

**Town of Carthage**  
**Carthage, North Carolina**  
**Audited Financial Statements**  
**Year Ended June 30, 2021**

**Town of Carthage, North Carolina**

**Audited Financial Statements**

**For the Year Ended June 30, 2021**

**Board of Commissioners**

Jimmy Chalfinch, Mayor

Milton “T” Dowdy, Jr., Mayor Pro-Tem

Al Barber

Christopher M. Nance

Dan Bonillo

Dustin Smith

**Administrative and Financial Staff**

Tom Robinson, Town Manager

Kesha Matthews, Finance Director

**Town of Carthage, North Carolina**  
**Table of Contents**  
**June 30, 2021**

<b>Financial Section:</b>	<b><u>Page</u></b>
<b>Independent Auditor's Report</b> .....	1
<b>Management's Discussion and Analysis</b> .....	4
<b>Basic Financial Statements:</b>	
Government-wide Financial Statements:	
Statement of Net Position.....	11
Statement of Activities .....	12
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	13
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	16
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund.....	17
Statement of Fund Net Position - Proprietary Fund .....	18
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund .....	19
Statement of Cash Flows - Proprietary Fund.....	20
Notes to the Financial Statements .....	21
<b>Required Supplemental Financial Data:</b>	
Schedule of Proportionate Share of Net Pension Liability - Local Government Employees' Retirement System .....	49
Schedule of Contributions - Local Government Employees' Retirement System .....	50
Schedule of Changes in Total Pension Liability - Law Enforcement Officers' Special Separation Allowance .....	51
Schedule of Total Pension Liability as a Percentage of Covered Payroll .....	52

**Town of Carthage, North Carolina**  
**Table of Contents (continued)**  
**June 30, 2021**

	<u><b>Page</b></u>
<b>Individual Fund Statements and Schedules:</b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund.....	53
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual – Perpetual Care Fund .....	57
Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual:	
Water Fund .....	58
Capital Reserve Fund .....	60
Water Capital Improvement Project Fund.....	61
Sewer Fund.....	62
<b>Other Schedules:</b>	
Schedule of Ad Valorem Taxes Receivable .....	64
Analysis of Current Tax Levy – Town-Wide Levy .....	65
<b>Compliance Section:</b>	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	66
Schedule of Findings and Questioned Costs .....	68
Corrective Action Plan .....	71
Summary Schedule of Prior Year Audit Findings .....	72



## **Financial Section**



# **S. Preston Douglas & Associates, LLP**

CERTIFIED PUBLIC ACCOUNTANTS

## **MEMBERS**

American Institute of CPAs

N. C. Association of CPAs

## **Independent Auditor's Report**

To the Honorable Mayor and  
Members of the Board of Commissioners  
Carthage, North Carolina

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Carthage, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## ***Opinions***

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information of the Town of Carthage, North Carolina as of June 30, 2021, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 4 through 10, the Local Government Employee's Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 49 and 50, respectively, the Law Enforcement Officers' Special Separation Allowance schedules of the changes in total Pension Liability and Total Pension Liability as a Percentage of covered Payroll on pages 51 and 52 be presented to supplement the basic financial statements. Such information, although not a required 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. We 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

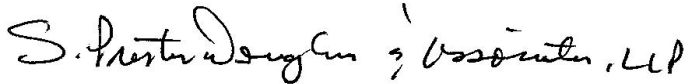
### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Carthage, North Carolina. The individual fund statements, budget and actual schedules, and supplemental ad valorem tax schedules, are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2021 on our consideration of the Town of Carthage's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Carthage's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "S. Preston Douglas & Associates, LLP". The signature is written in a cursive, flowing style.

Lumberton, North Carolina  
December 22, 2021

## **Management's Discussion and Analysis**

**Town of Carthage, North Carolina**  
**Management's Discussion and Analysis**  
**June 30, 2021**

As management of the Town of Carthage, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Carthage for the fiscal year ending June 30, 2021. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

**Financial Highlights**

The assets and deferred outflows of resources of the Town of Carthage exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$10,280,995 (net position).

The government's total net position decreased by \$231,250, primarily due to business-type activities decrease of \$254,641 in net position.

As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$1,922,116. Approximately 68.89% of this total amount, or \$1,324,129, is available for spending at the government's discretion (unassigned fund balance).

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,324,129 or 45.18% of total General Fund expenditures.

At the end of the current fiscal year, the Town's Business-Type activities reported an ending net position of \$7,822,310, a decrease of \$254,641 over prior year.

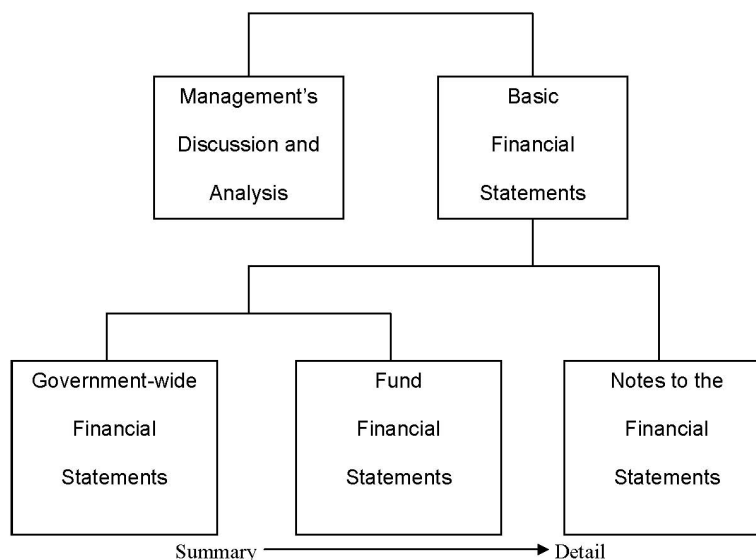
The Town of Carthage's total debt decreased by \$220,356 during the current fiscal year.

**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 (see Figure 1). The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report also contains other supplementary information that will enhance the reader's understanding of the financial condition of the Town of Carthage.

**Required Components of Annual Financial Report**

**Figure 1**



**Town of Carthage, North Carolina**  
**Management's Discussion and Analysis (continued)**  
**June 30, 2021**

**Financial Statements**

The first two statements in the basic financial statements are the Government-wide Financial Statements. They provide both short and long-term information about the Town's financial status.

The next statements are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements.

There are three parts to the Fund Financial Statements: 1) the governmental funds statements, 2) the budgetary comparison statements, and 3) the proprietary fund statements.

The next section of the basic financial statements is the **Notes to the Financial Statements**. The notes explain in detail some of the data contained in those statements. After the notes, additional information is provided to show details about the Town's individual funds. Budgetary information required by the N.C. General Statutes can also be found in this part of the statements.

**Government-Wide Financial Statements.** The government-wide financial statements are designed to provide the reader with a broad overview of the Town's finances, in a manner similar of a private-sector business. The government-wide statements provide short and long-term information about the Town's financial status as a whole.

The two government-wide statements report the Town's net position and how they have changed. Net position is the difference between the Town's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities, and 2) business-type activities. The governmental activities include most of the Town's basic services such as general government, public safety, highways/streets, sanitation, economic development, culture and recreation, and debt service. Property taxes and State and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. This includes the water and sewer services offered by the Town of Carthage.

The government-wide financial statements can be found on pages 11 and 12 of this report.

**Fund Financial Statements.** The fund financial statements provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Carthage, like other state and local governments, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town can be divided into two categories, governmental funds and proprietary funds.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and monies that are unexpended at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*, which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Carthage adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them.

**Town of Carthage, North Carolina**  
**Management's Discussion and Analysis (continued)**  
**June 30, 2021**

**Governmental Funds (continued).** It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

**Proprietary Funds.** The Town of Carthage maintains one type of proprietary fund called an Enterprise Fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses the enterprise fund to account for its water and sewer activity. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Funds, which are considered major funds of the Town.

**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 21-48 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Carthage's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 49 of this report.

**Government-Wide Financial Analysis**

**The Town of Carthage's Net Position**  
**Figure 2**

	Governmental Activities 2021	Governmental Activities 2020	Business-type Activities 2021	Business-type Activities 2020	Totals 2021	Totals 2020
Current and other assets	\$ 2,111,032	\$ 1,777,620	\$ 1,605,449	\$ 1,186,101	\$ 3,716,481	\$ 2,963,721
Capital assets	2,280,502	2,498,535	10,219,549	10,221,872	12,500,051	12,720,407
Deferred Outflows of Resources	468,286	311,354	33,862	27,385	502,148	338,739
Total assets and deferred outflows	4,859,820	4,587,509	11,858,860	11,435,358	16,718,680	16,022,867
Long-term liabilities	2,177,758	2,017,784	3,898,392	3,250,766	6,076,150	5,268,550
Other liabilities	169,284	73,089	135,148	104,668	304,432	177,757
Deferred Inflows of Resources	54,093	61,342	3,010	2,973	57,103	64,315
Total liabilities and deferred inflows	2,401,135	2,152,215	4,036,550	3,358,407	6,437,685	5,510,622
Net position						
Net investment in capital assets	1,199,596	1,257,013	6,397,992	7,027,723	7,597,588	8,284,736
Restricted	597,987	424,536	938,118	202,312	1,536,105	626,848
Unrestricted	661,102	753,745	486,200	846,916	1,147,302	1,600,661
Total net position	\$ 2,458,685	\$ 2,435,294	\$ 7,822,310	\$ 8,076,951	\$ 10,280,995	\$ 10,512,245

**Town of Carthage, North Carolina**  
**Management's Discussion and Analysis (continued)**  
**June 30, 2021**

**Government-Wide Financial Analysis (continued)**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The assets and deferred outflows of resources of the Town exceeded liabilities and deferred inflows of resources by \$10,280,995 at the close of the current fiscal year.

By far the largest portion of the Town's net position, 73.90%, reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, and infrastructure); less any related debt used to acquire those assets that are 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 note 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.

The restricted portion of net position, 14.94%, represents the Town's resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is \$1,147,302 or 11.16% of the total.

**Town of Carthage's Changes in Net Position**  
**Figure 3**

	Governmental Activities 2021	Governmental Activities 2020	Business-type Activities 2021	Business-type Activities 2020	Totals 2021	Totals 2020
<b>Revenues:</b>						
Program revenues						
Charges for services	\$ 218,728	\$ 229,081	\$ 1,596,518	\$ 1,545,496	\$ 1,815,246	\$ 1,774,577
Operating grants and contributions	93,358	160,918	-	-	93,358	160,918
Capital grants and contributions	-	-	-	-	-	-
General revenues						
Property taxes	1,685,294	1,645,785	-	-	1,685,294	1,645,785
Other taxes	799,889	675,162	-	-	799,889	675,162
Other	369,778	387,570	3,080	21,676	372,858	409,246
Total revenues	3,167,047	3,098,516	1,599,598	1,567,172	4,766,645	4,665,688
<b>Expenses:</b>						
General government	853,869	763,017	-	-	853,869	763,017
Public safety	1,670,645	1,680,543	-	-	1,670,645	1,680,543
Streets and sanitation	543,137	607,082	-	-	543,137	607,082
Culture and recreation	30,726	27,703	-	-	30,726	27,703
Interest on long-term debt	45,279	34,815	-	-	45,279	34,815
Water and sewer	-	-	1,854,239	1,772,425	1,854,239	1,772,425
Total expenses	3,143,656	3,113,160	1,854,239	1,772,425	4,997,895	4,885,585
Change in net position	23,391	(14,644)	(254,641)	(205,253)	(231,250)	(219,897)
Net position, beginning	2,435,294	2,449,938	8,076,951	8,282,204	10,512,245	10,732,142
Net position - June 30	\$ 2,458,685	\$ 2,435,294	\$ 7,822,310	\$ 8,076,951	\$ 10,280,995	\$ 10,512,245

**Town of Carthage, North Carolina**  
**Management's Discussion and Analysis (continued)**  
**June 30, 2021**

**Government-Wide Financial Analysis (continued)**

Ad valorem taxes were the largest revenue contributor for the governmental funds with 53.21% of total revenues. Other tax revenues were the next largest at 25.22%.

Capital and operating grants for governmental activities furnished resources to support the five functions of the Town: general government, public safety, transportation, cultural and recreation, and non-departmental.

**Business-type activities.** Business-type activities decreased the Town's net position by \$254,641. Key elements of the change in net position compared to prior year are as follows:

- Operating loss totaled \$183,435.
- Depreciation expense totaled \$410,574.
- Total expenses increased by \$81,814 compared to the prior year.

**Financial Analysis of the Government's Funds**

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

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

At the end of the current fiscal year, the Town's governmental funds reported a combined fund balance of \$1,922,116. Of this total amount, \$1,324,129 constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that funds are not available for spending because these funds have already been committed 1) to liquidate contracts and purchase orders of the prior year, or 2) for a variety of other restricted purposes.

The General Fund is the principal operating fund of the Town of Carthage. At the end of the fiscal year, unassigned fund balance for the general fund was \$1,324,129 with a total fund balance of \$1,895,509. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 45.18% of total General Fund expenditures.

**Proprietary Funds.** The Town of Carthage's proprietary fund provides the same type of information found in the governmental-wide financial statements, but in more detail.

Unrestricted net position of the Water and Sewer Funds at the end of the fiscal year amounted to \$486,200. Other factors concerning these funds have been discussed in the Town's business-type activities.

**General Fund Budgetary Highlights**

During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories:

- Amendments that adjust for the estimates that are prepared for the original budget ordinance, which reflect actual cost.
- Amendments that recognize new funding from external sources, such as federal and State grants.
- Amendments that appropriate increases that becomes necessary to maintain services and obligations from prior years not completed.

**Town of Carthage, North Carolina**  
**Management's Discussion and Analysis (continued)**  
**June 30, 2021**

**Capital Assets and Debt Administration**

**Capital assets.** The Town of Carthage's investments in capital assets for its governmental and business-type activities as of June 30, 2021, totals \$12,500,051 (net of accumulated depreciation). The investments in capital assets includes buildings, land, infrastructure, machinery and equipment, park facilities, and vehicles.

**Town of Carthage's Capital Assets**  
**(net of depreciation)**  
**Figure 4**

	Governmental Activities 2021	Governmental Activities 2020	Business-type Activities 2021	Business-type Activities 2020	Totals 2021	Totals 2020
Land	\$ 310,390	\$ 310,390	\$ 124,787	\$ 124,787	\$ 435,177	\$ 435,177
Buildings and improvements	808,113	844,209	1,043,512	1,093,620	1,851,625	1,937,829
Water & Sewer improvements	-	-	7,659,447	3,467,708	7,659,447	3,467,708
Equipment	1,161,999	1,343,936	1,065,610	1,080,036	2,227,609	2,423,972
Construction in progress	-	-	326,193	4,455,721	326,193	4,455,721
Total capital assets, net	<u>\$ 2,280,502</u>	<u>\$ 2,498,535</u>	<u>\$ 10,219,549</u>	<u>\$ 10,221,872</u>	<u>\$ 12,500,051</u>	<u>\$ 12,720,407</u>

Additional information on the Town's capital assets can be found in the notes on page 30 of this report.

**Long-term debt.** At the end of the current fiscal year, the Town of Carthage had total bonded and installment debt outstanding of \$4,902,463. Of this, \$4,652,463 is backed by the full faith and credit of the Town and all debt is covered by pledged collateral and is subject to appropriation.

**Town of Carthage's Outstanding Debt**  
**Figure 5**

	Governmental Activities 2021	Governmental Activities 2020	Business-type Activities 2021	Business-type Activities 2020	Totals 2021	Totals 2020
Capital lease obligations	\$ 164,131	\$ 238,922	\$ -	\$ -	\$ 164,131	\$ 238,922
Installment purchases	916,775	1,002,600	-	-	916,775	1,002,600
Revenue bonds	-	-	3,080,000	3,136,000	3,080,000	3,136,000
Note payable	-	-	741,557	58,149	741,557	58,149
Compensated absences	80,240	82,475	9,641	7,714	89,881	90,189
Net pension obligation (LGERS)	697,519	512,575	67,194	48,903	764,713	561,478
Total pension obligation (LEO)	318,413	181,212	-	-	318,413	181,212
Total outstanding debt	<u>\$ 2,177,078</u>	<u>\$ 2,017,784</u>	<u>\$ 3,898,392</u>	<u>\$ 3,250,766</u>	<u>\$ 6,075,470</u>	<u>\$ 5,268,550</u>

**Town of Carthage, North Carolina**  
**Management's Discussion and Analysis (continued)**  
**June 30, 2021**

North Carolina's General Statutes limit the amount of general obligation debt that a governmental unit can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Carthage is presently at \$55,379,979 (the amount of additional debt the town could obligate itself to under NC General Statute).

Additional information pertaining to the Town of Carthage's long-term debt can be found in the notes on page 42 of this report.

**Economic Factors and Next Year's Budgets and Rates**

Carthage has been working with several developers on new developments planned for Carthage. Two of these developments - Southbury subdivision (75 homes) and Carriage Place Townhouses (120 homes) are currently under construction. Construction is expected to start soon on two other residential developments plus the first phase of a multi-phase residential, commercial, and possible light industrial Planned Unit Development called Little River. Due to the timing of the developments the Town will not see significant taxes revenue from these developments until 2023-24. The Town will experience significant increase in water and sewer revenues and utility system development fees in 2022-23. To help accommodate this growth the Town is in the process of switching out its old water meters with a new cellular read automatic meter infrastructure system (AMI).

The first phase of a major sewer project has been funded with loan and grant funds from USDA to construct an \$8.8 million sewer improvement project which will greatly increase the Town's sewer capacity. The Town is also working with Moore County to secure a water purchase agreement to supplement the Town's water plant production. Existing water and sewer revenues plus expected growth should cover the increased expenses without rate increases.

The town's population is expected to double in the next four to five years. As such, Carthage is finishing review of a new land use plan and a downtown development plan to help guide future growth and development.

**Budget Highlights for the Fiscal Year Ending June 30, 2022**

**Governmental Activities:** The Town's property tax rate will not increase in Fiscal Year 2021-22. That tax base is estimated at \$265,238,842, a 1.3% increase in valuation from the previous year. The \$0.505 tax rate is projected to generate approximately \$1,326,062 in revenue. Tax revenues are estimated to be \$17,993, 1.4% more than FY 2020-21 projected revenues. Because of the COVID-19 pandemic and related issues, the current economic situation is uncertain. Even with the uncertainty, we are hoping to maintain the previous year's levels or even see a modest net increase in state-shared revenues. Interest rates are expected to increase, although not significantly. Even with the slight increase, rates are likely to stay low for the immediate future, which will mean interest earnings revenue will remain limited.

Budgeted expenses in the General Fund will increase by approximately 4.9%, or \$141,765. This increase is due to an increase in the employer retirement contribution rate, the need for increased legal services, switching the planner position from part-time to full time and adding a position in Public Services, and several one-time expenses.

**Business-type Activities:** The Water and Sewer Fund, for its basic operations, will again operate on its own. Water and Sewer revenues are expected to increase due to new residential construction and continued growth in our customer base. General operating expenses are expected to increase due to maintenance of aging infrastructure and equipment, increased costs of employee benefits and additional expenses related to the growth in our town.

**Request for Information**

This financial report is designed to provide a general overview of the Town of Carthage'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 the Office of the Director of Finance, Town of Carthage, 4396 Hwy 15/501, Carthage, North Carolina 28327.

## **Basic Financial Statements**

**Town of Carthage, North Carolina**  
**Statement of Net Position**  
**For the Year Ended June 30, 2021**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 1,687,907	\$ 544,278	\$ 2,232,185
Receivables:			
Taxes receivable (net)	18,952	-	18,952
Accounts receivable (net)	7,799	85,211	93,010
Due from other governments	234,828	7,347	242,175
Cash and cash equivalents - restricted	161,546	968,613	1,130,159
<b>Total current assets</b>	<b>2,111,032</b>	<b>1,605,449</b>	<b>3,716,481</b>
Non-current assets:			
Capital assets (Note 3):			
Non-depreciable improvements	310,390	450,980	761,370
Other capital assets, net of depreciation	1,970,112	9,768,569	11,738,681
<b>Total capital assets</b>	<b>2,280,502</b>	<b>10,219,549</b>	<b>12,500,051</b>
<b>Total assets</b>	<b>4,391,534</b>	<b>11,824,998</b>	<b>16,216,532</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension deferrals	468,286	33,862	502,148
<b>Total deferred outflows of resources</b>	<b>468,286</b>	<b>33,862</b>	<b>502,148</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued expenses	169,284	104,653	273,937
Current portion of compensated absences	17,000	1,000	18,000
Current portion of long-term liabilities	167,207	108,594	275,801
Customer deposits	680	30,495	31,175
<b>Total current liabilities</b>	<b>354,171</b>	<b>244,742</b>	<b>598,913</b>
Long-term liabilities:			
Non-current portion of long-term debt	913,699	3,712,963	4,626,662
Non-current portion of compensated absences	63,240	8,641	71,881
Net pension liability (LGERS)	697,519	67,194	764,713
Total pension liability (LEO)	318,413	-	318,413
<b>Total liabilities</b>	<b>2,347,042</b>	<b>4,033,540</b>	<b>6,380,582</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension deferrals	54,093	3,010	57,103
<b>Total deferred inflows of resources</b>	<b>54,093</b>	<b>3,010</b>	<b>57,103</b>
<b>NET POSITION</b>			
Net investment in capital assets	1,199,596	6,397,992	7,597,588
Restricted for:			
Stabilization by State Statute	242,627	-	242,627
Streets	161,346	-	161,346
Police-drug crime prevention	200	-	200
Rural development USDA loan - debt service	-	88,904	88,904
Rural development USDA loan - short lived	-	167,902	167,902
Debt service	167,207	-	167,207
Pursuant to loan requirements	-	681,312	681,312
Cemetery perpetual maintenance	26,607	-	26,607
Unrestricted	661,102	486,200	1,147,302
<b>Total net position</b>	<b>\$ 2,458,685</b>	<b>\$ 7,822,310</b>	<b>\$ 10,280,995</b>

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

**Town of Carthage, North Carolina**  
**Statement of Activities**  
**For the Year Ended June 30, 2021**

Program Revenues					Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>							
<b>Governmental Activities:</b>							
General government	\$ 853,869	\$ 56,795	\$ -	\$ -	\$ (797,074)	\$ -	\$ (797,074)
Public safety	1,670,645	13,770	19,630	-	(1,637,245)	-	(1,637,245)
Street and sanitation	543,137	140,068	73,728	-	(329,341)	-	(329,341)
Cultural and recreation	30,726	8,095	-	-	(22,631)	-	(22,631)
Interest on long-term debt	45,279	-	-	-	(45,279)	-	(45,279)
<b>Total governmental activities</b>	<b>3,143,656</b>	<b>218,728</b>	<b>93,358</b>	<b>-</b>	<b>(2,831,570)</b>	<b>-</b>	<b>(2,831,570)</b>
<b>Business-type activities:</b>							
Water	1,017,571	909,065	-	-	-	(108,506)	(108,506)
Sewer	836,668	687,453	-	-	-	(149,215)	(149,215)
<b>Total business-type activities</b>	<b>1,854,239</b>	<b>1,596,518</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(257,721)</b>	<b>(257,721)</b>
<b>Total primary government</b>	<b>\$ 4,997,895</b>	<b>\$ 1,815,246</b>	<b>\$ 93,358</b>	<b>\$ -</b>	<b>(2,831,570)</b>	<b>(257,721)</b>	<b>(3,089,291)</b>
<b>General revenues:</b>							
Taxes:							
Property taxes, levied for general purpose					1,685,294	-	1,685,294
Other taxes and licenses					799,889	-	799,889
Unrestricted intergovernmental					203,042	-	203,042
Other general revenues					166,073	2,691	168,764
Investment earnings					663	389	1,052
<b>Total general revenues not including transfers</b>					<b>2,854,961</b>	<b>3,080</b>	<b>2,858,041</b>
Transfers					-	-	-
<b>Total general revenues and transfers</b>					<b>2,854,961</b>	<b>3,080</b>	<b>2,858,041</b>
<b>Change in net position</b>					<b>23,391</b>	<b>(254,641)</b>	<b>(231,250)</b>
<b>Net position, beginning</b>					<b>2,435,294</b>	<b>8,076,951</b>	<b>10,512,245</b>
<b>Net position, ending</b>					<b>\$ 2,458,685</b>	<b>\$ 7,822,310</b>	<b>\$ 10,280,995</b>

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

**Town of Carthage, North Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2021**

	<u>Major</u> <u>General</u> <u>Fund</u>	<u>Non-Major</u> <u>Perpetual Care</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 1,661,300	\$ 26,607	\$ 1,687,907
Taxes receivable, net	18,952	-	18,952
Accounts receivable, net	7,799	-	7,799
Due from other governments	234,828	-	234,828
Restricted cash and cash equivalents	161,546	-	161,546
<b>Total assets</b>	<u>\$ 2,084,425</u>	<u>\$ 26,607</u>	<u>\$ 2,111,032</u>
<b><u>LIABILITIES</u></b>			
Accounts payable and accrued liabilities	\$ 169,284	\$ -	\$ 169,284
Liabilities payable from restricted assets:			
Customer deposits	680	-	680
<b>Total liabilities</b>	<u>169,964</u>	<u>-</u>	<u>169,284</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Property taxes receivable	18,952	-	18,952
<b>Total deferred inflows of resources</b>	<u>18,952</u>	<u>-</u>	<u>18,952</u>
<b><u>FUND BALANCES</u></b>			
Non Spendable:			
Perpetual maintenance	-	26,607	26,607
Restricted:			
Stabilization by State Statute	242,627	-	242,627
Streets	161,346	-	161,346
Police-drug crime prevention	200	-	200
Debt service	167,207	-	167,207
Unassigned	1,324,129	-	1,324,129
<b>Total fund balances</b>	<u>1,895,509</u>	<u>26,607</u>	<u>1,922,116</u>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<u>\$ 2,084,425</u>	<u>\$ 26,607</u>	

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

**Town of Carthage, North Carolina**  
**Balance Sheet**  
**Governmental Funds (continued)**  
**June 30, 2021**

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

Total fund balances, governmental funds	\$ 1,922,116
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.	
Gross capital assets at historical cost	\$ 5,263,924
Accumulated depreciation	<u>(2,983,422)</u>
	2,280,502
Deferred outflows of resources related to pensions are not reported in the funds	468,286
Earned revenues are considered deferred inflows of resources in fund statements	18,952
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds	(1,161,146)
Net pension liability	(697,519)
Total pension liability	(318,413)
Pension related deferrals	<u>(54,093)</u>
<b>Net position of governmental activities</b>	<b><u>\$ 2,458,685</u></b>

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

**Town of Carthage, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2021**

	<u>Major General Fund</u>	<u>Non-Major Perpetual Care Fund</u>	<u>Total</u>
<b>Revenues:</b>			
Ad valorem taxes	\$ 1,689,797	\$ -	\$ 1,689,797
Other taxes and licenses	799,889	-	799,889
Unrestricted intergovernmental	203,042	-	203,042
Restricted intergovernmental	95,128	-	95,128
Sales and services	140,068	-	140,068
Investment earnings	656	7	663
Miscellaneous	242,963	-	242,963
<b>Total revenues</b>	<u>3,171,543</u>	<u>7</u>	<u>3,171,550</u>
<b>Expenditures:</b>			
Current:			
General government	806,559	-	806,559
Public safety	1,383,534	-	1,383,534
Street and sanitation	516,549	-	516,549
Cultural and recreational	17,973	-	17,973
Debt service:			
Principal	160,616	-	160,616
Interest and other charges	45,279	-	45,279
<b>Total expenditures</b>	<u>2,930,510</u>	<u>-</u>	<u>2,930,510</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>241,033</u>	<u>7</u>	<u>241,040</u>
<b>Net change in fund balances</b>	241,033	7	241,040
<b>Fund balances, beginning</b>	<u>1,654,476</u>	<u>26,600</u>	<u>1,681,076</u>
<b>Fund balances, ending</b>	<u>\$ 1,895,509</u>	<u>\$ 26,607</u>	<u>\$ 1,922,116</u>

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

**Town of Carthage, North Carolina**  
**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, 2021**

**Amounts reported for governmental activities in the statement of activities  
are different because:**

Net change in fund balances - total governmental funds		\$ 241,040
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Depreciation expense for governmental assets		(218,033)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		105,653
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in unavailable revenue for tax revenues		(4,503)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has an effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Principal payments on long-term debt		160,616
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences	2,235	
Pension expense	(263,617)	(261,382)
<b>Total changes in net position of governmental activities</b>		<b>\$ 23,391</b>

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

**Town of Carthage, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2021**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>				
Ad valorem taxes	\$ 1,656,651	\$ 1,656,651	\$ 1,689,797	\$ 33,146
Other taxes and licenses	201,200	610,500	799,889	189,389
Unrestricted intergovernmental	611,000	201,700	203,042	1,342
Restricted intergovernmental	101,660	101,660	95,128	(6,532)
Sales and services	155,000	155,000	140,068	(14,932)
Investment earnings	9,500	9,500	656	(8,844)
Miscellaneous	156,161	215,715	242,963	27,248
<b>Total revenues</b>	<u>2,891,172</u>	<u>2,950,726</u>	<u>3,171,543</u>	<u>220,817</u>
<b>Expenditures:</b>				
Current:				
General government	787,519	870,393	806,559	63,834
Public safety	1,414,267	1,486,610	1,383,534	103,076
Street and sanitation	536,647	580,742	516,549	64,193
Cultural and recreational	28,418	28,418	17,973	10,445
Debt service:				
Principal retirement	160,617	160,617	160,616	1
Interest and other charges	45,282	45,282	45,279	3
<b>Total expenditures</b>	<u>2,972,750</u>	<u>3,172,062</u>	<u>2,930,510</u>	<u>241,552</u>
<b>Revenues over (under) expenditures</b>	<u>(81,578)</u>	<u>(221,336)</u>	<u>241,033</u>	<u>462,369</u>
Fund balance appropriated	81,578	221,336	-	(221,336)
<b>Net change in fund balances</b>	<u>\$ -</u>	<u>\$ -</u>	241,033	<u>\$ 241,033</u>
<b>Fund balance, beginning</b>			<u>1,654,476</u>	
<b>Fund balance, ending</b>			<u>\$ 1,895,509</u>	

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

**Town of Carthage, North Carolina**  
**Statement of Fund Net Position**  
**Proprietary Funds**  
**June 30, 2021**

<b><u>ASSETS</u></b>	<b>Major Enterprise Funds</b>		
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Total</b>
Current assets:			
Cash and cash equivalents	\$ 370,643	\$ 173,635	\$ 544,278
Accounts receivable (net)	44,610	40,601	85,211
Due from other governments	171	7,176	7,347
Due from other funds	375,000	-	375,000
Restricted cash and cash equivalents	815,656	152,957	968,613
<b>Total current assets</b>	<b>1,606,080</b>	<b>374,369</b>	<b>1,980,449</b>
Non-current assets:			
Capital assets:			
Land and other non-depreciable assets	162,665	288,315	450,980
Other capital assets, net of depreciation	6,665,822	3,102,747	9,768,569
<b>Capital assets (net)</b>	<b>6,828,487</b>	<b>3,391,062</b>	<b>10,219,549</b>
<b>Total noncurrent assets</b>	<b>6,828,487</b>	<b>3,391,062</b>	<b>10,219,549</b>
<b>Total assets</b>	<b>8,434,567</b>	<b>3,765,431</b>	<b>12,199,998</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Pension deferrals	21,918	11,944	33,862
<b>Total deferred outflows of resources</b>	<b>21,918</b>	<b>11,944</b>	<b>33,862</b>
<b><u>LIABILITIES</u></b>			
Current liabilities:			
Accounts payable and accrued liabilities	36,282	68,371	104,653
Compensated absences - current	500	500	1,000
Current portion of long-term debt	69,504	39,090	108,594
Due to other funds		375,000	375,000
Liabilities payable from restricted assets:			
Customer deposits	30,495	-	30,495
<b>Total current liabilities</b>	<b>136,781</b>	<b>482,961</b>	<b>619,742</b>
Noncurrent liabilities:			
Compensated absences	4,930	3,711	8,641
Net pension liability	42,939	24,255	67,194
Noncurrent portion of long-term debt	2,290,597	1,422,366	3,712,963
<b>Total noncurrent liabilities</b>	<b>2,338,466</b>	<b>1,450,332</b>	<b>3,788,798</b>
<b>Total liabilities</b>	<b>2,475,247</b>	<b>1,933,293</b>	<b>4,408,540</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Pension deferrals	1,968	1,042	3,010
<b>Total deferred inflows of resources</b>	<b>1,968</b>	<b>1,042</b>	<b>3,010</b>
<b><u>NET POSITION</u></b>			
Net investment in capital assets	4,468,386	1,929,606	6,397,992
Restricted:			
Pursuant to loan requirements	681,312	-	681,312
USDA loan-debt service	24,752	64,152	88,904
USDA loan-short lived asset	79,097	88,805	167,902
Unrestricted	725,723	(239,523)	486,200
<b>Total net position</b>	<b>\$ 5,979,270</b>	<b>\$ 1,843,040</b>	<b>\$ 7,822,310</b>

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

**Town of Carthage, North Carolina**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2021**

	<b>Major Enterprise Funds</b>		
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Total</b>
<b>Operating revenues:</b>			
Charges for sales and services	\$ 909,065	\$ 687,453	\$ 1,596,518
<b>Total operating revenues</b>	<u>909,065</u>	<u>687,453</u>	<u>1,596,518</u>
<b>Operating expenses:</b>			
Water operations	713,395	-	713,395
Sewer operations	-	655,984	655,984
Depreciation	270,656	139,918	410,574
<b>Total operating expenses</b>	<u>984,051</u>	<u>795,902</u>	<u>1,779,953</u>
<b>Operating income (loss)</b>	<u>(74,986)</u>	<u>(108,449)</u>	<u>(183,435)</u>
<b>Nonoperating revenues (expenses):</b>			
Investment earnings	297	92	389
Insurance proceeds	2,691	-	2,691
Interest and other charges	(33,520)	(40,766)	(74,286)
<b>Total nonoperating revenue (expenses)</b>	<u>(30,532)</u>	<u>(40,674)</u>	<u>(71,206)</u>
<b>Change in net position</b>	<u>(105,518)</u>	<u>(149,123)</u>	<u>(254,641)</u>
Net position, beginning	<u>6,084,788</u>	<u>1,992,163</u>	<u>8,076,951</u>
<b>Total net position, ending</b>	<u>\$ 5,979,270</u>	<u>\$ 1,843,040</u>	<u>\$ 7,822,310</u>

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

**Town of Carthage, North Carolina**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2021**

	<b>Major Enterprise Fund</b>		
	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Total</b>
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 952,695	\$ 732,973	\$ 1,685,668
Cash paid for goods and services	(967,932)	(196,019)	(1,163,951)
Cash paid to employees for services	(97,731)	(63,438)	(161,169)
<b>Net cash provided (used) by operating activities</b>	<b>(112,968)</b>	<b>473,516</b>	<b>360,548</b>
<b>Cash flows from noncapital financing activities:</b>			
Transfers to other funds	-	-	-
<b>Total cash flows provided (used) by noncapital financing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash flows from capital and related financing activities:</b>			
Capital contributions and grants	-	-	-
Principal paid on bonds and installment notes	(31,000)	(56,588)	(87,588)
Interest paid on bonds and installment notes	(33,506)	(40,766)	(74,272)
Insurance recovery	2,691	-	2,691
Loan proceeds	715,000	-	715,000
Acquisition and construction of capital assets	(37,878)	(370,373)	(408,251)
<b>Net cash provided (used) by capital and related financing activities</b>	<b>615,307</b>	<b>(467,727)</b>	<b>147,580</b>
<b>Cash flows from investing activities:</b>			
Investment earnings	297	92	389
<b>Net cash provided (used) by investing activities</b>	<b>297</b>	<b>92</b>	<b>389</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>502,636</b>	<b>5,881</b>	<b>508,517</b>
<b>Cash and cash equivalents - beginning of year</b>	<b>683,663</b>	<b>320,711</b>	<b>1,004,374</b>
<b>Cash and cash equivalents - end of year</b>	<b>\$ 1,186,299</b>	<b>\$ 326,592</b>	<b>\$ 1,512,891</b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
<b>Operating income (loss)</b>	<b>\$ (74,986)</b>	<b>\$ (108,449)</b>	<b>\$ (183,435)</b>
<b>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities :</b>			
Depreciation	270,656	139,918	410,574
Change in assets, deferred outflows of resources, and liabilities:			
(Increase) decrease in accounts receivable	43,630	45,520	89,150
Increase (decrease) in compensated absences	1,085	842	1,927
Increase (decrease) in accounts payable and accrued liabilities	9,069	16,506	25,575
(Increase) decrease in due from other funds	-	375,000	375,000
Increase (decrease) in due to other funds	(375,000)	-	(375,000)
Increase (decrease) in deposits	4,907	-	4,907
(Increase) decrease in deferred outflows of resources - pensions	(4,193)	(2,285)	(6,478)
Increase (decrease) in net pension liability	11,840	6,451	18,291
Increase (decrease) in deferred inflows of resources - pensions	24	13	37
<b>Total adjustments</b>	<b>(37,982)</b>	<b>581,965</b>	<b>543,983</b>
<b>Net cash provided (used) by operating activities</b>	<b>\$ (112,968)</b>	<b>\$ 473,516</b>	<b>\$ 360,548</b>

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

## **Notes to the Financial Statements**

These notes are intended to communicate information necessary for a fair presentation of financial position and results of operations that are not readily apparent from, or cannot be included in, the financial statement themselves. The notes supplement the financial statements, and are an integral part thereof, and are intended to be read in conjunction with the financial statements.

**Town of Carthage, North Carolina**  
**Notes to the Financial Statements**  
**June 30, 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Town of Carthage, North Carolina (“the Town”) conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

**A - Reporting Entity**

The Town of Carthage is a municipal corporation that is governed by an elected mayor and a five-member Council. As required by generally accepted accounting principles, these financial statements include all funds, account groups, agencies, boards, commissions, and authorities that are controlled by or are financially independent upon the Town.

**B - Basis of Presentation**

*Government-wide Statements:* The statement of net position and statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Town and for each function of the Town’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the Statement of Activities. Program revenues include (a) fees and charges paid by the recipients of goods and services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

*Fund Financial Statements:* The fund financial statements provide information about the Town’s funds. Separate statements for each fund category – government and proprietary – are presented. The emphasis of the fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. The Town has no fiduciary funds to report. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from the exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

The Town reports the following major governmental funds:

**General Fund** - The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, state grants, and various other taxes and licenses. The primary expenditures are for general government, public safety, street maintenance and construction, and sanitation services.

**Town of Carthage, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B - Basis of Presentation - Fund Accounting (continued)**

The Town reports the following non-major governmental funds:

**Cemetery Permanent Fund** - This fund is used to account for perpetual care of the municipal cemetery.

The Town reports the following major enterprise funds:

**Water Fund** - This fund is used to account for the Town's water operations. A Water Capital Projects Fund and a Capital Reserve Fund have been consolidated into the Water Fund for financial reporting purposes. The budgetary comparison for the Water Capital Projects Fund and the Capital Reserve Fund have been included in the supplemental information.

**Sewer Fund** - This fund is used to account for the Town's sewer operations. A Sewer Capital Projects Fund has been consolidated into the Sewer Fund for financial reporting purposes. The budgetary comparison for the Sewer Capital Projects Fund has been included in the supplemental information.

**C - Measurement Focus and Basis of Accounting**

In accordance with North Carolina General Statutes, all funds of the Town are maintained during the year using the modified accrual basis of accounting.

*Government-wide and Proprietary Fund Financial Statements.* The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer 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.

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

**Town of Carthage, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C - Measurement Focus and Basis of Accounting (continued)**

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad Valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts.

Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered shared revenue for the Town of Carthage because the tax is levied by Moore County and then remitted to and distributed by the State. Most intergovernmental revenue and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

**D - Budgetary Data**

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund, Perpetual Care Fund, the Enterprise Funds, and the Capital Reserve Fund. All annual appropriations lapse at the fiscal year-end. A project ordinance is adopted for the Water Capital Project Fund and the Sewer Capital Project Fund. The Water Capital Project Fund and the Sewer Capital Project Fund are consolidated with the respective operating funds for reporting purposes. All budgets are prepared using the modified accrual basis of accounting.

Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. All amendments must be approved by the governing board and the Board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

**E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity**

**1. Deposits and Investments**

All deposits of the Town are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The Town may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the Town may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain nonguaranteed federal agencies; certain high quality issues of commercial paper and banker's acceptances and the North Carolina Capital Management Trust (NCCMT).

**Town of Carthage, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)**

**1. Deposits and Investments (continued)**

The Town of Carthage's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The NCCMT Government Portfolio, a SEC-registered (2a7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. The NCCMT-Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2021, The Term Portfolios has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

In accordance with State law, the Town of Carthage has invested in securities that are callable and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

**2. Cash and Cash Equivalents**

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

**3. Restricted Assets**

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing, or widening of local streets per G.S. 136-41.1 through 136-41.4. The USDA requires the Town to establish a Debt Service Reserve account. This account was established for the payment of debt service if revenues are insufficient and is represented as a restricted asset.

**Town of Carthage's Restricted Cash**

Governmental Activities:

General Fund

Streets	\$ 161,346
Police-drug crime prevention	200
Total Governmental activities	<u>161,546</u>

Business-type activities:

Water and Sewer Fund

Customer deposits	30,495
Debt service reserve	88,904
Short lived asset reserve-USDA	167,902
Pursuant to loan requirements	681,312
Total business-type activities	<u>968,613</u>

Total restricted cash	<u><u>\$ 1,130,159</u></u>
-----------------------	----------------------------

**Town of Carthage, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)**

**4. Ad Valorem Taxes Receivable**

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2020. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenue is reported net of such discounts.

**5. Allowances for Doubtful Accounts**

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.

**6. Capital Assets**

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain threshold and an estimated life in excess of one year. Minimum capitalization costs are \$5,000 for all asset categories. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of the road network and water and sewer system assets that were acquired or that received substantial improvements subsequent to July 1, 1980, and are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	<u>Estimated Useful Lives</u>
Buildings	15 - 40
Machinery and equipment	5 - 40
Water and sewer improvements	5 - 40

**7. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meet this criterion – pension related deferrals for the 2021 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meet the criteria for this category – property taxes receivable and pension related deferrals.

**Town of Carthage, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)**

**8. Long-Term Obligations**

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

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

**9. Compensated Absences**

The vacation policy of the Town provides for the accumulation of up to thirty (30) days of earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense is recorded and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designed as a current liability in the government-wide financial statements.

The Town's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

**10. Net Position / Fund Balances**

**Net Position**

Net position in government-wide and proprietary fund financial statements are classified as invested in capital assets, net of related debt; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

**Town of Carthage, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)**

**10. Net Position / Fund Balances (continued)**

**Fund Balances**

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

**Nonspendable Fund Balance** - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

*Perpetual Maintenance* - cemetery resources that are required to be retained in perpetuity for maintenance of the Cross Hill Cemetery.

**Restricted Fund Balance** - This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

*Restricted for Stabilization by State Statute* - North Carolina G.S. 159-8 prohibits units of government from budgeting or spending a portion of their fund balance. This is one of several statutes enacted by the North Carolina State Legislature in the 1930's that were designed to improve and maintain the fiscal health of local government units. Restricted by State statute (RSS), is calculated at the end of each fiscal year for all annually budgeted funds. The calculation in G.S. 159-8(a) provides a formula for determining what portion of fund balance is available for appropriation. The amount of fund balance not available for appropriation is what is known as "restricted by State statute". Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget. Per GASB guidance, RSS is considered a resource upon which a restriction is "imposed by law through constitutional provisions or enabling legislation." RSS is reduced by inventories and prepaids as they are classified as nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net Position and Restricted fund balance on the face of the balance sheet.

*Restricted for Streets* - Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

*Restricted for Police* - portion of fund balance that is restricted by revenue source for drug crime prevention.

*Restricted for Public Safety (debt service)* - portion of fund balances that is available for appropriation but segregated for the Town's fire district.

*Restricted for Capital Projects* - portion of fund balance that is restricted for capital projects (Street Capital Project and Recreation Capital Project).

**Committed Fund Balance** - portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town's governing body. The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken to remove or revise the limitation.

**Assigned Fund Balance** - portion of fund balance that the Town intends to use for specific purposes.

**Town of Carthage, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)**

Fund Balances (continued)

10. Net Position / Fund Balances (continued)

*Subsequent year's expenditures* - portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation.

Unassigned Fund Balance - portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

The Town of Carthage has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Director will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-town funds, town funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and, lastly, unassigned fund balance. The Finance Director has the authority to deviate from this policy if it is in the best interest of the Town.

The Town of Carthage has also adopted a minimum fund balance policy. Available fund balances at the close of each fiscal year should not fall below 25.0% for cash flow purposes. A Targeted Policy equal to 38.5% of the Town's subsequent year's Total Annual Operating Expense Budget. This percentage represents the equivalent of 4.5 months of operating expenses.

11. Defined Benefit Cost-Sharing Plans

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of Carthage's employer contributions are recognized when due and the Town of Carthage has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A - Noncompliance with North Carolina General Statutes**

None

**B - Deficit in Fund Balance or Net Position of Individual Funds**

None

**C - Excess of Expenditures over Appropriations**

None

**Town of Carthage, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2021**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS**

**A - Assets**

**1. Deposits**

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the Federal Deposit Insurance Coverage level are collateralized with securities held by the Town's agents in this unit's names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no policy regarding custodial risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2021, the Town's deposits had a carrying amount of \$1,991,041 and a bank balance of \$2,002,551. Of the bank balance, \$750,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2021, the Town's petty cash amounted to \$500.

**2. Investments**

At June 30, 2021, the Town of Carthage had \$1,370,803 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAA by Standard and Poor's. The Town has no policy regarding credit risk.

**3. Receivables - Allowance for Doubtful Accounts**

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2021 are net of the following allowance for doubtful accounts:

General fund:	
Garbage fees	\$ 11,449
Total general fund	<u>11,449</u>
Enterprise Funds:	
Water - Accounts receivable	\$ 48,120
Sewer - Accounts receivable	22,974
Total Enterprise Funds	<u>71,094</u>
Total	<u>\$ 82,543</u>

**Town of Carthage, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2021**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**A - Assets (continued)**

4. Capital Assets

Capital asset activity for the Primary Government for the year ended June 30, 2021, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 310,390	\$ -	\$ -	\$ 310,390
Total capital assets not being depreciated	310,390	-	-	310,390
<b>Capital assets being depreciated:</b>				
Buildings and improvements	1,507,808	-	-	1,507,808
Furniture and equipment	3,548,198	-	102,472	3,445,726
Total capital assets being depreciated	5,056,006	-	102,472	4,953,534
<b>Less accumulated depreciation for:</b>				
Buildings and improvements	663,599	36,096	-	699,695
Furniture and equipment	2,204,262	181,937	102,472	2,283,727
Total accumulated depreciation	2,867,861	218,033	102,472	2,983,422
Total capital assets being depreciated, net	2,188,145			1,970,112
<b>Governmental activities capital assets, net</b>	<u>\$ 2,498,535</u>			<u>\$ 2,280,502</u>

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

General government	\$ 28,316
Public safety	167,223
Streets and sanitation	9,741
Cultural and recreation	12,753
Total depreciation expense	<u>\$ 218,033</u>

**Town of Carthage, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2021**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**A - Assets (continued)**

**4. Capital Assets (continued)**

Capital asset activity for the Proprietary Funds for the year ended June 30, 2021, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Water fund</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 124,787	\$ -	\$ -	\$ 124,787
Construction in progress	3,734,420	37,878	3,734,420	37,878
Total capital assets not being depreciated	3,859,207	37,878	3,734,420	162,665
<b>Capital assets being depreciated:</b>				
Buildings and improvements	2,091,095	-	-	2,091,095
Machinery and equipment	2,090,410	-	-	2,090,410
Water improvements	2,666,087	3,734,420	-	6,400,507
Total capital assets being depreciated	6,847,592	3,734,420	-	10,582,012
<b>Less accumulated depreciation for:</b>				
Buildings and improvements	997,475	50,108	-	1,047,583
Machinery and equipment	1,049,626	78,646	-	1,128,272
Water improvements	1,598,433	141,902	-	1,740,335
Total accumulated depreciation	3,645,534	270,656	-	3,916,190
Total capital assets being depreciated, net	3,202,058			6,665,822
<b>Water fund capital assets, net</b>	<b>\$ 7,061,265</b>			<b>\$ 6,828,487</b>
	Beginning Balances	Increases	Decreases	Ending Balances
<b>Sewer fund</b>				
<b>Capital assets not being depreciated:</b>				
Construction in progress	\$ 721,301	\$ 288,315	\$ 721,301	\$ 288,315
Total capital assets not being depreciated	721,301	288,315	721,301	288,315
<b>Capital assets being depreciated:</b>				
Buildings and improvements	4,596	-	-	4,596
Machinery and equipment	458,683	82,058	-	540,741
Sewer improvements	4,359,766	721,301	-	5,081,067
Total capital assets being depreciated	4,823,045	803,359	-	5,626,404
<b>Less accumulated depreciation for:</b>				
Buildings and improvements	4,596	-	-	4,596
Machinery and equipment	419,432	17,839	-	437,271
Sewer improvements	1,959,710	122,080	-	2,081,790
Total accumulated depreciation	2,383,738	139,919	-	2,523,657
Total capital assets being depreciated, net	2,439,307			3,102,747
<b>Sewer fund capital assets, net</b>	<b>3,160,608</b>			<b>3,391,062</b>
Business-type activities capital assets, net	<u>\$ 10,221,873</u>			<u>\$ 10,219,549</u>

**Town of Carthage, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2021**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B - Liabilities**

1. Pension Plan and Postemployment Obligations

*a. Local Governmental Employees' Retirement System*

*Plan Description.* The Town of Carthage is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

*Benefits Provided.* LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Carthage employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Carthage's contractually required contribution rate for the year ended June 30, 2021, was 9.70% of compensation for law enforcement officers and 8.95% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Carthage were \$116,102 for the year ended June 30, 2021.

**Town of Carthage, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2021**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B - Liabilities (continued)**

**1. Pension Plan and Postemployment Obligations (continued)**

***a. Local Governmental Employees' Retirement System (continued)***

*Refunds of Contributions.* Town employees, who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60-day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2021, the Town reported a liability of \$764,713 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2020, the Town's proportion was 0.0214%, which was an increase of 0.0008% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$247,723. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 96,570	\$ -
Changes of assumptions	56,910	-
Net difference between projected and actual earnings on pension plan investments	107,613	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	34,147
Town contributions subsequent to the measurement date	116,102	-
Total	<u>\$ 377,195</u>	<u>\$ 34,147</u>

\$116,102 resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2022	\$ 61,417
2023	85,786
2024	47,894
2025	31,848
2026	-
Thereafter	-

**Town of Carthage, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2021**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B - Liabilities (continued)**

1. Pension Plan and Postemployment Obligations (continued)

*a. Local Governmental Employees' Retirement System (continued)*

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)***

*Actuarial Assumptions.* The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Pension---

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	<u>100.0%</u>	

**Town of Carthage, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2021**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B - Liabilities (continued)**

**1. Pension Plan and Postemployment Obligations (continued)**

***a. Local Governmental Employees' Retirement System (continued)***

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)***

The information above is based on 30 year expectations developed with the consulting actuary for the 2019 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

*Discount rate.* The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan 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.

*Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate.* The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the Town's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	<b>1% Decrease (6.00%)</b>	<b>Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
Town's proportionate share of the net pension liability (asset)	\$ 1,551,520	\$ 764,713	\$ 110,822

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued Annual Comprehensive Financial Report for the State of North Carolina.

***b. Law Enforcement Officers' Special Separation Allowance***

***1. Plan Description.***

The Town of Carthage administers a public employee retirement system (the *Separation Allowance*), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

**Town of Carthage, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2021**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B - Liabilities (continued)**

**1. Pension Plan and Postemployment Obligations (continued)**

***b. Law Enforcement Officers' Special Separation Allowance (continued)***

***1. Plan Description (continued).***

All full-time Town law enforcement officers are covered by the Separation Allowance. At December 31, 2019, the Separation Allowance's membership consisted of:

Retirees and dependents receiving benefits	-
Terminated plan members entitled to, but not yet receiving benefits	-
Active plan members	11
Total	11

***2. Summary of Significant Accounting Policies***

*Basis of Accounting.* The Town has chosen to fund the Separation Allowance on a pay-as-you-go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 73:

***3. Actuarial Assumptions***

The entry age actuarial cost method was used in the December 31, 2019 valuation. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	1.93 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2019. Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

***4. Contributions***

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$0 as benefits came due for the reporting period.

**Town of Carthage, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2021**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B - Liabilities (continued)**

**1. Pension Plan and Postemployment Obligations (continued)**

***b. Law Enforcement Officers' Special Separation Allowance (continued)***

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2021, the Town reported a total pension liability of \$318,413. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the Town recognized pension expense of \$38,144.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 24,584	\$ 17,079
Changes of assumptions	100,369	5,877
<b>Total</b>	<b>\$ 124,953</b>	<b>\$ 22,956</b>

\$0 paid as benefits came due subsequent to the measurement date have been reported as deferred outflows of resources. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>		
2022	\$	14,822
2023		14,822
2024		15,796
2025		20,051
2026		18,546
Thereafter		17,960

*Sensitivity of the Town's total pension liability to changes in the discount rate.* The following presents the Town's total pension liability calculated using the discount rate of 1.93 %, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (0.93 %) or 1-percentage-point higher (2.93 %) than the current rate:

	<b>1% Decrease (0.93%)</b>	<b>Discount rate (1.93%)</b>	<b>1% Increase (2.93%)</b>
Total pension liability	\$ 354,814	\$ 318,413	\$ 285,706

**Town of Carthage, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2021**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B - Liabilities (continued)**

1. Pension Plan and Postemployment Obligations (continued)

*b. Law Enforcement Officers' Special Separation Allowance (continued)*

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

**Schedule of Changes in Total Pension Liability**  
**Law Enforcement Officers' Special Separation Allowance**

	<u>2021</u>
Beginning balance	\$ 181,212
Service Cost	17,414
Interest on the total pension liability	5,908
Differences between expected and actual experience in the measurement of the total pension liability	7,865
Changes of assumptions or other inputs	106,014
Ending balance of the total pension liability	<u>\$ 318,413</u>

The plan currently uses mortality tables that vary by age, and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

**Town of Carthage, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2021**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B - Liabilities (continued)**

**1. Pension Plan and Postemployment Obligations (continued)**

***Total Expense, Liabilities, and Deferred Outflows and Inflows of Resources of Related to Pensions***

The following is information related to the proportionate share and pension expense for all pension plans:

	<b>LGERS</b>	<b>LEOSSA</b>	<b>Total</b>
Pension Expense	\$ 247,723	\$ 38,144	\$ 285,867
Pension Liability	764,713	318,413	1,083,126
Proportionate share of the net pension liability	0.02140%	n/a	
Deferred of Outflows of Resources			
Differences between expected and actual experience	96,570	24,584	121,154
Changes of assumptions	56,910	100,369	157,279
Net difference between projected and actual earnings on plan investments	107,613	-	107,613
Benefit payments and administrative costs paid subsequent to the measurement date	116,102	-	116,102
Deferred of Inflows of Resources			
Difference between expected and actual experience	-	17,079	17,079
Changes of assumptions	-	5,877	5,877
Changes in proportion and differences between contributions and proportionate share of contributions	34,147	-	34,147

**c. Supplemental Retirement Income Plan for Law Enforcement Officers**

*Plan Description.* The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454.

*Funding Policy.* Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan.

**Town of Carthage, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2021**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B - Liabilities (continued)**

2. Other Employment Benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Government Employees' Retirement System (Death Benefit Plan), a multi-employer, State-administered, cost sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan.

The Town has no liability beyond the payment of the contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

3. Deferred Outflows and Inflows of Resources

The Town has several deferred outflows of resources. Deferred outflows of resources is comprised of the following:

Contributions to pension plan in current fiscal year	\$ 116,102
Differences between expected and actual experience	121,154
Changes of assumptions	157,279
Net difference between projected and actual	107,613
<b>Total</b>	<u><u>\$ 502,148</u></u>

**Town of Carthage, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2021**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B - Liabilities (continued)**

3. Deferred Outflows and Inflows of Resources (continued)

Deferred inflows of resources at year-end is comprised of the following:

	Statement of Net Position	General Fund Balance Sheet
Taxes Receivable, less penalties (General Fund)	\$ -	\$ 18,952
Changes in assumptions	5,877	-
Differences between expected and actual experience	17,079	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	34,147	-
<b>Total</b>	<u><u>\$ 57,103</u></u>	<u><u>\$ 18,952</u></u>

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels.

Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The Finance Director is individually bonded for \$60,000. The remaining employees that have access to cash are covered under a blanket insurance policy for \$50,000.

The Town carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The Town does not carry flood insurance, as the Town does not feel that, based on the location of their assets, the added cost of flood insurance is justifiable.

**Town of Carthage, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2021**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B - Liabilities (continued)**

5. Claims, Judgments and Contingent Liabilities

At June 30, 2021, the Town was a defendant to various lawsuits. In the opinion of the Town's management and the Town attorneys, the ultimate effect of these legal matters will not have a material adverse effect on the Town's financial position.

6. Long-Term Obligations

a. Capital Lease

The City has entered into agreements to lease certain equipment. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The agreement was executed on December 9, 2019 to lease police vehicles and yearly payments of \$89,962. Title passes to the Town at the end of the lease term.

The following is an analysis of the assets recorded under capital lease at June 30, 2021:

Classes of Property	Cost	Accumulated Depreciation	Net Book Value
Vehicles	\$ 360,557	\$ 153,438	\$ 207,119
Total	\$ 360,557	\$ 153,438	\$ 207,119

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2021 were as follows:

Year Ending June 30	
2022	\$ 89,962
2023	89,962
Total minimum lease payments	179,924
Less: amount representing interest	15,793
Present value of minimum lease payment	\$ 164,131

**Town of Carthage, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2021**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B - Liabilities (continued)**

6. Long-Term Obligations (continued)

b. Installment Purchase (continued)

a. Installment Purchase

The Town has entered an direct placement installment purchase contract to finance a building and land for a Town hall. The Town also entered into an installment purchase contract to finance the purchase of a fire truck and an additional contract to finance a crash truck. The terms of these installment purchases are as follows:

*Governmental Activities:*

USDA installment purchase originally issued on January 2, 2002 for \$630,000 due in annual payments of \$35,469 including interest at 4.75%	\$ 461,760
USDA installment purchase originally issued on May 2, 2007 for \$350,000 due in annual payments of \$26,040 including interest at 4.125%	135,939
Installment purchase originally issued on March 25, 2015 for \$30,000 due in annual payments of \$4,725 including interest at 2.50%	4,609
Installment purchase originally issued on March 25, 2015 for \$360,000 due in annual payments of \$27,000 with 0% interest	288,000
Installment purchase originally issued on May 1, 2020 for \$39,251 due in annual payments of \$13,699 with 2.3% interest	<u>26,468</u>
Total installment purchases	916,775
Less current portion	<u>79,540</u>
Total governmental long term portion	<u><u>\$ 837,235</u></u>

**Town of Carthage, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2021**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B - Liabilities (continued)**

6. Long-Term Obligations (continued)

b. Installment Purchase (continued)

Annual debt service payments of the installment purchases as of June 30, 2021, including \$326,119 of interest, are as follows:

Years Ending June 30:	Governmental Activities	
	Installment Purchases	
	Principal	Interest
2022	\$ 87,667	\$ 30,095
2023	84,845	28,266
2024	73,005	26,363
2025	74,624	24,504
2026	76,315	22,885
2027-2031	226,847	90,815
2032-2036	118,365	64,347
2037-2041	149,278	34,836
2042	25,829	4,008
	<u>\$ 916,775</u>	<u>\$ 326,119</u>

c. Notes Payable

Notes payable included in the accompanying financial statements were used to finance sewer improvements. The Town's notes payable are comprised of the following:

*Business-type Activities:*

Installment purchase originally issued on May 1, 2020 for \$39,251 due in annual payments of \$13,699 with 2.3% interest	\$ 26,557
Installment purchase originally issued on May 17, 2021 for \$715,000 due in annual payments of \$53,877 with 2.3% interest	<u>715,000</u>
Total Notes Payable	741,557
Less current portion	<u>50,594</u>
Total business-type long term portion	<u>\$ 690,963</u>

**Town of Carthage, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2021**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B - Liabilities (continued)**

6. Long-Term Obligations (continued)

c. Notes Payable (continued)

Annual debt service requirements to maturity for notes payable are as follows:

Years Ending <u>June 30:</u>	Notes Payable	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 50,695	\$ 16,982
2023	51,728	15,822
2024	39,241	14,636
2025	40,140	13,738
2026	41,059	12,818
2027-2031	219,836	49,550
2032-2036	246,187	23,199
2037	52,671	1,206
Total	<u>\$ 741,557</u>	<u>\$ 147,951</u>

d. Revenue Bonds

A revenue bond was issued to cover costs of improvements to the water and sewer fund.

USDA revenue bond originally issued on November 18, 2014  
for \$1,056,000 due in varying annual payments including  
interest at 2.75%

\$ 943,000

Sewer system upgrade bond anticipation note (USDA) for \$523,000;  
still in progress annual payments of \$19,100 including interest at 2.25%

492,000

Water treatment plant and system bond anticipation note (USDA)  
for \$1,766,000 still in progress with interest at 2.25%

1,645,000

Total Notes Payable

3,080,000

Less current portion

58,000

Total Revenue Bonds

\$ 3,022,000

**Town of Carthage, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2021**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B - Liabilities (continued)**

6. Long-Term Obligations (continued)

d. Revenue Bonds (continued)

Future payments of the revenue bond are as follows:

Years Ending June 30:	<u>Business-type Activities</u>	
	<u>Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 58,000	\$ 74,015
2023	59,000	72,620
2024	61,000	71,203
2025	62,000	69,735
2026	63,000	68,245
2027-2031	343,001	317,475
2032-2036	384,000	274,207
2037-2041	430,000	225,670
2042-2046	484,000	171,195
2047-2051	544,000	109,832
2052-2056	526,000	42,035
2057-2060	65,999	1,485
	<u>\$ 3,080,000</u>	<u>\$ 1,497,717</u>

The Town is not in compliance with the covenants as to rates and charges in Section 5.01 of the Bond Order, authorizing the issuance of the Water and Sewer, Series 2014, USDA Revenue Bonds. Section 5.01 of the Bond Order requires the debt service coverage ratio to be no less than 110% and 100% of the subordinated debt service requirement for the fiscal year. The debt service coverage ratio calculation for the year ended June 30, 2021, is as follows:

Operating revenues	\$ 1,596,518
Operating expenses*	<u>1,369,379</u>
Operating income	227,139
Nonoperating revenues (expenses)**	<u>(5,536)</u>
Income available for debt service	<u>\$ 221,603</u>

Net revenues must be no less than 110% for current year  
debt service requirement:

Debt service, principal and interest paid (revenue bond only)	<u>43,868</u>
Debt service ratio	505%

Net revenues must be no less than 110% of the amount necessary  
to pay annual debt service obligation on subordinated indebtedness

Debt service on subordinated indebtedness	None
Debt service on subordinated indebtedness percent coverage	-

\* Per rate covenants, this does not include the depreciation expense of \$410,574.

\*\* Per rate covenants, this does not include the revenue bond interest paid of \$48,960.

**Town of Carthage, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2021**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B - Liabilities (continued)**

6. Long-Term Obligations (continued)

d. Revenue Bonds (continued)

The Town has pledged future water and sewer customer revenues, net of specified operating expenses, to repay \$1,010,000 in water and sewer system revenue bonds issued in November 2014. Proceeds from the bonds provided financing for the sewer improvements. The bonds are payable solely from water and sewer customer net revenues and are payable through 2054. Annual principal and interest payments on the bonds are expected to require less than 6% of net revenues. The total principal and interest remaining to be paid on the bonds is \$977,000. Principal and interest paid for the current year and total customer net revenues were \$16,000 and \$27,335, respectively.

e. Changes in Long-Term Liabilities

The following is a summary of changes in the Town's long-term obligations as of June 30, 2021.

	Beginning			Ending	Current
	Balances	Increases	Decreases	Balances	Portion
<b>Governmental activities:</b>					
Direct placement installment purchases	\$ 1,002,600	\$ -	\$ 85,825	\$ 916,775	\$ 79,540
Capital lease obligations	238,922	-	74,791	164,131	87,667
Compensated absences	82,475	47,854	50,089	80,240	17,000
Net pension obligation (LGERS)	512,575	184,944	-	697,519	-
Total pension obligation (LEO)	181,212	137,201	-	318,413	-
Governmental activity long-term liabilities	<u>\$ 2,017,784</u>	<u>\$ 369,999</u>	<u>\$ 210,705</u>	<u>\$ 2,177,078</u>	<u>\$ 184,207</u>
	Beginning			Ending	Current
	Balances	Increases	Decreases	Balances	Portion
<b>Business-type activities:</b>					
Direct placement notes payable	\$ 58,149	\$ 715,000	\$ 31,592	\$ 741,557	\$ 50,594
Revenue bonds	3,136,000	-	56,000	3,080,000	58,000
Compensated absences	7,714	5,025	3,098	9,641	1,000
Net pension obligation (LGERS)	48,903	18,291	-	67,194	-
Business-type activity long-term liabilities	<u>\$ 3,250,766</u>	<u>\$ 738,316</u>	<u>\$ 90,690</u>	<u>\$ 3,898,392</u>	<u>\$ 109,594</u>

The General Fund provides the resources for the retirement of compensated absences payable. The Town's legal debt limit is 8.0% of the Town's assessed value of taxable property. The Town's legal debt margin as of June 30, 2021, amounts to approximately \$55,379,979.

**Town of Carthage, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2021**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**C - Interfund Balances and Activity**

From the Sewer Fund to Water Fund	\$ 375,000
Total	<u>\$ 375,000</u>

The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**D - Fund Balance**

The following schedule provides management and citizens with information on the portion of General fund balance that is available for appropriation:

<i>Total fund balance - General Fund</i>	\$ 1,895,509
Less:	
Stabilization by State Statute	242,627
Streets	161,346
Police-Drug Crime Prevention	200
Debt Service	167,207
<b>Remaining fund balance</b>	<b>1,324,129</b>

There were no outstanding encumbrances at June 30, 2021.

**NOTE 4 - SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES**

**Federal and State Assisted Programs**

The Town has received proceeds from several Federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

**NOTE 5 - SUBSEQUENT EVENTS**

Subsequent events were evaluated through December 22, 2021, which is the date the financial statements were available to be issued.

## Required Supplementary Financial Data

---

**This section contains additional information required by generally accepted accounting principles.**

---

- Schedule of Proportionate Share of Net Pension Liability for Local Government Employees' Retirement System.
- Schedule of Contributions to Local Government Employees' Retirement System.
- Schedule of Changes in Total Pension Liability.
- Schedule of Total Pension Liability as a Percentage of Covered Payroll.

**Town of Carthage, North Carolina**  
**Town of Carthage's Proportionate Share of Net Pension Liability (Asset)**  
**Required Supplementary Information**  
**Last Eight Fiscal Years\***

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Carthage's proportionate share of the net pension liability (%)	0.0214%	0.0206%	0.0214%	0.0203%	0.0181%	0.0195%	0.0197%	0.0144%
Carthage's proportionate share of the net pension liability (\$)	\$ 764,713	\$ 561,478	\$ 506,495	\$ 309,976	\$ 383,506	\$ 87,290	\$ (116,063)	\$ 173,575
Carthage's covered payroll	\$ 1,163,561	\$ 1,106,638	\$ 1,106,638	\$ 1,038,771	\$ 1,082,652	\$ 843,993	\$ 889,102	\$ 778,704
Carthage's proportionate share of the net pension liability as a percentage of its covered-employee payroll	65.72%	50.74%	45.77%	29.84%	35.42%	10.34%	-13.05%	22.29%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%	96.45%

\* The amounts presented are for the prior fiscal year.

\*\* This will be the same percentage for all participant employers in the LGERS plan

**Town of Carthage, North Carolina**  
**Town of Carthage's Contributions**  
**Required Supplementary Information**  
**Last Eight Fiscal Years**

	<u><b>2021</b></u>	<u><b>2020</b></u>	<u><b>2019</b></u>	<u><b>2018</b></u>	<u><b>2017</b></u>	<u><b>2016</b></u>	<u><b>2015</b></u>	<u><b>2014</b></u>
Contractually required contribution	\$ 116,102	\$ 103,867	\$ 89,340	\$ 82,829	\$ 75,186	\$ 70,675	\$ 60,727	\$ 63,595
Contributions in relation to the contractually required contribution	<u>116,102</u>	<u>103,867</u>	<u>89,340</u>	<u>82,829</u>	<u>75,186</u>	<u>70,675</u>	<u>60,727</u>	<u>63,595</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Carthage's covered-employee payroll	\$ 1,210,992	\$ 1,163,561	\$ 1,106,638	\$ 1,106,638	\$ 1,038,771	\$ 1,082,652	\$ 843,993	\$ 889,102
Contributions as a percentage of covered-employee payroll	9.59%	8.93%	8.07%	7.48%	7.24%	6.53%	7.20%	7.14%

**Town of Carthage, North Carolina**  
**Schedule of Changes in Total Pension Liability**  
**Law Enforcement Officer's Special Separation Allowance**  
**June 30, 2021**

	2021	2020	2019	2018	2017
Beginning balance	\$ 181,212	\$ 143,014	\$ 115,244	\$ 133,156	\$ 123,362
Service Cost	17,414	15,472	13,201	8,683	9,920
Interest on the total pension liability	5,908	5,206	3,642	5,140	4,401
Differences between expected and actual experience in the measurement of the total pension liability	7,865	9,777	18,826	(40,559)	(4,530)
Changes of assumptions or other inputs	106,014	7,743	(7,899)	8,824	-
Ending balance of the total pension liability	<u>\$ 318,413</u>	<u>\$ 181,212</u>	<u>\$ 143,014</u>	<u>\$ 115,244</u>	<u>\$ 133,153</u>

The amounts presented for each fiscal year were determined as of the prior fiscal year ending December 31.

**Town of Carthage, North Carolina**  
**Schedule of Total Pension Liability as a Percentage of Covered Payroll**  
**Law Enforcement Officer's Special Separation Allowance**  
**June 30, 2021**

	<b>2021</b>		<b>2020</b>		<b>2019</b>		<b>2018</b>		<b>2017</b>
Total pension liability	\$ 318,413	\$	181,202	\$	143,014	\$	115,244	\$	133,156
Covered payroll	538,143		512,952		449,838		393,669		435,647
Total pension liability as a percentage of covered payroll	59.17%		35.33%		31.79%		29.27%		30.57%

Notes to the schedules:

Town of Carthage has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

## **Individual Fund Statements and Schedules**

## **Governmental Funds**

***General Fund*** – This fund accounts for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in other funds.

***Perpetual Care Fund*** – This fund accounts for perpetual care of the municipal cemetery.

**Town of Carthage, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance -**  
**Budget and Actual**  
**For the Year Ended June 30, 2021**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues:</b>			
<b>Ad valorem taxes:</b>			
Taxes	\$	\$ 1,684,509	\$
Penalties and interest		5,288	
<b>Total</b>	<u>1,656,651</u>	<u>1,689,797</u>	<u>33,146</u>
<b>Other taxes and licenses:</b>			
Local option sales taxes		787,824	
Privilege licenses		135	
Motor vehicle licenses		11,930	
<b>Total</b>	<u>610,500</u>	<u>799,889</u>	<u>189,389</u>
<b>Unrestricted intergovernmental:</b>			
Beer and wine tax		10,274	
Utility franchise tax		190,914	
Solid waste		1,854	
<b>Total</b>	<u>201,700</u>	<u>203,042</u>	<u>1,342</u>
<b>Restricted intergovernmental:</b>			
Powell bill allocation		73,728	
Fire/safety - Carthage Rescue Squad		1,770	
Other grants		19,630	
<b>Total</b>	<u>101,660</u>	<u>95,128</u>	<u>(6,532)</u>
<b>Sales and services:</b>			
Sanitary landfill participation fee		140,068	
<b>Total</b>	<u>155,000</u>	<u>140,068</u>	<u>(14,932)</u>
<b>Investment earnings</b>	<u>9,500</u>	<u>656</u>	<u>(8,844)</u>
<b>Other revenues:</b>			
Sale of assets		24,325	
Utility leases		50,048	
Zoning fees		6,747	
Miscellaneous		47,891	
Moore County ABC revenue		50,085	
Administrative charge - Fire District		12,000	
Donations		175	
Insurance proceeds		43,597	
Rent		8,095	
<b>Total</b>	<u>215,715</u>	<u>242,963</u>	<u>27,248</u>
<b>Total revenues</b>	<u>\$ 2,950,726</u>	<u>\$ 3,171,543</u>	<u>\$ 220,817</u>

**Town of Carthage, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance -**  
**Budget and Actual (continued)**  
**For the Year Ended June 30, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Expenditures:</b>			
<b>General government:</b>			
<b>Governing body:</b>			
Salaries and employee benefits	\$	\$ 8,397	\$
Other operating expenditures		1,609	
<b>Total</b>	<u>14,200</u>	<u>10,006</u>	<u>4,194</u>
<b>Administration:</b>			
Salaries and employee benefits		203,562	
Other operating expenditures		200,139	
<b>Total</b>	<u>439,195</u>	<u>403,701</u>	<u>35,494</u>
<b>Finance:</b>			
Salaries and employee benefits		83,679	
Other operating expenditures		50	
<b>Total</b>	<u>87,999</u>	<u>83,729</u>	<u>4,270</u>
<b>Legal services:</b>			
Professional services		91,256	
<b>Total</b>	<u>85,000</u>	<u>91,256</u>	<u>(6,256)</u>
<b>Planning and zoning:</b>			
Salaries and employee benefits		31,710	
Other operating expenditures		108,761	
<b>Total</b>	<u>153,896</u>	<u>140,471</u>	<u>13,425</u>
<b>Public buildings:</b>			
Other operating expenditures		76,663	
<b>Total</b>	<u>86,846</u>	<u>76,663</u>	<u>10,183</u>
<b>Appearance:</b>			
Other operating expenditures		733	
<b>Total</b>	<u>3,257</u>	<u>733</u>	<u>2,524</u>
<b>Total general government</b>	<u>\$ 870,393</u>	<u>\$ 806,559</u>	<u>\$ 63,834</u>

**Town of Carthage, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance -**  
**Budget and Actual (continued)**  
**For the Year Ended June 30, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Public safety:</b>			
<b>Police department:</b>			
Salaries and employee benefits	\$	\$ 732,268	\$
Vehicle maintenance		12,311	
Other operating expenditures		77,989	
<b>Total</b>	<u>934,378</u>	<u>822,568</u>	<u>111,810</u>
 <b>Fire:</b>			
Salaries and employee benefits		387,888	
Vehicle maintenance		51,158	
Other operating expenditures		121,920	
<b>Total</b>	<u>552,232</u>	<u>560,966</u>	<u>(8,734)</u>
 <b>Total public safety</b>	<u>1,486,610</u>	<u>1,383,534</u>	<u>103,076</u>
 <b>Streets and sanitation:</b>			
<b>Streets:</b>			
Salaries and employee benefits		189,502	
Vehicle maintenance		5,838	
Street lights		67,390	
Contracted services		20,533	
Other operating expenditures		53,819	
<b>Total</b>	<u>381,317</u>	<u>337,082</u>	<u>44,235</u>
 <b>Powell bill:</b>			
Salaries and employee benefits		29,601	
Other operating expenditures		24,971	
<b>Total</b>	<u>77,675</u>	<u>54,572</u>	<u>23,103</u>
 <b>Sanitation:</b>			
Contracted services		124,495	
Operating expenditures		400	
<b>Total</b>	<u>121,750</u>	<u>124,895</u>	<u>(3,145)</u>
 <b>Total streets and sanitation</b>	<u>\$ 580,742</u>	<u>\$ 516,549</u>	<u>\$ 67,338</u>

**Town of Carthage, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance -**  
**Budget and Actual (continued)**  
**For the Year Ended June 30, 2021**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Cultural and recreational:</b>			
Other operating expenditures	\$	\$ 15,768	\$
<b>Total</b>	<u>23,768</u>	<u>15,768</u>	<u>8,000</u>
<b>Cemeteries:</b>			
Operating expenditures		2,205	
<b>Total</b>	<u>4,650</u>	<u>2,205</u>	<u>2,445</u>
<b>Total cultural and recreational</b>	<u>28,418</u>	<u>17,973</u>	<u>10,445</u>
<b>Debt service:</b>			
Principal		160,616	
Interest		45,279	
<b>Total</b>	<u>205,899</u>	<u>205,895</u>	<u>4</u>
<b>Total expenditures</b>	<u>3,172,062</u>	<u>2,930,510</u>	<u>247,142</u>
<b>Revenues over (under) expenditures</b>	<u>(221,336)</u>	<u>241,033</u>	<u>462,369</u>
Fund balance appropriated	221,336	-	(221,336)
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>241,033</u>	<u>\$ 241,033</u>
<b>Fund balances, beginning</b>		<u>1,654,476</u>	
<b>Fund balances, ending</b>		<u>\$ 1,895,509</u>	

**Town of Carthage, North Carolina**  
**Perpetual Care Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances-**  
**Budget and Actual**  
**For the Fiscal Year Ended June 30, 2021**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues:</b>			
Investment earnings	\$ 230	\$ 7	\$ (223)
<b>Total revenues</b>	<u>230</u>	<u>7</u>	<u>(223)</u>
<b>Other financing sources (uses):</b>			
Transfer to General Fund	(230)	-	(230)
<b>Total other financing sources (uses)</b>	<u>(230)</u>	<u>-</u>	<u>(230)</u>
 <b>Revenues over (under) expenditures</b>	 <u>\$ -</u>	 7	 <u>\$ (453)</u>
 <b>Fund balance, beginning</b>		 26,600	
<b>Fund balance, ending</b>		<u>\$ 26,607</u>	

## Enterprise Funds

---

Enterprise Funds are used to account for 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 of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of net income is appropriate for accountability purposes.

---

***Water Fund*** - This fund is used to account for the Town's water operations.

***Water Capital Reserve Fund*** - This fund is used to account for future water fund capital expenditures.

***Water Capital Improvement Project Fund*** - This fund is used to account for the construction and capital addition of the water capital improvement project.

***Sewer Fund*** - This fund is used to account for the Town's sewer operations.

**Town of Carthage, North Carolina**  
**Water Fund**  
**Schedule of Revenues and Expenditures -**  
**Budget and Actual (Non-GAAP)**  
**For the Year Ended June 30, 2021**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues:</b>			
<b>Operating revenues:</b>			
Charges for services	\$	\$ 875,902	\$
Tap fees		33,163	
<b>Total</b>	<b>855,191</b>	<b>909,065</b>	<b>53,874</b>
<b>Non-operating revenues:</b>			
Interest income		297	
Insurance proceeds		2,691	
<b>Total</b>	<b>3,450</b>	<b>2,988</b>	<b>(462)</b>
<b>Total revenues</b>	<b>858,641</b>	<b>912,053</b>	<b>53,412</b>
<b>Expenditures:</b>			
<b>Operating expenditures:</b>			
Water salaries and benefits		97,731	
Water operations		606,908	
<b>Total</b>	<b>794,121</b>	<b>704,639</b>	<b>89,482</b>
<b>Debt service:</b>			
Principal payments		31,000	
Interest		33,520	
<b>Total</b>	<b>64,520</b>	<b>64,520</b>	<b>-</b>
<b>Total expenditures</b>	<b>858,641</b>	<b>769,159</b>	<b>89,482</b>
<b>Revenues over (under) expenditures</b>	<b>-</b>	<b>142,894</b>	<b>142,894</b>
Transfer to Sewer Fund		-	
<b>Total</b>	<b>\$ (375,000)</b>	<b>\$ -</b>	<b>\$ 375,000</b>
<b>Appropriated fund balance</b>	<b>375,000</b>	<b>-</b>	<b>(375,000)</b>
<b>Revenues, other financing sources (uses) over (under) expenditures</b>	<b>\$ -</b>	<b>\$ 142,894</b>	<b>\$ 142,894</b>

**Town of Carthage, North Carolina**  
**Water Fund**  
**Schedule of Revenues and Expenditures -**  
**Budget and Actual (Non-GAAP) (continued)**  
**For the Year Ended June 30, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative)</u>
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>			
<b>Revenues, other financing sources (uses) over (under) expenditures</b>	<u>\$ -</u>	<u>\$ 142,894</u>	<u>\$ 142,894</u>
<b>Reconciling items:</b>			
Depreciation		(270,656)	
Loan proceeds		-	
Principal payments		31,000	
Increase in accrued compensated absences		(1,085)	
Increase in outflows of resources-pensions		4,193	
Increase in net pension liability		(11,840)	
Increase in inflows of resources-pensions		<u>(24)</u>	
<b>Total reconciling items</b>		<u>(248,412)</u>	
<b>Change in net position</b>		<u><u>\$ (105,518)</u></u>	

**Town of Carthage, North Carolina**  
**Capital Reserve Fund**  
**Schedule of Revenues and Expenditures -**  
**Budget and Actual**  
**For the Year Ended June 30, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Other financing sources (uses):</b>			
Transfer to Water Fund	\$ -	\$ -	\$ -
Transfer to Sewer Fund	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>
 <b>Net change in fund balance</b>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>

**Town of Carthage, North Carolina**  
**Water Capital Improvements Project Fund**  
**Schedule of Revenues and Expenditures -**  
**Budget and Actual (Non - GAAP)**  
**From Inception and for the Year Ended June 30, 2021**

	<b>Project</b>		<b>Actual</b>		<b>Variance</b>
	<b>Authorization</b>	<b>Prior</b>	<b>Current</b>	<b>Total to</b>	<b>Positive</b>
		<b>Years</b>	<b>Year</b>	<b>Date</b>	<b>(Negative)</b>
<b>Expenditures:</b>					
Meters & Installation Cost	\$ 612,544	\$ -	\$ 23,881	\$ 23,881	\$ 588,663
Administrative Costs	67,655	-	9,595	9,595	58,060
Project Contingency	34,801	-	4,403	4,403	30,398
<b>Total expenditures</b>	<b>715,000</b>	<b>-</b>	<b>37,879</b>	<b>37,879</b>	<b>677,121</b>
<b>Revenues over (under) expenditures</b>	<b>(715,000)</b>	<b>-</b>	<b>(37,879)</b>	<b>(37,879)</b>	<b>677,121</b>
<b>Other financing sources (uses):</b>					
Truist loan	715,000	-	715,000	715,000	-
<b>Total other financing sources (uses)</b>	<b>715,000</b>	<b>-</b>	<b>715,000</b>	<b>715,000</b>	<b>-</b>
<b>Revenues and other sources over (under) expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>677,121</b>	<b>\$ 677,121</b>	<b>\$ 677,121</b>
<b>Fund balance, beginning</b>			<b>-</b>		
<b>Fund balance, ending</b>			<b>\$ 677,121</b>		

**Town of Carthage, North Carolina**  
**Sewer Fund**  
**Schedule of Revenues and Expenditures -**  
**Budget and Actual (Non - GAAP)**  
**For the Year Ended June 30, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
<b>Charges for services:</b>			
Sewer charges	\$	\$ 644,837	\$
Impact fees		42,616	
<b>Total operating revenues</b>	<u>690,000</u>	<u>687,453</u>	<u>(2,547)</u>
<b>Non-operating revenues:</b>			
Interest income		92	
<b>Total non-operating revenues</b>	<u>1,750</u>	<u>92</u>	<u>(1,658)</u>
<b>Total revenues</b>	<u>691,750</u>	<u>687,545</u>	<u>(4,205)</u>
<b>Expenditures:</b>			
<b>Sewer operations:</b>			
Salaries and employee benefits		63,438	
Sewer operations		587,525	
Capital outlay		370,373	
<b>Total</b>	<u>1,095,296</u>	<u>1,021,336</u>	<u>73,960</u>
<b>Debt service:</b>			
Principal payments		56,588	
Interest		40,766	
<b>Total</b>	<u>97,354</u>	<u>97,354</u>	<u>-</u>
<b>Total expenditures</b>	<u>1,192,650</u>	<u>1,118,690</u>	<u>73,960</u>
<b>Revenues over (under) expenditures</b>	<u>(500,900)</u>	<u>(431,145)</u>	<u>69,755</u>
Transfer from Water Fund		-	
<b>Total other financing sources (uses)</b>	<u>375,000</u>	<u>-</u>	<u>(375,000)</u>
<b>Appropriated fund balance</b>	125,900	-	(125,900)
<b>Revenues, other financing sources (uses) over (under) expenditures</b>	<u>\$ -</u>	<u>\$ (431,145)</u>	<u>\$ (431,145)</u>

**Town of Carthage, North Carolina**  
**Sewer Fund**  
**Schedule of Revenues and Expenditures -**  
**Budget and Actual (Non - GAAP) (continued)**  
**For the Year Ended June 30, 2021**

**Reconciliation from budgetary basis  
(modified accrual) to full accrual:**

<b>Revenues and other financing sources</b>	
<b>(uses) over (under) expenditures</b>	<u>\$ (431,145)</u>

**Reconciling items:**

Depreciation	(139,918)
Principal retirement	56,588
Capital outlay	370,373
Increase in accrued compensated absences	(842)
Increase in deferred outflows of resources-pensions	2,285
Increase in net pension liability	(6,451)
Increase in deferred inflows of resources-pensions	(13)

<b>Total reconciling items</b>	<u>282,022</u>
--------------------------------	----------------

<b>Change in net position</b>	<u><u>\$ (149,123)</u></u>
-------------------------------	----------------------------

## Other Schedules

---

**This section contains additional information on property taxes.**

---

- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy

**Town of Carthage, North Carolina**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2021**

<b><u>Fiscal Year</u></b>	<b>Uncollected Balances June 30, 2020</b>	<b>Additions</b>	<b>Collections and Credits</b>	<b>Uncollected Balances June 30, 2021</b>
2020-2021	\$ -	\$ 1,724,269	\$ 1,715,956	\$ 8,313
2019-2020	13,338	-	8,787	4,551
2018-2019	4,252	-	2,007	2,245
2017-2018	2,030	-	901	1,129
2016-2017	1,605	-	570	1,035
2015-2016	717	-	166	551
2014-2015	382	-	11	371
2013-2014	476	-	131	345
2012-2013	318	-	12	306
2011-2012	106	-	-	106
2010-2011	232		232	-
	<u>\$ 23,456</u>	<u>\$ 1,724,269</u>	<u>\$ 1,728,773</u>	<u>18,952</u>

Less: allowance for uncollectible accounts - General Fund

-

**Ad valorem taxes receivable - net**

\$ 18,952

**Reconciliation with revenues:**

Ad valorem taxes - General Fund

\$ 1,689,797

Reconciling items:

Interest and lien advertising collected

5,288

Taxes written off

33,688

**Total collections and credits**

\$ 1,728,773

**Town of Carthage, North Carolina**  
**Analysis of Current Year Tax Levy**  
**June 30, 2021**

				<b>Total Levy</b>	
				<b>Property</b>	<b>Registered</b>
	<b>Town-Wide Levy</b>			<b>Excluding</b>	<b>Motor</b>
	<b>Property</b>	<b>Rate</b>	<b>Total</b>	<b>Registered</b>	<b>Motor</b>
	<b>Valuation</b>		<b>Levy</b>	<b>Motor</b>	<b>Vehicles</b>
				<b>Vehicles</b>	<b>Vehicles</b>
<b>Original levy:</b>					
Property Tax	\$ 260,868,515	0.51	\$ 1,317,386	\$ 1,246,584	\$ 70,802
Fire tax	436,263,158	0.10	414,450	362,053	52,397
Total	697,131,673		1,731,836	1,608,637	123,199
<b>Discoveries:</b>					
Current Year	156,774	0.16	243	243	-
Total	156,774		243	243	-
<b>Discoveries:</b>					
Current Year	(5,038,710)	0.16	(7,810)	(7,810)	-
Total	(5,038,710)		(7,810)	(7,810)	-
<b>Total property valuation</b>	<u><u>\$ 692,249,737</u></u>				
<b>Net levy</b>			1,724,269	1,601,070	123,199
<b>Uncollected taxes at June 30, 2021</b>			8,313	8,313	-
<b>Current year's taxes collected</b>			<u><u>\$ 1,715,956</u></u>	<u><u>\$ 1,592,757</u></u>	<u><u>\$ 123,199</u></u>
<b>Current levy collection percentage</b>			<u><u>99.52%</u></u>	<u><u>99.48%</u></u>	<u><u>100.00%</u></u>

## **Compliance Section**



# **S. Preston Douglas & Associates, LLP**

CERTIFIED PUBLIC ACCOUNTANTS

## **MEMBERS**

American Institute of CPAs

N. C. Association of CPAs

### **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

To the Honorable Mayor and  
Members of the Board of commissioners  
Carthage, North Carolina

We 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 accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Carthage, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Carthage's basic financial statements and have issued our report thereon dated December 30, 2021.

#### Internal Control over Financial Reporting

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

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

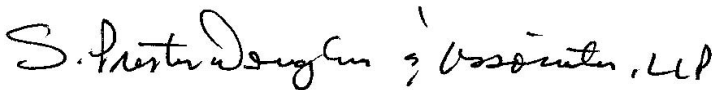
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. 2021-001 and 2021-002.

### Compliance and Other Matters

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

### Purpose of this Report

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

Handwritten signature of S. Porter Douglas, Jr. in black ink.

Lumberton, North Carolina  
December 22, 2021

**Town of Carthage, North Carolina**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2021**

<b>Section I. Summary of Auditor's Results</b>
--

**Financial Statements**

Type of auditor's report issued:

Unmodified.

Internal control over financial reporting:

- |   |  |   |   |   |
|---|--|---|---|---|
| <ul style="list-style-type: none"> <li>• Material weakness(es) identified?</li> <li>• Significant deficiency(s) identified that are not considered to be material weaknesses</li> <li>• Noncompliance material to financial statements</li> </ul> | <div style="text-align: center;"> <div style="border-bottom: 1px solid black; width: 50px; margin: 0 auto; text-align: center;">X</div> <div style="border-bottom: 1px solid black; width: 50px; margin: 0 auto; text-align: center;"></div> <div style="border-bottom: 1px solid black; width: 50px; margin: 0 auto; text-align: center;"></div> </div> | <div style="text-align: center;"> <div style="margin: 0 auto; text-align: center;">yes</div> <div style="margin: 0 auto; text-align: center;">yes</div> <div style="margin: 0 auto; text-align: center;">yes</div> </div> | <div style="text-align: center;"> <div style="border-bottom: 1px solid black; width: 50px; margin: 0 auto; text-align: center;"></div> <div style="border-bottom: 1px solid black; width: 50px; margin: 0 auto; text-align: center;">X</div> <div style="border-bottom: 1px solid black; width: 50px; margin: 0 auto; text-align: center;">X</div> </div> | <div style="text-align: left;"> <div style="margin: 0 auto; text-align: left;">no</div> <div style="margin: 0 auto; text-align: left;">none reported</div> <div style="margin: 0 auto; text-align: left;">no</div> </div> |
|---|--|---|---|---|

**Town of Carthage, North Carolina**  
**Schedule of Findings and Questioned Costs (continued)**  
**For the Year Ended June 30, 2021**

<b>Section II. Financial Statement Findings</b>
---

**MATERIAL WEAKNESS**

**Finding 2021 - 001      Segregation of Duties**

Criteria:                      Segregation of duties provide checks and balances to reduce possibilities for misstatements resulting from errors in judgements, dishonesty, personal carelessness, distraction, and fatigue.

Condition:                    The Town has a limited number of personnel for accounting functions which creates inherent limitations on the effectiveness of certain controls due to the lack of segregation of duties among the Town's personnel.

Effect:                         Potential misstatement of financial statements

Cause:                         The Town has a limited number of personnel for accounting functions which creates inherent limitations on the effectiveness of certain controls due to the lack of segregation of duties among the Town's personnel.

Recommendation:         The board should continually keep in mind that internal controls are limited due to the size of the Town's staff.

Views of responsible officials and planned corrective actions: The Town agrees with the finding.

**Town of Carthage, North Carolina**  
**Schedule of Findings and Questioned Costs (continued)**  
**For the Year Ended June 30, 2021**

<b>Section II. Financial Statement Findings</b>
---

MATERIAL WEAKNESS

**Finding: 2021 – 002      Bank Reconciliations**

Excess of Expenditures over Appropriation

Criteria:	All bank accounts should be reconciled monthly to ensure proper internal controls over cash are maintained, and to ensure that management receives accurate and timely financial reports to make decisions with during the year.
Condition:	For all twelve months of the fiscal year, the Town's main operating bank account was not reconciled in a timely manner. Therefore, accounting personnel could not provide management with financial reports that were accurate and timely.
Effect:	Bank reconciliations serve as an important internal control over cash and can identify errors, irregularities, and other adjustments to improve accuracy of accounting records. When bank reconciliations are not performed on a timely basis there is a potential that the Town does not identify errors, irregularities, and other adjustments to accounting records on a timely basis.
Cause:	Management did not provide proper oversight over the reconciliation of the bank statements during the year to ensure that the proper procedures were being followed in a timely manner.
Recommendation:	We recommend that the Town implement procedures to ensure proper reconciliation of all bank accounts in an accurate and timely manner in future years and for management and financial officers to attend governmental continuing education trainings to gain the expertise needed.

View of responsible officials and planned corrective actions:    The Town agrees with this finding.

# Town of Carthage

**Town Manager**

Thomas Robinson

**Town Clerk**

Dorothy Dutton

**Finance Officer**

Kesha Matthews

**Director of Public Works**

Allen Smith

**Mayor**

Jimmy Chalfinch

**Commissioners**

Milton "T" Dowdy, Jr.

*Mayor Pro-Tem*

Dustin Smith

Christopher Nance

Al Barber

Daniel Bonillo

## Correction Action Plan

### SIGNIFICANT DEFICIENCY

**Finding 2021 - 001      Segregation of Duties**

Name of contact person: Kesha Matthews, Finance Director

Corrective Action: The duties will be separated to the extent possible and alternative controls will be used to compensate for lack of separation. The Town will continue to monitor its internal controls in an effort to alleviate inherent limitations placed on small towns. It is our desire/plan to add staff within the next 1-3 years, as the Town's growth is expected to provide additional revenue. Additional staff would help with being able to separate duties.

Proposed Completion Date: The Town has implemented the above procedures.

### SIGNIFICANT DEFICIENCY

**Finding: 2021 – 002      Bank Reconciliation**

Name of Contact Person: Kesha Mathews, Finance Officer

Corrective Action: The Finance Director will reconcile all bank accounts within one month after month end. This is our normal procedure, but FY 20-21 was an anomaly. The Finance Officer was working on the July 2020 bank reconciliation when at the end of the reconciliation process, the accounts did not balance. It took a lot of time to figure out the discrepancy the Finance Officer was not able to dedicate full days to investigating the issue. Because of this, the cause of the problem was not discovered until December 2020, just before the Christmas holidays. Before she could get the issue corrected, on January 7, 2021, the Finance Officer tested positive for COVID and was out of the office for two weeks. While Finance Officer was out, both her parents tested positive for COVID and both had strokes. Her mother passed away. She was helping to take care of her father, which had her in and out of the office until mid-March. Trying to keep up with daily/current duties and catch up on missed work proved very difficult. It took lots of time in the office and at home to catch up on bank reconciliations. This situation should not happen again and the reconciliations should be completed monthly, as is our normal practice.

Proposed Completion Date: The Town will implement the above procedures immediately.

**Town of Carthage, North Carolina**  
**Summary Schedule of Prior Audit Findings**  
**For the Year Ended June 30, 2021**

Finding:	2020-001
Status:	The finding has not been corrected. Similar comment in current year, see Finding 2021-001.
Finding:	2020-002
Status:	The finding has been corrected.
Finding:	2019-001
Status:	The finding has not been corrected. Similar comment in current year, see Finding 2021-001.
Finding:	2018-001
Status:	The finding has not been corrected. Similar comment in current year, see Finding 2021-001.
Finding:	2017-001
Status:	The finding has not been corrected. Similar comment in current year, see Finding 2021-001.
Finding:	2016-001
Status:	The finding has not been corrected. Similar comment in current year, see Finding 2021-001.