

**CITY OF CARTHAGE, TEXAS**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2019

ISSUED BY

CITY OF CARTHAGE, TEXAS

STEPHEN K. WILLIAMS, CPA  
CITY MANAGER

City of Carthage, Texas  
 Comprehensive Annual Financial Report  
 For The Year Ended September 30, 2019

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## Introductory Section



**City of Carthage**  
PO Box 400 • Carthage, Texas 75633  
Phone 903-693-3868 • Fax 903-693-3882

**Mayor**  
LYNN C. VINCENT

**Mayor Pro Tem**  
OLIN JOFFRION

**City Commissioners**  
WALIA COOKE Place 2  
IDA BECK Place 3  
JERRY T. HANSZEN Place 4

**City Manager**  
STEPHEN K. WILLIAMS

**City Secretary**  
DANA CLARK

February 20, 2020

Honorable Mayor and City Commission  
City of Carthage, Texas

The Comprehensive Annual Financial Report (CAFR) of the City of Carthage, Texas, for the fiscal year ended September 30, 2019, is hereby submitted. The purpose of the report is to provide the Commission, staff, the public and other interested parties with detailed information reflecting the City's financial condition.

### **The Report**

Management assumes full responsibility for the completeness and reliability of the information contained in this report. To provide a reasonable basis for making the representations in these financial statements, management has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, misuse or theft, and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not exceed the benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable assurance rather than absolute assurance that the financial statements will be free from material misstatement. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various City funds. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

Generally accepted accounting principles (GAAP) require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Carthage's MD&A can be found immediately following the report of the independent auditors.

The City was required to undergo an audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Included in the compliance section is the 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*.

## **Profile of the City**

The City of Carthage covers approximately 10.5 square miles in East Texas, near the Louisiana state line. As of the 2010 census, the population was 6,779. Carthage is the county seat of Panola County, Texas.

The City was incorporated in 1948 under a Home Rule Charter. All powers of the City are vested in a City Commission consisting of a mayor and four commissioners who are elected by the citizens for two-year terms of office. The City Manager is the chief executive officer for the City.

The City provides a full range of municipal services, including public safety (police and fire protection); sanitation services; the construction and maintenance of highways, streets, and infrastructure; planning and zoning; recreational activities and cultural events; and general administrative services. In addition, water and wastewater services are operated under an Enterprise Fund concept, with user charges set to ensure adequate coverage of operating expenses and payments on outstanding debt.

Also included in this report are two component units: Carthage Economic Development Corporation (CEDC) and Carthage Improvement Corporation (CIC). Both are non-profit corporations organized to promote and develop new and expanding businesses and each is funded by a ¼ percent sales tax collected by the City. The CIC can also undertake municipal infrastructure improvements and other City projects. These corporations' financial statements are blended with the City's basic financial statements as special revenue funds since they meet the criteria set forth in GASB's Codification of Governmental Accounting and Financial Reporting Standards.

The City enacts the budget through passage of an ordinance prior to the start of each fiscal year. This budget serves as the foundation for the City of Carthage's financial planning and control. Annual budgets are prepared for the general fund, debt service fund, hotel/motel tax fund, Carthage Economic Development Corporation and Carthage Improvement Corporation. The City Manager is authorized to transfer resources within each department; Commission approval is required for all other transfers.

## **Local Economy**

The City has a diversified economy that includes one of the largest proven natural gas fields in the United States. In addition to plants processing petroleum and manufacturing or servicing oil field equipment, a major poultry processing plant and a plastic cup manufacturing plant are also located within the City. Additionally, Carthage is the home of Louisiana Pacific which, although it is located just outside the city limits, is a utility customer. The economic condition and outlook of the City have been steady during the past ten years. However, approximately 35% of the City's property tax base is represented by mineral values, and the City's economy is vulnerable to changes in natural gas values.

## **Long-term Financial Planning**

The City expects continuing growth through the diversification of industry. The City offers industrial and business prospects, a growing labor force available at competitive wage rates, adequate and reliable utilities offered at affordable prices, a ready market of office and industrial facilities, quality schools and advanced educational facilities.

## **Relevant Financial Policies**

The City has formally adopted a fund balance policy which states that the City will maintain a minimum of four months of average general fund operating expenditures in unassigned fund balance. The City strives to maintain sufficient reserves to ensure its ability to maintain services at a consistent level and respond to the demands of its economy.

In accordance with the Public Funds Investment Act, the City invests funds prudently and has adopted an investment policy reviewed annually by the City Commission as prescribed by State law. Staff provides a quarterly report of investments for Commission review. The City's current investment practice is limited to the purchase of certificates of deposit.

## **Major Initiatives**

**For the Current Year.** We developed a master plan for the City parks in 2018. A survey was conducted of our citizens to determine the preferences for improvements and needs of all of our parks. This master plan will be used as a blueprint for future projects and to help with grant funding opportunities. This year we completed a splash pad at Davis Park. This project was funded by the City, the Carthage Economic Development Corporation, the Carthage Improvement Corporation, and donations by the citizens of our community. We also completed a walking trail at the baseball complex. The funding was provided by a grant from the Texas Parks and Wildlife Department. Required matching funds were donated by the Charles C. Matthews Foundation. Any remaining expenses were covered by the City. Both projects were well received by our citizens and the surrounding communities.

The Carthage Fire Department is a very vital part of the City. It has six full-time firefighter employees and 37 volunteer firefighters. The fire department complies with and is regulated by the Texas Commission on Fire Protection, and the department equipment is continually maintained and kept in a constant state of readiness. Training and drills are a regular part of membership in the fire department. The department maintains a Fire Protection Rating of Class II through the Insurance Service Organization. A majority of the equipment is kept up to NFPA Standards. Our Chief, Brodie Akin, has served the department for 57 years, of which 50 have been as Chief, and has the respect and dedication of the firemen, which makes for an excellent volunteer department. As of this year, the Fire Department has three firemen who hold investigator and inspection licenses.

The Police Department is also a very vital department within the City of Carthage. We have a Chief of Police, Assistant Chief, Investigator and 14 patrol officers. We have four dispatchers, an Administrative Secretary to the Chief and an Animal Control Officer. In our Municipal Court, we have a part-time Judge and a full-time Court Clerk.

The Main Street program, under the direction of Cindy Smith, continues to improve each year. For the 17th consecutive year the program was awarded the designation of a National Main Street City. Cindy has been successful in bringing several new events to downtown and also has formed a working downtown group of merchants who strive together to make the downtown a better place to shop. The Carthage Main Street Youth Advisory Council (YAC) was formed in April 2016 with 12 members, and by 2017 it was already up to the max of 20 members. Each year this council is tasked with planning an event and a project, as well as volunteering for both Carthage Main Street and Panola County Chamber of Commerce events, with their officers also being Junior Chamber Ambassadors. Each member also has to volunteer two hours per semester working in the Carthage Main Street office.

The City of Carthage continues the programs needed to meet the citizens' needs for services and to safeguard the environment, in conformity with applicable federal and state standards.

**For the Future.** The budget for the General Fund for the 2019-2020 year is 5.6% more than the prior year. The majority of the increase is due to the budgeting of \$355,000 more than the prior year for the repair of streets. Citizens in Carthage depend heavily on the income from the oil and gas industry and related service companies which was in decline over the last several years. The years ending September 2018 and 2019 have shown an increase in activity in these areas. Sales tax has shown a corresponding increase and was up over 26% for the year ending September of 2019. A portion of this increase is being used to fund additional street repairs. We are optimistic that this will continue throughout the coming year, but the City only budgeted a 6.67% increase in sales tax over the prior year budget.

In the fiscal year 2016-2017 the City applied for a Community Development Block Grant that will be used to upgrade water and sewer services in parts of the City that are considered low to moderate income. This project was started in the fall of 2019 and should be completed in the year ending September 2020. The 2020 budget includes additional funds to be spent on street repair. Three projects have already been started with several more projects scheduled for Summer 2020.

Carthage continues to be a great place to live and work. With the guidance of a strong and stable City Commission and the dedicated employees of the City we will maintain the services and economic development needs of our community.

### **Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Carthage for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2018. This was the 20th consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

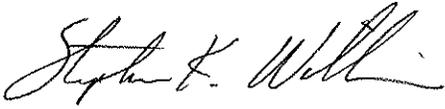
A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated service of the entire staff of the City Accountant and her department along with our independent auditors. We would also like to express sincere appreciation to all employees who contributed to its preparation.

In closing, the City of Carthage will strive to be a good community partner to business and residents. We will continue to maintain and provide all services, constantly striving to do so in the most effective and economic way possible. The things that we strive to achieve for the good of Carthage or due to state/federal mandates are only possible through the stability of the Carthage City Commission. The

City Commission, under the leadership of Mayor Lynn Vincent, has always been available to the citizens of Carthage. I feel confident we will continue to see the cooperation, leadership and stability from the current City Commission that we have always maintained. I applaud their unselfish efforts and dedication of their time and energy to the betterment of the City of Carthage.

Sincerely,

A handwritten signature in black ink, appearing to read "Stephen K. Williams". The signature is fluid and cursive, with a long horizontal stroke at the end.

Stephen K. Williams, CPA  
City Manager



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Carthage**  
**Texas**

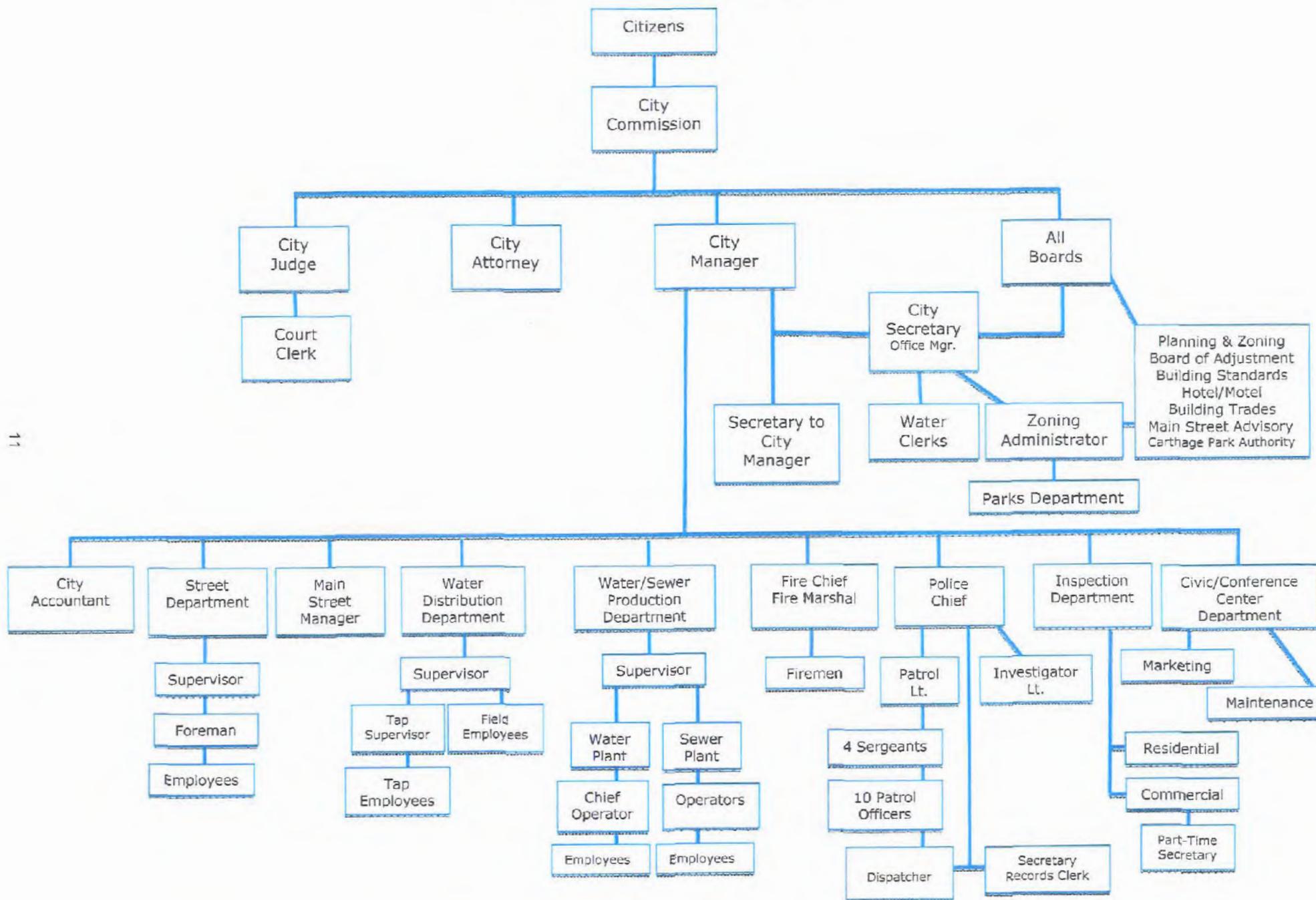
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2018**

*Christopher P. Morrill*

Executive Director/CEO

# CITY OF CARTHAGE, TEXAS



**CITY OF CARTHAGE, TEXAS**

LIST OF PRINCIPAL OFFICIALS

SEPTEMBER 30, 2019

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Elected Officials

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<u>Name</u>	<u>Office</u>
Lynn Vincent	Mayor
Olin Joffrion	Mayor Pro-Tem
Ida Beck	Commissioner
Jerry T. Hanszen	Commissioner
Walta Cooke	Commissioner

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Appointed Officials

---

<u>Name</u>	<u>Position</u>
Stephen K. Williams	City Manager
Dana Clark	City Secretary

## Financial Section

# KAREN A. JACKS & ASSOCIATES, P.C.

## Certified Public Accountants

P.O. Box 3167  
Longview, Texas 75606

Phone: 903-238-8822

1501 Colony Circle  
Longview, Texas 75604

Fax: 903-238-9838

Karen A. Jacks, CPA, CGMA  
Peggy J. Lantz, CPA

Chanie A. Johnson, CPA

### Independent Auditors' Report

To the Mayor and City Commission  
City of Carthage, Texas  
812 West Panola  
Carthage, Texas 75633

#### **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 City of Carthage, Texas ("the City") as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City'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.

#### **Auditors' 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 from 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 internal control relevant to the City'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 City'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 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, 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, and the aggregate remaining fund information of City of Carthage, Texas as of September 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budget comparison for the General Fund for the year then 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 the Management's Discussion and Analysis, and schedule of the City's net pension liability, schedule of City pension contributions, schedule of the City's total OPEB liability and schedule of City OPEB contributions identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Carthage, Texas' basic financial statements. The introductory section, combining nonmajor fund financial statements, budgetary comparison schedules, and statistical section are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The combining nonmajor fund financial statements and budgetary comparison schedules are the responsibility of management and were derived from and relate 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, the combining nonmajor fund financial statements and budgetary comparison schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2020 on our consideration of City of Carthage, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Carthage, Texas' internal control over financial reporting and compliance.

*Karen A. Jacks & Associates, P.C.*

Karen A. Jacks & Associates, P.C.  
Longview, Texas  
February 20, 2020

**City of Carthage, Texas**

**Management Discussion and Analysis  
For Year Ended September 30, 2019  
(Unaudited)**

Our discussion and analysis of the City of Carthage's financial performance provides an overview of the City's financial activities for the year ended September 30, 2019. Please read it in conjunction with the transmittal letter beginning on page 5 and the City's financial statements, which begin on page 25.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 25-27) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 28. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

**Reporting the City as a Whole**

**The Statement of Net Position and the Statement of Activities**

Our analysis of the City as a whole begins on page 25. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes in it. You can think of the City's net position—the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources—as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position is one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the overall health of the City.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental activities—Most of the City's basic services are reported here, including the police, fire, general administration, streets, parks, and sanitation. Property taxes, sales taxes, franchise fees, fines, and state and federal grants finance most of these activities.

- Business-type activities—The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City’s water and sewer system services are reported here.

## **Reporting the City’s Most Significant Funds**

### **Fund Financial Statements**

Our analysis of the City’s major funds begins on page 28. The fund financial statements provide detailed information about the most significant funds—not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Commission establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City’s two kinds of funds—governmental and proprietary—use different accounting approaches.

- Governmental funds—Most of the City’s basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City’s general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.
- Proprietary funds—When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City’s proprietary fund is the same as the business-type activities we report in the government-wide statements, but provides more detail and additional information, such as cash flows.

### **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$49,263,809 at the close of the most recent fiscal year. Table 1 presents a condensed statement of net position for the current and prior year.

**Table 1  
Net Position**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>Assets:</b>						
Current and other assets	\$ 8,854,527	\$ 7,223,705	\$ 3,439,058	\$ 3,071,897	\$ 12,293,585	\$ 10,295,602
Capital assets	27,583,926	29,075,205	25,366,333	25,866,502	52,950,259	54,941,707
Total assets	36,438,453	36,298,910	28,805,391	28,938,399	65,243,844	65,237,309
<b>Deferred outflows of resources:</b>						
Deferred outflow related to pensions	1,317,143	425,417	696,519	194,334	2,013,662	619,751
Deferred outflow related to OPEB	1,583	14,198	853	6,993	2,436	21,191
Loss on defeasance	24,656	28,499	112,513	130,047	137,169	158,546
Total deferred outflows	1,343,382	468,114	809,885	331,374	2,153,267	799,488
<b>Long-term liabilities:</b>						
Due within 1 year	963,900	820,600	301,100	419,400	1,265,000	1,240,000
Due in more than 1 year	11,316,947	11,246,783	4,065,643	3,651,555	15,382,590	14,898,338
Other liabilities	555,719	522,990	319,091	306,764	874,810	829,754
Total liabilities	12,836,566	12,590,373	4,685,834	4,377,719	17,522,400	16,968,092
<b>Deferred inflows of resources:</b>						
Deferred inflow related to pensions	390,582	592,181	206,143	285,312	596,725	877,493
Deferred inflow related to OPEB	9,215	-	4,962	-	14,177	-
Total deferred inflows	399,797	592,181	211,105	285,312	610,902	877,493
<b>Net position:</b>						
Net investment in capital assets	23,573,519	25,048,493	23,332,672	23,538,951	46,906,191	48,587,444
Restricted	2,148,634	1,877,463	-	-	2,148,634	1,877,463
Unrestricted	(1,176,681)	(3,341,486)	1,385,665	1,067,791	208,984	(2,273,695)
Total net position	\$ 24,545,472	\$ 23,584,470	\$ 24,718,337	\$ 24,606,742	\$ 49,263,809	\$ 48,191,212

The largest portion of the City's net position (96%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional \$2,148,634 of the City's net position (4.36%) represents resources that are subject to external restrictions on how they may be used.

Annual financial results in governmental activities increased net position by \$961,002, and the business-type activities increased net position by \$111,595 during the year.

**Table 2**  
**Changes in Net Position**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 2,160,243	\$ 2,268,352	\$ 5,121,188	\$ 5,090,463	\$ 7,281,431	\$ 7,358,815
Operating grants and contributions	13,342	61,610	-	-	13,342	61,610
Capital grants and contributions	316,639	-	5,500	-	322,139	-
General revenues:						
Property taxes	2,465,581	2,453,114	-	-	2,465,581	2,453,114
Sales taxes	5,200,231	4,171,700	-	-	5,200,231	4,171,700
Franchise fees	402,112	414,093	-	-	402,112	414,093
Occupancy taxes	342,288	319,316	-	-	342,288	319,316
Investment earnings	51,262	36,622	38,039	22,914	89,301	59,536
Gain (Loss) on sale of assets	25,767	21,515	(47,365)	2,850	(21,598)	24,365
Other	32,915	60,425	-	-	32,915	60,425
Total revenues	<u>11,010,380</u>	<u>9,806,747</u>	<u>5,117,362</u>	<u>5,116,227</u>	<u>16,127,742</u>	<u>14,922,974</u>
Expenses:						
General government	1,199,500	1,235,014	-	-	1,199,500	1,235,014
Building inspections	294,381	284,890	-	-	294,381	284,890
Community development	662,427	684,903	-	-	662,427	684,903
Streets	2,414,259	2,588,096	-	-	2,414,259	2,588,096
Sanitation	1,300,860	1,265,612	-	-	1,300,860	1,265,612
Public safety	2,781,056	2,963,172	-	-	2,781,056	2,963,172
Culture and recreation	714,472	719,506	-	-	714,472	719,506
Interest on long-term debt	188,030	212,907	-	-	188,030	212,907
Main Street program	139,315	130,223	-	-	139,315	130,223
Water and sewer	-	-	5,360,845	5,190,720	5,360,845	5,190,720
Total expenses	<u>9,694,300</u>	<u>10,084,323</u>	<u>5,360,845</u>	<u>5,190,720</u>	<u>15,055,145</u>	<u>15,275,043</u>
Increase (decrease) in net position before transfers	1,316,080	(277,576)	(243,483)	(74,493)	1,072,597	(352,069)
Transfers	(355,078)	(215,075)	355,078	215,075	-	-
Increase (decrease) in net position	961,002	(492,651)	111,595	140,582	1,072,597	(352,069)
Net position - beginning	23,584,470	24,260,099	24,606,742	24,556,283	48,191,212	48,816,382
Prior Period Adjustment	-	(182,978)	-	(90,123)	-	(273,101)
Net position - ending	<u>\$ 24,545,472</u>	<u>\$ 23,584,470</u>	<u>\$ 24,718,337</u>	<u>\$ 24,606,742</u>	<u>\$ 49,263,809</u>	<u>\$ 48,191,212</u>

## Governmental Activities

Governmental activities increased the City of Carthage's net position by \$961,002.

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from each related program reported to the right. The result is a Net (Expense)/Revenue. This presentation is designed to highlight the relative financial burden of each of the functions on the City's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants. Some of the individual line item revenues reported for each function are:

Public safety	Fines, arrest fees, court cost, state police grants
Sanitation	Solid waste collection fees
Building inspections	Building permits, occupational licenses, inspections
Streets	User fee paid by the Water and Sewer Fund
Culture/recreation	Community house rent

All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue even if restricted for a specific purpose.

The cost of all governmental activities was \$9,694,300. However, 22% (\$2,160,243) of these costs were paid by those who directly benefited from the programs; \$329,981 was paid by grants and contributions, and the remaining 74% (\$7,204,076) was paid by general revenues such as taxes and franchise fees and from existing reserves.

The significant functions of City government and their related net expense (revenue) are presented in Table 3.

Table 3  
Net Program Cost to Taxpayers  
Governmental Activities  
Year Ended September 30, 2019

	Charges for Services	Grants and Contributions	Expense	Net (Exp)/Rev
Governmental activities:				
General government and administration	\$ 5,398	\$ -	\$ 1,199,500	\$ (1,194,102)
Public safety	225,050	10,421	2,781,056	(2,545,585)
Sanitation	1,271,083	-	1,300,860	(29,777)
Main street program	5,944	2,921	139,315	(130,450)
Building inspections	51,775	-	294,381	(242,606)
Streets	450,000	-	2,414,259	(1,964,259)
Culture and recreation	150,993	316,639	714,472	(246,840)
Development activities	-	-	662,427	(662,427)
Interest on long-term debt	-	-	188,030	(188,030)
Total governmental activities	<u>\$ 2,160,243</u>	<u>\$ 329,981</u>	<u>\$ 9,694,300</u>	<u>\$ (7,204,076)</u>

## **Business-type Activities**

The business-type activities increased the City of Carthage's net position by \$111,595. The fund experienced an increase in net position due primarily to a transfer in from the General Fund of \$355,078. Water and sewer operating revenues were more than the prior year by \$36,225, and operating expenses were up \$205,329.

## **Governmental Funds**

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$8,304,805. Of this total, \$2,203,262 is restricted due to external limitations on its use, such as by debt covenants, legal restrictions, or intention of grantors. A total of \$35,390 of fund balance is considered non-spendable because it has been used for inventory and prepaid items. A total of \$151,693 of fund balance is considered assigned for future public safety purchases. The remaining \$5,914,460 is unassigned and can be used for any lawful purpose.

The general fund is the main operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund is \$5,914,635, while total fund balance is \$6,306,090. As a measure of the general fund's liquidity, it may be useful to compare the unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 80 percent of total general fund expenditures, while total fund balance represents 86 percent of that same amount.

General fund revenues were more than budget expectations this year mainly due to increased sales tax revenues. General fund expenditures were less than appropriations. The fund balance increased by \$1,398,471 for the year.

The City's debt service fund experienced a \$42,341 decrease in fund balance. This decrease was budgeted at \$77,000.

## **Proprietary Funds**

The City's water and sewer fund is its proprietary fund. The water and sewer fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the water and sewer fund was \$1,385,665.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

Over the course of the year, the City Commission amended the General Fund budget as needed. Total General fund expenditures were less than appropriations, due to unexpected decreases in general governmental, public safety, streets and non-departmental costs.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At September 30, 2019, the City had \$52,950,259 invested in capital assets including police and fire equipment, buildings, park facilities, roads, and water and sewer system. This represents a net decrease of \$1,991,448, or 4%, less than last year. Table 4 presents a summary of the City's capital assets.

**Table 4**  
**Capital Assets at Year-End**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 717,844	\$ 748,692	\$ 313,837	\$ 313,837	\$ 1,031,681	\$ 1,062,529
Construction in progress	319,010	35,735	42,439	-	361,449	35,735
Depreciable Assets:						
Buildings	5,794,691	5,763,841	104,740	104,740	5,899,431	5,868,581
Improvements	13,023,183	12,553,588	44,451,284	44,088,573	57,474,467	56,642,161
Machinery and equipment	4,860,705	4,976,876	1,966,349	1,974,790	6,827,054	6,951,666
Assets under capital leases	-	125,343	-	-	-	125,343
Infrastructure	46,087,170	46,087,170	-	-	46,087,170	46,087,170
Accumulated depreciation	(43,218,677)	(41,216,040)	(21,512,316)	(20,615,438)	(64,730,993)	(61,831,478)
Totals	<u>\$ 27,583,926</u>	<u>\$ 29,075,205</u>	<u>\$ 25,366,333</u>	<u>\$ 25,866,502</u>	<u>\$ 52,950,259</u>	<u>\$ 54,941,707</u>

Major capital asset events during the current fiscal year included the following:

#### Asset Acquisitions

- Splashpad at Davis Park, \$327,680
- New water meters, \$200,191
- Construction in progress on walking trail, \$195,247
- Waterlines, \$161,501

Additional information on the City of Carthage's capital asset activity can be found in Note D on pages 43-44 of the notes to the financial statements.

### Debt

At year-end, the City had \$10,196,793 in long-term debt compared to \$11,515,187 last year, representing a decrease of \$1,318,394 or 11% from the prior year. Table 5 presents a summary of the City's outstanding debt.

**Table 5**  
**Outstanding Debt at Year-End**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
General Obligation Bonds	\$ 2,726,800	\$ 2,992,400	\$ 2,038,200	\$ 2,257,600	\$ 4,765,000	\$ 5,250,000
Certificates of Obligation	4,735,000	5,060,000	-	200,000	4,735,000	5,260,000
Tax Notes	230,000	460,000	-	-	230,000	460,000
Capital Leases	-	21,445	-	-	-	21,445
Unamortized bond premium	358,819	400,158	107,974	123,584	466,793	523,742
	<u>\$ 8,050,619</u>	<u>\$ 8,934,003</u>	<u>\$ 2,146,174</u>	<u>\$ 2,581,184</u>	<u>\$ 10,196,793</u>	<u>\$ 11,515,187</u>

Additional information on the City of Carthage's long-term debt activity can be found in Note F on pages 45-47 of the notes to the financial statements.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City's FY2019-2020 budget for its general fund reflects a deficit balance of \$662,000. This deficit includes the remaining estimated cost of \$307,000 for the purchase of a new fire truck and \$355,000 of the \$500,000 total budgeted for street repair. The budget includes an increase in revenues of \$157,375. Sales tax projections were increased by approximately 7%. The property tax rate remained the same at .5894 but due to an increase in property value should raise about 5% more revenue.

The expense budget for FY2019-2020 increased mainly due to an increase in the road repair budget of \$332,000. The increase in the remainder of the budget was due primarily to payroll and related expenditures.

Revenue growth is expected due to the increased sales tax revenue which is a result of increased activity related to oil and gas production. We expect the sales tax revenue to continue to be strong throughout the fiscal year. We continue to keep reserves strong through strong leadership and fiscal management.

### **THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Secretary's Office at 812 W. Panola, Carthage, Texas 75633.

## Basic Financial Statements

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**CITY OF CARTHAGE, TEXAS**  
 STATEMENT OF NET POSITION  
 SEPTEMBER 30, 2019

	Governmental Activities	Business-type Activities	Total
<b>ASSETS:</b>			
Cash and temporary investments	\$ 7,917,066	\$ 2,511,096	\$ 10,428,162
Delinquent taxes receivable	48,631	--	48,631
Receivables, (net of allowances for uncollectibles)	112,576	609,128	721,704
Grant receivable	202,921	2,750	205,671
Sales tax receivable	397,135	--	397,135
Other receivables	140,808	--	140,808
Inventories	5,712	151,552	157,264
Prepaid items	29,678	29,678	59,356
Restricted assets:			
Cash and cash equivalents	--	134,854	134,854
Capital assets not subject to depreciation	1,036,854	356,276	1,393,130
Capital assets, net of accumulated depreciation	<u>26,547,072</u>	<u>25,010,057</u>	<u>51,557,129</u>
Total Assets	<u>36,438,453</u>	<u>28,805,391</u>	<u>65,243,844</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Deferred outflow related to pensions	1,317,143	696,519	2,013,662
Deferred outflow related to OPEB	1,583	853	2,436
Loss on defeasance	24,656	112,513	137,169
Total Deferred Outflows of Resources	<u>1,343,382</u>	<u>809,885</u>	<u>2,153,267</u>
<b>LIABILITIES:</b>			
Accounts payable	352,214	123,734	475,948
Accrued wages	44,510	22,122	66,632
Accrued compensated absences	86,387	30,038	116,425
Customer deposits	17,980	134,854	152,834
Interest payable	54,628	8,343	62,971
Non-current liabilities:			
Due within one year	963,900	301,100	1,265,000
Due in more than one year	7,086,719	1,845,074	8,931,793
Net pension liability	4,036,813	2,116,423	6,153,236
Net OPEB liability	193,415	104,146	297,561
Total Liabilities	<u>12,836,566</u>	<u>4,685,834</u>	<u>17,522,400</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Deferred inflow related to pensions	390,582	206,143	596,725
Deferred inflow related to OPEB	9,215	4,962	14,177
Total Deferred Inflows of Resources	<u>399,797</u>	<u>211,105</u>	<u>610,902</u>
<b>NET POSITION:</b>			
Net Investment in Capital Assets	23,573,519	23,332,672	46,906,191
Restricted For:			
Debt Service	90,819	--	90,819
Other Purposes	2,057,815	--	2,057,815
Unrestricted	(1,176,681)	1,385,665	208,984
Total Net Position	<u>\$ 24,545,472</u>	<u>\$ 24,718,337</u>	<u>\$ 49,263,809</u>

The accompanying notes are an integral part of this statement.

**CITY OF CARTHAGE, TEXAS**  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT:</b>				
Governmental Activities:				
General government and administration	\$ 1,199,500	\$ 5,398	\$ --	\$ --
Public safety	2,781,056	225,050	10,421	--
Sanitation	1,300,860	1,271,083	--	--
Main street program	139,315	5,944	2,921	--
Building inspections	294,381	51,775	--	--
Streets	2,414,259	450,000	--	--
Culture and recreation	714,472	150,993	--	316,639
Development activities	662,427	--	--	--
Interest and fees on long-term debt	188,030	--	--	--
Total Governmental Activities	<u>9,694,300</u>	<u>2,160,243</u>	<u>13,342</u>	<u>316,639</u>
Business-type Activities:				
Water and Sewer	<u>5,360,845</u>	<u>5,121,188</u>	<u>--</u>	<u>5,500</u>
Total Business-type Activities	<u>5,360,845</u>	<u>5,121,188</u>	<u>--</u>	<u>5,500</u>
Total Primary Government	<u>\$ 15,055,145</u>	<u>\$ 7,281,431</u>	<u>\$ 13,342</u>	<u>\$ 322,139</u>

General Revenues:  
 Property taxes levied for general purposes  
 Property taxes levied for debt service  
 Sales taxes  
 Occupancy taxes  
 Franchise fees  
 Interest income  
 Gain (Loss) on sale of asset  
 Miscellaneous revenue  
 Transfers  
 Total General Revenues and Transfers  
 Change in Net Position  
 Net Position - Beginning  
 Net Position - Ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (1,194,102)		\$ (1,194,102)
(2,545,585)		(2,545,585)
(29,777)		(29,777)
(130,450)		(130,450)
(242,606)		(242,606)
(1,964,259)		(1,964,259)
(246,840)		(246,840)
(662,427)		(662,427)
(188,030)		(188,030)
<u>(7,204,076)</u>		<u>(7,204,076)</u>
--	\$ (234,157)	(234,157)
--	(234,157)	(234,157)
<u>(7,204,076)</u>	<u>(234,157)</u>	<u>(7,438,233)</u>
1,492,961	--	1,492,961
972,620	--	972,620
5,200,231	--	5,200,231
342,288	--	342,288
402,112	--	402,112
51,262	38,039	89,301
25,767	(47,365)	(21,598)
32,915	--	32,915
<u>(355,078)</u>	<u>355,078</u>	<u>--</u>
<u>8,165,078</u>	<u>345,752</u>	<u>8,510,830</u>
961,002	111,595	1,072,597
23,584,470	24,606,742	48,191,212
<u>\$ 24,545,472</u>	<u>\$ 24,718,337</u>	<u>\$ 49,263,809</u>

**CITY OF CARTHAGE, TEXAS**  
BALANCE SHEET - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2019

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>			
Cash and temporary investments	\$ 6,033,046	\$ 1,884,021	\$ 7,917,067
Receivables (net of allowances):			
Delinquent taxes receivable	48,631	--	48,631
Accounts receivable	112,576	--	112,576
Grants receivable	2,921	200,000	202,921
Sales tax receivable	297,851	99,284	397,135
Other receivable	113,349	27,459	140,808
Due from other funds	113,994	1,876	115,870
Inventory of supplies, at cost	5,712	--	5,712
Prepaid items	29,678	--	29,678
Total Assets	<u>\$ 6,757,758</u>	<u>\$ 2,212,640</u>	<u>\$ 8,970,398</u>
<b>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES:</b>			
<b>Liabilities:</b>			
Due to other funds	\$ --	\$ 115,870	\$ 115,870
Accounts payable	254,159	98,055	352,214
Accrued wages	44,510	--	44,510
Accrued vacation payable	86,387	--	86,387
Deposits	17,980	--	17,980
Total Liabilities	<u>403,036</u>	<u>213,925</u>	<u>616,961</u>
<b>Deferred Inflows of Resources:</b>			
Deferred property taxes	48,632	--	48,632
Total Liabilities and Deferred Inflows of Resources	<u>451,668</u>	<u>213,925</u>	<u>665,593</u>
<b>Fund Balances:</b>			
Nonspendable:			
Inventory	5,712	--	5,712
Prepaid items	29,678	--	29,678
Restricted For:			
Debt service	--	145,447	145,447
Other purposes	204,372	1,853,443	2,057,815
Assigned:			
Public safety equipment and supplies	151,693	--	151,693
Unassigned	5,914,635	(175)	5,914,460
Total Fund Balance	<u>6,306,090</u>	<u>1,998,715</u>	<u>8,304,805</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 6,757,758</u>	<u>\$ 2,212,640</u>	<u>\$ 8,970,398</u>

The accompanying notes are an integral part of this statement.

**CITY OF CARTHAGE, TEXAS**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2019

Total fund balances - governmental funds balance sheet	\$ 8,304,805
Amounts reported for governmental activities in the Statement of Net Position ("SNP") are different because:	
Capital assets used in governmental activities are not reported in the funds.	27,583,926
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	48,632
Payables for bond principal which are not due in the current period are not reported in the funds.	(7,691,800)
Payables for bond interest which are not due in the current period are not reported in the funds.	(54,628)
The deferred loss on defeasance of debt is not reported in the funds.	24,656
Recognition of the City's net pension liability is not reported in the funds.	(4,036,813)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(390,582)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	1,317,143
Bond premiums are amortized in the SNA but not in the funds.	(358,819)
Recognition of the City's net OPEB liability is not reported in the funds.	(193,415)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(9,215)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	1,583
Rounding difference	(1)
Net position of governmental activities - Statement of Net Position	<u>\$ 24,545,472</u>

The accompanying notes are an integral part of this statement.

**CITY OF CARTHAGE, TEXAS**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
Taxes	\$ 5,794,724	\$ 2,611,948	\$ 8,406,672
Licenses and permits	51,775	--	51,775
Sanitation collections	1,271,083	--	1,271,083
Fines-corporation court	221,406	--	221,406
Grant revenue	13,342	200,000	213,342
Interest revenue	42,022	9,240	51,262
Miscellaneous revenues	42,584	3,644	46,228
Rent and leases	554,069	48,598	602,667
Donations	116,639	--	116,639
Total Revenues	<u>8,107,644</u>	<u>2,873,430</u>	<u>10,981,074</u>
<b>Expenditures:</b>			
General government	477,405	--	477,405
Public safety	2,762,030	4,672	2,766,702
Sanitation	1,293,273	--	1,293,273
Main Street program	139,140	175	139,315
Building inspections	294,381	--	294,381
Streets	796,478	9,022	805,500
Culture and recreation	619,129	271,855	890,984
Developmental activities	--	649,389	649,389
Non-departmental	699,569	1,715	701,284
Debt service - principal	251,445	590,600	842,045
Debt service - interest and fees	13,663	217,896	231,559
Total Expenditures	<u>7,346,513</u>	<u>1,745,324</u>	<u>9,091,837</u>
Excess of Revenues over Expenditures Before Other Financing Sources (Uses)	761,131	1,128,106	1,889,237
<b>Other Financing Sources (Uses):</b>			
Sale of equipment	32,917	--	32,917
Transfers in	639,699	35,276	674,975
Transfers out	(35,276)	(994,778)	(1,030,054)
Total Other Financing Sources (Uses)	<u>637,340</u>	<u>(959,502)</u>	<u>(322,162)</u>
Net Change in Fund Balances	1,398,471	168,604	1,567,075
<b>Fund Balances - Beginning</b>	4,907,619	1,830,111	6,737,730
<b>Fund Balances - Ending</b>	<u>\$ 6,306,090</u>	<u>\$ 1,998,715</u>	<u>\$ 8,304,805</u>

The accompanying notes are an integral part of this statement.

**CITY OF CARTHAGE, TEXAS**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Net change in fund balances - total governmental funds	\$ 1,567,075
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	794,503
The depreciation of capital assets used in governmental activities is not reported in the funds.	(2,247,781)
The gain or loss on the sale of capital assets is not reported in the funds.	25,767
All proceeds from the sale of capital assets are reported in the funds but not in the SOA.	(47,103)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	3,541
Economic incentive included in selling price of EDC land.	(16,665)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	842,045
Amortization of the deferred loss on defeasance of debt is not an expenditure in the funds.	(3,843)
(Increase) decrease in accrued interest from beginning of period to end of period.	6,032
Bond premiums are reported in the funds but not in the SOA.	41,339
Pension contributions made after the measurement date but in current FY were de-expended & reduced NPL.	387,291
The City's share of the unrecognized deferred inflows and outflows for the pension plan was amortized.	(169,206)
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	(218,404)
OPEB contributions made after the measurement date but in current FY were de-expended & reduced NPL.	1,583
The City's share of the unrecognized deferred inflows and outflows for the OPEB plan was amortized.	1,617
OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds.	<u>(6,789)</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ 961,002</u>

The accompanying notes are an integral part of this statement.

**CITY OF CARTHAGE, TEXAS**

**EXHIBIT A-7**

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES

IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 4,601,363	\$ 5,020,463	\$ 5,794,724	\$ 774,261
Licenses and permits	50,000	50,000	51,775	1,775
Sanitation collections	1,375,000	1,300,000	1,271,083	(28,917)
Fines-corporation court	189,735	189,735	221,406	31,671
Grant revenue	--	10,420	13,342	2,922
Interest revenue	30,000	30,000	42,022	12,022
Miscellaneous revenues	48,234	31,000	42,584	11,584
Rent and leases	538,500	538,500	554,069	15,569
Donations	--	114,334	116,639	2,305
Total Revenues	<u>6,832,832</u>	<u>7,284,452</u>	<u>8,107,644</u>	<u>823,192</u>
<b>Expenditures:</b>				
General government	479,500	517,000	477,405	39,595
Public safety	3,144,100	2,939,965	2,762,030	177,935
Sanitation	1,275,500	1,276,500	1,293,273	(16,773)
Main Street program	147,400	147,400	139,140	8,260
Building inspections	311,950	311,950	294,381	17,569
Streets	988,060	973,660	796,478	177,182
Culture and recreation	289,800	674,786	619,129	55,657
Non-departmental	785,420	791,420	699,569	91,851
Debt service - principal	241,831	251,831	251,445	386
Debt service - interest and fees	8,970	13,277	13,663	(386)
Total Expenditures	<u>7,672,531</u>	<u>7,897,789</u>	<u>7,346,513</u>	<u>551,276</u>
Excess (Deficiency) of Revenues over Expenditures Before Other				
Financing Sources (Uses)	(839,699)	(613,337)	761,131	1,374,468
<b>Other Financing Sources (Uses):</b>				
Sale of equipment	--	25,504	32,917	7,413
Transfers in	439,699	639,699	639,699	--
Transfers out	--	(51,866)	(35,276)	16,590
Total Other Financing Sources (Uses)	<u>439,699</u>	<u>613,337</u>	<u>637,340</u>	<u>24,003</u>
Net Change in Fund Balances	(400,000)	--	1,398,471	1,398,471
<b>Fund Balances - Beginning</b>	<u>4,907,619</u>	<u>4,907,619</u>	<u>4,907,619</u>	<u>--</u>
<b>Fund Balances - Ending</b>	<u>\$ 4,507,619</u>	<u>\$ 4,907,619</u>	<u>\$ 6,306,090</u>	<u>\$ 1,398,471</u>

The accompanying notes are an integral part of this statement.

**CITY OF CARTHAGE, TEXAS**

## STATEMENT OF NET POSITION

## ENTERPRISE FUNDS

SEPTEMBER 30, 2019

	Enterprise Fund <u>Water and Sewer Fund</u>
<b>ASSETS:</b>	
Current Assets:	
Cash and temporary investments	\$ 2,511,096
Restricted cash	134,854
Receivables (net of allowances)	609,128
Grants receivable	2,750
Inventories	151,552
Prepaid items	29,678
Total Current Assets	<u>3,439,058</u>
Noncurrent Assets:	
Capital assets not subject to depreciation	356,276
Capital assets, net of accumulated depreciation	25,010,057
Total Noncurrent Assets	<u>25,366,333</u>
Total Assets	<u>28,805,391</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>	
Deferred Outflow Related to Pensions	696,519
Deferred Outflow Related to OPEB	853
Loss on Defeasance of Debt	112,513
Total Deferred Outflows of Resources	<u>\$ 809,885</u>
<b>LIABILITIES:</b>	
Current liabilities:	
Payable from current assets:	
Accounts payable	\$ 123,734
Accrued wages	22,122
Accrued compensated absences	30,038
Interest payable	8,343
Current portion of long-term debt	301,100
Payable from restricted assets:	
Meter deposits	134,854
Total Current Liabilities	<u>620,191</u>
Noncurrent Liabilities:	
Bonds, notes, and certificates payable, net of current portion	1,845,074
Net pension liability	2,116,423
Net OPEB liability	104,146
Total Noncurrent Liabilities	<u>4,065,643</u>
Total Liabilities	<u>4,685,834</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>	
Deferred inflow related to pensions	206,143
Deferred inflow related to OPEB	4,962
Total Deferred Inflows of Resources	<u>211,105</u>
<b>NET POSITION:</b>	
Net investment in capital assets	23,332,672
Unrestricted	1,385,665
Total Net Position	<u>\$ 24,718,337</u>

The accompanying notes are an integral part of this statement.

**CITY OF CARTHAGE, TEXAS**

STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET POSITION - ENTERPRISE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Enterprise Fund <u>Water and Sewer Fund</u>
<b>OPERATING REVENUES:</b>	
Charges for services	\$ 5,109,757
Other revenues	11,431
Total Operating Revenues	<u>5,126,688</u>
<b>OPERATING EXPENSES:</b>	
Salaries and fringe benefits	2,136,834
Contractual services	202,515
Depreciation	974,203
Supplies and maintenance	864,085
Utilities and telephone	323,352
Water purchases	124,401
Street rental	450,000
Insurance	97,899
Other expenses	108,809
Total Operating Expenses	<u>5,282,098</u>
Operating Income (Loss)	(155,410)
<b>NON-OPERATING REVENUES (EXPENSES):</b>	
Interest income	38,039
Grants	5,500
Gain (loss) on disposition of assets	(47,365)
Interest and fees	(78,747)
Total Non-operating Revenues (Expenses)	<u>(88,073)</u>
Income (Loss) before Transfers	(243,483)
<b>TRANSFERS:</b>	
Transfers in	355,078
Change in Net Position	<u>111,595</u>
<b>Total Net Position - Beginning</b>	24,606,742
<b>Total Net Position - Ending</b>	<u>\$ 24,718,337</u>

The accompanying notes are an integral part of this statement.

**CITY OF CARTHAGE, TEXAS**  
 STATEMENT OF CASH FLOWS  
 ENTERPRISE FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Enterprise Fund <u>Water and Sewer Fund</u>
<b>Cash Flows from Operating Activities:</b>	
Cash received from customers	\$ 5,095,877
Cash payments to employees for services	(1,970,148)
Cash payments to other supplies for goods and services	(1,716,390)
Cash payments to other funds for operating expenses	(450,000)
Net Cash Provided (Used) by Operating Activities	<u>959,339</u>
<b>Cash Flows from Non-capital Financing Activities:</b>	
Transfers from other funds	355,078
Net Cash Provided (Used) by Non-capital Financing Activities	<u>355,078</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Principal payments	(419,400)
Interest payments	(78,943)
Acquisition or construction of capital assets	(533,555)
Grant proceeds	2,750
Proceeds from sale of capital assets	12,156
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>(1,016,992)</u>
<b>Cash Flows from Investing Activities:</b>	
Interest and dividends on investments	38,039
Net Cash Provided (Used) for Investing Activities	<u>38,039</u>
Net Increase (Decrease) in Cash and Cash Equivalents	335,464
Cash and Cash Equivalents at Beginning of Year	2,310,486
Cash and Cash Equivalents at End of Year	<u>\$ 2,645,950</u>
<b>Reconciliation of Operating Income to Net Cash     Provided by Operating Activities:</b>	
Operating Income (Loss)	\$ (160,910)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation	974,203
Change in Assets and Liabilities:	
Decrease (Increase) in Receivables	(42,061)
Decrease (Increase) in Inventories	13,114
Increase (Decrease) in Accounts Payable	(8,443)
Increase (Decrease) in Accrued Wages Payable	5,798
Increase (Decrease) in Compensated Absences	341
Increase (Decrease) in Customer Deposits	16,750
Increase (Decrease) in Pension Liabilities	149,548
Increase (Decrease) in OPEB Liabilities	10,999
Total Adjustments	<u>1,120,249</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 959,339</u>

The accompanying notes are an integral part of this statement.

**CITY OF CARTHAGE, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019

A. Summary of Significant Accounting Policies

The combined financial statements of City of Carthage, Texas (the "City") have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The City's basic financial statements include the accounts of all its operations. The City evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's "Codification of Governmental Accounting and Financial Reporting Standards," include whether:

- the organization is legally separate (can sue and be sued in its name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City
- the exclusion of the organization would result in misleading or incomplete financial statements

The City also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the City to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. The GASB Codification requires inclusion of such an organization as a component unit when: 1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the City, its component units or its constituents; and 2) The City or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) Such economic resources are significant to the City.

Based on these criteria, the following is a brief review of each component unit addressed in defining the government's reporting entity. Additionally, the City is not a component unit of any other reporting entity as defined by the GASB Codification.

Carthage Economic Development Corporation is a nonprofit corporation organized to promote and develop new or expanding employment rolls within the City of Carthage or adjacent areas of Panola County. The economic benefits provided by the corporation will benefit the City by stimulating the need for housing, retail sales, entertainment, etc. within the City. The City Commissioners appoint the governing board and a majority of its members are City Commissioners. The City Commissioners that are also members of the corporation's board comprise a majority of the City Commissioners. The City Commission must also approve its budget. The services provided by the corporation are almost entirely for the benefit of the City. The 1/4 percent sales tax that funds Carthage Economic Development Corporation is received by the City from the State and is passed to the corporation. The corporation's financial statements are "blended" with the City of Carthage's Basic Financial Statements as a Special Revenue Fund. Complete financial statements for Carthage Economic Development Corporation may be obtained at City Hall, 812 W. Panola, Carthage, TX 75633.

Carthage Improvement Corporation is a nonprofit corporation organized to accomplish the same objectives as the Carthage Economic Development Corporation, as well as municipal infrastructure improvements and other projects that contribute to the quality of life within the City. The City Commissioners appoint the governing board and a majority of its members are City Commissioners. The City Commissioners that are also members of the corporation's board comprise a majority of the City Commissioners. The City Commission furnishes guidelines for its budget appropriations. The services provided by the corporation are almost entirely for the benefit of the City. The 1/4 percent sales tax that funds Carthage Improvement Corporation is received by the City from the State and is passed to the corporation. The corporation's financial statements are "blended" with the City of Carthage's Basic Financial Statements as a Special Revenue Fund. Complete financial statements for Carthage Improvement Corporation may be obtained at City Hall, 812 W. Panola, Carthage, TX 75633.

**CITY OF CARTHAGE, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities 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 City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange 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 City and for each function of the City'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. The City does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or 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 City's funds, with separate statements presented for each fund category. The emphasis of 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 nonmajor funds.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 proprietary fund are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperative revenues and expenses.

The City reports the following major governmental fund:

General Fund. This is the City's primary operating fund. It accounts for all financial resources of the City except those required to be accounted for in another fund.

The City reports the following major enterprise fund:

The water and sewer fund accounts for the operations of the water and sewer system. Debt service and capital improvements related to water and sewer operations are also accounted for in this fund.

b. Measurement Focus, Basis of Accounting

Government-wide and Proprietary Fund Financial Statements: These 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 liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, 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, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**CITY OF CARTHAGE, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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. The City considers revenues collected within 60 days after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both 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.

Amounts reported as program revenues include charges to customers for goods and services, operating grants and contributions and capital grants and contributions. All taxes are reported as general revenues.

3. Financial Statement Amounts

a. Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

Statutes authorize the City to invest in certificates of deposit and other available bank investments provided that approved securities are pledged to secure those funds on deposit in an amount equal to the amount of those funds. In addition, the City can invest in direct debt securities of the United States unless law expressly prohibits such an investment.

Investments are recorded at cost, which approximates fair value. All investments are short-term and have a maturity date of one year or less.

b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

The City may assess penalties and interest.. The assessment ratio of the City is 100% of market value. The assessed value for the roll of October 1, 2018, upon which the 2019 fiscal year levy was based was \$391,818,930. The tax assessment of October 1, 2018 sets a tax levy at \$.5894 per \$100 of assessed valuation. The 2019 fiscal year tax levy was \$2,466,756.

Allowances for uncollectible tax receivables within the General Fund are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. The allowance for estimated uncollectibles is 85% of the total delinquent taxes receivable at September 30, 2019.

c. Inventories and Prepaid Items

Inventories on the balance sheet are stated at weighted average cost. Inventory items are recorded as

**CITY OF CARTHAGE, TEXAS**  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

expenditures/expenses when they are consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

d. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities column in government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their acquisition value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Assets capitalized, not including infrastructure assets, have an original cost of \$5,000 or more and over three years of useful life. Infrastructure assets capitalized have an original cost of \$250,000 or more. Depreciation has been computed on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	40-50
Building Improvements	40-50
Equipment	5-10

e. Receivable and Payable Balances

The City believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

f. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to or deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

g. Other Post-Employment Benefits (OPEB)

The total OPEB liability of the Texas Municipal Retirement System (TMRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits and OPEB expense. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

**CITY OF CARTHAGE, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019

h. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide and proprietary fund Statement of Net Position and governmental fund balance sheet) 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 and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expenses/expenditures) until then.

In addition to liabilities, the statements 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 one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

i. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability for the fund that will pay it. All vacation must be used or sold back to the City by December 31 of each year. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

j. Interfund Activity

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. The exception is a \$450,000 street rental fee that the water and sewer fund pays to the general fund annually. Indirect charges have been eliminated in the government-wide statements. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

k. Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in financial statements and accompanying notes. Actual results may differ from those estimates.

l. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the City Commission. Committed amounts cannot be used for any other purpose unless the City Commission removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the City Commission. Commitments are typically accomplished by a formal resolution. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

**CITY OF CARTHAGE, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Assigned Fund Balance - represents amounts which the City intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the City Commission or by an official or body to which the City Commission delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the City itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

It is the goal of the City to achieve and maintain an unassigned fund balance in the general fund equivalent to not less than 4 months of annual operating expenditures. The City's fund balance met this goal at September 30, 2019.

4. Budgetary Data

The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

Formal budgetary integration is employed as a management control device during the year for the general fund, debt service fund, and three special revenue funds (Carthage Economic Development Corporation, Carthage Improvement Corporation and Hotel Occupancy Tax Fund). These budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Project length plans are adopted for all capital projects funds.

The City Commission approves, by ordinance, the level of budgetary control by function and activity within an individual fund (general government, public safety, etc.). Budgetary controls are imposed at the fund level and require Commission approval for amendment.

Appropriations lapse at year-end and encumbrances are not reported as expenditures in the current year budgetary presentations.

5. Implementation of New Standards

In the current fiscal year, the City did not implement any new standards from the Governmental Accounting Standards Board (GASB).

B. Deposits and Investments

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

**CITY OF CARTHAGE, TEXAS**  
 NOTES TO THE FINANCIAL STATEMENTS  
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Cash Deposits:

At September 30, 2019, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$10,563,016 and the bank balance was \$10,728,850. The City's cash deposits at September 30, 2019 and during the year ended September 30, 2019, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

Investments:

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing entity's funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

The City's investments at September 30, 2019 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Certificate of deposit	12/23/2019	\$ 500,000
Certificate of deposit	03/21/2020	500,000
Certificate of deposit	06/21/2020	500,000
Certificate of deposit	01/20/2020	500,000
Certificate of deposit	07/22/2020	500,000
Certificate of deposit	09/30/2020	500,000
Certificate of deposit	02/20/2020	100,000
Total Investments		<u>\$ 3,100,000</u>

Analysis of Specific Deposit and Investment Risks:

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the City was not significantly exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the

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City's name.

At year end, the City was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the City was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the City was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the City was not exposed to foreign currency risk.

Investment Accounting Policy

The City's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

C. Receivables

Receivables reported in the governmental and proprietary funds as of September 30, 2019 consist of the following:

	General	Special Revenue	Proprietary	Total
Receivables:				
Property taxes	\$ 324,210	\$ --	\$ --	\$ 324,210
Accounts	226,837	--	988,953	1,215,790
Sales tax	297,851	99,284	--	397,135
Grants	2,921	200,000	2,750	205,671
Miscellaneous	113,349	27,459	--	140,808
Gross receivables	965,168	326,743	991,703	2,283,614
Less: Allowance for uncollectibles	(389,840)	--	(379,825)	(769,665)
Net total receivables	\$ 575,328	\$ 326,743	\$ 611,878	\$ 1,513,949

D. Capital Assets

Capital asset activity for the year ended September 30, 2019, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 748,692	\$ --	\$ 30,848	\$ 717,844
Construction in progress	35,735	283,275	--	319,010
Total capital assets not being depreciated	784,427	283,275	30,848	1,036,854

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Capital assets being depreciated:				
Buildings	5,763,841	30,850	--	5,794,691
Improvements other than buildings	12,553,588	469,595	--	13,023,183
Machinery and equipment	4,976,876	136,123	252,294	4,860,705
Assets under capital lease	125,343	--	125,343	--
Infrastructure	46,087,170	--	--	46,087,170
Total capital assets being depreciated	<u>69,506,818</u>	<u>636,568</u>	<u>377,637</u>	<u>69,765,749</u>
Less accumulated depreciation for:				
Buildings	(2,779,285)	(138,078)	--	(2,917,363)
Improvements other than buildings	(2,334,665)	(339,618)	--	(2,674,283)
Machinery and equipment	(3,569,059)	(255,167)	(245,144)	(3,579,082)
Assets under capital lease	(13,385)	--	(13,385)	--
Infrastructure	(32,519,646)	(1,528,303)	--	(34,047,949)
Total accumulated depreciation	<u>(41,216,040)</u>	<u>(2,261,166)</u>	<u>(258,529)</u>	<u>(43,218,677)</u>
Total capital assets being depreciated, net	<u>28,290,778</u>	<u>(1,624,598)</u>	<u>119,108</u>	<u>26,547,072</u>
Governmental activities capital assets, net	<u>\$ 29,075,205</u>	<u>\$ (1,341,323)</u>	<u>\$ 149,956</u>	<u>\$ 27,583,926</u>

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	\$ 313,837	\$ --	\$ --	\$ 313,837
Construction in progress	--	42,439	--	42,439
Total capital assets not being depreciated	<u>313,837</u>	<u>42,439</u>	<u>--</u>	<u>356,276</u>

Capital assets being depreciated:				
Buildings	104,740	--	--	104,740
Improvements other than buildings	44,088,573	474,125	111,414	44,451,284
Machinery and equipment	1,974,790	16,992	25,433	1,966,349
Total capital assets being depreciated	<u>46,168,103</u>	<u>491,117</u>	<u>136,847</u>	<u>46,522,373</u>
Less accumulated depreciation for:				
Buildings	(75,929)	(1,915)	--	(77,844)
Improvements other than buildings	(18,749,815)	(891,999)	(51,892)	(19,589,922)
Machinery and equipment	(1,789,694)	(80,289)	(25,433)	(1,844,550)
Total accumulated depreciation	<u>(20,615,438)</u>	<u>(974,203)</u>	<u>(77,325)</u>	<u>(21,512,316)</u>
Total capital assets being depreciated, net	<u>25,552,665</u>	<u>(483,086)</u>	<u>59,522</u>	<u>25,010,057</u>
Business-type activities capital assets, net	<u>\$ 25,866,502</u>	<u>\$ (440,647)</u>	<u>\$ 59,522</u>	<u>\$ 25,366,333</u>

Depreciation was charged to functions as follows:

General government	\$ 16,903
Public safety	156,978
Sanitation	7,587
Streets	1,608,759
Culture and recreation	444,910
Developmental activities	12,644
	<u>\$ 2,247,781</u>

**E. Interfund Balances and Activity**

**1. Due To and From Other Funds**

Balances due to and due from other funds at September 30, 2019, consisted of the following:

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Due To Fund	Due From Fund	Amount	Purpose
General Fund	Other Governmental Funds	\$ 113,994	Short-term loans
Other Governmental Funds	Other Governmental Funds	1,876	For transfer of federal receipts
	Total	<u>\$ 115,870</u>	

All amounts due are scheduled to be repaid within one year.

2. Transfers To and From Other Funds

Transfers to and from other funds at September 30, 2019, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General Fund	Other Governmental Funds	\$ 32,510	Provide additional resources for walking trail project
General Fund	Other Governmental Funds	2,766	Close grant fund
Debt Service Fund	Water and Sewer Fund	204,750	Provide resources for repayment of debt
Other Governmental Funds	General Fund	639,699	Fund capital projects
Other Governmental Funds	Water and Sewer Fund	150,328	Fund capital projects
	Total	<u>\$ 1,030,053</u>	

F. Long-Term Obligations

The City has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the City.

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2019, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$ 2,992,400	\$ --	\$ (265,600)	\$ 2,726,800	398,900
Capital leases	21,445	--	(21,445)	--	--
Tax & revenue certificates of obligation	5,060,000	--	(325,000)	4,735,000	335,000
Tax notes	460,000	--	(230,000)	230,000	230,000
Net pension liability	2,943,169	1,093,644	--	4,036,813	--
Total OPEB liability	211,656	--	(18,241)	193,415	--
Unamortized bond premium	400,158	--	(41,339)	358,819	--
Total governmental activities	<u>\$ 12,088,828</u>	<u>\$ 1,093,644</u>	<u>\$ (901,625)</u>	<u>\$ 12,280,847</u>	<u>\$ 963,900</u>
<b>Business-type activities:</b>					
General obligation bonds	\$ 2,257,600	\$ --	\$ (219,400)	\$ 2,038,200	301,100
Tax & revenue certificates of obligation	200,000	--	(200,000)	--	--
Net pension liability	1,385,521	730,902	--	2,116,423	--
Total OPEB liability	104,249	--	(103)	104,146	--
Unamortized bond premium	123,584	--	(15,610)	107,974	--
Total business-type activities	<u>\$ 4,070,954</u>	<u>\$ 730,902</u>	<u>\$ (435,113)</u>	<u>\$ 4,366,743</u>	<u>\$ 301,100</u>

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2. Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2019, are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2020	\$ 963,900	\$ 205,302	\$ 1,169,202
2021	758,100	180,613	938,713
2022	772,400	159,717	932,117
2023	789,100	138,440	927,540
2024	811,500	116,678	928,178
2025-2029	2,591,800	307,110	2,898,910
2030-2032	1,005,000	47,825	1,052,825
Totals	<u>\$ 7,691,800</u>	<u>\$ 1,155,685</u>	<u>\$ 8,847,485</u>

Year Ending September 30,	Business-type Activities		
	Principal	Interest	Total
2020	\$ 301,100	\$ 66,746	\$ 367,846
2021	311,900	56,849	368,749
2022	317,600	46,596	364,196
2023	325,900	36,172	362,072
2024	333,500	25,435	358,935
2025-2026	448,200	17,377	465,577
Totals	<u>\$ 2,038,200</u>	<u>\$ 249,175</u>	<u>\$ 2,287,375</u>

Certain general obligation bonds were utilized for proprietary fund projects and are being retired by the proprietary fund. Accordingly, those general obligation bonds are reported as debts of the proprietary fund.

Long-term debt at September 30, 2019, consisted of:

General Obligation Debt:

General obligation refunding bonds:

\$13,900,000 2010 general obligation refunding bonds due in annual installments of \$1,450,000 to \$475,000 through 2025; interest 2.0% - 4.0%; 36% of debt allocated to general fund \$ 315,000

\$4,300,000 2016 general obligation refunding bonds due in annual installments of \$655,000 to \$15,000 through 2026; interest 2.0% - 3.0%; 62% of debt allocated to general fund 2,411,800

Tax & revenue certificates of obligation:

\$3,985,000 2012 certificates of obligation due in annual installments of \$50,000 to \$295,000 through 2032; interest 2.0% - 2.25% 3,390,000

\$1,445,000 2016 certificates of obligation due in annual installments of \$100,000 to \$140,000 through 2030; interest 3.0% 1,345,000

Tax notes:

\$750,000 tax notes, Series 2013A due in annual installments of \$85,000 to \$115,000 through 2020; interest 1.95% 115,000

\$750,000 tax notes, Series 2013B due in annual installments of \$85,000 to \$115,000 through 2020; interest 1.95% 115,000

Total general obligation debt 7,691,800

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Proprietary Fund Debt:

General obligation refunding bonds:

\$13,900,000 2010 general obligation refunding bonds due in annual installments of \$1,450,000 to \$475,000 through 2025; interest 2.0% - 4.0%; 64% of debt allocated to water and sewer fund 560,000

\$4,300,000 2016 general obligation refunding bonds due in annual installments of \$655,000 to \$15,000 through 2026; interest 2.0% - 3.0%; 38% of debt allocated to water and sewer fund 1,478,200

Total proprietary fund debt 2,038,200

Total general obligation and proprietary fund debt \$ 9,730,000

By agreement, the Series 2013A and Series 2013B general obligation debt incurred by the City will be repaid by the Carthage Improvement Corporation and Carthage Economic Development Corporation.

G. Risk Management

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2019, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

H. Pension Plan

TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)

1. Plan Description

The City participates as one of 887 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmrs.com](http://www.tmrs.com).

All eligible employees of the City are required to participate in TMRS.

2. Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive

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their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

Employee deposit rate	7.00%
Matching ratio (city to employee)	2:1
Vesting requirements	5 years
Service retirement eligibility	Vested and age 60 or 20 years and any age
Updated service credit rate	100T
Annuity increase	70.00%

Employees covered by benefit terms:

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	58
Inactive employees entitled to but not yet receiving benefits	40
Active employees	73
Total covered employees	<u>171</u>

3. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7.0% of their annual gross earnings during the fiscal year. The contribution rates for the City were 18.51% and 18.76% in calendar years 2018 and 2019, respectively. The City's contributions to TMRS for the year ended September 30, 2019 were \$745,195, and were equal to the required contributions.

4. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2018, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates

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multiplied by 109% and female rates multiplied by 103%. Based on the size of the city, rates are multiplied for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges 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. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.30%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.39%
Real Return	10.0%	3.78%
Real Estate	10.0%	4.44%
Absolute Return	10.0%	3.56%
Private Equity	5.0%	7.75%
Total	100.0%	

**Discount Rate**

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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.

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Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2017	\$ 31,851,626	\$ 27,590,381	\$ 4,261,245
Changes for the year			
Service cost	643,893	--	643,893
Interest	2,116,518	--	2,116,518
Change of benefit terms	--	--	--
Difference between expected and actual experience	(755,727)	--	(755,727)
Changes of assumptions	--	--	--
Contributions - employer	--	741,657	(741,657)
Contributions - employee	--	280,476	(280,476)
Net investment income	--	(826,166)	826,166
Benefit payments, including refunds of employee contributions	(1,635,503)	(1,635,503)	--
Administrative expense	--	(15,973)	15,973
Other changes	--	(834)	834
Net changes	369,181	(1,456,343)	1,825,524
Balance at 12/31/2018	\$ 32,220,807	\$ 26,134,038	\$ 6,086,769

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate.

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
City's net pension liability	\$ 10,354,266	\$ 6,086,769	\$ 2,582,243

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at [www.tmrs.com](http://www.tmrs.com).

5. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2019, the City recognized pension expense of \$135,408.

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ --	\$ 592,861
Changes in actuarial assumptions	--	--
Difference between projected and actual investment earnings	1,425,109	--
Contributions subsequent to the measurement date	578,059	--
Total	\$ 2,003,168	\$ 592,861

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\$578,059 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement		
Year ending Dec. 31:		
2019	\$	287,408
2020		(42,258)
2021		49,393
2022		537,705
2023		--
Thereafter		--
	\$	<u>832,248</u>

TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM (TESRS)

1. Plan Description

The Texas Emergency Services Retirement System (TESRS) administers a cost-sharing multiple employer pension system (the "System") established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. The System issues a stand-alone financial report that is available to the public at [www.tesrs.org](http://www.tesrs.org).

Of the nine member State Board of Trustees, at least five trustees must be active members of the pension system, one of whom must represent emergency medical services personnel. One trustee may be a retiree of the pension system, and three trustees must be persons who have experience in the fields of finance, securities investment, and/or pension administration. On August 31 of the following years, contributing fire and/or emergency service department members participating in TESRS were:

	<u>Contributing Departments</u>
2017	235
2018	238

Eligible participants include volunteer emergency services personnel who are members in good standing of a member department.

2. Benefits Provided

Senate Bill 411, 65th Legislature, Regular Session (1977), created TESRS and established the applicable benefit provisions. The 79th Legislature, Regular Session (2005), re-codified the provisions and gave the TESRS Board of Trustees authority to establish vesting requirements, contribution levels, benefit formulas, and eligibility requirements by board rule. The benefit provisions include retirement benefits as well as death and disability benefits. Members are 50% vested after the tenth year of service, with the vesting percent increasing 10% for each of the next five years of service so that a member becomes 100% vested with 15 years of service.

Upon reaching age 55, each vested member may retire and receive a monthly pension equal to his vested percent multiplied by six times the governing body's average monthly contribution over the member's years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at a rate of 6.2% compounded annually. There is no provision for automatic post-retirement benefit increases.

On and off-duty death benefits and on-duty disability benefits are dependent on whether or not the member was engaged in the performance of duties at the time of death and disability. Death benefits include a lump sum amount or continuing monthly payments to a member's surviving spouse and dependent children.

**CITY OF CARTHAGE, TEXAS**  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

3. Covered Membership

On August 31 of the following fiscal years, the pension system membership consisted of:

	2017	2018
Retirees and beneficiaries currently receiving benefits	3,104	3,533
Terminated members entitled to but not yet receiving benefits	2,208	1,927
Active participants	4,046	3,927

4. Funding Policy

Contributions are made by governing bodies for the participating departments. No contributions are required from the individuals who are members of the System, nor are they allowed. The governing bodies of each participating department are required to make contributions for each month a member performs emergency services for a department (this minimum contribution is \$36 per member and the department may make a higher monthly contribution for its members). This is referred to as a Part One contribution, which is the legacy portion of the System contribution that directly impacts future retiree annuities.

The State is required to contribute an amount necessary to make the System "actuarially sound" each year, which may not exceed one-third of the total of all contributions made by participating governing bodies in a particular year.

The board rule defining contributions was amended in 2014 to add the potential for actuarially determined Part Two contributions that would be required only if the expected future annual contributions from the State are not enough with the Part One contributions to provide an adequate contribution arrangement as determined by the most recent actuarial valuation. This Part Two portion, which is actuarially determined as a percent of the Part One portion (not to exceed 15%), is to be actuarially adjusted every two years based on the most recent actuarial valuation. Based on the actuarial valuation as of August 31, 2016, the Part Two contributions were established by the board to be 2% of the Part One contributions beginning September 1, 2017. Based on the August 31, 2018 actuarial valuation, the Part Two contributions are not required for an adequate contribution arrangement.

Additional contributions may be made by governing bodies within two years of joining the System, to grant up to ten years of credit for service per member. Prior service purchased must have occurred before the department began participating in the System.

A small subset of participating departments have a different contribution arrangement which is being phased out over time. In this arrangement, contributions made in addition to the monthly contributions for active members are made by local governing bodies on a pay-as-you-go basis for members who were pensioners when their respective departments merged into the System. There is no actuarial impact associated with this arrangement as the pay-as-you-go contributions made by these governing bodies are always equal to benefit payments paid by the System.

5. Contributions Required and Contributions Made

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions are set by board rule, and there is no maximum contribution rate. For the fiscal year ended August 31, 2018, total contributions of \$4,098,835 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. The State appropriated \$1,329,224 for the fiscal year ended August 31, 2018.

The purpose of the biennial actuarial valuation is to determine if the contribution arrangement is adequate to pay the benefits that are promised. Actuarial assumptions are disclosed below.

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The most recently completed biennial actuarial valuation as of August 31, 2018 stated that TESRS has an adequate contribution arrangement for the benefit provisions recognized in the valuation based on the expected total contributions, including the expected contributions both from the governing body of each participating department and from the State. The expected contributions from the State are state appropriations equal to (1) the maximum annual contribution (one-third of all contributions to TESRS by governing bodies of participating departments in a year) as needed in accordance with state law governing TESRS and (2) approximately \$725,000 each year to pay for part of the System's administrative expenses.

6. Net Pension Liability

The System's net pension liability was measured as of August 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2018.

Total pension liability	\$ 137,514,345
Plan fiduciary net position	115,863,894
System's net pension liability	<u>\$ 21,650,451</u>
 Plan fiduciary net position as a percentage of the total pension liability	 84.26%

Actuarial Assumptions

The total pension liability in the August 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	N/A
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Healthy Lives Mortality Tables for males and for females projected to 2024 by scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components 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 (currently 5.01%) and by adding expected inflation (3.00%). In addition, the final 7.75% assumption was selected by "rounding down" and thereby reflects a reduction of 0.26% for adverse deviation. The target allocation and expected arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return (Arithmetic)
Equities		
Large cap domestic	32%	5.81%
Small cap domestic	15%	5.92%
Developed international	15%	6.21%
Emerging markets	5%	7.18%
Master limited partnership	5%	7.61%
Real Estate	5%	4.46%
Fixed income	23%	1.61%
Cash	--	--
Total	100%	
Weighted average		5.01%

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Discount Rate

The discount rate used to measure the total pension liability was 7.75%. No projection of cash flows was used to determine the discount rate because the August 31, 2018 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 30 years using the conservative level dollar amortization method. Because of the 30-year amortization period with the conservative amortization method, the pension plan's fiduciary net position is expected to be available to make all projected future benefit payments to current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 7.75%, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.75%) or 1 percentage point higher (8.75%) than the current rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
City's proportionate share of the net pension liability	\$ 132,090	\$ 66,467	\$ 22,206
System's net pension liability	43,026,103	21,650,451	7,233,195

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TESRS financial report. That report may be obtained on the internet at [www.tesrs.org](http://www.tesrs.org).

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

At September 30, 2019, the City reported a liability of \$66,467 for its proportionate share of the TESRS's net pension liability.

The net pension liability was measured as of August 31, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions to the pension plan relative to the contributions of all participating departments to the plan for the period September 1, 2017 through August 31, 2018.

For the year ended September 30, 2019, the City recognized pension expense of \$14,459.

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 18	\$ 191
Changes in actuarial assumptions	248	--
Difference between projected and actual investment earnings	--	3,673
Contributions subsequent to the measurement date	10,228	--
Total	<u>\$ 10,494</u>	<u>\$ 3,864</u>

**CITY OF CARTHAGE, TEXAS**  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

\$10,228 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement		
Year ending August 31:		
2019	\$	4,283
2020		(2,383)
2021		(3,507)
2022		(1,991)
2023		--
Thereafter		--

**AGGREGATION OF PENSION RELATED BALANCES**

The following is an aggregation of pension related balances reflected in the financial statements:

	TMRS	TESRS	Total
Deferred outflows of resources related to pensions	\$ 2,003,168	\$ 10,494	\$ 2,013,662
Net pension liability	6,086,769	66,467	6,153,236
Deferred inflows of resources related to pensions	592,861	3,864	569,725
Pension expense/expenditures	135,408	14,459	149,867

**I. Other Post-Employment Benefits**

**1. Plan Description**

Texas Municipal Retirement System (TMRS) administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefit Fund (SDBF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. Employers may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1. The City has elected to participate in the SDBF for its active members including retirees. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded single-employer OPEB plan (i.e. no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75) for City reporting.

**2. Benefits Provided**

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other post employment benefit (OPEB) and is a fixed amount of \$7,500.

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	49
Inactive employees entitled to but not yet receiving benefits	14
Active employees	73
Total	136

**CITY OF CARTHAGE, TEXAS**  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

3. Contributions

The member city contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees' entire careers.

Contributions are made monthly based on the covered payroll of employee members of the participating member city. The contractually required contribution rate is determined annually for each city. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year.

The retiree portion of contribution rates to the SDBF for the City were 0.07% and 0.08% in calendar years 2018 and 2019, respectively. The City's contributions to the SDBF for the year ended September 30, 2019 were \$3,115, and were equal to the required contributions.

4. Total OPEB Liability

The City's Total OPEB Liability (TOL) was measured as of December 31, 2018, and was determined by an actuarial valuation as of that date.

5. Actuarial Assumptions

The Total OPEB Liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Salary increases	3.5% to 10.5% including inflation
Discount rate	3.71%
Retiree's share of benefit-related costs	--

Salary increases were based on a service-related table. Mortality rates for service retirees were based on the RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB. Mortality rates for disabled retirees were based on the RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions used in the December 31, 2018, valuation were developed primarily from an actuarial experience study of the four-year period from December 31, 2010 through December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, TMRS adopted the Entry Age Normal Actuarial Cost Method.

The discount rate used to measure the Total OPEB Liability was 3.71% and was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2018.

**CITY OF CARTHAGE, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

6. Changes in the Total OPEB Liability

	Total OPEB Liability
Total OPEB liability - December 31, 2017	\$ 315,905
Changes for the year:	
Service cost	9,616
Interest on total OPEB liability	10,569
Differences between expected and actual experience	(14,987)
Changes in assumptions or other inputs	(20,737)
Benefit payments	(2,805)
Net changes	(18,344)
Total OPEB liability - December 31, 2018	\$ 297,561

7. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate.

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.71%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.71%) or 1% higher (4.71%) than the current rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
City's total OPEB liability	\$ 353,439	\$ 297,561	\$ 253,642

8. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended September 30, 2019, the City recognized OPEB expense of \$14,584. At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ --	\$ 11,679
Change in assumptions and other inputs	--	2,498
Contributions made subsequent to measurement date	2,436	--
Total	\$ 2,436	\$ 14,177

\$2,436 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2020. Amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Measurement Year ending December 31:	
2019	\$ (2,487)
2020	(2,487)
2021	(5,023)
2022	(4,180)
2023	--
Thereafter	--
	\$ (14,177)

**CITY OF CARTHAGE, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

J. Commitments and Contingencies

1. Contingencies

The City participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

2. Commitments

In September 2018, the City Commission approved a purchase bid for a new fire truck in the amount of \$335,288. The chassis was purchased in FY19, but as of September 30, 2019, the balance to be paid on this truck was \$240,929.

2. Litigation

No reportable litigation was pending against the City at September 30, 2019.

K. Closure and Postclosure Care Cost

30 Texas Administrative Code (TAC) requires the City to be financially capable of properly closing their municipal solid waste transfer station (Permit No. MSW 40172), if it becomes necessary. Closure costs will be paid only near or after the date that the station ceases operations so the City will not report any of these closure costs as operating expenses until the closure actually occurs. The estimated closure cost is \$13,958.

All cost estimates are in 2019 dollars and actual costs may be higher due to inflation, changes in technology, or changes in regulations. The City demonstrated its financial assurance for these closure and post-closure care costs by submitting a financial test to the Texas Commission on Environmental Quality as specified in 30 Texas Administrative Code (TAC) Chapter 37.

L. Tax Abatements

1. Property Tax Abatements

The City enters into property tax abatement agreements with local businesses under Texas Local Government Code Chapter 312. The tax abatement is an economic development tool used to attract new industries and to encourage the retention and development of existing businesses through property tax exemptions or reductions.

The City negotiates property tax abatement agreements on an individual basis. The City has tax abatement agreements with six entities as of September 30, 2019:

Purpose	Percentage of Taxes Abated During the Fiscal Year	Amount of Taxes Abated During the Fiscal Year
Provide additional lodging opportunities	60%	\$ 2,634
Repurpose and rebuild travel plaza	60%	7,614
Expand and retain local businesses	60%	2,851
Expand and retain local businesses	60%	2,830
Expand and retain local businesses	60%	3,628
Build a business park	100%	3,363
		<u>\$ 22,920</u>

**CITY OF CARTHAGE, TEXAS**  
 NOTES TO THE FINANCIAL STATEMENTS  
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2. Sales Tax Abatements

The City entered into a contract with a retail lessor on July 28, 2014. Under this agreement, the City agrees to return a portion (75%) of the sales taxes collected from all taxable entities doing business in the developed site. Payment shall be made by the City of Carthage within 60 days after calendar year's end collection of sales tax. The contract extends for a maximum of 10 years and up to a \$500,000 cap.

The City's execution of this agreement is authorized by Chapter 380, Texas Local Government Code, and constitutes a valid and binding obligation of the City subject to the condition precedent that the retail lessor must complete.

The retail lessor has failed to comply with the reporting requirements of the contract and, therefore, no payments have been made during the year ended September 30, 2019. On October 28, 2019, the City Commission unanimously agreed to terminate this agreement.

3. Rebate of Utility Infrastructure Costs

The City's Code of Ordinances Appendix B allows for 50% of the cost of installing water and sewer lines to be returned to the developer upon occupancy and payment of Panola County taxes by the new occupants. The developer is subject to a 15 year time limit that begins on the date the City approves the subdivision or business park.

The City is currently in the process of tracking the progress of a subdivision with the developer. The City has paid a total of \$43,935 to the developer with \$15,501 of that amount occurring during the year ended September 30, 2019.

The City is currently in the process of tracking the progress of a business park with the developer. The City has paid a total of \$18,765 to the developer with \$6,225 of that amount occurring during the year ended September 30, 2019.

M. Tax Revenue

The source of tax revenues reported in the governmental funds is detailed below:

	General Fund	Other Governmental Funds	Total
Property taxes, penalty and interest	\$ 1,489,421	\$ 972,620	\$ 2,462,041
Sales and beverage taxes	3,903,191	1,297,040	5,200,231
Franchise tax	402,112	--	402,112
Hotel occupancy tax	--	342,288	342,288
	<u>\$ 5,794,724</u>	<u>\$ 2,611,948</u>	<u>\$ 8,406,672</u>

N. Fund Balance/Net Position Restrictions

Certain fund balances are restricted to special purposes as follows:

	General Fund	Other Governmental Funds	Total
Tourism and promotion	\$ --	\$ 163,118	\$ 163,118
Economic development	149,613	1,643,083	1,792,696
Main street program	6,670	--	6,670
Municipal court security and technology	48,089	--	48,089
Police department drug seizure funds	--	47,242	47,242
	<u>\$ 204,372</u>	<u>\$ 1,853,443</u>	<u>\$ 2,057,815</u>

**CITY OF CARTHAGE, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Certain net position balances are restricted to special purposes as follows:

Main Street program	\$	6,670
Municipal court security and technology		48,089
Tourism and promotion		163,118
Economic development		1,792,696
Police department drug seizure funds		47,242
	\$	<u>2,057,815</u>

O. Subsequent Events

Management has evaluated subsequent events through February 20, 2020, the date on which the financial statements were available to be issued.

## Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

**CITY OF CARTHAGE, TEXAS**  
 SCHEDULE OF THE CITY'S PROPORTIONATE  
 SHARE OF THE NET PENSION LIABILITY  
 TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM  
 LAST TEN FISCAL YEARS \*

	Measurement Period									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
City's proportion of the net pension liability (asset)	0.307%	0.281%	0.296%	0.270%	0.271%	--	--	--	--	--
City's proportionate share of the net pension liability (asset)	73,685 \$	67,445 \$	86,219 \$	72,070 \$	49,245 \$	-- \$	-- \$	-- \$	-- \$	-- \$
State's proportionate share of the net pension liability (asset) associated with the City	25,534	32,842	45,556	38,235	25,134	--	--	--	--	--
<b>Total</b>	<u>\$ 99,219</u>	<u>\$ 100,287</u>	<u>\$ 131,775</u>	<u>\$ 110,305</u>	<u>\$ 74,379</u>	<u>\$ --</u>				
City's covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	84.30%	81.40%	76.30%	76.90%	83.50%	--	--	--	--	--

Note: GASB Statement No. 68, Paragraph 81.2a requires that the information on this schedule be data from the period corresponding with the period covered as of the TESRS measurement date of August 31, 2018 - the period from September 1, 2017 - August 31, 2018.

Note: Only five years of data is presented in accordance with GASB Statement No. 68, Paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

**CITY OF CARTHAGE, TEXAS**  
 SCHEDULE OF CITY CONTRIBUTIONS  
 TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM  
 LAST TEN FISCAL YEARS \*

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 10,228	\$ 14,720	\$ 13,572	\$ 13,572	\$ 12,276	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions in relation to the contractually required contribution	(10,228)	(14,720)	(13,572)	(13,572)	(12,276)	--	--	--	--	--
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
City's covered-employee payroll	N/A	N/A	N/A	N/A	N/A	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	--	--	--	--	--

Note: GASB Statement No. 68, Paragraph 81.2b requires that the data in this schedule be presented as of the City's current fiscal year as opposed to the time period covered by the measurement date of September 1, 2017 - August 31, 2018.

Note: Only five years of data is presented in accordance with GASB Statement No. 68, Paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

**CITY OF CARTHAGE, TEXAS**  
 SCHEDULE OF CHANGES IN THE CITY'S  
 NET PENSION LIABILITY AND RELATED RATIOS  
 TEXAS MUNICIPAL RETIREMENT SYSTEM  
 LAST TEN FISCAL YEARS \*

	Measurement Period									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Total pension liability:</b>										
Service cost	\$ 643,893	\$ 645,677	\$ 673,594	\$ 649,973	\$ 599,056	\$ --	\$ --	\$ --	\$ --	\$ --
Interest	2,116,518	2,049,791	1,987,136	2,012,343	1,931,823	--	--	--	--	--
Changes of benefit terms	--	--	--	--	--	--	--	--	--	--
Differences between expected and actual experience	(755,727)	(89,133)	589	(543,434)	(89,825)	--	--	--	--	--
Changes of assumptions	--	--	--	150,900	--	--	--	--	--	--
Benefit payments, including refunds of employee contributions	(1,635,503)	(1,598,287)	(1,839,984)	(1,340,608)	(1,291,855)	--	--	--	--	--
<b>Net change in total pension liability</b>	<b>369,181</b>	<b>1,008,048</b>	<b>821,335</b>	<b>929,174</b>	<b>1,149,199</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>Total pension liability - beginning</b>	<b>31,851,626</b>	<b>30,843,578</b>	<b>30,022,243</b>	<b>29,093,069</b>	<b>27,943,870</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 32,220,807</b>	<b>\$ 31,851,626</b>	<b>\$ 30,843,578</b>	<b>\$ 30,022,243</b>	<b>\$ 29,093,069</b>	<b>\$ --</b>				
<b>Plan fiduciary net position:</b>										
Contributions - employer	\$ 741,657	\$ 729,339	\$ 785,527	\$ 794,456	\$ 785,128	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions - employee	280,476	280,053	297,266	298,255	282,130	--	--	--	--	--
Net investment income	(826,166)	3,431,867	1,616,809	35,650	1,320,264	--	--	--	--	--
Benefit payments, including refunds of employee contributions	(1,635,503)	(1,598,287)	(1,839,984)	(1,340,608)	(1,291,855)	--	--	--	--	--
Administrative expense	(15,973)	(17,789)	(18,261)	(21,715)	(13,785)	--	--	--	--	--
Other	(834)	(901)	(984)	(1,073)	(1,133)	--	--	--	--	--
<b>Net change in plan fiduciary net position</b>	<b>(1,456,343)</b>	<b>2,824,282</b>	<b>840,373</b>	<b>(235,035)</b>	<b>1,080,749</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>Plan fiduciary net position - beginning</b>	<b>27,590,381</b>	<b>24,766,099</b>	<b>23,925,726</b>	<b>24,160,761</b>	<b>23,080,012</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 26,134,038</b>	<b>\$ 27,590,381</b>	<b>\$ 24,766,099</b>	<b>\$ 23,925,726</b>	<b>\$ 24,160,761</b>	<b>\$ --</b>				
<b>City's net pension liability - ending (a) - (b)</b>	<b>\$ 6,086,769</b>	<b>\$ 4,261,245</b>	<b>\$ 6,077,479</b>	<b>\$ 6,096,517</b>	<b>\$ 4,932,308</b>	<b>\$ --</b>				
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>81.11%</b>	<b>86.62%</b>	<b>80.30%</b>	<b>79.69%</b>	<b>83.05%</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>Covered payroll</b>	<b>\$ 3,941,775</b>	<b>\$ 3,998,001</b>	<b>\$ 4,191,622</b>	<b>\$ 4,174,524</b>	<b>\$ 4,030,428</b>	<b>\$ --</b>				
<b>City's net pension liability as a percentage of covered-employee payroll</b>	<b>154.42%</b>	<b>106.58%</b>	<b>144.99%</b>	<b>146.04%</b>	<b>122.38%</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>

**Notes to Schedule:**

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

**CITY OF CARTHAGE, TEXAS**  
 SCHEDULE OF CITY CONTRIBUTIONS  
 TEXAS MUNICIPAL RETIREMENT SYSTEM  
 LAST TEN FISCAL YEARS \*

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 745,195	\$ 719,965	\$ 734,606	\$ 825,193	\$ 778,943	--	\$ --	\$ --	\$ --	\$ --
Contributions in relation to the actuarially determined contribution	(745,195)	(719,965)	(734,606)	(825,193)	(778,943)	--	--	--	--	--
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Covered-employee payroll	\$ 3,934,668	\$ 3,903,379	\$ 3,955,038	\$ 4,351,660	\$ 4,088,981	--	\$ --	\$ --	\$ --	\$ --
Contributions as a percentage of covered-employee payroll	18.94%	18.44%	18.57%	18.96%	19.05%	--	--	--	--	--

**Notes to Schedule**

**Valuation date:**

Actuarially determined contribution rates are calculated as of December 31, and become effective in January, 13 months later.

**Methods and assumptions used to determine contribution rates:**

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	28 years
Asset valuation method	10-year smoothed market; 15% soft corridor
Inflation	2.5%
Salary increases	3.5% to 10.5%, including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

**CITY OF CARTHAGE, TEXAS**  
 SCHEDULE OF CITY CONTRIBUTIONS  
 SUPPLEMENTAL DEATH BENEFITS FUND ADMINISTERED BY TEXAS MUNICIPAL RETIREMENT SYSTEM  
 LAST TEN FISCAL YEARS \*

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 3,115	\$ 2,689	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions in relation to the actuarially determined contribution	(3,115)	(2,689)	--	--	--	--	--	--	--	--
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
City's covered-employee payroll	\$ 4,014,461	\$ 3,974,170	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions as a percentage of covered-employee payroll	0.08%	0.07%	--	--	--	--	--	--	--	--

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

**CITY OF CARTHAGE, TEXAS**

SCHEDULE OF CHANGES IN THE CITY'S  
TOTAL OPEB LIABILITY AND RELATED RATIOS

SUPPLEMENTAL DEATH BENEFITS FUND ADMINISTERED BY TEXAS MUNICIPAL RETIREMENT SYSTEM

LAST TEN FISCAL YEARS \*

	Measurement Period									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total OPEB liability:										
Service cost	\$ 9,616	\$ 8,396	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Interest	10,569	10,506	--	--	--	--	--	--	--	--
Changes of benefit terms	--	--	--	--	--	--	--	--	--	--
Differences between expected and actual experience	(14,987)	--	--	--	--	--	--	--	--	--
Changes of assumptions or other inputs	(20,737)	24,459	--	--	--	--	--	--	--	--
Benefit payments	(2,805)	(2,399)	--	--	--	--	--	--	--	--
Net change in total OPEB liability	(18,344)	40,962	--	--	--	--	--	--	--	--
Total OPEB liability - beginning	315,905	274,943	--	--	--	--	--	--	--	--
Total OPEB liability - ending	<u>\$ 297,561</u>	<u>\$ 315,905</u>	<u>\$ --</u>							
Covered-employee payroll	\$ 4,006,799	\$ 3,998,001	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Total OPEB liability as a percentage of covered-employee payroll	7.43%	7.90%	--	--	--	--	--	--	--	--

The TMRS Supplemental Death Benefit Fund (SDBF) is considered to be an unfunded OPEB plan; therefore, no plan fiduciary net position and related ratios are reported in the above schedule.

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

## Combining Statements and Budget Comparisons as Supplementary Information

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

**CITY OF CARTHAGE, TEXAS  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2019**

**SPECIAL REVENUE FUNDS**

To account for revenues that are legally restricted to expenditures for particular purposes.

BUDGETED FUNDS

Hotel-Motel Occupancy Tax Fund:

To account for the levy and utilization of the hotel-motel room tax. State law requires that revenues from this tax be used for advertising and promotion of the City.

Carthage Economic Development Corporation:

To account for economic development corporation funds for the promotion and development of new and expanded businesses. (A component unit.)

Carthage Improvement Corporation:

To account for improvement corporation funds for the promotion and development of new and expanded businesses and for various other City projects that provide quality of life improvements. (A component unit.)

NON-BUDGETED FUNDS

Walking Trail Grant Fund:

To account for funds spent on the construction of a walking trail within the City.

Drug Seizure Fund:

To account for confiscated assets seized by law enforcement officers. This fund is restricted to law enforcement use only.

Texas Community Development Block Grant Project 712262:

To account for a Main Street Grant project.

Texas Community Development Project - 714382:

To account for the pass through of lease payments from the completion of a Texas Capital Fund Grant.

Texas Community Development Project - 718002:

To account for the pass through of lease payments from the completion of a Texas Capital Fund Grant.

**CAPITAL PROJECTS FUND**

The Capital Projects Fund is used to account for bond and other debt issuance proceeds obtained to finance capital projects and the expenditures related to those projects. The fund balance of the Capital Projects Fund is reserved to signify the amounts that are restricted exclusively for capital project expenditures. During the year, the City used capital project funds for street improvements.

**DEBT SERVICE FUND**

The Debt Service Fund is used to account for the accumulation of financial resources for the payment of principal, interest and related costs on general long-term debt paid primarily from taxes levied by the City. The fund balance of the Debt Service Fund is reserved to signify the amounts that are restricted exclusively for debt service expenditures.

**CITY OF CARTHAGE, TEXAS**

COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2019

	Special Revenue Funds	Debt Service Fund	Capital Projects	Total Nonmajor Governmental Funds (See Exhibit A-3)
<b>ASSETS:</b>				
Cash and temporary investments	\$ 1,738,574	\$ 145,447	\$ --	\$ 1,884,021
Receivables (net of allowances):				
Grants receivable	200,000	--	--	200,000
Sales tax receivable	99,284	--	--	99,284
Other receivable	27,459	--	--	27,459
Due from other funds	1,876	--	--	1,876
Total Assets	<u>\$ 2,067,193</u>	<u>\$ 145,447</u>	<u>\$ --</u>	<u>\$ 2,212,640</u>
<b>LIABILITIES AND FUND BALANCE:</b>				
<b>Liabilities:</b>				
Due to other funds	\$ 115,870	\$ --	\$ --	\$ 115,870
Accounts payable	98,055	--	--	98,055
Total Liabilities	<u>213,925</u>	<u>--</u>	<u>--</u>	<u>213,925</u>
<b>Fund Balances:</b>				
Restricted For:				
Debt service	--	145,447	--	145,447
Other purposes	1,853,443	--	--	1,853,443
Unassigned	(175)	--	--	(175)
Total Fund Balance	<u>1,853,268</u>	<u>145,447</u>	<u>--</u>	<u>1,998,715</u>
Total Liabilities and Fund Balance	<u>\$ 2,067,193</u>	<u>\$ 145,447</u>	<u>\$ --</u>	<u>\$ 2,212,640</u>

**CITY OF CARTHAGE, TEXAS**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Special Revenue Funds	Debt Service Fund	Capital Projects	Total Nonmajor Governmental Funds (See Exhibit A-5)
<b>Revenues:</b>				
Taxes	\$ 1,639,328	\$ 972,620	\$ --	\$ 2,611,948
Grant revenue	200,000	--	--	200,000
Interest revenue	9,240	--	--	9,240
Miscellaneous revenues	3,644	--	--	3,644
Rent and leases	48,598	--	--	48,598
Total Revenues	<u>1,900,810</u>	<u>972,620</u>	<u>--</u>	<u>2,873,430</u>
<b>Expenditures:</b>				
Public safety	4,672	--	--	4,672
Main Street program	175	--	--	175
Streets	--	--	9,022	9,022
Culture and recreation	271,855	--	--	271,855
Developmental activities	649,389	--	--	649,389
Non-departmental	--	1,715	--	1,715
Debt service - principal	--	590,600	--	590,600
Debt service - interest and fees	--	217,896	--	217,896
Total Expenditures	<u>926,091</u>	<u>810,211</u>	<u>9,022</u>	<u>1,745,324</u>
Excess (Deficiency) of Revenues over Expenditures Before Other Financing Sources (Uses)	974,719	162,409	(9,022)	1,128,106
<b>Other Financing Sources (Uses):</b>				
Transfers in	35,276	--	--	35,276
Transfers out	(639,699)	(204,750)	(150,329)	(994,778)
Total Other Financing Sources (Uses)	<u>(604,423)</u>	<u>(204,750)</u>	<u>(150,329)</u>	<u>(959,502)</u>
Net Change in Fund Balances	370,296	(42,341)	(159,351)	168,604
<b>Fund Balances - Beginning</b>	1,482,972	187,788	159,351	1,830,111
<b>Fund Balances - Ending</b>	<u>\$ 1,853,268</u>	<u>\$ 145,447</u>	<u>\$ --</u>	<u>\$ 1,998,715</u>

**CITY OF CARTHAGE, TEXAS**  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 SEPTEMBER 30, 2019

	Drug Seizure Proceeds	Hotel/Motel Occupancy Tax Fund	Main Street Project	TCDP 714382 WNA
<b>ASSETS:</b>				
Cash and temporary investments	\$ 47,242	\$ 147,597	\$ (64)	\$ --
Receivables (net of allowances):				
Grants receivable	--	--	--	--
Sales tax receivable	--	--	--	--
Other receivable	--	27,459	--	--
Due from other funds	--	--	--	--
Total Assets	<u>\$ 47,242</u>	<u>\$ 175,056</u>	<u>\$ (64)</u>	<u>\$ --</u>
<b>LIABILITIES AND FUND BALANCES:</b>				
<b>Liabilities:</b>				
Due to other funds	\$ --	\$ --	\$ --	\$ --
Accounts payable	--	11,938	111	--
Total Liabilities	<u>--</u>	<u>11,938</u>	<u>111</u>	<u>--</u>
<b>Fund Balances:</b>				
Restricted For:				
Other purposes	47,242	163,118	--	--
Unassigned	--	--	(175)	--
Total Fund Balances	<u>47,242</u>	<u>163,118</u>	<u>(175)</u>	<u>--</u>
 Total Liabilities and Fund Balances	 <u>\$ 47,242</u>	 <u>\$ 175,056</u>	 <u>\$ (64)</u>	 <u>\$ --</u>

Walking Trail Grant Fund	TCDP 718002 Complete Printing	Carthage Economic Development Corporation	Carthage Improvement Corporation	Total Nonmajor Special Revenue Funds (See Exhibit B-1)
\$ --	\$ --	\$ 1,164,600	\$ 379,199	\$ 1,738,574
200,000	--	--	--	200,000
--	--	49,642	49,642	99,284
--	--	--	--	27,459
--	--	1,876	--	1,876
<u>\$ 200,000</u>	<u>\$ --</u>	<u>\$ 1,216,118</u>	<u>\$ 428,841</u>	<u>\$ 2,067,193</u>
\$ 113,994	\$ --	\$ --	\$ 1,876	\$ 115,870
86,006	--	--	--	98,055
<u>200,000</u>	<u>--</u>	<u>--</u>	<u>1,876</u>	<u>213,925</u>
--	--	1,216,118	426,965	1,853,443
--	--	--	--	(175)
<u>--</u>	<u>--</u>	<u>1,216,118</u>	<u>426,965</u>	<u>1,853,268</u>
<u>\$ 200,000</u>	<u>\$ --</u>	<u>\$ 1,216,118</u>	<u>\$ 428,841</u>	<u>\$ 2,067,193</u>

**CITY OF CARTHAGE, TEXAS**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Drug Seizure Proceeds	Hotel/Motel Occupancy Tax Fund	Main Street Project	TCDP 714382 WNA
<b>Revenues:</b>				
Taxes	\$ --	\$ 342,288	\$ --	\$ --
Grant revenue	--	--	--	--
Interest revenue	--	--	--	--
Miscellaneous revenues	3,644	--	--	--
Rent and leases	--	--	--	9,317
Total Revenues	<u>3,644</u>	<u>342,288</u>	<u>--</u>	<u>9,317</u>
<b>Expenditures:</b>				
Public safety	4,672	--	--	--
Main Street program	--	--	175	--
Culture and recreation	--	--	--	--
Developmental activities	--	278,385	--	12,083
Total Expenditures	<u>4,672</u>	<u>278,385</u>	<u>175</u>	<u>12,083</u>
Excess (Deficiency) of Revenues over Expenditures Before Other Financing Sources (Uses)	(1,028)	63,903	(175)	(2,766)
<b>Other Financing Sources (Uses):</b>				
Transfers in	--	--	--	2,766
Transfers out	--	--	--	--
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>2,766</u>
Net Change in Fund Balances	(1,028)	63,903	(175)	--
<b>Fund Balances - Beginning</b>	48,270	99,215	--	--
<b>Fund Balances - Ending</b>	<u>\$ 47,242</u>	<u>\$ 163,118</u>	<u>\$ (175)</u>	<u>\$ --</u>

Walking Trail Grant Fund	TCDP 718002 Complete Printing	Carthage Economic Development Corporation	Carthage Improvement Corporation	Total Nonmajor Special Revenue Funds (See Exhibit B-2)
\$ --	\$ --	\$ 648,520	\$ 648,520	\$ 1,639,328
200,000	--	--	--	200,000
--	--	6,019	3,221	9,240
--	--	--	--	3,644
--	39,281	--	--	48,598
<u>200,000</u>	<u>39,281</u>	<u>654,539</u>	<u>651,741</u>	<u>1,900,810</u>
--	--	--	--	4,672
--	--	--	--	175
271,855	--	--	--	271,855
--	27,428	104,776	226,717	649,389
<u>271,855</u>	<u>27,428</u>	<u>104,776</u>	<u>226,717</u>	<u>926,091</u>
(71,855)	11,853	549,763	425,024	974,719
32,510	--	--	--	35,276
--	--	(250,256)	(389,443)	(639,699)
<u>32,510</u>	<u>--</u>	<u>(250,256)</u>	<u>(389,443)</u>	<u>(604,423)</u>
(39,345)	11,853	299,507	35,581	370,296
39,345	(11,853)	916,611	391,384	1,482,972
<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,216,118</u>	<u>\$ 426,965</u>	<u>\$ 1,853,268</u>

**CITY OF CARTHAGE, TEXAS**  
HOTEL/MOTEL OCCUPANCY TAX FUND  
SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED SEPTEMBER 30, 2019

**EXHIBIT B-5**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 295,000	\$ 306,000	\$ 342,288	\$ 36,288
Total Revenues	<u>295,000</u>	<u>306,000</u>	<u>342,288</u>	<u>36,288</u>
<b>Expenditures:</b>				
Developmental activities	288,000	306,000	278,385	27,615
Total Expenditures	<u>288,000</u>	<u>306,000</u>	<u>278,385</u>	<u>27,615</u>
Excess of Revenues over Expenditures Before Other Financing Sources (Uses)	7,000	--	63,903	63,903
<b>Other Financing Sources (Uses):</b>				
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net Change in Fund Balances	7,000	--	63,903	63,903
<b>Fund Balances - Beginning</b>	99,215	99,215	99,215	--
<b>Fund Balances - Ending</b>	<u>\$ 106,215</u>	<u>\$ 99,215</u>	<u>\$ 163,118</u>	<u>\$ 63,903</u>

**CITY OF CARTHAGE, TEXAS**  
 CARTHAGE ECONOMIC DEVELOPMENT CORPORATION  
 SPECIAL REVENUE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

**EXHIBIT B-6**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 487,500	\$ 547,500	\$ 648,520	\$ 101,020
Interest revenue	4,000	4,000	6,019	2,019
Total Revenues	<u>491,500</u>	<u>551,500</u>	<u>654,539</u>	<u>103,039</u>
<b>Expenditures:</b>				
Developmental activities	153,000	153,000	104,776	48,224
Total Expenditures	<u>153,000</u>	<u>153,000</u>	<u>104,776</u>	<u>48,224</u>
Excess of Revenues over Expenditures Before Other Financing Sources (Uses)	338,500	398,500	549,763	151,263
<b>Other Financing Sources (Uses):</b>				
Transfers out	(210,256)	(310,256)	(250,256)	60,000
Total Other Financing Sources (Uses)	<u>(210,256)</u>	<u>(310,256)</u>	<u>(250,256)</u>	<u>60,000</u>
Net Change in Fund Balances	128,244	88,244	299,507	211,263
<b>Fund Balances - Beginning</b>	916,611	916,611	916,611	--
<b>Fund Balances - Ending</b>	<u>\$ 1,044,855</u>	<u>\$ 1,004,855</u>	<u>\$ 1,216,118</u>	<u>\$ 211,263</u>

**CITY OF CARTHAGE, TEXAS**  
 CARTHAGE IMPROVEMENT CORPORATION  
 SPECIAL REVENUE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED SEPTEMBER 30, 2019

**EXHIBIT B-7**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 487,500	\$ 547,500	\$ 648,520	\$ 101,020
Interest revenue	400	400	3,221	2,821
Total Revenues	<u>487,900</u>	<u>547,900</u>	<u>651,741</u>	<u>103,841</u>
<b>Expenditures:</b>				
Developmental activities	<u>274,800</u>	<u>274,800</u>	<u>226,717</u>	<u>48,083</u>
Total Expenditures	<u>274,800</u>	<u>274,800</u>	<u>226,717</u>	<u>48,083</u>
Excess of Revenues over Expenditures Before Other Financing Sources (Uses)	213,100	273,100	425,024	151,924
<b>Other Financing Sources (Uses):</b>				
Transfers out	<u>(389,443)</u>	<u>(495,443)</u>	<u>(389,443)</u>	<u>106,000</u>
Total Other Financing Sources (Uses)	<u>(389,443)</u>	<u>(495,443)</u>	<u>(389,443)</u>	<u>106,000</u>
Net Change in Fund Balances	(176,343)	(222,343)	35,581	257,924
<b>Fund Balances - Beginning</b>	<u>391,384</u>	<u>391,384</u>	<u>391,384</u>	<u>--</u>
<b>Fund Balances - Ending</b>	<u>\$ 215,041</u>	<u>\$ 169,041</u>	<u>\$ 426,965</u>	<u>\$ 257,924</u>

**CITY OF CARTHAGE, TEXAS**  
DEBT SERVICE FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED SEPTEMBER 30, 2019

**EXHIBIT B-8**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 938,246	\$ 938,246	\$ 972,620	\$ 34,374
Total Revenues	<u>938,246</u>	<u>938,246</u>	<u>972,620</u>	<u>34,374</u>
<b>Expenditures:</b>				
Non-departmental	--	2,000	1,715	285
Debt service - principal	590,600	590,600	590,600	--
Debt service - interest and fees	217,896	217,896	217,896	--
Total Expenditures	<u>808,496</u>	<u>810,496</u>	<u>810,211</u>	<u>285</u>
Excess of Revenues over Expenditures Before Other Financing Sources (Uses)	129,750	127,750	162,409	34,659
<b>Other Financing Sources (Uses):</b>				
Transfers out	(204,750)	(204,750)	(204,750)	--
Total Other Financing Sources (Uses)	<u>(204,750)</u>	<u>(204,750)</u>	<u>(204,750)</u>	<u>--</u>
Net Change in Fund Balances	(75,000)	(77,000)	(42,341)	34,659
<b>Fund Balances - Beginning</b>	187,788	187,788	187,788	--
<b>Fund Balances - Ending</b>	<u>\$ 112,788</u>	<u>\$ 110,788</u>	<u>\$ 145,447</u>	<u>\$ 34,659</u>

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# STATISTICAL SECTION

Unaudited

**STATISTICAL SECTION  
(UNAUDITED)**

This section of the City's CAFR presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health. The independent auditor has not audited this information.

<b><u>CONTENTS</u></b>	<b><u>PAGES</u></b>
<b>FINANCIAL TRENDS</b>	
These schedules contain trend information to help the reader understand how the City's financial performance and well-being changed over time.	80-84
<b>REVENUE CAPACITY</b>	
These schedules contain information to help the reader assess the City's most significant local revenue sources, the property tax and sales tax.	85-93
<b>DEBT CAPACITY</b>	
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	94-98
<b>DEMOGRAPHIC AND ECONOMIC INFORMATION</b>	
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	99-101
<b>OPERATING INFORMATION</b>	
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	102-106

**SOURCES:**

Unless otherwise noted, the information in these schedules is derived from the City's comprehensive annual financial reports for the relevant year.

**CITY OF CARTHAGE, TEXAS  
NET POSITION BY COMPONENT  
LAST TEN FISCAL YEARS**

TABLE 1

Fiscal Year	Governmental Activities			Business-type Activities			Total
	Net Investment in Capital Assets	Restricted	Unrestricted	Net Investment in Capital Assets	Restricted	Unrestricted	
	2010	28,756,635	3,476,655	4,570,564	17,597,348	2,232,337	
2011	33,272,839	2,129,911	4,607,544	17,438,561	989,625	1,528,284	59,966,764
2012	32,427,874	1,999,629	4,611,520	17,824,757	859,798	1,444,628	59,168,206
2013	29,739,386	2,741,484	2,553,173	20,794,371	-	1,748,065	57,576,479
2014	30,995,973	1,959,698	198,019	21,826,090	-	2,276,087	57,255,867
2015	29,801,034	1,943,410	(2,136,326)	21,713,394	-	809,444	52,130,956
2016	28,557,865	3,025,141	(5,572,962)	23,628,186	-	678,637	50,316,867
2017	26,644,225	1,837,436	(4,221,561)	23,614,168	-	942,115	48,816,383
2018	25,048,493	1,877,463	(3,341,486)	23,538,951	-	1,067,791	48,191,212
2019	23,573,519	2,148,634	(1,176,681)	23,332,672	-	1,385,665	49,263,809

The City adopted GASB Statement No. 63 during fiscal year ended September 30, 2013. Prior to the adoption, the City's net position was titled net assets. Net investment in capital assets was previously titled Invested in capital assets, net of related debt.

**CITY OF CARTHAGE, TEXAS  
CHANGE IN NET POSITION  
LAST TEN FISCAL YEARS**

**TABLE 2**

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>Expenses</b>										
<b>Governmental activities:</b>										
General government and administration	\$ 1,199,500	\$ 1,235,014	\$ 2,484,742	\$ 2,401,264	\$ 2,173,622	\$ 2,522,899	\$ 2,477,115	\$ 2,217,719	\$ 2,432,331	\$ 2,369,958
Public safety	2,781,056	2,963,172	2,160,532	2,166,666	2,118,158	2,140,931	2,030,020	1,931,928	1,912,395	1,716,962
Sanitation	1,300,860	1,265,612	1,270,092	1,311,584	1,208,456	1,299,467	1,213,587	1,745,386	1,445,171	1,181,549
Main street program	139,315	130,223	97,166	100,296	87,801	61,945	23,138	28,598	25,203	13,061
Building inspections	294,381	284,890	209,362	216,958	208,012	204,332	206,608	221,453	202,387	181,936
Streets	2,414,259	2,588,096	2,823,226	2,619,414	2,525,843	2,630,635	2,451,579	2,420,498	2,289,027	2,283,364
Cultural and recreation	714,472	719,506	670,611	660,392	717,615	783,246	924,902	1,424,450	375,709	883,977
Developmental activities	662,427	684,903	638,705	721,687	1,073,070	685,969	954,751	543,515	1,103,187	1,083,863
Debt issuance costs	-	-	-	155,504	-	81,500	-	-	-	-
Interest on long term debt	188,030	212,907	241,462	229,412	297,034	243,833	246,260	229,030	253,019	155,598
<b>Total government activities</b>	<b>9,694,300</b>	<b>10,084,323</b>	<b>10,595,898</b>	<b>10,583,177</b>	<b>10,409,611</b>	<b>10,654,757</b>	<b>10,527,960</b>	<b>10,762,577</b>	<b>10,038,429</b>	<b>9,870,268</b>
<b>Business-type activities:</b>										
Water and sewer	5,360,845	5,190,720	5,018,300	5,471,758	5,486,629	5,068,224	5,229,838	5,112,983	4,969,408	4,538,455
Resource recovery	-	-	-	-	-	-	-	-	-	62,407
<b>Total business-type activities</b>	<b>5,360,845</b>	<b>5,190,720</b>	<b>5,018,300</b>	<b>5,471,758</b>	<b>5,486,629</b>	<b>5,068,224</b>	<b>5,229,838</b>	<b>5,112,983</b>	<b>4,969,408</b>	<b>4,600,862</b>
<b>Total governmental expenses</b>	<b>15,055,145</b>	<b>15,275,043</b>	<b>15,614,198</b>	<b>16,054,935</b>	<b>15,896,240</b>	<b>15,722,981</b>	<b>15,757,798</b>	<b>15,875,560</b>	<b>15,007,837</b>	<b>14,471,130</b>
<b>Program Revenues</b>										
<b>Governmental Activities:</b>										
General government and administration	5,398	13,000	14,624	11,509	11,760	14,092	12,094	13,432	16,330	15,200
Public safety	225,050	191,861	187,387	172,304	205,288	203,994	202,471	214,354	240,216	216,607
Sanitation	1,271,083	1,357,844	1,304,273	1,305,057	1,335,855	1,247,096	1,176,730	1,699,367	1,346,852	1,197,281
Main street program	5,944	4,227	5,580	9,905	6,938	7,508	3,625	11,045	7,868	-
Building inspections	51,775	61,205	49,111	89,761	69,121	162,907	116,345	55,952	133,798	48,647
Streets	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000
Cultural and recreation	150,993	190,215	169,607	188,938	183,690	192,697	152,550	197,099	137,027	20,790
Developmental activities	-	-	-	-	-	-	-	-	-	112,352
Operating grants and contributions	13,342	61,610	1,623	1,645	1,669	1,615	-	-	-	-
Capital grants and contributions	316,639	-	80,000	38	413,714	61,744	487,712	320,424	1,598,103	3,591,857
<b>Total governmental activities</b>	<b>2,490,224</b>	<b>2,329,962</b>	<b>2,262,205</b>	<b>2,229,157</b>	<b>2,678,035</b>	<b>2,341,653</b>	<b>2,601,527</b>	<b>2,961,673</b>	<b>3,930,194</b>	<b>5,652,734</b>
<b>Business-type activities:</b>										
Water and sewer	5,121,188	5,090,463	5,028,541	5,118,907	5,129,792	5,163,036	5,016,142	4,794,703	5,233,547	4,391,013
Capital grants and contributions	-	-	-	-	-	-	-	-	-	5,000
<b>Total business-type activities</b>	<b>5,121,188</b>	<b>5,090,463</b>	<b>5,028,541</b>	<b>5,118,907</b>	<b>5,129,792</b>	<b>5,163,036</b>	<b>5,016,142</b>	<b>4,794,703</b>	<b>5,233,547</b>	<b>4,396,013</b>
<b>Total program revenues</b>	<b>7,611,412</b>	<b>7,420,425</b>	<b>7,290,746</b>	<b>7,348,064</b>	<b>7,807,827</b>	<b>7,504,689</b>	<b>7,617,669</b>	<b>7,756,376</b>	<b>9,163,741</b>	<b>10,048,747</b>
<b>Net (Expenses) Revenues (1)</b>										
Governmental activities	(7,204,076)	(7,754,361)	(8,333,693)	(8,354,020)	(7,731,576)	(8,313,104)	(7,926,433)	(7,800,904)	(6,108,235)	(4,217,534)
Business-type activities	(239,657)	(100,257)	10,241	(352,851)	(356,837)	94,812	(213,696)	(318,280)	264,139	(204,849)
<b>Total net (expenses)</b>	<b>(7,443,733)</b>	<b>(7,854,618)</b>	<b>(8,323,452)</b>	<b>(8,706,871)</b>	<b>(8,088,413)</b>	<b>(8,218,292)</b>	<b>(8,140,129)</b>	<b>(8,119,184)</b>	<b>(5,844,096)</b>	<b>(4,422,383)</b>
<b>General Revenues</b>										
<b>Governmental Activities:</b>										
Ad valorem taxes	2,465,581	2,453,114	2,493,718	2,485,900	2,330,869	2,237,967	2,266,958	1,905,801	2,131,490	2,109,735
Sales taxes	5,200,231	4,171,700	3,549,992	3,594,191	4,129,229	4,159,216	3,970,905	4,204,919	4,434,873	3,338,143
Occupancy taxes	342,288	319,316	245,864	229,645	326,256	298,018	285,047	299,756	405,030	483,215
Franchise fees	-	-	-	-	-	-	-	-	-	-
(all based on gross receipts)	402,112	414,093	404,610	503,611	429,160	449,145	423,298	449,930	454,246	451,691
Interest income	51,262	36,622	26,856	25,882	23,595	29,847	60,192	80,473	134,261	185,268
Miscellaneous	32,915	60,425	44,291	31,544	62,447	482,500	208,869	217,554	105,480	10,623
Gain (loss) on disposition of assets	25,767	21,515	42,664	9,500	8,872	-	-	-	(114,736)	-
Transfers	(355,078)	(215,075)	(224,250)	(2,124,325)	(293,044)	(1,223,941)	(3,078,327)	(468,612)	(326,990)	(1,890,570)
<b>Total governmental activities</b>	<b>8,165,078</b>	<b>7,261,710</b>	<b>6,583,745</b>	<b>4,755,948</b>	<b>7,017,384</b>	<b>6,432,752</b>	<b>4,136,942</b>	<b>6,689,821</b>	<b>7,223,654</b>	<b>4,688,105</b>
<b>Business-type Activities:</b>										
Interest income	38,039	22,914	14,968	12,511	10,695	10,292	13,197	22,381	42,243	66,093
Gain (loss) on disposition of assets	(47,365)	-	-	-	-	-	-	-	-	-
Grant revenue	5,500	-	-	-	-	-	-	-	-	-
Miscellaneous	-	2,850	-	-	-	230,695	-	-	-	-
Transfers	355,078	215,075	224,250	2,124,325	293,044	1,223,941	3,078,327	468,612	326,990	1,890,570
<b>Total business-type activities</b>	<b>351,252</b>	<b>240,839</b>	<b>239,218</b>	<b>2,136,836</b>	<b>303,739</b>	<b>1,464,928</b>	<b>3,091,524</b>	<b>490,993</b>	<b>369,233</b>	<b>1,956,663</b>
<b>Total general revenue</b>	<b>8,516,330</b>	<b>7,502,549</b>	<b>6,822,963</b>	<b>6,892,784</b>	<b>7,321,123</b>	<b>7,897,680</b>	<b>7,228,466</b>	<b>7,180,814</b>	<b>7,592,887</b>	<b>6,644,768</b>
<b>Change in Net Position</b>										
Governmental activities	961,002	(492,651)	(1,749,948)	(3,598,072)	(714,192)	(1,880,352)	(3,789,491)	(1,111,083)	1,115,419	470,571
Business-type activities	111,595	140,582	249,459	1,783,985	(53,098)	1,559,740	2,877,828	172,713	633,372	1,751,814
<b>Total change in net position</b>	<b>\$ 1,072,597</b>	<b>\$ (352,069)</b>	<b>\$ (1,500,489)</b>	<b>\$ (1,814,087)</b>	<b>\$ (767,290)</b>	<b>\$ (320,612)</b>	<b>\$ (911,663)</b>	<b>\$ (938,370)</b>	<b>\$ 1,748,791</b>	<b>\$ 2,222,385</b>

(1) Net (expenses) is the difference between the expenses and program revenues. It indicates the degree to which a function or program is supported with its own fees and program-specific grants versus reliance upon funding from taxes and other general revenues. Numbers with parentheses are net expenses, indicating that expenses were greater than program revenues and therefore general revenues were needed to finance that function or program. Numbers without parentheses are net revenues, meaning that program revenues were more than sufficient to cover expenses.

The City adopted GASB Statement No. 63 during fiscal year ended September 30, 2013. Prior to the adoption, the City's change in net position was titled change in net assets.

**CITY OF CARTHAGE, TEXAS  
FUND BALANCES OF GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS  
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

TABLE 3

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<u>General Fund</u>										
Nonspendable	\$ -	\$ 59,879	\$ 53,574	\$ 53,921	\$ 53,594	\$ 55,022	\$ 39,752	\$ 41,943	\$ 38,060	\$ 35,390
Restricted	43,245	46,045	208,939	112,093	74,985	71,931	59,476	59,883	96,159	204,372
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	125,851	109,650	144,350	145,352	151,693
Unassigned	4,354,191	4,562,463	4,377,691	3,712,030	3,406,929	3,675,436	3,661,865	4,147,290	4,628,048	5,914,635
Total general fund	4,397,436	4,668,387	4,640,204	3,878,044	3,535,508	3,928,240	3,870,743	4,393,466	4,907,619	6,306,090
<u>All Other Governmental Funds</u>										
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted	3,476,655	2,066,399	1,909,654	2,695,492	1,920,530	1,896,349	3,039,053	1,843,054	1,841,964	1,998,890
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	(9,960)	(18,687)	(16,193)	(18,686)	(11,854)	(175)
Total all other governmental funds	3,476,655	2,066,399	1,909,654	2,695,492	1,910,570	1,877,662	3,022,860	1,824,368	1,830,110	1,998,715
Total governmental fund balances	<u>\$ 7,874,091</u>	<u>\$ 6,734,786</u>	<u>\$ 6,549,858</u>	<u>\$ 6,573,536</u>	<u>\$ 5,446,078</u>	<u>\$ 5,805,902</u>	<u>\$ 6,893,603</u>	<u>\$ 6,217,834</u>	<u>\$ 6,737,729</u>	<u>\$ 8,304,805</u>

**CITY OF CARTHAGE, TEXAS**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

TABLE 4

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Revenues:</b>										
Taxes	6,391,063	7,430,596	6,864,816	6,948,768	7,155,369	7,220,310	6,811,029	6,684,655	7,353,803	8,406,672
Licenses and permits	48,647	133,797	55,952	116,345	162,907	69,121	89,761	49,111	61,205	51,775
Sanitation collections	1,170,103	1,346,852	1,699,367	1,176,730	1,247,096	1,335,855	1,305,057	1,304,273	1,357,844	1,271,083
Fines - municipal court	190,807	240,216	214,354	202,471	203,028	205,288	172,304	187,387	191,861	221,406
Investment earnings	184,819	134,261	71,160	60,192	29,847	23,595	25,882	26,856	36,622	51,262
Miscellaneous revenues	65,823	123,352	90,444	131,097	87,563	230,015	78,602	72,449	87,161	46,228
Grant revenue	3,591,857	1,598,103	320,424	487,712	63,359	279,555	1,683	1,623	1,610	213,342
Rents and leases	596,569	588,072	653,646	606,686	623,509	617,064	622,797	610,025	630,706	602,667
Donations	-	-	150,000	100,000	436,054	600	-	80,000	60,000	116,639
<b>Total revenues</b>	<b>12,239,688</b>	<b>11,595,249</b>	<b>10,120,163</b>	<b>9,830,001</b>	<b>10,008,732</b>	<b>9,981,403</b>	<b>9,107,115</b>	<b>9,016,379</b>	<b>9,780,812</b>	<b>10,981,074</b>
<b>Expenditures:</b>										
General government	566,218	541,267	515,920	549,107	574,138	409,948	441,584	405,343	521,120	477,405
Public safety	1,597,845	1,835,483	2,015,155	1,951,546	2,001,832	2,037,683	2,096,694	2,137,243	2,923,224	2,766,702
Sanitation	1,223,075	1,388,503	1,737,257	1,205,458	1,291,338	1,200,327	1,303,455	1,261,963	1,257,578	1,293,273
Main street program	13,061	25,203	28,598	23,138	61,945	267,436	100,296	97,166	130,223	139,315
Building inspections	182,874	202,387	221,453	206,608	204,332	216,262	216,958	209,362	284,890	294,381
Streets	817,452	1,215,219	861,598	1,573,896	1,652,922	928,988	1,219,504	1,666,428	963,176	805,500
Culture and recreation	4,966,837	1,863,299	1,085,123	570,414	1,874,277	280,033	250,188	220,043	315,102	890,984
Developmental activities	1,070,129	2,718,985	923,019	1,868,930	751,990	1,067,213	838,250	661,580	717,125	649,389
Non-departmental	1,828,836	1,881,982	1,700,867	1,804,145	2,055,819	1,866,840	1,794,060	1,771,719	768,529	701,284
Debt issuance costs	-	-	-	-	81,500	-	153,263	-	-	-
Debt service:										
Principal	741,000	803,092	705,633	680,106	688,039	751,063	795,579	800,987	931,785	842,045
Interest and fees	128,776	204,459	181,445	269,805	306,118	306,992	232,629	286,846	255,243	231,559
<b>Total expenditures</b>	<b>13,136,103</b>	<b>12,679,879</b>	<b>9,976,068</b>	<b>10,703,153</b>	<b>11,544,250</b>	<b>9,332,785</b>	<b>9,442,460</b>	<b>9,518,680</b>	<b>9,067,995</b>	<b>9,091,837</b>
<b>Excess(deficiency) of revenues over(under) expenditures</b>	<b>(896,415)</b>	<b>(1,084,630)</b>	<b>144,095</b>	<b>(873,152)</b>	<b>(1,535,518)</b>	<b>648,618</b>	<b>(335,345)</b>	<b>(502,301)</b>	<b>712,817</b>	<b>1,889,237</b>
<b>Other financing sources(uses):</b>										
Bonds issued	1,501,530	-	-	3,985,000	1,500,000	-	1,445,000	-	-	-
Refunding bond proceeds	-	-	-	-	-	-	2,666,000	-	-	-
Bond premiums	-	-	-	131,063	-	-	398,196	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-	(961,825)	-	-	-
Capital lease proceeds	43,180	355,314	-	-	132,000	-	-	-	-	-
Sale of assets	-	130,000	139,590	-	-	4,251	-	50,780	22,155	32,917
Transfers in	1,131,437	437,502	69,859	749,623	184,378	540,010	384,051	736,481	716,087	674,975
Transfers out	(2,682,007)	(764,492)	(538,471)	(3,827,950)	(1,408,319)	(833,055)	(2,508,376)	(960,731)	(931,162)	(1,030,054)
<b>Total other financing sources(uses)</b>	<b>(5,860)</b>	<b>158,324</b>	<b>(329,022)</b>	<b>1,037,736</b>	<b>408,059</b>	<b>(288,794)</b>	<b>1,423,046</b>	<b>(173,470)</b>	<b>(192,920)</b>	<b>(322,162)</b>
<b>Net change in fund balances</b>	<b>\$ (902,275)</b>	<b>\$ (926,306)</b>	<b>\$ (184,927)</b>	<b>\$ 164,584</b>	<b>\$ (1,127,459)</b>	<b>\$ 359,824</b>	<b>\$ 1,087,701</b>	<b>\$ (675,771)</b>	<b>\$ 519,897</b>	<b>\$ 1,567,075</b>
<b>Debt service as a percentage of noncapital expenditures</b>	<b>7.1%</b>	<b>8.6%</b>	<b>11.0%</b>	<b>9.7%</b>	<b>9.4%</b>	<b>12.8%</b>	<b>13.0%</b>	<b>12.3%</b>	<b>13.4%</b>	<b>12.9%</b>

Note: noncapital expenditures are calculated as total expenditures reduced by capital outlay as reported on Exhibit A-6.

TABLE 5

**CITY OF CARTHAGE, TEXAS**  
**CHANGES IN NET POSITION OF WATER & SEWER FUND**  
**LAST TEN FISCAL YEARS**

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>OPERATING REVENUES</b>										
Charges for services	\$ 5,109,757	\$ 5,017,495	\$ 5,016,788	\$ 5,117,852	\$ 5,115,957	\$ 5,138,431	\$ 5,001,182	\$ 4,731,796	\$ 5,163,730	\$ 4,387,981
Other revenues	11,431	72,968	11,753	1,055	13,835	24,605	14,960	17,576	69,817	3,032
<b>TOTAL OPERATING REVENUES</b>	<b>5,121,188</b>	<b>5,090,463</b>	<b>5,028,541</b>	<b>5,118,907</b>	<b>5,129,792</b>	<b>5,163,036</b>	<b>5,016,142</b>	<b>4,749,372</b>	<b>5,233,547</b>	<b>4,391,013</b>
<b>OPERATING EXPENSES</b>										
Salaries and fringe benefits	2,136,834	1,852,351	1,806,806	2,004,275	1,985,151	1,855,975	1,767,520	1,740,489	1,746,050	1,575,495
Contractual services	202,515	208,395	240,342	230,921	228,290	169,038	250,109	110,216	99,948	149,030
Depreciation	974,203	983,611	1,002,403	1,030,825	1,038,548	981,836	949,608	942,335	893,576	842,189
Supplies and maintenance	864,085	866,721	760,518	797,917	762,923	634,695	688,655	272,723	275,112	607,427
Utilities and telephone	323,352	370,146	281,670	333,100	310,017	234,518	355,489	294,618	298,989	316,410
Water purchases	124,401	139,410	124,032	119,316	148,334	122,892	106,409	78,880	85,291	74,916
Street rental	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000
Insurance	97,899	96,558	95,403	110,936	127,028	114,636	109,960	107,595	106,156	111,861
Other expenses	108,809	109,577	102,596	117,360	156,634	123,827	134,338	581,741	510,959	89,405
<b>TOTAL OPERATING EXPENSES</b>	<b>5,282,098</b>	<b>5,076,769</b>	<b>4,863,770</b>	<b>5,194,650</b>	<b>5,206,925</b>	<b>4,687,417</b>	<b>4,812,088</b>	<b>4,578,597</b>	<b>4,466,081</b>	<b>4,216,733</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(160,910)</b>	<b>13,694</b>	<b>164,771</b>	<b>(75,743)</b>	<b>(77,133)</b>	<b>475,619</b>	<b>204,054</b>	<b>170,775</b>	<b>767,466</b>	<b>174,280</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>										
Interest income	38,039	22,914	14,968	12,511	10,695	10,292	13,197	22,381	42,243	66,093
Interest expense & related fees	(78,747)	(113,951)	(154,530)	(277,108)	(263,033)	(380,807)	(417,750)	(489,055)	(503,327)	(321,722)
Gain (loss) on asset disposition	(47,365)	2,850	-	-	(16,671)	-	-	-	-	-
Donations	-	-	-	-	-	230,695	-	-	-	-
Capital grants	5,500	-	-	-	-	-	-	-	-	5,000
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(82,573)</b>	<b>(88,187)</b>	<b>(139,562)</b>	<b>(264,597)</b>	<b>(269,009)</b>	<b>(139,820)</b>	<b>(404,553)</b>	<b>(466,674)</b>	<b>(461,084)</b>	<b>(250,629)</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>(243,483)</b>	<b>(74,493)</b>	<b>25,209</b>	<b>(340,340)</b>	<b>(346,142)</b>	<b>335,799</b>	<b>(200,499)</b>	<b>(295,899)</b>	<b>306,382</b>	<b>(76,349)</b>
<b>TRANSFERS</b>										
Transfers in	355,078	215,075	224,250	2,124,325	293,044	1,223,941	3,422,093	468,612	483,897	1,890,570
Transfers out	-	-	-	-	-	-	(343,766)	-	(156,907)	-
<b>TOTAL TRANSFERS</b>	<b>355,078</b>	<b>215,075</b>	<b>224,250</b>	<b>2,124,325</b>	<b>293,044</b>	<b>1,223,941</b>	<b>3,078,327</b>	<b>468,612</b>	<b>326,990</b>	<b>1,890,570</b>
<b>CHANGE IN NET POSITION</b>	<b>111,595</b>	<b>140,582</b>	<b>249,459</b>	<b>1,783,985</b>	<b>(53,098)</b>	<b>1,559,740</b>	<b>2,877,828</b>	<b>172,713</b>	<b>633,372</b>	<b>1,814,221</b>
<b>TOTAL NET POSITION - BEGINNING</b>	<b>24,606,742</b>	<b>24,556,283</b>	<b>24,306,824</b>	<b>22,522,838</b>	<b>24,102,177</b>	<b>22,542,437</b>	<b>20,129,180</b>	<b>19,956,470</b>	<b>18,755,984</b>	<b>16,941,763</b>
Prior period adjustments	-	(90,123)	-	-	(1,526,241)	-	(464,572)	-	567,114	-
<b>TOTAL NET POSITION - ENDING</b>	<b>\$ 24,718,337</b>	<b>\$ 24,606,742</b>	<b>\$ 24,556,283</b>	<b>\$ 24,306,823</b>	<b>\$ 22,522,838</b>	<b>\$ 24,102,177</b>	<b>\$ 22,542,436</b>	<b>\$ 20,129,183</b>	<b>\$ 19,956,470</b>	<b>\$ 18,755,984</b>

The City adopted GASB Statement No. 63 during fiscal year ended September 30, 2013. Prior to the adoption, the City's change in net position was titled change in net assets.

**CITY OF CARTHAGE, TEXAS  
 ASSESSED VALUE OF TAXABLE PROPERTY  
 LAST TEN FISCAL YEARS**

TABLE 6

<u>Fiscal Year</u>	<u>Real Property</u>	<u>Minerals and Personal Property</u>	<u>Totals</u>	<u>Direct Tax Rate</u>
	<u>Assessed Value</u>	<u>Assessed Value</u>	<u>Assessed Value</u>	
2009	378,367,870	266,788,500	645,156,370	0.4100
2010	403,196,420	233,535,993	636,732,413	0.4100
2011	376,782,330	255,799,546	632,581,876	0.4600
2012	451,468,480	199,334,570	650,803,050	0.4600
2013	488,203,830	178,034,450	666,238,280	0.4800
2014	488,847,238	145,138,330	633,985,568	0.5000
2015	490,489,030	154,721,320	645,210,350	0.5200
2016	503,032,440	177,032,440	680,064,880	0.5200
2017	503,804,550	136,823,900	640,628,450	0.5744
2018	498,708,180	120,201,440	618,909,620	0.5744
2019	499,142,490	116,992,880	616,135,370	0.5894

Source: Panola County Appraisal District

Note: Property is assessed at actual value; therefore, the taxable values are equal to actual values less exemptions. Tax rates are per \$100 of assessed value.

**CITY OF CARTHAGE, TEXAS  
DIRECT AND OVERLAPPING  
PROPERTY TAX RATES AND TAX LEVIES  
LAST TEN FISCAL YEARS**

TABLE 7

Fiscal Year	City of Carthage			Overlapping			Total All Entities
	General Fund	Debt Service Fund	Totals	Panola County	Carthage I.S.D.	Panola College	
<b>Tax Rates (Per \$100 of assessed value)</b>							
2010	0.16000	0.25000	0.41000	0.38870	1.14000	0.10579	2.04449
2011	0.22000	0.24000	0.46000	0.42740	1.14000	0.11813	2.14553
2012	0.21000	0.25000	0.46000	0.46110	1.14000	0.13407	2.19517
2013	0.24000	0.24000	0.48000	0.47255	1.14000	0.14519	2.23774
2014	0.24000	0.26000	0.50000	0.45580	1.14000	0.21483	2.31063
2015	0.30260	0.21740	0.52000	0.46940	1.14000	0.21483	2.34423
2016	0.30190	0.21810	0.52000	0.48370	1.14000	0.20787	2.35157
2017	0.35010	0.22430	0.57440	0.59830	1.14000	0.24334	2.55604
2018	0.35010	0.22430	0.57440	0.59830	1.28000	0.25700	2.70970
2019	0.34800	0.24140	0.58940	0.60800	1.28000	0.27039	2.74779
<b>Tax Levies</b>							
2010	790,244	1,234,757	2,025,001	18,747,491	41,093,538	5,343,192	67,209,222
2011	1,044,730	1,139,706	2,184,436	19,145,074	39,432,685	5,734,799	66,496,994
2012	973,165	1,158,530	2,131,695	18,757,346	35,773,674	5,864,000	62,526,715
2013	1,127,403	1,127,402	2,254,805	18,164,919	34,343,279	5,971,045	60,734,048
2014	1,073,691	1,163,166	2,236,857	20,220,025	38,760,413	9,618,399	70,835,694
2015	1,378,762	990,557	2,369,319	21,017,917	38,960,414	9,619,090	71,966,740
2016	1,477,127	1,067,113	2,544,240	21,460,930	38,668,580	9,229,375	71,903,125
2017	1,563,490	1,001,688	2,565,178	21,338,275	28,027,000	8,600,726	60,531,179
2018	1,411,989	904,625	2,316,614	21,149,892	31,695,983	8,686,796	63,849,285
2019	1,456,373	1,010,383	2,466,756	20,024,265	27,106,127	9,037,882	58,635,030

Tax rate limit, City: \$2.50  
 Is limitation by statute or constitution? Statute -- Article 1165  
 Do they include debt service? Yes  
 Levy date: October 1  
 Tax due date: January 31  
 Tax past due date: February 1  
 Tax delinquent date: July 1  
 Lien date: January 1  
 Discount allowed? Yes

Source: Tax departments of respective entities

**CITY OF CARTHAGE, TEXAS  
PROPERTY TAX LEVIES AND COLLECTIONS\*  
LAST TEN FISCAL YEARS**

TABLE 8

Fiscal Year	Taxes Levied	Collected Within the Fiscal Year of the Levy		Collections and Adjustments in Subsequent Years	Total Collections to Date		Delinquent Taxes Receivable
		Amount	Percentage of Levy		Amount	Percentage of Levy	
2010	2,025,001	1,965,560	97.06%	48,792	2,014,352	99.47%	10,649
2011	2,184,436	2,132,121	97.61%	43,479	2,175,600	99.60%	8,836
2012	2,131,695	2,085,913	97.85%	37,281	2,123,194	99.60%	8,501
2013	2,254,805	2,177,113	96.55%	66,525	2,243,638	99.50%	11,167
2014	2,236,857	2,187,424	97.79%	35,200	2,222,624	99.36%	14,233
2015	2,369,319	2,244,369	94.73%	104,364	2,348,733	99.13%	20,586
2016	2,544,240	2,486,781	97.74%	26,723	2,513,504	98.79%	30,736
2017	2,565,178	2,469,539	96.27%	38,963	2,508,502	97.79%	56,676
2018	2,453,873	2,377,510	96.89%	23,068	2,400,578	97.83%	53,295
2019	2,466,756	2,341,065	94.90%	-	2,341,065	94.90%	76,695

Source: Panola County Tax Assessor-Collector and City Manager, City of Carthage, Texas

\*Includes General Fund and Debt Service Fund tax revenues

**CITY OF CARTHAGE, TEXAS  
PRINCIPAL TAXPAYERS  
SEPTEMBER 30, 2019**

TABLE 9

Taxable Assessed Value by Tax Year

Taxpayer	Type of Business	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
CCI East Tx Upstream	Oil & Gas Interests	23,256,820	25,815,820	-	-	-	-	-	-	-	-
Genpack LLC	Manufacturing	12,881,830	11,862,180	12,320,010	14,216,380	12,919,840	11,971,910	14,666,380	10,594,050	9,675,670	12,432,510
Circle 8 Fluid Serv/Crane Div	Oil & Gas Service	6,357,770	7,542,540	4,757,060	-	-	-	-	-	-	-
Pinnergy Ltd	Oil & Gas Interests	5,532,430	4,941,080	4,307,240	5,724,810	6,245,540	4,880,670	14,180,730	12,816,270	8,929,270	11,524,780
XTO Energy Inc.	Oil & Gas Interests	5,572,710	4,685,840	6,755,890	14,506,760	15,402,650	17,244,220	20,626,550	25,788,580	34,620,530	34,767,100
AEP Southwestern Electric Power Co.	Electric Utility	5,044,200	4,630,470	4,819,140	-	4,672,070	-	-	-	-	3,926,860
DCP East TX Gathering LP	Oil & Gas Interests	3,877,780	4,250,120	4,682,880	6,084,480	6,431,530	5,799,270	5,878,290	4,402,470	-	-
XTO Energy Inc.	Oil & Gas Interests	4,351,890	4,205,230	-	-	-	-	-	-	-	-
BNSF Railway Co	Transportation	3,652,780	3,320,030	-	-	-	-	-	-	-	-
Key Energy Services	Oil & Gas Interests	2,449,220	-	-	-	-	-	-	-	-	5,430,130
J-W Power Company	Oil & Gas Service	-	2,893,240	-	-	-	-	-	-	-	-
Anadarko E&P Onshore LLC (Min)	Oil & Gas Interests	-	-	22,529,200	25,617,460	22,424,320	11,262,470	11,460,400	15,899,640	19,065,690	20,375,700
Anadarko E&P Onshore LLC (Mi)	Oil & Gas Interests	-	-	12,962,130	22,598,260	-	-	-	-	-	-
Wal-Mart Stores Texas LP	Department Store	-	-	6,112,800	6,350,340	6,815,490	6,815,490	-	-	-	-
XTO Energy Inc. Min	Oil & Gas Interests	-	-	4,445,350	10,747,280	14,153,330	-	-	-	-	-
Nuverra Environ Solutions	Oil & Gas Interests	-	-	-	6,171,830	6,036,960	-	-	-	-	-
Smith Gas Field Svc LLC	Oil & Gas Service	-	-	-	-	-	-	-	5,592,840	4,715,200	4,545,150
Nabors Drilling USA Co.	Oil & Gas Service	-	-	-	-	-	-	6,542,000	10,840,000	13,992,500	-
Wal-Mart /Sam's Club	Department Store	-	-	-	5,139,770	5,181,660	5,113,450	-	-	-	-
Exxon Mobil Corp.	Oil & Gas Interests	-	-	-	-	-	16,866,290	19,106,600	26,462,730	36,608,200	40,309,750
Heckmann Water Res (CVR) Inc	Oil & Gas Service	-	-	-	-	-	7,637,970	10,620,000	-	-	-
VFS Leasing Co.	Leasing	-	-	-	-	-	5,150,080	-	-	-	-
Hadco Rental Tools	Oil & Gas Service	-	-	-	-	-	-	5,751,560	-	-	-
O-Tex Pumping	Oil & Gas Interests	-	-	-	-	-	-	4,236,650	-	-	-
Complete Vacuum & Rental Service	Oil & Gas Service	-	-	-	-	-	-	-	10,605,000	9,255,000	9,500,000
Sand Hill Foundation LLC	Oil & Gas Interests	-	-	-	-	-	-	-	4,237,960	6,547,960	-
CC Forbes Company LP	Oil & Gas Interests	-	-	-	-	-	-	-	-	7,825,490	9,625,200
<b>Total</b>		<b>72,977,430</b>	<b>74,146,550</b>	<b>83,691,700</b>	<b>117,157,370</b>	<b>100,283,390</b>	<b>92,741,820</b>	<b>113,069,160</b>	<b>127,239,540</b>	<b>151,235,510</b>	<b>152,437,180</b>
<b>Total Taxable Assessed Valuation</b>		<b>\$ 429,255,790</b>	<b>\$ 440,600,870</b>	<b>\$ 446,583,914</b>	<b>\$ 455,638,269</b>	<b>\$ 447,371,364</b>	<b>\$ 469,751,042</b>	<b>\$ 463,411,956</b>	<b>\$ 474,877,391</b>	<b>\$ 493,902,844</b>	<b>\$ 508,728,002</b>

**CITY OF CARTHAGE, TEXAS  
PRINCIPAL TAXPAYERS  
SEPTEMBER 30, 2019**

TABLE 9

Percentage of Total Assessed Valuation by Tax Year

Taxpayer	Type of Business	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
CCI East Tx Upstream	Oil & Gas Interests	5.42%	5.86%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Genpack LLC	Manufacturing	3.00%	2.69%	2.76%	3.12%	2.89%	2.55%	3.16%	2.23%	1.96%	2.44%
Circle 8 Fluid Serv/Crane Div	Oil & Gas Service	1.48%	1.71%	1.07%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Pinnergy Ltd	Oil & Gas Interests	1.29%	1.12%	0.96%	1.26%	1.40%	1.04%	3.06%	2.70%	1.81%	2.27%
XTO Energy Inc.	Oil & Gas Interests	1.30%	1.06%	1.51%	3.18%	3.44%	3.67%	4.45%	5.43%	7.01%	6.83%
AEP Southwestern Electric Power Co.	Electric Utility	1.18%	1.05%	1.08%	0.00%	1.04%	0.00%	0.00%	0.00%	0.00%	0.77%
DCP East TX Gathering LP	Oil & Gas Interests	0.90%	0.96%	1.05%	1.34%	1.44%	1.23%	1.27%	0.93%	0.00%	0.00%
XTO Energy Inc.	Oil & Gas Interests	1.01%	0.95%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
BNSF Railway Co	Transportation	0.85%	0.75%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Key Energy Services	Oil & Gas Interests	0.57%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.07%
J-W Power Company	Oil & Gas Service	0.00%	0.66%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Anadarko E&P Onshore LLC (Min)	Oil & Gas Interests	0.00%	0.00%	5.04%	5.62%	5.01%	2.40%	2.47%	3.35%	3.86%	4.01%
Anadarko E&P Onshore LLC (Mi)	Oil & Gas Interests	0.00%	0.00%	2.90%	4.96%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Wal-Mart Stores Texas LP	Department Store	0.00%	0.00%	1.37%	1.39%	1.52%	1.45%	0.00%	0.00%	0.00%	0.00%
XTO Energy Inc. Min	Oil & Gas Interests	0.00%	0.00%	1.00%	2.36%	3.16%	0.00%	0.00%	0.00%	0.00%	0.00%
Nuverra Environ Solutions	Oil & Gas Interests	0.00%	0.00%	0.00%	1.35%	1.35%	0.00%	0.00%	0.00%	0.00%	0.00%
Smith Gas Field Svc LLC	Oil & Gas Service	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.18%	0.95%	0.89%
Nabors Drilling USA Co.	Oil & Gas Service	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.41%	2.28%	2.83%	0.00%
Wal-Mart /Sam's Club	Department Store	0.00%	0.00%	0.00%	1.13%	1.16%	1.09%	0.00%	0.00%	0.00%	0.00%
Exxon Mobil Corp.	Oil & Gas Interests	0.00%	0.00%	0.00%	0.00%	0.00%	3.59%	4.12%	5.57%	7.41%	7.92%
Heckmann Water Res (CVR) Inc	Oil & Gas Service	0.00%	0.00%	0.00%	0.00%	0.00%	1.63%	2.29%	0.00%	0.00%	0.00%
VFS Leasing Co.	Leasing	0.00%	0.00%	0.00%	0.00%	0.00%	1.10%	0.00%	0.00%	0.00%	0.00%
Hadco Rental Tools	Oil & Gas Service	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.24%	0.00%	0.00%	0.00%
O-Tex Pumping	Oil & Gas Interests	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.91%	0.00%	0.00%	0.00%
Complete Vacuum & Rental Service	Oil & Gas Service	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.23%	1.87%	1.87%
Sand Hill Foundation LLC	Oil & Gas Interests	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.89%	1.33%	0.00%
CC Forbes Company LP	Oil & Gas Interests	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.58%	1.89%
		<u>17.00%</u>	<u>16.83%</u>	<u>18.74%</u>	<u>25.71%</u>	<u>22.42%</u>	<u>19.74%</u>	<u>24.40%</u>	<u>26.79%</u>	<u>30.62%</u>	<u>29.96%</u>

**CITY OF CARTHAGE, TEXAS  
 TAX REVENUES BY SOURCE  
 GENERAL FUND ONLY  
 LAST TEN FISCAL YEARS**

TABLE 10

Fiscal Year	General Property Taxes	Sales Tax	Beverage Taxes	Business Gross Receipts Taxes	Totals
2010	859,643	2,500,701	3,874	451,691	3,815,909
2011	1,173,652	3,325,698	5,384	454,245	4,958,979
2012	1,022,664	3,153,689	4,353	449,930	4,630,636
2013	1,154,006	2,978,179	6,656	423,298	4,562,139
2014	1,102,174	3,119,412	7,494	449,145	4,678,225
2015	1,371,150	3,096,921	7,984	429,160	4,905,215
2016	1,464,489	2,697,688	8,183	503,610	4,673,970
2017	1,536,181	2,655,801	8,923	404,610	4,605,515
2018	1,297,374	3,120,632	10,858	414,093	4,842,957
2019	1,489,421	3,891,120	12,071	402,112	5,794,724

Source: City Manager, City of Carthage, Texas

**CITY OF CARTHAGE, TEXAS  
MUNICIPAL SALES TAX  
LAST TEN FISCAL YEARS**

TABLE 11

Fiscal Year Ended 9/30	General Fund	Economic Development	Total	Percentage of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
2010	2,500,701	833,567	3,334,268	123.49%	0.1976	375.03
2011	3,325,698	1,108,566	4,434,264	152.26%	0.3350	490.59
2012	3,153,689	1,051,230	4,204,919	147.94%	0.3107	465.21
2013	2,978,179	992,726	3,970,905	132.08%	0.3170	432.69
2014	3,119,412	1,039,804	4,159,216	139.45%	0.3347	453.21
2015	3,096,921	1,032,308	4,129,229	130.71%	0.3955	449.94
2016	2,689,505	896,502	3,586,007	105.71%	0.3191	390.75
2017	2,655,801	885,267	3,541,068	103.53%	0.3625	390.62
2018	3,120,632	1,040,210	4,160,842	127.17%	0.4452	458.98
2019	3,891,120	1,297,040	5,188,160	157.74%	0.5489	596.71

The City has adopted the provision of V.T.C.A., Tax Code, Chapter 321, as amended, which grants the City the power to impose and levy a 1.5 % Local Sales and Use Tax within the City. The proceeds are credited to the General Fund and may not be pledged to debt service and are not pledged to the payment of debt. Collections and enforcement are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly.

**CITY OF CARTHAGE, TEXAS  
DIRECT AND OVERLAPPING SALES TAX REVENUE  
CURRENT AND PRIOR YEARS**

TABLE 12

<u>Fiscal Year</u>	<u>City Direct Rate</u>	<u>Carthage Economic Development Corporation</u>	<u>Carthage Improvement Corporation</u>	<u>Panola County</u>
2010	1.50%	0.25%	0.25%	0.00%
2011	1.50%	0.25%	0.25%	0.00%
2012	1.50%	0.25%	0.25%	0.00%
2013	1.50%	0.25%	0.25%	0.00%
2014	1.50%	0.25%	0.25%	0.00%
2015	1.50%	0.25%	0.25%	0.00%
2016	1.50%	0.25%	0.25%	0.00%
2017	1.50%	0.25%	0.25%	0.00%
2018	1.50%	0.25%	0.25%	0.00%
2019	1.50%	0.25%	0.25%	0.00%

**CITY OF CARTHAGE, TEXAS  
SALES TAX REVENUE BY CATEGORY  
CURRENT AND PRIOR FISCAL YEAR**

TABLE 13

	<u>2019</u>	<u>2018</u>
Agricultural	\$ 593,440	\$ 216,152
Manufacturing	449,545	322,680
General Services	788,775	741,063
Professional Services	497,534	370,985
Retail	1,699,891	1,588,975
Wholesale	707,476	474,048
Food	388,245	378,403
Accommodations	23	42
Miscellaneous	37,004	30,013
	<u>\$ 5,161,933</u>	<u>\$ 4,122,361</u>

Note: Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of income. The tax revenue includes the City sales tax rate of 1.50% and the two blended component unit rates of .25% each.

**CITY OF CARTHAGE  
LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS**

TABLE 14

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Debt limit	\$ 617,378,555	\$ 593,596,739	\$ 579,264,945	\$ 587,188,803	\$ 559,214,205	\$ 569,547,836	\$ 557,835,236	\$ 509,365,076	\$ 550,751,088	\$ 469,077,900
Total net debt applicable to limit	<u>4,970,335</u>	<u>4,236,060</u>	<u>3,757,065</u>	<u>6,989,059</u>	<u>7,979,790</u>	<u>7,022,347</u>	<u>7,445,547</u>	<u>6,248,782</u>	<u>5,062,212</u>	<u>4,619,553</u>
Legal debt margin	<u>\$ 612,408,220</u>	<u>\$ 589,360,679</u>	<u>\$ 575,507,880</u>	<u>\$ 580,199,744</u>	<u>\$ 551,234,415</u>	<u>\$ 562,525,489</u>	<u>\$ 550,389,689</u>	<u>\$ 503,116,294</u>	<u>\$ 545,688,876</u>	<u>\$ 464,458,347</u>
Total net debt applicable to limit as a percentage of debt limit	0.8%	0.7%	0.6%	1.2%	1.4%	1.2%	1.3%	1.2%	0.9%	1.0%

**Legal Debt Margin Calculation for Fiscal Year 2019**

Taxable assessed value, 2018 tax roll	\$ 375,262,320
Annual limit on amount designated for debt service as restricted by maximum tax rate	<u>2.5%</u>
Annual amount available to retire 2% of debt to include interest	9,381,558
Debt factor	<u>2.0%</u>
Debt limit	469,077,900
General obligation bonds	4,765,000
Less debt service reserves	<u>145,447</u>
Net applicable debt	4,619,553
Legal debt margin	<u>\$ 464,458,347</u>

The City of Carthage's legal debt limit is established by statute of the State of Texas (Article 1165). The statute states that no debt shall ever be created by any city unless at the same time provision be made to assess and collect annually a sufficient sum to pay the interest thereon and create a sinking fund of at least two percent thereon. Such debt retirement is limited to the maximum tax of two and one-half percent of the taxable property of the City of Carthage.

**CITY OF CARTHAGE, TEXAS  
TOTAL CITY DEBT BY TYPE  
LAST TEN FISCAL YEARS**

TABLE 15

Fiscal Year	Governmental Activities					Business-Type Activities				Total City Debt	Percentage of Personal Income
	General Obligation Bonds	Tax Notes	Certificates of Obligation	Capital Leases	Unamortized Bond Premium	General Obligation Bonds	Certificates of Obligation	Capital Leases	Unamortized Bond Premium		
2010	5,344,000	-	-	186,212	-	8,896,000	3,000,000	-	-	17,426,212	2.08%
2011	4,712,000	-	-	370,434	-	7,968,000	3,000,000	172,424	-	16,222,858	1.70%
2012	4,057,000	-	-	319,801	-	7,008,000	3,000,000	117,612	-	14,502,413	1.50%
2013	3,429,000	-	3,985,000	267,695	124,928	6,096,000	2,920,000	60,179	-	16,882,802	1.76%
2014	2,970,000	1,330,000	3,985,000	340,656	118,236	5,280,000	2,755,000	-	-	16,778,892	1.56%
2015	2,556,000	1,120,000	3,935,000	263,593	111,543	4,544,000	2,580,000	-	-	15,110,136	1.44%
2016	3,851,100	900,000	5,330,000	185,517	482,836	3,758,900	600,000	-	154,806	15,263,159	1.58%
2017	3,400,800	680,000	5,280,000	104,830	441,497	2,969,200	400,000	-	139,195	13,415,522	1.58%
2018	2,992,400	460,000	5,060,000	21,445	400,158	2,257,600	200,000	-	123,584	11,515,187	1.58%
2019	2,726,800	230,000	4,735,000	-	358,819	2,038,200	-	-	107,974	10,196,793	1.09%

(1) Details regarding the City's outstanding debt can be found in the notes to the financial statements.

**CITY OF CARTHAGE, TEXAS  
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE  
AND NET BONDED DEBT PER CAPITA  
LAST TEN FISCAL YEARS**

TABLE 16

<u>Fiscal Year</u>	<u>Estimated Population</u>	<u>Taxable Assessed Value</u>	<u>Gross General Bonded Debt</u>	<u>Debt Service Monies Available</u>	<u>Net General Bonded Debt</u>	<u>Ratio of Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
2011	6,779	474,887,391	15,680,000	475,940	15,204,060	3.2016%	2,243
2012	6,779	463,441,956	11,065,000	299,935	10,765,065	2.3229%	1,588
2013	6,883	469,751,042	9,525,000	424,941	9,100,059	1.9372%	1,322
2014	6,883	447,371,364	8,250,000	270,210	7,979,790	1.7837%	1,159
2015	6,883	455,638,269	7,211,543	77,653	7,133,890	1.5657%	1,036
2016	6,844	452,224,626	8,247,642	164,453	8,083,189	1.7874%	1,181
2017	6,799	412,491,086	6,950,692	121,218	6,829,474	1.6557%	1,004
2018	6,702	440,600,870	5,773,742	127,128	5,646,614	1.2816%	843
2019	6,521	375,262,320	5,231,793	145,447	5,086,346	1.3554%	780

Source: US Census data

**CITY OF CARTHAGE, TEXAS**  
**COMPUTATION OF DIRECT AND OVERLAPPING GOVERNMENT DEBTS**  
**SEPTEMBER 30, 2019**

TABLE 17

Taxing Authority	**Net Debt Outstanding	***Percentage Applicable to City of Carthage	Amount Applicable to City of Carthage
Panola County	\$ -	0.00%	\$ -
Carthage I.S.D.	24,827,004	16.59%	4,118,800
Panola College District	27,470,000	12.51%	<u>3,436,497</u>
Subtotal, overlapping debt			7,555,297
City of Carthage direct debt*	\$ 7,691,800	100.00%	<u>7,691,800</u>
Total direct and overlapping debt			<u><u>\$ 15,247,097</u></u>

\*Excludes business-type activities debt

\*\*Source: Auditors of respective entities

\*\*\*The percentage of overlapping debt is estimated using taxable assessed property values. The City of Carthage is within the boundaries of the other entities. The overlapping percentage is the City's taxable assessed value divided by the other entities' taxable assessed value.

**CITY OF CARTHAGE, TEXAS  
REVENUE BOND COVERAGE  
LAST TEN FISCAL YEARS**

TABLE 18

Fiscal Year	Water & Sewer				Annual Requirements			
	Operating Revenue	Non-Operating Revenue	*Direct Operating Expenses	Net Revenue Available For Debt Service	Principal	Interest	Total	Coverage
2010	4,391,013	1,961,663	3,374,244	2,978,432	1,804,000	321,722	2,125,722	1.40
2011	5,233,547	42,243	3,572,505	1,703,285	928,000	441,973	1,369,973	1.24
2012	4,794,703	22,381	3,681,593	1,135,491	960,000	423,412	1,383,412	0.82
2013	5,016,142	13,197	3,862,480	1,166,859	992,000	402,312	1,394,312	0.84
2014	5,138,431	24,605	3,705,581	1,457,455	981,000	380,807	1,361,807	1.07
2015	5,129,792	10,695	4,168,377	972,110	911,000	263,033	1,174,033	0.83
2016	5,118,907	12,511	4,163,825	967,593	777,500	167,360	944,860	1.02
2017	5,028,541	14,968	3,861,367	1,182,142	989,700	154,530	1,144,230	1.03
2018	5,090,463	25,764	4,093,158	1,023,069	911,600	113,951	1,025,551	1.00
2019	5,121,188	(3,826)	4,307,895	809,467	419,400	78,747	498,147	1.62

Source: City Manager, City of Carthage, Texas

\*Excludes depreciation in direct operating expenses

**CITY OF CARTHAGE, TEXAS  
DEMOGRAPHIC STATISTICS  
LAST TEN FISCAL YEARS**

TABLE 19

<u>Fiscal Year</u>	<u>*Estimated Population</u>	<u>**Estimated Income Per Family</u>
2010	6,668	41,198
2011	6,779	42,931
2012	6,779	42,931
2013	6,883	50,865
2014	6,883	50,053
2015	6,883	48,822
2016	6,844	47,163
2017	6,799	50,518
2018	6,702	48,191
2019	6,521	50,670

Source: United States Census information

**PANOLA COUNTY, TEXAS  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS**

TABLE 20

<u>Calendar Year</u>	<u>Population</u>	<u>Personal Income (in Thousands)</u>	<u>Per Capita Personal Income</u>	<u>Unemployment Rate</u>	<u>College / School Enrollment</u>
2009	23,678	799,987	33,786	7.30%	5,806
2010	23,826	883,688	37,089	7.30%	6,181
2011	24,058	953,996	39,654	6.70%	6,265
2012	24,020	1,000,264	40,962	5.60%	6,502
2013	23,870	1,070,065	44,549	5.10%	6,932
2014	23,769	1,091,774	45,738	4.90%	6,574
2015	23,766	1,049,942	44,173	5.20%	6,516
2016	23,492	952,436	40,543	7.10%	6,533
2017	23,243	891,054	37,930	4.40%	6,805
2018	23,796	939,265	40,411	3.60%	6,918

Demographic and economic statistics are presented for Panola County, Texas. The City of Carthage is the county seat and largest city in Panola County. Due to the City's size, data is only available for the county.

Sources: Panola County Comprehensive Annual Financial Report

**PANOLA COUNTY, TEXAS  
PRINCIPAL EMPLOYERS BY INDUSTRY  
CURRENT AND PRIOR FISCAL YEARS**

TABLE 21

Employer	Fiscal Year 2019		Fiscal Year 2018	
	Number of Employees	Percentage of Total Employment	Number of Employees	Percentage of Total Employment
Natural Resource and Mining	920	10.09%	875	10.42%
Construction	2,262	24.82%	1,652	19.68%
Manufacturing	1,001	10.98%	896	10.67%
Trade, Transportation, Utilities	1,462	16.04%	1,365	16.26%
Information	48	0.53%	43	0.51%
Financial Activities	286	3.14%	238	2.84%
Professional Business Services	633	6.94%	534	6.36%
Education Health Services	691	7.58%	855	10.18%
Leisure Hospitality	483	5.30%	404	4.81%
Other Services	115	1.26%	122	1.45%
Federal	63	0.69%	72	0.86%
State	29	0.32%	56	0.67%
Local	1,122	12.31%	1,283	15.28%
<b>Total</b>	<b>9,115</b>	<b>100.00%</b>	<b>8,395</b>	<b>100.00%</b>

Demographic and economic statistics are presented for Panola County, Texas. The City of Carthage is the county seat and largest city in Panola County. Due to the City's size, data is only available for the county.

Source: Texas Workforce Commission

Note: Percentages are calculated using the midpoints of the ranges.

**CITY OF CARTHAGE, TEXAS  
CITY EMPLOYEES BY FUNCTION  
LAST TEN FISCAL YEARS**

TABLE 22

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<u>Governmental Activities</u>										
Administrative	4	5	5	5	5	5	10	10	10	10
Public safety:										
Police	16	17	17	17	17	17	23	23	21	22
Fire	6	6	6	7	7	7	7	7	7	7
Streets	8	9	11	9	12	12	10	12	13	11
Solid waste management	-	-	-	-	-	-	-	-	-	9
Inspection	2	2	2	2	2	2	3	3	3	3
Cultural and recreation	3	3	3	3	3	7	3	3	3	2
Clerical	<u>11</u>	<u>12</u>	<u>12</u>	<u>12</u>	<u>12</u>	<u>13</u>	-	-	-	-
Total governmental activities	50	54	56	55	58	63	56	58	57	66
<u>Business-Type Activities</u>										
Water and sewer utilities	<u>20</u>	<u>21</u>	<u>20</u>	<u>23</u>	<u>27</u>	<u>23</u>	<u>24</u>	<u>28</u>	<u>25</u>	<u>24</u>
Total primary government	<u><u>70</u></u>	<u><u>75</u></u>	<u><u>76</u></u>	<u><u>78</u></u>	<u><u>85</u></u>	<u><u>86</u></u>	<u><u>80</u></u>	<u><u>86</u></u>	<u><u>82</u></u>	<u><u>89</u></u>

**CITY OF CARTHAGE, TEXAS  
OPERATING INDICATORS BY FUNCTION  
LAST TEN FISCAL YEARS**

TABLE 23

Function	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General Government:										
Certificate of deposit interest rates	1.195 to 2.268%	1.503 to 2.268%	N/A	N/A	N/A	N/A	N/A	1.10%	1.50%	2.25%
Houses removed or secured	-	2	2	15	9	13	4	-	5	8
Public Safety - Police:										
Physical arrests	357	561	645	553	596	733	500	439	500	678
Parking violations	26	64	36	67	95	11	32	31	32	28
Traffic violations	2,785	1,777	2,605	2,013	2,695	2,682	2,680	3,064	2,680	2,649
Fire:										
Fire department responses inside city limits	136	155	140	123	130	115	95	126	98	64
Number of fire responses within 5 minutes or less	136	155	140	123	129	108	85	125	98	63
Fire inspections	90	95	93	95	93	82	61	78	71	62
Streets:										
Tons of asphalt laid for repairs	676	511	376	391	731	1,854	1,543	684	1,692	1,076
Street sweeping in lane miles	1,263	1,265	1,265	1,265	1,265	1,265	1,265	1,263	1,263	1,263
Solid Waste Management:										
Refuse collected in tons per day	22	46	45	89	85	88	93	48	93	87
Inspection:										
Building permits issued	35	46	41	45	48	68	76	76	71	89
Vital Statistics:										
Birth certificates filed	-	1	1	1	-	3	4	6	138	177
Death certificates filed	102	115	117	122	110	113	130	91	135	132
Birth certificates issued	186	549	663	546	539	524	704	571	704	751
Death certificates issued	414	226	153	63	69	74	317	161	317	782
Cultural and Recreation:										
Youth enrolled in athletic leagues	1,173	1,214	1,145	1,245	984	1,162	1,045	1,196	1,055	1,059
Water and Sewer Utilities:										
Linear feet sewer lines repaired/constructed	200	1,980	1,820	1,425	500	2,525	875	851	973	2,080
Linear feet water lines repaired/constructed	2,176	2,520	2,375	1,895	2,875	3,690	3,152	1,368	13,246	2,500
Water consumption in thousands of gallons	711	679	657	715	925	856	938	890	876	828
Wastewater treated in thousands of gallons	885	827	700	763	730	623	671	624	572	621

**CITY OF CARTHAGE  
CAPITAL ASSET STATISTICS BY FUNCTION  
LAST TEN FISCAL YEARS**

TABLE 24

Function	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Public Safety:</b>										
Police stations	1	1	1	1	1	1	1	1	1	1
Patrol units	7	7	7	7	7	7	7	7	7	7
Fire stations	1	1	1	1	1	1	1	1	1	1
Fire trucks	6	7	7	7	7	7	7	7	7	7
<b>Sanitation:</b>										
Collection trucks	2	-	-	-	-	-	-	-	-	-
<b>Highways and Streets:</b>										
Streets (miles)	53	63	63	63	64	64	64	50	50	53
Street lights	132	132	132	132	141	141	143	143	143	132
Traffic signals	9	9	9	9	9	9	9	9	9	9
<b>Cultural and Recreation:</b>										
Parks acreage	50	50	50	50	50	50	50	50	50	51
Parks	4	4	4	4	4	4	4	4	4	5
Splash pad	-	-	-	-	-	-	-	-	-	1
Community centers	1	1	1	1	2	2	2	2	2	2
<b>Water:</b>										
Water mains (miles)	330	338	339	338	339	339	340	340	341	341
Fire hydrants	461	499	500	499	499	524	527	533	536	537
Maximum daily capacity (thousands of gallons)	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800	4,800
<b>Sewer:</b>										
Sanitary sewers (miles)	317	318	319	320	321	321	322	322	323	323
Storm sewers (miles)	115	115	115	115	116	116	116	116	116	116
Maximum daily treatment capacity (thousands of gallons)	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200

Sources: Various city departments

Note: No capital asset indicators are available for the general government function

**CITY OF CARTHAGE, TEXAS  
MISCELLANEOUS STATISTICAL DATA  
SEPTEMBER 30, 2019**

TABLE 25

**GOVERNMENT**

Form of government	Commission-Manager
	November 30, 1948
Area in square miles	10.4 square miles
Original charter, home-rule city	November 30, 1948
Amendment to charter	April 6, 1971/April 6, 1986

**GOVERNMENTAL FACILITIES\***

Fire Protection

Number of stations	1
Number of hydrants	537
Number of fighters	6 full-time, 37 volunteer
Employees per 1,000 population	1.0

Police

Number of stations	1
Number of sworn officers	16 full-time, 4 reserve
Employees per 1,000 population	2.48

Libraries

Number of libraries (public)	1
Number of volumes	72,942
Circulation of volumes	87,217
Circulation per capita	3.66
Library cards in force	13,163
Service population	23,243

Parks and Recreation

Park acreage developed	50
Park acreage undeveloped	1
Playgrounds	3

Streets (all figures approximate)

Paved streets	53 miles
Unpaved streets	0 miles
Paved alleys	1 mile

Utilities

<u>Water system</u>	
Miles of water mains	341
Daily average consumption	1,900,000 gallons
Plant capacity	4.8 million gallons daily
Number of active connections	3,651
Source of water	Surface water - Lake Murvaul 2 deep water wells

<u>Sewer system</u>	
Miles of sanitary sewers	323
Number of lift stations	15
Daily average treatment	2.4 million gallons daily
Number of disposal plants	1
Number of active connections	3,285

**PANOLA COLLEGE\*\***

Number of classrooms	90
Number of administrative personnel	80
Number of full-time instructors	74
Number of for-credit students	2,613
Counties served	Panola, Harrison, Marion, Shelby
Annual budget	\$21,464,551

**CITY OF CARTHAGE, TEXAS  
MISCELLANEOUS STATISTICAL DATA  
SEPTEMBER 30, 2019  
(Continued)**

TABLE 25

**CARTHAGE INDEPENDENT SCHOOL DISTRICT\*\*\***

District administrators	19
<u>High Schools</u>	
Senior high schools	1
Number of classrooms	65
Number of administrative personnel	3
Number of teachers	60
Number of students	883
<u>Middle Schools</u>	
Middle schools	1
Number of classrooms	38
Number of administrative personnel	2
Number of teachers	30
Number of students	386
<u>Elementary Schools</u>	
Elementary schools	3
Number of classrooms	108
Number of administrative personnel	6
Number of teachers	107
Number of students	1,502
Annual budget	\$21,399,641

**PRIVATE SCHOOLS**

Northside Christian Academy, Kindergarten through 12th grade

**HIGHER EDUCATIONAL INSTITUTIONS (within 80 miles of Carthage)**

Angelina College  
 Baptist M.A. Theological Seminary  
 Centenary College of Louisiana  
 East Texas Baptist University  
 Jacksonville College  
 Kilgore College  
 LeTourneau University  
 Louisiana State University at Shreveport  
 Northeast Texas Community College  
 Panola College  
 Stephen F. Austin State University  
 Texas College  
 Texas State Technical College  
 Tyler Junior College  
 University of Texas at Tyler  
 University of Texas Health Center  
 Wiley College

\* Source: City of Carthage  
 \*\* Source: Panola College  
 \*\*\* Source: Carthage I.S.D.

## COMPLIANCE SECTION

# KAREN A. JACKS & ASSOCIATES, P.C.

Certified Public Accountants

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Longview, Texas 75604

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Karen A. Jacks, CPA, CGMA  
Peggy J. Lantz, CPA

Chanie A. Johnson, CPA

Independent Auditors' Report on Internal Control over Financial Reporting and  
On Compliance and Other Matters Based on an Audit of Financial Statements  
Performed In Accordance With Government Auditing Standards

Mayor and City Commission  
City of Carthage, Texas  
812 West Panola  
Carthage, Texas 75633

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Carthage, Texas, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise City of Carthage, Texas' basic financial statements and have issued our report thereon dated February 20, 2020.

## Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Carthage, Texas' 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 City of Carthage, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Carthage, Texas' 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item(s) 2019-01, that we consider to be significant deficiencies.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Carthage, Texas' 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.

*Karen A. Jacks & Associates, P.C.*

Karen A. Jacks & Associates, P.C.  
Longview, Texas  
February 20, 2020

**CITY OF CARTHAGE, TEXAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

A. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified?	<u>    </u> Yes	<u>  X  </u> No
One or more significant deficiencies identified that are not considered to be material weaknesses?	<u>  X  </u> Yes	<u>    </u> None Reported
Noncompliance material to financial statements noted?	<u>    </u> Yes	<u>  X  </u> No

B. Financial Statement Findings

Finding 2019-01

Criteria:

The Carthage Improvement Corporation is a Texas Type B economic development corporation governed by Local Government Code 505.

Condition:

The Carthage Improvement Corporation funded \$92,627 in projects for the City of Carthage that are described in invoices from the City as "reimbursable expenses due to the City". There was no documentation available to support the nature or cost of these projects.

Cause:

After having billed for specific approved reimbursable items during fiscal year 2019, City staff also billed the Carthage Improvement Corporation for the remaining balance of the CIC budget for City Projects within Scope, but did not specifically identify eligible projects and the cost of the same in support of the final claim for reimbursement.

Effect:

\$92,627 has been reported in the City's general fund as restricted fund balance at September 30, 2019, and is restricted for spending on future approved economic development projects.

Recommendation:

We recommend that all claims for reimbursement submitted by the City to the Carthage Improvement Corporation (CIC) be submitted on the basis of actual eligible project costs, that they be submitted at the conclusion of each project, and that the request for reimbursement submitted to the CIC be accompanied by documentation of the actual cost of the project. If the subject project has not been preapproved by the CIC Board of Directors, the request for reimbursement should be presented to the CIC Board of Directors for approval at a regularly scheduled Board meeting.

Views of Responsible Officials:

City management concurs with this finding and will implement improved processes and procedures as stated in the City Manager's corrective action plan presented on page 111.

**CITY OF CARTHAGE, TEXAS**  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<p><u>Finding 2018-01</u></p> <p>City staff billed the Carthage Economic Development Corporation for the entire balance of the CEDC budget for Capital Costs and Maintenance, but did not specifically identify eligible projects and the cost of the same in support of the final claim for reimbursement in the amount of \$56,986.</p> <p><u>Recommendation</u>  We recommended that all claims for reimbursement be submitted on the basis of actual project costs. If the subject project was not preapproved by the Board of Directors, we recommended that the request for reimbursement be presented to the CEDC Board of Directors for approval.</p>	<p>During FY19, the City did not document any eligible projects for spending the restricted funds, nor were any projects submitted to the CEDC Board of Directors for approval in relation to these restricted funds. The \$56,986 is reported as restricted fund balance in the City's General Fund at September 30, 2019.</p>	<p>City management did not identify any projects in FY19 that were eligible for use of the restricted funds held by the City from prior year CEDC advances. The City remains committed to the corrective action plan that was established in response to Finding 2018-01 and will continue to account for this restricted fund balance of \$56,986 until an appropriate use of the funding is identified.</p>

**CITY OF CARTHAGE, TEXAS**  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED SEPTEMBER 30, 2019

The corrective action plan is the responsibility of the City Manager, Stephen K. Williams.

Finding 2019-01

During FY2020, City staff will identify eligible projects in the amount of \$56,986 or more that can be funded by the restricted fund balance amount resulting from Finding 2018-01 that remains open and will submit such project(s) to the CEDC Board for approval.

Also, during FY2020, City staff will identify eligible projects in the amount of \$92,627 or more that can be funded by the restricted fund balance amount resulting from Finding 2019-01 and will submit such project(s) to the CIC Board for approval.

Future claims for eligible project funding will be submitted to the CEDC and/or the CIC at the conclusion of each project, and the actual cost of each project will be documented in the City's requests for reimbursement. In an event that advance funding has been received from the CEDC and/or the CIC, the City will prepare and submit a project accounting to the funding agency at the conclusion of each project. Further, each project will be presented to the CEDC and/or CIC Board of Directors for approval, and the Board action taken on each project will be documented appropriately.