

TOWN OF MOUNT CARMEL, TENNESSEE

FINANCIAL STATEMENTS

JUNE 30, 2013

TOWN OF MOUNT CARMEL, TENNESSEE
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DAVID M. ELLIS
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INDEPENDENT AUDITOR'S REPORT

To the Board of Mayor and Alderman and
The Comptroller of the State of Tennessee
Town of Mount Carmel
Mount Carmel, Tennessee

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Mount Carmel, Tennessee, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Mount Carmel, Tennessee, as of June 30, 2013, and the respective changes in financial position, where applicable, cash flows thereof,

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and Schedule of Funding Progress on pages 3-9 and 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated February 21, 2014, on my consideration of Town of Mount Carmel, Tennessee's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Mount Carmel, Tennessee's internal control over financial reporting and compliance.



David M. Ellis, CPA
Greeneville, Tennessee
February 21, 2014

**TOWN OF MOUNT CARMEL, TENNESSEE
MANAGEMENT'S DISCUSSION & ANALYSIS
(Unaudited-Required Supplementary Information)
For the Year Ended, June 30, 2013**

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, 2013. 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, 2013 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 \$10,731,215. Of this amount, \$3,736,622 (unrestricted net position) may be used to meet the Town's ongoing obligations.
- The Town's total net position increased \$509,971 during the current year.
- As of June 30, 2013, the Town's General Fund reported a fund balance of \$2,601,441 which was a \$259,782 increase over the prior year.
- The proprietary fund being the Sewer Fund had an increase of \$298,938 in net position with \$189,061 of this amount relating to a capital grant.
- During the current year, the Town had no new debt issues.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

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

Proprietary Funds

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

Notes to the Basic Financial Statements

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

Required & Other Supplementary Information

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

Government-Wide Financial Analysis

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

As noted earlier, net position changes over time serves as a useful indicator of the Town's financial position. In the case of the Town, its overall net position increased \$509,971 in the current year.

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

The second largest portion net position consists of unrestricted net position (35%) and this may be used to meet the Town's ongoing obligations to citizens and creditors.

An additional portion of the Town's net position (2%) represents resources that are subject to external restriction on how they may be used.

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

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Assets & Deferred Outflows of Resources						
Current & Other Assets	\$ 3,884,770	\$ 3,652,052	\$ 1,330,406	\$ 1,138,046	\$ 5,215,176	\$ 4,790,098
Capital Assets (net)	2,309,917	2,393,823	5,917,325	5,930,183	8,227,242	8,324,006
Deferred Outflows of Resources	-	-	21,577	27,323	21,577	27,323
Total Assets & Deferred Outflows of Resources	6,194,687	6,045,875	7,269,308	7,095,552	13,463,995	13,141,427
Liabilities & Deferred Inflows of Resources						
Long-Term Liabilities	33,412	83,773	1,415,130	1,581,212	1,448,542	1,664,985
Other Liabilities	82,165	1,192,086	104,012	63,112	186,177	1,255,198
Deferred Inflows of Resources	1,098,061	-	-	-	1,098,061	-
Total Liabilities & Deferred Inflows of Resources	1,213,638	1,275,859	1,519,142	1,644,324	2,732,780	2,920,183
Net Position						
Net Investment in Capital Assets	2,298,523	2,332,429	4,507,534	4,381,408	6,806,057	6,713,837
Restricted	58,164	73,906	130,372	130,372	188,536	204,278
Unrestricted	2,624,362	2,363,681	1,112,260	939,448	3,736,622	3,303,129
Total Net Position	\$4,981,049	\$4,770,016	\$5,750,166	\$5,451,228	\$10,731,215	\$10,221,244

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenue						
Charges for Services	\$ 244,793	\$ 233,912	\$ 782,948	\$ 787,062	\$ 1,027,741	\$ 1,020,974
Operating Grants/Contributions	194,704	202,479	-	-	194,704	202,479
Capital Grants/Contributions	1,427	9,086	189,061	33,470	190,488	42,556
Property Taxes	1,114,366	1,098,171	-	-	1,114,366	1,098,171
Local Sales Tax	300,499	303,102	-	-	300,499	303,102
Other Taxes	118,824	99,329	-	-	118,824	99,329
Intergovernmental	506,427	494,093	-	-	506,427	494,093
Other	27,384	69,070	1,540	2,359	28,924	71,429
Total Revenue	2,508,424	2,509,242	973,549	822,891	3,481,973	3,332,133
Expenses						
General Government	129,949	109,706	-	-	129,949	109,706
Financial/Administration	336,938	331,028	-	-	336,938	331,028
Public Safety - Police/Fire	744,811	805,817	-	-	744,811	805,817
Drug Fund Operations	37,943	9,729	-	-	37,943	9,729
Animal Control	34,044	31,467	-	-	34,044	31,467
Building Inspection	26,770	24,566	-	-	26,770	24,566
Highways & Streets	683,266	472,053	-	-	683,266	472,053
Solid Waste - Sanitation	212,627	205,071	-	-	212,627	205,071
Recreation	47,423	33,970	-	-	47,423	33,970
Library	41,673	49,141	-	-	41,673	49,141
Maintenance	-	-	-	-	-	-
Interest - Gov. Activity Debt	1,947	6,732	-	-	1,947	6,732
Sewer Operations/Debt Service	-	-	674,611	721,188	674,611	721,188
Total Expenses	2,297,391	2,079,280	674,611	721,188	2,972,002	2,800,468
Change in Net Assets	211,033	429,962	298,938	101,703	509,971	531,665
Beginning Net Assets, Restated	4,770,016	4,340,054	5,451,228	5,349,525	10,221,244	9,689,579
Ending Net Assets	\$ 4,981,049	\$ 4,770,016	\$ 5,750,166	\$ 5,451,228	\$ 10,731,215	\$ 10,221,244

*Certain comparative financial information from the prior year has been reclassified to conform to the current year presentation as a result of GASB #63 and 65.

Financial Analysis of the Town's Funds

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

Governmental Funds

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

At the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$2,642,443. In the governmental funds revenues and other sources totaled \$2,509,599 while expenditures totaled \$2,265,792 resulting in a \$243,807 increase to fund balance. At June 30, 2013, 97% of the governmental fund balances were unassigned.

With respect to the General Fund, the overall fund balance increased \$259,782.

Proprietary Funds

The Town maintains one proprietary fund being the Sewer Fund and in the current year, the Sewer Fund had an increase in net position of \$298,938 with \$189,061 of the increase relating to a capital grant for sewer improvements.

General Fund Budgetary Highlights

The Town made revisions to its original budget approved by the Town Council. Overall these changes resulted in a \$43,842 increase in budgeted revenues and \$78,992 increase in budgeted expenditures. Actual revenues exceeded final budgeted revenues by \$261,183 and actual expenditures were below final budgeted expenditures by \$383,517.

Capital Assets

The Town's investment in capital assets for its governmental and business-type activities as of June 30, 2013, totaled \$8,227,242 (net of accumulated depreciation). The investment in capital assets includes land, buildings, equipment, improvements, infrastructure, and sewer plant and lines. A summary of the capital assets are as follows:

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Capital Assets						
Land	\$ 110,927	\$ 110,927	\$ 167,190	\$ 167,190	\$ 278,117	\$ 278,117
Construction in Progress	-	-	195,304	-	195,304	-
Buildings/Improvements	591,644	591,644	-	-	591,644	591,644
Machinery/Equipment/Vehicles	1,725,200	1,623,519	588,944	588,037	2,314,144	2,211,556
Infrastructure	3,907,153	3,907,153	-	-	3,907,153	3,907,153
Utility Plant & Lines	-	-	9,962,842	9,954,936	9,962,842	9,954,936
Library	115,205	115,205	-	-	115,205	115,205
Total Capital Assets	6,450,129	6,348,448	10,914,280	10,710,163	17,364,409	17,058,611
Less: Accumulated Depreciation	(4,140,212)	(3,954,625)	(4,996,955)	(4,779,980)	(9,137,167)	(8,734,605)
Total Capital Assets (net)	\$ 2,309,917	\$ 2,393,823	\$ 5,917,325	\$ 5,930,183	\$ 8,227,242	\$ 8,324,006

During the current year, in the governmental activities area, the Town had \$101,681 in new capital asset additions and the Sewer Fund had \$204,117 in new capital asset additions.

Debt Administration

For the year ending June 30, 2013, the Town had no new debt issues and a comparison of outstanding debt is presented below:

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Bonds Payable	\$ -	\$ -	\$ 1,357,715	\$ 1,499,308	\$ 1,357,715	\$ 1,499,308
Capital Outlay Notes	11,394	61,394	52,076	76,790	63,470	138,184
Total						
Outstanding Debt	\$ 11,394	\$ 61,394	\$ 1,409,791	\$ 1,576,098	\$ 1,421,185	\$ 1,637,492

Economic Factors & Next Year's Budgets & Rates

The Town's elected and appointed officials consider many factors when setting the fiscal 2013-14 budget including tax rates and fees that will be charged for business-type activities. Mount Carmel adjoins the city limits of Kingsport, Tennessee. As a result, a majority of the Town's residents are employed in the Kingsport area as Mount Carmel has no major industries in its boundaries and sales tax revenues are primarily dependent on one major lumber company. For the year ending 2013-2014, the Town for its General Fund budgeted \$2,061,218 in revenues and \$2,209,508 in expenditures with the difference being funded by prior year accumulation in the fund balance. There were no proposed changes in the sewer rates for the enterprise fund. Subsequent to June 30, 2013, the Town issued \$545,000 in General Obligation Refunding Bonds to refund certain debt issues in the Sewer Fund. This was undertaken to take advantage of the overall changes in market interest rates.

Contacting the Town's Financial Management

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

TOWN OF MOUNT CARMEL, TENNESSEE
STATEMENT OF NET POSITION
JUNE 30, 2013

ASSETS	Governmental Activities	Business-Type Activities	Total
Current Assets			
Cash & Cash Equivalents	\$ 2,434,914	\$ 987,686	\$ 3,422,600
Taxes Receivable	1,175,511	-	1,175,511
Intergovernmental Receivables	197,375	-	197,375
Receivables (net)	20,011	132,489	152,500
Inventory	25,657	47,454	73,111
Restricted Assets			
Cash & Cash Equivalents	31,302	130,372	161,674
Grant Receivable	-	32,405	32,405
Capital Assets Not Being Depreciated			
Land	110,927	167,190	278,117
Construction in Progress	-	195,304	195,304
Capital Assets Net of Depreciation			
Buildings	129,415	-	129,415
Sewer System	-	5,516,240	5,516,240
Equipment and Other	2,069,575	38,591	2,108,166
Total Assets	6,194,687	7,247,731	13,442,418
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charge on Refunding	-	21,577	21,577
Total Deferred Outflows of Resources	-	21,577	21,577
LIABILITIES			
Current Liabilities			
Accounts Payable	56,281	93,422	149,703
Accrued Expenses	25,884	10,300	36,184
Customer Deposits	-	290	290
Noncurrent Liabilities			
Due within one year	33,412	175,296	208,708
Due in more than one year	-	1,239,834	1,239,834
Total Liabilities	115,577	1,519,142	1,634,719
Deferred Inflows of Resources			
Deferred Current Property Taxes	1,098,061	-	1,098,061
Total Deferred Inflows of Resources	1,098,061	-	1,098,061
NET POSITION			
Net Investment In Capital Assets	2,298,523	4,507,534	6,806,057
Restricted			
Debt Service	-	130,372	130,372
State Street Aid	26,862	-	26,862
Drug Operations	31,302	-	31,302
Unrestricted	2,624,362	1,112,260	3,736,622
Total Net Position	\$ 4,981,049	\$ 5,750,166	\$ 10,731,215

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

TOWN OF MOUNT CARMEL, TENNESSEE
STATEMENT OF ACTIVITIES
For the Year ended June 30, 2013

Functions/Programs	Expenses	PROGRAM REVENUES			Net (Expense) Revenue	Governmental Activities	Business-Type Activities	Total
		Charges for Services	Operating Contributions	Grants & Contributions				
Primary Government								
Governmental Activities:								
General Government	\$ 129,949	\$ 22,539	\$ -	\$ -	\$ (107,410)			
Financial & Administration	336,938	-	-	-	(336,938)			
Public Safety-Police/Fire	744,811	166,750	49,491	-	(528,570)			
Drug Fund Operations	37,943	21,907	-	-	(16,036)			
Animal Control	34,044	730	-	-	(33,314)			
Building Inspection	26,770	7,909	-	-	(18,861)			
Highways & Streets	683,266	24,958	139,465	-	(518,843)			
Solid Waste/Sanitation	212,627	-	-	-	(212,627)			
Recreation	47,423	-	100	-	(47,323)			
Library	41,673	-	5,648	1,427	(34,598)			
Maintenance	-	-	-	-	-			
Interest on Long-Term Debt	1,947	-	-	-	(1,947)			
Total Governmental Activities	2,297,391	244,793	194,704	1,427	(1,856,467)			
Business-Type Activities:								
Sewer	674,611	782,948	-	189,061	297,398			
Total Business-Type Activities	674,611	782,948	-	189,061	297,398			
Total Primary Government	\$2,972,002	\$1,027,741	\$194,704	\$190,488	\$ (1,559,069)			
Change in Net Position								
General Revenues								
Property Taxes		1,114,366						1,114,366
Local Option Sales Tax		300,499						300,499
Franchise Taxes		66,682						66,682
Beer Taxes		52,142						52,142
Intergovernmental		506,427						506,427
Interest Income		5,304					1,540	6,844
Miscellaneous		22,080						22,080
Total General Revenues		2,067,500					1,540	2,069,040
Increase (Decrease) in Net Position								
Net Position-Beginning - Restated		211,033					298,938	509,971
Net Position-Ending		4,770,016					5,451,228	10,221,244
		\$ 4,981,049					\$ 5,750,166	\$ 10,731,215

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

TOWN OF MOUNT CARMEL, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	General Fund	Other Governmental Fund	Total Governmental Funds
ASSETS			
Cash & Cash Equivalents	\$ 2,434,914	\$ 31,302	\$ 2,466,216
Taxes Receivable	1,175,511	-	1,175,511
Accounts Receivable	20,011	-	20,011
Intergovernmental Receivables	197,375	-	197,375
Inventory	25,657	-	25,657
Total Assets	\$ 3,853,468	\$ 31,302	\$ 3,884,770
LIABILITIES			
Accounts Payable	56,281	-	56,281
Accrued Expenses	-	-	-
Accrued Salaries & Benefits	25,884	-	25,884
Customer Deposits	-	-	-
Total Liabilities	82,165	-	82,165
DEFERRED INFLOWS OF RESOURCES			
Deferred Current Property Taxes	1,098,061	-	1,098,061
Deferred Delinquent Property Taxes	72,101	-	72,101
Total Deferred Inflows Of Resources	1,170,162	-	1,170,162
FUND BALANCES			
Nonspendable	25,657	-	25,657
Committed	-	-	-
Assigned	-	-	-
Restricted	26,862	31,302	58,164
Unassigned	2,548,622	-	2,548,622
Total Fund Balances	2,601,141	31,302	2,632,443
Total Liabilities and Fund Balances	\$ 3,853,468	\$ 31,302	\$ 3,884,770

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

TOWN OF MOUNT CARMEL, TENNESSEE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO STATEMENT OF NET POSITION
JUNE 30, 2013

Total Fund Balances - Governmental Funds	\$	2,632,443
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the Governmental Fund.		2,309,917
Interest payable on long-term debt does not require current financial resources; therefore, interest payable is not reported as a liability in the Governmental Funds.		-
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the Governmental Funds.		
	Due within one year:	33,412
	Due in more than one year:	-
		33,412
		(33,412)
Unearned revenue is not recognized on property taxes in the Governmental Funds, as it is not available within the time period.		72,101
Net Position of Governmental Activities	\$	<u>4,981,049</u>

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

TOWN OF MOUNT CARMEL, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, & CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2013

	General Fund	Other Governmental Fund	Total Governmental Funds
REVENUES			
Taxes:			
Property taxes	\$ 1,097,152	\$ -	\$ 1,097,152
Interest & Penalties - Taxes	18,389	-	18,389
Local Option Sales Tax	300,499	-	300,499
Wholesale Beer Tax	52,142	-	52,142
Cable TV Franchise Tax	66,682	-	66,682
Total Taxes	1,534,864	-	1,534,864
Intergovernmental Revenue	679,207	-	679,207
Charges for Services:			
Building Permits	7,909	-	7,909
Highway Contract Services	24,958	-	24,958
Animal Control	730	-	730
Fines/Forfeitures/Enforcement	166,132	21,907	188,039
Other Charges	23,157	-	23,157
Total Charges for Services	222,886	21,907	244,793
Donations	23,351	-	23,351
Sales of Surplus Property	-	-	-
Interest Income	5,243	61	5,304
Miscellaneous Income	22,080	-	22,080
Total Revenues	2,487,631	21,968	2,509,599
EXPENDITURES			
General Government	120,029	-	120,029
Financial & Administration	336,938	-	336,938
Public Safety	711,480	-	711,480
Drug Fund Operations	-	37,943	37,943
Animal Control	33,364	-	33,364
Building Inspection	26,770	-	26,770
Highway & Streets	644,698	-	644,698
Solid Waste - Sanitation	212,627	-	212,627
Recreation	46,377	-	46,377
Library	41,673	-	41,673
Maintenance	-	-	-
Debt Service	53,893	-	53,893
Total Expenditures	2,227,849	37,943	2,265,792
Excess (Deficiency) of Revenues Over (Under) Expenditures	259,782	(15,975)	243,807
Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balances	259,782	(15,975)	243,807
Fund Balances - Beginning	2,341,359	47,277	2,388,636
Fund Balances - Ending	\$ 2,601,141	\$ 31,302	\$ 2,632,443

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

TOWN OF MOUNT CARMEL, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, & CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013

Net Change in Fund Balances - Total Governmental Funds	\$	243,807
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the government-wide Statement of Activities and Changes in Net Assets, the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense. This is the amount of capital assets purchased in the current period.		101,681
Depreciation expense on capital assets is reported in the government-wide Statement of Activities and Changes in Net Assets but does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in Governmental Funds.		(185,587)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has an effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt. \$50,000 is the principal paid on debt in the current year. New debt issues totaled \$0.		50,000
Some expenses reported in the Statement of Activities do not require the use of current financial resources; therefore, they are not reported as expenditures in Governmental Funds. Change in compensated absence accrual.		361
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the Governmental Funds. Property taxes - \$1,175.		(1,175)
Accrued interest expense on long-term debt is reported in the government-wide Statement of Activities and Changes in Net Assets but does not require the use of current financial resources; therefore, accrued interest is not reported as an expenditure in Governmental Funds.		1,946
Change in Net Position of Governmental Activities	\$	211,033

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

TOWN OF MOUNT CARMEL, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2013

	SEWER FUND
ASSETS	
Current Assets	
Cash & Cash Equivalents	\$ 987,686
Accounts Receivable (net)	132,489
Inventory	47,454
Noncurrent & Restricted Assets	
Cash & Cash Equivalents	130,372
Grant Receivable	32,405
Utility Plant & Equipment (net)	5,917,325
Total Assets	7,247,731
 Deferred Outflows of Resources	
Deferred Charge On Refunding	21,577
Total Deferred Outflows of Resources	21,577
 LIABILITIES	
Current Liabilities	
Accounts Payable & Accrued Liabilities	93,422
Accrued Interest	5,959
Accrued Salaries & Benefits	4,341
Accrued Compensated Absences - current	5,339
Customer Deposits	290
Capital Outlay Notes Payable - current	25,547
Bonds Payable - current	144,410
Noncurrent Liabilities	
Capital Outlay Notes Payable	26,529
Bonds Payable	1,213,305
Total Liabilities	1,519,142
 NET POSITION	
Net Investments In Capital Assets	4,507,534
Restricted for Debt Service	130,372
Unrestricted	1,112,260
Total Net Position	\$ 5,750,166

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

TOWN OF MOUNT CARMEL, TENNESSEE
STATEMENT OF REVENUES, EXPENSES, & CHANGES IN NET POSITION
PROPRIETARY FUND
For the Year Ended June 30, 2013

	SEWER FUND
OPERATING REVENUE	
Charges for Services	\$ 782,948
Total Operating Revenue	782,948
 OPERATING EXPENSE	
Personnel Services	155,177
Materials & Supplies	3,823
Repairs & Maintenance	85,680
Contractual Services	32,337
Utilities & Telephone	77,979
Insurance	14,619
General Expenses	36,865
Depreciation	216,975
Total Operating Expense	623,455
 Income (Loss) from Operations	 159,493
 NONOPERATING REVENUE (EXPENSE)	
Interest Income	1,540
Interest Expense	(51,156)
Total Nonoperating Revenue (Expense)	(49,616)
 Income Before Contributions	 109,877
Capital Grants	189,061
Change in Net Position	298,938
 NET POSITION-BEGINNING RESTATED	 5,451,228
NET POSITION-ENDING	\$ 5,750,166

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

TOWN OF MOUNT CARMEL, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2013

	SEWER FUND
Cash Flows from Operating Activities	
Cash Received from Customers	\$ 775,682
Cash Payments for Supplies/Services	(215,387)
Cash Payments to Employees/Personnel	(154,495)
Net Cash Provided by Operating Activities	405,800
Cash Flows from Capital & Related Financing Activities	
Purchases of Capital Assets	(204,117)
Retirement of Debt	(166,307)
Interest Paid on Debt	(45,409)
Capital Grants Received	156,656
Net Cash Provided by (Used for) Capital & Related Financing Activities	(259,177)
Cash Flow from Investing Activities	
Interest Income	1,540
Net Increase (Decrease) in Cash & Cash Equivalents	148,163
Cash & Cash Equivalents - Beginning	969,895
Cash & Cash Equivalents - Ending	\$ 1,118,058
 Reconciliation of Income from Operations to Net Cash Provided by (Used for) Operating Activities	
Income from Operations	159,493
 Adjustments to Reconcile Income from Operations to Net Cash Provided by (Used for) Operating Activities	
Depreciation	216,975
(Increase) Decrease in:	
Accounts Receivable	(5,326)
Inventory	(6,467)
Increase (Decrease) in:	
Accounts Payable & Accrued Liabilities	41,125
Net Cash Provided by (Used for) Operating Activities	\$ 405,800
 Reconciliation of Total Cash & Cash Equivalents	
Cash & Cash Equivalents	987,686
Restricted Cash & Cash Equivalents	130,372
Total Cash & Cash Equivalents	\$ 1,118,058

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

TOWN OF MOUNT CARMEL, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, & CHANGES IN FUND BALANCE
- BUDGET & ACTUAL GENERAL FUND -
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Taxes				
Property Taxes	\$ 1,045,670	\$ 1,045,670	\$ 1,097,152	\$ 51,482
Interest & Penalties - Taxes	10,000	10,000	18,389	8,389
Local Option Sales Tax	250,000	250,000	300,499	50,499
Wholesale Beer Tax	25,000	25,000	52,142	27,142
Cable TV Franchise Tax	53,000	53,000	66,682	13,682
Total Taxes	1,383,670	1,383,670	1,534,864	151,194
Intergovernmental Revenue				
State Sales Tax	345,000	345,000	375,263	30,263
State Income Tax	2,200	2,200	14,259	12,059
State Beer Tax	2,500	2,500	2,684	184
State Street Aid	138,000	138,000	139,465	1,465
State Gas Tax	10,000	10,000	11,124	1,124
TVA in Lieu	58,000	58,000	98,412	40,412
State Pay Supplement	4,800	4,800	4,200	(600)
Telecommunication Tax	300	300	485	185
Federal/State/Other Grants	10,000	53,842	33,315	(20,527)
Total Intergovernmental Revenue	570,800	614,642	679,207	64,565
Charges for Services				
State Highway Services	15,000	15,000	24,958	9,958
Rental Income	22,536	22,536	22,539	3
Training Classes/Other	4,950	4,950	400	(4,550)
Wrecker Services	200	200	218	18
Total Charges for Services	42,686	42,686	48,115	5,429
Fines & Forfeitures				
City Court Fines	90,000	90,000	106,703	16,703
County Court Fines	6,000	6,000	10,161	4,161
Animal Control	400	400	730	330
Speed Enforcement	50,000	50,000	49,268	(732)
Total Fines & Forfeitures	146,400	146,400	166,862	20,462
Licenses & Permits				
Building Permits	6,000	6,000	7,909	1,909
Total Licenses & Permits	6,000	6,000	7,909	1,909
Other Revenue				
Interest Income	3,800	3,800	5,243	1,443
Donations/Other	20,250	20,250	23,351	3,101
Miscellaneous	9,000	9,000	22,080	13,080
Surplus Sales	-	-	-	-
Total Other Revenue	33,050	33,050	50,674	17,624
TOTAL REVENUES	\$ 2,182,606	\$ 2,226,448	\$ 2,487,631	\$ 261,183

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

TOWN OF MOUNT CARMEL, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, & CHANGES IN FUND BALANCE
- BUDGET & ACTUAL GENERAL FUND -
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES				
General Government				
Election Expense	\$ 1,500	\$ 350	\$ -	\$ 350
Dues	1,600	1,600	1,540	60
Block Party	-	-	-	-
Utilities	13,000	13,800	13,785	15
Telephone	4,500	4,500	3,592	908
Engineering	14,000	14,000	3,350	10,650
Insurance	51,000	51,000	43,858	7,142
Reappraisal Cost	6,500	6,500	5,912	588
Safety Program	2,000	2,000	1,882	118
Bank Charges	100	100	-	100
First TN Dev. District	800	1,150	1,110	40
First TN Human Resources	2,000	2,000	2,000	-
Of One Accord Donation	1,000	1,000	1,000	-
Senior Citizens	36,000	39,500	39,500	-
Chamber of Commerce	2,500	2,500	2,500	-
Total General Government	136,500	140,000	120,029	19,971
Financial & Administration				
Salaries	184,100	181,600	175,311	6,289
Payroll Taxes	13,540	13,540	12,922	618
Health Insurance	23,000	21,500	17,148	4,352
Retirement	20,000	20,000	18,378	1,622
Worker's Compensation Ins.	2,400	2,400	668	1,732
Training	3,000	3,000	950	2,050
Internet & Web Services	1,616	1,616	945	671
Cable TV Channel	72	72	36	36
Housing Authority	2,000	2,000	-	2,000
Advertising	1,200	1,400	1,394	6
City Judge	4,800	5,000	5,000	-
Medical Services	200	200	126	74
Legal Services	21,500	21,000	9,949	11,051
Accounting Services	24,050	20,550	18,686	1,864
Computer & Support	15,000	15,800	15,751	49
State Planning Fees	8,400	10,500	10,500	-
Repairs & Maintenance	15,000	15,000	11,908	3,092
Travel	4,000	4,000	3,615	385
Tax Commission Fees	2,500	2,500	1,953	547
Miscellaneous	5,000	5,700	5,684	16
Contractual Fees	4,700	4,700	2,753	1,947
Office Expense & Supplies	15,864	15,864	14,326	1,538
Copier Maintenance/Lease	1,512	1,512	1,512	-

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

TOWN OF MOUNT CARMEL, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, & CHANGES IN FUND BALANCE
- BUDGET & ACTUAL GENERAL FUND -
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Capital Outlay	\$ -	\$ 7,500	\$ 7,423	\$ 77
Total Financial & Administration	373,454	376,954	336,938	40,016
Public Safety - Police				
Salaries/Wages	348,400	340,350	323,459	16,891
Payroll Taxes	27,900	27,900	22,618	5,282
Health Insurance	80,000	80,000	60,025	19,975
Retirement	35,000	35,800	35,781	19
Worker's Compensation Ins.	23,500	23,500	11,556	11,944
Training	5,000	2,000	1,375	625
Dues & E-Com Expense	700	900	877	23
Utilities/Telephone	8,500	6,200	5,648	552
Internet Services	4,900	4,900	3,543	1,357
Computer & Support	19,200	21,900	21,881	19
Medical Services	1,000	1,000	478	522
Towing Services	1,000	1,000	360	640
Travel	4,000	3,000	2,272	728
Office Expense	8,000	8,000	4,327	3,673
Operating Supplies	10,000	10,000	3,857	6,143
Child Restraint Seats	-	-	-	-
Clothing/Uniforms	4,800	4,800	3,188	1,612
Vehicle/Fuel Expense	61,000	68,500	53,597	14,903
Copier Lease	1,752	1,752	1,752	-
Miscellaneous/Radio Expense	4,200	4,200	2,461	1,739
Department of Safety	12,500	15,100	15,045	55
Bullet Proof Vests	2,000	2,000	330	1,670
Capital Outlay	10,000	51,440	14,812	36,628
Training Classes	100	100	-	100
Total Public Safety - Police	673,452	714,342	589,242	125,100
Public Safety - Fire				
Salaries/Wages	53,000	48,800	41,008	7,792
Payroll Taxes	4,290	4,290	2,951	1,339
Health Insurance	6,000	5,200	4,414	786
Retirement	5,800	5,800	4,849	951
Worker's Compensation Ins.	5,800	5,800	1,496	4,304
Training	2,000	3,800	3,621	179
Internet Services	-	-	-	-
Dues	670	670	150	520
Public Relations	2,000	2,150	2,105	45
Utilities/Telephone	14,800	14,800	12,771	2,029
Medical Services	1,000	1,000	215	785
Computer & Support	440	690	668	22
Repairs & Maintenance	10,000	8,852	5,903	2,949

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

TOWN OF MOUNT CARMEL, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, & CHANGES IN FUND BALANCE
- BUDGET & ACTUAL GENERAL FUND -
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Travel	\$ 1,200	\$ 1,200	\$ 1,027	\$ 173
OSHA Testing	3,500	3,500	2,513	987
Contractual Services	1,400	1,400	715	685
Office Expense/Postage	3,000	1,000	608	392
Operating Supplies	5,000	5,000	2,960	2,040
Clothing/Uniforms	2,000	2,000	1,545	455
Vehicle/Fuel Expense	28,000	30,800	25,275	5,525
Radio Expense	1,000	1,000	144	856
Miscellaneous	1,500	1,500	367	1,133
Capital Outlay	51,500	57,600	6,933	50,667
Copier Maintenance	-	-	-	-
Total Public Safety - Fire	203,900	206,852	122,238	84,614
Total Public Safety	877,352	921,194	711,480	209,714
Animal Control				
Salaries/Wages	21,500	21,500	18,460	3,040
Payroll Taxes	1,590	1,590	1,463	127
Health Insurance	-	-	-	-
Retirement	500	500	236	264
Worker's Compensation Ins.	1,400	1,400	651	749
Training	500	500	-	500
Dues	100	100	-	100
Utilities/Telephone	2,500	1,900	1,320	580
Internet Services	550	550	480	70
Medical Services	1,500	1,500	814	686
Repairs & Maintenance	4,000	4,000	2,717	1,283
Travel	800	800	-	800
Radio Expense	-	-	-	-
Office Expense	500	500	-	500
Operating Supplies	1,000	3,900	3,813	87
Animal Food Purchases	1,000	1,000	414	586
Clothing/Uniforms	800	1,000	966	34
Vehicle Expense	4,800	2,300	2,030	270
Miscellaneous	200	200	-	200
Total Animal Control	43,240	43,240	33,364	9,876
Building Inspection				
Salaries/Wages	18,500	19,000	18,942	58
Payroll Taxes	1,565	1,565	1,485	80
Worker's Compensation Ins.	1,400	1,400	660	740
Training	1,200	700	125	575
Dues/Fees	4,500	4,500	3,640	860
Telephone	500	500	375	125
Travel	800	800	552	248

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

TOWN OF MOUNT CARMEL, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, & CHANGES IN FUND BALANCE
- BUDGET & ACTUAL GENERAL FUND -
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Operating Supplies	\$ 1,000	\$ 1,000	\$ 497	\$ 503
Miscellaneous & Demolition	2,700	2,700	216	2,484
Vehicle Expense	800	800	278	522
Total Building Inspection	32,965	32,965	26,770	6,195
Highways & Streets				
Salaries/Wages	161,500	161,500	157,501	3,999
Payroll Taxes	12,450	12,450	10,785	1,665
Health Insurance	44,000	39,200	31,279	7,921
Retirement	19,000	19,000	18,766	234
Worker's Compensation Ins.	16,000	16,000	8,204	7,796
Training	200	200	-	200
Utilities/Telephone	10,600	10,600	9,008	1,592
Internet Services	550	850	767	83
Medical Services	1,000	1,000	81	919
Repairs & Maintenance	34,100	49,100	43,237	5,863
Travel	200	200	-	200
Equipment Rental	500	500	-	500
Office Expense	1,000	1,000	991	9
Operating Supplies	5,000	5,000	3,504	1,496
Clothing/Uniforms	3,500	3,500	2,848	652
Vehicle Expense	53,500	59,100	59,057	43
Traffic Light Study	1,000	3,100	3,075	25
Miscellaneous	1,500	1,500	1,241	259
Drainage Repairs	4,000	25,800	12,669	13,131
Paving	143,000	125,800	120,095	5,705
Capital Outlay	73,700	75,900	75,805	95
Total Highways & Streets	586,300	611,300	558,913	52,387
State Street Aid				
Street Lighting	43,000	42,800	41,952	848
Signs & Parts	5,000	2,400	2,377	23
Materials-Streets & Paving	41,457	41,457	41,456	1
Capital Outlay	-	-	-	-
Total State Street Aid	89,457	86,657	85,785	872
Solid Waste Sanitation				
Salaries/Wages	32,000	32,900	31,876	1,024
Payroll Taxes	2,690	2,690	1,997	693
Health Insurance	16,000	15,100	12,961	2,139
Retirement	4,000	4,000	3,823	177
Worker's Compensation Ins.	3,100	3,100	1,379	1,721
Medical Services	200	200	-	200
Contractual Fees	161,425	161,425	153,738	7,687
Operating Supplies	500	500	40	460

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

TOWN OF MOUNT CARMEL, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, & CHANGES IN FUND BALANCE
- BUDGET & ACTUAL GENERAL FUND -
For the Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
Clothing/Uniforms	\$ -	\$ -	\$ -	\$ -
Vehicle/Fuel Expense	8,000	8,000	6,813	1,187
State Permit Fees	-	-	-	-
Total Solid Waste Sanitation	227,915	227,915	212,627	15,288
Recreation				
Worker's Compensation Ins.	-	500	462	38
Utilities/Telephone	3,500	3,525	3,152	373
Joint Recreation Program	43,000	38,900	32,172	6,728
War Memorial	2,000	5,600	5,500	100
Operating Supplies	1,000	100	-	100
Park Development	5,000	5,000	4,267	733
Miscellaneous	250	1,125	824	301
Total Recreation	54,750	54,750	46,377	8,373
Library				
Salaries/Wages	26,000	23,385	22,718	667
Payroll Taxes	2,270	2,270	1,823	447
Training	300	300	15	285
Retirement	100	100	-	100
Worker's Compensation Ins.	225	225	57	168
Utilities/Telephone	3,200	3,220	3,115	105
Internet Services	500	520	519	1
Medical Services	300	200	67	133
Repairs	600	850	842	8
Travel	525	1,075	1,066	9
Office Expense/Copier	1,900	1,500	624	876
Materials	3,800	4,480	4,479	1
Summer Reading	500	520	515	5
Miscellaneous	1,500	1,500	16	1,484
Computer & Support	1,215	3,065	2,966	99
Copier Maintenance	400	400	400	-
Capital Outlay	-	2,875	2,451	424
Total Library	43,335	46,485	41,673	4,812
Other				
Cemetery Maintenance	3,650	3,650	-	3,650
Total Other	3,650	3,650	-	3,650
Debt Service				
Principal	61,394	61,394	50,000	11,394
Interest	2,062	4,862	3,893	969
Total Debt Service	63,456	66,256	53,893	12,363
TOTAL EXPENDITURES	\$ 2,532,374	\$ 2,611,366	\$ 2,227,849	\$ 383,517

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

TOWN OF MOUNT CARMEL, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES, & CHANGES IN FUND BALANCE
- BUDGET & ACTUAL GENERAL FUND -
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Excess (Deficiency) of Revenue Over (Under) Expenditures	\$ (349,768)	\$ (384,918)	\$ 259,782	\$ 644,700
Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	(349,768)	(384,918)	259,782	644,700
FUND BALANCE - BEGINNING	2,341,359	2,341,359	2,341,359	-
FUND BALANCE - ENDING	<u>\$ 1,991,591</u>	<u>\$ 1,956,441</u>	<u>\$ 2,601,141</u>	<u>\$ 644,700</u>

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

TOWN OF MOUNT CARMEL, TENNESSEE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

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

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

The accounting and reporting framework and the more significant accounting policies are discussed in subsequent sections of these notes to the basic financial statements. In determining the financial reporting entity, the Town has no component units at June 30, 2013 over which the Town exercises significant influence.

B. Governmental Accounting Standards Board Statements Implemented

In the current year, The Town of Mount Carmel, Tennessee has adopted the provisions of Governmental Accounting Standards 60-66 for the year ending June 30, 2013. Descriptions of the new provisions are as follows:

GASB Statement No. 60 provides accounting and financial reporting guidance related to service concession arrangements (SCAs) which are a type of public-private or public-public partnership. The standard establishes criteria for determining whether a SCA exists, how to account for SCAs, and requires certain disclosures associated with a SCA. This pronouncement had no impact to the Town of Mount Carmel, Tennessee.

GASB State No. 61 amends Statements No. 14 and No. 34 and modifies certain requirements for inclusion of component unites in the financial reporting entity to ensure that the reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. State No. 61 also clarifies the criteria for blending component units and

presenting business-type component units. The GASB pronouncement had no impact on the current year financial statements.

GASB Statement No. 62 incorporates into GASB's literature the provisions in Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' Committee on Accounting Procedures issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements. The option to use subsequent FASB guidance has been removed.

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources that were introduced and defined by Concepts State MO. 4, Elements of Financial Statements. Previous financial reporting standards did not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. In addition the previous Statement of Net Assets was renamed to a Statement of Financial Position.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassifies, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement was early implanted which had an effective date of June 30, 2014.

Change in Accounting Principles/Restatement: As a result of the implementation of Governmental Accounting Standards Board (GASB) Statement 65, this statement requires that deferred costs from the issuance of debt be expensed. Those bond issuance costs have been removed and beginning net position in the Sewer Fund has been restated.

C. Basis of Presentation

Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and Statement of Activities) report information on the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services. The statement of activities demonstrates to the degree to which direct expenses of a given function or segment 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. The Town does not allocate indirect costs to a specific function or segment.

Fund Financial Statements

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

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

The funds of the Town are described as follows:

Governmental Funds

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

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

Proprietary Fund

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

Major & Non-major Funds

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

Funds Major:

General Fund – See previous page for description.

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

Funds Non-major:

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

D. Measurement Focus & Basis of Accounting

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

Measurement Focus

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

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

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

Basis of Accounting

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

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

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

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

E. Assets, Liabilities, Deferred Outflows/Inflows Of Resources, and Net Position/Fund Balance

Cash & Cash Equivalents

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

Interfund Receivables & Payables

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

Receivables

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

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

Inventories

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

Capital Assets

The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund

operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

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

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

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

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

Land and Construction in Progress are not depreciated.

Fund Financial Statements

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

Restricted Assets

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

Long-term Debt

The accounting treatment for long-term debt depends on whether the assets are used in the governmental fund operations or proprietary fund operations and whether they are

reported in the government-wide or fund financial statements. All long-term debt to be repaid from governmental and business-type activities resources are reported as liabilities in the government-wide financial statements. The long-term debt consists primarily of notes payable, capitalized leases, and bonds payable.

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

Compensated Absences

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

Post-Employment Benefits

The Town provides no post-employment benefits to employees who retire or separate from service. Also, the Town under the Consolidated Omnibus Budget Reconciliation Act (COBRA) makes available healthcare benefits available to eligible former employees and eligible dependents according to certain requirements outlined by the Federal government for this coverage. At June 30, 2013, there were no participants in the COBRA program.

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents and an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The government has items that qualify for reporting in this category.

Accordingly, these items are reported in the government-wide Statement of Net Position and/or governmental funds balance sheet. The items are from the following sources: Current property taxes and delinquent property taxes.

Net Position and Fund Balance

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

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

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

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

Net Position and Fund Balance Flow Assumptions

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

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

F. Revenues, Expenditures, & Expenses

Property Tax/Other Revenue

Under state law, property taxes become a lien on January 1 of each year. Property taxes are levied annually and are due and payable from October 1st through February 28th of the following calendar year. The 2012 property taxes which are due and payable in the current fiscal year are recorded as revenue in the fund financial statements to the extent they are collected within 60 days of year-end with the remainder being recorded as a receivable and as deferred inflow of resources. The 2013 property taxes which became a lien on January 1, 2013 and are not levied until October 1, 2013 are recorded as a receivable and as deferred inflows of resources in the fund financial statements. On the government-wide statements, property taxes are recorded as revenue in the year the tax becomes a lien with the exception of the 2013 property taxes which are recorded as a receivable and as deferred inflow of resources with the revenue being recognized in the following fiscal year which it is intended to finance. Those revenues susceptible to accrual are property taxes, sales tax, beer taxes, gas taxes, income taxes, interest revenues, and charges for utility services. Permits, fines, penalties and other revenues are not susceptible to accrual because they are not generally measurable until received in cash.

Operating Revenue & Expenses

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

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities. In the fund financial statements, expenditures

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

Interfund Transfers

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

G. Use of Estimates

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

H. Comparative Data/Reclassifications

Certain financial data from the prior year has been presented within the notes to the financial statements in order to provide an understanding of the Town's financial position and operations. Certain amounts presented from the prior year's data have been reclassified to be consistent with the current year's presentation. Also, although comparative statements for the 2012 year are not presented her, these reclassifications must be considered when comparing the financial statements of this report with those of prior reports.

NOTE 2 – STEWARDSHIP, COMPLIANCE, & ACCOUNTABILITY

A. Fund Accounting Requirements

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

- General Fund
- Drug Fund

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

B. Budgetary Information

The Town adopts annual budgets consistent with generally accepted accounting principles for the General Fund, Drug Fund, Solid Waste Sanitation Fund and the Sewer

Fund. The Board of Mayor and Aldermen approve any amendments to these funds and all annual appropriations for these funds lapse at year end.

C. Deposits & Investment Laws & Regulations

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

NOTE 3 – CASH & CASH EQUIVALENTS

The Town of Mount Carmel has no formal policies with respect to deposits and investments; however, the Town is required to follow procedures regarding deposits and authorized investments which are allowed by applicable state laws. For the Town of Mount Carmel, TCA Code Section 6-56-106 prescribes the authorized investments for municipalities in the State of Tennessee. With respect to deposits, the State of Tennessee requires that all deposits in financial institutions be collateralized by securities whose market value is equal to 105% of the value of the uninsured deposits. The financial institution deposits must be covered by federal depository insurance or the Tennessee Collateral Bank Pool, by collateral held by the Town’s agent in the Town’s name, or by the Federal Reserve Banks acting as third party agents. As of June 30, 2013, the carrying amount of the Town’s deposits was \$3,587,140 (excluding cash on hand of \$150) and the respective bank balances totaled \$3,537,849. The difference between the two amounts represented deposits in transit, outstanding checks, or other reconcilable items. As of June 30, 2013, the total bank balances of \$3,537,849 were covered by either F.D.I.C. insurance or by collateral pledged as part of the financial institutions participation in the Tennessee Collateral Bank Pool. A recap of total deposits for the governmental and proprietary funds at June 30, 2013 is as follows:

Category	Governmental Activities	Business-Type Activities	Total
Cash in Banks	\$ 2,466,066	\$ 1,121,074	\$ 3,587,140
Total Deposits & Investments	2,466,066	1,121,074	3,587,140
Cash on Hand	150	-	150
Total Cash & Cash Equivalents	\$ 2,466,216	\$ 1,121,074	\$ 3,587,290

Custodial Credit Risk

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

At June 30, 2013 the Town had the following cash & cash equivalents restricted:

	Governmental Activities	Business-Type Activities
Drug Fund Operations	\$ 31,302	\$ -
Debt Service Reserves	-	130,372
Total	\$ 31,302	\$ 130,372

NOTE 4 – RECEIVABLES

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

Receivables	General Fund	Sewer Fund	Non-major Funds	Total
Property Taxes	\$ 1,175,511	\$ -	\$ -	\$ 1,175,511
Accounts/Trade/Other	20,011	149,864	-	169,875
Intergovernmental	197,375	32,405	-	229,780
Gross Receivables	1,392,897	182,269	-	1,575,166
Less: Allowance for Uncollectibles	-	(17,375)	-	(17,375)
Net Total Receivables	\$ 1,392,897	\$ 164,894	\$ -	\$1,557,791

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

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 110,927	\$ -	\$ -	\$ 110,927
Construction in Progress	-	-	-	-
Total Capital Assets Not Being Depreciated	110,927	-	-	110,927
Capital Assets Being Depreciated:				
Buildings/Improvements	591,644	-	-	591,644
Machinery/Equipment/Vehicles	1,623,519	101,681	-	1,725,200
Library	115,205	-	-	115,205
Infrastructure	3,907,153	-	-	3,907,153
Total Capital Assets Being Depreciated	6,237,521	101,681	-	6,339,202
Less: Accumulated Depreciation for:				
Buildings/Improvements	(451,635)	(10,594)	-	(462,229)
Machinery/Equipment/Vehicles	(973,635)	(97,444)	-	(1,071,079)
Library	(115,205)	-	-	(115,205)
Infrastructure	(2,414,150)	(77,549)	-	(2,491,699)
Total Accumulated Depreciation	(3,954,625)	(185,587)	-	(4,140,212)
Total Capital Assets Being Depreciated (net)	2,282,896	(83,906)	-	2,198,990
Governmental Activities Capital Assets (net)	\$ 2,393,823	\$ (83,906)	\$ -	\$ 2,309,917

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Business-Type Activities</u>				
Capital Assets Not Being Depreciated:				
Land/Right of Ways	\$ 167,190	\$ -	\$ -	167,190
Construction in Progress	-	195,304	-	195,304
Total Capital Assets Not Being Depreciated	167,190	195,304	-	362,494
Capital Assets Being Depreciated:				
Machinery/Equipment	588,037	907	-	588,944
Utility Plant & Lines	9,954,936	7,906	-	9,962,842
Total Capital Assets Being Depreciated	10,542,973	8,813	-	10,551,786
Less: Accumulated Depreciation for:				
Machinery/Equipment	(537,030)	(13,323)	-	(550,353)
Utility Plant & Lines	(4,242,950)	(203,652)	-	(4,446,602)
Total Accumulated Depreciation	(4,779,980)	(216,975)	-	(4,996,955)
Total Capital Assets Being Depreciated (net)	5,762,993	(208,162)	-	5,554,831
Business-Type Activities Capital Assets (net)	\$ 5,930,183	\$ (12,858)	\$ -	\$ 5,917,325

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

Governmental Activities	
General Government	\$ 9,920
Public Safety - Police & Fire	59,566
Highways & Streets (including infrastructure assets)	114,375
Sanitation	-
Culture/Recreation	1,046
Animal Control	680
Library	-
Total Depreciation - Governmental Activities	185,587
Business-Type Activities	
Sewer	216,975
Total Depreciation - Business-Type Activities	216,975
TOTAL DEPRECIATION	\$ 402,562

NOTE 6 – LONG-TERM DEBT

Governmental Activities

Capital Outlay Note - Issued in July, 2006 for \$300,000 at 4.37%, maturing in 2012. Purpose - Paving. This note was retired in the current year.

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

Business-Type Activities

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

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

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

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

Bond and capital outlay notes outstanding as of June 30, 2013 are shown as follows:

Issue	Governmental Activities	Business-Type Activities	Total
Capital Outlay Note	\$ 11,394	\$ -	\$ 11,394
Capital Outlay Note	-	30,379	30,379
Capital Outlay Note	-	21,697	21,697
TN Local Dev. Bonds	-	822,715	822,715
1993 Refunding Series	-	535,000	535,000
TOTAL	\$ 11,394	\$ 1,409,791	\$ 1,421,185

Changes in long-term liabilities for the year ended June 30, 2013 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within 1 Year
Governmental Activities					
Capital Outlay Note	\$ 50,000	\$ -	\$ 50,000	\$ -	\$ -
Capital Outlay Note	11,394	-	-	11,394	11,394
Total Capital Outlay Notes	61,394	-	50,000	11,394	11,394
Compensated Absences	22,379	22,018	22,379	22,018	22,018
Governmental Activity Long- Term Liabilities	\$ 83,773	\$ 22,018	\$ 72,379	\$ 33,412	\$ 33,412

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within 1 Year
Business-Type Activities					
Capital Outlay Note	\$ 44,584	\$ -	\$ 14,205	\$ 30,379	\$ 14,811
Capital Outlay Note	32,206	-	10,509	21,697	10,736
Bonds Payable	934,308	-	111,593	822,715	114,410
Bonds Payable	565,000	-	30,000	535,000	30,000
Total Notes & Bonds	1,576,098	-	166,307	1,409,791	169,957
Compensated Absences	5,114	5,339	5,114	5,339	5,339
Business-Type Activity Long- Term Liabilities	\$ 1,581,212	\$ 5,339	\$ 171,421	\$ 1,415,130	\$ 175,296

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

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2014	\$ 11,394	\$ 485	\$ 169,957	\$ 40,649
2015	-	-	173,047	36,257
2016	-	-	149,060	31,623
2017	-	-	156,658	27,825
2018	-	-	159,024	24,059
2019-2023	-	-	417,045	70,763
2024-2027	-	-	185,000	21,151
Total	\$ 11,394	\$ 485	\$ 1,409,791	\$ 252,327

NOTE 7 – NET POSITION/FUND EQUITY

At June 30, 2013 on the government-wide statement of net position, restricted net position is as follows:

Restricted Net Position	Governmental Activities	Business-Type Activities	Total
State Street Aid	\$ 26,862	\$ -	\$ 26,862
Drug Fund Operations	31,302	-	31,302
Debt Service	-	130,372	130,372
Total	\$ 58,164	\$ 130,372	\$ 188,536

At the fund level for financial reporting in the Governmental Funds and Enterprise Fund, \$26,862 was reserved for State Street Aid as it is accounted for in the General Fund and \$130,372 was reserved for debt service in the Sewer Fund (i.e., an Enterprise Fund).

NOTE 8 – EMPLOYEE RETIREMENT PLANS

Plan Description

Employees of Mount Carmel are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, chapters 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Mount Carmel participates in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

Funding Policy

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

Mount Carmel is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2013 was 12.04% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirements for Mount Carmel are established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ending June 30, 2013 Mount Carmel's annual pension cost of \$94,930 to TCRS was equal to Mount Carmel's required and actual contributions. The required contribution was determined as part of the July 1, 2011 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected 3.0 percent annual rate of inflation (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. Mount Carmel's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The amortization period at July 1, 2009 was 9 years. An actuarial valuation was performed as of July 1, 2011 which established contribution rates effective July 1, 2012.

Trend Information:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2013	\$ 94,930	100%	\$ -
6/30/2012	\$ 85,542	100%	\$ -
6/30/2011	\$ 94,958	100%	\$ -

Funded Status and Funding Progress:

As of July 1, 2011, the most recent actuarial valuation date, the plan was 94.06% funded. The actuarial accrued liability for benefits was \$1.79 million, and the actuarial value of assets was \$1.69 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.11 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.76 million, and the ratio of the UAAL to the covered payroll was 14.06%.

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

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b) - (a)	(a/b)	(c)	((b-a) / c)
7/1/2011	\$ 1,688	\$ 1,795	\$ 107	94.04%	\$ 758	14.12%
7/1/2009	\$ 1,212	\$ 1,231	\$ 19	98.46%	\$ 759	2.50%
7/1/2007	\$ 986	\$ 1,007	\$ 21	97.91%	\$ 671	3.13%

* (Dollar Amounts in Thousands)

NOTE 9 – RISK ASSESSMENT

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

NOTE 10 – ADVANCE REFUNDED DEBT

In previous years, the Town advance refunded certain sewer revenue and tax bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments of the old bonds. On June 30, 2013, there were \$0 bonds outstanding that are considered defeased.

NOTE 11 – SUBSEQUENT EVENTS

On November 27, 2013, the Town of Mount Carmel issued \$545,000 in General Obligation Refunding Bonds for the Sewer Fund in order to refund \$535,000 in outstanding Sewer Bonds in order to take advantage of current market interest rates. The estimated net savings on debt service is approximately \$67,300 and the estimated net present value benefit was \$56,603. Management has evaluated subsequent events through February 21, 2014, which is the date the financial statements were available to be issued.

TOWN OF MOUNT CARMEL, TENNESSEE
SCHEDULE OF FUNDING PROGRESS - PENSION PLAN
June 30, 2013

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b) - (a)	(a/b)	(c)	((b-a) / (c))
7/1/2011	\$ 1,688	\$ 1,795	\$ 107	94.04%	\$ 758	14.12%
7/1/2009	\$ 1,212	\$ 1,231	\$ 19	98.46%	\$ 759	2.50%
7/1/2007	\$ 986	\$ 1,007	\$ 21	97.91%	\$ 671	3.13%

Note: Dollar Amounts in Thousands

TOWN OF MOUNT CARMEL, TENNESSEE
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2013

	Drug Fund	Total Non-Major Governmental Funds
ASSETS		
Cash	\$ 31,302	\$ 31,302
Due from Other Funds	-	-
Total Assets	31,302	31,302
LIABILITIES		
Accounts Payable	-	-
Accrued Salaries & Benefits	-	-
Total Liabilities	-	-
FUND BALANCES		
Reserved	-	-
Unreserved	31,302	31,302
Total Fund Balances	31,302	31,302
Total Liabilities & Fund Balance	\$ 31,302	\$ 31,302

TOWN OF MOUNT CARMEL, TENNESSEE
COMBINING STATEMENT OF REVENUES, EXPENDITURES, & CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2013

	Drug Fund	Total Non-Major Governmental Funds
REVENUE		
Drug Fees	\$ 509	\$ 509
Drug Contributions	21,398	21,398
Interest Income	61	61
Total Revenue	21,968	21,968
EXPENDITURES		
Drug Fund Operations	37,943	37,943
Total Expenditures	37,943	37,943
Excess (Deficiency) of Revenue Over (Under) Expenditures	(15,975)	(15,975)
Net Change in Fund Balance	(15,975)	(15,975)
Fund Balance - Beginning	47,277	47,277
Fund Balance - Ending	\$ 31,302	\$ 31,302

TOWN OF MOUNT CARMEL, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES, & CHANGES IN FUND BALANCE
- BUDGET & ACTUAL -
DRUG FUND
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Drug Fines	\$ 500	\$ 500	\$ 509	\$ 9
Drug Contributions	2,500	2,500	21,398	18,898
Interest Income	35	35	61	26
Total Revenue	3,035	3,035	21,968	18,933
EXPENDITURES				
Capital Outlay	25,485	35,485	32,943	2,542
Other Expenditures	6,050	9,050	5,000	4,050
Total Expenditures	31,535	44,535	37,943	6,592
Net Change in Fund Balance	(28,500)	(41,500)	(15,975)	25,525
Fund Balance - Beginning	47,277	47,277	47,277	-
Fund Balance - Ending	\$ 18,777	\$ 5,777	\$ 31,302	\$ 25,525

TOWN OF MOUNT CARMEL, TENNESSEE
SCHEDULE OF ACTIVITIES
SOLID WASTE SANITATION FUND
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Revenues	\$ -	\$ -	\$ -	\$ -
Total Revenue	-	-	-	-
 EXPENDITURES				
Wages/Salaries	32,000	32,900	31,876	1,024
Payroll Taxes	2,690	2,690	1,997	693
Insurance	19,100	18,200	14,340	3,860
Retirement	4,000	4,000	3,823	177
Contract Services	161,425	161,425	153,738	7,687
Supplies/Other	700	700	40	660
Equipment Operating Expenses	8,000	8,000	6,813	1,187
Total Expenditures	227,915	227,915	212,627	15,288
 Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (227,915)	\$ (227,915)	\$ (212,627)	\$ 15,288

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

TOWN OF MOUNT CARMEL, TENNESSEE
SCHEDULE OF DEBT SERVICE REQUIREMENTS
GOVERNMENTAL ACTIVITIES
June 30, 2013

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
CAPITAL OUTLAY NOTE			
Fiscal Year Ending June 30:			
2014	\$ 11,394	\$ 485	\$ 11,879
Total	<u>11,394</u>	<u>485</u>	<u>11,879</u>
Total Governmental Activities	<u><u>\$ 11,394</u></u>	<u><u>\$ 485</u></u>	<u><u>\$ 11,879</u></u>

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

June 30, 2013

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
TLDA BONDS			
Fiscal Year Ending June 30:			
2014	114,410	15,961	130,371
2015	116,518	13,853	130,371
2016	119,060	11,311	130,371
2017	121,658	8,713	130,371
2018	124,024	6,347	130,371
2019	127,025	3,346	130,371
2020	100,020	1,018	101,038
Total	<u>822,715</u>	<u>60,549</u>	<u>883,264</u>
2003 REFUNDING SERIES			
Fiscal Year Ending June 30:			
2014	30,000	22,712	52,712
2015	30,000	21,512	51,512
2016	30,000	20,312	50,312
2017	35,000	19,112	54,112
2018	35,000	17,712	52,712
2019	35,000	16,312	51,312
2020	35,000	14,912	49,912
2021	40,000	13,425	53,425
2022	40,000	11,725	51,725
2023	40,000	10,025	50,025
2024	45,000	8,325	53,325
2025	45,000	6,300	51,300
2026	45,000	4,276	49,276
2027	50,000	2,250	52,250
Total	<u>535,000</u>	<u>188,910</u>	<u>723,910</u>
CAPITAL OUTLAY NOTE			
Fiscal Year Ending June 30:			
2014	14,811	1,289	16,100
2015	15,568	662	16,230
Total	<u>30,379</u>	<u>1,951</u>	<u>32,330</u>
CAPITAL OUTLAY NOTE			
Fiscal Year Ending June 30:			
2014	10,736	687	11,423
2015	10,961	230	11,191
Total	<u>21,697</u>	<u>917</u>	<u>22,614</u>
Total Business-Type Activities	<u>\$ 1,409,791</u>	<u>\$ 252,327</u>	<u>\$ 1,662,118</u>

TOWN OF MOUNT CARMEL, TENNESSEE
SCHEDULE OF PROPERTY TAXES RECEIVABLE
GENERAL FUND
For the Year Ended June 30, 2013

Year of Levy	Balance 7/1/12	Additions	Adjustments/ Collections	Balance 6/30/13
2013	\$ -	\$ 1,098,061	\$ -	\$ 1,098,061
2012	1,091,653	1,392	1,046,513	46,532
2011	49,348	-	31,970	17,378
2010	19,811	-	11,214	8,597
2009	4,298	-	3,863	435
2008	396	1,528	1,924	-
2007	2,564	-	1,508	1,056
2006	-	943	943	-
2005	1,324	-	870	454
2004	3,073	-	870	2,203
2003	1,622	463	1,290	795
	\$ 1,174,089	\$ 1,102,387	\$ 1,100,965	\$ 1,175,511

The 2013 tax notices become a lien in the state of Tennessee on January 1st of each year. The notices are due from October 1, 2013 through February 28, 2014. The total amount is reflected as deferred inflows of resources on the governmental fund balance sheet as of June 30, 2013, while only the 2013 taxes are reflected at deferred inflows of resources on the government-wide statement of net position.

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

TOWN OF MOUNT CARMEL, TENNESSEE
SCHEDULE OF TAX RATES & ASSESSMENTS
For the Year Ended June 30, 2013

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

* Reappraisal year

TOWN OF MOUNT CARMEL, TENNESSEE
SCHEDULE OF INSURANCE IN FORCE
June 30, 2013

COVERAGE:

TMI Policy # 5-58-15 Period 7/1/12 to 7/1/13

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

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

PROPERTY COVERAGE:

TMI Policy # 5-58-15 Period 7/1/12 to 7/1/13

- Blanket Limit Per Occurrence- \$6,541,802
- Building & Personal Property- \$5,956,970
- EDP Equipment - \$202,430
- Mobile Equipment - \$382,402
- Automatic Coverage for Flood, Earthquake, Demolition, and Pollution Clean-up with coverages ranging from \$50,000 to \$1,500,000.
- Employee Dishonesty - \$150,000 per loss including same for forgery, theft, and computer fraud.

WORKERS COMPENSATION COVERAGE:

TMI Policy # 5-58-15 Period 7/1/12 to 7/1/13

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

TOWN OF MOUNT CARMEL, TENNESSEE
SCHEDULE OF UTILITY RATES IN FORCE & CUSTOMERS
For the Year Ended June 30, 2013

SEWER RATES

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

Note: Sewer usage based on 90% of water usage

Total number of customers at year end:	1,940
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TOWN OF MOUNT CARMEL, TENNESSEE
SCHEDULE OF CAPITAL ASSETS USED IN OPERATION OF GOVERNMENTAL ACTIVITIES
For the Year Ended June 30, 2013

Function	Construction in Progress & Land	Buildings & Improvements	Machinery, Equipment, Vehicles	Library Collection	Infrastructure	Total
General Government	\$ 42,927	\$ 331,989	\$ 87,771	\$ -	\$ -	\$ 462,687
Police & Fire	-	128,862	1,021,002	-	-	1,149,864
Highways/Streets	27,000	22,900	566,578	-	3,875,923	4,492,401
Sanitation	-	-	49,849	-	-	49,849
Culture/Recreation	41,000	57,203	-	-	31,230	129,433
Animal Control	-	27,190	-	-	-	27,190
Library	-	23,500	-	115,205	-	138,705
Total	\$ 110,927	\$ 591,644	\$ 1,725,200	\$ 115,205	\$ 3,907,153	\$ 6,450,129

TOWN OF MOUNT CARMEL, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS & STATE FINANCIAL ASSISTANCE
For the Year Ended June 30, 2013

Assistance Programs as Identified in the
Catalog of Federal Domestic Assistance

Grantor Agency	CFDA #	Agency or Pass-Through Number	* Balance 7/1/12	Receipts	Federal Expenditures	** Refunds To Gov't	* Balance 6/30/13
Federal Highway Administration							
Pass-Through Tennessee Department of Transportation Governor's Highway Safety Office	20.607	154AL-12-87	\$ (5,672)	\$ 10,125	\$ 4,453	\$ -	\$ -
State & Community Highway Safety Grant	20.607	154AL-12-88	(7,363)	9,580	2,217	-	-
State & Community Highway Safety Grant	20.607	154AL-13-167	-	4,999	4,999	-	-
State & Community Highway Safety Grant	20.607	154AL-13-166	-	2,975	9,277	-	(6,302)
State & Community Highway Safety Grant	20.600	PT-13-46	-	6,214	7,857	-	(1,643)
Total Federal Highway Administration			(13,035)	33,893	28,803	-	(7,945)
Housing & Urban Development							
Pass-Through State of Tennessee Department of Economic & Community Development	14.228	33124	-	156,656	189,061	-	(32,405)
Community Development Block Grant							
Department of Agriculture							
Pass-Through State of Tennessee	10.766	48-037	-	1,427	491	936	-
Community Facilities							
Volunteer Fire Assistance							
				2,952	2,952	-	-
Total Federal Awards			\$ (13,035)	\$ 194,928	\$ 221,307	\$ 936	\$ (40,350)
State Financial Assistance							
Tennessee State Library & Archives-Rural Library Laptop Labs	N/A		4,948	-	-	4,948	-
Total State Financial Assistance			\$ 4,948	\$ -	\$ -	\$ 4,948	\$ -

* Represents balance due from grantor if a negative amount.

** Grant fund refunded as grant period expired and funds were not spent.

Note: The schedule of federal awards and state financial assistance includes the grant activity of the Town of Mount Carmel and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with requirements of OMB Circular A-133; therefore, some amounts in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

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***

Board of Mayor and Aldermen
Town of Mount Carmel, Tennessee

I have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Mount Carmel, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Mount Carmel's basic financial statements, and have issued my report thereon dated February 21, 2014.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Mount Carmel, Tennessee's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying findings, recommendations and update to prior findings as items 13.01 and 13.02.

Town of Mount Carmel, Tennessee's Response to Findings

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

Purpose of this Report

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



David M. Ellis, CPA
Greeneville, Tennessee
February 21, 2014

TOWN OF MOUNT CARMEL, TENNESSEE
FINDINGS, RECOMMENDATIONS AND UPDATE TO PRIOR FINDINGS
For the Year Ended June 30, 2013

PRIOR YEAR FINDINGS

No prior year findings were noted.

CURRENT YEAR FINDING

FINDING 13.01 –POTENTIAL VIOLATION OF TRAFFIC CITATION STATUTE

Condition: Past employees of the municipality have stated that they were questioned, pressured, and had their continued employment threatened regarding the number (dollar amount) of traffic citations issued.

Criteria: Tennessee Code Section 39-16-516 Section (a) states: A political subdivision or any agency of this state may not establish or maintain, formally or informally, a plan to evaluate, promote, compensate, or discipline a law enforcement officer solely by the issuance of a predetermined or specified number of any type or combination of types of traffic citations.

Effect: The Town is potentially in violation of the above referenced code.

Recommendation: Any discussion of quotas, monetary goals, etc. necessary for officer advancement or retention should be avoided.

Management's Comments: Management concurs.

FINDING 13.02 –VIOLATION OF PURCHASING AUTHORITY

Condition: At the September, 2013 board meeting the Board of Mayor and Aldermen approved a bid to purchase specific fire equipment. The actual purchase however, consisted of different items not previously approved.

Criteria: Municipal Technical Advisory Services legal consultants have stated that staff members charged with executing the orders of the Board of Mayor and Aldermen have no authority to alter those orders without additional appropriate approval.

Effect: The Town is potentially in violation of State purchasing statutes.

Recommendation: Actual purchases should match items, quantities and amounts contained in approved bids.

Management's Comments: Management concurs.