

TOWN OF CARTHAGE, TENNESSEE

Annual Financial Report

For the Year Ended June 30, 2025

TOWN OF CARTHAGE, TENNESSEE

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INTRODUCTORY SECTION

TOWN OF CARTHAGE, TENNESSEE

Officials of the Town of Carthage, Tennessee

June 30, 2025

<u>Name</u>	<u>Title</u>
Elected Officials:	
Steve Babcock	Mayor (medically retired August 1, 2025)
Anthony Hackett	Mayor (August 1, 2025 - present)
Sam Gray	Vice Mayor
John Leftwich	Councilman
Justin Mauldin	Councilman
Sam Petty	Councilman
Michelle "Sissy" Green	Councilman
Gail Grigg	Councilman
Management:	
Scott Ezell, CPA	CMFO
Cindy Glidwell	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 accompanying 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, 2025, 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 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, 2025, 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 me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town'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 September 30, 2025, 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. Pool, CPA

September 30, 2025

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, 2025. 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 focused in the last two fiscal years on replacing aging Public Works equipment, replacing Police Department patrol vehicles, fire turnout and breathing apparatus, and improvements to the Town's Parks and Recreation facilities. In FY 24/25 these capital asset improvements were mostly completed in Public Works. Public Safety, i.e., Police and Fire Departments, will continue routine upgrades to provide the best results for our citizens. *Leadership desires 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. The Town applied for Federal Emergency Management (FEMA) aid for the increased labor and equipment expense related to the storm. FEMA aid applications were submitted in FY 23/24 with anticipated grant reimbursements to be received in FY 25/26. We have learned the FEMA reimbursement process is time intensive and prolonged.

Our Police and Administration building has served the Town well but has needed replacement/refurbishment for many years. Our leadership and citizens have discussed 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. No decisions have been made as of June 30, 2025.

The Town's leadership moved proactively to ensure operating profits and sufficient cash flow is available in the Water and Sewer Fund. Ideally, the Town should continue incremental rate adjustments annually when possible, to keep up with inflationary expenses.

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 drinking water lines at a much-reduced cost to the Town and continued this approach in FY 24/25. Smotherman and Carmack Avenues were completed in FY 24/25 with Hillcrest and Walton, at a minimum, to be completed in FY 25/26.

The Town procured a \$2.7 million Sewer Rehabilitation Phase I State Revolving Fund loan in FY 24/25 with construction projected to begin in December 2025.

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.

Our Drinking Water plant continues the process of replacing vertical turbine water intake pumps with the project spanning FY 24/25 and FY 25/26.

Multiple Town administrations have worked for the betterment of our community. The Town continues work with the U.S. Army Corps of Engineers (USACE) at our Clean Water (Sewage) Plant to stabilize the bank erosion caused by the Cumberland River. The project design phase nears completion at 6/30/25 with construction bids projected for letting in January/February 2026. The Town is expected to fund approximately \$764,000 on this project with the USACE 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 \$18,874,569. Of this amount, \$8,165,969 (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 \$777,089 despite lower property tax, grant 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 \$342,494 due to higher personnel costs, depreciation expenses, and repair and maintenance expenses in the Utility Fund and fire department. The Town made governmental capital asset purchases totaling \$574,080 to improve the Town's fire and police departments facilities and equipment and street infrastructure along with \$559,292 for improvements to utility system infrastructure. The Town

reduced its outstanding utility loan balances by \$139,068, as the Town continues to pay down debts as scheduled.

As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$5,681,112, an increase of \$318,197 in comparison to the prior year. The increase was due to increased sales tax revenues combined with the Town maintaining expenditures within budgeted levels. The Town made governmental capital asset purchases of \$574,080. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$5,319,257 or 161% of the total general fund expenditures.

The Town's business-like activities total Net Position increased by \$385,554 due to higher user-related revenues and interest income revenues. Expenses increased \$68,227 in the current year due to increased personnel costs and depreciation expenses.

The Town's total debt decreased as the Town paid down \$139,068, as of June 30, 2025. The Utility system's debt totaled \$1,563,441. 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 28-49 of this report.

Comparison of revenues and expenses 2024 and 2025

	<u>2024</u>	<u>2025</u>	<u>Change Between Years</u>
Revenues:			
Program revenues:			
Charges for services	2,077,079	2,215,202	138,123
Operating grants and contributions	88,113	105,092	16,979
Capital grants and contributions	378,292	76,369	(301,923)
General revenues:			
Property taxes	701,724	635,226	(66,498)
Sales taxes	1,951,307	2,067,525	116,218
Other local taxes	350,198	352,706	2,508
Other state shared taxes	141,705	105,300	(36,405)
Other	523,569	388,332	(135,237)
Total revenues	<u>\$6,211,987</u>	<u>\$5,945,752</u>	<u>(\$266,235)</u>
Expenses:			
General government	716,312	907,175	190,863
Police department	1,182,497	1,189,827	7,330
Fire department	284,624	289,219	4,595
Streets	636,747	122,117	(514,630)
Public works	127,117	722,331	595,214
Sanitation	196,326	187,221	(9,105)
Water and Sewer	1,682,546	1,750,773	68,227
Total expenses	<u>\$4,826,169</u>	<u>\$5,168,663</u>	<u>\$342,494</u>
Increases in net position	<u>1,385,818</u>	<u>777,089</u>	<u>(608,729)</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 - 2025

	Governmental <u>Activities</u>	Business -Type <u>Activities</u>
Current and other assets	\$ 6,353,631	2,737,928
Capital assets	<u>5,048,217</u>	<u>6,703,857</u>
Total assets	11,401,848	9,441,785
Deferred outflows	875,768	393,462
Long-term liabilities outstanding	0	1,563,441
Other liabilities	<u>580,519</u>	<u>383,073</u>
Total liabilities	580,519	1,946,514
Deferred inflows:	673,360	37,901
Net Position:		
Net investment in capital assets	5,048,217	5,140,416
Restricted	361,855	158,112
Unrestricted	<u>5,613,665</u>	<u>2,552,304</u>
Total Net Position	\$ <u>11,023,737</u>	<u>\$ 7,850,832</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 \$18,874,569 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 used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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 Town's chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$5,319,257. 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 161% of total general fund expenditures.

Business-Type Activities

The Town's business-like activities total Net Position increased by \$385,554 due to continuing operating revenues.

Governmental Budgetary Highlights

The Town maintained all of its fund budgets during the year. See pages 21-26 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, 2025, amounts to \$5,048,217 (net of accumulated depreciation) and its business-type activities amounts to \$6,703,857. 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 \$519,055. The total increase in the Town's investment in business-like capital assets for the current fiscal year was \$559,292.

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 - 2025

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>
Land, buildings and improvement	\$ 3,956,489	\$ 14,167,232
Equipment	<u>3,545,267</u>	<u>194,543</u>
Less accumulated depreciation	<u>(2,453,539)</u>	<u>(7,657,918)</u>
Net Capital Assets	\$ <u>5,048,217</u>	\$ <u>6,703,857</u>

Long-Term Debt

The Town's total debt decreased as the Town paid down \$139,068, as of June 30, 2025. The Utility system's debt totaled \$1,563,441. All debt obligations are being paid down as scheduled.

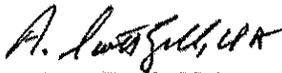
Economic Factors and Next Year's Budget and Rates

The Fiscal Year 2025-2026 budget General fund revenues and user charges are budgeted to remain relatively stable from the 2024-2025 budget year. The Town's budget has stabilized by a growing commercial and retail base producing higher local tax receipts.

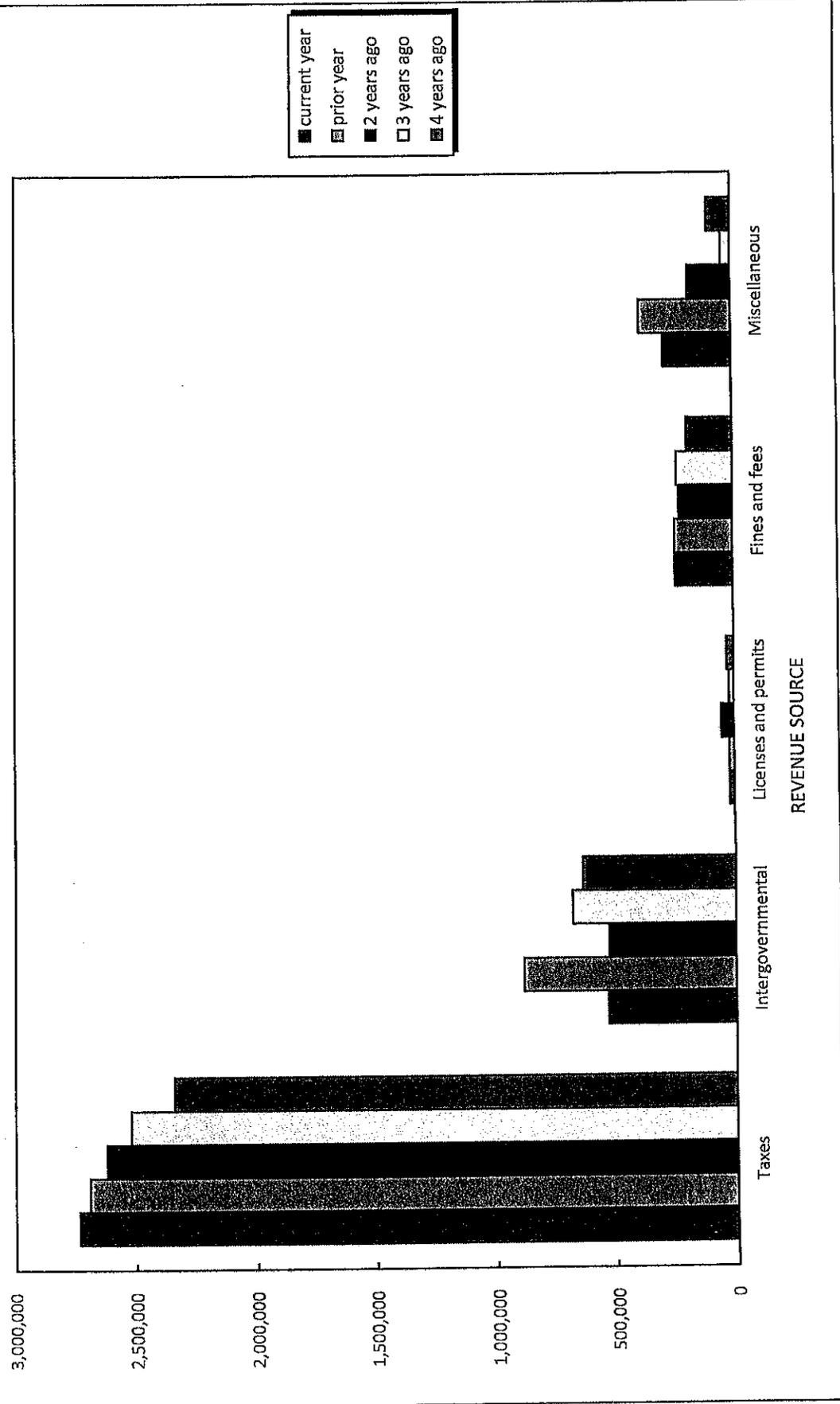
All of these factors were considered in preparing the Town's budget for the 2025-2026 fiscal year.

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:

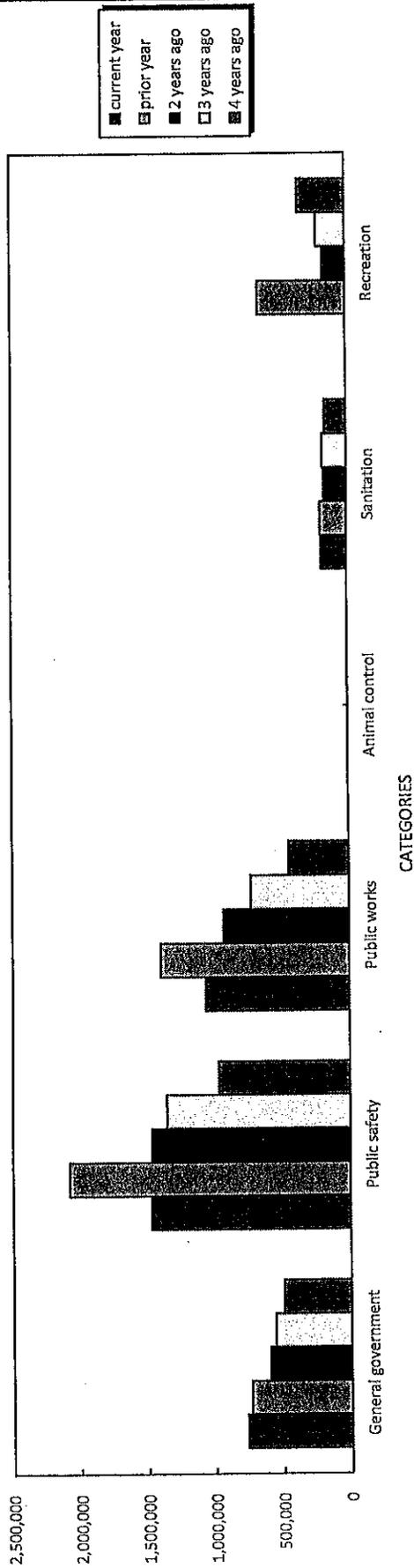

A. Scott Ezell, CPA
Town of Carthage

TOWN OF CARTHAGE
GOVERNMENTAL FUND REVENUES



■ current year
 ▨ prior year
 ■ 2 years ago
 □ 3 years ago
 ▩ 4 years ago

TOWN OF CARTHAGE
GOVERNMENTAL FUND EXPENDITURES



BASIC FINANCIAL
STATEMENTS

TOWN OF CARTHAGE, TENNESSEE
Statement of Net Position
June 30, 2025

	Governmental Activities	Business Activities	Total
Assets and Deferred Outflows			
Assets:			
Cash and cash equivalents	5,512,013	2,453,546	7,965,559
Receivables	841,618	284,382	1,126,000
Capital assets not being depreciated	873,188	200,646	1,073,834
Capital assets, net of accumulated depreciation	4,175,029	6,503,211	10,678,240
Total Assets	<u>11,401,848</u>	<u>9,441,785</u>	<u>20,843,633</u>
Deferred outflows:			
Deferred outflows of resources - OPEB	64,935	29,174	94,109
Deferred outflows of resources - pension	810,833	364,288	1,175,121
Total Deferred Outflows	<u>\$875,768</u>	<u>\$393,462</u>	<u>\$1,269,230</u>
Liabilities, Deferred Inflows, and Net Position			
Liabilities:			
Accounts payable	56,150	46,196	102,346
Accrued expenses	0	770	770
Customer deposits	0	99,959	99,959
Net pension liability	313,599	140,890	454,489
Total OPEB liability	156,778	70,436	227,214
Compensated absences - current	53,992	24,822	78,814
Long-term liabilities:			
Due within one year	0	140,448	140,448
Due in more than one year	0	1,422,993	1,422,993
Total Liabilities	<u>580,519</u>	<u>1,948,514</u>	<u>2,527,033</u>
Deferred inflows:			
Deferred inflows of resources - current year property taxes	589,000	0	589,000
Deferred inflows of resources - OPEB	38,316	17,214	55,530
Deferred inflows of resources - pension	46,044	20,687	66,731
Total Deferred Inflows	<u>\$673,360</u>	<u>\$37,901</u>	<u>\$711,261</u>
Net position:			
Net investment in Capital Assets	5,048,217	5,140,416	10,188,633
Restricted - Debt Service	0	158,112	158,112
Restricted - State Street Aid	309,426	0	309,426
Restricted - Sanitation fund	36,500	0	36,500
Restricted - Drug fund	15,929	0	15,929
Unrestricted	5,613,665	2,452,304	8,165,969
Total Net Position	<u>11,023,757</u>	<u>7,850,832</u>	<u>18,874,589</u>

See accompanying notes to financial statements.

TOWN OF CARTHAGE, TENNESSEE

Statement of Activities

For the Year Ended June 30, 2025

Function/Programs	Program Revenues			Net (Expenses) Revenue and Changes in Net position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Government Activities:							
General government	907,175	19,816			(887,359)	0	(887,359)
Police department	1,189,827	18,427	14,400	0	(1,157,000)	0	(1,157,000)
Fire department	289,219	0	0	0	(289,219)	0	(289,219)
Streets	122,117	0	90,692	0	(31,425)	0	(31,425)
Public works	722,331	35,261	0	0	(687,070)	0	(687,070)
Sanitation	187,221	186,893	0	0	(328)	0	(328)
Total Governmental Activities	3,417,890	260,397	105,092	0	(3,052,401)	0	(3,052,401)
Business - type Activities:							
Water and Sewer	1,750,773	1,954,805	0	76,369	0	280,401	280,401
Total Business Type Activities	1,750,773	1,954,805	0	76,369	0	280,401	280,401
Total	5,168,663	2,215,202	105,092	76,369	(3,052,401)	280,401	(2,772,000)
General Revenues:							
Property taxes				580,052	0	0	580,052
Public utility taxes				55,174	0	0	55,174
Sales taxes				2,067,525	0	0	2,067,525
Business taxes				140,994	0	0	140,994
Beer and liquor taxes				181,901	0	0	181,901
Franchise taxes				27,582	0	0	27,582
State income and excise taxes				105,300	0	0	105,300
Hotel/Motel tax				2,229	0	0	2,229
Interest income				227,435	105,153	0	332,588
Other				55,744	0	0	55,744
Total general revenues				3,443,936	105,153	0	3,549,089
Changes in net position				391,535	385,554	777,089	777,089
Net Position - beginning of year				10,632,202	7,465,278	18,097,480	18,097,480
Net position- ending of year				11,023,737	7,850,832	18,874,569	18,874,569

See accompanying notes to financial statements.

FUND FINANCIAL
STATEMENTS

TOWN OF CARTHAGE, TENNESSEE

Balance Sheet

Governmental Funds

June 30, 2025

<u>Assets</u>	<u>General Fund</u>	<u>Drug Fund</u>	<u>Sanitation Fund</u>	<u>State Street Aid Fund</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents	\$5,173,504	\$15,929	\$20,734	\$301,846	\$5,512,013
Accounts receivable:					
Property taxes receivable	616,369	0	0	0	616,369
Other receivables	186,460	0	31,209	7,580	225,249
	<u>802,829</u>	<u>0</u>	<u>31,209</u>	<u>7,580</u>	<u>841,618</u>
 Total Assets	 <u>\$5,976,333</u>	 <u>\$15,929</u>	 <u>\$51,943</u>	 <u>\$309,426</u>	 <u>\$6,353,631</u>
 <u>Liabilities, Deferred Inflows, and Fund Balance</u>					
Liabilities:					
Accounts payable	\$40,707	\$0	\$15,443	\$0	\$56,150
 Total Liabilities	 <u>40,707</u>	 <u>0</u>	 <u>15,443</u>	 <u>0</u>	 <u>56,150</u>
Deferred Inflow of Resources:					
Deferred current property taxes	589,000	0	0	0	589,000
Deferred delinquent property taxes	27,369	0	0	0	27,369
Total Deferred Inflow of Resources	<u>616,369</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>616,369</u>
Fund balance:					
Unassigned	5,319,257	0	0	0	5,319,257
Restricted - Drug fund	0	15,929	0	0	15,929
Restricted - Sanitation	0	0	36,500	0	36,500
Restricted - State Street Aid	0	0	0	309,426	309,426
Total Fund Balance	<u>5,319,257</u>	<u>15,929</u>	<u>36,500</u>	<u>309,426</u>	<u>5,681,112</u>
Total Liabilities, Deferred Inflows, and Fund Balance	<u>\$5,976,333</u>	<u>\$15,929</u>	<u>\$51,943</u>	<u>\$309,426</u>	<u>\$6,353,631</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, 2025

Amounts reported for fund balance - total governmental funds	\$ 5,681,112
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	5,048,217
Other long term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds	27,369
Pension related accounts - governmental funds to not record these post-benefit obligations	
Net pension liability	(313,599)
Deferred outflow - pension	810,833
Deferred inflow - pension	(46,044)
OPEB related accounts - governmental funds to not record these post-benefit obligations	
Total OPEB Liability	(156,778)
Deferred outflow - OPEB	64,935
Deferred inflow - OPEB	(38,316)
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>(53,992)</u>
Net position of governmental activities	\$ <u>11,023,737</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, 2025

	General Fund	Drug Fund	Sanitation Fund	State Street Aid Fund	Total Governmental Funds
Revenues:					
Taxes	2,734,433	0	0	0	2,734,433
Intergovernmental	440,724	0	0	90,692	531,416
Licenses and permits	19,816	0	0	0	19,816
Fines and fees	46,883	6,805	186,893	0	240,581
Miscellaneous	273,057	26	0	10,096	283,179
Total Revenues	\$3,514,913	\$6,831	\$186,893	\$100,788	\$3,809,425
Expenditures:					
Current:					
General government	669,061	0	0	0	669,061
Police department	1,138,268	4,971	0	0	1,143,239
Fire department	195,296	0	0	0	195,296
Public works	722,331	0	0	0	722,331
Streets	0	0	0	0	0
Sanitation	0	0	187,221	0	187,221
Capital Outlay:					
General government	102,882	0	0	0	102,882
Police department	61,546	0	0	0	61,546
Fire department	69,398	0	0	0	69,398
Public works	340,254	0	0	0	340,254
Total Expenditures	\$3,299,036	\$4,971	\$187,221	\$0	\$3,491,228
Excess (deficiency) of revenues over expenditures	215,877	1,860	(328)	100,788	318,197
Fund Balance, Beginning of year	5,103,380	14,069	36,828	208,638	5,362,915
Fund Balance, End of Year	\$5,319,257	\$15,929	\$36,500	\$309,426	\$5,681,112

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, 2025

Net change in fund balances - total governmental funds:	\$	318,197
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		574,080
Depreciation expense		(530,620)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		4,951
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		50,757
Change in OPEB accounts		216
Change in accrued vacation - governmental funds		<u>(26,046)</u>
Change in net position of governmental activities	\$	<u>391,535</u>

See accompanying notes to financial statements.

TOWN OF CARTHAGE, TENNESSEE

Statement of Net Position

Enterprise (Water and Sewer) Fund

June 30, 2025

Assets and Deferred Outflows

Current Assets:	
Cash and cash equivalents	\$2,453,546
Accounts receivable	284,382
Total Current Assets	<u>2,737,928</u>
Capital Assets:	
Utility plant in service	14,361,775
Less accumulated depreciation	(7,657,918)
Total Capital Assets, Net	<u>6,703,857</u>
Total Assets	<u>\$9,441,785</u>
Deferred outflows:	
Deferred outflows of resources - OPEB	29,174
Deferred outflows of resources - pension	364,288
Total Deferred Outflows	<u>393,462</u>
<u>Liabilities</u>	
Current Liabilities (payable from current assets):	
Accounts payable	\$46,196
Accrued expenses	770
Compensated absences - current	24,822
Current portion of long-term debt	140,448
Total Current Liabilities (payable from current assets)	<u>212,236</u>
Other Liabilities:	
Total OPEB liability	70,436
Net pension liability	140,890
Customer deposits	99,959
Total Other Liabilities	<u>311,285</u>
Long-term debt	<u>1,422,993</u>
Total Liabilities	<u>\$1,946,514</u>
Deferred Inflows:	
Deferred inflow of resources - OPEB	17,214
Deferred inflow of resources - pension	20,687
Total Deferred Inflows	<u>37,901</u>
Net Position:	
Net Investment in Capital Assets	5,140,416
Restricted assets - Debt Service	158,112
Unrestricted	<u>2,552,304</u>
Total Net Position	<u>\$7,850,832</u>

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, 2025

Operating Revenues:	
Metered sales, net of change in allowance	\$1,862,785
Tap and service fees	92,020
Total Operating Revenues	<u>1,954,805</u>
Operating Expenses:	
Salaries	692,900
Payroll taxes	50,452
Employee benefits	150,445
Rent	6,000
Dues and memberships	9,374
Utilities	147,777
Professional services	18,708
Repair and maintenance	126,180
Supplies	144,565
Office expense	7,590
Insurance	70,670
Depreciation	306,959
Total Operating Expenses	<u>1,731,620</u>
Operating income (loss)	<u>223,185</u>
Nonoperating Revenues (Expenses):	
Interest expense	(19,153)
Interest income	105,153
Total Nonoperating Revenues (Expenses)	<u>86,000</u>
Capital contributions	<u>76,369</u>
Net change in net position	<u>385,554</u>
Net Position, July 1, 2024	<u>7,465,278</u>
Net Position, June 30, 2025	<u>7,850,832</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, 2025

Cash Flows from Operating Activities:	
Cash received from customers	1,950,853
Cash paid to suppliers	(528,146)
Cash paid to employees	(893,797)
Net Cash Provided (Used) by Operating Activities	<u>528,910</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of plant and equipment	(559,292)
Capital contributions	76,369
Interest paid	(19,153)
Repayment of debt	(139,068)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(641,144)</u>
Cash Flows from Investing Activities:	
Interest income	105,153
Net Cash Provided (Used) by Investing Activities	<u>105,153</u>
Net Change in Cash	(7,081)
Cash and Cash Equivalents, July 1, 2024	<u>2,460,627</u>
Cash and Cash Equivalents, June 30, 2025	<u>2,453,546</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income (loss)	223,185
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	306,959
Change in assets (increase) decrease:	
Accounts receivable	(3,952)
Deferred outflows	(97,895)
Change in liabilities increase (decrease):	
Accounts payable	15,422
Accrued expenses	(35,001)
Compensated absences	24,822
Net pension liability	98,135
Total OPEB liability	2,737
Customer deposits	2,590
Deferred inflows	(8,092)
Net Cash Provided by Operating Activities	<u>528,910</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, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes:				
Property taxes	\$624,100	\$624,100	\$576,728	(47,372)
Public utility taxes	53,636	53,636	27,341	(26,295)
Business taxes	60,000	60,000	140,994	80,994
Wholesale beer and liquor taxes	201,553	201,553	180,937	(20,616)
Local option sales tax	1,672,857	1,672,857	1,775,298	102,441
Franchise taxes	27,000	27,000	27,582	582
Hotel/Motel tax	3,800	3,800	2,229	(1,571)
Penalty and interest	1,300	1,300	3,324	2,024
Total Taxes	<u>2,644,246</u>	<u>2,644,246</u>	<u>2,734,433</u>	<u>90,187</u>
Intergovernmental:				
TVA in lieu	24,005	24,005	27,833	3,828
State sales tax	265,000	265,000	287,688	22,688
Telecommunications tax	4,511	4,511	4,539	28
Excise tax	120,900	120,900	105,300	(15,600)
State beer tax	750	750	964	214
State special petroleum tax	4,579	4,579	0	(4,579)
State supplement	5,600	5,600	14,400	8,800
Total Intergovernmental Revenue	<u>425,345</u>	<u>425,345</u>	<u>440,724</u>	<u>15,379</u>
Permits and Licenses:				
Building permits	9,500	9,500	18,606	9,106
Other permits	900	900	1,210	310
Total Permits and Licenses	<u>10,400</u>	<u>10,400</u>	<u>19,816</u>	<u>9,416</u>
Fines and fees:				
Swimming pool	21,000	21,000	35,261	14,261
Other fines and fees	600	600	80	(520)
City court	13,600	13,600	11,542	(2,058)
Total Fines	<u>35,200</u>	<u>35,200</u>	<u>46,883</u>	<u>11,683</u>
Miscellaneous:				
Interest income	120,000	120,000	217,313	97,313
Donations	250	250	0	(250)
Lease	441	441	21	(420)
Cemetery deeds	3,000	3,000	3,000	0
Insurance proceeds	10,000	10,000	27,104	17,104
Sale of assets	15,000	15,000	10,475	(4,525)
Miscellaneous	4,509	4,509	15,144	10,635
Total Miscellaneous	<u>153,200</u>	<u>153,200</u>	<u>273,057</u>	<u>119,857</u>
Total Revenues	<u>3,268,391</u>	<u>3,268,391</u>	<u>3,514,913</u>	<u>246,522</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, 2025

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>(Negative)</u>
Expenditures:				
General Government:				
Current:				
Salaries	280,069	281,568	275,505	6,063
Payroll taxes	22,807	22,807	21,676	1,131
Employee benefits	88,287	88,288	66,830	21,458
Education/training	3,500	10,500	6,191	4,309
Mayor expenses	95,629	95,629	95,301	328
Utilities	24,700	24,700	25,021	(321)
Professional services	77,100	75,600	85,516	(9,916)
Dues	3,500	3,500	2,850	650
Office expense	13,150	13,150	11,972	1,178
Insurance	32,100	32,100	32,702	(602)
Contributions and donations	30,000	30,000	28,000	2,000
Special events and tourism expense	5,000	5,000	1,049	3,951
Maintenance and supplies	23,400	18,400	14,769	3,631
Miscellaneous	1,100	1,100	1,679	(579)
	<u>700,342</u>	<u>702,342</u>	<u>669,061</u>	<u>33,281</u>
Capital outlay	3,623,000	3,596,000	102,882	3,493,118
Debt service	59,666	59,666	0	59,666
Total General Government	<u>4,383,008</u>	<u>4,358,008</u>	<u>771,943</u>	<u>3,586,065</u>
Public Safety:				
Police department:				
Current:				
Salaries	745,085	784,001	785,486	(1,485)
Payroll taxes	57,293	60,871	59,697	1,174
Employee benefits	176,968	177,478	173,675	3,803
Education/training	5,500	1,000	310	690
Contract services	16,600	16,600	17,212	(612)
Utilities	3,700	3,700	4,017	(317)
Vehicles expenses	35,000	32,000	30,081	1,919
Maintenance and supplies	33,750	30,200	33,323	(3,123)
Insurance	29,550	29,550	31,921	(2,371)
Uniforms	6,000	3,000	2,546	454
Miscellaneous	1,600	1,600	0	1,600
	<u>1,111,046</u>	<u>1,140,000</u>	<u>1,138,268</u>	<u>1,732</u>
Capital outlay	65,500	61,546	61,546	0
Total Police department	<u>1,176,546</u>	<u>1,201,546</u>	<u>1,199,814</u>	<u>1,732</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, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Expenditures:				
Fire department				
Current:				
Salary and volunteer firemen	106,763	106,763	89,972	16,791
Payroll taxes	4,975	4,975	4,950	25
Employee benefits	15,322	15,322	13,992	1,330
Education/training	8,600	8,600	5,012	3,588
Utilities	7,600	7,600	6,512	1,088
Vehicle expenses	3,000	3,000	1,472	1,528
Maintenance and supplies	76,550	76,550	54,568	21,982
Insurance	18,100	18,100	18,818	(718)
Other	0	0	0	0
	<u>240,910</u>	<u>240,910</u>	<u>195,296</u>	<u>45,614</u>
Capital outlay	81,500	81,500	69,398	12,102
Total Fire department	<u>322,410</u>	<u>322,410</u>	<u>264,694</u>	<u>57,716</u>
Public works department (streets, pool, buildings, cemeteries and parks):				
Current:				
Salaries	295,896	295,896	310,071	(14,175)
Payroll taxes	23,099	23,099	23,712	(613)
Employee benefits	66,342	66,342	61,513	4,829
Utilities	71,850	71,850	75,622	(3,772)
Maintenance and supplies	78,100	78,100	120,395	(42,295)
Uniforms	8,000	8,000	7,874	126
Landfill	4,000	4,000	2,961	1,039
Contract services	60,500	60,500	69,913	(9,413)
Vehicle expenses	15,000	15,000	14,903	97
Insurance	38,000	38,000	35,367	2,633
Miscellaneous	0	0	0	0
	<u>660,787</u>	<u>660,787</u>	<u>722,331</u>	<u>(61,544)</u>
Capital outlay	905,000	905,000	340,254	564,746
Total Public works department	<u>1,565,787</u>	<u>1,565,787</u>	<u>1,062,585</u>	<u>503,202</u>
Total Expenditures	<u>7,447,751</u>	<u>7,447,751</u>	<u>3,299,036</u>	<u>4,148,715</u>
Excess (deficiency) of Revenues over Expenditures	(4,179,360)	(4,179,360)	215,877	4,395,237
Fund Balance, July 1, 2024	5,103,380	5,301,380	5,103,380	0
Fund Balance, June 30, 2025	<u>\$924,020</u>	<u>\$1,122,020</u>	<u>\$5,319,257</u>	<u>\$4,395,237</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, 2025

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Fines	\$2,400	\$2,400	6,805	4,405
Miscellaneous:				
Interest	<u>25</u>	<u>25</u>	<u>26</u>	<u>1</u>
Total Revenues	<u>2,425</u>	<u>2,425</u>	<u>6,831</u>	<u>4,406</u>
Expenditures:				
Program costs	10,000	10,000	4,971	5,029
Capital outlay	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>10,000</u>	<u>10,000</u>	<u>4,971</u>	<u>5,029</u>
Excess (deficiency) of revenues over expenditures	(7,575)	(7,575)	1,860	9,435
Fund Balance, July 1, 2024	<u>14,069</u>	<u>14,069</u>	<u>14,069</u>	<u>-</u>
Fund Balance, June 30, 2025	<u><u>\$6,494</u></u>	<u><u>\$6,494</u></u>	<u><u>15,929</u></u>	<u><u>9,435</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, 2025

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Intergovernmental:				
Gasoline .03 tax	\$12,200	\$12,200	11,924	(276)
Gasoline 1989 tax	6,700	6,700	6,458	(242)
Gasoline 2017 tax	21,100	21,100	20,759	(341)
Gasoline and motor fuel	42,050	42,050	42,361	311
State special petroleum tax	4,200	4,200	4,184	(16)
State sportsbetting revenues	2,935	2,935	5,006	2,071
Miscellaneous:				
Interest	<u>6,500</u>	<u>6,500</u>	<u>10,096</u>	<u>3,596</u>
Total Revenues	<u>95,685</u>	<u>95,685</u>	<u>100,788</u>	<u>5,103</u>
Expenditures:				
Maintenance and supplies	0	0	0	0
Capital outlay	<u>195,300</u>	<u>195,300</u>	<u>0</u>	<u>195,300</u>
Total Expenditures	<u>195,300</u>	<u>195,300</u>	<u>0</u>	<u>195,300</u>
Excess (deficiency) of revenues over expenditures	(99,615)	(99,615)	100,788	200,403
Fund Balance, July 1, 2024	<u>208,638</u>	<u>208,638</u>	<u>208,638</u>	<u>-</u>
Fund Balance, June 30, 2025	<u><u>\$109,023</u></u>	<u><u>\$109,023</u></u>	<u><u>309,426</u></u>	<u><u>200,403</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, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Sanitation charges	185,784	185,805	186,893	1,088
Total Revenues	185,784	185,805	186,893	1,088
Expenditures:				
Contract Services	186,900	186,900	186,944	(44)
Refuse	1,200	1,200	277	923
Total Expenditures	188,100	188,100	187,221	879
Excess (deficiency) of revenues over expenditures	(2,316)	(2,295)	(328)	1,967
Fund Balance, July 1, 2024	36,828	36,828	36,828	0
Fund Balance, June 30, 2025	34,512	34,533	36,500	1,967

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, 2025

(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, 2025

(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, 2025

(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, 2025

(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, 2025

(1) Summary of Significant Accounting Policies, Continued

Property Tax

The Town's property tax is levied each October 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, 2025.

Payments may be made during the period from October 1 through February 28. Current tax collections of \$565,313 for the fiscal year ended June 30, 2025 were approximately 97 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, 2025

(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, 2025

(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 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.

	July 1, <u>2024</u>	Addi- <u>tions</u>	Retire- <u>ments</u>	June 30, <u>2025</u>
Governmental activities	<u>27,946</u>	<u>26,046</u>	<u>-</u>	<u>53,992</u>
Business-type activities	<u>19,056</u>	<u>5,766</u>	<u>-</u>	<u>24,822</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, 2025

(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, 2025

(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 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, 2025, all cash was 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, 2025

(3) Accounts Receivable

Accounts receivable at June 30, 2025, consist of the following:

<u>Fund</u>	<u>Other Government</u>	<u>Property Taxes</u>	<u>Customer Accounts</u>	<u>Total</u>
General Fund	\$ 186,460	616,369	-	802,829
Special Revenue Funds	7,580	-	31,209	38,789
Enterprise Fund	-	-	285,730	285,730
Less allowance for doubtful accounts	-	-	(1,348)	(1,348)
Total	<u>\$ 194,040</u>	<u>616,369</u>	<u>315,591</u>	<u>1,126,000</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, 2024</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2025</u>
Assets not being depreciated				
Land and land rights	\$ 873,188	-	-	873,188
Assets being depreciated				
Buildings and improvements	1,154,567	16,495	-	1,171,062
Infrastructure	1,900,589	11,650	-	1,912,239
Equipment and vehicles	<u>3,054,357</u>	<u>545,935</u>	<u>55,025</u>	<u>3,545,267</u>
Total	<u>\$ 6,982,701</u>	<u>574,080</u>	<u>55,025</u>	<u>7,501,756</u>
Less Accumulated depreciation	(1,977,944)			(2,453,539)
Net capital assets in service	<u>\$ 5,004,757</u>			<u>5,048,217</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	\$ 267,992
Fire department	93,923
Police department	46,588
Public works	<u>122,117</u>
Total	<u>530,620</u>

TOWN OF CARTHAGE, TENNESSEE

Notes to Financial Statements

June 30, 2025

(4) Capital Assets, Continued

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

	Balance July 1, 2024	<u>Additions</u>	<u>Deletions</u>	Balance June 30, 2025
Assets not being depreciated				
Land	\$ 34,995	-	-	34,995
Construction in progress	93,105	72,546	-	165,651
Assets being depreciated				
Utility plant	11,293,553	351,780	-	11,645,333
Sewer plant	2,186,287	134,966	-	2,321,253
Equipment	<u>194,543</u>	<u>-</u>	<u>-</u>	<u>194,543</u>
	13,802,483	<u>559,292</u>	<u>-</u>	14,361,775
Less accumulated depreciation	<u>(7,350,959)</u>			<u>(7,657,918)</u>
Net plant in service	\$ <u>6,451,524</u>			<u>6,703,857</u>

All assets, except land valued at \$34,995 and construction in progress of \$165,651 are being depreciated. Depreciation expense was \$306,959 in 2025.

(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 2025.

Direct Borrowings

	Balance July 1, 2024	<u>Additions</u>	<u>Retirements</u>	Balance June 30, 2025	Due Within One Year
Bonds Payable:					
DG3-16-169	188,899	0	13,115	175,784	13,308
DW4-16-170	844,559	0	55,584	788,975	56,304
CW3-14-344	365,243	0	29,292	335,951	29,544
CW7-20-445	154,277	0	32,953	121,324	33,012
DW7-21-223	101,781	0	5,028	96,753	5,100
DWF-18-199	<u>47,750</u>	<u>0</u>	<u>3,096</u>	<u>44,654</u>	<u>3,180</u>
Total	<u>1,702,509</u>	<u>0</u>	<u>139,068</u>	<u>1,563,441</u>	<u>140,448</u>

TOWN OF CARTHAGE, TENNESSEE

Notes to Financial Statements

June 30, 2025

(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, 2025, are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2026	140,448	17,664
2027	142,176	15,936
2028	143,592	14,520
2029	133,949	13,082
2030	113,244	11,664
2031-2035	587,664	36,876
2036-2040	286,892	5,964
2041-2042	<u>15,477</u>	<u>84</u>
Total	<u>1,563,441</u>	<u>115,790</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, 2025

(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, 2024, 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>36</u>
Total	<u>90</u>

TOWN OF CARTHAGE, TENNESSEE

Notes to Financial Statements

June 30, 2025

(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, 2025, employer contributions for Carthage were \$274,673 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, 2024, and the total pension liability used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

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

Inflation 2.25 percent

Salary increases Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation averaging 4.00 percent.

Investment rate of return 6.75 percent, net of pension plan investment expenses, including inflation.

Cost-of-Living Adjustment 2.125 percent

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

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

TOWN OF CARTHAGE, TENNESSEE

Notes to Financial Statements

June 30, 2025

(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, 2025

(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 6/30/23	\$5,808,859	\$5,683,108	\$125,751
Changes for the Year:			
Service Cost	143,390	-	143,390
Interest	392,253	-	392,253
Changes in benefit terms	-	-	-
Differences between expected and actual experience	668,875	-	668,875
Changes in assumptions	-	-	-
Contributions-employer	-	178,686	(178,686)
Contributions-employees	-	145,040	(145,040)
Net investment income	-	556,611	(556,611)
Benefit payments, including refunds of employee contributions	(282,184)	(282,184)	-
Administrative expense	-	(4,557)	4,557
Other changes	-	-	-
Net changes	922,334	593,596	328,738
Balance at 6/30/24	<u>\$ 6,731,193</u>	<u>\$ 6,276,704</u>	<u>\$ 454,489</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)	\$1,363,927	\$454,489	(\$294,784)

TOWN OF CARTHAGE, TENNESSEE

Notes to Financial Statements

June 30, 2025

(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, 2025, Carthage recognized pension expense of \$213,633.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2025, 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	730,464	-
Net difference between projected and Actual earning on pension plan		
Investments	-	66,731
Changes in Assumptions	169,984	-
Contributions subsequent to the Measurement date of June 30, 2024	<u>274,673</u>	<u>-</u>
Total	<u>1,175,121</u>	<u>66,731</u>

The amount shown above for “Contributions subsequent to the measurement date of June 30, 2024,” 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:	
2026	\$194,387
2027	\$363,719
2028	\$82,215
2029	\$81,914
2030	\$111,479

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, 2025

(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, 2024, 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>35</u>
Total	<u>37</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, 2025, the Town paid \$22,232 to the LGOP for OPEB benefits as they came due.

TOWN OF CARTHAGE, TENNESSEE

Notes to Financial Statements

June 30, 2025

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

Total OPEB Liability

Actuarial assumptions - The total OPEB liability on the June 30, 2025 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 -	10.68% for pre-65 in 2024, decreasing annually over a 13-year period to an ultimate rate of 4.50%. 13.44% for post-65 in 2024, decreasing annually over a 12-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, 2024, valuations were the same as those employed in the July 1, 2020 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2016 - June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the headcount-Weighted below median teachers PUB-2010 Healthy Participant Mortality table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2021. Post-retirement tables are adjusted with a 19% load for males and a 18% load for females. 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 3.93 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, 2025

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

Changes in the Total OPEB Liability

	Total OPEB Liability (a)
Total OPEB liability - beginning balance	\$ 199,116
Changes for the year:	
Service cost	\$ 13,308
Interest	\$ 7,403
Changes of benefit terms	\$ -
Differences between expected and actual experience	\$ 17,859
Change in assumptions	\$ 8,925
Benefit payments	\$ (19,397)
Net changes	\$ 28,098
Total OPEB liability - ending balance	\$ 227,214

Changes in assumptions - The discount rate was changed from 3.65% as of the beginning of the measurement period to 3.93% as of June 30, 2024. This change in assumption decreased the total OPEB liability. Other changes in assumptions include adjustments to initial per capita costs and health trend rates.

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

	Current Discount Rate Assumption		
1% Decrease		1% Increase	
(2.93%)	(3.93%)	(4.93%)	
\$243,459	\$227,214	\$211,996	

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

	Current Healthcare Cost Trend Rate Assumption		
1% Decrease		1% Increase	
(5.60% decreasing to 3.50%)	(6.60% decreasing to 4.50%)	(7.60% decreasing to 5.50%)	
\$205,731	\$227,214	\$252,654	

TOWN OF CARTHAGE, TENNESSEE

Notes to Financial Statements

June 30, 2025

(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, 2025, the Town of Carthage recognized OPEB expense of \$13,329.

Deferred Outflows of Resources and Deferred Inflows of Resources - For the year ended June 30, 2025, 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	44,242	25,789
Changes in assumptions	27,635	29,741
Employer payments subsequent to The measurement date	<u>22,232</u>	<u>-</u>
Total	<u>94,109</u>	<u>55,530</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:	
2026	\$ (6,874)
2027	220
2028	2,763
2029	7,387
2030	7,024
Thereafter	5,827

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, 2025

(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

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total pension liability (asset)	\$ 113,233	\$ 90,380	\$ 96,518	\$ 106,894	\$ 105,437	\$ 97,282	\$ 91,476	\$ 120,735	\$ 132,758	\$ 143,390
Service cost	\$ 264,032	\$ 274,990	\$ 262,156	\$ 288,470	\$ 271,830	\$ 295,262	\$ 311,401	\$ 341,239	\$ 374,523	\$ 392,253
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Changes in benefit terms	\$ 51,426	\$ (262,914)	\$ 213,600	\$ (402,014)	\$ 179,097	\$ 81,028	\$ 91,644	\$ 308,441	\$ 28,715	\$ 668,875
Differences between actual & expected experience	\$ -	\$ -	\$ 117,899	\$ -	\$ -	\$ -	\$ 509,952	\$ -	\$ -	\$ -
Change of assumptions	\$ (165,200)	\$ (354,260)	\$ (205,154)	\$ (228,980)	\$ (213,838)	\$ (236,189)	\$ (254,131)	\$ (292,916)	\$ (285,750)	\$ (282,184)
Benefit payments, including refunds of employee contributions	\$ 265,491	\$ (251,804)	\$ 485,019	\$ (235,610)	\$ 342,526	\$ 237,383	\$ 750,342	\$ 477,499	\$ 250,246	\$ 922,334
Net change in total pension liability (asset)	\$ 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
Total pension liability (asset)-beginning	\$ 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	\$ 6,731,193
Total pension liability (asset)-ending (a)										
Plan fiduciary net position	\$ 97,296	\$ 91,051	\$ 101,737	\$ 104,311	\$ 98,652	\$ 93,442	\$ 107,382	\$ 131,782	\$ 130,113	\$ 178,686
Contributions-employer	\$ 53,518	\$ 50,083	\$ 55,961	\$ 57,377	\$ 54,264	\$ 51,398	\$ 59,114	\$ 73,224	\$ 91,676	\$ 145,040
Contributions-employee	\$ 111,931	\$ 96,301	\$ 407,504	\$ 327,178	\$ 312,894	\$ 220,067	\$ 1,177,624	\$ (216,230)	\$ 360,076	\$ 556,611
Net investment income	\$ (165,200)	\$ (354,260)	\$ (205,154)	\$ (228,980)	\$ (213,838)	\$ (236,189)	\$ (254,131)	\$ (292,916)	\$ (285,750)	\$ (282,184)
Benefit payments, including refunds of employee contributions	\$ (1,442)	\$ (2,168)	\$ (2,461)	\$ (2,715)	\$ (2,314)	\$ (2,101)	\$ (2,556)	\$ (2,830)	\$ (3,553)	\$ (4,557)
Administrative expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net change in plan fiduciary net position	\$ 96,103	\$ (118,993)	\$ 357,387	\$ 257,171	\$ 249,658	\$ 126,617	\$ 1,087,433	\$ (306,970)	\$ 292,562	\$ 593,596
Plan fiduciary net position-beginning	\$ 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
Plan fiduciary net position-ending (b)	\$ 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	\$ 6,276,704
Net Pension Liability (asset)-ending (a) - (b)	\$ 15,035	\$ (117,776)	\$ 9,856	\$ (482,945)	\$ (390,077)	\$ (279,311)	\$ (616,402)	\$ 168,067	\$ 125,751	\$ 454,489
Plan fiduciary net position as a percentage of total pension liability	99.60%	103.36%	99.75%	112.88%	109.53%	106.45%	112.13%	96.98%	97.84%	93.25%
Covered 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	\$ 1,965,743
Net pension liability (asset) as a percentage of covered payroll	1.40%	-11.76%	0.88%	-42.09%	-35.94%	-27.17%	-52.18%	11.59%	8.79%	23.12%

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, 2025

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Actuarially determined contribution	91,051	101,737	99,606	94,203	58,389	72,651	105,251	103,918	142,713	274,673
Contributions in relation to the actuarially determined contribution	91,051	101,737	104,311	98,652	93,442	107,382	131,782	130,113	178,686	274,673
Contribution deficiency (excess)	\$0	\$0	(\$4,705)	(\$4,449)	(\$35,053)	(\$34,731)	(\$26,531)	(\$26,195)	(\$35,973)	\$0
Covered-employee payroll	1,001,660	1,119,224	1,147,554	1,085,282	1,027,967	1,181,315	1,449,743	1,431,381	1,965,743	1,473,031
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 2025 were calculated based on the June 30, 2023 actuarial valuation.

Methods and assumptions used to determine contribution rates:

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

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

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	2025
Total OPEB Liability	\$ 10,199	\$ 9,800	\$ 11,059	\$ 7,325	\$ 10,765	\$ 8,297	\$ 10,437	\$ 13,308
Service Cost	\$ 3,215	\$ 4,208	\$ 4,479	\$ 2,967	\$ 1,902	\$ 1,381	\$ 6,595	\$ 7,403
Interest on the Total OPEB Liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 105,238	\$ -	\$ -
Change in Benefit Terms	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Difference between expected and actual experience of the Total OPEB Liability	\$ -	\$ (19,168)	\$ (53,731)	\$ (16,183)	\$ (11,011)	\$ 47,223	\$ (6,559)	\$ 17,859
Changes in assumptions and other inputs	\$ (4,788)	\$ 9,842	\$ 3,188	\$ 4,456	\$ (20,873)	\$ (32,657)	\$ 21,989	\$ 8,925
Benefit payments	\$ -	\$ (286)	\$ (514)	\$ (439)	\$ (446)	\$ (441)	\$ (18,260)	\$ (19,397)
Net change in Total OPEB Liability	\$ 8,626	\$ 4,396	\$ (35,519)	\$ (1,874)	\$ (19,663)	\$ 129,041	\$ 14,202	\$ 28,098
Total OPEB Liability - Beginning	\$ 99,907	\$ 108,533	\$ 112,929	\$ 77,410	\$ 75,536	\$ 55,873	\$ 184,914	\$ 199,116
Total OPEB Liability - Ending	\$ 108,533	\$ 112,929	\$ 77,410	\$ 75,536	\$ 55,873	\$ 184,914	\$ 199,116	\$ 227,214
Estimated Covered -Employee Payroll	1,119,224	1,147,534	1,085,242	1,079,434	939,381	1,220,640	1,431,381	1,473,031
Total OPEB Liability as a Percentage of Covered -Employee Payroll	9.70%	9.84%	7.13%	7.00%	5.95%	15.15%	13.91%	15.42%

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, 2025

	<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	1,900,589	11,650	0	1,912,239
Building and improvements	1,154,567	16,495	0	1,171,062
Machinery and equipment	<u>3,054,357</u>	<u>545,935</u>	<u>55,025</u>	<u>3,545,267</u>
Total capital assets	<u>\$6,982,701</u>	<u>574,080</u>	<u>55,025</u>	<u>\$7,501,756</u>

TOWN OF CARTHAGE, TENNESSEE

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

June 30, 2025

	<u>Carrying Value</u>
General Fund:	
Demand deposits	\$5,173,504
Total General Fund	<u>5,173,504</u>
Sanitation Fund:	
Demand deposits	20,734
Total Sanitation Fund	<u>20,734</u>
State Street Aid Fund:	
Demand deposits	301,846
Total State Street Aid Fund	<u>301,846</u>
Drug Fund:	
Demand deposits	15,929
Total Drug Fund	<u>15,929</u>
Total Special Revenue Funds	<u>338,509</u>
Water and Sewer Fund:	
Demand deposits	2,453,546
Total Water and Sewer Fund	<u>2,453,546</u>
Total - All funds	<u>\$7,965,559</u>

TOWN OF CARTHAGE, TENNESSEE

Schedule of Changes in Property Taxes Receivable

For the Year Ended June 30, 2025

<u>Tax Year</u>	<u>Balance July 1, 2024</u>	<u>Levy</u>	<u>Collections and Changes in Assessment</u>	<u>Balance June 30, 2025</u>
2025	\$ -	589,000	0	589,000
2024	580,000	5,585	565,313	20,272
2023	14,416	0	9,929	4,487
2022	2,514	0	2,203	311
2021	1,173	0	447	726
2020	438	0	238	200
2019	453	0	0	453
2018	60	0	0	60
2017	205	0	0	205
2016	642	0	0	642
2015	13	0	0	13
2014	145	0	145	0
2013	2,359	0	2,359	0
	<u>\$602,418</u>	<u>594,585</u>	<u>580,634</u>	<u>616,369</u>

<u>Tax Year</u>	<u>Tax Rate</u>	<u>Tax Levy</u>	<u>Adjustment and Collections</u>	<u>Outstanding Taxes</u>
2025	0.8168	589,000	0	589,000
2024	0.8168	585,585	565,313	20,272
2023	0.8168	594,616	590,129	4,487
2022	0.8168	561,704	561,393	311
2021	1.1258	546,306	545,580	726
2020	1.1258	544,308	544,108	200
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	509,931	0
2013	1.15	494,065	494,065	0

All delinquent taxes except for the 2024 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, 2025

Year	BOND DGS-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										
2026	\$ 13,308	2,448	56,304	11,076	29,544	2,676	3,180	492	33,012	192	5,100	780	140,448	17,664
2027	13,500	2,256	57,204	10,176	30,036	2,184	3,216	456	33,072	132	5,148	752	142,176	15,936
2028	13,704	2,052	58,032	9,348	30,288	1,952	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	22,108	14	5,232	648	133,948	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	2,672	24	53,871	430			3,818	24			5,652	228	68,013	706
2039											5,700	180	5,700	180
2040											5,748	132	5,748	132
2041											5,796	84	5,796	84
2042											9,681	0	9,681	0
	\$ 175,784	15,984	788,975	75,886	335,951	13,250	44,654	3,252	121,324	410	96,755	7,008	1,563,441	115,790

TOWN OF CARTHAGE, TENNESSEE

Schedule of Changes in Long-term Debt by Individual Issue

June 30, 2025

	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7/1/2024	Issued During Period	Paid and/or		Outstanding 6/30/2025
							Matured During Period	Refunded During Period	
Business-Type Activities									
NOTES PAYABLE									
DG3-16-169	\$ 271,743	1.44%	2016	8/31/2037	\$ 188,899	\$ -	\$ 13,115	\$ -	\$ 175,784
DW4-16-170	1,140,649	1.44%	2016	4/30/2038	\$ 844,559	\$ -	\$ 55,584	\$ -	\$ 788,975
CW3-14-344	577,507	0.83%	2014	5/30/2036	\$ 365,243	\$ -	\$ 29,292	\$ -	\$ 335,951
CW7-20-445	235,000	0.26%	2021	2/28/2029	\$ 154,277	\$ -	\$ 32,953	\$ -	\$ 121,324
DW7-21-223	108,008	0.94%	2021	6/30/2041	\$ 101,781	\$ -	\$ 5,028	\$ -	\$ 96,753
DWF-18-199	65,000	1.23%	2018	9/30/2038	\$ 47,750	\$ -	\$ 3,096	\$ -	\$ 44,654
Total Notes Payable					\$ 1,702,509	\$ -	\$ 139,068	\$ -	\$ 1,563,441

TOWN OF CARTHAGE, TENNESSEE

Schedule of Utility Rates and Information

June 30, 2025

Water system

Inside Routes:

Water

Sewer

First 1,000 gallons

\$23.50 minimum charge

\$23.50 minimum charge

Over 1,000 gallons

\$6.75 per 1,000 gallons

\$6.75 per 1,000 gallons

Outside Routes:

First 1,000 gallons

\$29.50 minimum charge

Over 1,000 gallons

\$6.75 per 1,000 gallons

Number of customers at year end:

Water

approximately

1,092

Sewer

approximately

971

TOWN OF CARTHAGE, TENNESSEE

Schedule of Federal and State Financial Assistance

For the Year Ended June 30, 2025

Assistance Listing Number	State Grant Number	Program Name	Grantor Agency	Receivable (Deferred) Balance June 30, 2024	Grant Receipts	Other Receipts	Grant Expenditures	Receivable (Deferred) Balance June 30, 2025
Federal Programs:								
66.468	DW 2024-10330	Drinking Water State Revolving Fund	U. S. Department of EPA thru the Tennessee Department of Environment and Conservation	0	17,272	0	17,272	0
66.458	CW7-20-499	Clean Water State Revolving Fund	U. S. Department of EPA thru the Tennessee Department of Environment and Conservation	0	7,509	0	7,509	0
Total Federal Grants				\$0	\$24,781	\$0	\$24,781	\$0

This schedule prepared on the accrual basis of accounting.

COMPLIANCE AND
INTERNAL CONTROL

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, 2025, 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 September 30, 2025.

Report on 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 2025-001, that I consider to be a material weakness.

Report on 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*.

Town of Carthage's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Town of Carthage's response to the finding identified in my audit and described in the accompanying 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 the response.

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.

Joh R Poole, CPA

September 30, 2025

TOWN OF CARTHAGE, TENNESSEE

Schedule of Findings and Responses

June 30, 2025

2025-001 Segregation 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 has taken significant activity and made many improvements in its internal controls, but the lack of personnel does not allow the Town to properly and adequately separate the duties of all the activities of the Town.

Cause: The small staff in the accounting related areas.

Criteria: Best practices require that recording keeping and custodial functions be adequately segregated to ensure that the internal controls of the Town are effective.

Effect: The risk of errors and irregularities occurring and not being detected in a timely manner increases when Town 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 record-keeping and custodial functions should be segregated as much as possible. Management is aware that this weakness exists in the system of internal accounting control.

Response and Corrective Action Plan: "We partially agree with this finding. We have worked diligently to implement our internal controls in the Finance Department. We have five (5) personnel that have distinct internal control roles over the various accounting processes. All cash, A/R, A/P, and payroll functions are supervised by at least two (2) persons.

Other departments do not have as strong internal control processes due to limited staff size."

TOWN OF CARTHAGE, TENNESSEE

Schedule of Disposition of Prior Year Comments

June 30, 2025

<u>Finding Number</u>	<u>Finding Title</u>	<u>Status</u>
2024 – 001	Separation of Duties	Repeated

The original finding number was 2015-003. The current finding number is 2025-001.

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, 2025

2025-001 Segregation of Duties (Internal Control)

Contact person: Scott Ezell, CPA

Planned Corrective Action: It is not economically feasible at this time to hire a sufficient number of people to adequately separate the duties in other departments; our finance department has sufficient personnel and procedures for segregation of duties. The Board continues to monitor our finances and internal control.

Anticipated Completion Date: At the current time, due to our size, we do not believe we can fully segregate these duties in other departments. We feel there is adequate segregation of duties in the financial accounting functions. We will continue to improve and strengthen our internal controls, but we cannot give a definite date.

Signature: A. Scott Ezell, CPA
CFO