

**Town of Carthage  
Carthage, North Carolina**

**Audited Financial Statements**

**Year Ended June 30, 2018**



**Town of Carthage, North Carolina**

**Audited Financial Statements**

**For the Year Ended June 30, 2018**

**Board of Commissioners**

Lee McGraw, Mayor

Milton “T” Dowdy, Jr., Mayor Pro-Tem

George H. Wilson, Jr.

Christopher M. Nance

Jimmy Chalflinch

Marvin M. Philips

**Administrative and Financial Staff**

Tom Robinson, Town Manager

Kesha Matthews, Finance Director

**Town of Carthage, North Carolina**  
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**June 30, 2018**

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## **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, 2018, 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, 2018, 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 48 and 49, 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 50 and 51 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.

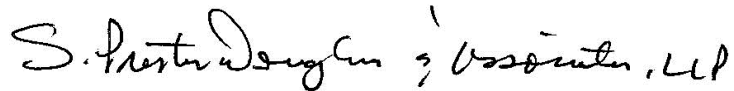
### ***Supplementary and Other Information***

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 October 31, 2018 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, Jr." followed by a stylized flourish.

Lumberton, North Carolina  
October 31, 2018

## **Management Discussion and Analysis**

**Town of Carthage, North Carolina**  
**Management's Discussion and Analysis**  
**June 30, 2018**

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, 2018. 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 \$11,270,607 (net position).

The government's total net position increased in the amount of \$956,238, due to revenues exceeding expenditures and capital contributions totaling \$632,757.

As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$1,736,718. Approximately 77.09% of this total amount, or \$1,338,778, 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 \$1,338,778 or 50.72% 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 \$8,825,461, and increase of \$1,000,324 over prior year.

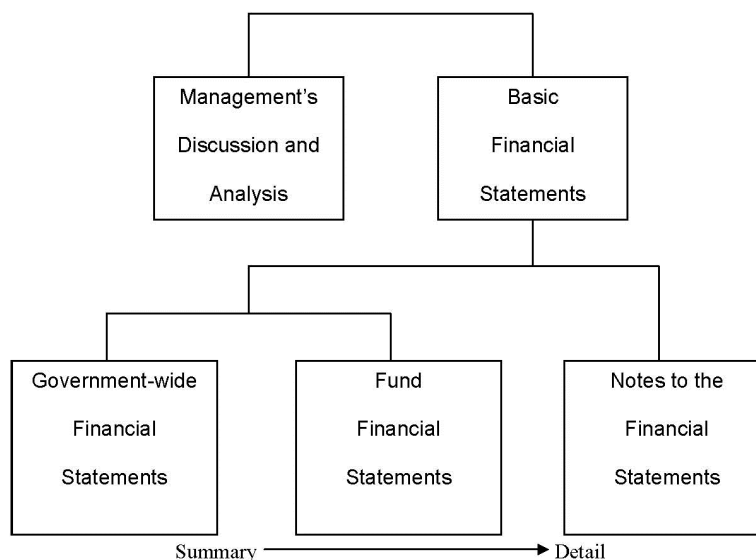
The Town of Carthage's total debt decreased by \$187,848 (4.34%) during the current fiscal year.

**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, 2018**

**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, 2018**

**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 Fund, which is considered a major fund 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 21-47 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 48 of this report.

**Government-Wide Financial Analysis**

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

	Governmental Activities 2018	Governmental Activities 2017	Business-type Activities 2018	Business-type Activities 2017	Totals 2018	Totals 2017
Current and other assets	\$ 1,815,089	\$ 1,691,507	\$ 1,525,167	\$ 899,791	\$ 3,340,256	\$ 2,591,298
Capital assets	1,792,171	1,974,715	10,723,865	10,589,471	12,516,036	12,564,186
Deferred Outflows of Resources	216,984	313,213	20,612	27,236	237,596	340,449
Total assets and deferred outflows	3,824,244	3,979,435	12,269,644	11,516,498	16,093,888	15,495,933
Long-term liabilities	1,240,220	1,394,133	3,400,912	3,506,936	4,641,132	4,901,069
Other liabilities	76,359	55,795	40,861	181,261	117,220	237,056
Deferred Inflows of Resources	62,519	40,275	2,410	3,164	64,929	43,439
Total liabilities and deferred inflows	1,379,098	1,490,203	3,444,183	3,691,361	4,823,281	5,181,564
Net position						
Net investment in capital assets	1,018,753	1,117,056	7,353,484	7,115,483	8,372,237	8,232,539
Restricted	397,940	305,421	111,198	140,237	509,138	445,658
Unrestricted	1,028,453	1,066,755	1,360,779	569,417	2,389,232	1,636,172
Total net position	\$ 2,445,146	\$ 2,489,232	\$ 8,825,461	\$ 7,825,137	\$ 11,270,607	\$ 10,314,369

**Town of Carthage, North Carolina**  
**Management's Discussion and Analysis (continued)**  
**June 30, 2018**

**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 \$11,270,607 at the close of the current fiscal year.

By far the largest portion of the Town's net position, 75.25%, 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, 4.52%, represents the Town's resources that are subject to external restrictions on how they may be used. The remaining balance of unassigned net position is \$2,280,851 or 20.23% of the total.

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

	Governmental Activities 2018	Governmental Activities 2017	Business-type Activities 2018	Business-type Activities 2017	Totals 2018	Totals 2017
<b>Revenues:</b>						
Program revenues						
Charges for services	\$ 138,281	\$ 138,326	\$ 1,677,165	\$ 1,543,529	\$ 1,815,446	\$ 1,681,855
Operating grants and contributions	120,702	125,980	-	-	120,702	125,980
Capital grants and contributions	-	-	632,757	1,733,752	632,757	1,733,752
General revenues						
Property taxes	1,512,215	1,419,906	-	-	1,512,215	1,419,906
Other taxes	600,585	584,713	-	-	600,585	584,713
Other	384,943	544,904	792	31,834	385,735	576,738
Total revenues	2,756,726	2,813,829	2,310,714	3,309,115	5,067,440	6,122,944
<b>Expenses:</b>						
General government	774,994	625,478	-	-	774,994	625,478
Public safety	1,444,080	1,291,982	-	-	1,444,080	1,291,982
Streets and sanitation	498,479	546,029	-	-	498,479	546,029
Culture and recreation	29,478	85,109	-	-	29,478	85,109
Interest on long-term debt	53,781	44,099	-	-	53,781	44,099
Water and sewer	-	-	1,310,390	1,489,113	1,310,390	1,489,113
Total expenses	2,800,812	2,592,697	1,310,390	1,489,113	4,111,202	4,081,810
Increase (decrease) in net position before transfers	(44,086)	221,132	1,000,324	1,820,002	956,238	2,041,134
Transfers	-	-	-	-	-	-
Change in net position	(44,086)	221,132	1,000,324	1,820,002	956,238	2,041,134
Net position, previously stated	2,489,232	2,391,462	7,825,137	6,005,135	10,314,369	8,396,597
Restatement	-	(123,362)	-	-	-	(123,362)
Net position, beginning, restated	2,489,232	2,268,100	7,825,137	6,005,135	10,314,369	8,273,235
Net position - June 30	\$ 2,445,146	\$ 2,489,232	\$ 8,825,461	\$ 7,825,137	\$ 11,270,607	\$ 10,314,369

**Town of Carthage, North Carolina**  
**Management's Discussion and Analysis (continued)**  
**June 30, 2018**

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

Ad valorem taxes were the largest revenue contributor for the governmental funds with 54.86% of total revenues. Other tax revenues were the next largest at 21.79%.

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 increased the Town's net position by \$1,000,323. Key elements of the change in net position compared to prior year are as follows:

- Operating income totaled \$437,434.
- Capital contributions totaled \$632,757.
- Total expenses increased by \$178,723 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 \$1,736,718. Of this total amount, \$1,338,778 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 \$1,338,778 with a total fund balance of \$1,710,531. 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 50.72% 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 Fund at the end of the fiscal year amounted to \$1,360,779. Other factors concerning this fund 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, 2018**

**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, 2018, totals \$12,516,036 (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 2018	Governmental Activities 2017	Business-type Activities 2018	Business-type Activities 2017	Totals 2018	Totals 2017
Land	\$ 304,650	\$ 304,650	\$ 124,787	\$ 124,787	\$ 429,437	\$ 429,437
Buildings and improvements	916,648	945,203	1,193,837	1,228,865	2,110,485	2,174,068
Water & Sewer improvements	-	-	3,782,038	4,111,378	3,782,038	4,111,378
Equipment	570,873	724,862	1,243,835	1,136,594	1,814,708	1,861,456
Construction in progress	-	-	4,379,368	3,987,847	4,379,368	3,987,847
Total capital assets, net	\$ 1,792,171	\$ 1,974,715	\$ 10,723,865	\$ 10,589,471	\$ 12,516,036	\$ 12,564,186

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 \$4,143,799. Of this, \$4,143,799 is backed by the full faith and credit of the Town and all other debt is covered by pledged collateral and is subject to appropriation.

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

	Activities 2018	Activities 2017	Activities 2018	Activities 2017	Totals 2018	Totals 2017
Capital lease obligations	\$ 64,343	\$ 115,783	\$ -	\$ -	\$ 64,343	\$ 115,783
Installment purchases	709,075	741,876	-	-	709,075	741,876
Revenue bonds	-	-	994,000	1,010,000	994,000	1,010,000
Note payable	-	-	2,376,381	2,463,988	2,376,381	2,463,988
Total outstanding debt	\$ 773,418	\$ 857,659	\$ 3,370,381	\$ 3,473,988	\$ 4,143,799	\$ 4,331,647

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 \$48,185,293 (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.

**Town of Carthage, North Carolina**  
**Management's Discussion and Analysis (continued)**  
**June 30, 2018**

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

The following economic indicators reflect the growth of the Town:

The economic growth in Carthage is expected to continue, if not increase, in the next several years as people and businesses look for close alternatives to the prices and congestion in the Pinehurst, Southern Pines and Aberdeen areas. New home development is still occurring primarily in Savannah Gardens, Cabin Branch and Forest Ridge subdivisions. Three new subdivisions are now in the planning phase and there is indication that the legal entanglements for Little River Golf and Resort development may finally be getting resolved. The continued and expected new growth in and around Carthage is good news for our tax base. This growth will necessitate expanded sewer capacity. It is our plan that Carthage buy out Southern Pines' capacity in the NC 22 14 inch sewer line and the construction of a new 12 or 16 inch sewer line from McCaskill Road to this 14 inch sewer line. If Carthage is not able to buy out this capacity, then the Town will need to lay a new sewer line parallel to the 14 inch line. Fortunately, the Town's recently gained efficiencies in its water and sewer systems have provided revenue reserves that can be used to pay the debt service on the needed sewer line improvements without a rate increase.

The Town of Carthage is also studying implementing an Automated Water Metering Infrastructure (AMI) system to gain further efficiencies and improve customer service. Preliminary numbers have been run and it looks very feasible to implement this new metering system without raising water rates.

**Budget Highlights for the Fiscal Year Ended June 30, 2019**

**Governmental Activities:** The Town's property tax rate will not increase in Fiscal Year 2018-19. The tax base is estimated at \$238,540,000, a 4.0% increase in valuation from the previous year. The \$0.495 tax rate is projected to generate approximately \$1,168.965 in revenues. Tax revenues are estimated to be \$42,996, 3.8% more than FY 2017-18 projected revenues. Based on the current economic situation, some state revenues are projected to increase and some are expected to decrease, but overall we should see a net increase. Interest rates are slowly rising but still provide a limited revenue source. Although there were cuts in some areas, budgeted expenditures in the General Fund will increase by approximately 2.09% or \$65,387. This increase is due primarily to a 2% Cost of Living salary increase for our employees.

**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 modestly increase due to continued growth in our customer base. General operating expenses are expected to increase due to one-time expenses associated with an Asset Inventory and Assessment Grant Initiative and changing the salary distribution for some employees.

**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**  
**June 30, 2018**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 1,504,972	\$ 949,436	\$ 2,454,408
Receivables:			
Taxes receivables (net)	15,991	-	15,991
Accounts receivables (net)	19,510	257,484	276,994
Due from other governments	152,803	180,943	333,746
Cash and cash equivalents - restricted	121,813	137,304	259,117
<b>Total current assets</b>	<b>1,815,089</b>	<b>1,525,167</b>	<b>3,340,256</b>
Non-current assets:			
Capital assets (Note 3):			
Non-depreciable improvements	304,650	4,504,155	4,808,805
Other capital assets, net of depreciation	1,487,521	6,219,710	7,707,231
<b>Total capital assets</b>	<b>1,792,171</b>	<b>10,723,865</b>	<b>12,516,036</b>
<b>Total assets</b>	<b>3,607,260</b>	<b>12,249,032</b>	<b>15,856,292</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension deferrals	216,984	20,612	237,596
<b>Total deferred outflows of resources</b>	<b>216,984</b>	<b>20,612</b>	<b>237,596</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued expenses	76,359	14,755	91,114
Current portion of compensated absences	17,000	1,000	18,000
Current portion of long-term liabilities	88,426	108,013	196,439
Customer deposits	-	26,106	26,106
<b>Total current liabilities</b>	<b>181,785</b>	<b>149,874</b>	<b>331,659</b>
Long-term liabilities:			
Non-current portion of long-term debt	684,992	3,262,368	3,947,360
Non-current portion of compensated absences	50,851	3,262	54,113
Net pension liability (LGRS)	283,707	26,269	309,976
Total pension liability (LEO)	115,244	-	115,244
<b>Total liabilities</b>	<b>1,316,579</b>	<b>3,441,773</b>	<b>4,758,352</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension deferrals	62,519	2,410	64,929
<b>Total deferred inflows of resources</b>	<b>62,519</b>	<b>2,410</b>	<b>64,929</b>
<b>NET POSITION</b>			
Net investment in capital assets	1,018,753	7,353,484	8,372,237
Restricted for:			
Stabilization by State Statute	172,260	-	172,260
Streets	92,132	-	92,132
Police-drug crime prevention	4,114	-	4,114
Rural development USDA loan - Debt service	61,509	51,021	112,530
Rural development USDA loan - Short lived	-	60,177	60,177
Cemetery perpetual maintenance	26,187	-	26,187
Other functions	41,738	-	41,738
Unrestricted	1,028,453	1,360,779	2,389,232
<b>Total net position</b>	<b>\$ 2,445,146</b>	<b>\$ 8,825,461</b>	<b>\$ 11,270,607</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, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental Activities:							
General government	\$ 774,994	\$ -	\$ -	\$ -	\$ (774,994)	\$ -	\$ (774,994)
Public safety	1,444,080	-	42,904	-	(1,401,176)	-	(1,401,176)
Street and sanitation	498,479	138,281	77,798	-	(282,400)	-	(282,400)
Cultural and recreation	29,478	-	-	-	(29,478)	-	(29,478)
Interest on long-term debt	53,781	-	-	-	(53,781)	-	(53,781)
Total governmental activities	2,800,812	138,281	120,702	-	(2,541,829)	-	(2,541,829)
Business-type activities:							
Water	758,636	954,746	-	500,294	-	696,404	696,404
Sewer	551,754	722,419	-	132,463	-	303,128	303,128
Total business-type activities	1,310,390	1,677,165	-	632,757	-	999,532	999,532
Total primary government	\$ 4,111,202	\$ 1,815,446	\$ 120,702	\$ 632,757	(2,541,829)	999,532	(1,542,297)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					1,512,215	-	1,512,215
Other taxes and licenses					600,585	-	600,585
Unrestricted intergovernmental					190,617	-	190,617
Other general revenues					191,707	-	191,707
Investment earnings					2,619	792	3,411
Total general revenues not including transfers					2,497,743	792	2,498,535
Transfers					-	-	-
Total general revenues and transfers					2,497,743	792	2,498,535
Change in net position					(44,086)	1,000,324	956,238
Net position, beginning					2,489,232	7,825,137	10,314,369
Net position, ending					\$ 2,445,146	\$ 8,825,461	\$ 11,270,607

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

**Town of Carthage, North Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2018**

	<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	\$ 1,478,838	\$ 26,134	\$ 1,504,972
Taxes receivable, net	15,991	-	15,991
Accounts receivable, net	19,459	53	19,512
Due from other governments	152,801	-	152,801
Restricted cash and cash equivalents	121,813	-	121,813
<b>Total assets</b>	<u><u>\$ 1,788,902</u></u>	<u><u>\$ 26,187</u></u>	<u><u>\$ 1,815,089</u></u>
<b><u>LIABILITIES</u></b>			
Accounts payable and accrued liabilities	\$ 62,380	\$ -	\$ 62,380
<b>Total liabilities</b>	<u><u>62,380</u></u>	<u><u>-</u></u>	<u><u>62,380</u></u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Property taxes receivable	15,991	-	15,991
<b>Total deferred inflows of resources</b>	<u><u>15,991</u></u>	<u><u>-</u></u>	<u><u>15,991</u></u>
<b><u>FUND BALANCES</u></b>			
Non Spendable:			
Perpetual maintenance	-	26,187	26,187
Restricted:			
Stabilization by State Statute	172,260	-	172,260
Streets	92,132	-	92,132
Police-drug crime prevention	4,114	-	4,114
Debt service	61,509	-	61,509
Assigned:			
Subsequent year's expenditures	41,738	-	41,738
Unassigned	1,338,778	-	1,338,778
<b>Total fund balances</b>	<u><u>1,710,531</u></u>	<u><u>26,187</u></u>	<u><u>1,736,718</u></u>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<u><u>\$ 1,788,902</u></u>	<u><u>\$ 26,187</u></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, 2018**

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

Total fund balances, governmental funds	\$	1,736,718
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.		
Gross capital assets at historical cost	\$	4,318,605
Accumulated depreciation	<u>(2,526,434)</u>	1,792,171
Deferred outflows of resources related to pensions are not reported in the funds		216,984
Earned revenues considered deferred inflows of resources in fund statements		15,991
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds		(841,269)
Other long-term liabilities (accrued interest) are not due and payable in the current period and therefore are not reported in the funds		(13,979)
Net pension liability		(283,707)
Total pension liability		(115,244)
Pension related deferrals		<u>(62,519)</u>
<b>Net position of governmental activities</b>	<b>\$</b>	<b><u><u>2,445,146</u></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, 2018**

	<u>Major General Fund</u>	<u>Non-Major Perpetual Care Fund</u>	<u>Total</u>
<b>Revenues:</b>			
Ad valorem taxes	\$ 1,509,318	\$ -	\$ 1,509,318
Other taxes and licenses	600,585	-	600,585
Unrestricted intergovernmental	190,617	-	190,617
Restricted intergovernmental	120,702	-	120,702
Sales and services	138,281	-	138,281
Investment earnings	2,593	26	2,619
Miscellaneous	191,671	36	191,707
<b>Total revenues</b>	<u>2,753,767</u>	<u>62</u>	<u>2,753,829</u>
<b>Expenditures:</b>			
Current:			
General government	700,078	-	700,078
Public safety	1,313,786	-	1,313,786
Street and sanitation	486,694	-	486,694
Cultural and recreational	15,128	-	15,128
Debt service:			
Principal	84,241	-	84,241
Interest and other charges	39,802	-	39,802
<b>Total expenditures</b>	<u>2,639,729</u>	<u>-</u>	<u>2,639,729</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>114,038</u>	<u>62</u>	<u>114,100</u>
<b>Other financing sources (uses)</b>			
Transfers from/to other funds	-	-	-
Installment purchase proceeds	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	114,038	62	114,100
<b>Fund balances, beginning</b>	<u>1,596,493</u>	<u>26,125</u>	<u>1,622,618</u>
<b>Fund balances, ending</b>	<u>\$ 1,710,531</u>	<u>\$ 26,187</u>	<u>\$ 1,736,718</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, 2018**

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

Net change in fund balances - total governmental funds		\$ 114,100
<p>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.</p>		
Capital outlay expenditures which were capitalized	\$ 7,600	
Depreciation expense for governmental assets	(142,069)	
Asset disposal	<u>(48,075)</u>	(182,544)
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		77,860
Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities		339
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		2,897
<p>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.</p>		
New long-term debt issued	-	
Principal payments on long-term debt	84,241	
Increase in accrued interest payable	(13,979)	70,262
<p>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.</p>		
Compensated absences	(17,359)	
Pension expense	<u>(109,641)</u>	<u>(127,000)</u>
<b>Total changes in net position of governmental activities</b>		<b>\$ <u>(44,086)</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 - Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2018**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>				
Ad valorem taxes	\$ 1,452,438	\$ 1,452,438	\$ 1,509,318	\$ 56,880
Other taxes and licenses	579,000	579,000	600,585	21,585
Unrestricted intergovernmental	201,700	201,700	190,617	(11,083)
Restricted intergovernmental	85,917	132,130	120,702	(11,428)
Sales and services	145,000	145,000	138,281	(6,719)
Investment earnings	1,275	1,275	2,593	1,318
Miscellaneous	126,347	160,864	191,671	30,807
<b>Total revenues</b>	<u>2,591,677</u>	<u>2,672,407</u>	<u>2,753,767</u>	<u>81,360</u>
<b>Expenditures:</b>				
Current:				
General government	662,728	735,159	700,078	35,081
Public safety	1,291,399	1,370,651	1,313,786	56,865
Street and sanitation	525,490	533,187	486,694	46,493
Cultural and recreational	28,248	27,433	15,128	12,305
Debt service:				
Principal retirement	87,491	87,491	84,241	3,250
Interest and other charges	39,802	39,802	39,802	-
<b>Total expenditures</b>	<u>2,635,158</u>	<u>2,793,723</u>	<u>2,639,729</u>	<u>153,994</u>
<b>Revenues over (under) expenditures</b>	<u>(43,481)</u>	<u>(121,316)</u>	<u>114,038</u>	<u>235,354</u>
<b>Other financing sources (uses):</b>				
Installment purchase proceeds	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance appropriated	43,481	121,316	-	121,316
<b>Net change in fund balances</b>	<u>\$ -</u>	<u>\$ -</u>	<u>114,038</u>	<u>\$ 114,038</u>
<b>Fund balance, beginning</b>			<u>1,596,493</u>	
<b>Fund balance, ending</b>			<u>\$ 1,710,531</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**  
**For the Year Ended June 30, 2018**

<b><u>ASSETS</u></b>	<b>Major Enterprise Funds</b>		
	<b><u>Water Fund</u></b>	<b><u>Sewer Fund</u></b>	<b><u>Total</u></b>
Current assets:			
Cash and cash equivalents	\$ 593,716	\$ 355,720	\$ 949,436
Accounts receivable (net)	154,025	103,459	257,484
Due from other governments	180,023	920	180,943
Restricted cash and cash equivalents	37,997	99,307	137,304
<b>Total current assets</b>	<b>965,761</b>	<b>559,406</b>	<b>1,525,167</b>
Non-current assets:			
Capital assets:			
Land and other non-depreciable assets	3,859,207	644,948	4,504,155
Other capital assets, net of depreciation	3,581,856	2,637,854	6,219,710
<b>Capital assets (net)</b>	<b>7,441,063</b>	<b>3,282,802</b>	<b>10,723,865</b>
<b>Total noncurrent assets</b>	<b>7,441,063</b>	<b>3,282,802</b>	<b>10,723,865</b>
<b>Total assets</b>	<b>8,406,824</b>	<b>3,842,208</b>	<b>12,249,032</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Pension deferrals	13,810	6,802	20,612
<b>Total deferred outflows of resources</b>	<b>13,810</b>	<b>6,802</b>	<b>20,612</b>
<b><u>LIABILITIES</u></b>			
Current liabilities:			
Accounts payable and accrued liabilities	12,717	2,038	14,755
Compensated absences - current	750	250	1,000
Current portion of long-term debt	55,524	52,489	108,013
Liabilities payable from restricted assets:			
Customer deposits	15,421	10,685	26,106
<b>Total current liabilities</b>	<b>84,412</b>	<b>65,462</b>	<b>149,874</b>
Noncurrent liabilities:			
Compensated absences	2,489	773	3,262
Net pension liability	17,600	8,669	26,269
Noncurrent portion of long-term debt	1,696,692	1,565,676	3,262,368
<b>Total noncurrent liabilities</b>	<b>1,716,781</b>	<b>1,575,118</b>	<b>3,291,899</b>
<b>Total liabilities</b>	<b>1,801,193</b>	<b>1,640,580</b>	<b>3,441,773</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Pension deferrals	1,615	795	2,410
<b>Total deferred inflows of resources</b>	<b>1,615</b>	<b>795</b>	<b>2,410</b>
<b><u>NET POSITION</u></b>			
Net investment in capital assets	5,688,847	1,664,637	7,353,484
Restricted:			
USDA loan-debt service	5,381	45,640	51,021
USDA loan-short lived asset	17,195	42,982	60,177
Unrestricted	906,403	454,376	1,360,779
<b>Total net position</b>	<b>\$ 6,617,826</b>	<b>\$ 2,207,635</b>	<b>\$ 8,825,461</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, 2018**

	<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	\$ 954,746	\$ 722,419	\$ 1,677,165
<b>Total operating revenues</b>	<u>954,746</u>	<u>722,419</u>	<u>1,677,165</u>
<b>Operating expenses:</b>			
Water operations	565,008	-	565,008
Sewer operations	-	396,996	396,996
Depreciation	165,386	112,341	277,727
<b>Total operating expenses</b>	<u>730,394</u>	<u>509,337</u>	<u>1,239,731</u>
<b>Operating income (loss)</b>	<u>224,352</u>	<u>213,082</u>	<u>437,434</u>
<b>Nonoperating revenues (expenses):</b>			
Investment earnings	452	340	792
Interest and other charges	(28,242)	(42,417)	(70,659)
<b>Total nonoperating revenue (expenses)</b>	<u>(27,790)</u>	<u>(42,077)</u>	<u>(69,867)</u>
Capital contributions	<u>500,294</u>	<u>132,463</u>	<u>632,757</u>
<b>Income (loss) before transfers</b>	<u>696,856</u>	<u>303,468</u>	<u>1,000,324</u>
Transfers in (out)	-	-	-
<b>Total contributions and transfers</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Change in net position</b>	<u>696,856</u>	<u>303,468</u>	<u>1,000,324</u>
Total net position, beginning as previously reported	6,026,840	1,798,297	7,825,137
Prior period adjustment (Note 6)	(105,870)	105,870	-
Net position, beginning as restated	<u>5,920,970</u>	<u>1,904,167</u>	<u>7,825,137</u>
<b>Total net position, ending</b>	<u>\$ 6,617,826</u>	<u>\$ 2,207,635</u>	<u>\$ 8,825,461</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, 2018**

	<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	\$ 709,894	\$ 807,651	\$ 1,517,545
Cash paid for goods and services	(510,834)	(368,438)	(879,272)
Cash paid to employees for services	(56,512)	(36,654)	(93,166)
Customer deposits	2,419	47	2,466
<b>Net cash provided (used) by operating activities</b>	<b>144,967</b>	<b>402,606</b>	<b>547,573</b>
<b>Cash flows from capital and related financing activities:</b>			
Capital contributions and grants	500,294	132,463	632,757
Loan proceeds	-	-	-
Principal paid on bonds and installment notes	(37,712)	(65,865)	(103,577)
Interest paid on bonds and installment notes	(28,242)	(42,417)	(70,659)
Acquisition and construction of capital assets	(309,528)	(210,974)	(520,502)
<b>Net cash provided (used) by capital and related financing activities</b>	<b>124,812</b>	<b>(186,793)</b>	<b>(61,981)</b>
<b>Cash flows from investing activities:</b>			
Investment earnings	452	340	792
<b>Net cash provided (used) by investing activities</b>	<b>452</b>	<b>340</b>	<b>792</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>270,231</b>	<b>216,153</b>	<b>486,384</b>
<b>Cash and cash equivalents - beginning of year</b>	<b>361,482</b>	<b>238,874</b>	<b>600,356</b>
<b>Cash and cash equivalents - end of year</b>	<b>\$ 631,713</b>	<b>\$ 455,027</b>	<b>\$ 1,086,740</b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
<b>Operating income (loss)</b>	<b>\$ 224,352</b>	<b>\$ 213,082</b>	<b>\$ 437,434</b>
<b>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities :</b>			
Depreciation	165,386	112,341	277,727
Change in assets, deferred outflows of resources, and liabilities:			
(Increase) decrease in accounts receivable	(242,898)	(13,212)	(256,110)
Increase (decrease) in compensated absences	1,780	214	1,994
Increase (decrease) in accounts payable and accrued liabilities	(5,095)	90,615	85,520
Increase (decrease) in deposits	2,419	47	2,466
Increase in deferred outflows of resources - pensions	(4,438)	(2,186)	(6,624)
Increase (decrease) in net pension liability	2,956	1,456	4,412
Decrease in deferred inflows of resources - pensions	505	249	754
<b>Total adjustments</b>	<b>(79,385)</b>	<b>189,524</b>	<b>110,139</b>
<b>Net cash provided (used) by operating activities</b>	<b>\$ 144,967</b>	<b>\$ 402,606</b>	<b>\$ 547,573</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, 2018**

**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. 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, 2018**

**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, 2018**

**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, 2018**

**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.

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	\$ 121,813
Total Governmental activities	<u>\$ 121,813</u>

Business-type activities:

Water and Sewer Fund

Customer deposits	26,106
Debt service reserve	51,021
Short lived asset reserve-USDA	60,177
Total business-type activities	<u>\$ 137,304</u>

Total restricted cash	<u><u>\$ 259,117</u></u>
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**Town of Carthage, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2018**

**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, 2017. 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 deferrals for the 2018 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, 2018**

**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, 2018**

**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* – portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

*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.

**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.

**Town of Carthage, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2018**

**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)**

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, 2018**

**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, 2018, the Town's deposits had a carrying amount of \$2,649,009 and a bank balance of \$2,719,089. 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, 2018, the Town's petty cash amounted to \$500.

**2. Investments**

At June 30, 2018, the Town of Carthage had \$64,016 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, 2018 are net of the following allowance for doubtful accounts:

General fund:	
Taxes receivable	\$ 2,000
Total general fund	<u>2,000</u>
Enterprise Funds:	
Water - Accounts receivable	<u>36,089</u>
Total Enterprise Fund	<u>36,089</u>
Total	<u>\$ 38,089</u>

**Town of Carthage, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2018**

**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, 2018, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 304,650	\$ -	\$ -	\$ 304,650
Total capital assets not being depreciated	304,650	-	-	304,650
<b>Capital assets being depreciated:</b>				
Buildings and improvements	1,500,208	7,600	-	1,507,808
Furniture and equipment	2,696,759	-	190,612	2,506,147
Total capital assets being depreciated	4,196,967	7,600	190,612	4,013,955
<b>Less accumulated depreciation for:</b>				
Buildings and improvements	555,005	36,155	-	591,160
Furniture and equipment	1,971,897	105,914	142,537	1,935,274
Total accumulated depreciation	2,526,902	142,069	142,537	2,526,434
Total capital assets being depreciated, net	1,670,065			1,487,521
<b>Governmental activities capital assets, net</b>	<b>\$ 1,974,715</b>			<b>\$ 1,792,171</b>

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

General government	\$ 28,006
Public safety	96,695
Streets and sanitation	4,615
Cultural and recreation	12,753
Total depreciation expense	<u>\$ 142,069</u>



**Town of Carthage, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2018**

**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, 2018, 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	3,424,892	309,528	-	3,734,420
Total capital assets not being depreciated	3,549,679	309,528	-	3,859,207
<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	-	-	2,666,087
Total capital assets being depreciated	6,847,592	-	-	6,847,592
<b>Less accumulated depreciation for:</b>				
Buildings and improvements	862,230	35,028	-	897,258
Machinery and equipment	828,148	38,977	-	867,125
Water improvements	1,409,972	91,381	-	1,501,353
Total accumulated depreciation	3,100,350	165,386	-	3,265,736
Total capital assets being depreciated, net	3,747,242			3,581,856
<b>Water fund capital assets, net</b>	<b>\$ 7,296,921</b>			<b>\$ 7,441,063</b>
	Beginning Balances	Increases	Decreases	Ending Balances
<b>Sewer fund</b>				
<b>Capital assets not being depreciated:</b>				
Construction in progress	\$ 562,955	\$ 81,993	\$ -	\$ 644,948
Total capital assets not being depreciated	562,955	81,993	-	644,948
<b>Capital assets being depreciated:</b>				
Buildings and improvements	4,596	-	-	4,596
Machinery and equipment	398,832	20,600	-	419,432
Sewer improvements	4,359,766	-	-	4,359,766
Total capital assets being depreciated	4,763,194	20,600	-	4,783,794
<b>Less accumulated depreciation for:</b>				
Buildings and improvements	4,596	-	-	4,596
Machinery and equipment	398,832	50	-	398,882
Sewer improvements	1,630,171	112,291	-	1,742,462
Total accumulated depreciation	2,033,599	112,341	-	2,145,940
Total capital assets being depreciated, net	2,729,595			2,637,854
<b>Sewer fund capital assets, net</b>	<b>3,292,550</b>			<b>3,282,802</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 10,589,471</b>			<b>\$ 10,723,865</b>

**Town of Carthage, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2018**

**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 Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR 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, 2018, was 7.41% of compensation for law enforcement officers and 7.07% 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 \$82,829 for the year ended June 30, 2018.

**Town of Carthage, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2018**

**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, 2018, the Town reported a liability of \$309,976 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. The total pension liability was then rolled forward to the measurement date of June 30, 2017 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, 2017, the Town's proportion was 0.02029%, which was a decrease of 0.00222% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Town recognized pension expense of \$107,136. At June 30, 2018, 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	\$ 17,857	\$ 8,774
Changes of assumptions	44,269	-
Net difference between projected and actual earnings on pension plan investments	75,263	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	9,831	18,208
Town contributions subsequent to the measurement date	82,829	-
Total	<u>\$ 230,049</u>	<u>\$ 26,982</u>

\$82,829 reported as deferred outflows of resources related to pensions 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, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2019	\$ 18,399
2020	82,771
2021	42,172
2022	(23,105)
2023	-
Thereafter	-

**Town of Carthage, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2018**

**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, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Investment rate of return	7.20 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, 2016 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, 2017 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	100.0%	

**Town of Carthage, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2018**

**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 2016 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 7.20%. 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 7.20 percent, 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 (6.20 percent) or one percentage point higher (8.20 percent) than the current rate:

	<b>1% Decrease (6.20%)</b>	<b>Discount Rate (7.20%)</b>	<b>1% Increase (8.20%)</b>
Town's proportionate share of the net pension liability (asset)	\$ 930,552	\$ 309,976	\$ (208,011)

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) 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, 2018**

**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, 2017, 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	10
Total	10

***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, 2016 valuation. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.50 to 7.35 percent, including inflation and productivity factor
Discount rate	3.16 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, 2017. 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, 2018**

**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)***

***4. Contributions (continued)***

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

At June 30, 2018, the Town reported a total pension liability of \$115,244. The total pension liability was measured as of December 31, 2017 based on a December 31, 2016 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2017 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2018, the Town recognized pension expense of \$8,933.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 34,689
Changes of assumptions	7,547	3,258
Town benefit payments and plan administrative expense made subsequent to the measurement date	-	-
<b>Total</b>	<b>\$ 7,547</b>	<b>\$ 37,947</b>

\$0 paid as benefits came due and \$0 of administrative expenses subsequent to the measurement date have reported as deferred outflows of resources and will be recognized as a decrease of the total pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	
2018	\$ 5,229
2019	5,229
2020	5,229
2021	5,229
2022	5,229
Thereafter	4,255

*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 3.16 percent, 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 (2.16 percent) or 1-percentage-point higher (4.16 percent) than the current rate:

**Town of Carthage, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2018**

**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)*

4. *Contributions (continued)*

	<b>1% Decrease</b>	<b>Discount rate</b>	<b>1% Increase</b>
	<b>(2.16%)</b>	<b>(3.16%)</b>	<b>(4.16%)</b>
Total pension liability	\$ 127,959	\$ 115,244	\$ 103,636

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

	<b>2018</b>
Beginning balance	\$ 133,156
Service Cost	8,683
Interest on the total pension liability	5,140
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	(40,559)
Changes of assumptions or other inputs	8,824
Benefit payments	-
Other changes	-
Ending balance of the total pension liability	<u><u>\$ 115,244</u></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, 2016 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, 2018**

**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***

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	\$ 107,136	\$ 8,933	\$ 116,069
Pension Liability	3,099,756	115,244	3,215,000
Proportionate share of the net pension liability	0.02029%	n/a	
Deferred of Outflows of Resources			
Differences between expected and actual experience	17,857	-	17,857
Changes of assumptions	44,269	7,547	51,816
Net difference between projected and actual earnings on plan investments	75,263	-	75,263
Changes in proportion and differences between contributions and proportionate share of contributions	9,831	-	9,831
Benefit payments and administrative costs paid subsequent to the measurement date	82,829	-	82,829
Deferred of Inflows of Resources			
Difference between expected and actual experience	8,774	34,689	43,463
Changes of assumptions	-	3,258	3,258
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	18,208	-	18,208

**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 Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR 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. Contributions for the year ended June 30, 2018 were \$23,578, which consisted of \$22,105 from the Town and \$1,473 from the law enforcement officers.

**Town of Carthage, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2018**

**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	\$ 82,829
Benefit payments made and administrative expenses for LEOSSA	-
Differences between expected and actual experience	17,857
Changes of assumptions	51,816
Net difference between projected and actual	75,263
Changes in proportion and differences between employer contributions and proportionate share of contributions	9,831
Charge on refunding	-
<b>Total</b>	<b>\$ 237,596</b>

**Town of Carthage, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2018**

**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)	\$ -	\$ 15,991
Changes in assumptions	10,125	-
Differences between expected and actual experience	36,596	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	18,208	-
<b>Total</b>	<u><u>\$ 64,929</u></u>	<u><u>\$ 15,991</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, 2018**

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

**B - Liabilities (continued)**

5. Claims, Judgments and Contingent Liabilities

At June 30, 2018, 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 Leases

The Town 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. In the agreement, title passes to the Town at the end of the lease term.

Lease payable originally issued on July 12, 2016 for \$164,541 due in annual payments of \$57,808, including interest at 5.5%	\$ 64,343
Less current portion	54,270
Total long term portion of capital leases	<u>\$ 10,073</u>

b. Installment Purchase

The Town has entered an 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%	\$ 498,793
USDA installment purchase originally issued on May 2, 2007 for \$350,000 due in annual payments of \$26,040 including interest at 4.125%	192,507
Installment purchase originally issued on March 25, 2015 for \$30,000 due in annual payments of \$4,725 including interest at 2.50%	<u>17,775</u>
Total installment purchases	709,075
Less current portion	34,156
Total governmental long term portion	<u>\$ 674,919</u>

**Town of Carthage, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2018**

**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, 2018, including \$393,085 of interest, are as follows:

Years Ending June 30:	Governmental Activities	
	Installment Purchases	
	Principal	Interest
2019	\$ 34,156	\$ 32,078
2020	35,570	30,665
2021	37,042	29,192
2022	38,577	27,657
2023	35,454	26,055
2024-2028	175,888	105,617
2029-2033	102,982	80,405
2034-2038	129,877	47,468
2039-2043	119,529	13,948
	<u>\$ 709,075</u>	<u>\$ 393,085</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:*

Note payable originally issued on February 2, 2015 for \$87,869 due in annual payments of \$19,263, including interest at 3.50%	\$ 36,536
Note payable originally issued on September 18, 2014 for \$77,000 due in annual payments of \$17,100 including interest at 3.5%	32,433
Note payable originally issued on October 14, 2016 for \$73,218 due in annual payments of \$19,100 including interest at 1.7%	55,412
Sewer system upgrade bond anticipation note (USDA) for \$523,000; still in progress annual payments of \$19,100 including interest at 2.25%	516,000
Water treatment plant and system bond anticipation note (USDA) for \$1,766,000 still in progress with interest at 2.25%	<u>1,736,000</u>
Total installment purchases	2,376,381
Less current portion	91,013
Total business-type long term portion	<u>\$ 2,285,368</u>

**Town of Carthage, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2018**

**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>	<u>Business-type Activities</u> Notes Payable	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 90,106	\$ 106,132
2020	91,488	105,277
2021	57,787	68,060
2022	40,000	48,083
2023	41,000	47,183
2024-2028	219,001	221,670
2029-2033	243,000	195,952
2034-2038	271,000	167,377
2039-2043	300,000	135,652
2044-2048	336,000	100,305
2049-2053	374,000	90,607
2054-2058	312,999	17,257
	<u>\$ 2,376,381</u>	<u>\$ 1,303,555</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%

Less current portion

\$	994,000
	17,000
<u>\$</u>	<u>977,000</u>

**Town of Carthage, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2018**

**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 Bond</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 17,000	\$ 27,335
2020	17,000	26,868
2021	17,000	26,400
2022	18,000	25,933
2023	18,000	25,438
2024-2028	100,000	19,378
2029-2033	115,000	104,803
2034-2038	132,000	88,083
2039-2043	150,000	69,025
2044-2048	171,000	47,190
2049-2053	196,000	22,413
2054-2058	43,000	1,183
	<u>\$ 994,000</u>	<u>\$ 484,049</u>

The Town is 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, 2018, is as follows:

Operating revenues	\$ 1,677,164
Operating expenses*	<u>1,032,663</u>
Operating income	644,501
Nonoperating revenues (expenses)**	<u>(27,775)</u>
Income available for debt service	<u>\$ 616,726</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>43,775</u>
Debt service ratio	1409%

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 \$277,727.

\*\* Per rate covenants, this does not include the revenue bond interest paid of \$27,775.

**Town of Carthage, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2018**

**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 \$994,000. Principal and interest paid for the current year and total customer net revenues were \$16,000 and \$27,775, 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, 2018.

	Beginning			Ending	Current
	Balances	Increases	Decreases	Balance	Portion
<b>Governmental activities:</b>					
Capital lease obligations	\$ 115,783	\$ -	\$ 51,440	\$ 64,343	\$ 54,270
Installment purchases	741,876	-	32,801	709,075	34,156
Compensated absences	50,492	34,124	16,765	67,851	17,000
Net pension obligation (LGERS)	352,826	-	69,119	283,707	-
Total pension obligation (LEO)	133,156	-	17,912	115,244	-
Governmental activity					
long-term liabilities	<u>\$ 1,394,133</u>	<u>\$ 34,124</u>	<u>\$ 188,037</u>	<u>\$ 1,240,220</u>	<u>\$ 105,426</u>
	Beginning			Ending	Current
	Balances	Increases	Decreases	Balance	Portion
<b>Business-type activities:</b>					
Notes payable	\$ 2,463,988	\$ -	\$ 87,607	\$ 2,376,381	\$ 91,013
Revenue bonds	1,010,000	-	16,000	994,000	17,000
Compensated absences	2,268	2,119	125	4,262	1,000
Net pension obligation (LGERS)	30,680	-	4,411	26,269	-
Business-type activity					
long-term liabilities	<u>\$ 3,506,936</u>	<u>\$ 2,119</u>	<u>\$ 108,143</u>	<u>\$ 3,400,912</u>	<u>\$ 109,013</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, 2018, amounts to approximately \$48,185,293.



**Town of Carthage, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2018**

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

**C - 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>	\$	1,710,531
Less:		
Stabilization by State Statute		172,260
Streets		92,132
Police-Drug Crime Prevention		4,114
Debt Service		61,509
Appropriated Fund Balance in 2019 budget		41,738
<b>Remaining fund balance</b>		<b>1,338,778</b>

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end. There were no outstanding encumbrances at June 30, 2018.

**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 October 31, 2018, which is the date the financial statements were available to be issued.

**NOTE 6 - CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT**

**A- Prior Period Adjustment**

During the fiscal year ended June 30, 2018, the Town determined that the proprietary funds long-term debt obligations as presented at July 1, 2017 were applied to the incorrect fund between the Water Fund and Sewer Fund although the total beginning net position for the enterprises funds at July 1, 2017 were correct in total. Therefore, an adjustment to beginning fund balance has been recorded to account for this change. The net effect of the change decreased the beginning fund balance of the Water Fund by \$105,870, and increased the beginning fund balance of the Sewer Fund by \$105,870.

## Required Supplementary Financial Data

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

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- 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 Five Fiscal Years\***

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Carthage's proportionate share of the net pension liability (%)	2.0290%	1.8070%	1.9450%	1.9680%	0.0144%
Carthage's proportionate share of the net pension liability (\$)	\$ 309,976	\$ 383,506	\$ 87,290	\$ (116,063)	\$ 173,575
Carthage's covered payroll	\$ 1,106,638	\$ 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	28.01%	35.42%	10.34%	-13.05%	22.29%
Plan fiduciary net position as a percentage of the total pension liability**	94.18%	91.47%	98.09%	102.64%	94.35%

\* 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 Five Fiscal Years**

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 82,829	\$ 75,186	\$ 70,675	\$ 60,727	\$ 63,595
Contributions in relation to the contractually required contribution	82,829	75,186	70,675	60,727	63,595
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Carthage's covered-employee payroll	\$ 1,106,638	\$ 1,038,771	\$ 1,082,652	\$ 843,993	\$ 889,102
Contributions as a percentage of covered-employee payroll	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, 2018**

	<b>2018</b>	<b>2017</b>
Beginning balance	\$ 133,156	\$ 123,362
Service Cost	8,683	9,920
Interest on the total pension liability	5,140	4,401
Changes of benefit terms	-	-
Differences between expected and actual experience in the measurement of the total pension liability	(40,559)	(4,530)
Changes of assumptions or other inputs	8,824	-
Benefit payments	-	-
Other changes	-	-
Ending balance of the total pension liability	<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, 2018**

	<b>2018</b>	<b>2017</b>
Total pension liability	\$ 115,244	\$ 133,156
Covered payroll	393,669	435,647
Total pension liability as a percentage of covered payroll	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, 2018**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues:</b>			
<b>Ad valorem taxes:</b>			
Taxes	\$	1,502,695	\$
Penalties and interest		6,623	
<b>Total</b>	<u>1,452,438</u>	<u>1,509,318</u>	<u>56,880</u>
<b>Other taxes and licenses:</b>			
Local option sales taxes		589,205	
Privilege licenses		1,185	
Motor vehicle licenses		10,195	
<b>Total</b>	<u>579,000</u>	<u>600,585</u>	<u>21,585</u>
<b>Unrestricted intergovernmental:</b>			
Beer and wine tax		10,140	
Utility franchise tax		178,862	
Solid waste		1,615	
<b>Total</b>	<u>201,700</u>	<u>190,617</u>	<u>(11,083)</u>
<b>Restricted intergovernmental:</b>			
Powell bill allocation		77,798	
Fire/safety - Carthage Rescue Squad		1,842	
Federal grant		10,214	
NCDOT grant		30,848	
<b>Total</b>	<u>132,130</u>	<u>120,702</u>	<u>(11,428)</u>
<b>Sales and services:</b>			
Sanitary landfill participation fee		138,281	
<b>Total</b>	<u>145,000</u>	<u>138,281</u>	<u>(6,719)</u>
<b>Investment earnings</b>	<u>1,275</u>	<u>2,593</u>	<u>1,318</u>
<b>Other revenues:</b>			
Sale of assets		29,900	
Utility leases		55,735	
Zoning fees		13,390	
Miscellaneous		29,516	
Moore County ABC revenue		21,028	
Administrative charge - Fire District		12,000	
Donations		5,500	
Insurance proceeds		18,952	
Rent		5,650	
<b>Total</b>	<u>160,864</u>	<u>191,671</u>	<u>30,807</u>
<b>Total revenues</b>	<u>\$ 2,672,407</u>	<u>\$ 2,753,767</u>	<u>\$ 81,360</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, 2018**

	<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	\$	\$ 9,689	\$
Other operating expenditures		9,608	
<b>Total</b>	<u>20,580</u>	<u>19,297</u>	<u>1,283</u>
<b>Administration:</b>			
Salaries and employee benefits		162,482	
Other operating expenditures		228,672	
Capital outlay		-	
<b>Total</b>	<u>392,810</u>	<u>391,154</u>	<u>1,656</u>
<b>Finance:</b>			
Salaries and employee benefits		74,044	
Other operating expenditures		1,934	
Capital outlay		-	
<b>Total</b>	<u>76,677</u>	<u>75,978</u>	<u>699</u>
<b>Legal services:</b>			
Professional services		57,500	
<b>Total</b>	<u>57,500</u>	<u>57,500</u>	<u>-</u>
<b>Planning and zoning:</b>			
Salaries and employee benefits		22,852	
Other operating expenditures		47,743	
<b>Total</b>	<u>74,774</u>	<u>70,595</u>	<u>4,179</u>
<b>Public buildings:</b>			
Salaries and employee benefits		75,410	
Capital Outlay		7,600	
<b>Total</b>	<u>109,536</u>	<u>83,010</u>	<u>26,526</u>
<b>Appearance:</b>			
Other operating expenditures		2,544	
<b>Total</b>	<u>3,282</u>	<u>2,544</u>	<u>738</u>
<b>Total general government</b>	<u>\$ 735,159</u>	<u>\$ 700,078</u>	<u>\$ 8,555</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, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Public safety:</b>			
<b>Police department:</b>			
Salaries and employee benefits	\$	681,857	\$
Vehicle maintenance		7,136	
Other operating expenditures		88,368	
Capital outlay		-	
<b>Total</b>	<u>819,448</u>	<u>777,361</u>	<u>42,087</u>
<b>Fire:</b>			
Salaries and employee benefits		340,801	
Vehicle maintenance		80,757	
Other operating expenditures		114,867	
Capital outlay		-	
<b>Total</b>	<u>551,203</u>	<u>536,425</u>	<u>14,778</u>
<b>Total public safety</b>	<u>1,370,651</u>	<u>1,313,786</u>	<u>56,865</u>
<b>Streets and sanitation:</b>			
<b>Streets:</b>			
Salaries and employee benefits		230,209	
Vehicle maintenance		6,108	
Street lights		62,441	
Contracted services		6,061	
Other operating expenditures		29,683	
Capital outlay		-	
<b>Total</b>	<u>344,987</u>	<u>334,502</u>	<u>10,485</u>
<b>Powell bill:</b>			
Salaries and employee benefits		29,659	
Other operating expenditures		11,309	
<b>Total</b>	<u>76,692</u>	<u>40,968</u>	<u>35,724</u>
<b>Sanitation:</b>			
Contracted services		110,146	
Operating expenditures		1,078	
<b>Total</b>	<u>111,508</u>	<u>111,224</u>	<u>284</u>
<b>Total streets and sanitation</b>	<u>\$ 533,187</u>	<u>\$ 486,694</u>	<u>\$ 46,209</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, 2018**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Cultural and recreational:</b>			
Other operating expenditures	\$	\$ 13,512	\$
<b>Total</b>	<u>24,248</u>	<u>13,512</u>	<u>10,736</u>
<b>Cemeteries:</b>			
Operating expenditures		1,616	
Capital outlay		-	
<b>Total</b>	<u>3,185</u>	<u>1,616</u>	<u>1,569</u>
<b>Total cultural and recreational</b>	<u>27,433</u>	<u>15,128</u>	<u>12,305</u>
<b>Debt service:</b>			
Principal		84,241	
Interest		39,802	
<b>Total</b>	<u>127,293</u>	<u>124,043</u>	<u>3,250</u>
<b>Total expenditures</b>	<u>2,793,723</u>	<u>2,639,729</u>	<u>128,753</u>
<b>Revenues over (under) expenditures</b>	<u>(121,316)</u>	<u>114,038</u>	<u>235,354</u>
<b>Other financing sources (uses):</b>			
Installment purchase proceeds		-	
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance appropriated	121,316	-	121,316
<b>Net change in fund balances</b>	<u>\$ -</u>	<u>114,038</u>	<u>\$ 114,038</u>
<b>Fund balances, beginning</b>		<u>1,596,493</u>	
<b>Fund balances, ending</b>		<u>\$ 1,710,531</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, 2018**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues:</b>			
Investment earnings	\$ 100	\$ 26	\$ (74)
Miscellaneous revenue	-	36	36
<b>Total revenues</b>	<u>100</u>	<u>62</u>	<u>(38)</u>
<b>Expenditures:</b>			
Other operating expenditures	-	-	-
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other financing sources (uses):</b>			
Transfer to General Fund	(100)	-	-
<b>Total other financing sources (uses)</b>	<u>(100)</u>	<u>-</u>	<u>-</u>
 <b>Revenues over (under) expenditures</b>	 <u>\$ -</u>	 62	 <u>\$ 62</u>
 <b>Fund balance, beginning</b>		 26,125	
<b>Fund balance, ending</b>		<u>\$ 26,187</u>	

## Enterprise Funds

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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.

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***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.

***Sewer Capital Improvement Project Fund*** – This fund is used to account for the construction and capital addition of the sewer capital improvement project.

**Town of Carthage, North Carolina**  
**Water Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP)**  
**For the Year Ended June 30, 2018**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues:</b>			
<b>Operating revenues:</b>			
Charges for services	\$	\$ 896,446	\$
Tap fees		58,300	
<b>Total</b>	<u>798,140</u>	<u>954,746</u>	<u>156,606</u>
<b>Non-operating revenues:</b>			
Interest income		294	
<b>Total</b>	<u>150</u>	<u>294</u>	<u>144</u>
<b>Total revenues</b>	<u>798,290</u>	<u>955,040</u>	<u>156,750</u>
<b>Expenditures:</b>			
<b>Operating expenditures:</b>			
Water salaries and benefits		56,512	
Water operations		505,739	
<b>Total</b>	<u>722,494</u>	<u>562,251</u>	<u>160,243</u>
<b>Debt service:</b>			
Principal payments		37,712	
Interest		28,242	
<b>Total</b>	<u>75,796</u>	<u>65,954</u>	<u>9,842</u>
<b>Total expenditures</b>	<u>798,290</u>	<u>628,205</u>	<u>170,085</u>
<b>Revenues over (under) expenditures</b>	<u>\$ -</u>	<u>\$ 326,835</u>	<u>\$ (13,335)</u>

**Town of Carthage, North Carolina**  
**Water Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non-GAAP) (continued)**  
**For the Year Ended June 30, 2018**

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

<b>Revenues and other financing sources</b>	
<b>(uses) over (under) expenditures</b>	<b>\$ 326,835</b>
	<hr/>

**Reconciling items:**

Interest income	158
Depreciation	(165,386)
Principal payments	37,712
USDA grant	500,294
Increase in accrued compensated absences	(1,780)
Increase in outflows of resources-pensions	(4,438)
Increase in net pension liability	2,956
Decrease in inflows of resources-pension	505
<b>Total reconciling items</b>	<hr/> <b>370,021</b> <hr/>
 <b>Change in net position</b>	 <b>\$ 696,856</b>
	<hr/> <hr/>



**Town of Carthage, North Carolina**  
**Capital Reserve Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual**  
**For the Year Ended June 30, 2018**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Other financing sources (uses):</b>			
Transfer from Water Fund	\$ -	\$ -	\$ -
Transfer from Sewer Fund	-	-	-
Transfers to water and sewer fund	-	-	-
<b>Total</b>	<u>-</u>	<u>-</u>	<u>-</u>
 <b>Net change in fund balance</b>	 <u><u>\$ -</u></u>	 <u><u>\$ -</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, 2018**

	<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>Revenues:</b>					
Restricted intergovernmental:					
USDA grant	\$ 2,234,000	\$ 1,733,752	\$ 500,294	\$ 2,234,046	\$ 46
USDA loan	1,766,000	1,766,000	-	1,766,000	-
Investment earnings	-	-	158	158	158
<b>Total revenues</b>	<b>4,000,000</b>	<b>3,499,752</b>	<b>500,452</b>	<b>4,000,204</b>	<b>204</b>
<b>Expenditures:</b>					
Engineering	422,300	364,283	9,403	373,686	48,614
Development	3,345,000	3,005,315	228,832	3,234,147	110,853
Other	232,700	55,294	71,293	126,587	106,113
<b>Total expenditures</b>	<b>4,000,000</b>	<b>3,424,892</b>	<b>309,528</b>	<b>3,734,420</b>	<b>265,580</b>
 <b>Revenues over (under) expenditures</b>	 <b>\$ -</b>	 <b>\$ 74,860</b>	 190,924	 <b>\$ 265,784</b>	 <b>\$ 265,784</b>
 <b>Fund balance, beginning</b>			74,860		
<b>Fund balance, ending</b>			<b>\$ 265,784</b>		

**Town of Carthage, North Carolina**  
**Sewer Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non - GAAP)**  
**For the Year Ended June 30, 2018**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues:</b>			
<b>Charges for services:</b>			
Sewer charges	\$	\$ 722,419	\$
<b>Total operating revenues</b>	<u>630,000</u>	<u>722,419</u>	<u>92,419</u>
<b>Non-operating revenues:</b>			
Miscellaneous		-	
Interest income		293	
<b>Total non-operating revenues</b>	<u>150</u>	<u>293</u>	<u>143</u>
<b>Total revenues</b>	<u>630,150</u>	<u>722,712</u>	<u>92,562</u>
<b>Expenditures:</b>			
<b>Sewer operations:</b>			
Salaries and employee benefits		36,653	
Sewer operations		359,648	
<b>Total</b>	<u>516,682</u>	<u>396,301</u>	<u>120,381</u>
<b>Debt service:</b>			
Principal payments		65,865	
Interest		42,417	
<b>Total</b>	<u>113,318</u>	<u>108,282</u>	<u>5,036</u>
<b>Capital outlay:</b>	<u>20,600</u>	<u>20,600</u>	<u>-</u>
<b>Total</b>		<u>20,600</u>	
<b>Total expenditures</b>	<u>630,000</u>	<u>525,183</u>	<u>125,417</u>
<b>Revenues over (under) expenditures</b>	<u>-</u>	<u>197,529</u>	<u>-</u>
<b>Other financing sources (uses):</b>			
Loan proceeds		-	
Insurance proceeds		-	
<b>Total</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Appropriated fund balance</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Revenues, other financing sources         (uses) over (under) expenditures</b>	<u>\$ -</u>	<u>\$ 197,529</u>	<u>\$ -</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, 2018**

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

<b>Revenues and other financing sources</b>	
<b>(uses) over (under) expenditures</b>	<u>\$ 197,529</u>

**Reconciling items:**

Interest income	47
Depreciation	(112,341)
Capital outlay	20,600
Principal retirement	65,865
USDA grant	132,463
Decrease in accrued compensated absences	(214)
Increase in deferred outflows of resources-pensions	(2,186)
Increase in net pension liability	1,456
Decrease in deferred inflows of resources-pensions	<u>249</u>
<b>Total reconciling items</b>	<u>105,939</u>

<b>Change in net position</b>	<u><u>\$ 303,468</u></u>
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**Town of Carthage, North Carolina**  
**Sewer Capital Improvement Project Fund**  
**Schedule of Revenues and Expenditures**  
**Budget and Actual (Non – GAAP)**  
**From Inception and for the Year Ended June 30, 2018**

	<b>Project Authorization</b>	<b>Prior Years</b>	<b>Actual Current Year</b>	<b>Total to Date</b>	<b>Variance Positive (Negative)</b>
<b>Revenues:</b>					
Restricted intergovernmental:					
USDA grant	\$ 221,000	\$ -	\$ 132,463	\$ 132,463	\$ (88,537)
USDA loan	523,000	523,000	-	523,000	-
Investment earnings	-	-	47	47	47
<b>Total revenues</b>	<b>744,000</b>	<b>523,000</b>	<b>132,510</b>	<b>655,510</b>	<b>(88,490)</b>
<b>Expenditures:</b>					
Engineering	90,000	89,628	27,347	116,975	(26,975)
Development	646,000	465,537	41,313	506,850	139,150
Other	8,000	7,790	13,333	21,123	(13,123)
<b>Total expenditures</b>	<b>744,000</b>	<b>562,955</b>	<b>81,993</b>	<b>644,948</b>	<b>99,052</b>
<b>Revenues over (under) expenditures</b>	<b>-</b>	<b>(39,955)</b>	<b>50,517</b>	<b>10,562</b>	<b>10,562</b>
<b>Other financing sources (uses):</b>					
Transfer from Water and Sewer fund	-	29,270	-	29,270	29,270
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>29,270</b>	<b>-</b>	<b>29,270</b>	<b>29,270</b>
<b>Revenues and other sources over (under) expenditures</b>	<b>\$ -</b>	<b>\$ (10,685)</b>	<b>50,517</b>	<b>\$ 39,832</b>	<b>\$ 39,832</b>
<b>Fund balance, beginning</b>			<b>(10,685)</b>		
<b>Fund balance, ending</b>			<b>\$ 39,832</b>		

## Other Schedules

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

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

**Town of Carthage, North Carolina**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2018**

<b><u>Fiscal Year</u></b>	<b><u>Uncollected Balances June 30, 2017</u></b>	<b><u>Additions</u></b>	<b><u>Collections and Credits</u></b>	<b><u>Uncollected Balances June 30, 2018</u></b>
2017-2018	\$ -	\$ 1,510,132	\$ 1,500,695	\$ 9,437
2016-2017	6,587	-	4,677	1,910
2015-2016	2,272	-	1,988	284
2014-2015	1,368	-	1,075	293
2013-2014	1,391	-	444	947
2012-2013	1,324	-	315	1,009
2011-2012	859	-	366	493
2010-2011	966	-	297	669
2009-2010	877	-	233	644
2008-2009	917	-	110	807
2007-2008	1,533	-	35	1,498
	<u>\$ 18,094</u>	<u>\$ 1,510,132</u>	<u>\$ 1,510,235</u>	<u>17,991</u>

Less: allowance for uncollectible accounts - General Fund (2,000)

**Ad valorem taxes receivable - net** \$ 15,991

**Reconciliation with revenues:**

Ad valorem taxes - General Fund	\$ 1,509,318
Penalties collected on ad valorem taxes	4,622
Reconciling items:	
Interest and lien advertising collected	(6,623)
Taxes written off	<u>2,918</u>
<b>Total collections and credits</b>	<u><u>\$ 1,510,235</u></u>

**Town of Carthage, North Carolina**  
**Analysis of Current Year Tax Levy**  
**For the Year Ended June 30, 2018**

	Town-Wide Levy			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding	Registered
				Registered Motor Vehicles	Motor Vehicles
<b>Original levy:</b>					
Property Tax	\$ 239,807,272	0.50	\$ 1,187,046	\$ 1,090,605	\$ 96,441
Fire tax	362,508,889	0.09	326,258	288,899	37,359
Total	<u>602,316,161</u>		<u>1,513,304</u>	<u>1,379,504</u>	<u>133,800</u>
<b>Discoveries:</b>					
Current Year	-		-	-	-
Total	<u>-</u>		<u>-</u>	<u>-</u>	<u>-</u>
<b>Releases</b>	<u>640,816</u>	0.495	<u>(3,172)</u>	<u>(2,940)</u>	<u>(232)</u>
<b>Total property valuation</b>	<u><u>\$ 602,956,977</u></u>				
<b>Net levy</b>			1,510,132	1,376,564	133,568
<b>Uncollected taxes at June 30, 2018</b>			<u>9,437</u>	<u>9,437</u>	<u>-</u>
<b>Current year's taxes collected</b>			<u><u>\$ 1,500,695</u></u>	<u><u>\$ 1,367,127</u></u>	<u><u>\$ 133,568</u></u>
<b>Current levy collection percentage</b>			<u><u>99.38%</u></u>	<u><u>99.31%</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, 2018, 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 October 31, 2018.

#### 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.

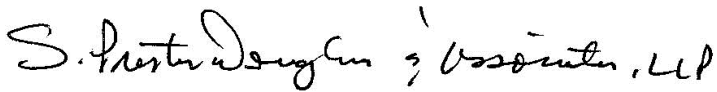
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies 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. 2018-001.

### 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 cursive script.

Lumberton, North Carolina  
October 31, 2018

**Town of Carthage, North Carolina**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2018**

<b>Section I. Summary of Auditor's Results</b>
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**Financial Statements**

Type of auditor's report issued:

Unmodified.

Internal control over financial reporting:

- |  |                      |     |                      |               |
|--|----------------------|-----|----------------------|---------------|
| • Material weakness(es) identified?  | _____                | yes | _____ <u>X</u> _____ | no            |
| • Significant deficiency(s) identified that are not considered to be material weaknesses | _____ <u>X</u> _____ | yes | _____                | none reported |
| • Noncompliance material to financial statements   | _____                | yes | _____ <u>X</u> _____ | no            |

**Town of Carthage, North Carolina**  
**Schedule of Findings and Questioned Costs (continued)**  
**For the Year Ended June 30, 2018**

<b>Section II. Financial Statement Findings</b>
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SIGNIFICANT DEFICIENCY

**Finding 2018- 001      Segregation of Duties**

Criteria:                      Segregation of duties provides 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**  
**Correction Action Plan**  
**For the Year Ended June 30, 2018**

**SIGNIFICANT DEFICIENCY**

**Finding 2018- 001      Segregation of Duties**

Name of contact person: Kesha Matthews, Finance Director

Corrective Action: The board should continually keep in mind that due to the small staff size, internal controls will be limited, and should monitor accordingly.

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

**Town of Carthage, North Carolina**  
**Summary Schedule of Prior Audit Findings**  
**For the Year Ended June 30, 2018**

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

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