

TOWN OF CARTHAGE, TENNESSEE

Annual Financial Report

For the Year Ended June 30, 2024

TOWN OF CARTHAGE, TENNESSEE

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INTRODUCTORY SECTION

TOWN OF CARTHAGE, TENNESSEE

Officials of the Town of Carthage, Tennessee

June 30, 2024

<u>Name</u>	<u>Title</u>
Elected Officials:	
Steve Babcock	Mayor
Jesse Peters	Vice Mayor
Patrick Warren	Councilman
Sam Gray	Councilman
Sam Petty	Councilman
Barbara Kannapel	Councilman
Gail Grigg	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 Council of the
Town of Carthage, Tennessee
Carthage, Tennessee

Report on the Audit of the Financial Statements

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, 2024, 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, 2024, and the respective changes in financial position, and the respective budgetary comparison for the General Fund, State Street Aid Fund, Sanitation Fund, and the Drug Fund for the year then ended 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 Management's Discussion and Analysis, the Schedule of Changes in Net Pension Liability (Asset), 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 October 31, 2024, 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. Poole, CPA

October 31, 2024

**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, 2024. 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. In the General Fund the Town's leadership has been focused on replacing aging Public Works equipment, replacing Police Department patrol vehicles, fire extrication and breathing apparatus, and improvements to the Town's Parks and Recreation facilities in FY 23/24. These improvements have been funded from current tax revenues, sales of aged equipment, cash surpluses exceeding \$4.5 million, and interest earned on the cash surpluses. *Leadership desired to put the citizens' money to work for the betterment of the community while ensuring adequate cash reserves are maintained for emergencies following the State of Tennessee's "rainy day" fund concept.*

On May 8 and 9, 2024, the Town experienced high winds creating a plethora of uprooted and damaged trees. As a result, an emergency purchase of a 2024 International MV607 Grapple Truck was made to help with the debris removal. This truck was budgeted for FY 24/25...but the current need was evident as it still took Public Works over a month to remove the debris. The Town has applied for Federal Emergency Management (FEMA) aid for the increased labor and equipment expense related to the storm. The FEMA aid applications were in process on June 30, 2024.

Our Town pool began leaking in the winter of 2024 after the repairs occurring in 2022/2023 which was an unexpected project. Repairs began immediately after contract bids with new drainage lines for ground water accumulating under the pool and a rubberized covering for the pool interior. The pool opened on July 4, 2024, weekend to the delight of many!

Pickle ball courts and a basketball court were constructed at Veterans Memorial Park to provide increased recreation facilities to our residents. Additionally, a new basketball court was constructed on Spring Street. Our goal was to provide quality facilities for our youth and those young at heart.

Our Police and Administration building has served the Town well but has needed replacement/refurbishment for many years. Our leadership and citizens have been evaluating several different options with a concerted effort to do the best for our citizens and Police and Administrative employees. This project is complex...controversial...but needed by citizens and employees alike.

Tough decisions were made by the Town's leadership for the Water and Sewer Enterprise Fund in FY 23/24. Enterprise funds are required by State law to operate with a regulatory profit. The Tennessee Board of Utility Regulation (TBOUR) supports natural gas, water, and wastewater public utility systems by ensuring that they are *financially self-supporting*. If a Town's utility system, i.e., drinking water and sewage for the Town, experiences two (2) consecutive annual operating losses, the TBOUR intervenes and sets the Town's utility rates.

In FY 22/23 the Town incurred an operating loss of (\$88,677), page 19, FY 22/23 Annual Audited Financial Report. The Town's utility rates had failed to keep up with the increasing costs of providing drinking water and sewage treatment as the last planned utility rate increase was in 2016. Ideally, the

Town should implement rate adjustments incrementally rather than implementing a multi-year increase in one fiscal year, i.e., FY 23/24. Readers should be aware that *operating profits and losses are not impacted* by Federal/State grant and loan revenues as these revenues are Capital Contributions under Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards (GAS). However, upon completion of projects funded by Federal and State revenues, the Town must depreciate, as an *operating expense*, the total cost of the project over a period of years. One may think of depreciation as the recognition of the replacement cost of the asset placed in service over the equipment's useful life. *We must continue to keep depreciation expenses in mind as we continually evaluate utility rates.*

The Town has and will continue to access Federal and State funding opportunities as our financial sufficiency is evaluated by the Tennessee Department of Environment and Conservation (TDEC) with each loan or grant application. That is, the Town must have the financial resources to pay our matching share of awards as well as being able to pay back the borrowed portion of the award.

Each application for State Revolving Fund (SRF) loans and State Water Infrastructure Grants (SWIG) require matching funds from the Town. Borrowed funds must be paid back. *Therefore, adequate cash flow for our Water and Sewer Fund has been and will be the controlling factor in the past, present, and future leaderships' goal to replace aged drinking water and wastewater lines, Drinking Water (DW) Plant improvements, and Clean Water (CW) Treatment Plant improvements.*

Our Water and Line Maintenance (W & S) department began in FY 23/24 replacing water lines at a much-reduced cost to the Town. Hull Avenue has been the pilot project for our Town's W & S department with completion planned in FY 24/25. Additional lines are planned with a combination of contracted and internal construction. One issue with this internal approach to new infrastructure is the on-going maintenance of aging lines. Due to the limitation of our staff, new projects will always be subservient to maintaining our aging water/sewer lines, i.e., think leaks and breaks.

Multiple Town administrations have worked for the betterment of our community. The Town is working with the Corps of Engineers at our Clean Water (Sewage) Plant to stabilize the bank erosion caused by the Cumberland River. This project's design phase begins in December 2024. The Town is expected to fund approximately \$764,000 on this project with the Corps supplying approximately \$1.6 million. Completion of this project will keep our Clean Water plant out of the Cumberland River.

Citizens, elected officials, and employees...together...communicating with intelligent, informed, and rational discussions will enable our Town to move forward while maintaining adequate cash reserves. The following financial highlights are offered for your use in these ongoing discussions about the future of our Town.

Financial Highlights:

The assets of the Town of Carthage exceeded its liabilities at the close of the most recent fiscal year by \$18,097,480. Of this amount, \$7,965,145 (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 \$1,385,818 due to higher property tax, user revenues, and interest income compared to the prior year. The Town's non-grant revenues were higher due to a

growing local economy leading to higher local tax revenues. Expenses were higher than the previous year by \$691,269 due to higher personnel costs and repair and maintenance expenses in the Utility Fund and fire department. The Town made governmental capital asset purchases totaling \$2,275,332 to improve the Town's fire and police departments facilities and equipment and street infrastructure along with \$169,283 for improvements to utility system infrastructure. The Town reduced its outstanding utility loan balances by \$115,792, 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 \$5,362,915, a decrease of \$840,631 in comparison to the prior year. The decrease was due to higher capital expenditures while the Town was able to keep expenditures within budgeted levels. The Town made governmental capital asset purchases of \$2,275,332. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$5,103,380 or 105% of the total general fund expenditures.

The Town's business-like activities total Net Position increased by \$309,205 due to higher user-related revenues and interest income revenues. Expenses increased \$156,885 in the current year due to increased personnel costs and depreciation expenses.

The Town's total debt decreased as the Town paid down \$115,792, as of June 30, 2024. During the year, the Town borrowed additional funds totaling \$12,450 for Utility fund improvements. The Utility system's debt totaled \$1,702,509. 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.

Comparison of revenues and expenses 2023 and 2024

	<u>2024</u>	<u>2023</u>	<u>Change Between Years</u>
Revenues:			
Program revenues:			
Charges for services	2,077,079	1,685,895	391,184
Operating grants and contributions	88,113	104,116	(16,003)
Capital grants and contributions	378,292	859,858	(481,566)
General revenues:			
Property taxes	701,724	651,831	49,893
Sales taxes	1,951,307	1,934,672	16,635
Other local taxes	350,198	339,420	10,778
Other state shared taxes	141,705	119,003	22,702
Other	523,569	228,017	295,552
Total revenues	<u>\$6,211,987</u>	<u>\$5,922,812</u>	<u>\$289,175</u>
Expenses:			
General government	716,312	654,107	62,205
Police department	1,182,497	916,176	266,321
City hall building	19,368	31,857	(12,489)
Fire department	284,624	256,590	28,034
Streets	636,747	500,157	136,590
Swimming pool and recreation	107,534	81,765	25,769
Animal control	215	640	(425)
Sanitation	196,326	167,947	28,379
Water and Sewer	1,682,546	1,525,661	156,885
Total expenses	<u>\$4,826,169</u>	<u>\$4,134,900</u>	<u>\$691,269</u>
Increases in net position	<u>1,385,818</u>	<u>1,787,912</u>	<u>(402,094)</u>

Financial Analysis of the Financial Statements --Town of Carthage's Net Position - 2024

	Governmental <u>Activities</u>	Business -Type <u>Activities</u>
Current and other assets	\$ 6,127,193	2,741,057
Capital assets	<u>5,004,757</u>	<u>6,451,524</u>
Total assets	11,131,950	9,192,581
Deferred outflows:	573,749	295,567
Long-term liabilities outstanding	0	1,702,509
Other liabilities	<u>404,219</u>	<u>274,368</u>
Total liabilities	404,219	1,976,877
Deferred inflows:	669,278	45,993
Net Position:		
Net investment in capital assets	5,004,757	4,749,015
Restricted	259,535	119,028
Unrestricted	<u>5,367,910</u>	<u>2,597,235</u>
Total Net Position	\$ <u>10,632,202</u>	<u>7,465,278</u>

Financial Analysis of the Financial Statements --Town of Carthage's Net Position - 2023

	Governmental <u>Activities</u>	Business -Type <u>Activities</u>
Current and other assets	\$ 6,917,349	2,373,586
Capital assets	<u>3,063,273</u>	<u>6,583,316</u>
Total assets	9,980,622	8,956,902
Deferred outflows	625,554	322,255
Long-term liabilities outstanding	0	1,805,851
Other liabilities	<u>333,006</u>	<u>246,358</u>
Total liabilities	333,006	2,052,209
Deferred inflows:	717,581	70,875
Net Position:		
Net investment in capital assets	3,063,273	4,777,465
Restricted	187,761	119,028
Unrestricted	<u>6,304,555</u>	<u>2,259,580</u>
Total Net Position	\$ <u>9,555,589</u>	<u>\$ 7,156,073</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.

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 \$18,097,480 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

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 \$5,103,380. 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 105% of total general fund expenditures.

Business-Type Activities

The Town's business-like activities total Net Position increased by \$309,205 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, 2024, amounts to \$5,004,757 (net of accumulated depreciation) and its business-type activities amounts to \$6,451,524. 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 \$1,996,285. The total increase in the Town's investment in business-like capital assets for the current fiscal year was \$103,294.

Town of Carthage's Capital Assets - 2024

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>
Land, buildings and improvement	\$ 3,928,344	\$ 13,607,940
Equipment	<u>3,054,357</u>	<u>194,543</u>
Less accumulated depreciation	<u>(1,977,944)</u>	<u>(7,350,959)</u>
Net Capital Assets	\$ <u>5,004,757</u>	\$ <u>6,451,524</u>

Town of Carthage's Capital Assets - 2023

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>
Land, buildings and improvement	\$ 3,252,512	\$ 13,504,646
Equipment	<u>1,733,904</u>	<u>194,543</u>
Less accumulated depreciation	<u>(1,923,143)</u>	<u>(7,115,873)</u>
Net Capital Assets	\$ <u>3,063,273</u>	\$ <u>6,583,316</u>

Long-Term Debt

The Town's total debt decreased as the Town paid down \$115,792, as of June 30, 2024. During the year, the Town borrowed additional funds totaling \$12,450 for Utility fund improvements. The Utility system's debt totaled \$1,702,509. All debt obligations are being paid down as scheduled.

Economic Factors and Next Year's Budget and Rates

The Fiscal Year 2024-2025 budget General fund revenues and user charges are budgeted to remain relatively stable from the 2023-2024 budget year. The Town's budget has stabilized by a growing commercial and retail base producing higher local tax receipts.

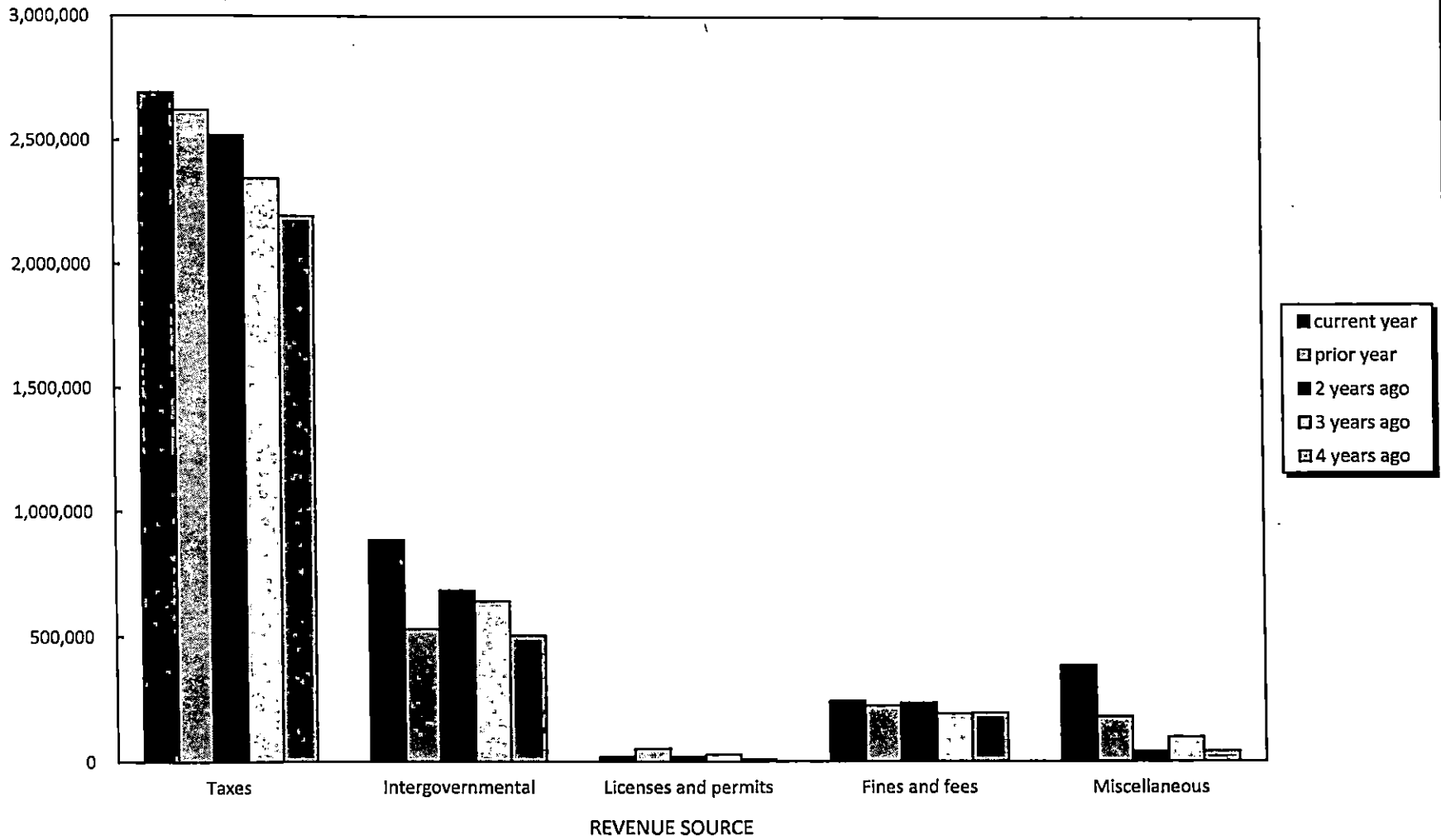
All of these factors were considered in preparing the Town's budget for the 2024-2025 fiscal year.

Requests for Information

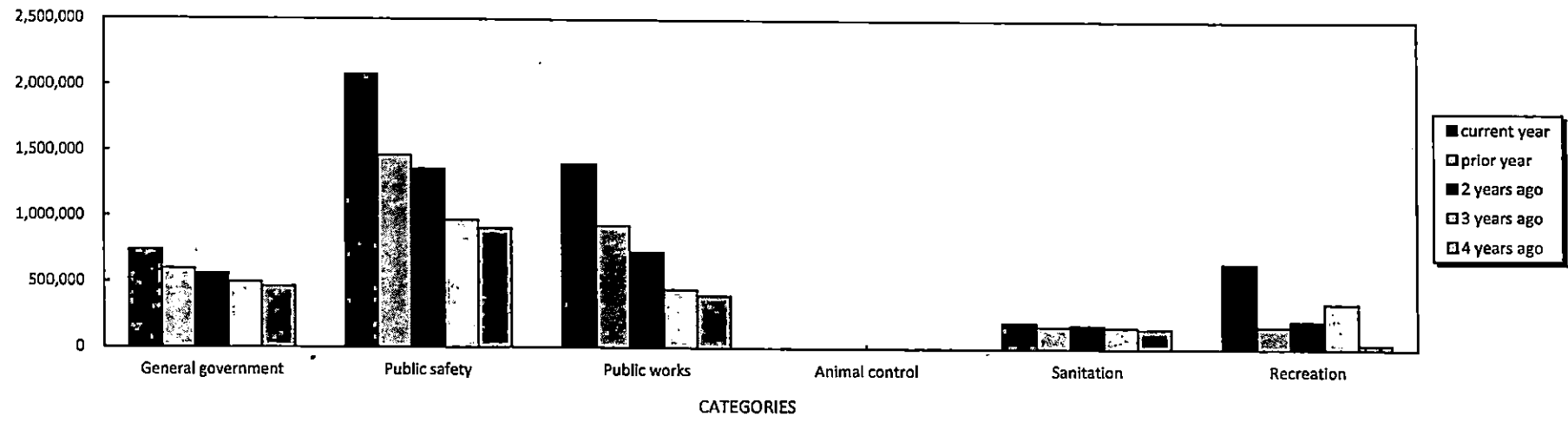
This financial report is designed to provide a general overview of the Town of Carthage, Tennessee's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed 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, 2024

<u>Assets and Deferred Outflows</u>	<u>Governmental Activities</u>	<u>Business Activities</u>	<u>Total</u>
Assets:			
Cash and cash equivalents	5,302,401	2,460,627	7,763,028
Receivables	824,792	280,430	1,105,222
Capital assets not being depreciated	873,188	128,100	1,001,288
Capital assets, net of accumulated depreciation	4,131,569	6,323,424	10,454,993
Total Assets	<u>11,131,950</u>	<u>9,192,581</u>	<u>20,324,531</u>
Deferred outflows:			
Deferred outflows of resources - OPEB	52,418	27,003	79,421
Deferred outflows of resources - pension	521,331	268,564	789,895
Total Deferred Outflows	<u>\$573,749</u>	<u>\$295,567</u>	<u>\$869,316</u>
 <u>Liabilities, Deferred Inflows, and Net Position</u>			
Liabilities:			
Accounts payable	161,860	30,774	192,634
Accrued expenses	27,946	35,771	63,717
Customer deposits	0	97,369	97,369
Net pension liability	82,996	42,755	125,751
Total OPEB liability	131,417	67,699	199,116
Long-term liabilities:			
Due within one year	0	139,068	139,068
Due in more than one year	0	1,563,441	1,563,441
Total Liabilities	<u>404,219</u>	<u>1,976,877</u>	<u>2,381,096</u>
Deferred inflows:			
Deferred inflows of resources - current year property taxes	580,000	0	580,000
Deferred inflows of resources - OPEB	51,376	26,467	77,843
Deferred inflows of resources - pension	37,902	19,526	57,428
Total Deferred Inflows	<u>\$669,278</u>	<u>\$45,993</u>	<u>\$715,271</u>
Net position:			
Net Investment in Capital Assets	5,004,757	4,749,015	9,753,772
Restricted - Debt Service	0	119,028	119,028
Restricted - State Street Aid	208,638	0	208,638
Restricted - Sanitation fund	36,828	0	36,828
Restricted - Drug fund	14,069	0	14,069
Unrestricted	5,367,910	2,597,235	7,965,145
Total Net Position	<u>10,632,202</u>	<u>7,465,278</u>	<u>18,097,480</u>

See accompanying notes to financial statements.

TOWN OF CARTHAGE, TENNESSEE

Statement of Activities

For the Year Ended June 30, 2024

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	716,312	25,638	250	344,300	(346,124)	0	(346,124)
Police department	1,182,497	22,591	7,200	0	(1,152,706)	0	(1,152,706)
City hall building	19,368	0	0	0	(19,368)	0	(19,368)
Fire department	284,624	0	0	0	(284,624)	0	(284,624)
Streets	636,747	0	80,663	0	(556,084)	0	(556,084)
Swimming pool and recreation	107,534	31,772	0	0	(75,762)	0	(75,762)
Animal control	215	0	0	0	(215)	0	(215)
Sanitation	196,326	185,414	0	0	(10,912)	0	(10,912)
Total Governmental Activities	<u>3,143,623</u>	<u>265,415</u>	<u>88,113</u>	<u>344,300</u>	<u>(2,445,795)</u>	<u>0</u>	<u>(2,445,795)</u>
Business - type Activities:							
Water and Sewer	1,682,546	1,811,664	0	33,992	0	163,110	163,110
Total Business Type Activities	<u>1,682,546</u>	<u>1,811,664</u>	<u>0</u>	<u>33,992</u>	<u>0</u>	<u>163,110</u>	<u>163,110</u>
Total	<u>4,826,169</u>	<u>2,077,079</u>	<u>88,113</u>	<u>378,292</u>	<u>(2,445,795)</u>	<u>163,110</u>	<u>(2,282,685)</u>
General Revenues:							
Property taxes					618,131	0	618,131
Public utility taxes					83,593	0	83,593
Sales taxes					1,951,307	0	1,951,307
Business taxes					123,008	0	123,008
Beer and liquor taxes					194,336	0	194,336
Franchise taxes					32,854	0	32,854
State income and excise taxes					138,398	0	138,398
Hotel/Motel tax					3,307	0	3,307
Interest income					272,274	111,095	383,369
Other					105,200	35,000	140,200
Total general revenues					<u>3,522,408</u>	<u>146,095</u>	<u>3,668,503</u>
Changes in net position					<u>1,076,613</u>	<u>309,205</u>	<u>1,385,818</u>
Net Position - beginning of year					9,555,589	7,156,073	16,711,662
Net position- ending of year					<u>10,632,202</u>	<u>7,465,278</u>	<u>18,097,480</u>

See accompanying notes to financial statements.

FUND FINANCIAL STATEMENTS

TOWN OF CARTHAGE, TENNESSEE

Balance Sheet

Governmental Funds

June 30, 2024

<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	<u>\$5,065,504</u>	<u>\$14,069</u>	<u>\$21,626</u>	<u>\$201,202</u>	<u>\$5,302,401</u>
Accounts receivable:					
Property taxes receivable	602,418	0	0	0	602,418
Other receivables	<u>184,164</u>	<u>0</u>	<u>30,774</u>	<u>7,436</u>	<u>222,374</u>
	786,582	0	30,774	7,436	824,792
 Total Assets	 <u><u>\$5,852,086</u></u>	 <u><u>\$14,069</u></u>	 <u><u>\$52,400</u></u>	 <u><u>\$208,638</u></u>	 <u><u>\$6,127,193</u></u>
 <u>Liabilities, Deferred Inflows, and Fund Balance</u>					
Liabilities:					
Accounts payable	\$146,288	\$0	\$15,572	\$0	\$161,860
 Total Liabilities	 <u>146,288</u>	 <u>0</u>	 <u>15,572</u>	 <u>0</u>	 <u>161,860</u>
Deferred Inflow of Resources:					
Deferred current property taxes	580,000	0	0	0	580,000
Deferred delinquent property taxes	<u>22,418</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>22,418</u>
Total Deferred Inflow of Resources	602,418	0	0	0	602,418
Fund balance:					
Unassigned	5,103,380	0	0	0	5,103,380
Restricted - Drug fund	0	14,069	0	0	14,069
Restricted - Sanitation	0	0	36,828	0	36,828
Restricted - State Street Aid	<u>0</u>	<u>0</u>	<u>0</u>	<u>208,638</u>	<u>208,638</u>
Total Fund Balance	<u>5,103,380</u>	<u>14,069</u>	<u>36,828</u>	<u>208,638</u>	<u>5,362,915</u>
 Total Liabilities, Deferred Inflows, and Fund Balance	 <u><u>\$5,852,086</u></u>	 <u><u>\$14,069</u></u>	 <u><u>\$52,400</u></u>	 <u><u>\$208,638</u></u>	 <u><u>\$6,127,193</u></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, 2024

Amounts reported for fund balance - total governmental funds	\$ 5,362,915
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	5,004,757
Other long term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds	22,418
Pension related accounts - governmental funds to not record these post-benefit obligations	
Net pension liability	(82,996)
Deferred outflow - pension	521,331
Deferred inflow - pension	(37,902)
OPEB related accounts - governmental funds to not record these post-benefit obligations	
Total OPEB Liability	(131,417)
Deferred outflow - OPEB	52,418
Deferred inflow - OPEB	(51,376)
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>(27,946)</u>
Net position of governmental activities	\$ <u>10,632,202</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, 2024

	<u>General Fund</u>	<u>Drug Fund</u>	<u>Sanitation Fund</u>	<u>State Street Aid Fund</u>	<u>Total Governmental Funds</u>
Revenues:					
Taxes	2,692,091	0	0	0	2,692,091
Intergovernmental	804,343	0	0	80,663	885,006
Licenses and permits	19,858	0	0	0	19,858
Fines and fees	50,457	5,223	185,414	0	241,094
Miscellaneous	374,574	24	0	9,375	383,973
Total Revenues	<u>\$3,941,323</u>	<u>\$5,247</u>	<u>\$185,414</u>	<u>\$90,038</u>	<u>\$4,222,022</u>
Expenditures:					
Current:					
General government	632,035	0	0	0	632,035
Police department	1,143,675	3,599	0	0	1,147,274
City hall building	19,368	0	0	0	19,368
Fire department	193,933	0	0	0	193,933
Animal control	215	0	0	0	215
Streets	514,630	0	0	0	514,630
Swimming pool and recreation	107,534	0	0	0	107,534
Sanitation	0	0	196,326	0	196,326
Capital Outlay:					
General government	33,046	0	0	0	33,046
Police department	216,725	0	0	0	216,725
Fire department	521,316	0	0	0	521,316
Streets	881,545	0	0	0	881,545
City hall building	55,325	0	0	0	55,325
Swimming pool and recreation	543,381	0	0	0	543,381
Total Expenditures	<u>\$4,862,728</u>	<u>\$3,599</u>	<u>\$196,326</u>	<u>\$0</u>	<u>\$5,062,653</u>
Excess (deficiency) of revenues over expenditures	<u>(921,405)</u>	<u>1,648</u>	<u>(10,912)</u>	<u>90,038</u>	<u>(840,631)</u>
Fund Balance, Beginning of year, as restated	6,024,785	12,421	47,740	118,600	6,203,546
Fund Balance, End of Year	<u>\$5,103,380</u>	<u>\$14,069</u>	<u>\$36,828</u>	<u>\$208,638</u>	<u>\$5,362,915</u>

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, 2024

Net change in fund balances - total governmental funds:	\$ (840,631)
 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	2,275,332
Depreciation expense	(308,068)
Loss/adjustment on disposal of assets	(25,780)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(32,330)
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	6,227
Change in OPEB accounts	8,825
Change in accrued vacation - governmental funds	<u>(6,962)</u>
Change in net position of governmental activities	\$ <u>1,076,613</u>

See accompanying notes to financial statements.

TOWN OF CARTHAGE, TENNESSEE

Statement of Net Position

Enterprise (Water and Sewer) Fund

June 30, 2024

Assets and Deferred Outflows

Current Assets:

Cash and cash equivalents	\$2,460,627
Accounts receivable, net of allowance of \$1,348	280,430
Total Current Assets	2,741,057

Capital Assets:

Utility plant in service	13,802,483
Less accumulated depreciation	(7,350,959)
Total Capital Assets, Net	6,451,524

Total Assets	\$9,192,581
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Deferred outflows:

Deferred outflows of resources - OPEB	27,003
Deferred outflows of resources - pension	268,564
Total Deferred Outflows	295,567

Liabilities

Current Liabilities (payable from current assets):

Accounts payable	\$30,774
Accrued expenses	35,771
Current portion of long-term debt	139,068
Total Current Liabilities (payable from current assets)	205,613

Other Liabilities:

Total OPEB liability	67,699
Net pension liability	42,755
Customer deposits	97,369
Total Other Liabilities	207,823

Long-term debt	1,563,441
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Total Liabilities	\$1,976,877
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Deferred Inflows

Deferred inflow of resources - OPEB	26,467
Deferred inflow of resources - pension	19,526
Total Deferred Inflows	45,993

Net Position:

Net Investment in Capital Assets	4,749,015
Restricted assets - Debt Service	119,028
Unrestricted	2,597,235
Total Net Position	\$7,465,278

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, 2024

Operating Revenues:	
Metered sales, net of change in allowance of \$380	\$1,775,773
Tap and service fees	35,891
Total Operating Revenues	<u>1,811,664</u>
Operating Expenses:	
Salaries	660,843
Payroll taxes	47,615
Employee benefits	165,165
Rent	6,000
Dues and memberships	7,739
Utilities	140,988
Professional services	16,891
Repair and maintenance	121,291
Supplies	125,186
Office expense	6,823
Insurance	62,586
Depreciation	301,075
Total Operating Expenses	<u>1,662,202</u>
Operating income (loss)	<u>149,462</u>
Nonoperating Revenues (Expenses):	
Interest expense	(20,344)
Sale of surplus equipment	35,000
Interest income	111,095
Total Nonoperating Revenues (Expenses)	<u>125,751</u>
Capital contributions	<u>33,992</u>
Net change in net position	<u>309,205</u>
Net Position, July 1, 2023	<u>7,156,073</u>
Net Position, June 30, 2024	<u>7,465,278</u>

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

TOWN OF CARTHAGE, TENNESSEE

Statement of Cash Flows

Enterprise Fund Type

Water and Sewer Fund

For the Year Ended June 30, 2024

Cash Flows from Operating Activities:	
Cash received from customers	1,819,827
Cash paid to suppliers	(453,956)
Cash paid to employees	(873,623)
Net Cash Provided (Used) by Operating Activities	<u>492,248</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of plant and equipment	(169,283)
Loan proceeds	12,450
Capital contributions	33,992
Interest paid	(20,344)
Repayment of debt	(115,792)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(258,977)</u>
Cash Flows from Investing Activities:	
Interest income	111,095
Net Cash Provided (Used) by Investing Activities	<u>111,095</u>
Net Change in Cash	344,366
Cash and Cash Equivalents, July 1, 2023	<u>2,116,261</u>
Cash and Cash Equivalents, June 30, 2024	<u>2,460,627</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income (loss)	149,462
Adjustments to reconcile operating income to net cash provided by operating activities:	
Sale of assets	35,000
Depreciation	301,075
Change in assets (increase) decrease:	
Accounts receivable	8,163
Deferred outflows	26,688
Change in liabilities increase (decrease):	
Accounts payable	19,697
Accrued expenses	(15,539)
Net pension liability	(14,388)
Total OPEB liability	4,828
Customer deposits	2,144
Deferred inflows	(24,882)
Net Cash Provided by Operating Activities	<u>492,248</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, 2024

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes:				
Property taxes	\$628,910	\$628,910	\$611,090	(17,820)
Public utility taxes	45,931	45,931	55,517	9,586
Business taxes	60,000	60,000	123,008	63,008
Wholesale beer and liquor taxes	188,800	188,800	193,329	4,529
Local option sales tax	1,600,000	1,600,000	1,665,945	65,945
Franchise taxes	27,000	27,000	32,854	5,854
Hotel/Motel tax	5,400	5,400	3,307	(2,093)
Penalty and interest	2,600	2,600	7,041	4,441
Total Taxes	<u>2,558,641</u>	<u>2,558,641</u>	<u>2,692,091</u>	<u>133,450</u>
Intergovernmental:				
TVA in lieu	27,000	27,000	28,076	1,076
Grants	335,730	335,730	344,300	8,570
State sales tax	264,000	264,000	285,362	21,362
Excise tax	110,900	110,900	138,398	27,498
State beer tax	700	700	1,007	307
State special petroleum tax	4,579	4,579	0	(4,579)
State supplement	4,000	4,000	7,200	3,200
Total Intergovernmental Revenue	<u>746,909</u>	<u>746,909</u>	<u>804,343</u>	<u>57,434</u>
Permits and Licenses:				
Building permits	9,600	9,600	18,533	8,933
Other permits	1,900	1,900	1,325	(575)
Total Permits and Licenses	<u>11,500</u>	<u>11,500</u>	<u>19,858</u>	<u>8,358</u>
Fines and fees:				
Swimming pool	24,900	24,900	31,772	6,872
Other fines and fees	3,750	3,750	1,317	(2,433)
City court	8,500	8,500	17,368	8,868
Total Fines	<u>37,150</u>	<u>37,150</u>	<u>50,457</u>	<u>13,307</u>
Miscellaneous:				
Interest income	38,500	38,500	262,875	224,375
Donations	250	250	250	0
Lease	1,500	1,500	263	(1,237)
Cemetery deeds	3,000	3,000	4,200	1,200
Insurance proceeds	10,000	10,000	13,523	3,523
Sale of assets	0	0	84,510	84,510
Miscellaneous	5,000	5,000	8,953	3,953
Total Miscellaneous	<u>58,250</u>	<u>58,250</u>	<u>374,574</u>	<u>316,324</u>
Total Revenues	<u>3,412,450</u>	<u>3,412,450</u>	<u>3,941,323</u>	<u>528,873</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, 2024

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Expenditures:				
General Government:				
Current:				
Salaries	258,578	237,622	202,790	34,832
Payroll taxes	18,561	17,634	16,070	1,564
Employee benefits	77,034	70,307	52,477	17,830
Education/training	3,000	3,000	3,109	(109)
Mayor expenses	86,906	129,370	129,074	296
Utilities	19,400	19,400	19,853	(453)
Professional services	72,350	86,350	89,204	(2,854)
Dues	3,500	3,500	2,514	986
Office expense	21,050	8,550	9,328	(778)
Insurance	25,600	25,600	30,467	(4,867)
Contributions and donations	30,000	30,000	28,000	2,000
Cemeteries	25,500	25,500	30,800	(5,300)
Maintenance and supplies	15,100	15,100	16,667	(1,567)
Miscellaneous	2,500	2,500	1,682	818
	<u>659,079</u>	<u>674,433</u>	<u>632,035</u>	<u>42,398</u>
Capital outlay	0	127,433	33,046	94,387
Total General Government	<u>659,079</u>	<u>801,866</u>	<u>665,081</u>	<u>136,785</u>
Public Safety:				
Police department:				
Current:				
Salaries	714,747	741,670	766,755	(25,085)
Payroll taxes	55,014	57,074	58,467	(1,393)
Employee benefits	193,161	194,224	187,110	7,114
Education/training	10,000	10,000	1,214	8,786
Contract services	7,000	16,600	11,872	4,728
Utilities	3,900	3,900	4,593	(693)
Vehicles expenses	45,000	45,000	34,216	10,784
Maintenance and supplies	33,250	33,250	46,931	(13,681)
Insurance	26,415	26,415	28,674	(2,259)
Uniforms	6,000	6,000	3,843	2,157
Miscellaneous	1,000	1,000	0	1,000
	<u>1,095,487</u>	<u>1,135,133</u>	<u>1,143,675</u>	<u>(8,542)</u>
Capital outlay	167,000	227,000	216,725	10,275
Total Police department	<u>1,262,487</u>	<u>1,362,133</u>	<u>1,360,400</u>	<u>1,733</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, 2024

	<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:				
Fire department				
Current:				
Salary and volunteer firemen	110,288	111,432	97,624	13,808
Payroll taxes	4,767	4,854	4,872	(18)
Employee benefits	15,520	15,580	14,939	641
Education/training	8,200	8,200	3,785	4,415
Utilities	9,500	9,500	6,892	2,608
Vehicle expenses	3,700	3,700	2,302	1,398
Maintenance and supplies	76,050	76,050	46,569	29,481
Insurance	17,800	17,800	16,950	850
Other	500	500	0	500
	<u>246,325</u>	<u>247,616</u>	<u>193,933</u>	<u>53,683</u>
Capital outlay	527,836	527,836	521,316	6,520
Total Fire department	<u>774,161</u>	<u>775,452</u>	<u>715,249</u>	<u>60,203</u>
 Highway and Streets department:				
Current:				
Salaries	250,950	205,988	228,198	(22,210)
Payroll taxes	19,303	15,842	17,245	(1,403)
Employee benefits	68,216	64,872	74,397	(9,525)
Utilities	47,000	47,000	51,563	(4,563)
Maintenance and supplies	49,000	49,000	65,608	(16,608)
Landfill	4,000	4,000	0	4,000
Contract services	35,000	35,000	35,000	0
Vehicle expenses	20,000	20,000	13,289	6,711
Insurance	30,100	30,100	29,330	770
Miscellaneous	0	0	0	0
	<u>523,569</u>	<u>471,802</u>	<u>514,630</u>	<u>(42,828)</u>
Capital outlay	1,233,581	914,970	881,545	33,425
Total Highways and Streets department	<u>1,757,150</u>	<u>1,386,772</u>	<u>1,396,175</u>	<u>(9,403)</u>
 City Hall Building:				
Current:				
Repair and maintenance	15,000	15,000	17,052	(2,052)
Supplies	500	500	2,316	(1,816)
Miscellaneous	0	0	0	0
	<u>15,500</u>	<u>15,500</u>	<u>19,368</u>	<u>(3,868)</u>
Capital outlay	1,500,000	1,147,944	55,325	1,092,619
Total City Hall Building	<u>1,515,500</u>	<u>1,163,444</u>	<u>74,693</u>	<u>1,088,751</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, 2024

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Swimming Pool and Park:				
Current:				
Personnel costs	26,398	34,536	39,486	(4,950)
Employee benefits	3,834	3,834	7,334	(3,500)
Utilities	20,350	20,350	20,505	(155)
Maintenance and supplies	35,700	35,700	37,910	(2,210)
Insurance	2,250	2,250	2,299	(49)
Other	0	0	0	0
	<u>88,532</u>	<u>96,670</u>	<u>107,534</u>	<u>(10,864)</u>
Capital outlay	30,000	585,734	543,381	42,353
Total Swimming Pool and Recreation	<u>118,532</u>	<u>682,404</u>	<u>650,915</u>	<u>31,489</u>
Animal Control:				
Current:				
Salaries	1,645	1,645	215	1,430
Maintenance and supplies	1,950	1,950	0	1,950
Other	0	0	0	0
	<u>3,595</u>	<u>3,595</u>	<u>215</u>	<u>3,380</u>
Capital outlay	0	0	0	0
Total Animal Control	<u>3,595</u>	<u>3,595</u>	<u>215</u>	<u>3,380</u>
Total Expenditures	<u>6,090,504</u>	<u>6,175,666</u>	<u>4,862,728</u>	<u>1,312,938</u>
Excess (deficiency) of Revenues over Expenditures	(2,678,054)	(2,763,216)	(921,405)	1,841,811
Fund Balance, July 1, 2023	6,024,785	6,024,785	6,024,785	0
Fund Balance, June 30, 2024	<u>\$3,346,731</u>	<u>\$3,261,569</u>	<u>\$5,103,380</u>	<u>\$1,841,811</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, 2024

	<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	5,223	3,123
Miscellaneous:				
Interest	<u>15</u>	<u>15</u>	<u>24</u>	<u>9</u>
Total Revenues	<u>2,115</u>	<u>2,115</u>	<u>5,247</u>	<u>3,132</u>
Expenditures:				
Program costs	100	100	3,599	(3,499)
Capital outlay	<u>10,000</u>	<u>10,000</u>	<u>0</u>	<u>10,000</u>
Total Expenditures	<u>10,100</u>	<u>10,100</u>	<u>3,599</u>	<u>6,501</u>
Excess (deficiency) of revenues over expenditures	(7,985)	(7,985)	1,648	9,633
Fund Balance, July 1, 2023	<u>12,421</u>	<u>12,421</u>	<u>12,421</u>	<u>-</u>
Fund Balance, June 30, 2024	<u><u>\$4,436</u></u>	<u><u>\$4,436</u></u>	<u><u>14,069</u></u>	<u><u>9,633</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, 2024

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Intergovernmental:				
Gasoline .03 tax	\$11,650	\$11,650	10,801	(849)
Gasoline 1989 tax	6,700	6,700	5,850	(850)
Gasoline 2017 tax	21,630	21,630	18,783	(2,847)
Gasoline and motor fuel	43,060	43,060	37,130	(5,930)
State special petroleum tax	4,200	4,200	3,846	(354)
State sportsbetting revenues	3,900	3,900	4,253	353
Miscellaneous:				
Interest	<u>200</u>	<u>200</u>	<u>9,375</u>	<u>9,175</u>
Total Revenues	<u>91,340</u>	<u>91,340</u>	<u>90,038</u>	<u>(1,302)</u>
Expenditures:				
Maintenance and supplies	1,022	1,022	0	1,022
Capital outlay	<u>195,281</u>	<u>195,281</u>	<u>0</u>	<u>195,281</u>
Total Expenditures	<u>196,303</u>	<u>196,303</u>	<u>0</u>	<u>196,303</u>
Excess (deficiency) of revenues over expenditures	<u>(104,963)</u>	<u>(104,963)</u>	<u>90,038</u>	<u>195,001</u>
Fund Balance, July 1, 2023	<u>118,600</u>	<u>118,600</u>	<u>118,600</u>	<u>-</u>
Fund Balance, June 30, 2024	<u><u>\$13,637</u></u>	<u><u>\$13,637</u></u>	<u><u>208,638</u></u>	<u><u>195,001</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, 2024

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Sanitation charges	\$170,030	\$170,030	\$185,414	15,384
Total Revenues	170,030	170,030	185,414	15,384
Expenditures:				
Contract Services	178,000	209,500	193,559	15,941
Refuse	500	500	2,767	(2,267)
Total Expenditures	178,500	210,000	196,326	13,674
Excess (deficiency) of revenues over expenditures	(8,470)	(39,970)	(10,912)	29,058
Fund Balance, July 1, 2023	47,740	47,740	47,740	0
Fund Balance, June 30, 2024	39,270	7,770	36,828	29,058

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, 2024

(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, 2024

(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 enterprise 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 enterprise 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, 2024

(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 enterprise 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.

Enterprise 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 enterprise 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, 2024

(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 two items (pension related and OPEB related) 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, 2024

(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 \$0.8168 per \$100 of assessed valuation for the fiscal year ended June 30, 2024.

Payments may be made during the period from November 1 through March 31. Current tax collections of \$565,002 for the fiscal year ended June 30, 2024 were approximately 98 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 expensed when paid and thus not a part of the capitalized cost.

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, 2024

(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 enterprise 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.

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.

TOWN OF CARTHAGE, TENNESSEE

Notes to Financial Statements

June 30, 2024

(1) Summary of Significant Accounting Policies, Continued

Long-term Obligations

In the government-wide financial statements and enterprise 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 enterprise 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. Debt issuance costs, such as insurance costs, fees and other related costs should be recognized as an expense.

Compensated Absences

The Town has accrued a liability for unused sick and vacation pay which is earned but not taken by Town employees. The liability for compensated absences attributable to the Town's governmental funds is recorded in the government-wide financial statements as a long-term liability and is a reconciling item between the fund and government-wide financial statements. Compensated absences related to business-type activities are charged to expense with a corresponding liability established in both the government-wide and fund financial statements.

	<u>July 1,</u> <u>2023</u>	<u>Addi-</u> <u>tions</u>	<u>Retire-</u> <u>ments</u>	<u>June 30,</u> <u>2024</u>
Governmental activities	<u>20,984</u>	<u>6,962</u>	<u>-</u>	<u>27,946</u>
Business-type activities	<u>4,105</u>	<u>14,951</u>	<u>-</u>	<u>19,056</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, 2024

(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, 2024

(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, 2024, 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, 2024

(3) Accounts Receivable

Accounts receivable at June 30, 2024, consist of the following:

<u>Fund</u>	<u>Other Government</u>	<u>Property Taxes</u>	<u>Customer Accounts</u>	<u>Total</u>
General Fund	\$ 184,164	602,418	-	786,582
Special Revenue Funds	7,436	-	30,774	38,210
Enterprise Fund	-	-	281,778	281,778
Less allowance for doubtful accounts	-	-	(1,348)	(1,348)
Total	<u>\$ 191,600</u>	<u>602,418</u>	<u>311,204</u>	<u>1,105,222</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, 2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2024</u>
Assets not being depreciated				
Land and land rights	\$ 873,188	-	-	873,188
Assets being depreciated				
Buildings and improvements	1,099,242	55,325	-	1,154,567
Infrastructure	1,280,082	620,507	-	1,900,589
Equipment and vehicles	<u>1,733,904</u>	<u>1,599,500</u>	<u>279,047</u>	<u>3,054,357</u>
Total	<u>\$ 4,986,416</u>	<u>2,275,332</u>	<u>279,047</u>	<u>6,982,701</u>
Less Accumulated depreciation	<u>(1,923,143)</u>			<u>(1,977,944)</u>
Net capital assets in service	<u>\$ 3,063,273</u>			<u>5,004,757</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	\$ 60,037
Fire department	90,691
Police department	35,223
Highways and Streets	<u>122,117</u>
Total	<u>308,068</u>

TOWN OF CARTHAGE, TENNESSEE

Notes to Financial Statements

June 30, 2024

(4) Capital Assets, Continued

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

	<u>Balance</u> <u>July 1, 2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2024</u>
Assets not being depreciated				
Land	\$ 34,995	-	-	34,995
Construction in progress	43,690	49,415	-	93,105
Assets being depreciated				
Utility plant	11,239,674	119,868	65,989	11,293,553
Sewer plant	2,186,287	-	-	2,186,287
Equipment	194,543	-	-	194,543
	13,699,189	<u>169,283</u>	<u>65,989</u>	13,802,483
Less accumulated depreciation	<u>(7,115,873)</u>			<u>(7,350,959)</u>
Net plant in service	\$ <u>6,583,316</u>			<u>6,451,524</u>

All assets, except land valued at \$34,995 and construction in progress of \$93,105 are being depreciated. Depreciation expense was \$301,075 in 2024.

(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 2024.

Direct Borrowings

	<u>Balance</u> <u>July 1, 2023</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2024</u>	<u>Due Within</u> <u>One Year</u>
Bonds Payable:					
DG3-16-169	201,835	0	12,936	188,899	13,116
DW4-16-170	899,351	0	54,792	844,559	55,584
CW3-14-344	394,295	0	29,052	365,243	29,292
CW7-20-445	152,799	12,450	10,972	154,277	32,952
DW7-21-223	106,761	0	4,980	101,781	4,992
DWF-18-199	50,810	0	3,060	47,750	3,132
Total	<u>1,805,851</u>	<u>12,450</u>	<u>115,792</u>	<u>1,702,509</u>	<u>139,068</u>

TOWN OF CARTHAGE, TENNESSEE

Notes to Financial Statements

June 30, 2024

(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, 2024, are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2025	139,068	18,936
2026	140,532	17,580
2027	142,176	15,936
2028	143,592	14,520
2029	133,949	13,082
2030-2034	580,536	44,004
2035-2039	401,395	10,368
2040-2042	<u>21,261</u>	<u>216</u>
Total	<u>1,702,509</u>	<u>134,642</u>

(6) Leases

Under GASB Statement 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Management has determined that the Town's leases do not qualify for reporting under GASB 87 due to the short-term nature of the leases.

TOWN OF CARTHAGE, TENNESSEE

Notes to Financial Statements

June 30, 2024

(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-Governance/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, 2023, 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	26
Active employees	<u>32</u>
Total	<u>86</u>

TOWN OF CARTHAGE, TENNESSEE

Notes to Financial Statements

June 30, 2024

(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, 2024, employer contributions for Carthage were (\$192,541) 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, 2023, 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, 2023 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, 2023 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.

TOWN OF CARTHAGE, TENNESSEE

Notes to Financial Statements

June 30, 2024

(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%	<u>1%</u>
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, 2024

(7) Pension, Continued

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (Asset)	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balance at 6/30/22	\$5,558,613	\$5,390,546	\$168,067
Changes for the Year:			
Service Cost	132,758	-	132,758
Interest	374,523	-	374,523
Changes in benefit terms	-	-	-
Differences between expected and actual experience	28,715	-	28,715
Changes in assumptions	-	-	-
Contributions-employer	-	130,113	(130,113)
Contributions-employees	-	91,676	(91,676)
Net investment income	-	360,076	(360,076)
Benefit payments, including refunds of employee contributions	(285,750)	(285,750)	-
Administrative expense	-	(3,553)	3,553
Other changes	-	-	-
Net changes	250,246	292,562	(42,316)
Balance at 6/30/23	<u>\$ 5,808,859</u>	<u>\$ 5,683,108</u>	<u>\$ 125,751</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)	\$872,429	\$125,751	(\$493,955)

TOWN OF CARTHAGE, TENNESSEE

Notes to Financial Statements

June 30, 2024

(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, 2024, Carthage recognized negative pension expense of \$182,131.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2024, 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	300,867	57,428
Net difference between projected and Actual earning on pension plan		
Investments	41,511	-
Changes in Assumptions	254,976	-
Contributions subsequent to the Measurement date of June 30, 2023	<u>192,541</u>	<u>-</u>
Total	<u>789,895</u>	<u>57,428</u>

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2023," 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:	
2025	\$ 126,203
2026	\$ 117,259
2027	\$ 286,591
2028	\$ 5,087
2029	\$ 4,786

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, 2024

(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, 2023, the following employees were covered by the benefit terms of the LGOP:

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	0
Active employees	<u>34</u>
Total	<u>36</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, 2024, the Town paid \$19,397 to the LGOP for OPEB benefits as they came due.

TOWN OF CARTHAGE, TENNESSEE

Notes to Financial Statements

June 30, 2024

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

Total OPEB Liability

Actuarial assumptions - The total OPEB liability on the June 30, 2023 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 -	10.31% for pre-65 in 2023, decreasing annually over a 11-year period to an ultimate rate of 4.50%. 12.44% for post-65 in 2023, decreasing annually over a 11-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, 2023, valuations were the same as those employed in the July 1, 2022 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-2021 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-2021. 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-2021.

Discount rate-The discount rate used to measure the total OPEB liability was 3.65 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, 2024

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

Changes in the Total OPEB Liability

	Total OPEB Liability (a)
Total OPEB liability - beginning balance	\$ 184,914
Changes for the year:	
Service cost	\$ 10,437
Interest	\$ 6,595
Changes of benefit terms	\$ -
Differences between expected and actual experience	\$ (6,559)
Change in assumptions	\$ 21,989
Benefit payments	\$ (18,260)
Net changes	\$ 14,202
Total OPEB liability - ending balance	\$ 199,116

Changes in assumptions - The discount rate was changed from 3.54% as of the beginning of the measurement period to 3.65% as of June 30, 2023. 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	
1% Decrease	Rate Assumption	1% Increase
(2.65%)	(3.65%)	(4.65%)
\$ 211,505	\$ 199,116	\$ 187,459

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	
1% Decrease	Trend Rate Assumption	1% Increase
(9.31/11.44% decreasing to 3.50%)	(10.31/12.44% decreasing to 4.50%)	(11.31/13.44% decreasing to 5.50%)
\$ 183,080	\$ 199,116	\$ 217,999

TOWN OF CARTHAGE, TENNESSEE

Notes to Financial Statements

June 30, 2024

(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, 2024, the Town of Carthage recognized OPEB expense of \$6,025.

Deferred Outflows of Resources and Deferred Inflows of Resources - For the year ended June 30, 2024, 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	34,941	40,395
Changes in assumptions	25,083	37,448
Employer payments subsequent to The measurement date	<u>19,397</u>	<u>-</u>
Total	<u>79,421</u>	<u>77,843</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:	
2025	(11,007)
2026	(10,499)
2027	(3,405)
2028	(862)
2029	3,762
Thereafter	4,192

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, 2024

(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	2022	2023
Total pension liability (asset)										
Service cost	\$ 104,431	\$ 113,233	\$ 90,380	\$ 96,518	\$ 106,894	\$ 105,437	\$ 97,282	\$ 91,476	\$ 120,735	\$ 132,758
Interest	\$ 253,590	\$ 264,032	\$ 274,990	\$ 262,156	\$ 288,470	\$ 271,830	\$ 295,262	\$ 311,401	\$ 341,239	\$ 374,523
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	\$ 308,441	\$ 28,715
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)	\$ (292,916)	\$ (285,750)
Net change in total pension liability (asset)	\$ 128,450	\$ 263,491	\$ (251,804)	\$ 485,019	\$ (235,630)	\$ 342,526	\$ 237,383	\$ 750,342	\$ 477,499	\$ 250,246
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	\$ 5,081,114	\$ 5,558,613
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	\$ 5,558,613	\$ 5,808,859
Plan fiduciary net position										
Contributions-employer	\$ 99,280	\$ 97,296	\$ 91,051	\$ 101,737	\$ 104,311	\$ 98,652	\$ 93,442	\$ 107,382	\$ 131,782	\$ 130,113
Contributions-employee	\$ 54,431	\$ 53,518	\$ 50,083	\$ 55,961	\$ 57,377	\$ 54,264	\$ 51,398	\$ 59,114	\$ 73,224	\$ 91,676
Net investment income	\$ 519,110	\$ 111,931	\$ 96,301	\$ 407,304	\$ 327,178	\$ 312,894	\$ 220,067	\$ 1,177,624	\$ (216,230)	\$ 360,076
Benefit payments, including refunds of employee contributions	\$ (169,134)	\$ (165,200)	\$ (354,260)	\$ (205,154)	\$ (228,980)	\$ (213,838)	\$ (236,189)	\$ (254,131)	\$ (292,916)	\$ (285,750)
Administrative expense	\$ (1,228)	\$ (1,442)	\$ (2,168)	\$ (2,461)	\$ (2,715)	\$ (2,314)	\$ (2,101)	\$ (2,556)	\$ (2,830)	\$ (3,553)
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	\$ (306,970)	\$ 292,562
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	\$ 5,697,516	\$ 5,390,546
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	\$ 5,390,546	\$ 5,683,108
Net Pension Liability (asset)-ending (a) - (b)	\$ (152,353)	\$ 15,035	\$ (117,776)	\$ 9,856	\$ (482,945)	\$ (390,077)	\$ (279,311)	\$ (616,402)	\$ 168,067	\$ 125,751
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%	96.98%	97.84%
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	\$ 1,449,743	\$ 1,431,381
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%	11.59%	8.79%

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, 2024

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Actuarially determined contribution	97,296	91,051	101,737	99,606	94,203	58,389	72,651	105,251	103,918	192,541
Contributions in relation to the actuarially determined contribution	97,296	91,051	101,737	104,311	98,652	93,442	107,382	131,782	130,113	192,541
Contribution deficiency (excess)	\$0	\$0	\$0	(\$4,705)	(\$4,449)	(\$35,053)	(\$34,731)	(\$26,531)	(\$26,195)	\$0
Covered-employee payroll	1,070,360	1,001,660	1,119,224	1,147,534	1,085,282	1,027,967	1,181,315	1,449,743	1,431,381	1,342,441
Contributions as a percentage covered-employee payroll	9.09%	9.09%	9.09%	9.09%	9.09%	9.09%	9.09%	9.09%	9.09%	7.26%

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 2024 were calculated based on the June 30, 2022 actuarial valuation.

Methods and assumptions used to determine contribution rates:

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

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

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	2023	2024
Total OPEB Liability							
Service Cost	\$ 10,199	\$ 9,800	\$ 11,059	\$ 7,325	\$ 10,765	\$ 8,297	\$ 10,437
Interest on the Total OPEB Liability	\$ 3,215	\$ 4,208	\$ 4,479	\$ 2,967	\$ 1,902	\$ 1,381	\$ 6,595
Change in Benefit Terms	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 105,238	\$ -
Difference between expected and actual experience of the Total OPEB Liability	\$ -	\$ (19,168)	\$ (53,731)	\$ (16,183)	\$ (11,011)	\$ 47,223	\$ (6,559)
Changes in assumptions and other inputs	\$ (4,788)	\$ 9,842	\$ 3,188	\$ 4,456	\$ (20,873)	\$ (32,657)	\$ 21,989
Benefit payments	\$ -	\$ (286)	\$ (514)	\$ (439)	\$ (446)	\$ (441)	\$ (18,260)
Net change in Total OPEB Liability	\$ 8,626	\$ 4,396	\$ (35,519)	\$ (1,874)	\$ (19,663)	\$ 129,041	\$ 14,202
Total OPEB Liability - Beginning	\$ 99,907	\$ 108,533	\$ 112,929	\$ 77,410	\$ 75,536	\$ 55,873	\$ 184,914
Total OPEB Liability - Ending	\$ 108,533	\$ 112,929	\$ 77,410	\$ 75,536	\$ 55,873	\$ 184,914	\$ 199,116
Estimated Covered -Employee Payroll	1,119,224	1,147,534	1,085,242	1,079,434	939,381	1,220,640	1,431,381
Total OPEB Liability as a Percentage of Covered- Employee Payroll	9.70%	9.84%	7.13%	7.00%	5.95%	15.15%	13.91%

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.

**SUPPLEMENTAL
INFORMATION**

TOWN OF CARTHAGE, TENNESSEE

Capital Assets Used in the Operation of the Governmental Funds

Schedule of Changes in Capital Assets - By Type

June 30, 2024

	<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	1,280,082	620,507	0	1,900,589
Building and improvements	1,099,242	55,325	0	1,154,567
Machinery and equipment	<u>1,733,904</u>	<u>1,599,500</u>	<u>279,047</u>	<u>3,054,357</u>
Total capital assets	<u>\$4,986,416</u>	<u>2,275,332</u>	<u>279,047</u>	<u>\$6,982,701</u>

TOWN OF CARTHAGE, TENNESSEE

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

June 30, 2024

	<u>Carrying Value</u>
General Fund:	
Demand deposits	\$5,065,504
Total General Fund	<u>5,065,504</u>
Sanitation Fund:	
Demand deposits	21,626
Total Sanitation Fund	<u>21,626</u>
State Street Aid Fund:	
Demand deposits	201,202
Total State Street Aid Fund	<u>201,202</u>
Drug Fund:	
Demand deposits	14,069
Total Drug Fund	<u>14,069</u>
Total Special Revenue Funds	<u>236,897</u>
Water and Sewer Fund:	
Demand deposits	2,460,627
Total Water and Sewer Fund	<u>2,460,627</u>
Total - All funds	<u>\$7,763,028</u>

TOWN OF CARTHAGE, TENNESSEE

Schedule of Changes in Property Taxes Receivable

For the Year Ended June 30, 2024

<u>Tax Year</u>	<u>Balance July 1, 2023</u>	<u>Levy</u>	<u>Collections and Changes in Assessment</u>	<u>Balance June 30, 2024</u>
2024	\$ -	580,000	0	580,000
2023	580,000	(582)	565,002	14,416
2022	41,912	0	39,398	2,514
2021	6,850	0	5,677	1,173
2020	801	0	363	438
2019	1,051	0	598	453
2018	449	0	389	60
2017	632	0	427	205
2016	953	0	311	642
2015	87	0	74	13
2014	397	0	252	145
2013	1,616	0	(743)	2,359
	<u>\$634,748</u>	<u>579,418</u>	<u>611,748</u>	<u>602,418</u>

<u>Tax Year</u>	<u>Tax Rate</u>	<u>Tax Levy</u>	<u>Adjustment and Collections</u>	<u>Outstanding Taxes</u>
2024	0.8168	580,000	0	580,000
2023	0.8168	579,418	565,002	14,416
2022	0.8168	561,704	559,190	2,514
2021	1.1258	546,306	545,133	1,173
2020	1.1258	544,308	543,870	438
2019	1.1258	542,964	542,511	453
2018	1.1258	531,474	531,414	60
2017	1.15	494,304	494,099	205
2016	1.15	489,775	489,133	642
2015	1.15	492,168	492,155	13
2014	1.15	509,931	509,786	145
2013	1.15	494,065	491,706	2,359

All delinquent taxes except for the 2023 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, 2024

Year	BOND DG3-16-169		BOND DW4-16-170		BOND CW3-14-344		BOND DWF-18-199		BOND CW7-20-445		BOND DW7-21-223		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2025	13,116	2,640	55,584	11,796	29,292	2,928	3,132	540	32,952	144	4,992	888	139,068	18,936
2026	13,308	2,448	56,388	10,992	29,544	2,676	3,180	492	33,012	192	5,100	780	140,532	17,580
2027	13,500	2,256	57,204	10,176	30,036	2,184	3,216	456	33,072	132	5,148	732	142,176	15,936
2028	13,704	2,052	58,032	9,348	30,288	1,932	3,252	420	33,132	72	5,184	696	143,592	14,520
2029	13,896	1,860	58,872	8,508	30,540	1,680	3,300	372	22,109	14	5,232	648	143,949	13,082
2030	14,100	1,656	59,736	7,644	30,792	1,428	3,336	336			5,280	600	113,244	11,664
2031	14,304	1,452	60,600	6,780	31,056	1,164	3,384	288			5,328	552	114,672	10,236
2032	14,508	1,248	61,476	5,904	31,308	912	3,420	252			5,364	516	116,076	8,832
2033	14,724	1,032	62,364	5,016	31,572	648	3,468	204			5,412	468	117,540	7,368
2034	14,940	816	63,264	4,116	31,836	384	3,504	168			5,460	420	119,004	5,904
2035	15,156	600	64,080	3,300	32,076	144	3,552	120			5,508	372	120,372	4,536
2036	15,372	384	65,112	2,268	26,903	98	3,588	84			5,556	324	116,531	3,158
2037	15,600	156	66,060	1,320			3,636	36			5,604	276	90,900	1,788
2038	2,671	24	55,787	430			3,782	24			5,652	228	67,892	706
2039											5,700	180	5,700	180
2040											5,748	132	5,748	132
2041											5,796	84	5,796	84
2042											9,717	0	9,717	0
	<u>\$ 188,899</u>	<u>18,624</u>	<u>844,559</u>	<u>87,598</u>	<u>365,243</u>	<u>16,178</u>	<u>47,750</u>	<u>3,792</u>	<u>154,277</u>	<u>554</u>	<u>101,781</u>	<u>7,896</u>	<u>1,702,509</u>	<u>134,642</u>

TOWN OF CARTHAGE, TENNESSEE

Schedule of Changes in Long-term Debt by Individual Issue

June 30, 2024

	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/2023	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 6/30/2024
Business-Type Activities									
NOTES PAYABLE									
DG3-16-169	\$ 271,743	1.44%	2016	8/31/2037	\$ 201,835	\$ -	\$ 12,936	\$ -	\$ 188,899
DW4-16-170	1,140,649	1.44%	2016	4/30/2038	\$ 899,351	\$ -	\$ 54,792	\$ -	\$ 844,559
CW3-14-344	577,507	0.83%	2014	5/30/2036	\$ 394,295	\$ -	\$ 29,052	\$ -	\$ 365,243
CW7-20-445	235,000	0.26%	2021	2/28/2029	\$ 152,799	\$ 12,450	\$ 10,972	\$ -	\$ 154,277
DW7-21-223	108,008	0.94%	2021	6/30/2041	\$ 106,761	\$ -	\$ 4,980	\$ -	\$ 101,781
DWF-18-199	65,000	1.23%	2018	9/30/2038	\$ 50,810	\$ -	\$ 3,060	\$ -	\$ 47,750
Total Notes Payable					\$ 1,805,851	\$ 12,450	\$ 115,792	\$ -	\$ 1,702,509

TOWN OF CARTHAGE, TENNESSEE

Schedule of Utility Rates and Information

June 30, 2024

Water system

Inside Routes:

Water

Sewer

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

1,100

Sewer

approximately

975

TOWN OF CARTHAGE, TENNESSEE
Schedule of Federal and State Financial Assistance
For the Year Ended June 30, 2024

<u>Assistance Listing Number</u>	<u>State Grant Number</u>	<u>Program Name</u>	<u>Grantor Agency</u>	<u>Receivable (Deferred) Balance June 30, 2023</u>	<u>Grant Receipts</u>	<u>Other Receipts</u>	<u>Grant Expenditures</u>	<u>Receivable (Deferred) Balance June 30, 2024</u>
State Programs:								
N/A	N/A	Equipment grant	State of Tennessee Department of Finance and Administration	\$0	287,094	0	287,094	0
N/A	77241-VCIF	Violent Crimes Intervention Fund	Tennessee Department of Transportation	\$0	57,205	\$0	57,205	0
		Total State Grants		\$0	\$344,299	\$0	\$344,299	\$0
Federal Programs:								
66.458	CW7-20-445	Clean Water State Revolving Fund Loan proceeds	U. S. Department of EPA thru the Tennessee Department of Environment and Conservation	0	12,450	0	12,450	0
66.458	CW7-20-445	Clean Water State Revolving Fund Loan forgiveness	U. S. Department of EPA thru the Tennessee Department of Environment and Conservation	0	12,450	0	12,450	0
		Total for 66.458		0	24,900	0	24,900	0
21.027	N/A	American Rescue Plan Act	US Department of Treasury thru the State of Tennessee TDEC	\$0	21,542	0	21,542	0
		Total Federal Grants		\$0	\$46,442	\$0	\$46,442	\$0
		Total State and Federal Grants		\$0	\$390,741	\$0	\$390,741	\$0

This schedule prepared on the accrual basis of accounting.

COMPLIANCE AND INTERNAL CONTROL

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, 2024, 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 October 31, 2024.

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 2024-001, 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. Pardo, CPA

October 31, 2024

TOWN OF CARTHAGE, TENNESSEE

Schedule of Findings and Responses

June 30, 2024

2024-001 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, 2024

<u>Finding Number</u>	<u>Finding Title</u>	<u>Status</u>
2023 – 001	Separation of Duties	Repeated

The original finding number was 2015-003. The current finding number is 2024-001.

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, 2024

2024-001 Segregation of Duties (Internal Control)

Contact person: Scott Ezell, CPA

Planned Corrective Action: The Town adopted a customized Internal Control Policy on January 13, 2022. While the Town does have a limited number of employees, we have implemented the following internal control measures:

- 1) Setting the tone in leadership positions about the importance of internal controls;
- 2) Recognizing conflicts of interests and taking remedial actions when needed;
- 3) Formalized the budget production process;
- 4) Codified organizational charts;
- 5) Codified new purchasing policy requiring two signatures on checks, and purchase order and bid tabulation improvements.
- 6) The Town has one cashier. However, cash and checks comprising daily receipts are randomly audited by the Deputy Clerk or Clerk, and the CFO. The end of day procedures ensure daily receipts match postings to the subsidiary ledgers and general ledger.

Anticipated Completion Date: We believe that we have implemented adequate internal control policies and daily procedures to ensure the Town's assets are properly protected.

Signature:

A. Scott Ezell, CPA, CMFO