

City of Carthage, Missouri

BASIC FINANCIAL STATEMENTS Year Ended June 30, 2019

KPM
CPAS & ADVISORS

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Independent Auditors' Report

Honorable Mayor and City Council
City of Carthage
Carthage, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information as of and for the year ended June 30, 2019, and the discretely presented component unit as of and for the year ended April 30, 2019, of the City of Carthage, Missouri, 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 auditors' 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 discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Carthage, Missouri, as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Further, in our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the discretely presented component unit of the City of Carthage, Missouri, as of April 30, 2019, and the respective changes in financial position 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, budgetary comparison information and pension information 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, Missouri's basic financial statements. The Combining Non-Major Fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining Non-Major Fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 Non-Major Fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2019, on our consideration of the City of Carthage, Missouri's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Carthage, Missouri's internal control over financial reporting and compliance.

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
December 9, 2019

Management's Discussion and Analysis

City of Carthage

Management's Discussion and Analysis

June 30, 2019

The Management's Discussion and Analysis of the City of Carthage, Missouri's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the City's financial statements, which begin on page 16.

Financial Highlights

The net position of the City's governmental activities increased by \$2,191,740 as a result of current year activities.

The assets and deferred outflows of the City exceeded its liabilities and deferred inflows as of June 30, 2019, by \$38 million (net position). Of this amount \$10,751,183 was unrestricted and may be used to meet future obligations of the City.

Total long-term liabilities of the City decreased by \$190,260.

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the governmental activities of the City and present a longer-term view of the City's finances. Fund financial statements show 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.

Government-Wide Financial Statements

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 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, deferred outflows of resources, liabilities and deferred inflows of resources 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. The City's net position – the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds and not the City as a whole. However, City Council establishes many other funds to help it control and manage money for a particular purpose or to show that it is meeting legal responsibilities for using certain taxes and grants.

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.

City of Carthage

Management's Discussion and Analysis

June 30, 2019

Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and the governmental funds are shown in a reconciliation following the fund financial statements.

Notes to the Basic Financial Statements

The Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-Wide Financial Analysis

Net Position

The following table presents the condensed Statement of Net Position for the City as of June 30, 2019 and 2018:

	Total June 30, 2019	Total June 30, 2018
Assets		
Current and other assets	\$ 19,012,451	\$ 19,498,869
Net pension asset	305,468	94,529
Capital assets	24,056,439	22,599,764
Total Assets	43,374,358	42,193,162
Deferred Outflow of Resources		
Deferred pension outflows	257,204	274,037
Liabilities		
Other liabilities	986,996	1,827,320
Long-term liabilities	3,281,656	3,471,916
Total Liabilities	4,268,652	5,299,236
Deferred Inflow of Resources		
Deferred pension inflows	1,320,569	1,317,362
Net Position		
Net investment in capital assets	23,173,765	21,442,471
Restricted	4,117,393	3,974,105
Unrestricted	10,751,183	10,434,025
Total Net Position	\$ 38,042,341	\$ 35,850,601

Total net position of the City increased by \$2,191,740 for the year due to current year activity. Total liabilities for the City have decreased by \$1,030,584. Restricted net position of the City totaled \$4,117,393 as of June 30, 2019. This amount represents monies that are restricted for various projects within the City.

City of Carthage

Management's Discussion and Analysis

June 30, 2019

Changes In Net Position

	Total Year Ended June 30, 2019	Total Year Ended June 30, 2018
Revenues		
Program Revenues		
Charges for services	\$ 1,297,564	\$ 1,371,941
Operating grants and contributions	841,571	806,325
Capital grants and contributions	369,670	135,014
General Revenues		
Sales taxes	6,359,774	6,262,138
Ad valorem taxes	976,393	958,472
Motor vehicle and gas taxes	575,947	580,289
Payment in lieu of tax	559,547	534,978
Other taxes	162,881	195,411
Franchise taxes	459,945	478,815
Utility franchise fees and other charges	1,148,218	1,134,410
Interest	200,651	34,284
Other revenue	52,155	73,711
Total Revenues	13,004,316	12,565,788
Expenses		
Administrative	352,538	574,254
Public works	485,511	551,543
Street	1,876,175	1,557,528
Police	2,755,295	2,822,762
Municipal court	114,804	117,338
City attorney	87,754	60,204
Taxi	71,778	38,115
Fire	1,818,962	1,636,422
Emergency management	4,214	31,755
Parks and recreation	547,572	494,636
Memorial hall	432,708	233,931
Civil war museum	61,731	37,634
Central municipal	459,978	416,747
Public health	168,025	166,063
Golf course	558,853	647,658
Library	542,206	538,009
Tourism	102,801	108,885
Economic development	169,364	215,814
Information technology	174,130	-
Debt service	28,177	31,118
Total Expenses	10,812,576	10,280,416
Special Items		
Gain on sale of capital asset	-	231,024
Insurance proceeds	-	242,225
Total Special Items	-	473,249
Increase in Net Position	\$ 2,191,740	\$ 2,758,621

City of Carthage

Management's Discussion and Analysis

June 30, 2019

Governmental Activities

Governmental activities increased the net position of the City by \$2,191,740. Tax and franchise fee revenues for the City were \$10,242,705, which represents 79% of the funding of these activities. Program revenues for the functions totaled just \$2,508,805 or 19% of the funding. The following table shows the cost of the City's eleven largest programs as well as each programs' net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the taxpayers by each of these functions.

Net Cost Of The City Of Carthage, Missouri's Eleven Largest Governmental Activities

	Total Cost of Services	Net Cost of Services
Administrative	\$ 352,538	\$ 228,358
Public works	485,511	434,087
Street	1,876,175	1,590,716
Police	2,755,295	2,133,996
Fire	1,818,962	1,365,006
Parks and recreation	547,572	539,409
Memorial hall	432,708	378,145
Central municipal	459,978	459,978
Golf course	558,853	(50,576)
Library	542,206	542,206
Other governmental activities	982,778	682,446
	<u>\$ 10,812,576</u>	<u>\$ 8,303,771</u>

Financial Analysis of the City's Funds

The combined fund balances of the City's governmental funds as of June 30, 2019, was \$17,713,087. The General Fund increased by \$462,967. The Public Health Fund increased \$82,595. The Golf Course Fund decreased \$89,616. The Park/Stormwater Fund decreased by \$121,818. The Capital Improvement Sales Tax Fund decreased by \$230,051. The Fire Sales Tax Fund increased by \$225,561.

General Fund Budgetary Highlights

Differences between the original and the final amended budget can be summarized as follows:

- The original revenue budget of \$8,109,593 remained unchanged. Budgeted revenues were \$536,033 below actual.
- The original expenditures budget of \$9,787,843 was increased to \$10,047,572. Budgeted expenditures were \$1,399,207 above actual.
- The General Fund maintains a minimum fund balance equal to or greater than 33% excluding capital improvements. The General Fund Budget provides service levels at approximately the same level as the previous year with operating expenses not to exceed anticipated revenues. Capital improvements are generally funded through the accumulated and unallocated fund balance. There was some growth, but a conservative approach was taken since there were no major revenue increases anticipated.

City of Carthage

Management's Discussion and Analysis

June 30, 2019

Capital Asset and Debt Administration

Capital Assets

Capital assets of the governmental activities were \$24.1 million (net of accumulated depreciation) as of June 30, 2019. This represents a \$1,456,675 increase from the prior year.

Debt

Total debt of the governmental activities as of June 30, 2019, was \$882,674, which is down \$274,619 from the prior year. The City made principal payments of \$274,619 on debt.

Economic Factors and Next Year's Budget

The adopted City Goals and Priorities for the fiscal year state the City is "to provide and maintain essential, quality public services that meet the collective basic needs of our residents in a cost effective, responsive, and professional manner given the changing needs and resources available and to identify and seize opportunities for a higher quality of life, while protecting our legacy and maintaining our historical sense of community values".

As part of the planning process for the fiscal 2020 budget, the Budget Committee discussed the goals and priorities for the fiscal Year beginning July 1, 2019 and ending June 30, 2020. The major items of discussion by the Committee were the overall national economy and its impact on the City, the City's growth and possible future retail development. The Committee recommended the following policies to the City Council:

- To continue to deliver quality and efficient services residents expect from the City of Carthage.
- To the greatest extent possible, efforts shall be made to maximize the effective use of the limited resources available to the City.
- To provide budgetary control through accurate tracking of expenditures against budget projections and take any corrective action as necessary.
- Priority will be given to those items necessary to maintain core service levels. Funding for expanded services and new programs will be considered after existing services are adequately funded.
- The Budget shall provide for adequate maintenance of capital plant and equipment and for their orderly replacement.
- To the greatest extent possible, the budget shall be structured to provide City employees with a safe and pleasant work environment, adequate compensation (in relation to current economic conditions), and the proper tools to accomplish the tasks assigned to them. Staff shall analyze current staffing levels to determine if economies can be obtained by consolidation, re-assignment or elimination of positions while maintaining core services.
- Staff shall analyze the current level of benefits associated with compensation to determine if changes are recommended due to the current financial situation.
- Avoid "Feast and Famine" budgetary actions which allow some City operations to thrive while others fail in their public mission.

City of Carthage

Management's Discussion and Analysis

June 30, 2019

- Incorporate more fully a critical evaluation and analysis of the status quo. Develop sound processes and methodology to move toward cost recovery and/or where appropriate divestiture or contracting for City services. Department Heads will provide an analysis of their operation's core services to the City Administrator.
- In fiscal 2020, continued preference would be given to enhancements in the City's park system including enhancing, expanding and connecting Parks & Recreation facilities and programs.
- Continued focus on technology enhancements including operations of a separate Information Technology (IT) Department to consolidate the City's IT functions and services to enhance the City's uses of technology.
- Continued preference will be given to identification and elimination of drainage problems within the City of Carthage.
- Continued focus on the staffing and operations of the South Fire Station.
- To create, foster and promote an environment conducive to attracting, expanding and retaining business and industry; promoting economic vitality and diversifying the city's tax base; increasing CWEP load and improving the overall quality of life for the citizens of Carthage.
- Preference and focus to be placed on development and infrastructure needs for a Carthage Industrial Park.

Revenues

- Current revenues will be sufficient to support current operating expenditures to as great an extent as possible.
- The City will seek to avoid dependence on temporary or unstable revenues to fund conventional City services.
- The City will seek to avoid dependence on federal revenues to fund ongoing conventional City services.
- General Fund services should be supported by taxes and user fees to the extent appropriate for the character of the service and its user.

Revenue estimates will be based on:

- Legislative actions.
- Consultation with departments directly involved in raising certain revenues.
- Review of revenue histories.
- Economic trends (both locally and nationally).
- Current indexes (both locally and nationally).
- The City will evaluate establishing user charges and fees at levels related to the full cost of providing the service where appropriate.
- To evaluate other additional revenue sources to provide for continuing City services. Specifically, monitor and evaluate the feasibility of the implementation of a Use Tax in the City of Carthage through a public vote.
- Grant funds or similar contractual revenue of a temporary nature will be budgeted only if they are committed at the time of the preliminary budget. Otherwise, separate appropriations will be made during the year as grants are awarded or contracts made.

City of Carthage

Management's Discussion and Analysis

June 30, 2019

Fund Balance

Governments need to maintain adequate levels of fund balance to mitigate current and future risks (e.g., revenue shortfalls and unanticipated expenditures), to provide sufficient cash flow to meet operating needs and to ensure stable tax rates. The City must meet these financial obligations year-round, which would be difficult, if not impossible, without maintaining a certain minimum fund balance due to the cyclical nature of revenues, expenditures, and capital projects. Fund Balances are the foundation of financial flexibility. Fund Balances provide a government with options to provide a financial base sufficient to sustain municipal services which maintain the social well-being and physical conditions of the City, the ability to withstand local and regional economic trauma, to adjust to changes in service requirements of the City, and to respond to other changes as they affect the community. Additionally, suitable fund balance levels permit a city to maintain an appropriate credit rating in the financial community and assure taxpayers that city government is maintained in sound fiscal condition.

City staff therefore conducted an analysis of determining the appropriate level of the Unassigned Fund Balance in the General Fund as outlined in the GFOA's Recommended Practice. The analysis indicated the City had a moderate to high level of risk to retain through reserves. The analysis indicated consideration of adopting a target amount of Unassigned Fund Balance higher than the GFOA recommended minimum. The analysis indicated the appropriate Fund Balance level to be 35%. As a result of the analysis using the GFOA methodology, staff recommended, and the City Council adopted a policy of an Unassigned Fund Balance in the General Fund of 35% of budgeted General Fund operating expenditures.

The City's Fund Balance Policy is as follows:

- The City will maintain cumulative fund balances to provide counter-cyclical balance, to protect the City from unforeseen contingencies and to allow an accumulation of resources to finance foreseeable general governmental capital projects. The objective of the fund balance policy is not to hold resources solely as a source of interest revenue, but rather to provide adequate resources for cash flow and contingency purposes, while maintaining reasonable tax rates and charges for services. Fund balances shall be adequate to handle unexpected decreases in revenues plus extraordinary unbudgeted expenditures and unforeseen circumstances. These funds may be used at the City's discretion to address situations such as, temporary cash flow shortages, emergencies, unanticipated economic downturns, and one-time opportunities. Annual budgets for the General Fund have used portions of the unassigned fund balance for capital projects and acquisitions
- The General Fund's Unassigned Fund Balance will be calculated based on the adopted annual operating budget. These funds will be used to avoid cash flow interruptions, generate interest income, reduce need for short term borrowing, cover unforeseen catastrophes and assist in maintaining what is considered an investment grade bond rating capacity, in addition to possibly supplement on-going revenues and expenditures where warranted.
- Additionally, the Committee recommended \$3,000,000 be classified as Assigned for the intent of possible work involving Economic Development, and \$3,902,025 Assigned for the intent of possible capital outlays.

For Fiscal 2020 the Committee recommended spendable fund balances be set at a level commensurate with maintaining core services and personnel levels as specified above for other than General Fund purposes. Any set aside projects will be in addition to these amounts.

City of Carthage

Management's Discussion and Analysis

June 30, 2019

Contacting the City's Financial Management

For additional information or questions, please contact any of the following officers at:

City of Carthage

326 Grant

Carthage, Missouri 64836

(417) 237-7000

Tom Short, City Administrator

Traci Cox, City Clerk/Finance Officer

City of Carthage

Statement of Net Position

June 30, 2019

	Primary Government	Component Units	
	Governmental Activities	Carthage Water and Electric Plant	Carthage Public Library
Assets			
Current			
Cash and cash equivalents - unrestricted	\$ 6,913,083	\$ 4,275,472	\$ 123,663
Investments - unrestricted	9,649,863	12,038,324	659,206
Taxes receivable, net	1,148,164	-	9,540
Utilities receivable, net	-	2,026,912	-
Other accounts receivable	205,171	273,851	-
Court fines receivable, net	667,448	-	-
Intergovernmental receivable	235,568	-	74,785
Inventory	-	3,343,867	-
Prepaid expenses	99,546	691,011	13,755
Noncurrent			
Restricted cash and cash equivalents	93,608	1,242,835	89,581
Net pension asset	305,468	-	-
Capital Assets:			
Non-depreciable	1,747,184	1,599,229	-
Depreciable, net	22,309,255	65,549,579	122,338
Total Assets	43,374,358	91,041,080	1,092,868
Deferred Outflow of Resources			
Deferred pension outflows	257,204	620,679	24,609
Deferred asset retirement obligation outflows	-	566,000	-
Total Deferred Outflow of Resources	257,204	1,186,679	24,609
Liabilities			
Current			
Accounts payable	519,694	1,757,319	4,281
Accrued expenses	145,298	125,943	26,130
Court bonds payable	28,790	-	-
Deposits payable	12,379	821,993	-
Police evidence payable	52,320	-	-
Unearned revenue	-	-	-
Arbitrage payable	-	8	-
Accrued interest payable	2,046	10,711	-
Current maturities of long-term debt	226,469	517,944	-
	986,996	3,233,918	30,411

See accompanying notes to the financial statements.

City of Carthage

Statement of Net Position

June 30, 2019

	Primary Government	Component Units	
	Governmental Activities	Carthage Water and Electric Plant	Carthage Public Library
Noncurrent			
Compensated absences payable	143,037	415,967	14,739
Net pension liability	2,482,414	552,207	78,559
Capital leases payable	106,205	1,204,952	-
Certificates of participation payable	550,000	2,870,000	-
Asset retirement obligation payable	-	566,000	-
	3,281,656	5,609,126	93,298
Total Liabilities	4,268,652	8,843,044	123,709
Deferred Inflow of Resources			
Deferred pension inflows	1,320,569	539,497	6,071
	1,320,569	539,497	6,071
Net Position			
Net investment in capital assets	23,173,765	62,588,246	122,338
Restricted	4,117,393	388,500	89,581
Unrestricted	10,751,183	19,868,472	775,778
Total Net Position	\$ 38,042,341	\$ 82,845,218	\$ 987,697

See accompanying notes to the financial statements.

City of Carthage

McCune-Brooks Hospital – D/B/A McCune-Brooks Regional Hospital – Component Unit

Statement of Net Position

April 30, 2019

Assets

Current

Cash and cash equivalents - unrestricted	\$ 5,604,671
Investments	15,756,454
Interest receivable	79,884
Restricted investments	<u>322,626</u>
Total Assets	<u>21,763,635</u>

Liabilities

Current

Accounts payable	1,560,334
Current portion of long-term liabilities	<u>125,000</u>
	1,685,334

Noncurrent

Grant awards payable	<u>300,000</u>
Total Liabilities	<u>1,985,334</u>

Net Position

Restricted

Non-expendable	322,626
Unrestricted	<u>19,455,675</u>

Total Net Position	<u>\$ 19,778,301</u>
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See accompanying notes to the financial statements.

City of Carthage

Statement of Activities

Year Ended June 30, 2019

Functions/Programs	Program Revenues				Primary Government	Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expenses), Revenues and Changes in Net Position	Net (Expenses), Revenues and Changes in Net Position	
					Governmental Activities	Carthage Water and Electric Plant	Carthage Public Library
Primary Government							
Governmental Activities:							
Administrative	\$ (352,538)	\$ 124,180	\$ -	\$ -	\$ (228,358)	\$ -	\$ -
Public works	(485,511)	51,424	-	-	(434,087)	-	-
Street	(1,876,175)	143,896	-	141,563	(1,590,716)	-	-
Police	(2,755,295)	414,987	183,768	22,544	(2,133,996)	-	-
Municipal court	(114,804)	-	-	-	(114,804)	-	-
City attorney	(87,754)	-	-	-	(87,754)	-	-
Taxi	(71,778)	-	46,040	-	(25,738)	-	-
Fire	(1,818,962)	-	427,956	26,000	(1,365,006)	-	-
Emergency management	(4,214)	-	-	-	(4,214)	-	-
Parks and recreation	(547,572)	3,600	-	4,563	(539,409)	-	-
Memorial hall	(432,708)	54,563	-	-	(378,145)	-	-
Civil war museum	(61,731)	12,132	-	-	(49,599)	-	-
Central municipal	(459,978)	-	-	-	(459,978)	-	-
Public health	(168,025)	56,853	14,443	-	(96,729)	-	-
Golf course	(558,853)	434,429	-	175,000	50,576	-	-
Library	(542,206)	-	-	-	(542,206)	-	-
Tourism	(102,801)	-	-	-	(102,801)	-	-
Economic development	(169,364)	1,500	169,364	-	1,500	-	-
Information technology	(174,130)	-	-	-	(174,130)	-	-
Debt service	(28,177)	-	-	-	(28,177)	-	-
Total Primary Government	<u>\$ (10,812,576)</u>	<u>\$ 1,297,564</u>	<u>\$ 841,571</u>	<u>\$ 369,670</u>	<u>(8,303,771)</u>	<u>-</u>	<u>-</u>

See accompanying notes to the financial statements.

City of Carthage

Statement of Activities

Year Ended June 30, 2019

	Program Revenues			Primary Government	Component Units		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expenses), Revenues and Changes in Net Position	Net (Expenses), Revenues and Changes in Net Position	
					Governmental Activities	Carthage Water and Electric Plant	Carthage Public Library
Component Units							
Carthage Water and Electric Plant	\$ (29,121,629)	\$ 33,149,413	\$ -	\$ -	-	4,027,784	-
Carthage Public Library	(822,374)	25,623	129,827	-	-	-	(666,924)
Total Component Units	<u>\$ (29,944,003)</u>	<u>\$ 33,175,036</u>	<u>\$ 129,827</u>	<u>\$ -</u>	-	4,027,784	(666,924)
General Revenues:							
Sales taxes					6,359,774	-	-
Ad valorem taxes					976,393	-	208,982
Motor vehicle and gas taxes					575,947	-	-
Payment in lieu of tax					559,547	-	-
Other taxes					162,881	-	85,223
Franchise taxes					459,945	-	-
Utility franchise fees and other charges					1,148,218	-	-
Intergovernmental revenue					-	-	451,958
Interest					200,651	248,538	11,019
Other revenue					52,155	34,889	7,162
Total General Revenues					<u>10,495,511</u>	<u>283,427</u>	<u>764,344</u>
Special Item:							
(Loss) on sale of capital assets					-	(32,125)	-
<i>Changes in Net Position</i>					2,191,740	4,279,086	97,420
Net Position, Beginning of year					35,850,601	78,566,132	890,277
Net Position, End of year					<u>\$ 38,042,341</u>	<u>\$ 82,845,218</u>	<u>\$ 987,697</u>

See accompanying notes to the financial statements.

City of Carthage

McCune-Brooks Hospital – D/B/A McCune-Brooks Regional Hospital – Component Unit

Statement of Activities

Year Ended April 30, 2019

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Functions/Programs					
Governmental Activities					
Health and welfare	\$ (629,889)	\$ -	\$ -	\$ -	
Total Governmental Activities	\$ (629,889)	\$ -	\$ -	\$ (629,889)	
General Revenues:					
Interest				611,826	
Miscellaneous				9,267	
Total General Revenues				621,093	
<i>Change in Net Position</i>				(8,796)	
Net Position, Beginning of year				19,787,097	
Net Position, End of year				\$ 19,778,301	

See accompanying notes to the financial statements.

City of Carthage

Balance Sheet – Governmental Funds

June 30, 2019

	Special Revenue Funds							Total Governmental Funds
	General Fund	Public Health Fund	Golf Course Fund	Park/ Stormwater Fund	Capital Improvement Sales Tax Fund	Fire Sales Tax Fund	Non-major Governmental Funds	
Assets								
Cash and cash equivalents	\$ 2,733,369	\$ 293,597	\$ 152,087	\$ 285,120	\$ 2,281,420	\$ 421,213	\$ 746,277	\$ 6,913,083
Investments	7,891,118	101,995	-	254,989	-	509,977	891,784	9,649,863
Taxes receivable, net	638,180	37,934	-	186,964	187,151	93,533	4,402	1,148,164
Other accounts receivable	197,847	24	5,347	-	-	-	1,953	205,171
Court fines receivable, net	667,448	-	-	-	-	-	-	667,448
Intergovernmental receivable	109,661	120,855	-	-	-	-	5,052	235,568
Prepaid expenses	95,476	1,237	2,833	-	-	-	-	99,546
Restricted cash and cash equivalents	93,509	-	-	99	-	-	-	93,608
Total Assets	<u>\$ 12,426,608</u>	<u>\$ 555,642</u>	<u>\$ 160,267</u>	<u>\$ 727,172</u>	<u>\$ 2,468,571</u>	<u>\$ 1,024,723</u>	<u>\$ 1,649,468</u>	<u>\$ 19,012,451</u>
Liabilities								
Accounts payable	\$ 153,276	\$ 123,743	\$ 10,238	\$ 107,035	\$ 117,120	\$ 8,282	\$ -	\$ 519,694
Accrued expenses	123,007	1,033	21,258	-	-	-	-	145,298
Court bonds payable	28,790	-	-	-	-	-	-	28,790
Deposits payable	12,379	-	-	-	-	-	-	12,379
Police evidence payable	52,320	-	-	-	-	-	-	52,320
Total Liabilities	<u>369,772</u>	<u>124,776</u>	<u>31,496</u>	<u>107,035</u>	<u>117,120</u>	<u>8,282</u>	<u>-</u>	<u>758,481</u>
Deferred Inflow of Resources								
Deferred court fines	540,883	-	-	-	-	-	-	540,883
Total Deferred Inflow of Resources	<u>540,883</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>540,883</u>

See accompanying notes to the financial statements.

City of Carthage

Balance Sheet – Governmental Funds

June 30, 2019

	Special Revenue Funds						Non-major Governmental Funds	Total Governmental Funds
	General Fund	Public Health Fund	Golf Course Fund	Park/ Stormwater Fund	Capital Improvement Sales Tax Fund	Fire Sales Tax Fund		
Fund Balances								
Nonspendable:								
Prepaid items	95,476	1,237	2,833	-	-	-	-	99,546
Restricted for:								
Debt service	-	-	-	99	-	-	-	99
Capital improvements	-	-	-	-	2,351,451	-	-	2,351,451
Park/stormwater	-	-	-	620,038	-	-	-	620,038
Fire	-	-	-	-	-	1,016,441	-	1,016,441
Public safety	-	-	-	-	-	-	34,070	34,070
Parks and recreation	-	-	-	-	-	-	79,451	79,451
Inmate security	-	-	-	-	-	-	12,487	12,487
Judicial education	-	-	-	-	-	-	3,356	3,356
Committed to:								
Capital improvements	-	-	-	-	-	-	8,528	8,528
TIF/CID	-	-	-	-	-	-	42,583	42,583
Assigned to:								
Capital outlay	3,960,874	-	-	-	-	-	-	3,960,874
Public health	-	429,629	-	-	-	-	-	429,629
Golf course	-	-	125,938	-	-	-	-	125,938
Civic enhancement	-	-	-	-	-	-	61,206	61,206
Tourism	-	-	-	-	-	-	41,306	41,306
Parks and recreation	-	-	-	-	-	-	415,741	415,741
Landfill	-	-	-	-	-	-	944,696	944,696
Economic development	3,000,000	-	-	-	-	-	6,044	3,006,044
Unassigned	4,459,603	-	-	-	-	-	-	4,459,603
Total Fund Balances	11,515,953	430,866	128,771	620,137	2,351,451	1,016,441	1,649,468	17,713,087
Total Liabilities, Deferred Inflow of Resources and Fund Balances	\$ 12,426,608	\$ 555,642	\$ 160,267	\$ 727,172	\$ 2,468,571	\$ 1,024,723	\$ 1,649,468	\$ 19,012,451

See accompanying notes to the financial statements.

City of Carthage

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

June 30, 2019

Fund balance - total governmental funds	\$ 17,713,087
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Governmental capital assets	36,506,625
Less accumulated depreciation	<u>(12,450,186)</u>
	24,056,439
The net pension asset and net pension liability and related deferred costs are not available to pay for current period expenditures and, therefore, are not reported in the funds:	
Net pension asset	305,468
Net pension liability	(2,482,414)
Deferred outflows due to pensions	257,204
Deferred inflows due to pensions	<u>(1,320,569)</u>
	(3,240,311)
Adjustment of deferred court fines	540,883
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due	(2,046)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(1,025,711)</u>
Net position of governmental activities	<u><u>\$ 38,042,341</u></u>

See accompanying notes to the financial statements.

City of Carthage

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds

Year Ended June 30, 2019

	Special Revenue Funds						Non-major Governmental Funds	Total Governmental Funds
	General Fund	Public Health Fund	Golf Course Fund	Park/ Stormwater Fund	Capital Improvement Sales Tax Fund	Fire Sales Tax Fund		
Revenues								
Taxes	\$ 5,762,215	\$ 141,681	\$ -	\$ 1,129,894	\$ 1,135,727	\$ 566,395	\$ 358,575	\$ 9,094,487
Licenses and permits	170,005	-	-	-	-	-	-	170,005
Intergovernmental revenues	1,947,546	14,443	-	-	175,000	-	181,408	2,318,397
Charges for services	214,718	56,853	434,429	-	-	-	10,871	716,871
Fines and forfeitures	343,115	-	-	-	-	-	-	343,115
Donations	-	-	-	-	-	-	41,063	41,063
Miscellaneous	208,027	6,886	160	5,426	2,642	10,443	20,693	254,277
Total Revenues	8,645,626	219,863	434,589	1,135,320	1,313,369	576,838	612,610	12,938,215
Expenditures								
Current								
Administrative	467,954	-	-	-	-	-	-	467,954
Public works	504,931	-	-	-	-	-	-	504,931
Street	1,667,650	-	-	-	-	-	139,487	1,807,137
Police	2,746,005	-	-	-	-	-	17,709	2,763,714
Municipal court	119,356	-	-	-	-	-	-	119,356
City attorney	87,754	-	-	-	-	-	-	87,754
Taxi	58,316	-	-	-	-	-	-	58,316
Fire	1,629,177	-	-	-	-	69,315	-	1,698,492
Emergency management	4,214	-	-	-	-	-	-	4,214
Parks and recreation	486,679	-	-	641,525	-	-	9,965	1,138,169
Memorial hall	207,716	-	-	-	-	-	-	207,716
Civil war museum	33,983	-	-	-	-	-	-	33,983
Central municipal	460,500	-	-	-	-	-	-	460,500
Public health	-	137,268	-	-	-	-	-	137,268
Golf course	-	-	604,205	-	-	-	-	604,205
Capital outlay	-	-	-	-	1,543,420	-	-	1,543,420
Library	-	-	-	451,958	-	-	-	451,958
Tourism	-	-	-	-	-	-	102,801	102,801
Economic development	-	-	-	-	-	-	169,364	169,364
Information technology	174,130	-	-	-	-	-	-	174,130
Debt Service								
Principal, interest and fees	-	-	-	163,655	-	-	-	163,655
Total Expenditures	8,648,365	137,268	604,205	1,257,138	1,543,420	69,315	439,326	12,699,037

See accompanying notes to the financial statements.

City of Carthage

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds Year Ended June 30, 2019

	Special Revenue Funds						Non-major Governmental Funds	Total Governmental Funds
	General Fund	Public Health Fund	Golf Course Fund	Park/ Stormwater Fund	Capital Improvement Sales Tax Fund	Fire Sales Tax Fund		
<i>Excess (Deficit) of Revenues over Expenditures</i>	(2,739)	82,595	(169,616)	(121,818)	(230,051)	507,523	173,284	239,178
Other Financing Sources (Uses)								
Operating transfers in	545,706	-	80,000	-	-	-	-	625,706
Operating transfers (out)	(80,000)	-	-	-	-	(281,962)	(263,744)	(625,706)
Total Other Financing Sources (Uses)	<u>465,706</u>	<u>-</u>	<u>80,000</u>	<u>-</u>	<u>-</u>	<u>(281,962)</u>	<u>(263,744)</u>	<u>-</u>
<i>Excess (Deficit) of Revenues and Other Sources over Expenditures and other (Uses)</i>	462,967	82,595	(89,616)	(121,818)	(230,051)	225,561	(90,460)	239,178
Fund Balance, July 1	11,052,986	348,271	218,387	741,955	2,581,502	790,880	1,739,928	17,473,909
Fund Balance, June 30	<u>\$ 11,515,953</u>	<u>\$ 430,866</u>	<u>\$ 128,771</u>	<u>\$ 620,137</u>	<u>\$ 2,351,451</u>	<u>\$ 1,016,441</u>	<u>\$ 1,649,468</u>	<u>\$ 17,713,087</u>

See accompanying notes to the financial statements.

City of Carthage

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year Ended June 30, 2019

Net change in fund balances - total governmental funds	\$	239,178
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives on a straight line basis and reported as depreciation expense.

Capital outlay		2,464,169
Depreciation		(1,007,494)
		1,456,675

Some revenues reported in the governmental funds represent current financial resources and were recognized in the Statement of Activities when earned.		66,101
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The issuance of long-term debt provides current financial resources to governmental funds. The repayment of the principal on long-term debt is a use of current financial resources of governmental funds. In the Statement of Activities, interest is accrued on outstanding debt whereas in the governmental funds, an interest expenditure is reported when due. The following is the detail of the net effect of these differences.

Repayment of principal on leases		274,619
Change in accrued interest payable		478
		275,097

Some expenses reported in the Statement of Activities do not require financial resources and therefore are not reported as expenditures in the governmental funds:

Change in pension related costs		156,605
Change in compensated absences		(1,916)
		154,689
Change in net position of governmental activities		\$ 2,191,740

See accompanying notes to the financial statements.

City of Carthage

Statement of Assets and Liabilities – Agency Funds

Year Ended June 30, 2019

	Library Fund	Carthage Water and Electric Plant Fund	Total
Assets			
Cash and cash equivalents	\$ 174,728	\$ 1,834,101	\$ 2,008,829
Investments	659,206	-	659,206
Total Assets	<u>\$ 833,934</u>	<u>\$ 1,834,101</u>	<u>\$ 2,668,035</u>
Liabilities			
Due to other governments	\$ 833,934	\$ 1,834,101	\$ 2,668,035
Total Liabilities	<u>\$ 833,934</u>	<u>\$ 1,834,101</u>	<u>\$ 2,668,035</u>

See accompanying notes to the financial statements.

City of Carthage

Notes to the Financial Statements

June 30, 2019

1. Summary of Significant Accounting Policies

Primary Government

The City operates under a Council/City Administrator form of government. The City provides the following services as authorized by its charter: public safety (police and fire), streets, parks and recreation, public improvements, planning, and general administrative services.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies.

Financial Reporting Entity

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. Financially accountable means the primary government is accountable for the component unit and the primary government is able to impose its will or the component unit may provide financial benefits or impose a financial burden on the primary government. In addition, component units can be other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The City is a primary government, which is governed by an elected board. As required by accounting principles generally accepted in the United States of America, the City has evaluated the above criteria to determine whether any other entity meets the definition of a component unit and must be included in these financial statements. The City has determined that the entities described in the following paragraphs meet the above criteria and therefore, have been included as component units in the City's basic financial statements. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

Component Units

The City of Carthage includes the following component units:

Carthage Public Library

The Carthage Public Library is governed by an appointed Board of Trustees. The mission of the Carthage Public Library is to be the foremost provider of information resources to the community and to meet the informational, educational, and recreational needs of the public. The Carthage Public Library is included in the financial statements of the City as a component unit due to its financial relationship with the City. Carthage Public Library's audited component unit financial statements for the year ended June 30, 2019, may be obtained by contacting the City library.

City of Carthage

Notes to the Financial Statements

June 30, 2019

McCune-Brooks Hospital, d/b/a McCune-Brooks Regional Hospital

McCune-Brooks Hospital, d/b/a McCune-Brooks Regional Hospital (Hospital), is a component unit of the City of Carthage, Missouri. Prior to January 1, 2012, the Hospital primarily earned revenue by providing inpatient, outpatient and emergency care services to patients in Carthage, Missouri, and the surrounding area. The Hospital also provided skilled nursing care and operated an outpatient psychiatric program, a home health agency, physician clinics, and provided ambulance services in the same geographic area.

Effective January 1, 2012, the Hospital entered into a sales type lease with Mercy Health (Mercy). As a result of the agreement, the Hospital leased and assigned certain assets used in the operation of the Hospital to Mercy to allow Mercy to assume operation control. Through June 30, 2016, the Hospital operated as a lessor of the property. Effective June 30, 2016, Mercy exercised the purchase option of the lease and the remaining funds from the transaction will be utilized for the health and welfare of the citizens of Carthage, Missouri.

The Hospital is included in the financial statements of the City as a component unit due to its relationship with the City.

Carthage Water & Electric Plant

The Carthage Water & Electric Plant was created in 1898 and operates under the Carthage Water & Electric Plant Board appointed by the City Council of Carthage, Missouri. The Utilities' major operations include electric, water, communication services, and wastewater treatment. The Carthage Water & Electric Plant is included in the financial statements of the City as a component unit due to its relationship with the City. The Carthage Water & Electric Plant audited component unit financial statements may be obtained by contacting Carthage Water & Electric Plant.

Government-Wide and Fund Financial Statements

The basic financial statements include both the government-wide (the Statement of Net Position and the Statement of Activities) and fund financial statements.

Government-Wide Financial Statements

The government-wide statements display information about the primary government and its component units. Interfund activity has been eliminated from these statements to minimize the duplication of internal activities. Governmental activities, which are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for services for support.

In the government-wide Statement of Net Position, the governmental activities are presented on the full accrual, economic resources basis of accounting. The presentation incorporates long-term assets and receivables as well as long-term debt and obligations, and it provides information to improve analysis and comparability.

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or a function. Program revenues include charges for goods or services offered by the programs and grants and contributions that are restricted to meet operating and capital expenses of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

City of Carthage

Notes to the Financial Statements

June 30, 2019

Fund Financial Statements

Separate fund financial statements report information on the City's governmental funds. The emphasis of fund financial statements is on major governmental funds.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. Consequently, the emphasis on near-term inflows and outflows of resources do not present the long-term impact of transactions. Conversely, the proprietary fund statements incorporate the accrual basis of accounting and focus on the change in total economic resources. This presentation records long-term assets and liabilities, and recognizes revenues and expenses when transactions occur, regardless of their impact on the flow of cash. Since the accounting differs significantly between the governmental funds and the proprietary funds, it is necessary to convert the governmental fund data to arrive at the government-wide financial statements. Therefore, reconciliations have been provided following the Governmental Funds Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balance identifying categories that required conversion from the fund statements.

The City reports the following major governmental funds:

General Fund: The General Fund is the general operating fund of the City. It is used to account for all financial resources not accounted for in other funds.

Public Health Fund: The Public Health Fund is used to account for resources that are restricted, committed, or assigned for yard waste and recycling operations.

Golf Course Fund: The Golf Course Fund is used to account for charges for services and expenditures that are restricted, committed, or assigned for the City's golf course.

Park/Stormwater Fund: The Park/Stormwater Fund is used to account for sales tax revenues that are restricted, committed, or assigned for the sole purpose of funding parks, library and stormwater improvements.

Capital Improvement Sales Tax Fund: The Capital Improvement Sales Tax Fund is used to account for tax revenues that are restricted, committed, or assigned from the capital improvement sales tax approved by voters in 1995. The tax has a sunset provision included which was to terminate in March 2012, but was extended for twenty years by approval of voters.

Fire Sales Tax Fund: The Fire Sales Tax Fund is used to account for tax revenues that are restricted, committed, or assigned for the fire department.

The City reports the following fiduciary fund types:

Agency Funds: Agency Funds are used to accounts for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other government units and other funds. Agency funds are custodial in nature (assets and liabilities) and do not involve measurement of results of operations. The Agency Funds of the City of Carthage, Missouri are the Library Fund and Carthage Water & Electric Plant Fund.

City of Carthage

Notes to the Financial Statements

June 30, 2019

Capital Assets

Capital assets include land, buildings, improvements, equipment, and infrastructure assets (e.g., roads, bridges, and similar items) and are included in the applicable governmental activities columns in the government-wide financial statements. Capital assets, excluding land, are defined by the City as assets with a cost of \$5,000 or greater and an estimated useful life of at least five years. All land purchases are capitalized regardless of cost. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market 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.

In conformity with GASB 34, infrastructure, such as streets and storm sewers, has been capitalized. Additionally, the City elected to depreciate its infrastructure assets. Depreciation is provided in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated service lives on the straight-line basis. The service lives by type of asset are as follows:

Structures and improvements	25-50 years
Machinery and Equipment	5-20 years
Infrastructure	40 years

Expenditures for maintenance and repairs are charged to expense; renewals and betterments are capitalized.

Pooled Cash and Cash Equivalents

The City pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash account is available to meet current operating requirements.

Revenue Recognition – Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1 and are due and payable at that time. All unpaid taxes levied November 1 become delinquent after December 31 of that year.

Compensated Absences

Employees earn vacation time based on the number of years of service to the City. Outstanding vacation leave is payable upon termination of employment. Compensated absences are recorded as a liability in the Statement of Net Position.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

City of Carthage

Notes to the Financial Statements

June 30, 2019

Interest Capitalization

Interest expense that relates to the cost of acquiring or constructing fixed assets in the Enterprise Funds is capitalized. Interest expense incurred in connection with construction of capital assets has been reduced by interest earned on the investment of funds borrowed for construction in accordance with Governmental Accounting Standards Board (GASB) Statement Section 1400-120-137 – *Capitalization of Interest Costs*. There was no interest capitalized during the current fiscal year.

Fund Balance Classification

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on constraints imposed on the use of these resources as follows:

Nonspendable fund balance: This classification includes amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact.

Restricted fund balance: This classification reflects the constraints imposed on resources either a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance: These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the City Council – the government’s highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Board removes the specified use by taking the same type of action imposing the commitment.

Assigned fund balance: This classification reflects the amounts constrained by the City’s “intent” to be used for specific purposes, but are neither restricted nor committed. Assigned fund balances include all remaining amounts (except negative balances) that are reported in the governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance: This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

In circumstances when a disbursement is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

City Council has formally adopted a minimum fund balance policy of 33% (four months) of operating expenditures in the General Fund.

Net Position

In the government-wide financial statements, equity is displayed in three components as follows:

Net Investment in Capital Assets: This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted: This consists of net position that is legally restricted by outside parties or by law through constitutional provisions or enabling legislation.

City of Carthage

Notes to the Financial Statements

June 30, 2019

Unrestricted: This consists of net position that does not meet the determination of net investment in capital assets or the restricted component of net position.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the City first applies restricted net position.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Currently, the City has one item that qualifies for reporting in this category, deferred amounts relating to employer contributions to the retirement plan.

In addition to liabilities, the Balance Sheet and Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance/net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the City has two items that qualify for reporting in this category, deferred amounts relating to the retirement plan on the Statement of Net Position and deferred amounts relating to court fines on the Balance Sheet. These amounts are recognized as an inflow of resources in the period that the amounts become available.

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 Missouri Local Government Employees Retirement System (LAGERS) and the Police and Fire Pension Plan and additions to/deductions from LAGERS and the Police and Fire Pension Plan fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Program Revenues

In the Statement of Activities, revenues that are derived directly from each activity or from parties outside the City's taxpayers are reported as program revenues. These include 1) charges for City court fines, licenses and permits, planning and zoning services, parks and recreation services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. All other governmental revenues are reported as general. All taxes are classified as general revenues, even if restricted for a specific purpose.

Carthage Public Library

The accounting policies of the Library conform to accounting principles generally accepted in the United States of America as applicable to a special purpose government.

Compensated Absences

The Library allows employees to accumulate vacation leave which vests with the employee. Utilization of accumulated vacation and sick leave by employees in future years is not expected to have a material impact on Library expenditures in any one year. Compensated absences are recorded as a liability in the Statement of Net Position.

City of Carthage

Notes to the Financial Statements

June 30, 2019

Revenue Recognition - Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1 and are due and payable at that time. All unpaid taxes levied November 1 become delinquent after December 31 of that year.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of reserves and expenses during the reporting period. Actual results could differ from those estimates.

Net Position

In the government-wide financial statements, equity is displayed in three components as follows:

Net Investment in Capital Assets: This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted: Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted: This consists of net position that does not meet the definition of restricted or net investment in capital assets.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the Library first applies restricted net position.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Currently, the Library has one item that qualifies for reporting in this category, deferred amounts relating to employer contributions to the retirement plan.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the Library has one item that qualifies for reporting in this category, deferred inflows related to the retirement plan. These amounts are recognized as an inflow of resources in the period that the amounts become available.

City of Carthage

Notes to the Financial Statements

June 30, 2019

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 Missouri Local Government Employees Retirement System (LAGERS) and additions to/deductions from LAGERS fiduciary net position have been determined on the same basis as they are reported by LAGERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Capital Assets

Capital assets include land, buildings, improvements, equipment, and infrastructure assets and are included in the applicable governmental activities columns in the government-wide financial statements. Capital assets, excluding land, are defined by the Library as assets with a cost of \$5,000 or greater and an estimated useful life of at least five years. All land purchases are capitalized regardless of cost. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation is provided in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated service lives on the straight-line basis. The service lives by type of asset are as follows:

Structures and improvements	25-50 years
Machinery and Equipment	5-20 years
Infrastructure	40 years

Expenditures for maintenance and repairs are charged to expense; renewal and betterments are capitalized.

Program Revenues

Amounts reported as program revenues include 1) charges for services provided, 2) operating grants and contribution, and 3) capital grants and contributions. All other governmental receipts are reported as general revenues.

McCune-Brooks Hospital, d/b/a McCune-Brooks Regional Hospital

The accounting policies of the Hospital conform to accounting principles generally accepted in the United States of America as applicable to a special purpose government.

Net Position

In the financial statements, equity is displayed in three components as follows:

Net investment in capital assets: This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

City of Carthage

Notes to the Financial Statements

June 30, 2019

Restricted: Consists of assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted: Consists of net position that does not meet the definition of net investment in capital assets, or the restricted component of net position.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the Hospital first applies restricted net position.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investments

Investments include negotiable certificates of deposit, direct obligations of the U.S. Government and other investments authorized by state statutes.

Cash and Cash Equivalents

The Hospital considers all accounts subject to withdrawal by check or on demand to be cash equivalents, which includes money market funds.

Fair Value

The fair value measurement and disclosure framework provides for a fair value hierarchy that gives highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. There have been no significant changes from the prior year in the methodologies used to measure fair value. The levels of the fair value hierarchy are described below:

Level 1: Inputs using quoted prices in active markets for identical assets or liabilities

Level 2: Inputs using significant other observable inputs including quoted prices for similar assets and liabilities

Level 3: Inputs are significant unobservable inputs

Program Revenues

Amounts reported as program revenues include 1) charges for services provided, 2) operating grants and contribution, and 3) capital grants and contributions. All other governmental receipts are reported as general revenues.

City of Carthage

Notes to the Financial Statements

June 30, 2019

Carthage Water & Electric Plant

The accounting policies of the Utility conform to accounting principles generally accepted in the United States of America as applicable to governments.

Basis of Accounting

Carthage Water & Electric Plant's accounting policies are consistent with enterprise fund accounting. Enterprise funds are established to account for the financing of self-supporting activities, which render services on a user charge basis to the general public.

The accrual basis of accounting is used under which expenses are recorded when the liability is incurred and revenues are recorded when earned.

Net Position

Equity is displayed in three components as follows:

Net Investment in Capital Assets: This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted: This consists of net position that is legally restricted by outside parties or by law through constitutional provisions or enabling legislation.

Unrestricted: This consists of net position that does not meet the definition of restricted or net investment in capital assets.

It is the Utility's policy to first use restricted net position prior to the use of unrestricted net position when disbursements are made for purposes for which both restricted and unrestricted net position are available.

Capital Assets

Capital assets are recorded at cost or estimated historical cost. Capital assets are defined by the Utility as assets with a cost of \$5,000 or greater and an estimated useful life of at least one year. Expenditures for maintenance and repairs are charged to current operating expense. Renewals and betterments of existing assets that extend the useful life of the asset are capitalized and depreciated. Estimated useful lives used in the computation of depreciation of capital assets using the straight-line basis are as follows:

Buildings and Plant	10-50 years
Distribution, Collection, Generation, and Transmission System	15-67 years
Furniture, Fixtures, and Equipment	5-20 years

Cash and Cash Equivalents

The Utility considers all accounts subject to withdrawal by check or on demand to be cash equivalents, which includes money market funds.

Inventories

Inventories are stated at average cost.

City of Carthage

Notes to the Financial Statements

June 30, 2019

Capitalization of Costs Related to Construction of Assets

In connection with the construction of assets, Carthage Water & Electric Plant capitalizes payroll and overhead directly related to the project.

Interest Capitalization

Interest expense that relates to the cost of acquiring or constructing fixed assets is capitalized. Interest expense incurred in connection with construction of capital assets has been reduced by interest earned on the investment of funds borrowed for construction in accordance with Governmental Accounting Standards Board (GASB) Statement Section 1400-120-137 – *Capitalization of Interest Costs*. There was no interest capitalized during the current fiscal period.

Compensated Absences

Employees are entitled to certain compensated absences based on their length of employment. These compensated absences are accrued when vesting occurs. Liabilities for compensated absences are determined at the end of the year based on current salary rates.

Deposits and Investments

For purposes of the statement of cash flows, Carthage Water & Electric Plant considers all accounts subject to withdrawal by check or on demand to be cash equivalents. All other deposits and certificates of deposit are considered to be investments. Investments are stated at fair value. Fair value for investments is determined by closing market prices at year-end as reported by the custodian.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Currently, the Utility has two items that qualify for reporting in this category, deferred amounts relating to employer contributions to the retirement plan and asset retirement obligations.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Utility has one item that qualifies for reporting in this category, deferred pension inflows relating to the retirement plan on the Statement of Net Position. These amounts are recognized as an inflow of resources in the period that the amounts become available.

City of Carthage

Notes to the Financial Statements

June 30, 2019

Pensions

For purposes of measuring the net pension liability, deferred outflow of resources and deferred inflow of resources related to pensions, and pension expense, information about the fiduciary net position of the Missouri Local Government Employees Retirement System (LAGERS) and additions to/deductions from LAGERS fiduciary net position have been determined on the same basis as they are reported by LAGERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and services. All other revenue and expenses are considered nonoperating.

2. Cash & Cash Equivalents

Primary Government

State statutes require that the City's deposits be collateralized in the name of the City by the trust department of a bank that does not hold the collateralized deposits. As of June 30, 2019, all bank balances on deposit were entirely insured or collateralized with securities.

Carthage Public Library

State Statutes require that the Library's deposits be collateralized in the name of the Library by the trust department of a bank that does not hold the collateralized deposits. As of June 30, 2019, all bank balances on deposit are entirely insured or collateralized with securities.

Carthage Water & Electric Plant

State Statutes require that the Utility's deposits be collateralized in the name of the Utility by the trust department of a bank that does not hold the collateralized deposits. As of June 30, 2019, all bank balances on deposit are entirely insured or collateralized with securities.

McCune-Brooks Hospital, d/b/a McCune-Brooks Regional Hospital

State Statutes require that the Hospital's deposits be collateralized in the name of the Hospital by the trust department of a bank that does not hold the collateralized deposits. As of April 30, 2019, all bank balances on deposit are entirely insured or collateralized with securities.

City of Carthage

Notes to the Financial Statements

June 30, 2019

3. Investments

Primary Government

Investments of the City as of June 30, 2019, are as follows:

<u>Investment Type</u>	<u>Maturity</u>	<u>Amount</u>
Missouri Securities Investment Program (MOSIP) - Cash Management Funds	N/A	\$ 1,077,621
Missouri Securities Investment Program (MOSIP) - TERM	8/12/19 to 11/13/19	8,572,242
		<u>\$ 9,649,863</u>

Missouri Securities Investment Program

City funds in the Missouri Securities Investment Program are invested in cash management funds in which the City has a pro-rata share. The funds are invested in accordance with Section 165.051 and Section 360 of the Missouri Revised Statutes and the cash management fund has a current rating of AAAM, and the MOSIP Term Series has a rating of AAAs. Fair market value approximates cost.

Interest Rate Risk

The City minimizes risk that the market value of securities in the portfolio will fall due to changes in general interest rates by structuring the investment portfolio so that securities maturing meet cash requirements for ongoing operations or contractual requirements, thereby avoiding the need to sell securities on the open market prior to maturity and by investing operating funds primarily in shorter term securities.

Carthage Public Library

Investments of the Library at June 30, 2019, consist of the following:

<u>Investment Type</u>	<u>Maturity</u>	<u>Amount</u>
Missouri Securities Investment Program (MOSIP) - Cash Management Funds	N/A	<u>\$ 659,206</u>

Missouri Securities Investment Program

City funds in the Missouri Securities Investment Program are invested in cash management funds in which the City has a pro-rata share. The funds are invested in accordance with Section 165.051 and Section 360 of the Missouri Revised Statutes and the cash management fund has a current rating of AAAM. Fair market value approximates cost.

Interest Rate Risk

The Library does not have a policy on interest rate risk.

City of Carthage

Notes to the Financial Statements

June 30, 2019

McCune-Brooks Hospital, d/b/a McCune-Brooks Regional Hospital

The Hospital categorized its investments within the fair value hierarchy as discussed in Note 1. As of April 30, 2019, the Hospital had the following recurring fair value measurements:

Investment Type	Maturity Dates	Fair Value Level 1	Fair Value Level 2	Total
Negotiable Certificates of Deposit	5/28/19 - 5/9/22	\$ 3,740,533	\$ -	\$ 3,740,533
U.S. Treasury Notes	9/30/19 - 12/31/22	5,781,200	-	5,781,200
U.S. Government Agency Securities:				
Government National Mortgage Association	7/20/19	-	108	108
Federal Home Loan Mortgage Corporation	10/2/19 - 1/13/22	-	2,359,215	2,359,215
Federal National Mortgage Association	9/12/19 - 1/5/22	-	4,198,024	4,198,024
		<u>\$ 9,521,733</u>	<u>\$ 6,557,347</u>	<u>\$ 16,079,080</u>

Certificates of Deposit

Certificates of deposit with maturities in excess of three months are classified as investments but are considered deposits for custodial risk determination. State statutes require that the Hospital's deposits be collateralized in the name of the Hospital by the trust department of a bank that does not hold the collateralized deposits. As of April 30, 2019, all certificates of deposit are entirely insured or collateralized with securities. Negotiable certificates of deposit are carried at fair market value.

U.S. Treasury Notes

Funds invested in U.S. Treasury Notes are held by UMB Bank, N.A. and are rated Aaa by Moody's.

U.S. Government Agency Securities

Funds invested in Government National Mortgage Association, Federal Home Loan Mortgage Association, and Federal National Mortgage Association are held by UMB Bank, N.A. and are all rated Aaa by Moody's.

Interest Rate Risk

The Hospital's policy minimizes interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and by investing operating funds primarily in short-term securities.

Credit Risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Hospital's policy minimizes credit risk by pre-qualifying the financial institutions and broker/dealers with which the Hospital will do business for broker services.

Concentration of Credit Risk

The Hospital places no limit on the amount that may be invested in any one issuer. However, no individual bonds shall be greater than 10% of the account. At April 30, 2019, no investments other than those issued or guaranteed by the U.S. government exceeded 5% of the total fair value of all investments.

City of Carthage

Notes to the Financial Statements

June 30, 2019

Carthage Water & Electric Plant

Investments of the Utility at June 30, 2019, consist of the following:

<u>Investment Type</u>	<u>Maturity</u>	<u>Amount</u>
Missouri Securities Investment Program (MOSIP) - Cash Management Funds	N/A	\$ 2,670,324
Missouri Securities Investment Program (MOSIP) - TERM	9/3/19 to 11/1/19	6,000,000
Missouri Securities Investment Program (MOSIP) - Certificates of Deposit	2/18/20 to 6/2/21	3,368,000
		<u>\$ 12,038,324</u>

Certificates of Deposit

Certificates of deposit are classified as investments but are considered deposits for custodial risk determination. State statutes require that the Utility's deposits be collateralized in the name of the Utility by the trust department of a bank that does not hold the collateralized deposits. As of June 30, 2019, all certificates of deposit are entirely insured or collateralized with securities.

Missouri Securities Investment Program

City funds in the Missouri Securities Investment Program are invested in cash management funds in which the City has a pro-rata share. The funds are invested in accordance with Section 165.051 and Section 360 of the Missouri Revised Statutes and the cash management fund has a current rating of AAAM, and the MOSIP Term Series has a rating of AAAs. Fair market value approximates cost.

Interest Rate Risk

The Utility limits its exposure to interest rate risk by restricting its investments to those maturing in 5 years or less.

City of Carthage

Notes to the Financial Statements

June 30, 2019

4. Restricted Assets

Primary Government

Cash and cash equivalents, fund balance and net position have been restricted in the following funds:

	Restricted Cash and Cash Equivalents	Restricted Fund Balance/ Net Position
General Fund		
Court bonds	\$ 28,790	\$ -
Municipal building deposits	12,379	-
Restitution	20	-
Police evidence	52,320	-
	\$ 93,509	\$ -
Fire Sales Tax Fund		
Sales tax	\$ -	\$ 1,016,441
Capital Improvement Sales Tax Fund		
Sales tax	\$ -	\$ 2,351,451
Park/Stormwater Sales Tax Fund		
Sales tax	\$ -	\$ 620,038
Debt service	99	99
	\$ 99	\$ 620,137
Non-Major Governmental Funds		
Public safety	\$ -	\$ 34,070
Parks and recreation tax	-	79,451
Inmate security	-	12,487
Judicial education	-	3,356
	\$ -	\$ 129,364

Carthage Public Library

Cash and cash equivalents and net position have been restricted as follows:

	Restricted Cash and Cash Equivalents	Restricted Net Position
Donations, gifts and grants	\$ 89,581	\$ 89,581

City of Carthage

Notes to the Financial Statements

June 30, 2019

Carthage Water & Electric Plant

Cash and cash equivalents and net position have been restricted as follows:

	Restricted Cash and Cash Equivalents	Restricted Net Position
Customer deposits	\$ 821,993	\$ -
Cash deposit held by MISO	175,000	175,000
1996 Revenue Bonds		
Arbitrage	8	-
2012 Certificates of Participation		
Debt service reserve	213,500	213,500
2017 MAMU		
Project funds	32,334	-
	\$ 1,242,835	\$ 388,500

5. Assessed Valuation, Tax Levy, & Legal Debt Margin

The assessed valuation of the tangible property and the tax levy per \$100 assessed valuation of that property were as follows:

	2018
Assessed Valuation	
Real estate	\$ 122,873,290
Personal property	53,666,250
	\$ 176,539,540
Tax Rate Per \$100 of Assessed Valuation	
General Fund	\$.3541
Public Health Fund	.0805
Carthage Public Library	.1768
Parks and Recreation Fund	.1528
	\$.7642

The legal debt margin at June 30, 2019, was computed as follows:

	General Obligation Bonds		
	Ordinary (1)	Additional (2)	Total
Constitutional Debt Limit	\$ 17,653,954	\$ 17,653,954	\$ 35,307,908
General Obligation Bonds Payable	-	-	-
Legal Debt Margin	\$ 17,653,954	\$ 17,653,954	\$ 35,307,908

City of Carthage

Notes to the Financial Statements

June 30, 2019

(1) Under Article VI, Section 26(b) and (c), Missouri Constitution, the City, by a vote of its qualified electors voting therein, may incur an indebtedness for any purposes authorized in the charter of the City or by any general law of the State of Missouri. The borrowings authorized by this section shall not exceed ten percent of the value of the taxable tangible property in the City.

(2) Under Article VI, Section 26(d) and (e), Missouri Constitution, the City, by a vote of its qualified electors voting therein, may become indebted not exceeding in the aggregate an additional ten percent for the purpose of acquiring rights-of-way, construction, extending, and improving streets and avenues, and/or sanitary or storm sewer systems; and purchasing or constructing waterworks, electric or other light plants, provided that the total general obligation indebtedness of the City does not exceed twenty percent of the value of the taxable tangible property in the City.

6. Long-Term Debt – Governmental Activities

Long-term debt for the governmental activities at June 30, 2019, consists of three capital lease obligations, 2013 Certificates of Participation, and compensated absences payable.

Capital Lease Obligations

On August 15, 2014, the City entered into a lease agreement to finance the purchase of a dump truck, wheel loader and golf equipment in the amount of \$353,916. The agreement requires quarterly payments of \$18,547 including interest at 1.804%,

On December 14, 2017, the City entered into a lease purchase agreement to finance the purchase of a street grader in the amount of \$173,500. The agreement requires quarterly payments of \$9,178 including interest at 2.17%.

On December 14, 2017, the City entered into a lease purchase agreement to finance the purchase of golf equipment and a leaf blower in the amount of \$100,074. The agreement requires quarterly payments of \$8,620 including interest at 2.05%.

The leases above are direct borrowing debt issuances. In the event of default, the Lessor may by written notice declare all lease payments to the end of the then-current budget year to be due, including delinquent lease payments from prior budget years, and such amounts shall bear interest at the rate of 12% per annum or the maximum rate permitted by law, whichever is less. In addition, the Lessor may enter the premises where the property is located and retake possession of the property.

The City's lease/purchase agreements provide for the cancellation of the leases at the City's option on the renewal dates each year per State statute, however, the City does not foresee exercising its option to cancel. Therefore, these leases are accounted for as noncancelable capital leases in accordance with FASB Accounting Standards Codification Topic No. 840-30-30, "Accounting for Capital Leases."

City of Carthage

Notes to the Financial Statements

June 30, 2019

The total annual minimum lease payments required at June 30, 2019, are as follows:

Year Ending June 30,	Direct Borrowing			
	Dump Truck & Golf Equipment	Street Grader	Golf Equipment & Leaf Blower	Total
2020	\$ 18,547	\$ 36,710	\$ 34,480	\$ 89,737
2021	-	36,710	17,240	53,950
2022	-	36,710	-	36,710
2023	-	18,355	-	18,355
Total Minimum Lease Payments	18,547	128,485	51,720	198,752
Less Amount Representing Interest	(84)	(5,078)	(916)	(6,078)
Principal Balance, June 30, 2019	\$ 18,463	\$ 123,407	\$ 50,804	\$ 192,674

2013 Certificates of Participation

On September 26, 2013, the City issued \$1,450,000 in Series 2013 Certificates of Participation to refund the 2005A Certificates of Participation. In the event of default, defined in the agreement to be failure by the City to pay any rent during the term of the lease for a period of 30 days after written notice specifying such failure and requesting that it be remedied is received by the Lessor, the Lessor shall give notice to the City to vacate the leased property immediately and may terminate the lease or the City's possessory rights (without terminating the lease), re-enter the leased property and eject all parties in possession, and rent the property or, at its option, sell the leased property or take any action at law or in equity deemed necessary to enforce its rights with respect to the leased property. The certificates bear interest at various rates ranging from .85% to 3.85% with principal payments due June 1 and interest payments due December 1 and June 1 each year.

The annual debt service requirements to amortize principal on the 2013 Certificates of Participation outstanding at June 30, 2019, are listed in the following table:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 140,000	\$ 23,588	\$ 163,588
2021	145,000	19,387	164,387
2022	150,000	14,747	164,747
2023	160,000	9,497	169,497
2024	95,000	3,657	98,657
	\$ 690,000	\$ 70,876	\$ 760,876

City of Carthage

Notes to the Financial Statements

June 30, 2019

A summary of the changes in long-term debt – governmental activities for the year ended June 30, 2019, is as follows:

	Balance June 30, 2018	Additions	Retirements	Balance June 30, 2019	Amounts Due Within One Year
Capital Lease Obligations					
Direct Borrowing					
Dump truck and golf equipment	\$ 91,492	\$ -	\$ 73,029	\$ 18,463	\$ 18,463
Street grader	156,983	-	33,576	123,407	34,310
Golf equipment and leaf blower	83,818	-	33,014	50,804	33,696
	<u>332,293</u>	<u>-</u>	<u>139,619</u>	<u>192,674</u>	<u>86,469</u>
Certificates of Participation					
Series 2013	825,000	-	135,000	690,000	140,000
Compensated absences payable	141,121	1,916	-	143,037	-
	<u>\$ 1,298,414</u>	<u>\$ 1,916</u>	<u>\$ 274,619</u>	<u>\$ 1,025,711</u>	<u>\$ 226,469</u>

7. Capital Assets

Primary Government

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

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
Governmental Activities				
Non-depreciable capital assets:				
Land	\$ 709,041	\$ 186,500	\$ -	\$ 895,541
Construction in progress	1,997,090	1,791,900	2,937,347	851,643
Total Non-depreciable Capital Assets	<u>2,706,131</u>	<u>\$ 1,978,400</u>	<u>\$ 2,937,347</u>	<u>1,747,184</u>
Depreciable capital assets:				
Building and improvements	15,438,814	\$ 1,882,653	\$ -	17,321,467
Machinery and equipment	6,715,215	182,188	140,255	6,757,148
Infrastructure	9,322,551	1,358,275	-	10,680,826
Total Depreciable Capital Assets	<u>31,476,580</u>	<u>\$ 3,423,116</u>	<u>\$ 140,255</u>	<u>34,759,441</u>
Less accumulated depreciation	11,582,947	<u>\$ 1,007,494</u>	<u>\$ 140,255</u>	<u>12,450,186</u>
Total Depreciable Capital Assets, net	<u>19,893,633</u>			<u>22,309,255</u>
		<u>\$ 22,599,764</u>		<u>\$ 24,056,439</u>
Total Governmental Activities Assets, net				<u>\$ 24,056,439</u>

City of Carthage

Notes to the Financial Statements

June 30, 2019

Depreciation expense for governmental activities was charged to functions as follows:

Administrative	\$ 34,126
Public works	17,378
Street	331,903
Police	105,441
Taxi	13,462
Fire	121,705
Library	90,248
Parks and recreation	126,625
Memorial hall	89,641
Civil war museum	27,748
Golf course	2,458
Public health	46,759
	\$ 1,007,494

Carthage Public Library

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

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
Depreciable Capital Assets:				
Office equipment	\$ 58,259	\$ -	\$ -	\$ 58,259
Buildings	-	71,400	-	71,400
Infrastructure	40,803	-	-	40,803
Total Depreciable Capital Assets	99,062	\$ 71,400	\$ -	170,462
Less Accumulated Depreciation				
Office Equipment	30,890	\$ 11,652	\$ -	42,542
Buildings	-	1,587	-	1,587
Infrastructure	2,975	1,020	-	3,995
Total Accumulated Depreciation	33,865	\$ 14,259	\$ -	48,124
Total Depreciable Capital Assets, net	\$ 65,197			\$ 122,338

City of Carthage

Notes to the Financial Statements

June 30, 2019

Carthage Water & Electric Plant

Capital assets and accumulated depreciation by department are as follows at June 30, 2019:

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
Electric Department				
Non-Depreciable Capital Assets				
Land	\$ 43,252	\$ -	\$ -	\$ 43,252
Construction in Progress	160,812	3,456,850	3,528,527	89,135
Total Non-Depreciable Capital Assets	204,064	\$ 3,456,850	\$ 3,528,527	132,387
Depreciable Capital Assets				
Buildings and plant	1,562,821	\$ 31,645	\$ 19,128	1,575,338
Distribution system	27,830,729	1,171,555	-	29,002,284
Transmission system	4,665,101	36,887	-	4,701,988
Production system	10,670,387	1,367,629	-	12,038,016
Machinery and equipment	2,084,546	1,677,639	143,256	3,618,929
Total Depreciable Capital Assets	46,813,584	\$ 4,285,355	\$ 162,384	50,936,555
Less Accumulated Depreciation	30,897,497	\$ 2,304,413	\$ 123,606	33,078,304
Depreciable Capital Assets, net	15,916,087	\$ 2,304,413	\$ 123,606	17,858,251
Water Department				
Non-Depreciable Capital Assets				
Land	52,382	\$ -	\$ -	52,382
Construction in Progress	29,143	661,585	448,193	242,535
Total Non-Depreciable Capital Assets	81,525	\$ 661,585	\$ 448,193	294,917
Depreciable Capital Assets				
Buildings and plant	4,096,288	\$ 34,875	\$ -	4,131,163
Distribution system	21,399,150	303,700	13,876	21,688,974
Treatment system	3,844,056	85,880	-	3,929,936
Production system	4,084,951	23,530	-	4,108,481
Machinery and equipment	308,280	636,247	92,893	851,634
Total Depreciable Capital Assets	33,732,725	\$ 1,084,232	\$ 106,769	34,710,188
Less Accumulated Depreciation	14,971,645	\$ 1,141,230	\$ 100,285	16,012,590
Depreciable Capital Assets, net	18,761,080	\$ 1,141,230	\$ 100,285	18,697,598

City of Carthage

Notes to the Financial Statements

June 30, 2019

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
Wastewater Department				
Non-Depreciable Capital Assets				
Land	188,523	\$ -	\$ -	188,523
Construction in Progress	421,586	1,301,052	922,886	799,752
Total Non-Depreciable Capital Assets	610,109	\$ 1,301,052	\$ 922,886	988,275
Depreciable Capital Assets				
Buildings and plant	10,349,267	\$ 25,495	\$ 43,629	10,331,133
Collection system	17,418,070	396,822	12,829	17,802,063
Machinery and equipment	1,648,171	767,698	-	2,415,869
Total Depreciable Capital Assets	29,415,508	\$ 1,190,015	\$ 56,458	30,549,065
Less Accumulated Depreciation	9,700,257	\$ 916,274	\$ -	10,616,531
Depreciable Capital Assets, net	19,715,251			19,932,534
Communications Department				
Non-Depreciable Capital Assets				
Construction in Progress	-	\$ 526,051	\$ 526,051	-
Total Non-Depreciable Capital Assets	-	\$ 526,051	\$ 526,051	-
Depreciable Capital Assets				
Distribution system	4,098,084	\$ 534,856	\$ 72,596	4,560,344
Furniture and fixtures	14,624	-	-	14,624
Machinery and equipment	22,433	264,976	-	287,409
Total Depreciable Capital Assets	4,135,141	\$ 799,832	\$ 72,596	4,862,377
Less Accumulated Depreciation	2,133,723	\$ 492,512	\$ 56,000	2,570,235
Depreciable Capital Assets, net	2,001,418			2,292,142

City of Carthage

Notes to the Financial Statements

June 30, 2019

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
Transportation, Office and Joint Department				
Non-Depreciable Capital Assets				
Land	183,650	\$ -	\$ -	183,650
Construction in Progress	64,431	334,075	398,506	-
Total Non-Depreciable Capital Assets	248,081	\$ 334,075	\$ 398,506	183,650
Depreciable Capital Assets				
Buildings and plant	8,655,891	\$ 211,293	\$ -	8,867,184
Machinery and equipment	3,854,932	261,483	3,475,407	641,008
Furniture and fixtures	1,805,277	124,551	97,320	1,832,508
Total Depreciable Capital Assets	14,316,100	\$ 597,327	\$ 3,572,727	11,340,700
Less Accumulated Depreciation	6,734,558	\$ 683,386	\$ 2,846,298	4,571,646
Depreciable Capital Assets, net	7,581,542	\$ -	\$ -	6,769,054
Total Capital Assets, net	\$ 65,119,157	\$ -	\$ -	\$ 67,148,808

Depreciation expense was charged to the departments as follows:

Electric	\$ 1,409,465
Water	1,013,795
Wastewater	771,382
Communications	289,378
	\$ 3,484,020

8. Employee Pension Plan – LAGERS

Primary Government

General Information about the Pension Plan

Plan Description. The City of Carthage, Missouri’s defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The City participates in the Missouri Local Government Employees Retirement System (LAGERS). LAGERS is an agent multiple-employer, statewide public employee pension plan established in 1967 and administered in accordance with RSMo. 70.600-70.755. As such, it is LAGERS responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and is tax exempt. The responsibility for the operations and administration of LAGERS is vested in the LAGERS Board of Trustees consisting of seven persons. LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the LAGERS website at www.molagers.org.

City of Carthage

Notes to the Financial Statements

June 30, 2019

Benefits Provided. LAGERS provides retirement, death and disability benefits. Benefit provisions are adopted by the governing body of the employer, within the options available in the state statutes governing LAGERS. All benefits vest after 5 years of credited service. Employees who retire on or after age 60 with 5 or more years of service are entitled to an allowance for life based upon the benefit program information provided below. Employees may retire with an early retirement benefit with a minimum of 5 years of credited service and after attaining age 55 and receive a reduced allowance.

	<u>2019 Valuation</u>
Benefit Multiplier	2.00% for life
Final Average Salary	3 Years
Member Contributions	0.00%

Benefit terms provide for annual post retirement adjustments to each member's retirement allowance subsequent to the member's retirement date. The annual adjustment is based on the increase in the Consumer Price Index and is limited to 4% per year.

Employees Covered by Benefit Terms. At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	48
Inactive employees entitled to but not yet receiving benefits	25
Active employees	46
	<u>119</u>

Contributions. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by LAGERS. 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 an unfunded accrued liability. Full-time employees of the employer do not contribute to the pension plan. Employer contribution rates are 14.9% of annual covered payroll.

Net Pension Asset. The employer's net pension asset was measured as of June 30, 2019, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of February 28, 2019.

Actuarial Assumptions. The total pension liability in the February 28, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25% wage inflation; 2.50% price inflation
Salary Increase	3.25% to 6.55% including wage inflation
Investment Rate of Return	7.25%, net of investment expenses

The healthy retiree mortality tables, for post-retirement mortality, were the RP-2014 Healthy Annuitant mortality table for males and females. The disabled retiree mortality tables, for post-retirement mortality, were the RP-2014 disabled mortality table for males and females. The pre-retirement mortality tables used were the RP-2014 employees mortality table for males and females.

City of Carthage

Notes to the Financial Statements

June 30, 2019

Both the post-retirement and pre-retirement tables were adjusted for mortality improvement back to the observation period base year of 2006. The base year for males was then established to be 2017. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The actuarial assumptions used in the February 28, 2019, valuation were based on the results of an actuarial experience study for the period March 1, 2010, through February 28, 2015.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment expenses 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. The target allocation and best estimate of 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
Alpha	15.00%	3.67%
Equity	35.00%	4.78%
Fixed Income	31.00%	1.41%
Real Assets	36.00%	3.29%
Strategic Assets	8.00%	5.25%
Cash	10.00%	0.00%
Leverage	-35.00%	-0.51%

Discount Rate. The discount rate used to measure the total pension liability is 7.25%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay 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 payment to determine the total pension liability.

City of Carthage

Notes to the Financial Statements

June 30, 2019

Changes in the Net Pension Asset

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
	\$	\$	\$
Balances at June 30, 2018	\$ 8,602,552	\$ 8,697,081	\$ (94,529)
Changes for the Year:			
Service cost	184,215	-	184,215
Interest on total pension liability	616,002	-	616,002
Difference between expected and actual experience	(37,290)	-	(37,290)
Contributions - employer	-	255,289	(255,289)
Net investment income	-	625,696	(625,696)
Benefit payments, including refunds	(399,939)	(399,939)	-
Administrative expense	-	(13,883)	13,883
Other (net transfer)	-	106,764	(106,764)
Net changes	362,988	573,927	(210,939)
Balances at June 30, 2019	\$ 8,965,540	\$ 9,271,008	\$ (305,468)

Sensitivity of the Net Pension Asset to Changes in the Discount Rate. The following presents the net pension asset of the employer, calculated using the discount rate of 7.25%, as well as what the employer's net pension asset would be using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate.

	Current Single Discount Rate		
	1% Decrease 6.25%	Assumption 7.25%	1% Increase 8.25%
	\$	\$	\$
Total Pension Liability	10,217,644	8,965,540	7,935,276
Plan Fiduciary Net Position	9,271,008	9,271,008	9,271,008
Net Pension Liability/(Asset)	\$ 946,636	\$ (305,468)	\$ (1,335,732)

City of Carthage

Notes to the Financial Statements

June 30, 2019

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

For the year ended June 30, 2019, the employer recognized pension expense of \$95,757. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources	Net Deferred Outflows (Inflows) of Resources
Differences in experiences	\$ 19,296	\$ (270,975)	\$ (251,679)
Differences in assumptions	51,441	-	51,441
(Deficit) investment returns	-	(254,616)	(254,616)
	\$ 70,737	\$ (525,591)	\$ (454,854)

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Net Deferred Outflows (Inflows) of Resources
2020	\$ (68,116)
2021	(223,525)
2022	(157,258)
2023	(5,955)
	\$ (454,854)

Payable to the Pension Plan

At June 30, 2019, the City had no outstanding contributions reported as payable to the pension plan.

Carthage Public Library

General Information about the Pension Plan

Plan Description. The Carthage Public Library's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The Library participates in the Missouri Local Government Employees Retirement System (LAGERS). LAGERS is an agent multiple-employer, statewide public employee pension plan established in 1967 and administered in accordance with RSMo. 70.600-70.755. As such, it is LAGERS responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and is tax exempt. The responsibility for the operations and administration of LAGERS is vested in the LAGERS Board of Trustees consisting of seven persons. LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the LAGERS website at www.molagers.org.

City of Carthage

Notes to the Financial Statements

June 30, 2019

Benefits Provided. LAGERS provides retirement, death and disability benefits. Benefit provisions are adopted by the governing body of the employer, within the options available in the state statutes governing LAGERS. All benefits vest after 5 years of credited service. Employees who retire on or after age 60 with 5 or more years of service are entitled to an allowance for life based upon the benefit program information provided below. Employees may retire with an early retirement benefit with a minimum of 5 years of credited service and after attaining age 55 and receive a reduced allowance.

	2019 Valuation
Benefit Multiplier	1.00% for life
Final Average Salary	5 Years
Member Contributions	4.00%

Benefit terms provide for annual post retirement adjustments to each member’s retirement allowance subsequent to the member’s retirement date. The annual adjustment is based on the increase in the Consumer Price Index and is limited to 4% per year.

Employees Covered by Benefit Terms. At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	1
Active employees	6
	11

Contributions. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by LAGERS. 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 an unfunded accrued liability. Full-time employees of the employer contribute 4% of their gross pay to the pension plan. Employer contribution rates are 7.9% of annual covered payroll.

Net Pension Liability. The employer’s net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of February 28, 2019.

Actuarial Assumptions. The total pension liability in the February 28, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25% wage inflation; 2.50% price inflation
Salary Increase	3.25% to 6.55% including wage inflation
Investment Rate of Return	7.25%, net of investment expenses

The healthy retiree mortality tables, for post-retirement mortality, were the RP-2014 Healthy Annuitant mortality table for males and females. The disabled retiree mortality tables, for post-retirement mortality, were the RP-2014 disabled mortality table for males and females. The pre-retirement mortality tables used were the RP-2014 employees mortality table for males and females.

City of Carthage

Notes to the Financial Statements

June 30, 2019

Both the post-retirement and pre-retirement tables were adjusted for mortality improvement back to the observation period base year of 2006. The base year for males was then established to be 2017. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The actuarial assumptions used in the February 28, 2019, valuation were based on the results of an actuarial experience study for the period March 1, 2010, through February 28, 2015.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment expenses 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. The target allocation and best estimate of 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
Alpha	15.00%	3.67%
Equity	35.00%	4.78%
Fixed Income	31.00%	1.41%
Real Assets	36.00%	3.29%
Strategic Assets	8.00%	5.25%
Cash	10.00%	0.00%
Leverage	-35.00%	-0.51%

Discount Rate. The discount rate used to measure the total pension liability is 7.25%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay 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 payment to determine the total pension liability.

City of Carthage

Notes to the Financial Statements

June 30, 2019

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2018	\$ 416,497	\$ 340,203	\$ 76,294
Changes for the Year:			
Service cost	18,692	-	18,692
Interest on total pension liability	30,208	-	30,208
Difference between expected and actual experience	6,296	-	6,296
Contributions - employer	-	21,200	(21,200)
Contributions - employee	-	10,734	(10,734)
Net investment income	-	21,647	(21,647)
Benefit payments, including refunds	(18,342)	(18,342)	-
Administrative expense	-	(1,328)	1,328
Other (net transfer)	-	678	(678)
Net changes	36,854	34,589	2,265
Balances at June 30, 2019	<u>\$ 453,351</u>	<u>\$ 374,792</u>	<u>\$ 78,559</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the employer, calculated using the discount rate of 7.25%, as well as what the employer's net pension liability would be using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate.

	Current Single Discount Rate		
	1% Decrease 6.25%	Assumption 7.25%	1% Increase 8.25%
Total Pension Liability	\$ 519,562	\$ 453,351	\$ 399,590
Plan Fiduciary Net Position	374,792	374,792	374,792
Net Pension Liability	<u>\$ 144,770</u>	<u>\$ 78,559</u>	<u>\$ 24,798</u>

City of Carthage

Notes to the Financial Statements

June 30, 2019

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

For the year ended June 30, 2019, the employer recognized pension expense of \$25,470. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources	Net Deferred Outflows (Inflows) of Resources
Differences in experiences	\$ 22,603	\$ -	\$ 22,603
Differences in assumptions	2,006	-	2,006
(Deficit) investment returns	-	(6,071)	(6,071)
	\$ 24,609	\$ (6,071)	\$ 18,538

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Net Deferred Outflows of Resources
2020	\$ 9,452
2021	2,766
2022	2,214
2023	3,055
2024	1,051
	\$ 18,538

Payable to the Pension Plan

At June 30, 2019, the Library had no outstanding contributions reported as payable to the pension plan.

Carthage Water & Electric Plant

General Information about the Pension Plan

Plan Description. The Carthage Water & Electric Plant's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The Utilities participates in the Missouri Local Government Employees Retirement System (LAGERS). LAGERS is an agent multiple-employer, statewide public employee pension plan established in 1967 and administered in accordance with RSMo. 70.600-70.755. As such, it is LAGERS responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and is tax exempt. The responsibility for the operations and administration of LAGERS is vested in the LAGERS Board of Trustees consisting of seven persons. LAGERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the LAGERS website at www.molagers.org.

City of Carthage

Notes to the Financial Statements

June 30, 2019

Benefits Provided. LAGERS provides retirement, death and disability benefits. Benefit provisions are adopted by the governing body of the employer, within the options available in the state statutes governing LAGERS. All benefits vest after 5 years of credited service. Employees who retire on or after age 60 with 5 or more years of service are entitled to an allowance for life based upon the benefit program information provided below. Employees may retire with an early retirement benefit with a minimum of 5 years of credited service and after attaining age 55 and receive a reduced allowance.

	<u>2019 Valuation</u>
Benefit Multiplier	2.00% for life
Final Average Salary	3 Years
Member Contributions	0.00%

Benefit terms provide for annual post retirement adjustments to each member's retirement allowance subsequent to the member's retirement date. The annual adjustment is based on the increase in the Consumer Price Index and is limited to 4% per year.

Employees Covered by Benefit Terms. At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	64
Inactive employees entitled to but not yet receiving benefits	10
Active employees	71
	<u>145</u>

Contributions. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by LAGERS. 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 an unfunded accrued liability. Full-time employees of the employer do not contribute to the pension plan. Employer contribution rates are 16.6% of annual covered payroll.

Net Pension Liability. The employer's net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of February 28, 2019.

Actuarial Assumptions. The total pension liability in the February 28, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25% wage inflation; 2.50% price inflation
Salary Increase	3.25% to 6.55% including wage inflation
Investment Rate of Return	7.25%, net of investment expenses

The healthy retiree mortality tables, for post-retirement mortality, were the RP-2014 Healthy Annuitant mortality table for males and females. The disabled retiree mortality tables, for post-retirement mortality, were the RP-2014 disabled

City of Carthage

Notes to the Financial Statements

June 30, 2019

mortality table for males and females. The pre-retirement mortality tables used were the RP-2014 employees mortality table for males and females.

Both the post-retirement and pre-retirement tables were adjusted for mortality improvement back to the observation period base year of 2006. The base year for males was then established to be 2017. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to the above described tables.

The actuarial assumptions used in the February 28, 2019, valuation were based on the results of an actuarial experience study for the period March 1, 2010, through February 28, 2015.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment expenses 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. The target allocation and best estimate of 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
Alpha	15.00%	3.67%
Equity	35.00%	4.78%
Fixed Income	31.00%	1.41%
Real Assets	36.00%	3.29%
Strategic Assets	8.00%	5.25%
Cash	10.00%	0.00%
Leverage	-35.00%	-0.51%

Discount Rate. The discount rate used to measure the total pension liability is 7.25%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay 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 payment to determine the total pension liability.

City of Carthage

Notes to the Financial Statements

June 30, 2019

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2018	\$ 19,798,949	\$ 19,505,203	\$ 293,746
Changes for the Year:			
Service cost	458,641	-	458,641
Interest on total pension liability	1,418,491	-	1,418,491
Difference between expected and actual experience	427,751	-	427,751
Contributions - employer	-	699,907	(699,907)
Net investment income	-	1,257,939	(1,257,939)
Benefit payments, including refunds	(934,066)	(934,066)	-
Administrative expense	-	(17,504)	17,504
Other (net transfer)	-	106,080	(106,080)
Net changes	1,370,817	1,112,356	258,461
Balances at June 30, 2019	<u>\$ 21,169,766</u>	<u>\$ 20,617,559</u>	<u>\$ 552,207</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the Net Pension Liability of the employer, calculated using the discount rate of 7.25%, as well as what the employer's Net Pension Liability would be using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate.

	1% Decrease	Current Single Discount Rate Assumption	1% Increase
	6.25%	7.25%	8.25%
Total Pension Liability	\$ 24,181,919	\$ 21,169,766	\$ 18,689,530
Plan Fiduciary Net Position	20,617,559	20,617,559	20,617,559
Net Pension Liability/(Asset)	<u>\$ 3,564,360</u>	<u>\$ 552,207</u>	<u>\$ (1,928,029)</u>

City of Carthage

Notes to the Financial Statements

June 30, 2019

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

For the year ended June 30, 2019, the employer recognized pension expense of \$674,245. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources	Net Deferred Outflows (Inflows) of Resources
Differences in experiences	\$ 409,041	\$ (107,424)	\$ 301,617
Differences in assumptions	211,638	-	211,638
(Deficit) investment returns	-	(432,073)	(432,073)
	<u>\$ 620,679</u>	<u>\$ (539,497)</u>	<u>\$ 81,182</u>

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Net Deferred Outflows (Inflows) of Resources
2020	\$ 126,443
2021	(114,984)
2022	(86,614)
2023	89,741
2024	66,596
	<u>\$ 81,182</u>

Payable to the Pension Plan

At June 30, 2019, the Utility had no outstanding contributions reported as payable to the pension plan.

9. Policemen’s & Firemen’s Pension Plan

General Information about the Pension Plan

Plan Description. In 1973, the City of Carthage established a pension plan and trust in recognition of the contribution made to its successful operation by its policemen and firemen. The plan document established a pension committee which consists of seven members including a) the mayor as ex officio member, b) two citizens appointed by the mayor with the majority consent of the elected city council, c) two citizens to be elected by the employed covered members of the police department, and d) two citizens to be elected by the employed covered members of the fire department. Appointed and elected members of the Committee shall serve a two-year term. Members of the Pension Committee serve without compensation with respect to their duties.

The primary responsibility of the pension committee is to operate and administer the plan for the exclusive benefit of the participants and their beneficiaries, subject to the specific terms of the Plan. The Pension Committee has all powers necessary or appropriate to accomplish that duty under the Plan.

City of Carthage

Notes to the Financial Statements

June 30, 2019

The Plan is a single-employer defined benefit plan covering all of the policemen and firemen of the City of Carthage, Missouri, who have not attained the age of 58 on their date of hire or on their first anniversary date of employment if participation is declined.

Benefits Provided. Each participant is eligible for a portion of his accrued benefit at normal retirement age of 55, which was lowered from age 58 as of June 28, 2016. Benefit vesting is 30% at five years, 40% at six years, 50% at seven years, 60% at eight years, 80% at nine years and 100% at ten years. The retirement benefit is equal to 2.5% of the participant's average monthly earnings multiplied by the years of service up to twenty years plus 1% of average monthly earnings multiplied by the number of years of service from twenty to thirty-five years. Average monthly earnings is defined as the highest average of any five consecutive plan years total earnings preceding retirement, disability, or termination. The Plan permits early retirement benefits after attaining the age of 50 with fifteen years of service. The early retirement benefit is the accrued benefit reduced by 5% for each year that the benefit commencement date precedes normal retirement date. Participants in the Plan are fully vested after ten years of service. Benefits may be taken in a lump-sum distribution; taken over a life annuity; or over a ten-year certain annuity.

If an active participant dies, a benefit equal to the amount the beneficiary would have received had the participant retired immediately prior to death and chosen a joint and survivor benefit will be payable. Disability benefits are the vested benefits deferred to normal retirement date; the participant is treated as a terminated participant.

Employees Covered by Benefit Terms. At January 1, 2019, the date of the last actuarial valuation, the following employees were covered by the benefit terms:

Retired participants and beneficiaries receiving benefits	31
Vested terminated participants and deferred beneficiaries	28
Active employees	49
	<u>108</u>

Contributions. The Plan as amended does not allow for employee contributions after July 1, 1988. Prior to July 1, 1988, employee contributions were allowed and those employees who terminate are entitled to their contributions including interest at the rate of 5% compounded annually.

The Plan's funding policy is to make contributions monthly in amounts that will provide all employees' benefits fully by the time they retire. The contribution rate is based on actuarial valuations performed annually using the entry age normal cost method with frozen initial liability. Employer contribution rates are 22.79% of annual covered payroll for June 30, 2019.

Net Pension Liability. The employer's net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019.

City of Carthage

Notes to the Financial Statements

June 30, 2019

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of December 31, preceding the year end measurement date, projected to the end of the fiscal year using the following actuarial assumption:

Inflation	2.2% included in the investment rate of return
Salary Increase	3.5% per year
Investment Rate of Return	7.00%

The healthy retiree mortality tables, for post-retirement mortality were the RP-2014 Total Mortality Tables, projected generationally with MP-2017 projection scale, adjusted to reflect the 2017 Social Security Intermediate Actuarial Assumptions.

For funding, the entry age normal method is used and the unfunded actuarial liability is amortized over 30 years.

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 expenses 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. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	45.00%	4.60% to 7.20%
International Equity	15.00%	4.60% to 7.20%
Fixed Income	40.00%	1.70% to 2.70%
Cash	0.00%	0.00% to 0.60%

Discount Rate. The discount rate used to measure the total pension liability was 7.0%. The projections of cash flows used to determine the discount rate assumed that Employer contributions will be made at rates equal to the actuarially determined contribution rates. Based on these assumptions, the pension plan's fiduciary net position was determined to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Carthage

Notes to the Financial Statements

June 30, 2019

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2018	\$ 9,761,227	\$ 7,313,107	\$ 2,448,120
Changes for the Year:			
Service cost	237,894	-	237,894
Interest	677,800	-	677,800
Difference between expected and actual experience	(104,161)	-	(104,161)
Change of assumptions	125,708	-	125,708
Contributions - employer	-	435,179	(435,179)
Net investment income	-	499,236	(499,236)
Benefit payments	(586,632)	(586,632)	-
Administrative expense	-	(31,468)	31,468
Net changes	350,609	316,315	34,294
Balances at June 30, 2019	<u>\$ 10,111,836</u>	<u>\$ 7,629,422</u>	<u>\$ 2,482,414</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the employer, calculated using the discount rate of 7.00%, as well as what the employer's net pension liability would be using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate.

	1% Decrease 6.00%	Assumption 7.00%	1% Increase 8.00%
Net Pension Liability	<u>\$ 3,723,149</u>	<u>\$ 2,482,414</u>	<u>\$ 1,452,614</u>

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

For the year ended June 30, 2019, the employer recognized pension expense of \$438,106. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources	Net Deferred Outflows (Inflows) of Resources
Differences in experiences	\$ -	\$ (670,845)	\$ (670,845)
Differences in assumptions	247,123	(124,133)	122,990
(Deficit) investment returns	(60,656)	-	(60,656)
	<u>\$ 186,467</u>	<u>\$ (794,978)</u>	<u>\$ (608,511)</u>

City of Carthage

Notes to the Financial Statements

June 30, 2019

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Net Deferred (Inflows) of Resources
2020	\$ (49,835)
2021	(109,700)
2022	(78,560)
2023	(57,945)
2024	(58,846)
Thereafter	(253,625)
	\$ (608,511)

Payable to the Pension Plan

At June 30, 2019, the City had no outstanding contributions reported as payable to the pension plan.

10. Accounts Receivable

Primary Government

Accounts receivable is presented net of an allowance for doubtful accounts as follows:

	Gross Receivable	Allowance	Net Receivable
Taxes Receivable			
General Fund	\$ 639,380	\$ (1,200)	\$ 638,180
Public Health Fund	72,634	(34,700)	37,934
Park/Stormwater Fund	186,964	-	186,964
Capital Improvement Sales Tax Fund	187,151	-	187,151
Fire Sales Tax Fund	93,533	-	93,533
Parks and Recreation Fund	6,002	(1,600)	4,402
	\$ 1,185,664	\$ (37,500)	\$ 1,148,164
Court Fines Receivable			
General Fund	\$ 696,167	\$ (28,719)	\$ 667,448

Carthage Public Library

	Gross Receivable	Allowance	Net Receivable
Taxes Receivable	\$ 20,540	\$ (11,000)	\$ 9,540

City of Carthage

Notes to the Financial Statements

June 30, 2019

Carthage Water & Electric Plant

	<u>Gross</u> <u>Receivable</u>	<u>Allowance</u>	<u>Net</u> <u>Receivable</u>
Utilities Receivable	\$ 2,081,912	\$ (55,000)	\$ 2,026,912

11. Deferred Compensation Plan

Primary Government

City employees participate in a nation-wide deferred compensation plan. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death, or unforeseeable emergency. All deferred amounts are the property of the City and participant's interest in the plan is that of a general creditor of the City. It is the opinion of the City's management that the City and Council have no liability for losses under the plan, but do have the duty of due care that would be required of an ordinary prudent investor. Amounts on deposit with VOYA Financial for the City of Carthage participants at June 30, 2019, were \$1,712,555.

Carthage Water & Electric Plant

Utility employees participate in a nation-wide deferred compensation plan. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death, or unforeseeable emergency. All deferred amounts are the property of the Utility and participant's interest in the plan is that of a general creditor of the Utility. It is the opinion of the Utility's management that the Utility and Board have no liability for losses under the plan, but do have the duty of due care that would be required of an ordinary prudent investor. Amounts on deposit with the ICMA-RC for Carthage Water & Electric Plant participants at June 30, 2019, were \$2,932,256.

12. Interfund Transfers

Interfund transfers for the year ended June 30, 2019, consisted of the following:

	<u>Transfers</u> <u>In (Out)</u>
General Fund	\$ 465,706
Golf Course Fund	80,000
Fire Sales Tax Fund	(281,962)
Parks and Recreation Fund	(263,744)
	<u>\$ -</u>

Transfers are used to (1) move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to disburse them, and (2) use unrestricted receipts in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

City of Carthage

Notes to the Financial Statements

June 30, 2019

13. Long-Term Debt – Component Units

Carthage Water & Electric Plant

Long-term debt of the Utility at June 30, 2019, consists of the Series 2012 and Series 2015 Refunding Certificates of Participation, a MAMU lease and compensated absences payable.

The Utility's lease/purchase agreements provide for the cancellation of the leases at the Utility's option on the renewal dates each year per State statute, however the Utility does not foresee exercising its option to cancel. Therefore, these leases are accounted for as noncancelable capital leases in accordance with FASB Accounting Standards Codification Topic No. 840-30-30, "Accounting for Capital Leases".

Series 2012 Refunding Certificates of Participation

On November 27, 2012, the Utility issued \$2,135,000 in Series 2012 Refunding Certificates of Participation to refund the Series 2003A Certificates of Participation. The certificates bear interest at various rates ranging from 0.80% to 2.80%, with principal payments due November 15 and interest payments due May 15 and November 15 each year.

The annual debt service requirements to amortize principal on the 2012 Refunding Certificates of Participation outstanding at June 30, 2019, are listed in the following table:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 195,000	\$ 22,918	\$ 217,918
2021	200,000	18,717	218,717
2022	205,000	13,956	218,956
2023	210,000	8,663	218,663
2024	210,000	2,940	212,940
	<u>\$ 1,020,000</u>	<u>\$ 67,194</u>	<u>\$ 1,087,194</u>

Series 2015 Refunding Certificates of Participation

On June 9, 2015, the Utility issued \$2,920,000 in Series 2015 Certificates of Participation to refund the Series 2007 Certificates of Participation. The certificates bear interest at various rates ranging from 0.80% to 3.35%, with principal payments due November 15 and interest payments due May 15 and November 15 each year.

City of Carthage

Notes to the Financial Statements

June 30, 2019

The annual debt service requirements to amortize principal on the Series 2015 Refunding Certificates of Participation outstanding at June 30, 2019, are listed in the following table:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 230,000	\$ 58,460	\$ 288,460
2021	235,000	54,389	289,389
2022	240,000	49,575	289,575
2023	245,000	43,934	288,934
2024	250,000	37,557	287,557
2025	255,000	30,357	285,357
2026	265,000	22,425	287,425
2027	275,000	13,849	288,849
2028	280,000	4,690	284,690
	<u>\$ 2,275,000</u>	<u>\$ 315,236</u>	<u>\$ 2,590,236</u>

Missouri Association of Municipal Utilities (MAMU) Lease

On November 18, 2018, the Utility entered into a lease agreement with the Missouri Association of Municipal Utilities (MAMU) in the amount of \$1,348,260 to finance the acquisition and installation of diesel oxidation catalysts on diesel engines. The lease bears interest at 3.73% which includes a .15% administration fee, with principal and interest payments due monthly.

The annual debt service requirements to amortize principal on the MAMU Lease outstanding at June 30, 2019, is listed in the following table:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 92,944	\$ 45,049	\$ 137,993
2021	96,470	41,565	138,035
2022	100,131	38,052	138,183
2023	103,930	34,405	138,335
2024	107,874	30,620	138,494
2025	111,967	26,692	138,659
2026	116,215	22,614	138,829
2027	120,625	18,382	139,007
2028	125,202	13,989	139,191
2029	129,953	9,429	139,382
2030	134,884	4,696	139,580
2031	57,701	517	58,218
	<u>\$ 1,297,896</u>	<u>\$ 286,010</u>	<u>\$ 1,583,906</u>

City of Carthage

Notes to the Financial Statements

June 30, 2019

A summary of the changes in long-term debt for the year ended June 30, 2019, is as follows:

	Balance June 30, 2018	Additions	Retirements	Balance June 30, 2019	Amounts Due Within One Year
Certificates of Participation					
Series 2012	\$ 1,215,000	\$ -	\$ 195,000	\$ 1,020,000	\$ 195,000
Series 2015	2,500,000	-	225,000	2,275,000	230,000
	<u>3,715,000</u>	-	<u>420,000</u>	<u>3,295,000</u>	<u>425,000</u>
2018 MAMU	-	1,348,260	50,364	1,297,896	92,944
Compensated Absences Payable	357,164	58,803	-	415,967	-
	<u>\$ 4,072,164</u>	<u>\$ 1,407,063</u>	<u>\$ 470,364</u>	<u>\$ 5,008,863</u>	<u>\$ 517,944</u>

14. Conduit Debt

On December 30, 2014, the City authorized the issuance of \$46,300,000 of Taxable Industrial Development Revenue Bonds (Schreiber Foods, Inc. Project), Series 2014. The issuance is Chapter 100 debt in order to provide economic financial assistance to a third-party private entity and the City has no obligations beyond the rents, revenues, and receipts derived by the City from the Project; therefore, the issue does not constitute a debt of the City and, accordingly, is not included in the City's statement of net position. At June 30, 2019, the amount outstanding was \$46,300,000.

15. Commitments

Primary Government

As of June 30, 2019, the City had the following commitments:

- Hunter Chase & Associates, for stormwater improvements and a street widening project in the amount of \$504,524.
- Pearson Kelly Office Products, LLC., DBA Pearson Kelly Technology to provide technology management and emergency services of the City's information technology network. The City will pay \$5,490 monthly through February 2021 totaling \$65,880 for FY 2020 and \$43,920 for FY 2021.

Carthage Water & Electric Plant

As of June 30, 2019, the Utility had the following commitments:

Effective June 1, 1998, the Utility entered into an Amendatory Agreement with the United States of America, represented by the Secretary of Energy, acting by and through the Southwestern Power Administration (hereinafter "SWPA"). The agreement provides for the utilization of the SWPA transmission system for the exchange by the Utility of non-federal power and energy with other utilities that are connected to the system of SWPA. The agreement is scheduled to expire June 30, 2020. Rates are pursuant to statute on a firm and an interruptible service basis.

City of Carthage

Notes to the Financial Statements

June 30, 2019

The Utility power contract with SWPA, which expires on June 30, 2020, provides for a maximum demand purchase of 7 MW of hydro peaking power. The Utility currently purchases 23 MW of life of plant power and associated energy from Sikeston Light & Water pursuant to the Power Sales Contract.

The contract with Sikeston Light & Water sets the price of energy at cost of plant plus 10%. At the beginning of its fiscal year, Sikeston prepares its budget with forecasted costs, and then charges the participating cities a demand charge per KW for capacity, and an energy charge per kwh purchased on a monthly basis. The per-unit charges are based on Sikeston's forecaster costs. Upon completion of the fiscal year and annual audit, actual costs are compiled and actual per unit charges are computed. Sikeston then refigures demand and energy charges for each city and nets against the amount paid throughout the fiscal year, via the monthly billings.

16. Compensated Absences

Carthage Public Library

The following table is a summary of the changes in compensated absences for the year ended June 30, 2019:

	<u>Balance June 30, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2019</u>	<u>Amounts Due Within One Year</u>
Compensated absences payable	\$ 12,387	\$ 2,352	\$ -	\$ 14,739	\$ -

17. Estimated Amounts Due to Third-Party Payers

McCune-Brooks Hospital, d/b/a McCune-Brooks Regional Hospital

The Hospital received additional reimbursement from the Medicaid program in relation to the percentage of Medicaid and indigent population they serve. Funding received in excess of costs to provide these services may be refunded to the state. As of April 30, 2019, the Hospital has recorded a liability of \$1,560,334 for the portion of funding received in excess of costs. In August, 2019, it was determined this liability would not be required to be repaid by the Hospital.

18. Risk Management

Primary Government

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has transferred its risk by obtaining coverage from a public self-insured insurance pool. In addition, it has effectively managed risk through various employee education and prevention programs. There has been no significant reduction in insurance coverage from the previous year.

Carthage Public Library

The Library is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Library has transferred its risk by obtaining coverage from a public self-insured insurance pool. In addition, it has effectively managed risk through various employee education and prevention programs. There has been no significant reduction in insurance coverage from the previous year.

City of Carthage

Notes to the Financial Statements

June 30, 2019

Carthage Water & Electric Plant

The Utility is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Utility has transferred its risk by obtaining coverage from a public self-insured insurance pool. In addition, it has effectively managed risk through various employee education and prevention programs. There has been no significant reduction in insurance coverage from the previous year.

19. Asset Retirement Obligation

Carthage Water & Electric Plant

The Utility has a wastewater treatment plant and related equipment in operation which has regulatory requirements upon closure. The Utility's estimate of the potential closure costs to be incurred was provided by an engineering firm that based the estimate on past project experience of similar nature. The asset retirement obligation at June 30, 2019, was \$566,000 with an estimated remaining useful life of 30 years. The Utility did not restate the prior year financial statements as any difference in the liability and related deferred outflows of resources would be insignificant.

20. Related Party Transactions

Primary Government

Carthage Water & Electric Plant made monthly dividend transfer payments to the City totaling \$1,089,180 for the year ended June 30, 2019. Monthly payments to the City also consist of the PILOT (Payments in Lieu of Tax) collected on 3.5% of inside City Utility billings not to exceed \$100 per month, per metered account, totaling \$559,547. The City also received \$59,038 per an agreement for reimbursement for economic development services. In addition, the City paid Carthage Water & Electric Plant \$170,810 for utility services.

The City has an intergovernmental agreement with the Carthage Public Library and paid \$451,958 in park and stormwater sales taxes to the Library during the year ended June 30, 2019.

During the current year, the Hospital awarded the City a grant for the purchase of land in the amount of \$175,000.

The City purchases multiple insurance policies through Beimdiek Insurance Agency, which is owned by a member of the Board of Public Works of the Carthage Water & Electric Plant. The City paid \$400 directly to Beimdiek Insurance agency during the year ended June 30, 2019.

Carthage Water & Electric Plant

The Utility purchases multiple insurance policies through Beimdiek Insurance Agency, which is owned by a member of the Board of Public Works. The Utility paid \$301,883 directly to Beimdiek Insurance Agency during the year ended June 30, 2019.

City of Carthage

Notes to the Financial Statements

June 30, 2019

21. Deferred Court Fines

Revenues from receivables not expected to be collected in time to pay current operating expenses are deferred until received in the governmental funds. These deferred court fines are to be collected over several years. All of the deferred court fines at June 30, 2019, are accounted for as follows:

General Fund	
Deferred court fines	<u>\$ 540,883</u>

22. Subsequent Events

Carthage Water & Electric Plant

On September 27, 2019, the Utility issued \$4,501,000 in Combined Waterworks and Sewerage System Revenue Bonds (State of Missouri Direct Loan Program), Series 2019 for the purpose of extending and improving the Utility's Combined Waterworks and Sewerage System with interest at .98% with an additional .5% admin fee.

On August 15, 2019, the Utility approved a construction contract with McClanahan Construction Co. in the amount of \$3,345,476 for the wastewater treatment facility improvement project which will be paid for with bond proceeds.

Carthage Public Library

On November 8, 2019, the Library entered into a loan agreement with Community National Bank & Trust to finance construction of a new education annex building in the amount of \$270,000 with interest at 3.15%.

On November 15, 2019, the Library approved a contract with Dalton-Killinger Construction Company for construction of a new education annex building in the amount of \$484,188.

McCune-Brooks Hospital, d/b/a McCune-Brooks Regional Hospital

In May 2019, the Hospital approved a grant to the Fair Acres Family YMCA to be paid in various amounts from June 2019 through December 2019 in the amount of \$1,450,000. The Hospital also approved a grant to the City of Carthage for the purchase of land in the amount of \$175,000.

23. Bond Ordinance

Carthage Water & Electric Plant

On August 5, 2014, citizens approved the issuance of bonds up to \$6,000,000 for purposes of renovating, constructing, improving, and enlarging its combined water and wastewater system, including the costs to renovate and improve the Utility's sewer treatment plant to be compliant with state and federal regulations and to add capacity and efficiency to the operation of the sewer treatment plant, and the cost of operating and maintaining the said combined water and wastewater system. As of June 30, 2019, \$6,000,000 of the bond ordinance had not been issued. On September 27, 2019, the Utility issued \$4,501,000 of the bonds leaving \$1,499,000 not issued.

City of Carthage

Notes to the Financial Statements

June 30, 2019

24. Claims & Adjustments

Primary Government

The City participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulation, the City may be required to reimburse the grantor government. As of June 30, 2019, expenditures have not been audited by grantor governments, but the City believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual government funds or the overall financial position of the City.

Carthage Public Library

The Library participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulation, the Library may be required to reimburse the grantor government. As of June 30, 2019, expenditures have not been audited by grantor governments, but the Library believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual government funds or the overall financial position of the Library.

25. Grant Awards Payable

McCune-Brooks Hospital, d/b/a McCune-Brooks Regional Hospital

During fiscal year 2018, the Hospital awarded the Carthage Community Foundation a grant award in the amount of \$75,000. The Hospital will make annual payments of \$25,000 through 2020. During the current fiscal year, the Hospital awarded the Carthage R-9 School District a grant award in the amount of \$500,000. The Hospital will make annual payments of \$100,000 through 2023.

<u>Year Ending April 30,</u>	<u>Carthage Community Foundation</u>	<u>Carthage R-9 School District</u>	<u>Total</u>
2020	\$ 25,000	\$ 100,000	\$ 125,000
2021	-	100,000	100,000
2022	-	100,000	100,000
2023	-	100,000	100,000
	<u>\$ 25,000</u>	<u>\$ 400,000</u>	<u>\$ 425,000</u>

A summary of changes in grant awards payable is as follows:

	<u>Balance April 30, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance April 30, 2019</u>	<u>Amounts Due Within One Year</u>
Carthage Community Foundation	\$ 50,000	\$ -	\$ 25,000	\$ 25,000	\$ 25,000
Carthage R-9 School District	-	500,000	100,000	400,000	100,000
	<u>\$ 50,000</u>	<u>\$ 500,000</u>	<u>\$ 125,000</u>	<u>\$ 425,000</u>	<u>\$ 125,000</u>

Required Supplementary Information

City of Carthage

Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios

Year Ended June 30, 2019

Primary Government					
Missouri Local Government Employees Retirement System (LAGERS)					
	Total Year Ended June 30, 2019	Total Year Ended June 30, 2018	Total Year Ended June 30, 2017	Total Year Ended June 30, 2016	Total Year Ended June 30, 2015
Total Pension Liability					
Service cost	\$ 184,215	\$ 193,067	\$ 144,948	\$ 148,111	\$ 143,785
Interest on the total pension liability	616,002	613,542	503,758	466,454	444,749
Change of benefit terms	-	-	1,135,785	-	-
Difference between expected and actual experience	(37,290)	(392,870)	47,451	(32,075)	28,510
Assumption changes	-	-	-	266,021	-
Benefit payments, including refunds	(399,939)	(351,823)	(331,181)	(333,619)	(306,421)
<i>Net Change in Total Pension Liability</i>	<u>362,988</u>	<u>61,916</u>	<u>1,500,761</u>	<u>514,892</u>	<u>310,623</u>
Total Pension Liability, Beginning	<u>8,602,552</u>	<u>8,540,636</u>	<u>7,039,875</u>	<u>6,524,983</u>	<u>6,214,360</u>
Total Pension Liability, Ending	<u>8,965,540</u>	<u>8,602,552</u>	<u>8,540,636</u>	<u>7,039,875</u>	<u>6,524,983</u>
Plan Fiduciary Net Position					
Contributions - employer	255,289	274,974	268,547	140,117	155,698
Net investment income	625,696	939,352	888,359	(16,381)	148,408
Benefit payments, including refunds	(399,939)	(351,823)	(331,181)	(333,619)	(306,421)
Pension plan administrative expense	(13,883)	(9,134)	(9,355)	(9,001)	(9,600)
Other (net transfer)	106,764	(205,050)	57,126	(151,612)	138,831
<i>Net Change in Plan Fiduciary Net Position</i>	<u>573,927</u>	<u>648,319</u>	<u>873,496</u>	<u>(370,496)</u>	<u>126,916</u>
Plan Fiduciary Net Position, Beginning	<u>8,697,081</u>	<u>8,048,762</u>	<u>7,175,266</u>	<u>7,545,762</u>	<u>7,418,846</u>
Plan Fiduciary Net Position, Ending	<u>9,271,008</u>	<u>8,697,081</u>	<u>8,048,762</u>	<u>7,175,266</u>	<u>7,545,762</u>
Net Pension Liability (Asset)	<u>\$ (305,468)</u>	<u>\$ (94,529)</u>	<u>\$ 491,874</u>	<u>\$ (135,391)</u>	<u>\$ (1,020,779)</u>
Plan fiduciary net position as a percentage of the total pension liability	103.41%	101.10%	94.24%	101.92%	115.64%
Covered employee payroll	\$ 1,601,415	\$ 1,729,163	\$ 1,763,057	\$ 1,750,117	\$ 1,752,654
Net pension liability (asset) as a percentage of covered employee payroll	-19.07%	-5.47%	27.90%	-7.74%	-58.24%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

City of Carthage

Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios

Year Ended June 30, 2019

	Primary Government Policemen's and Firemen's Pension Plan				
	Total Year Ended June 30, 2019	Total Year Ended June 30, 2018	Total Year Ended June 30, 2017	Total Year Ended June 30, 2016	Total Year Ended June 30, 2015
Total Pension Liability					
Service cost	\$ 237,894	\$ 240,343	\$ 226,274	\$ 201,080	\$ 208,914
Interest on the total pension liability	677,800	671,715	670,397	620,068	601,136
Changes of benefit terms	-	-	-	558,809	-
Difference between expected and actual experience	(104,161)	(170,465)	(257,146)	(97,950)	(185,214)
Changes of assumptions	125,708	(60,216)	(42,530)	(61,239)	207,958
Benefit payments	<u>(586,632)</u>	<u>(603,885)</u>	<u>(550,404)</u>	<u>(554,274)</u>	<u>(492,310)</u>
<i>Net Change in Total Pension Liability</i>	350,609	77,492	46,591	666,494	340,484
Total Pension Liability, Beginning	<u>9,761,227</u>	<u>9,683,735</u>	<u>9,637,144</u>	<u>8,970,650</u>	<u>8,630,166</u>
Total Pension Liability, Ending	10,111,836	9,761,227	9,683,735	9,637,144	8,970,650
Plan Fiduciary Net Position					
Contributions - employer	435,179	439,725	460,288	380,711	394,050
Pension plan net investment income	499,236	578,988	601,294	145,837	221,775
Benefit payments, including refunds	(586,632)	(603,885)	(550,404)	(554,274)	(492,310)
Pension plan administrative expense	<u>(31,468)</u>	<u>(42,630)</u>	<u>(22,164)</u>	<u>(30,304)</u>	<u>(38,443)</u>
<i>Net Change in Plan Fiduciary Net Position</i>	316,315	372,198	489,014	(58,030)	85,072
Plan Fiduciary Net Position, Beginning	<u>7,313,107</u>	<u>6,940,909</u>	<u>6,451,895</u>	<u>6,509,925</u>	<u>6,424,853</u>
Plan Fiduciary Net Position, Ending	<u>7,629,422</u>	<u>7,313,107</u>	<u>6,940,909</u>	<u>6,451,895</u>	<u>6,509,925</u>
Net Pension Liability	<u>\$ 2,482,414</u>	<u>\$ 2,448,120</u>	<u>\$ 2,742,826</u>	<u>\$ 3,185,249</u>	<u>\$ 2,460,725</u>
Plan fiduciary net position as a percentage of the total pension liability	75.45%	74.92%	71.68%	66.90%	72.60%
Covered employee payroll	\$ 1,909,517	\$ 2,020,795	\$ 2,060,376	\$ 2,035,888	\$ 2,206,327
Net pension liability as a percentage of covered employee payroll	130.00%	121.15%	133.12%	156.50%	111.50%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

City of Carthage

Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios

Year Ended June 30, 2019

Carthage Public Library					
Missouri Local Government Employees Retirement System (LAGERS)					
	Total Year Ended June 30, 2019	Total Year Ended June 30, 2018	Total Year Ended June 30, 2017	Total Year Ended June 30, 2016	Total Year Ended June 30, 2015
Total Pension Liability					
Service cost	\$ 18,692	\$ 18,898	\$ 14,358	\$ 11,273	\$ 12,041
Interest on the total pension liability	30,208	27,583	24,572	22,828	21,052
Difference between expected and actual experience	6,296	7,848	16,914	2,712	17,454
Assumption changes	-	-	-	6,930	-
Benefit payments, including refunds	(18,342)	(17,705)	(15,427)	(26,759)	(24,645)
<i>Net change in total pension liability</i>	36,854	36,624	40,417	16,984	25,902
Total Pension Liability, Beginning	416,497	379,873	339,456	322,472	296,570
Total Pension Liability, Ending	453,351	416,497	379,873	339,456	322,472
Plan Fiduciary Net Position					
Contributions - employer	21,200	19,894	17,041	10,700	10,761
Contributions - employee	10,734	10,073	9,879	7,254	7,057
Net investment income	21,647	35,660	28,814	37	8,257
Benefit payments, including refunds	(18,342)	(17,705)	(15,427)	(26,759)	(24,645)
Pension plan administrative expense	(1,328)	(939)	(927)	(841)	(839)
Other (net transfer)	678	4,038	1,520	(16,876)	(7,683)
<i>Net Change in Plan Fiduciary Net Position</i>	34,589	51,021	40,900	(26,485)	(7,092)
Plan Fiduciary Net Position, Beginning	340,203	289,182	248,282	274,767	281,859
Plan Fiduciary Net Position, Ending	374,792	340,203	289,182	248,282	274,767
Net Pension Liability	\$ 78,559	\$ 76,294	\$ 90,691	\$ 91,174	\$ 47,705
Plan fiduciary net position as a percentage of the total pension liability	82.67%	81.68%	76.13%	73.14%	85.21%
Covered employee payroll	\$ 262,181	\$ 248,609	\$ 263,247	\$ 171,216	\$ 150,650
Net pension liability as a percentage of covered employee payroll	29.96%	30.69%	34.45%	53.25%	31.67%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

City of Carthage

Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios

Year Ended June 30, 2019

Carthage Water & Electric Plant					
Missouri Local Government Employees Retirement System (LAGERS)					
	Total Year Ended June 30, 2019	Total Year Ended June 30, 2018	Total Year Ended June 30, 2017	Total Year Ended June 30, 2016	Total Year Ended June 30, 2015
Total Pension Liability					
Service cost	\$ 458,641	\$ 424,993	\$ 396,884	\$ 304,161	\$ 302,155
Interest on the total pension liability	1,418,491	1,361,992	1,308,957	1,062,480	1,028,518
Benefit changes	-	-	-	2,083,446	-
Difference between expected and actual experience	427,751	(90,694)	(100,212)	163,853	(11,114)
Assumption changes	-	-	-	647,918	-
Benefit payments, including refunds	(934,066)	(932,987)	(844,414)	(968,846)	(739,376)
<i>Net Change in Total Pension Liability</i>	1,370,817	763,304	761,215	3,293,012	580,183
Total Pension Liability, Beginning	19,798,949	19,035,645	18,274,430	14,981,418	14,401,235
Total Pension Liability, Ending	21,169,766	19,798,949	19,035,645	18,274,430	14,981,418
Plan Fiduciary Net Position					
Contributions - employer	699,907	678,813	602,298	344,686	414,395
Pension plan net investment income	1,257,939	2,088,740	1,891,759	(4,387)	336,672
Benefit payments, including refunds	(934,066)	(932,987)	(844,414)	(968,846)	(739,376)
Pension plan administrative expense	(17,504)	(11,950)	(11,546)	(11,186)	(11,836)
Other	106,080	23,749	135,995	114,572	13
<i>Net Change in Plan Fiduciary Net Position</i>	1,112,356	1,846,365	1,774,092	(525,161)	(132)
Plan Fiduciary Net Position, Beginning	19,505,203	17,658,838	15,884,746	16,409,907	16,410,039
Plan Fiduciary Net Position, Ending	20,617,559	19,505,203	17,658,838	15,884,746	16,409,907
Net Pension Liability (Asset)	\$ 552,207	\$ 293,746	\$ 1,376,807	\$ 2,389,684	\$ (1,428,489)
Plan fiduciary net position as a percentage of the total pension liability	97.39%	98.52%	92.77%	86.92%	109.54%
Covered employee payroll	\$ 4,137,642	\$ 3,957,751	\$ 3,627,276	\$ 3,361,113	\$ 3,561,801
Net pension liability (asset) as a percentage of covered employee payroll	13.35%	7.42%	37.96%	71.10%	-40.11%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

City of Carthage

Schedule of Contributions – LAGERS

Year Ended June 30, 2019

Primary Government Missouri Local Government Employees Retirement Systems (LAGERS)

Year Ending June 30,	Actuarially Determined Contribution	Contribution in Relation to the Actuarially Determined Contribution	Contribution Excess (Deficiency)	Covered Employee Payroll	Contribution as a Percentage of Covered Employee Payroll
2010	\$ 81,750	\$ 81,750	\$ -	\$ 1,572,115	5.20%
2011	166,734	104,420	(62,314)	1,684,186	6.20%
2012	169,096	120,543	(48,553)	1,674,217	7.20%
2013	171,903	139,565	(32,338)	1,702,015	8.20%
2014	163,971	153,931	(10,040)	1,673,169	9.20%
2015	155,885	155,885	-	1,732,050	9.00%
2016	140,104	140,104	-	1,773,473	7.90%
2017	268,547	268,546	(1)	1,814,506	14.80%
2018	274,975	274,975	-	1,774,028	15.50%
2019	255,289	255,289	-	1,713,348	14.90%

See accompanying notes to the schedule.

City of Carthage

Schedule of Contributions – LAGERS

Year Ended June 30, 2019

Carthage Public Library
Missouri Local Government Employees Retirement Systems (LAGERS)

Year Ending June 30,	Actuarially Determined Contribution	Contribution in Relation to the Actuarially Determined Contribution	Contribution Excess (Deficiency)	Covered Employee Payroll	Contribution as a Percentage of Covered Employee Payroll
2010	\$ 9,690	\$ 9,690	\$ -	\$ 161,499	6.00%
2011	9,792	9,792	-	163,196	6.00%
2012	10,176	10,176	-	172,468	5.90%
2013	12,547	12,547	-	181,839	6.90%
2014	10,865	10,865	-	157,466	6.90%
2015	10,761	10,761	-	176,417	6.10%
2016	10,700	10,700	-	181,362	5.90%
2017	22,969	17,041	(5,928)	246,976	6.90%
2018	22,161	19,894	(2,267)	251,827	7.90%
2019	21,200	21,200	-	268,351	7.90%

See accompanying notes to the schedule.

City of Carthage

Schedule of Contributions – LAGERS

Year Ended June 30, 2019

Carthage Water & Electric Plant Missouri Local Government Employees Retirement Systems (LAGERS)

Year Ending June 30,	Actuarially Determined Contribution	Contribution in Relation to the Actuarially Determined Contribution	Contribution Excess (Deficiency)	Covered Employee Payroll	Contribution as a Percentage of Covered Employee Payroll
2010	\$ 318,993	\$ 318,993	\$ -	\$ 2,981,246	10.70%
2011	406,559	371,620	(34,939)	3,176,242	11.70%
2012	414,423	414,423	-	3,263,176	12.70%
2013	429,982	429,983	1	3,359,235	12.80%
2014	411,588	411,588	-	3,429,900	12.00%
2015	414,395	414,395	-	3,572,371	11.60%
2016	344,686	344,686	-	3,628,275	9.50%
2017	602,298	602,298	-	3,695,078	16.30%
2018	678,812	678,812	-	3,923,772	17.30%
2019	699,907	699,906	(1)	4,216,305	16.60%

See accompanying notes to the schedule.

City of Carthage

Notes to the Schedule of Contributions – LAGERS

Year Ended June 30, 2019

Valuation Date: February 28, 2019

Notes: The roll-forward of total pension liability from February 28, 2019, to June 30, 2019, reflects expected service cost and interest reduced by actual benefit payments.

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method: Entry Age Normal and Modified Terminal Funding

Amortization Method: A level percentage of payroll amortization method is used to amortize the UAAL over a closed period of years. If the UAAL (excluding the UAAL associated with benefit changes) is negative, then this amount is amortized over the greater of (i) the remaining initial amortization period, or (ii) 15 years.

Remaining Amortization Period: Multiple bases from 15 to 17 years for the Primary Government, multiple bases from 15 to 16 years for Carthage Water & Electric Plant, and multiple bases from 11 to 15 years for Carthage Public Library

Asset Valuation Method: 5-Year smoothed market; 20% corridor

Inflation: 3.25% wage inflation; 2.5% price inflation

Salary Increases: 3.25% to 6.55% including wage inflation

Investment Rate of Return: 7.25%, net of investment expenses

Retirement Age: Experience-based table of rates that are specific to the type of eligibility condition

Mortality: The healthy retiree mortality tables, for post-retirement mortality, were the RP-2014 Healthy Annuitant mortality table for males and females. The disabled retiree mortality tables, for post-retirement mortality, were the RP-2014 disabled mortality table for males and females. The pre-retirement mortality tables used were the RP-2014 employees mortality table for males and females.

Both the post-retirement and pre-retirement tables were adjusted for mortality improvement back to the observation period base year of 2006. The base year for males was then established to be 2017. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to the above described tables.

Other Information: None

City of Carthage

Schedule of Contributions – Policemen’s and Firemen’s Pension Plan

Year Ended June 30, 2019

Primary Government Policemen’s and Firemen’s Pension Plan

Year Ending June 30,	Actuarially Determined Contribution	Contribution in Relation to the Actuarially Determined Contribution	Contribution Excess (Deficiency)	Covered Employee Payroll	Contribution as a Percentage of Covered Employee Payroll
2015	\$ 361,180	\$ 394,050	\$ 32,870	\$ 2,206,327	17.86%
2016	370,191	380,711	10,520	2,035,888	18.70%
2017	449,784	460,288	10,504	2,060,376	22.34%
2018	460,437	439,725	(20,712)	2,020,795	21.76%
2019	451,861	435,179	(16,682)	1,909,517	22.79%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

City of Carthage

Notes to the Schedule of Contributions – Policemen’s and Firemen’s Pension Plan

Year Ended June 30, 2019

Valuation Date: January 1, 2019

Notes: The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated.

Methods and Assumptions Used to Determine Contribution Rates

Measurement Date: June 30, 2019

Actuarial Cost Method: Entry age normal

Amortization Method: Level percentage of projected payroll

Remaining Amortization Period: 30 years

Asset Valuation Method: Market value of assets is adjusted by the percentage of investment gains and losses over a five-year period. The percentage starts at 80% in the first year following the investment gain or loss, decreasing by 20% for each additional year.

Investment Rate of Return: 7.00%

Projected Salary Increase: 3.50%

Mortality: RP-2014 Total Mortality Tables, projected generationally with MP-2017 projection scale, adjusted to reflect the 2017 Social Security Intermediate Actuarial Assumptions.

Changes in Benefit Terms: In 2016, the retirement age was lowered to 55 from 58.

Changes of Assumptions: In 2012, investment rate of return and projected salary increase were adjusted to more closely reflect actual experienced. Mortality is adjusted as the new table becomes available.

City of Carthage

Budgetary Comparison Schedule – General Fund

Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues				
Taxes				
Ad valorem taxes, penalties and interest	\$ 420,719	\$ 420,719	\$ 588,787	\$ 168,068
Motor vehicle sales tax	550,000	550,000	575,947	25,947
Sales tax	3,525,595	3,525,595	3,527,758	2,163
Payment in lieu of tax	510,000	510,000	559,547	49,547
Franchise tax	463,442	463,442	459,945	(3,497)
Cigarette tax	50,000	50,000	50,186	186
Intangible tax	500	500	45	(455)
	<u>5,520,256</u>	<u>5,520,256</u>	<u>5,762,215</u>	<u>241,959</u>
Licenses and Permits				
Building permits	1,000	1,000	1,050	50
Occupation licenses	117,500	117,500	120,026	2,526
Other	67,300	67,300	48,929	(18,371)
	<u>185,800</u>	<u>185,800</u>	<u>170,005</u>	<u>(15,795)</u>
Intergovernmental Revenues				
Grants	302,692	302,692	371,372	68,680
Carthage Water and Electric Plant	1,148,216	1,148,216	1,148,218	2
Fire district	412,000	412,000	427,956	15,956
	<u>1,862,908</u>	<u>1,862,908</u>	<u>1,947,546</u>	<u>84,638</u>
Charges for Services				
Civil war museum	9,100	9,100	12,132	3,032
Rental income	57,000	57,000	62,290	5,290
Street oil and repair	80,257	80,257	140,296	60,039
	<u>146,357</u>	<u>146,357</u>	<u>214,718</u>	<u>68,361</u>
Fines and Forfeitures				
City court fines	333,257	333,257	343,115	9,858
Miscellaneous				
Interest	6,165	6,165	158,192	152,027
Other	54,850	54,850	49,835	(5,015)
	<u>61,015</u>	<u>61,015</u>	<u>208,027</u>	<u>147,012</u>
Total Revenues	<u>8,109,593</u>	<u>8,109,593</u>	<u>8,645,626</u>	<u>536,033</u>

City of Carthage

Budgetary Comparison Schedule – General Fund

Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Expenditures				
Current				
Administrative	505,100	505,100	467,954	37,146
Public works	550,282	550,282	504,931	45,351
Street	1,836,551	1,890,551	1,667,650	222,901
Police	3,111,029	3,171,708	2,746,005	425,703
Municipal court	127,425	127,425	119,356	8,069
City attorney	87,450	87,450	87,754	(304)
Taxi	60,475	60,475	58,316	2,159
Fire	1,957,084	1,958,134	1,629,177	328,957
Emergency management	5,700	5,700	4,214	1,486
Parks and recreation	521,083	523,583	486,679	36,904
Memorial hall	214,451	221,451	207,716	13,735
Civil war museum	36,630	36,630	33,983	2,647
Central municipal	474,569	609,069	460,500	148,569
Information technology	300,014	300,014	174,130	125,884
Total Expenditures	<u>9,787,843</u>	<u>10,047,572</u>	<u>8,648,365</u>	<u>1,399,207</u>
 <i>(Deficit) of Revenues over Expenditures</i>	 (1,678,250)	 (1,937,979)	 (2,739)	 1,935,240
Other Financing Sources (Uses)				
Operating transfers in	540,727	540,727	545,706	4,979
Operating transfers (out)	(90,000)	(90,000)	(80,000)	10,000
Total Other Financing Sources (Uses)	<u>450,727</u>	<u>450,727</u>	<u>465,706</u>	<u>14,979</u>
 <i>Excess (Deficit) of Revenues and Other Sources over Expenditures and other (Uses)</i>	 (1,227,523)	 (1,487,252)	 462,967	 1,950,219
 Fund Balance, July 1	 5,096,193	 11,052,986	 11,052,986	 -
Fund Balance, June 30	<u><u>\$ 3,868,670</u></u>	<u><u>\$ 9,565,734</u></u>	<u><u>\$ 11,515,953</u></u>	<u><u>\$ 1,950,219</u></u>

City of Carthage

Budgetary Comparison Schedule – Public Health Fund

Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues				
Taxes				
Ad valorem taxes	\$ 104,100	\$ 104,100	\$ 134,416	\$ 30,316
Other taxes	300	300	7,265	6,965
	<u>104,400</u>	<u>104,400</u>	<u>141,681</u>	<u>37,281</u>
Intergovernmental revenue	14,000	14,000	14,443	443
Charges for services	57,500	57,500	56,853	(647)
Miscellaneous	900	900	6,886	5,986
Total Revenues	<u>176,800</u>	<u>176,800</u>	<u>219,863</u>	<u>43,063</u>
Expenditures				
Current				
Public health	174,026	174,026	137,268	36,758
Total Expenditures	<u>174,026</u>	<u>174,026</u>	<u>137,268</u>	<u>36,758</u>
<i>Excess of Revenues over Expenditures</i>	2,774	2,774	82,595	79,821
Fund Balance, July 1	277,319	348,271	348,271	-
Fund Balance, June 30	<u><u>\$ 280,093</u></u>	<u><u>\$ 351,045</u></u>	<u><u>\$ 430,866</u></u>	<u><u>\$ 79,821</u></u>

City of Carthage

Budgetary Comparison Schedule – Golf Course Fund

Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Charges for services	\$ 447,714	\$ 447,714	\$ 434,429	\$ (13,285)
Miscellaneous	225	225	160	(65)
Total Revenues	447,939	447,939	434,589	(13,350)
Expenditures				
Current				
Golf course	623,056	623,056	604,205	18,851
Total Expenditures	623,056	623,056	604,205	18,851
<i>(Deficit) of Revenues over Expenditures</i>	(175,117)	(175,117)	(169,616)	5,501
Other Financing Sources				
Operating transfers in	80,000	80,000	80,000	-
<i>(Deficit) of Revenues and Other Sources over Expenditures</i>	(95,117)	(95,117)	(89,616)	5,501
Fund Balance, July 1	203,205	218,387	218,387	-
Fund Balance, June 30	\$ 108,088	\$ 123,270	\$ 128,771	\$ 5,501

City of Carthage

Budgetary Comparison Schedule – Park/Stormwater Fund

Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Sales taxes	\$ 1,140,541	\$ 1,140,541	\$ 1,129,894	\$ (10,647)
Miscellaneous	625	625	5,426	4,801
Total Revenues	1,141,166	1,141,166	1,135,320	(5,846)
Expenditures				
Current				
Library	451,715	451,715	451,958	(243)
Parks and recreation	688,000	938,100	641,525	296,575
Debt Service				
Principal, interest and fees	163,665	163,665	163,655	10
Total Expenditures	1,303,380	1,553,480	1,257,138	296,342
<i>(Deficit) of Revenues over Expenditures</i>	(162,214)	(412,314)	(121,818)	290,496
Fund Balance, July 1	304,028	741,955	741,955	-
Fund Balance, June 30	\$ 141,814	\$ 329,641	\$ 620,137	\$ 290,496

City of Carthage

Budgetary Comparison Schedule – Capital Improvement Sales Tax Fund

Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues				
Sales taxes	\$ 1,139,527	\$ 1,139,527	\$ 1,135,727	\$ (3,800)
Intergovernmental revenue	-	-	175,000	175,000
Miscellaneous	2,500	2,500	2,642	142
Total Revenues	<u>1,142,027</u>	<u>1,142,027</u>	<u>1,313,369</u>	<u>171,342</u>
Expenditures				
Current				
Capital outlay	<u>2,016,038</u>	<u>2,645,503</u>	<u>1,543,420</u>	<u>1,102,083</u>
Total Expenditures	<u>2,016,038</u>	<u>2,645,503</u>	<u>1,543,420</u>	<u>1,102,083</u>
<i>(Deficit) of Revenues over Expenditures</i>	(874,011)	(1,503,476)	(230,051)	1,273,425
Other Financing (Uses)				
Operating transfers (out)	<u>(192,268)</u>	<u>(192,268)</u>	<u>-</u>	<u>192,268</u>
<i>(Deficit) of Revenues over Expenditures and other (Uses)</i>	(1,066,279)	(1,695,744)	(230,051)	1,465,693
Fund Balance, July 1	<u>2,304,433</u>	<u>2,581,502</u>	<u>2,581,502</u>	<u>-</u>
Fund Balance, June 30	<u>\$ 1,238,154</u>	<u>\$ 885,758</u>	<u>\$ 2,351,451</u>	<u>\$ 1,465,693</u>

City of Carthage

Budgetary Comparison Schedule – Fire Sales Tax Fund

Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues				
Sales taxes	\$ 563,410	\$ 563,410	\$ 566,395	\$ 2,985
Miscellaneous	600	600	10,443	9,843
Total Revenues	<u>564,010</u>	<u>564,010</u>	<u>576,838</u>	<u>12,828</u>
Expenditures				
Current				
Fire	48,500	208,500	69,315	139,185
Total Expenditures	<u>48,500</u>	<u>208,500</u>	<u>69,315</u>	<u>139,185</u>
<i>Excess of Revenues over Expenditures</i>	515,510	355,510	507,523	152,013
Other Financing (Uses)				
Operating transfers (out)	<u>(282,005)</u>	<u>(282,005)</u>	<u>(281,962)</u>	<u>43</u>
<i>Excess of Revenues over Expenditures and Other (Uses)</i>	233,505	73,505	225,561	152,056
Fund Balance, July 1	693,596	790,880	790,880	-
Fund Balance, June 30	<u><u>\$ 927,101</u></u>	<u><u>\$ 864,385</u></u>	<u><u>\$ 1,016,441</u></u>	<u><u>\$ 152,056</u></u>

City of Carthage

Notes to the Budgetary Comparison Schedule

Year Ended June 30, 2019

Budgets and Budgetary Accounting

The City utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to July, Administration submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditure plans for all fund types and the proposed means of financing them.
2. One public hearing is conducted by the City Council in late May or early June to obtain taxpayers' comments on the proposed budget and tax levy.
3. Prior to July 1, ordinances are passed by Council which provide for legally adopted budgets for all funds of the City.
4. The City operates on a program performance budget system, with legally adopted budgets prepared by fund, program and department. The level of budgetary control is at the department level. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of City Council.
5. Formal budgetary integration is employed as a management control device for all funds of the City.
6. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with GAAP. Budgeted amounts may be amended during the year by City Council on approved budget adjustment forms.

Other Financial Information

City of Carthage

Combining Balance Sheet – Non-Major Governmental Funds

June 30, 2019

	Special Revenue Funds											Total Non-major Governmental Funds
	Civic Enhancement Fund	Lodging Tax Fund	Public Safety Grant Fund	Stormwater Detention Fund	Parks and Recreation Fund	TIF/ CID Fund	Inmate Security Fund	Myers Park Fund	Landfill Closure Fund	Judicial Education Fund	Economic Development Fund	
Assets												
Cash and cash equivalents	\$ 61,206	\$ 36,254	\$ 34,070	\$ 8,528	\$ 75,049	\$ 42,583	\$ 11,318	\$ 339,244	\$ 128,799	\$ 3,182	\$ 6,044	\$ 746,277
Investments	-	-	-	-	-	-	-	76,497	815,287	-	-	891,784
Taxes receivable, net	-	-	-	-	4,402	-	-	-	-	-	-	4,402
Other accounts receivable	-	-	-	-	-	-	1,169	-	610	174	-	1,953
Intergovernmental receivable	-	5,052	-	-	-	-	-	-	-	-	-	5,052
Total Assets	<u>\$ 61,206</u>	<u>\$ 41,306</u>	<u>\$ 34,070</u>	<u>\$ 8,528</u>	<u>\$ 79,451</u>	<u>\$ 42,583</u>	<u>\$ 12,487</u>	<u>\$ 415,741</u>	<u>\$ 944,696</u>	<u>\$ 3,356</u>	<u>\$ 6,044</u>	<u>\$ 1,649,468</u>
Liabilities												
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Fund Balances												
Restricted for:												
Public safety	-	-	34,070	-	-	-	-	-	-	-	-	34,070
Inmate security	-	-	-	-	-	-	12,487	-	-	-	-	12,487
Parks and recreation	-	-	-	-	79,451	-	-	-	-	-	-	79,451
Judicial education	-	-	-	-	-	-	-	-	3,356	-	-	3,356
Committed to:												
Capital improvements	-	-	-	8,528	-	-	-	-	-	-	-	8,528
TIF/CID	-	-	-	-	-	42,583	-	-	-	-	-	42,583
Assigned to:												
Tourism	-	41,306	-	-	-	-	-	-	-	-	-	41,306
Civic enhancement	61,206	-	-	-	-	-	-	-	-	-	-	61,206
Parks and recreation	-	-	-	-	-	-	415,741	-	-	-	-	415,741
Landfill	-	-	-	-	-	-	-	944,696	-	-	-	944,696
Economic development	-	-	-	-	-	-	-	-	-	6,044	-	6,044
Total Fund Balances	<u>61,206</u>	<u>41,306</u>	<u>34,070</u>	<u>8,528</u>	<u>79,451</u>	<u>42,583</u>	<u>12,487</u>	<u>415,741</u>	<u>944,696</u>	<u>3,356</u>	<u>6,044</u>	<u>1,649,468</u>
Total Liabilities and Fund Balances	<u>\$ 61,206</u>	<u>\$ 41,306</u>	<u>\$ 34,070</u>	<u>\$ 8,528</u>	<u>\$ 79,451</u>	<u>\$ 42,583</u>	<u>\$ 12,487</u>	<u>\$ 415,741</u>	<u>\$ 944,696</u>	<u>\$ 3,356</u>	<u>\$ 6,044</u>	<u>\$ 1,649,468</u>

City of Carthage

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Non-Major Governmental Funds Year Ended June 30, 2019

	Special Revenue Funds											Total Non-major Governmental Funds
	Civic Enhancement Fund	Lodging Tax Fund	Public Safety Grant Fund	Stormwater Detention Fund	Parks and Recreation Fund	TIF/ CID Fund	Inmate Security Fund	Myers Park Fund	Landfill Closure Fund	Judicial Education Fund	Economic Development Fund	
Revenues												
Taxes	\$ -	\$ 105,365	\$ -	\$ -	\$ 253,210	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 358,575
Intergovernmental revenues	-	-	12,044	-	-	-	-	-	-	-	169,364	181,408
Charges for services	-	-	-	-	-	3,855	3,600	-	1,916	1,500	-	10,871
Donations	4,563	-	36,500	-	-	-	-	-	-	-	-	41,063
Miscellaneous	77	1,168	-	9	1,299	48	-	1,978	16,108	-	6	20,693
Total Revenues	4,640	106,533	48,544	9	254,509	48	3,855	5,578	16,108	1,916	170,870	612,610
Expenditures												
Current												
Street	-	-	-	-	-	-	139,487	-	-	-	-	139,487
Police	-	-	15,764	-	-	-	377	-	1,568	-	-	17,709
Parks and recreation	9,965	-	-	-	-	-	-	-	-	-	-	9,965
Tourism	-	102,801	-	-	-	-	-	-	-	-	-	102,801
Economic development	-	-	-	-	-	-	-	-	-	-	169,364	169,364
Total Expenditures	9,965	102,801	15,764	-	-	-	377	139,487	-	1,568	169,364	439,326
<i>Excess (Deficit) of Revenues and over Expenditures</i>	(5,325)	3,732	32,780	9	254,509	48	3,478	(133,909)	16,108	348	1,506	173,284
Other Financing (Uses)												
Operating transfers (out)	-	-	-	-	(263,744)	-	-	-	-	-	-	(263,744)
<i>Excess (Deficit) of Revenues Over Expenditures and Other (Uses)</i>	(5,325)	3,732	32,780	9	(9,235)	48	3,478	(133,909)	16,108	348	1,506	(90,460)
Fund Balance, July 1	66,531	37,574	1,290	8,519	88,686	42,535	9,009	549,650	928,588	3,008	4,538	1,739,928
Fund Balance, June 30	\$ 61,206	\$ 41,306	\$ 34,070	\$ 8,528	\$ 79,451	\$ 42,583	\$ 12,487	\$ 415,741	\$ 944,696	\$ 3,356	\$ 6,044	\$ 1,649,468

Other Reporting Requirements



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*

Honorable Mayor and City Council
City of Carthage
Carthage, Missouri

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 Primary Government which includes the governmental activities, each major fund, and the aggregate remaining fund information of the City of Carthage, Missouri as of and for the year ended June 30, 2019, and the discretely presented component unit as of and for the year ended April 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Carthage, Missouri's basic financial statements and have issued our report thereon dated December 9, 2019.

We have also audited the discretely presented component units Carthage Public Library and Carthage Water & Electric, and issued our reports dated November 21, 2019 and November 6, 2019, respectively. This report does not include our testing of internal control over financial reporting or compliance and other matters that are reported for these discretely presented component units.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPM CPAs, PC

KPM CPAs, PC
Springfield, Missouri
December 9, 2019