

TOWN OF CARTHAGE, TENNESSEE

Annual Financial Report

For the Year Ended June 30, 2022,

TOWN OF CARTHAGE, TENNESSEE

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TOWN OF CARTHAGE, TENNESSEE

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INTRODUCTORY SECTION

TOWN OF CARTHAGE, TENNESSEE

Officials of the Town of Carthage, Tennessee

June 30, 2022

Name

Title

Elected Officials:

Sarah Marie Smith

Mayor

Bill K. Reece

Vice Mayor

Cole Ebel

Councilman

Jesse Peters

Councilman

Sam Petty

Councilman

Barbara Kannapel

Councilman

Steve Babcock

Councilman

Management:

Scott Ezell, CPA

CMFO

Danielle Bane

Town Recorder

FINANCIAL SECTION

JOHN R. POOLE, CPA
CERTIFIED PUBLIC ACCOUNTANT

134 NORTHLAKE DRIVE
HENDERSONVILLE, TN 37075

(615) 822-4177

Independent Auditor's Report

Mayor and Board of Councilmen of the
Town of Carthage, Tennessee
Carthage, Tennessee

Opinions

I have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Carthage, Tennessee (the "Town"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In my opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town, as of June 30, 2022, and the respective changes in financial position; and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Required Supplementary Information, which includes the Management's Discussion and Analysis and the Schedule of Changes in Net Pension Liability (Asset) and the Schedule of Contributions to the Employee Pension Plan and the Schedule of Changes in Total Liability and Related Ratios, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express

an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The supplementary information section, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information – Introductory Section

Management is responsible for the Introductory Section included in the annual report. The Introductory Section, as listed in the table of contents, does not include the basic financial statements and my auditor's report thereon. My opinion on the basic financial statements does not cover the Introductory Section, and I do not express an opinion or any other assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated December 23, 2022, on my consideration of the Town's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Town's internal control over financial reporting and compliance.

John R. Pock, CPA

December 23, 2022

MANAGEMENT'S
DISCUSSION AND
ANALYSIS

TOWN OF CARTHAGE, TENNESSEE

Management's Discussion and Analysis

As management of the Town of Carthage, Tennessee (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 fiscal year ended June 30, 2022. The analysis focuses on significant financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the Town. Management's Discussion and Analysis (MD&A) focuses on current year activities and resulting changes.

Financial Highlights:

The assets of the Town of Carthage exceeded its liabilities at the close of the most recent fiscal year by \$14,939,368. Of this amount, \$9,231,661 (unrestricted Net Position) may be used to meet the government's ongoing obligations to citizens and creditors.

The government's total Net Position increased by \$1,632,778 due to higher sales tax and grant revenues compared to the prior year. The Town's non-grant revenues were higher due to a growing local economy leading to higher revenues. Expenses were higher than the previous year by \$142,272 due to higher repair and maintenance costs in the Utility Fund and Police and recreation departments. The Town made capital asset purchases totaling \$1,187,216 to improve the Town's swimming pool and fire department facilities along with improvements to utility and street infrastructure. The Town reduced its outstanding utility loan balances by \$146,934, even as the Town borrowed additional funds for Utility improvements.

As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$5,944,276, an increase of \$455,923 in comparison to the prior year. The increase was due to higher sales tax revenues and the Town's ability to keep expenditures within budgeted levels. The Town made governmental capital asset purchases of \$836,327. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$5,493,969 or 193% of the total general fund expenditures.

The Town's business-like activities total Net Position increased by \$382,875 due to higher operating revenues generated from new water and sewer accounts. The Town's CIP for the Utility Fund forecasts capital infrastructure expenditures of \$119,028 from fund reserves during Fiscal Years 2021/2022 and 2022/2023.

The Town's total debt decreased as the Town paid down \$146,934, as of June 30, 2022. During the year, the Town borrowed additional funds totaling \$135,045 for Utility fund improvements. The Utility system's debt totaled \$1,730,501. All debt obligations are being paid down as scheduled.

Overview of the Financial Statements:

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

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

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

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

Both government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town of Carthage include general government, personnel, finance, parks, planning, police, fire, disposal service, streets, and public works. The government-wide financial statements are on pages 11-12 of this report.

Fund financial statements. A Fund is a grouping of related accounts that is used to maintain control over resources that have been segregated from specific activities or objectives. The Town of Carthage, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town are governmental funds.

Governmental Funds. Governmental Funds are funds 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 resources, as well as on balances of resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The Town maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the funds all of which are considered to be major funds.

The Town of Carthage adopts an annual appropriated budget for its general fund by department. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic financial statements are on pages 14-20 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29-50 of this report.

Financial Analysis of the Financial Statements--Government-wide Financial Analysis

As noted earlier, Net Position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Carthage, assets exceeded liabilities by \$14,939,368 at the close of the most recent fiscal year. By far the largest portion of the Town's assets reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure) less any related debt use to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Financial Analysis of the Financial Statements --Town of Carthage's Net Position - 2022

	Governmental <u>Activities</u>	Business -Type <u>Activities</u>
Current and other assets	\$ 7,228,080	3,645,731
Capital assets	<u>2,274,459</u>	<u>4,594,414</u>
Total assets	9,502,539	8,240,145
Deferred outflows	531,529	298,985
Long-term liabilities outstanding	0	1,730,501
Other liabilities	<u>85,827</u>	<u>129,476</u>
Total liabilities	85,827	1,859,977
Deferred inflows:	1,370,290	317,736
Net Position:		
Net investment in capital assets	2,274,459	2,863,913
Restricted	450,307	119,028
Unrestricted	<u>5,853,185</u>	<u>3,378,476</u>
Total Net Position	\$ <u>8,577,951</u>	<u>6,361,417</u>

Financial Analysis of the Financial Statements --Town of Carthage's Net Position - 2021

	Governmental <u>Activities</u>	Business -Type <u>Activities</u>
Current and other assets	\$ 6,362,677	3,382,311
Capital assets	<u>1,611,049</u>	<u>4,452,627</u>
Total assets	7,973,726	7,834,938
Deferred outflows	304,232	143,168
Long-term liabilities outstanding	0	1,742,390
Other liabilities	<u>171,590</u>	<u>147,991</u>
Total liabilities	171,590	1,890,381
Deferred inflows:	778,320	109,183
Net Position:		
Net investment in capital assets	1,611,049	2,710,237
Restricted	386,287	120,875
Unrestricted	<u>5,330,712</u>	<u>3,147,430</u>
Total Net Position	\$ <u>7,328,048</u>	<u>\$5,978,542</u>

At the end to the current fiscal year, the Town is able to report positive balances in all categories of Net Position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior year.

Comparison of revenues and expenses 2022 and 2021

	<u>2022</u>	<u>2021</u>	Change Between <u>Years</u>
Revenues:			
Program revenues:			
Charges for services	1,773,066	1,626,196	146,870
Operating grants and contributions	96,563	162,669	(66,106)
Capital grants and contributions	287,176	124,400	162,776
General revenues:			
Property taxes	644,015	646,371	(2,356)
Sales taxes	1,826,491	1,635,658	190,833
Other local taxes	337,327	338,937	(1,610)
Other state shared taxes	106,541	102,875	3,666
Other	25,991	70,017	(44,026)
Total revenues	<u>\$5,097,170</u>	<u>\$4,707,123</u>	<u>\$390,047</u>
Expenses:			
General government	427,873	441,140	(13,267)
Police department	895,758	852,946	42,812
City hall building	14,017	17,233	(3,216)
Fire department	146,365	134,609	11,756
Streets	495,424	488,932	6,492
Swimming pool and recreation	84,369	56,640	27,729
Animal control	869	16	853
Sanitation	179,768	162,780	16,988
Water and Sewer	1,219,949	1,167,824	52,125
Total expenses	<u>\$3,464,392</u>	<u>\$3,322,120</u>	<u>\$142,272</u>
Increases in net position	<u>1,632,778</u>	<u>1,385,003</u>	<u>247,775</u>

Financial Analysis of the Financial Statements

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

The general fund is the chief operating fund of the Town's. At the end of the current fiscal year, unassigned fund balance of the general fund was \$5,493,969. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 193% of total general fund expenditures.

Business-Type Activities

The Town's business-like activities total Net Position increased by \$382,875 due to continuing operating revenues.

Governmental Budgetary Highlights

The Town maintained all of its fund budgets during the year. See pages 21-27 for an analysis of the budgets.

Capital Asset and Debt Administration

Capital Assets

The Town of Carthage's investment in capital assets from its governmental activities at June 30, 2022, amounts to \$2,274,459 (net of accumulated depreciation) and its business-type activities amounts to \$4,594,414. This investment in capital assets is in land, buildings, improvements, machinery, and equipment. The total increase in the Town's investment in governmental capital assets for the current fiscal year was \$836,327. The total increase in the Town's investment in business-like capital assets for the current fiscal year was \$350,889.

Town of Carthage's Capital Assets-2022

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>
Land, buildings and improvement	\$ 2,653,888	\$ 11,269,197
Equipment	<u>1,579,794</u>	<u>194,543</u>
Less accumulated depreciation	<u>(1,959,223)</u>	<u>(6,869,326)</u>
Net Capital Assets	<u>\$2,274,459</u>	\$ <u>4,594,414</u>

Town of Carthage's Capital Assets-2021

	Governmental Activities	Business-Type Activities
Land, buildings and improvement	\$ 2,174,941	\$ 10,927,308
Equipment	<u>1,222,414</u>	<u>185,543</u>
Less accumulated depreciation	(1,786,306)	(6,660,224)
Net Capital Assets	<u>\$1,611,049</u>	\$ <u>4,452,627</u>

Long-Term Debt

The Town's total debt decreased as the Town paid down \$146,934, as of June 30, 2022. During the year, the Town borrowed additional funds totaling \$135,045 for Utility fund improvements. The Utility system's debt totaled \$1,730,501. All debt obligations are being paid down as scheduled.

Economic Factors and Next Year's Budget and Rates

The Fiscal Year 2022-2023 budget General fund revenues and user charges are budgeted to remain relatively stable from the 2021-2022 budget year. The Town's budget has stabilized by a growing commercial and retail base producing higher local tax receipts.

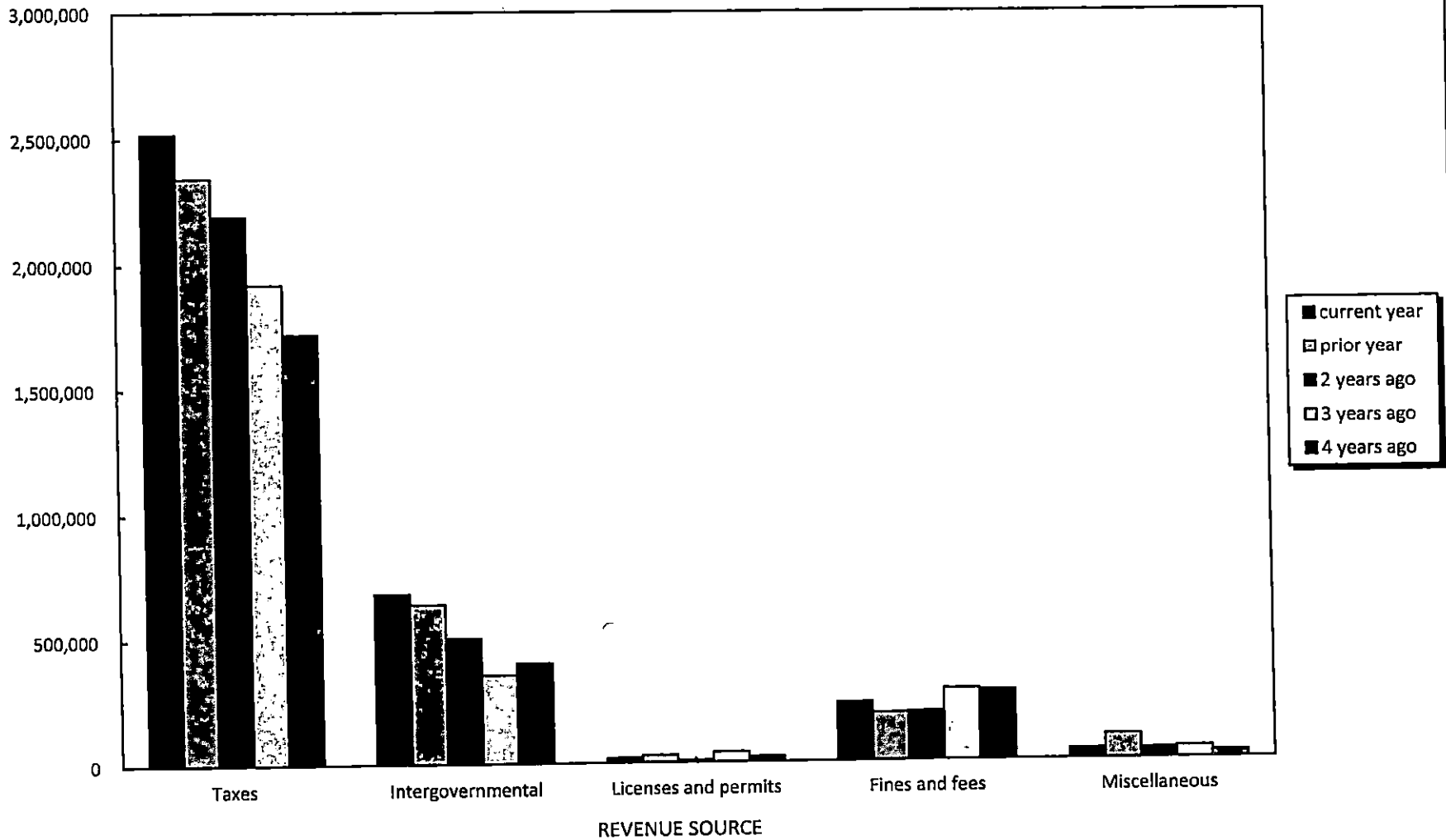
All of these factors were considered in preparing the Town's budget for the 2022-2023 fiscal year.

Requests for Information

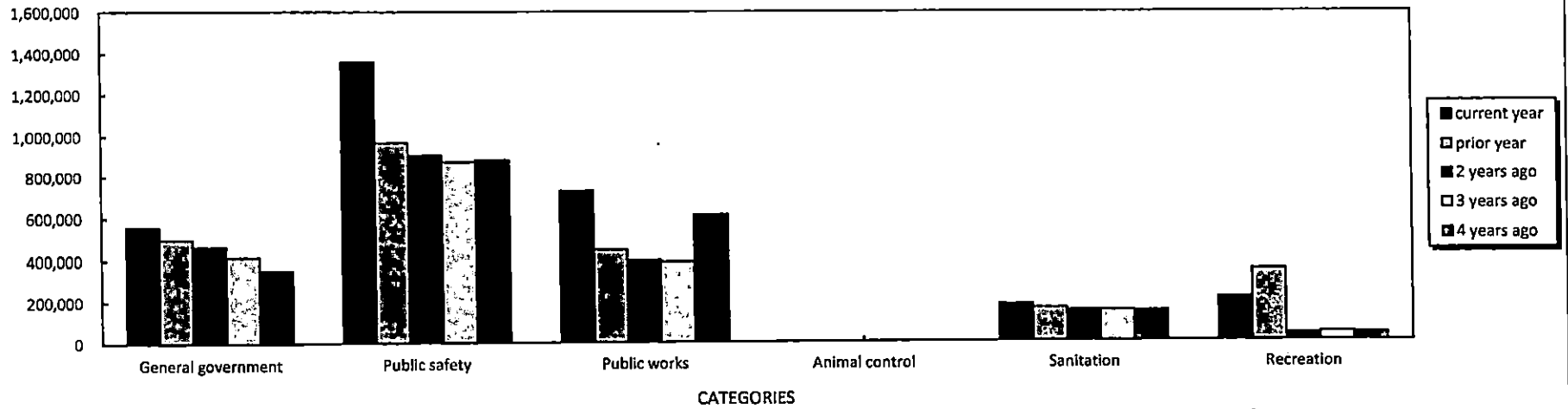
This financial report is designed to provide a general overview of the Town of Carthage, Tennessee's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

A. Scott Ezell, CPA
Town of Carthage

TOWN OF CARTHAGE
GOVERNMENTAL FUND REVENUES



TOWN OF CARTHAGE
GOVERNMENTAL FUND EXPENDITURES



BASIC FINANCIAL
STATEMENTS

TOWN OF CARTHAGE, TENNESSEE

Statement of Net Position

June 30, 2022

<u>Assets and Deferred Outflows</u>	<u>Governmental Activities</u>	<u>Business Activities</u>	<u>Total</u>
Cash and cash equivalents	5,637,778	3,161,524	8,799,302
Certificate of deposit	250,000	0	250,000
Receivables	917,811	290,296	1,208,107
Net pension asset	394,497	221,905	616,402
Internal balances	27,994	(27,994)	0
Capital assets not being depreciated	873,188	367,884	1,241,072
Capital assets, net of accumulated depreciation	1,401,271	4,226,530	5,627,801
Total Assets	<u>9,502,539</u>	<u>8,240,145</u>	<u>17,742,684</u>
Deferred outflows:			
Deferred outflows of resources - OPEB	6,966	3,919	10,885
Deferred outflows of resources - pension	524,563	295,066	819,629
Total Deferred Outflows	<u>\$531,529</u>	<u>\$298,985</u>	<u>\$830,514</u>
<u>Liabilities, Deferred Inflows, and Net Position</u>			
Liabilities			
Accounts payable	38,180	23	38,203
Accrued expenses	11,888	22,450	34,338
Customer deposits	0	86,889	86,889
Total OPEB liability	35,759	20,114	55,873
Long-term liabilities:			
Due within one year	0	98,580	98,580
Due in more than one year	0	1,631,921	1,631,921
Total Liabilities	<u>85,827</u>	<u>1,859,977</u>	<u>1,945,804</u>
Deferred inflows:			
Deferred inflows of resources - current year property taxes	561,704	0	561,704
Deferred inflow of resources - unspent grant receipts	243,721	0	243,721
Deferred inflow of resources - OPEB	52,713	29,651	82,364
Deferred inflows of resources - pension	512,152	288,085	800,237
Total Deferred Inflows	<u>\$1,370,290</u>	<u>\$317,736</u>	<u>\$1,688,026</u>
Net position:			
Net Investment in Capital Assets	2,274,459	2,863,913	5,138,372
Restricted - Debt Service	0	119,028	119,028
Restricted - State Street Aid	372,387	0	372,387
Restricted - Sanitation fund	60,061	0	60,061
Restricted - Drug fund	17,859	0	17,859
Unrestricted	5,853,185	3,378,476	9,231,661
Total Net Position	<u>8,577,951</u>	<u>6,361,417</u>	<u>14,939,368</u>

See accompanying notes to financial statements.

TOWN OF CARTHAGE, TENNESSEE

Statement of Activities

For the Year Ended June 30, 2022

Function/Programs	Program Revenues				Net (Expenses) Revenue and Changes in Net position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Government Activities:							
General government	427,873	42,658	2,825	193,486	(188,904)	0	(188,904)
Police department	895,758	11,404	6,400	0	(877,954)	0	(877,954)
City hall building	14,017	0	0	0	(14,017)	0	(14,017)
Fire department	146,365	0	0	0	(146,365)	0	(146,365)
Streets	495,424	0	87,338	0	(408,086)	0	(408,086)
Swimming pool and recreation	84,369	43,448	0	0	(40,921)	0	(40,921)
Animal control	869	0	0	0	(869)	0	(869)
Sanitation	179,768	168,027	0	0	(11,741)	0	(11,741)
Total Governmental Activities	<u>2,244,443</u>	<u>265,537</u>	<u>96,563</u>	<u>193,486</u>	<u>(1,688,857)</u>	<u>0</u>	<u>(1,688,857)</u>
Business - type Activities:							
Water and Sewer	1,219,949	1,507,529	0	93,690	0	381,270	381,270
Total Business Type Activities	<u>1,219,949</u>	<u>1,507,529</u>	<u>0</u>	<u>93,690</u>	<u>0</u>	<u>381,270</u>	<u>381,270</u>
Total	<u>3,464,392</u>	<u>1,773,066</u>	<u>96,563</u>	<u>287,176</u>	<u>(1,688,857)</u>	<u>381,270</u>	<u>(1,307,587)</u>
General Revenues:							
Property taxes					567,259	0	567,259
Public utility taxes					76,756	0	76,756
Sales taxes					1,826,491	0	1,826,491
Business taxes					107,127	0	107,127
Beer and liquor taxes					193,023	0	193,023
Franchise taxes					31,650	0	31,650
State income and excise taxes					106,541	0	106,541
Hotel/Motel tax					5,527	0	5,527
Interest income					4,289	1,605	5,894
Other					20,097	0	20,097
Total general revenues					<u>2,938,760</u>	<u>1,605</u>	<u>2,940,365</u>
Changes in net position					<u>1,249,903</u>	<u>382,875</u>	<u>1,632,778</u>
Net Position - beginning of year					7,328,048	5,978,542	13,306,590
Net position- ending of year					<u>8,577,951</u>	<u>6,361,417</u>	<u>14,939,368</u>

See accompanying notes to financial statements.

FUND FINANCIAL
STATEMENTS

TOWN OF CARTHAGE, TENNESSEE

Balance Sheet

Governmental Funds

June 30, 2022

<u>Assets</u>	<u>General Fund</u>	<u>Drug Fund</u>	<u>Sanitation Fund</u>	<u>State Street Aid Fund</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents	\$5,230,609	\$17,859	\$32,067	\$357,243	\$5,637,778
Certificate of deposits	250,000	0	0	0	250,000
Accounts receivable:					
Property taxes receivable	607,406	0	0	0	607,406
Other receivables	295,261	0	0	15,144	310,405
	<u>902,667</u>	<u>0</u>	<u>0</u>	<u>15,144</u>	<u>917,811</u>
Due from other funds	0	0	27,994	0	27,994
 Total Assets	 <u>\$6,383,276</u>	 <u>\$17,859</u>	 <u>\$60,061</u>	 <u>\$372,387</u>	 <u>\$6,833,583</u>
 <u>Liabilities, Deferred Inflows, and Fund Balance</u>					
Liabilities:					
Accounts payable	\$38,180	\$0	\$0	\$0	\$38,180
 Total Liabilities	 <u>38,180</u>	 <u>0</u>	 <u>0</u>	 <u>0</u>	 <u>38,180</u>
Deferred Inflow of Resources:					
Deferred inflows - unspent grant receipts	243,721	0	0	0	243,721
Deferred current property taxes	561,704	0	0	0	561,704
Deferred delinquent property taxes	45,702	0	0	0	45,702
Total Deferred Inflow of Resources	<u>851,127</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>851,127</u>
Fund balance:					
Unassigned	5,493,969	0	0	0	5,493,969
Restricted- Drug fund	0	17,859	0	0	17,859
Restricted- Sanitation	0	0	60,061	0	60,061
Restricted - State Street Aid	0	0	0	372,387	372,387
Total Fund Balance	<u>5,493,969</u>	<u>17,859</u>	<u>60,061</u>	<u>372,387</u>	<u>5,944,276</u>
Total Liabilities, Deferred Inflows, and Fund Balance	<u>\$6,383,276</u>	<u>\$17,859</u>	<u>\$60,061</u>	<u>\$372,387</u>	<u>\$6,833,583</u>

The notes accompanying the financial statements are an integral part of these financial statements.

TOWN OF CARTHAGE, TENNESSEE

Reconciliation of the Balance Sheet to the Statement of Net Position
of Governmental Activities

June 30, 2022

Amounts reported for fund balance - total governmental funds	\$ 5,944,276
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	2,274,459
Other long term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds	45,702
Pension related accounts - governmental funds to not record these post-benefit obligations	
Net pension asset	394,497
Deferred outflow - pension	524,563
Deferred inflow - pension	(512,152)
OPEB related accounts - governmental funds to not record these post-benefit obligations	
Total OPEB Liability	(35,759)
Deferred outflow - OPEB	6,966
Deferred inflow - OPEB	(52,713)
Long-term liabilities, including bonds payable and accrued vacation are not due and payable in the current period and therefore are not recorded in the funds	
Accrued vacation	<u>(11,888)</u>
Net position of governmental activities	\$ <u>8,577,951</u>

See accompanying notes to financial statements.

TOWN OF CARTHAGE, TENNESSEE

Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances

For the Year Ended June 30, 2022

	General Fund	Drug Fund	Sanitation Fund	State Street Aid Fund	Total Governmental Funds
Revenues:					
Taxes	2,520,479	0	0	0	2,520,479
Intergovernmental	593,781	0	0	87,338	681,119
Licenses and permits	18,507	0	0	0	18,507
Fines and fees	61,652	4,341	168,027	0	234,020
Miscellaneous	40,059	2	0	160	40,221
Total Revenues	\$3,234,478	\$4,343	\$168,027	\$87,498	\$3,494,346
Expenditures:					
Current:					
General government	521,191	0	0	0	521,191
Police department	856,403	2,116	0	0	858,519
City hall building	14,017	0	0	0	14,017
Fire department	100,893	0	0	0	100,893
Animal control	869	0	0	0	869
Streets	432,430	0	0	10,040	442,470
Swimming pool and recreation	84,369	0	0	0	84,369
Sanitation	0	0	179,768	0	179,768
Capital Outlay:					
General government	21,935	0	0	0	21,935
Police department	42,037	0	0	0	42,037
Fire department	357,207	0	0	0	357,207
Streets	285,702	0	0	0	285,702
Swimming pool and recreation	129,446	0	0	0	129,446
Total Expenditures	\$2,846,499	\$2,116	\$179,768	\$10,040	\$3,038,423
Excess (deficiency) of revenues over expenditures	387,979	2,227	(11,741)	77,458	455,923
Fund Balance, Beginning of year	5,105,990	15,632	71,802	294,929	5,488,353
Fund Balance, End of Year	\$5,493,969	\$17,859	\$60,061	\$372,387	\$5,944,276

See accompanying notes to financial statements.

TOWN OF CARTHAGE, TENNESSEE

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2022

Net change in fund balances - total governmental funds:	\$	455,923
Amounts reported for governmental activities in the statement of net position are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Acquisition of capital assets		836,327
Depreciation expense		(172,917)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		10,304
Expenses reported in the statement of activities that do not require the use of current financial resources are not reported as expenditures in the governmental funds		
Change in pension plan accrual		107,643
Change in OPEB accounts		6,974
Change in accrued vacation - governmental funds		<u>5,649</u>
Change in net position of governmental activities	\$	<u>1,249,903</u>

See accompanying notes to financial statements.

TOWN OF CARTHAGE, TENNESSEE

Statement of Net Position

Enterprise (Water and Sewer) Fund

June 30, 2022

Assets and Deferred Outflows

Current Assets:

Cash and cash equivalents	\$3,161,524
Accounts receivable, (net of allowance of \$968)	290,296
Total Current Assets	<u>3,451,820</u>

Capital Assets:

Utility plant in service	11,463,740
Less accumulated depreciation	(6,869,326)
Total Capital Assets, Net	<u>4,594,414</u>

Net pension asset	<u>221,905</u>
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Total Assets	<u><u>\$8,268,139</u></u>
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Deferred outflows:

Deferred outflows of resources - OPEB	3,919
Deferred outflows of resources - pension	295,066
Total Deferred Outflows	<u>298,985</u>

Liabilities

Current Liabilities (payable from current assets):

Accounts payable	\$23
Accrued expenses	22,450
Due to other funds	27,994
Current portion of long-term debt	98,580
Total Current Liabilities (payable from current assets)	<u>149,047</u>

Other Liabilities:

Total OPEB liability	20,114
Customer deposits	86,889
Total Other Liabilities	<u>107,003</u>

Long-term debt	<u>1,631,921</u>
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Total Liabilities	<u><u>\$1,887,971</u></u>
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Deferred inflows

Deferred inflow of resources - OPEB	29,651
Deferred inflow of resources - pension	288,085
Total Deferred Inflows	<u>317,736</u>

Net Position:

Net Investment in Capital Assets	2,863,913
Restricted assets - Debt Service	119,028
Unrestricted	<u>3,378,476</u>

Total Net Position	<u><u>\$6,361,417</u></u>
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The notes accompanying the financial statements are an integral part of these financial statements.

TOWN OF CARTHAGE, TENNESSEE

**Statement of Revenues, Expenses
and Changes in Net Position**

Enterprise (Water and Sewer) Fund

For the Year Ended June 30, 2022

Operating Revenues:	
Metered sales, net of change in allowance of \$3,059	\$1,362,104
Tap and service fees	<u>145,425</u>
Total Operating Revenues	<u><u>1,507,529</u></u>
Operating Expenses:	
Salaries	518,137
Employee benefits	85,208
Rent	3,000
Dues and memberships	10,757
Utilities	121,379
Professional services	22,916
Repair and maintenance	62,434
Supplies	108,655
Office expense	5,485
Insurance	51,110
Depreciation	<u>209,102</u>
Total Operating Expenses	<u><u>1,198,183</u></u>
Operating income (loss)	<u>309,346</u>
Nonoperating Revenues (Expenses):	
Interest expense	(21,766)
Interest income	<u>1,605</u>
Total Nonoperating Revenues (Expenses)	<u><u>(20,161)</u></u>
Capital contributions	<u>93,690</u>
Net change in net position	<u><u>382,875</u></u>
Net Position, July 1, 2021	<u>5,978,542</u>
Net Position, June 30, 2022	<u><u>6,361,417</u></u>

The notes accompanying the financial statements are an integral part of these financial statements.

TOWN OF CARTHAGE, TENNESSEE

Statement of Cash Flows

Proprietary Fund Type

Water and Sewer Fund

For the Year Ended June 30, 2022

Cash Flows from Operating Activities:	
Cash received from customers	1,457,462
Cash paid to suppliers	(475,993)
Cash paid to employees	(603,345)
Net Cash Provided (Used) by Operating Activities	<u>378,124</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of plant and equipment	(350,889)
Loan proceeds	135,045
Capital contributions	93,690
Interest paid	(21,766)
Repayment of debt	(146,934)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(290,854)</u>
Cash Flows from Investing Activities:	
Interest income	<u>1,605</u>
Net Cash Provided (Used) by Investing Activities	<u>1,605</u>
Net Change in Cash	88,875
Cash and Cash Equivalents, July 1, 2021	<u>3,072,649</u>
Cash and Cash Equivalents, June 30, 2022	<u>3,161,524</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income (loss)	309,346
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	209,102
Change in assets (increase) decrease:	
Accounts receivable	(50,067)
Inventory	7,805
Net pension asset	(132,525)
Deferred outflows	(155,817)
Change in liabilities increase (decrease):	
Accounts payable	(16,576)
Accrued expenses	1,212
Total OPEB liability	(4,058)
Due to other funds	242
Customer deposits	907
Deferred inflows	208,553
Net Cash Provided by Operating Activities	<u>378,124</u>

See accompanying notes to financial statements.

TOWN OF CARTHAGE, TENNESSEE

Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget (GAAP Basis) and Actual

General Fund

For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes:				
Property taxes	\$591,110	\$591,110	\$562,883	(28,227)
Public utility taxes	50,500	50,500	52,969	2,469
Business taxes	60,815	60,815	107,127	46,312
Wholesale beer and liquor taxes	155,000	155,000	191,977	36,977
Local option sales tax	1,100,000	1,100,000	1,563,970	463,970
Franchise taxes	32,500	32,500	31,650	(850)
Hotel/Motel tax	8,000	8,000	5,527	(2,473)
Penalty and interest	2,500	2,500	4,376	1,876
Total Taxes	<u>2,000,425</u>	<u>2,000,425</u>	<u>2,520,479</u>	<u>520,054</u>
Intergovernmental:				
TVA in lieu	36,771	36,771	23,787	(12,984)
Grants	580,804	580,804	193,486	(387,318)
State sales tax	215,000	215,000	262,521	47,521
Excise tax	106,961	106,961	105,268	(1,693)
State beer tax	700	700	1,046	346
State income tax	1,500	1,500	1,273	(227)
State supplement	6,400	6,400	6,400	0
Total Intergovernmental Revenue	<u>948,136</u>	<u>948,136</u>	<u>593,781</u>	<u>(354,355)</u>
Permits and Licenses:				
Building permits	10,000	10,000	16,548	6,548
Other permits	1,400	1,400	1,959	559
Total Permits and Licenses	<u>11,400</u>	<u>11,400</u>	<u>18,507</u>	<u>7,107</u>
Fines and fees:				
Swimming pool	11,000	11,000	43,448	32,448
Other fines and fees	0	0	11,141	11,141
City court	15,400	15,400	7,063	(8,337)
Total Fines	<u>26,400</u>	<u>26,400</u>	<u>61,652</u>	<u>35,252</u>
Miscellaneous:				
Interest income	7,200	7,200	4,127	(3,073)
Donations	500	500	2,825	2,325
Lease	3,250	3,250	2,210	(1,040)
Cemetery deed	0	0	10,800	10,800
Insurance proceeds	50,000	50,000	8,513	(41,487)
Sale of assets	0	0	5,475	5,475
Miscellaneous	6,440	6,440	6,109	(331)
Total Miscellaneous	<u>67,390</u>	<u>67,390</u>	<u>40,059</u>	<u>(27,331)</u>
Total Revenues	<u>3,053,751</u>	<u>3,053,751</u>	<u>3,234,478</u>	<u>180,727</u>

The notes accompanying the financial statements are an integral part of these financial statements.

TOWN OF CARTHAGE, TENNESSEE

**Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget (GAAP Basis) and Actual, Continued**

General Fund

For the Year Ended June 30, 2022

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>(Negative)</u>
Expenditures:				
General Government:				
Current:				
Salaries	179,423	163,103	203,964	(40,861)
Payroll taxes	12,798	12,798	11,068	1,730
Employee benefits	34,553	49,553	52,058	(2,505)
Education/training	3,000	3,000	1,580	1,420
Mayor expenses	120,257	120,257	87,752	32,505
Utilities	15,950	15,950	14,637	1,313
Professional services	46,150	46,150	40,574	5,576
Dues	3,500	3,500	2,510	990
Office expense	15,200	15,200	14,485	715
Insurance	22,643	22,643	21,744	899
Contributions and donations	34,260	34,260	34,260	0
Cemeteries	25,500	25,500	24,000	1,500
Maintenance and supplies	8,000	8,000	9,766	(1,766)
Miscellaneous	2,825	2,825	2,793	32
	<u>524,059</u>	<u>522,739</u>	<u>521,191</u>	<u>1,548</u>
Capital outlay	12,500	23,500	21,935	1,565
Total General Government	<u>536,559</u>	<u>546,239</u>	<u>543,126</u>	<u>3,113</u>
Public Safety:				
Police department:				
Current:				
Salaries	597,210	597,210	562,643	34,567
Payroll taxes	41,507	41,507	40,075	1,432
Employee benefits	133,914	133,914	137,737	(3,823)
Education/training	10,000	10,000	4,025	5,975
Contract services	14,000	14,000	7,000	7,000
Utilities	3,675	3,675	3,806	(131)
Vehicles expenses	20,000	20,000	25,038	(5,038)
Maintenance and supplies	34,750	34,750	47,802	(13,052)
Insurance	25,820	25,820	23,905	1,915
Uniforms	6,000	6,000	4,239	1,761
Miscellaneous	10,800	10,800	133	10,667
	<u>897,676</u>	<u>897,676</u>	<u>856,403</u>	<u>41,273</u>
Capital outlay	54,500	54,500	42,037	12,463
Total Police department	<u>952,176</u>	<u>952,176</u>	<u>898,440</u>	<u>53,736</u>

The notes accompanying the financial statements are an integral part of these financial statements.

TOWN OF CARTHAGE, TENNESSEE

Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget (GAAP Basis) and Actual, Continued

General Fund

For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Expenditures:				
Fire department				
Current:				
Volunteer firemen	39,000	39,000	35,899	3,101
Employee benefits	0	0	8,037	(8,037)
Education/training	3,300	3,300	2,103	1,197
Utilities	6,800	6,800	6,113	687
Vehicle expenses	1,400	1,400	1,345	55
Maintenance and supplies	71,800	71,800	33,801	37,999
Insurance	14,500	14,500	13,595	905
Other	0	0	0	0
	<u>136,800</u>	<u>136,800</u>	<u>100,893</u>	<u>35,907</u>
Capital outlay	<u>851,465</u>	<u>851,465</u>	<u>357,207</u>	<u>494,258</u>
Total Fire department	<u>988,265</u>	<u>988,265</u>	<u>458,100</u>	<u>530,165</u>
Highway and Streets department:				
Current:				
Salaries	212,104	212,104	206,564	5,540
Payroll taxes	16,101	16,101	16,222	(121)
Employee benefits	58,839	58,839	56,148	2,691
Utilities	47,000	47,000	44,550	2,450
Maintenance and supplies	67,750	67,750	70,137	(2,387)
Landfill	4,000	4,000	1,079	2,921
Vehicle expenses	20,000	20,000	10,855	9,145
Insurance	27,609	27,609	26,875	734
Miscellaneous	0	0	0	0
	<u>453,403</u>	<u>453,403</u>	<u>432,430</u>	<u>20,973</u>
Capital outlay	<u>484,000</u>	<u>484,000</u>	<u>285,702</u>	<u>198,298</u>
Total Highways and Streets department	<u>937,403</u>	<u>937,403</u>	<u>718,132</u>	<u>219,271</u>
City Hall Building:				
Current:				
Repair and maintenance	30,000	30,000	14,017	15,983
Supplies	500	500	0	500
Miscellaneous	0	0	0	0
	<u>30,500</u>	<u>30,500</u>	<u>14,017</u>	<u>16,483</u>
Capital outlay	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total City Hall Building	<u>30,500</u>	<u>30,500</u>	<u>14,017</u>	<u>16,483</u>

The notes accompanying the financial statements are an integral part of these financial statements.

TOWN OF CARTHAGE, TENNESSEE

**Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget (GAAP Basis) and Actual, Continued**

General Fund

For the Year Ended June 30, 2022

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Budget</u>	<u>Budget</u>	<u>Budget</u>	<u>(Negative)</u>
Swimming Pool and Park:				
Current:				
Personnel costs	14,705	14,705	30,834	(16,129)
Utilities	21,210	21,210	14,737	6,473
Maintenance and supplies	19,000	19,000	36,884	(17,884)
Insurance	2,048	2,048	1,914	134
Other	0	0	0	0
	<u>56,963</u>	<u>56,963</u>	<u>84,369</u>	<u>(27,406)</u>
Capital outlay	<u>314,586</u>	<u>314,586</u>	<u>129,446</u>	<u>185,140</u>
Total Swimming Pool and Recreation	<u>371,549</u>	<u>371,549</u>	<u>213,815</u>	<u>157,734</u>
Animal Control:				
Current:				
Salaries	750	750	123	627
Maintenance and supplies	1,650	1,650	746	904
Other	0	0	0	0
	<u>2,400</u>	<u>2,400</u>	<u>869</u>	<u>1,531</u>
Capital outlay	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Animal Control	<u>2,400</u>	<u>2,400</u>	<u>869</u>	<u>1,531</u>
Total Expenditures	<u>3,818,852</u>	<u>3,828,532</u>	<u>2,846,499</u>	<u>982,033</u>
Excess (deficiency) of Revenues over Expenditures	<u>(765,101)</u>	<u>(774,781)</u>	<u>387,979</u>	<u>1,162,760</u>
Fund Balance, July 1, 2021	5,105,990	5,105,990	5,105,990	0
Fund Balance, June 30, 2022	<u>\$4,340,889</u>	<u>\$4,331,209</u>	<u>\$5,493,969</u>	<u>\$1,162,760</u>

The notes accompanying the financial statements are an integral part of these financial statements.

TOWN OF CARTHAGE, TENNESSEE

**Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget (GAAP Basis) and Actual**

Drug Fund

For the Year Ended June 30, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Fines	\$2,100	\$2,100	4,341	2,241
Miscellaneous:				
Interest	<u>0</u>	<u>0</u>	<u>2</u>	<u>2</u>
Total Revenues	<u>2,100</u>	<u>2,100</u>	<u>4,343</u>	<u>2,243</u>
Expenditures:				
Program costs	0	0	2,116	(2,116)
Capital outlay	<u>10,800</u>	<u>10,800</u>	<u>0</u>	<u>10,800</u>
Total Expenditures	<u>10,800</u>	<u>10,800</u>	<u>2,116</u>	<u>8,684</u>
Excess (deficiency) of revenues over expenditures	(8,700)	(8,700)	2,227	6,441
Fund Balance, July 1, 2021	<u>15,632</u>	<u>15,632</u>	<u>15,632</u>	<u>-</u>
Fund Balance, June 30, 2022	<u><u>\$6,932</u></u>	<u><u>\$6,932</u></u>	<u><u>17,859</u></u>	<u><u>10,927</u></u>

The notes accompanying the financial statements are an integral part of these financial statements.

TOWN OF CARTHAGE, TENNESSEE

**Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget (GAAP Basis) and Actual**

State Street Aid Fund

For the Year Ended June 30, 2022

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Budget</u>	<u>Budget</u>		
Revenues:				
Intergovernmental:				
Gasoline .03 tax	\$10,375	\$10,375	11,484	1,109
Gasoline 1989 tax	6,250	6,250	6,542	292
Gasoline 2017 tax	20,250	20,250	21,131	881
Gasoline and motor fuel	39,373	39,373	43,248	3,875
State special petroleum tax	4,579	4,579	4,933	354
Miscellaneous:				
Interest	<u>75</u>	<u>75</u>	<u>160</u>	<u>85</u>
Total Revenues	<u>80,902</u>	<u>80,902</u>	<u>87,498</u>	<u>6,596</u>
Expenditures:				
Program costs	0	0	10,040	(10,040)
Capital outlay	<u>270,000</u>	<u>270,000</u>	<u>0</u>	<u>270,000</u>
Total Expenditures	<u>270,000</u>	<u>270,000</u>	<u>10,040</u>	<u>259,960</u>
Excess (deficiency) of revenues over expenditures	<u>(189,098)</u>	<u>(189,098)</u>	<u>77,458</u>	<u>253,364</u>
Fund Balance, July 1, 2021	<u>294,929</u>	<u>294,929</u>	<u>294,929</u>	<u>-</u>
Fund Balance, June 30, 2022	<u><u>\$105,831</u></u>	<u><u>\$105,831</u></u>	<u><u>372,387</u></u>	<u><u>266,556</u></u>

The notes accompanying the financial statements are an integral part of these financial statements.

TOWN OF CARTHAGE, TENNESSEE

**Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget (GAAP Basis) and Actual**

Sanitation Fund

For the Year Ended June 30, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Sanitation charges	\$156,000	\$168,000	\$168,027	27
Total Revenues	<u>156,000</u>	<u>168,000</u>	<u>168,027</u>	<u>27</u>
Expenditures:				
Contract Services	154,000	166,000	166,103	(103)
Miscellaneous	<u>15,000</u>	<u>15,000</u>	<u>13,665</u>	<u>1,335</u>
Total Expenditures	<u>169,000</u>	<u>181,000</u>	<u>179,768</u>	<u>1,232</u>
Excess (deficiency) of revenues over expenditures	(13,000)	(13,000)	(11,741)	1,259
Fund Balance, July 1, 2021	<u>71,802</u>	<u>71,802</u>	<u>71,802</u>	<u>0</u>
Fund Balance, June 30, 2022	<u><u>58,802</u></u>	<u><u>58,802</u></u>	<u><u>60,061</u></u>	<u><u>1,259</u></u>

The notes accompanying the financial statements are an integral part of these financial statements.

NOTES TO THE FINANCIAL
STATEMENTS

TOWN OF CARTHAGE, TENNESSEE

Notes to Financial Statements

June 30, 2022

(1) Summary of Significant Accounting Policies

The Town of Carthage, Tennessee, (the Town) was incorporated as an entity under Chapter 26 Provisions of House Bill No.79 of 1905, as amended, which became the charter of the Town. The Town operates under a Mayor and Board of Councilmen form of government. The Town provides the following services, as authorized by its charter and duly passed ordinances: public safety (Police and Fire), water, sewer, highways and streets, sanitation, culture-recreation, public improvements, planning and zoning, and general administrative services. The accounting policies of the Town of Carthage, Tennessee conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

Reporting Entity:

In evaluating the Town as a reporting entity, management follows applicable GASB statements and has addressed all potential component units (traditionally separate reporting entities) for which the Town may be financially accountable and, as such, should be included within the Town's financial statements. The Town (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit or to impose specific financial burden on the Town. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Town has no component units at yearend.

The financial statements now include government-wide financial statements prepared on the accrual basis of accounting and the economic measurement focus for all funds. The fund financial statements present information for individual major funds rather than by fund type. Nonmajor funds are presented in one column. The reporting includes the reporting of capital assets, infrastructure and depreciation, the elimination of account groups, and the inclusion of management's discussion and analysis. The government-wide financial statements present the Town's programs between business-type and governmental activities.

Government -Wide and Fund Financial Statements

The Government-wide financial statements, the statement of Net position and the statement of changes in Net position, report information on all of the nonfiduciary activities of the primary government and its component units. For the most part the effect of the interfund activity has been removed from these statements. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

TOWN OF CARTHAGE, TENNESSEE

Notes to Financial Statements

June 30, 2022

(1) Summary of Significant Accounting Policies, Continued

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (i) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and (ii) 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 as general revenues.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund revenues are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes and state shared revenues as available if received within 45 days of years end. Expenditures are recorded generally when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Property taxes, state shared revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period using the criteria specified in the paragraph above. All other revenue items are considered to be measurable and available only when cash is received by the government.

TOWN OF CARTHAGE, TENNESSEE

Notes to Financial Statements

June 30, 2022

(1) Summary of Significant Accounting Policies, Continued

The government reports the following major funds:

General Fund - The General Fund is the general operating fund of the Town. It is used to account for all financial resources of the general government except those required to be accounted for in another fund.

Drug Fund - To account for drug fines received and usage of those monies to further drug investigations.

Sanitation Fund - To account for the revenues and expenditures of the Town's Sanitation Department.

State Street Aid Fund - To account for the receipt and usage of the Town's share of gasoline taxes.

The government reports the following major proprietary funds:

The Utility Fund is used to account for water and sewer operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

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

Amounts reported as program revenues include (i) charges to customers or applicants for goods, services, or privileges provided, (ii) operating grants and contributions, and (iii) capital grants and contributions. General revenues include all taxes and internally dedicated resources.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 various utility funds are charges to customers for sales and services. The Utility Fund also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed. When unrestricted funds are used the Town uses committed, assigned then unassigned funds.

TOWN OF CARTHAGE, TENNESSEE

Notes to Financial Statements

June 30, 2022

(1) Summary of Significant Accounting Policies, Continued

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of savings accounts, certificates of deposit with original maturities three months or less and amounts held by the State Local Government Investment Pool.

Receivables and Payables

Activity between funds that are representative of lending/ borrowing arrangements outstanding at the end of the fiscal year are referred to as either due from/ due to other funds (i.e. the current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available resources.

All trade receivables are shown net of an allowance for uncollectible, if applicable.

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, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has two items (pension and OPEB) that qualify for reporting in this category.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) 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, the items are reported in the government-wide Statement of Net Position and the governmental funds balance sheet. These revenues are from the following sources: current and delinquent property taxes, which do not meet the availability criteria in governmental funds. Additionally, the Town has three items (pension related, OPEB related, and unspent grant receipts) that qualifies for reporting in this category. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Restricted Assets

Certain proceeds of the Enterprise Fund bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on their respective balance sheets because they are maintained in separate bank accounts and their use is either limited by applicable bond covenants or represent proceeds from bond issues that are restricted for use in construction.

TOWN OF CARTHAGE, TENNESSEE

Notes to Financial Statements

June 30, 2022

(1) Summary of Significant Accounting Policies, Continued

Property Tax

The Town's property tax is levied each November 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the Town's legal boundaries. All Town taxes on real estate are declared to be a lien on such realty from January 1 of the year assessments are made.

Assessed values are established by the State of Tennessee at the following rates of appraised market value:

Public Utility Property	55%
Industrial and Commercial Property	
- Real	40%
- Personal	30%
Farm and Residential Property	25%

Taxes were levied at a rate of \$1.1258 per \$100 of assessed valuation for the fiscal year ended June 30, 2022.

Payments may be made during the period from November 1 through March 31. Current tax collections of \$521,394 for the fiscal year ended June 30, 2022 were approximately 93 percent of the tax levy.

Delinquent taxes are turned over to the Town Attorney for collection as required by the Town's Municipal Code.

Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets consisting of certain improvements other than buildings, including roads, streets and sidewalks, and drainage systems are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an individual cost of \$5,000 and an estimated useful life in excess of three years. All capital assets are valued at historical cost or estimated historical cost, if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Depreciation is provided over the estimated useful lives using the straight-line method.

The estimated useful lives are as follows:

Infrastructure	40-50 years
Buildings	10-50 years
Utility Plant in Service	10-50 years
Furniture and Equipment	3-10 years

TOWN OF CARTHAGE, TENNESSEE

Notes to Financial Statements

June 30, 2022

(1) Summary of Significant Accounting Policies, Continued

Budgets and Budgetary Accounting

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Formal budgets are adopted and approved by Council vote on an annual basis for the General and Special Revenue Funds. These budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- b. The Town Council approves, by ordinance, total budget appropriations by department only. The Mayor is authorized to transfer budget amounts between line items within each department; however, any revisions that alter the total appropriations of any fund must be approved by the Town's Council.
- c. The budget amounts shown in the financial statements are the final authorized amounts as amended during the year.

Government Wide – Net Position

Net position is a component of equity and is displayed in the following three components:

Net Investment in Capital Assets – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds that are attributable to the acquisition, construction, or improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination.

Restricted – Consists of net position for which constraints are placed thereon by external parties, such as lenders, grantors, contributors, laws, regulations, and enabling legislation, including self-imposed legal mandates, less any related liabilities. The restrictions are evident from the classification titles.

Unrestricted – All other net position that does not meet the description of the above categories.

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

TOWN OF CARTHAGE, TENNESSEE

Notes to Financial Statements

June 30, 2022

(1) Summary of Significant Accounting Policies, Continued

Inventory

Inventory of the Utility Fund is valued at cost, using the first in first out method. Inventory of all the governmental funds consists of expendable supplies held for consumption and are recorded at cost under the consumption method.

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year incurred.

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

Compensated Absences

The Town has accrued a liability for unused sick and vacation pay which is earned but not taken by Town employees.

	<u>July 1,</u> <u>2021</u>	<u>Addi-</u> <u>tions</u>	<u>Retire-</u> <u>ments</u>	<u>June 30,</u> <u>2022</u>
Governmental activities	<u>17,537</u>	<u>-</u>	<u>5,649</u>	<u>11,888</u>
Business-type activities	<u>5,815</u>	<u>-</u>	<u>1,710</u>	<u>4,105</u>

Pension

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

TOWN OF CARTHAGE, TENNESSEE

Notes to Financial Statements

June 30, 2022

(1) Summary of Significant Accounting Policies, Continued

Fund Balance

The Town implemented GASB 54 which addresses issues related to how fund balances are reported. Fund balances are now reported in the following manner:

Nonspendable Fund Balance - This classification includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes terms that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

Restricted Fund Balance - This classification includes amounts that are restricted for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted with the consent of resource providers.

Committed Fund Balance - This classification includes amounts that can only be used for the specific purposes determined by a formal action of the Town's highest level of decision-making authority, the Town Council of the Town of Carthage, Tennessee. Commitments may be changed or lifted only by the Town taking the same formal action that imposed the constraint originally (for example: ordinance).

Assigned Fund Balance - This classification included amounts intended to be used by the Town for specific purposes that are neither restricted nor committed. The Town Council and its designee, the Recorder, have the authority to assign amounts to be used for specific purposes. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) that are not classified as nonspendable, restricted, or committed.

Unassigned Fund Balance - This fund balance is the residual classification for the general fund. It is also used to report negative fund balances in other governmental funds.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

Other Post-Employment Benefit Plan- (OPEB)

For the purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other postemployment benefits, and OPEB expense, information about the fiduciary net position of the Town of Carthage's participation in the Local Government OPEB Plan (LGOP), and additions to/deductions from the Town of Carthage fiduciary net position have been determined on the same basis as they are reported by the LGOP. For this purpose, benefits are recognized when due and payable in accordance with benefit terms of the LGOP.

TOWN OF CARTHAGE, TENNESSEE

Notes to Financial Statements

June 30, 2022

(1) Summary of Significant Accounting Policies, Continued

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of 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.

(2) Cash and Cash Equivalents

The Town is authorized to invest funds in Federal treasury bills and notes, State of Tennessee Local Government Investment Pool and financial institution demand deposit accounts and certificates of deposit. During the year, the Town invested funds that were not immediately needed in certificates of deposits, savings accounts and investments in the State of Tennessee Local Government Investment Pool. The Town has deposit policies to minimize custodial credit risks. All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure. For deposits with financial institutions that do not participate in the bank collateral pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the town.

The Town's deposits with financial institutions are fully insured or collateralized by securities held by the depository bank in the Town's name. Additionally, the deposit accounts are covered by the Federal Depository Insurance Coverage (FDIC). At June 30, 2022, all cash and certificate of deposits were insured and/or collateralized depending on the particular financial institution. The Town's uses several financial institutions for its deposits. Cash and cash equivalents were adequately covered by federal depository, insurance, insured by the depository bank's participation in the State of Tennessee Bank Collateral Pool or collateralization by securities, pledged for deposits, held by an independent third-party financial institution under the terms if a safekeeping collateral agreement in the Town's name. Investment policies of the Town follow State law.

TOWN OF CARTHAGE, TENNESSEE

Notes to Financial Statements

June 30, 2022

(3) Accounts Receivable

Accounts receivable at June 30, 2022, consist of the following:

<u>Fund</u>	<u>Other Government</u>	<u>Property Taxes</u>	<u>Customer Accounts</u>	<u>Total</u>
General Fund	\$ 295,261	607,406	-	902,667
Special Revenue Funds	15,144	-	-	15,144
Enterprise Fund	-	-	291,264	291,264
Less allowance for doubtful accounts	-	-	(968)	(968)
Total	<u>\$ 310,405</u>	<u>607,406</u>	<u>290,296</u>	<u>1,208,107</u>

(4) Capital Assets

A summary of changes in capital assets as presented in the governmental activities column of the government-wide financial statements is as follows:

	<u>Balance July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2022</u>
Assets not being depreciated				
Land and land rights	\$ 873,188	-	-	873,188
Assets being depreciated				
Buildings and improvements	740,494	157,624	-	898,118
Infrastructure	561,259	321,323	-	882,582
Equipment and vehicles	<u>1,222,414</u>	<u>357,380</u>	-	<u>1,579,794</u>
Total	<u>\$ 3,397,355</u>	<u>836,327</u>	<u>-</u>	<u>4,233,682</u>
Less Accumulated depreciation	<u>(1,786,306)</u>			<u>(1,959,223)</u>
Net capital assets in service	<u>\$ 1,611,049</u>			<u>2,274,459</u>

All assets, except land and land rights of \$873,188, are being depreciated. Depreciation expense was charged to functions/programs of the primary government as follows:

General Fund:	
General government administration	\$ 37,252
Fire department	45,472
Police department	37,239
Highways and Streets	<u>52,954</u>
Total	<u>172,917</u>

TOWN OF CARTHAGE, TENNESSEE

Notes to Financial Statements

June 30, 2022

(4) Capital Assets, Continued

A summary of changes in Enterprise (Water and Sewer) Fund capital assets and related accumulated depreciation follows:

	Balance July 1, 2021	<u>Additions</u>	<u>Deletions</u>	Balance June 30, 2022
Land	\$ 34,995	-	-	34,995
Utility plant	8,816,026	-	-	8,816,026
Sewer plant	2,076,287	9,000	-	2,085,287
Construction in progress	-	332,889	-	332,889
Equipment	<u>185,543</u>	<u>9,000</u>	-	<u>194,543</u>
	11,112,851	<u>350,889</u>	<u>-</u>	11,463,740
Less accumulated depreciation	<u>(6,660,224)</u>			<u>(6,869,326)</u>
Net plant in service	<u>\$ 4,452,627</u>			<u>4,594,414</u>

All assets, except land valued at \$34,995 and construction in progress of \$332,889 are being depreciated. Depreciation expense was \$209,102 in 2022.

(5) Long-Term Debt and Other Obligations Payable, Continued

The following schedule reflects the changes in long-term debt, as shown in the Enterprise (Water and Sewer) Fund during the fiscal year 2022.

	Balance July 1, 2021	<u>Additions</u>	<u>Retirements</u>	Balance June 30, 2022
Direct loans:				
Loans Payable- Water and Sewer:				
Bond CW3-2014-344	451,691	-	28,584	423,107
Bond DWF-18-199	56,972	-	2,988	53,984
Bond DW4-16-170	1,006,583	-	53,232	953,351
Bond CW7-20-445	-	75,191	37,595	37,596
Bond DW7-21-223	-	59,854	11,971	47,883
Bond DG3 16-169	<u>227,144</u>	<u>-</u>	<u>12,564</u>	<u>214,580</u>
Total	<u>1,742,390</u>	<u>135,045</u>	<u>146,934</u>	<u>1,730,501</u>

TOWN OF CARTHAGE, TENNESSEE

Notes to Financial Statements

June 30, 2022

(5) Long-Term Debt and Other Obligations Payable, Continued

Enterprise fund obligations are secured by specific revenues of the respective funds and by the Town's ability to assess taxes in the event user charges are not sufficient to meet debt service requirements. Some of the various bond indentures contain significant limitations and restrictions as to annual debt service requirements, maintenance of and flow of monies through various restricted accounts, minimum amounts to be maintained in sinking funds, and minimum revenue bond coverages. The Town was in compliance with all such significant limitations and restrictions as of yearend.

Enterprise Funds – Water and Sewer Fund -principal and interest requirements to maturity on all outstanding bonds, notes and obligations as of June 30, 2022, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2023	98,580	20,448
2024	99,840	19,188
2025	101,124	17,904
2026	102,420	16,608
2027	103,956	15,072
2028-2032	539,904	55,236
2033-2037	536,807	20,894
2038	<u>62,391</u>	<u>478</u>
Total	<u>1,645,022</u>	<u>165,828</u>

(6) Interfund Transactions

Interfund receivables and payables at June 30, 2022 were as follows:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
Sanitation Fund	\$ 27,994	-
Water and Sewer Fund	-	<u>27,994</u>
Total	<u>\$ 27,994</u>	<u>27,994</u>

The Due To/From balance between the Water and Sewer fund and Sanitation Fund are for shared purchases that were funded by the Sanitation Fund.

TOWN OF CARTHAGE, TENNESSEE

Notes to Financial Statements

June 30, 2022

(7) Pension Plan

General Information about the Pension Plan

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

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

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

Employees covered by benefit terms. At the measurement date of June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	28
Inactive employees entitled to but not yet receiving benefits	24
Active employees	29
Total	81

TOWN OF CARTHAGE, TENNESSEE

Notes to Financial Statements

June 30, 2022

(7) Pension Plan, Continued

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be charged by the Tennessee General Assembly. Employees contribute 5 percent of salary. Carthage makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2022, employer contributions for Carthage were (\$124,887) based on a rate of (7.26%) percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Carthage's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

Carthage's net pension liability (asset) was measured as of June 30, 2021, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total pension liability as of June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

<i>Inflation</i>	2.25 percent
<i>Salary increases</i>	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation averaging 4.00 percent.
<i>Investment rate of return</i>	6.75 percent, net of pension plan investment expenses, including inflation.
<i>Cost-of-Living Adjustment</i>	2.125 percent

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

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

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

TOWN OF CARTHAGE, TENNESSEE

Notes to Financial Statements

June 30, 2022

(7) Pension Plan, Continued

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

<u>Asset class</u>	<u>Long-term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	4.88%	31%
Developed market international equity	5.37%	14%
Emerging market international equity	6.09%	4%
Private equity and strategic lending	6.57%	20%
U.S. fixed income	1.20%	20%
Real Estate	4.38%	10%
Short-term securities	0.00%	1%
Total		<u>100%</u>

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

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

TOWN OF CARTHAGE, TENNESSEE

Notes to Financial Statements

June 30, 2022

(7) Pension, Continued

Changes in the Net Pension Liability (Asset)

	Total Pension Liability (Asset)	Increase (Decrease) Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balance at 6/30/20	\$4,330,772	\$4,610,083	(\$279,311)
Changes for the Year:			
Service Cost	91,476	-	91,476
Interest	311,401	-	311,401
Differences between expected and actual experience	91,644	-	91,644
Changes in benefit terms	-	-	-
Changes in assumptions	509,952	-	509,952
Contributions-employer	-	107,382	(107,382)
Contributions-employees	-	59,114	(59,114)
Net investment income	-	1,177,624	(1,177,624)
Benefit payments, including refunds of employee contributions	(254,131)	(254,131)	-
Administrative expense	-	(2,556)	2,556
Other changes	-	-	-
Net changes	750,342	1,087,433	(337,091)
Balance at 6/30/21	<u>\$ 5,081,114</u>	<u>\$ 5,697,516</u>	<u>\$ (616,402)</u>

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

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Carthage's net pension Liability (asset)	22,262	(616,402)	(1,148,043)

TOWN OF CARTHAGE, TENNESSEE

Notes to Financial Statements

June 30, 2022

(7) Pension, Continued

Pension Expense (income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Negative Pension expense. For the year ended June 30, 2022, Carthage recognized negative pension expense of (\$70,811).

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2022, Carthage reported deferred outflows or resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and Actual experience	250,133	172,290
Net difference between projected and Actual earning on pension plan Investments	-	627,947
Changes in Assumptions	444,609	-
Contributions subsequent to the Measurement date of June 30, 2021	<u>124,887</u>	<u>-</u>
Total	<u>819,629</u>	<u>800,237</u>

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2021,” will be recognized as a reduction (increase) to net position liability (asset) in the following measurement period.

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

Year Ended June 30:	
2023	(14,801)
2024	(61,769)
2025	(60,122)
2026	(69,066)
2027	100,266

Thereafter -

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

TOWN OF CARTHAGE, TENNESSEE

Notes to Financial Statements

June 30, 2022

(8) Other Postemployment Benefits For Retiree Health Insurance

Plan description – Employees of the Town, who were hired prior to July 1, 2015, are provided with pre-65 retiree health insurance benefits through the closed Local Government OEB Plan (LGOP administered by the Tennessee Department of Finance and Administration. This plan is considered to be multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). However, for accounting purposes, this plan will be treated as a single-employer plan. All eligible pre-65 retired employees and disability participants of local governments, who chose coverage, participate in the LGOP.

Benefits provided -The Town offers the LGOP to provide health insurance coverage to eligible pre-65 retirees and disabled participants of local governments. Insurance coverage is the only postemployment benefit provided to retirees. An insurance committee created in accordance with TCA 8-27-701 establishes and amends the benefit terms of the LGOP. All members have the option of choosing between the premier preferred provider organization (PPO), standard PPO, limited PPO or the wellness health-savings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members, of the LGOP, receives the same plan benefits as active employees, at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Participating employers determine their own policy related to direct subsidies provided for the retiree premiums. The Town does not directly subsidize and are only subject to the implicit. The LGOP is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement NO. 75.

Employees covered by benefit terms. At July 1, 2021, the following employees were covered by the benefit terms of the LGOP:

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	0
Active employees	<u>30</u>
Total	<u>30</u>

An insurance committee, created in accordance with TCA 8-27-701, establishes the required payments to the LGOP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to established premium rates. For the fiscal year ended June 30, 2022, the Town paid \$441 to the LGOP for OPEB benefits as they came due.

TOWN OF CARTHAGE, TENNESSEE

Notes to Financial Statements

June 30, 2022

(8) Other Postemployment Benefits For Retiree Health Insurance, Continued

Total OPEB Liability

Actuarial assumptions-The total OPEB liability on the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all the periods included in the measurement, unless otherwise specified.

Inflation -	2.25%
Salary increases -	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent.
Healthcare cost trend rates -	7.36% for pre-65 in 2021, decreasing annually over a 7-year period to an ultimate rate of 4.50%. 7.32% for post-65 in 2021, decreasing annually over a 8-year period to an ultimate rate of 4.50%
Retiree's share of benefit-related costs -	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this valuation a weighted average has been used with weights derived from the current distributions of members among plans offered.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2021, valuations were the same as those employed in the July 1, 2020 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2016 - June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the PUB-2010 Headcount-Weighted Employee mortality table for General Employees for non-disabled pre-retirement mortality, with mortality improvement projected generationally with MP-2020 from 2010. Post-retirement tables are Headcount-Weighted Below Median Healthy Annuitant and adjusted with a 6% load for males and a 14% load for females, projected generationally from 2010 with MP-2020. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load, projected generationally from 2018 with MP-2020.

Discount rate-The discount rate used to measure the total OPEB liability was 2.16 percent. This rate reflects the interest rate derived from yields on a 20-year, tax exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Bond Buyer 20-year Municipal GO AA index.

TOWN OF CARTHAGE, TENNESSEE

Notes to Financial Statements

June 30, 2022

(8) Other Postemployment Benefits For Retiree Health Insurance, Continued

Changes in the Total OPEB Liability

	Total OPEB Liability (a)
Total OPEB liability - beginning balance	\$ 75,536
Changes for the year:	
Service cost	\$ 10,765
Interest	\$ 1,902
Changes of benefit terms	\$ -
Differences between expected and actual experience	\$ (11,011)
Change in assumptions	\$ (20,873)
Benefit payments	\$ (446)
Net changes	\$ (19,663)
Total OPEB liability - ending balance	\$ 55,873

Changes in assumptions-The discount rate was changed from 2.21% as of the beginning of the measurement period to 2.16% as of June 30, 2021. This change in assumption decreased the total OPEB liability. Other changes in assumptions include adjustments to initial per capita costs and health trend rates.

Sensitivity of total OPEB liability to changes in the discount rate-The following presents the total OPEB liability related to the LGOP, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage higher than the current discount rate.

	Current Discount Rate Assumption	
1% Decrease		1% Increase
<u>(1.16%)</u>	<u>(2.16%)</u>	<u>(3.16%)</u>
\$ 59,270	\$ 55,873	\$ 52,542

Sensitivity of total OPEB liability to changes in the healthcare cost trend rate – The following presents the total OPEB liability related to the LGOP, as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-lower or 1-percentage-point-higher than the current healthcare cost trend rate.

	Current Healthcare Cost Trend Rate Assumption	
1% Decrease		1% Increase
<u>(6.36/6.32% Decreasing to 3.50%)</u>	<u>(7.36/7.32% decreasing to 4.50%)</u>	<u>(8.36/8.32% decreasing to 5.50%)</u>
50,109	55,873	62,525

TOWN OF CARTHAGE, TENNESSEE

Notes to Financial Statements

June 30, 2022

(8) Other Postemployment Benefits For Retiree Health Insurance, Continued

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

OPEB Expense - For the fiscal year ended June 30, 2022, the Town of Carthage recognized OPEB expense of \$(2,325).

Deferred Outflows of Resources and Deferred Inflows of Resources - For the year ended June 30, 2022, the Town of Carthage reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the LGOP from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and Actual experience	-	62,159
Changes in assumptions	10,444	20,205
Employer payments subsequent to The measurement date	<u>441</u>	<u>-</u>
Total	<u>10,885</u>	<u>82,364</u>

The amounts shown above for "Employer payments subsequent to the measurement date" will be recognized as a reduction to total OPEB liability in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in employee benefit expense as follows:

Year Ended June 30:	
2023	(14,992)
2024	(14,992)
2025	(14,992)
2026	(14,484)
2027	(7,390)
Thereafter	(5,070)

In the table shown above, positive amounts will increase employee benefit expense while negative amounts will decrease OPEB expense.

Plan Assets

There are no plan assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

TOWN OF CARTHAGE, TENNESSEE

Notes to Financial Statements

June 30, 2022

(9) Commitments and Contingencies

Litigation:

There are no pending lawsuits in which the Town is involved.

Grants:

Amounts received from Grantor agencies are subject to audit and adjustment by Grantor agencies, principally the Federal government. Any disallowed claims including amounts already collected, could become a liability of the applicable fund.

(10) Risk Management

The Town of Carthage is exposed to various risks to general liability and property and casualty losses. The Town has decided it was more economically feasible to join a public entity risk pool as opposed to purchasing commercial insurance for general liability and property and casualty coverage. The Town pays an annual premium for its general liability and property and casualty insurance coverage. The creation of the pool provides for it to be self-sustaining through member premiums. The pool reinsures through commercial insurance companies for claims in excess of stated amounts for each insured event. The Town has not had claims in excess of insurance coverage during the last three years.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

TOWN OF CARTHAGE, TENNESSEE

Schedule of Required Supplementary Information

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Based on Participation in the Public Employee Pension Plan of TCRS

Last Fiscal Year ending June 30

	2014	2015	2016	2017	2018	2019	2020	2021
Total pension liability (asset)								
Service cost	\$ 104,431	\$ 113,233	\$ 90,380	\$ 96,518	\$ 106,894	\$ 105,437	\$ 97,282	\$ 91,476
Interest	\$ 253,590	\$ 264,032	\$ 274,990	\$ 262,156	\$ 288,470	\$ 271,830	\$ 295,262	\$ 311,401
Changes in benefit terms	-	-	-	-	-	-	-	-
Differences between actual & expected experience	\$ (60,437)	\$ 51,426	\$ (262,914)	\$ 213,600	\$ (402,014)	\$ 179,097	\$ 81,028	\$ 91,644
Change of assumptions	-	-	-	\$ 117,899	-	-	-	\$ 509,952
Benefit payments, including refunds of employee contributions	\$ (169,134)	\$ (165,200)	\$ (354,260)	\$ (205,154)	\$ (228,980)	\$ (213,838)	\$ (236,189)	\$ (254,131)
Net change in total pension liability (asset)	\$ 128,450	\$ 263,491	\$ (251,804)	\$ 485,019	\$ (235,630)	\$ 342,526	\$ 237,383	\$ 750,342
Total pension liability (asset)-beginning	\$ 3,361,337	\$ 3,489,787	\$ 3,753,278	\$ 3,501,474	\$ 3,986,493	\$ 3,750,863	\$ 4,093,389	\$ 4,330,772
Total pension liability (asset)-ending (a)	\$ 3,489,787	\$ 3,753,278	\$ 3,501,474	\$ 3,986,493	\$ 3,750,863	\$ 4,093,389	\$ 4,330,772	\$ 5,081,114
Plan fiduciary net position								
Contributions-employer	\$ 99,280	\$ 97,296	\$ 91,051	\$ 101,737	\$ 104,311	\$ 98,652	\$ 93,442	\$ 107,382
Contributions-employee	\$ 54,431	\$ 53,518	\$ 50,083	\$ 55,961	\$ 57,377	\$ 54,264	\$ 51,398	\$ 59,114
Net investment income	\$ 519,110	\$ 111,931	\$ 96,301	\$ 407,304	\$ 327,178	\$ 312,894	\$ 220,067	\$ 1,177,624
Benefit payments, including refunds of employee contributions	\$ (169,134)	\$ (165,200)	\$ (354,260)	\$ (205,154)	\$ (228,980)	\$ (213,838)	\$ (236,189)	\$ (254,131)
Administrative expense	\$ (1,228)	\$ (1,442)	\$ (2,168)	\$ (2,461)	\$ (2,715)	\$ (2,314)	\$ (2,101)	\$ (2,556)
Other	-	-	-	-	-	-	-	-
Net change in plan fiduciary net position	\$ 502,459	\$ 96,103	\$ (118,993)	\$ 357,387	\$ 257,171	\$ 249,658	\$ 126,617	\$ 1,087,433
Plan fiduciary net position-beginning	\$ 3,139,681	\$ 3,642,140	\$ 3,738,243	\$ 3,619,250	\$ 3,976,637	\$ 4,233,808	\$ 4,483,466	\$ 4,610,083
Plan fiduciary net position-ending (b)	\$ 3,642,140	\$ 3,738,243	\$ 3,619,250	\$ 3,976,637	\$ 4,233,808	\$ 4,483,466	\$ 4,610,083	\$ 5,697,516
Net Pension Liability (asset)-ending (a) - (b)	\$ (152,353)	\$ 15,035	\$ (117,776)	\$ 9,856	\$ (482,945)	\$ (390,077)	\$ (279,311)	\$ (616,402)
Plan fiduciary net position as a percentage of total pension liability	104.37%	99.60%	103.36%	99.75%	112.88%	109.53%	106.45%	112.13%
Covered payroll	\$ 1,088,600	\$ 1,070,360	\$ 1,001,660	\$ 1,119,224	\$ 1,147,534	\$ 1,085,282	\$ 1,027,967	\$ 1,181,315
Net pension liability (asset) as a percentage of covered payroll	-14.00%	1.40%	-11.76%	0.88%	-42.09%	-35.94%	-27.17%	-52.18%

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

GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from TCRS GASB website for prior years' data, if needed.

TOWN OF CARTHAGE, TENNESSEE

**Schedule of Contributions Based on Participation in the
Public Employee Pension Plan of TCRS**

For the Year Ended June 30, 2022

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Actuarially determined contribution	<u>99,280</u>	<u>97,296</u>	<u>91,051</u>	<u>101,737</u>	<u>99,606</u>	<u>94,203</u>	<u>58,389</u>	<u>72,651</u>	<u>124,887</u>
Contributions in relation to the actuarially determined contribution	<u>99,280</u>	<u>97,296</u>	<u>91,051</u>	<u>101,737</u>	<u>104,311</u>	<u>98,652</u>	<u>93,442</u>	<u>107,382</u>	<u>124,887</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$4,705)</u>	<u>(\$4,449)</u>	<u>(\$35,053)</u>	<u>(\$34,731)</u>	<u>\$0</u>
Covered-employee payroll	<u>1,088,600</u>	<u>1,070,360</u>	<u>1,001,660</u>	<u>1,119,224</u>	<u>1,147,534</u>	<u>1,085,282</u>	<u>1,027,967</u>	<u>1,181,315</u>	<u>939,381</u>
Contributions as a percentage covered-employee payroll	<u>9.12%</u>	<u>9.09%</u>	<u>9.09%</u>	<u>9.09%</u>	<u>9.09%</u>	<u>9.09%</u>	<u>9.09%</u>	<u>9.09%</u>	<u>7.26%</u>

GASB 68 requires a 10-year schedule for this data to be presented starting with the implementation of GASB 68. The information in this schedule is not required to be presented retroactively prior to the implementation date. Please refer to previously supplied data from TCRS GASB website for prior years' data, if needed.

Notes to Schedule

Valuation date: Actuarially determined contribution rates for fiscal year 2022 were calculated based on the June 30, 2020 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by Year
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	2.50 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent.
Investment Rate of Return	7.25 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.25 percent

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

TOWN OF CARTHAGE, TENNESSEE

Schedule of Required Supplementary Information- OPEB

Schedule of Changes in Total OPEB Liability and Related Ratios

Measurement Year ending June 30

	2018	2019	2020	2021	2022
Total OPEB Liability	\$ 10,199	\$ 9,800	\$ 11,059	\$ 7,325	\$ 10,765
Service Cost	\$ 3,215	\$ 4,208	\$ 4,479	\$ 2,967	\$ 1,902
Interest on the Total OPEB Liability	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Benefit Terms	\$ -	\$ (19,168)	\$ (53,731)	\$ (16,183)	\$ (11,011)
Difference between expected and actual experience of the Total OPEB Liability	\$ (4,788)	\$ 9,842	\$ 3,188	\$ 4,456	\$ (20,873)
Changes in assumptions and other inputs	\$ -	\$ (286)	\$ (514)	\$ (439)	\$ (446)
Benefit payments	\$ 8,626	\$ 4,396	\$ (35,519)	\$ (1,874)	\$ (19,663)
Net change in Total OPEB Liability	\$ 99,907	\$ 108,533	\$ 112,929	\$ 77,410	\$ 75,536
Total OPEB Liability - Beginning	\$ 108,533	\$ 112,929	\$ 77,410	\$ 75,536	\$ 55,873
Total OPEB Liability - Ending					
Estimated Covered -Employee Payroll	1,119,224	1,147,534	1,085,242	1,079,434	939,381
Total OPEB Liability as a Percentage of Covered- Employee Payroll	9.70%	9.84%	7.13%	7.00%	5.95%

Notes to Schedule

Note: There are no assets accumulating, in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, related to this OPEB plan.

The amounts reported for each fiscal year were determined as of the prior fiscal year-end. The amounts reported for each fiscal year were determined as of the prior fiscal year-end.

This schedule is intended to display ten years of information. Additional years will be displayed as they become available.

TOWN OF CARTHAGE, TENNESSEE

Capital Assets Used in the Operation of the Governmental Funds

Schedule of Changes in Capital Assets - By Type

June 30, 2022

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Capital Assets:				
Land and land rights	\$873,188	0	0	\$873,188
Infrastructure	561,259	321,323	0	882,582
Building and improvements	740,494	157,624	0	898,118
Machinery and equipment	<u>1,222,414</u>	<u>357,380</u>	<u>0</u>	<u>1,579,794</u>
Total capital assets	<u>\$3,397,355</u>	<u>836,327</u>	<u>0</u>	<u>\$4,233,682</u>

TOWN OF CARTHAGE, TENNESSEE

Capital Assets Used in the Operation of the Governmental Funds

Schedule of Capital Assets - By Function and Activity

June 30, 2022

	<u>Land and Land Rights</u>	<u>Infrastructure</u>	<u>Buildings and Improvements</u>	<u>Machinery and Equipment</u>	<u>Total</u>
Capital Assets:					
General Government	\$813,072	0	171,709	37,445	1,022,226
Police	0	0	183,900	360,311	544,211
Fire	18,500	82,984	157,624	673,137	932,245
Public Works	6,805	671,527	0	466,616	1,144,948
Parks	<u>34,811</u>	<u>128,071</u>	<u>384,885</u>	<u>42,285</u>	<u>590,052</u>
Total capital assets	<u>\$873,188</u>	<u>882,582</u>	<u>898,118</u>	<u>\$1,579,794</u>	<u>\$4,233,682</u>

TOWN OF CARTHAGE, TENNESSEE

Schedule of Cash and Cash Equivalents and Certificate of Deposits
All Funds

June 30, 2022

	Carrying Value
General Fund:	
Demand deposits	\$5,230,609
Certificate of deposits	250,000
Total General Fund	<u>5,480,609</u>
Sanitation Fund:	
Demand deposits	32,067
Total Sanitation Fund	<u>32,067</u>
State Street Aid Fund:	
Demand deposits	357,243
Total State Street Aid Fund	<u>357,243</u>
Drug Fund:	
Demand deposits	17,859
Total Drug Fund	<u>17,859</u>
Total Special Revenue Funds	<u>407,169</u>
Water and Sewer Fund:	
Demand deposits	3,161,524
Total Water and Sewer Fund	<u>3,161,524</u>
Total - All funds	<u><u>\$9,049,302</u></u>

TOWN OF CARTHAGE, TENNESSEE

Schedule of Changes in Property Taxes Receivable

For the Year Ended June 30, 2022

<u>Tax Year</u>	<u>Balance July 1, 2021</u>	<u>Levy</u>	<u>Collections and Changes in-Assessment</u>	<u>Balance June 30, 2022</u>
2022	\$ -	561,704	0	561,704
2021	546,306	0	521,394	24,912
2020	16,119	0	7,607	8,512
2019	7,845	0	3,230	4,615
2018	3,183	0	1,540	1,643
2017	2,351	0	766	1,585
2016	1,446	0	431	1,015
2015	779	0	166	613
2014	811	0	363	448
2013	1,616	0	0	1,616
2012	743	0	0	743
2011	505	0	505	0
	<u>\$581,704</u>	<u>561,704</u>	<u>536,002</u>	<u>607,406</u>

<u>Tax Year</u>	<u>Tax Rate</u>	<u>Tax Levy</u>	<u>Adjustment and Collections</u>	<u>Outstanding Taxes</u>
2022	0.8168	561,704	0	561,704
2021	1.1258	546,306	521,394	24,912
2020	1.1258	544,308	535,796	8,512
2019	1.1258	542,964	538,349	4,615
2018	1.1258	531,474	529,831	1,643
2017	1.15	494,304	492,719	1,585
2016	1.15	489,775	488,760	1,015
2015	1.15	492,168	491,555	613
2014	1.15	509,931	509,483	448
2013	1.15	494,065	492,449	1,616
2012	1.15	453,732	452,989	743
2011	1.15	424,425	424,425	0

All delinquent taxes except for the 2021 year have been turned over to the County for collection.

TOWN OF CARTHAGE, TENNESSEE

Schedule of Debt Service Requirements - Water and Sewer Fund

June 30, 2022

Year	BOND DG3-16-169		BOND DW4-16-170		BOND CW3-14-344		BOND DWF-18-199		Total	Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 12,744	3,012	54,000	13,380	28,812	3,408	3,024	648	98,580	20,448
2024	12,936	2,820	54,792	12,588	29,052	3,168	3,060	612	99,840	19,188
2025	13,116	2,640	55,584	11,796	29,292	2,928	3,132	540	101,124	17,904
2026	13,308	2,448	56,388	10,992	29,544	2,676	3,180	492	102,420	16,608
2027	13,500	2,256	57,204	10,176	30,036	2,184	3,216	456	103,956	15,072
2028	13,704	2,052	58,032	9,348	30,288	1,932	3,252	420	105,276	13,752
2029	13,896	1,860	58,872	8,508	30,540	1,680	3,300	372	106,608	12,420
2030	14,100	1,656	59,736	7,644	30,792	1,428	3,336	336	107,964	11,064
2031	14,304	1,452	60,600	6,780	31,056	1,164	3,384	288	109,344	9,684
2032	14,508	1,248	61,476	5,904	31,308	912	3,420	252	110,712	8,316
2033	14,724	1,032	62,364	5,016	31,572	648	3,468	204	112,128	6,900
2034	14,940	816	63,264	4,116	31,836	384	3,504	168	113,544	5,484
2035	15,156	600	64,080	3,300	32,076	144	3,552	120	114,864	4,164
2036	15,372	384	65,112	2,268	26,903	98	3,588	84	110,975	2,834
2037	15,600	156	66,060	1,320			3,636	36	85,296	1,512
2038	2,672	24	55,787	430			3,932	24	62,391	478
	<u>\$ 214,580</u>	<u>24,456</u>	<u>953,351</u>	<u>113,566</u>	<u>423,107</u>	<u>22,754</u>	<u>53,984</u>	<u>5,052</u>	<u>1,645,022</u>	<u>165,828</u>

*The Water and Sewer Fund also has interim construction loans of \$85,479. Payments on these loans will be shown on this schedule once the debt has been fully funded.

TOWN OF CARTHAGE, TENNESSEE

Schedule of Changes in Long-term Debt by Individual Issue

June 30, 2022

	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/2021	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 6/30/2022
Business-Type Activities									
NOTES PAYABLE									
DG3-16-169	\$ 271,743	1.44%	2016	8/31/2037	\$ 227,144	\$ -	\$ 12,564	\$ -	\$214,580
DW4-16-170	1,140,649	1.44%	2016	4/30/2038	\$ 1,006,583	\$ -	\$ 53,232	\$ -	\$953,351
CW3-14-344	577,507	0.83%	2014	5/30/2036	\$ 451,691	\$ -	\$ 28,584	\$ -	\$423,107
CW7-20-445	235,000	0.26%	2021	unknown	\$ -	\$ 75,191	\$ 37,595	\$ -	\$37,596
DW7-21-223	108,008	0.94%	2021	unknown	\$ -	\$ 59,854	\$ 11,971	\$ -	\$47,883
DWF-18-199	65,000	1.23%	2018	9/30/2038	\$ 56,972	\$ -	\$ 2,988	\$ -	\$53,984
Total Notes Payable					\$ 1,742,390	\$ 135,045	\$ 146,934	\$ -	\$ 1,730,501

TOWN OF CARTHAGE, TENNESSEE

Schedule of Utility Rates and Information

June 30, 2022

Water system

<u>Inside Routes:</u>	<u>Water</u>	<u>Sewer</u>
First 1,000 gallons	\$17.50 minimum charge	\$17.50 minimum charge
Over 1,000 gallons	\$5.00 per 1,000 gallons	\$5.00 per 1,000 gallons

Outside Routes:

First 1,000 gallons	\$22.02 minimum charge	\$17.50 minimum charge
Over 1,000 gallons	\$4.76 per 1,000 gallons	\$5.00 per 1,000 gallons

Number of customers at year end:

Water	approximately	1,050
Sewer	approximately	945

TOWN OF CARTHAGE, TENNESSEE
Schedule of Federal and State Financial Assistance
For the Year Ended June 30, 2022

<u>CFDA Number</u>	<u>State Grant Number</u>	<u>Program Name</u>	<u>Grantor Agency</u>	<u>Receivable (Deferred) Balance June 30, 2021</u>	<u>Grant Receipts</u>	<u>Other Receipts</u>	<u>Grant Expenditures</u>	<u>Receivable (Deferred) Balance June 30, 2022</u>
State Programs:								
N/A	N/A	Governors Appropriation	State of Tennessee Department of Finance and Administration	\$0	40,580	0	40,580	0
N/A	N/A	TN CARES	State of Tennessee Department of Finance and Administration	\$0	5,511	0	5,511	0
N/A	N/A	Walking track	State of Tennessee Department of Finance and Administration	\$0	76,149	0	76,149	0
		Total State Grants		\$0	122,240	0	122,240	0
Federal Programs:								
23.002	N/A	Utility Improvements	Appalachian Regional Commission thru the Tennessee Department of Environment and Conservation	\$0	14,416	0	14,416	0
66.458	CW7-20-445	Assistance for Small Communities Loan proceeds	U. S. Department of EPA thru the Tennessee Department of Environment and Conservation	0	75,191	0	75,191	0
66.458	CW7-20-445	Assistance for Small Communities Loan forgiveness	U. S. Department of EPA thru the Tennessee Department of Environment and Conservation	0	37,596	0	37,596	0
66.458	DW7-21-223	Assistance for Small Communities Loan proceeds	U. S. Department of EPA thru the Tennessee Department of Environment and Conservation	0	59,854	0	59,854	0
66.458	CW7-20-445	Assistance for Small Communities Loan forgiveness	U. S. Department of EPA thru the Tennessee Department of Environment and Conservation	0	11,971	0	11,971	0
		Total for 66.458		0	184,612	0	184,612	0
21.027	N/A	American Rescue Plan Act	US Department of Treasury thru the State of Tennessee	\$0	346,858	0	103,137	(243,721)
		Total Federal Grants		\$0	\$545,886	\$0	\$302,165	(\$243,721)

This schedule prepared on the accrual basis of accounting.

JOHN R. POOLE, CPA
CERTIFIED PUBLIC ACCOUNTANT

134 NORTHLAKE DRIVE
HENDERSONVILLE, TN 37075

(615) 822-4177

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

Mayor and Town Council of the
Town of Carthage, Tennessee
Carthage, 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, business-type activities and each major fund of the Town of Carthage as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Carthage's basic financial statements, and have issued a report thereon dated December 23, 2022.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Town of Carthage's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Carthage's internal control. Accordingly, I do not express an opinion on the effectiveness of the Town of Carthage'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 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 the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. I did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as item 2022-001, that I consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Carthage's financial statements are free of 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 the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of the audit and, accordingly, I do not express such an opinion. The results of the tests disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

Response to Findings

The Town of Carthage's response to the findings identified in the audit is described in the Schedule of Findings and Responses. The Town of Carthage'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 the testing of internal control and compliance and the result 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.

John R. Paul, CPA

December 23, 2022

TOWN OF CARTHAGE, TENNESSEE

Schedule of Findings and Responses

June 30, 2022

2022-001 Separation of Duties

Condition: The Town cannot fully segregate the record-keeping and custodial functions of its internal controls due to the size of its staff. The Town only has three employees to perform all accounting, record-keeping and custodial functions.

Cause: The small staff in the accounting related areas.

Criteria: Generally accepted accounting principles require that accounting functions be adequately segregated to ensure that the internal accounting controls are effective.

Effect: The risk of errors and irregularities occurring and not being detected in a timely manner increases when accounting functions are not adequately segregated.

Recommendation: We realize that the staff size will not allow the Town to completely segregate the duties to the optimum level desired. However, the accounting functions should be segregated as much as possible. Management needs to be aware that this weakness exists in the system of internal accounting control.

Response and Corrective Action Plan: "We agree. This comment is related to our size. It is not economically feasible at this time to hire a sufficient number of people to adequately separate the duties. We (the Board) do continue to monitor our finances and internal control. We are the contact related to this information."

TOWN OF CARTHAGE, TENNESSEE

Schedule of Disposition of Prior Year Comments

June 30, 2022

<u>Finding Number</u>	<u>Finding Title</u>	<u>Status</u>
2021 - 001	Separation of Duties	Repeated

The original finding number was 2015-003. The current finding number is 2022-001.

2021-002	Expenditures in Excess of Appropriations in Government Funds	Corrected
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The original finding number was 2021-002.

Town of Carthage



Stephen Babcock
Mayor

Carthage, Tennessee 37030

P.O. Box 259
314 Spring Street
(615) 735-1881

Management's Corrective Action Plan

Audit period: June 30, 2022

2022-001 Segregation of Duties (Internal Control)

Contact person: Scott Ezell, CPA

Planned Corrective Action: It is not economically feasible at this time to hire a sufficient number of people to adequately separate the duties. The Council continues to monitor our finances and internal control.

Anticipated Completion Date: At the current time, due to our size, we do not believe we can fully segregate these duties. We will continue to improve and strengthen our internal controls, but we cannot give a definite date.

Signature:

A. Scott Ezell, CPA

Servline Leak Adjustment Report - July 15th, 2023

Carthage

Exclusions:

- Leaks on irrigation systems or irrigation lines
- Leaks on any water lines coming off the primary water service line
- Plumbing leaks in any structure other than the primary residence
- Plumbing leaks in lines to any structure other than the primary residence
- \$1000 limit

Status	Date Opened	Case #	Contact Name	Account #	Mailing Street	Adjustment	Check Run	Source of Leak	Conclusion
Approved - July 15th check	7/5/2023	00037862	Carthage Chapel of Bass Funeral Home	0001-003300-03	715 Main Street North	\$219.61	7/15/2023	Commode	126.21 + 132.47 - 19.54 - 19.54 = 219.61 June and July
					Check Total:	\$219.61			