding Title	Status

Compliance Findings

Finding Number	Finding Title	Status
2024-001	Closing of Books (Original finding # 2021-001)	Corrected
2024-002	Budget (Original finding # 2024-002)	Corrected
2024-003	Late Audit (Original finding # 2022-003)	Corrected
2024-004	Failure to Implement Cyber Security Plan (Original finding # 2023-004)	Corrected
2024-005	Failure to Submit Timely Payroll Related Tax Forms and Failure to Make Proper Tax Deposits (Original finding # 2024-005)	Corrected