

**TOWN OF CLARKTON, NORTH CAROLINA
FINANCIAL STATEMENTS
June 30, 2019**

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FINANCIAL STATEMENTS
June 30, 2019

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TOWN OF CLARKTON, NORTH CAROLINA
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Financial Section



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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the Town Council
Clarkton, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Clarkton, North Carolina, as of and for the year then ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Clarkton, North Carolina as of June 30, 2019, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year 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 on pages 3 through 9 and Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 37 and 38, respectively, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Clarkton, North Carolina. The individual fund statements, budgetary schedules, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2019 on our consideration of Town of Clarkton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Clarkton's internal control over financial reporting and compliance.

Thompson, Price, Scott, Adams & Co., PA

Elizabethtown, North Carolina

November 15, 2019

Town of Clarkton
Management's Discussion and Analysis

As management of the Town of Clarkton, we offer readers of the Town of Clarkton's financial statements this narrative overview and analysis of the financial activities of the Town of Clarkton for the fiscal year ended June 30, 2019. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

Financial Highlights

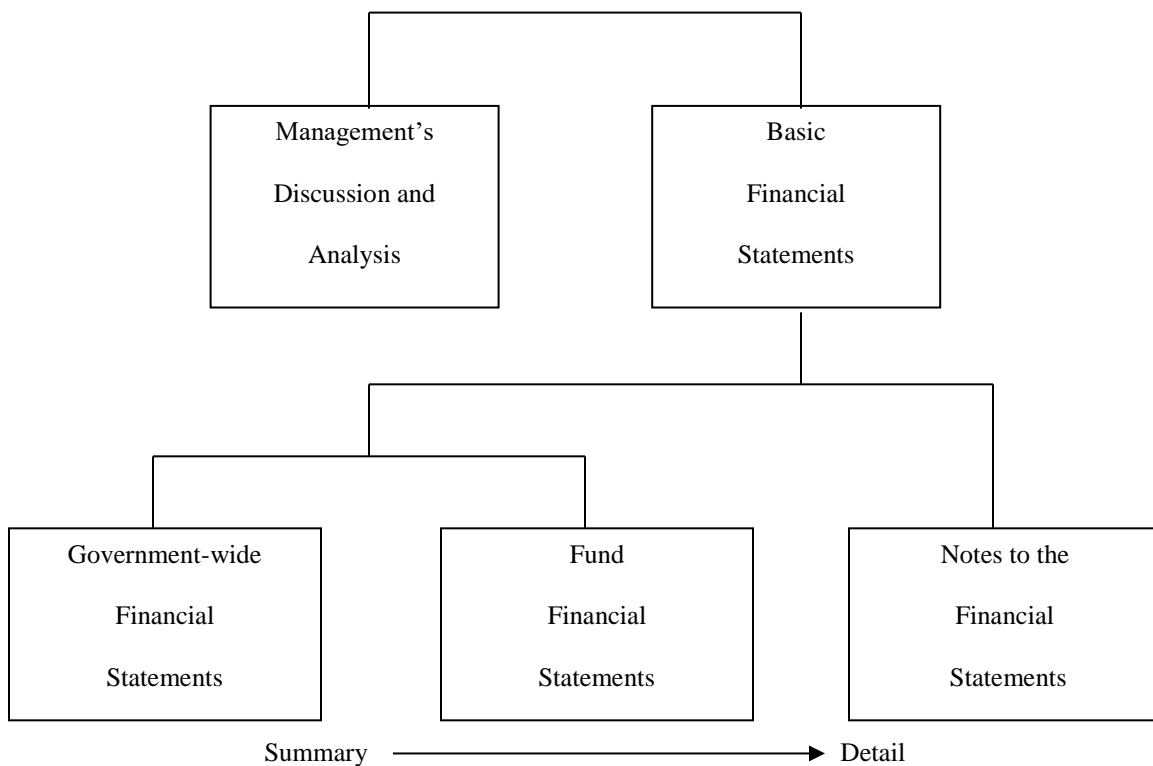
- The assets and deferred outflows of resources of the Town of Clarkton exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$7,033,505(*net position*).
- The government's total net position increased by \$327,805.
- As of the close of the current fiscal year, the Town's governmental funds reported ending fund balances of \$1,537,072 an increase of \$340,102. Approximately 85 percent of this total amount, or \$1,300,923 is unassigned and available for appropriation at the government's discretion.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,300,923, or 184 percent of the total general fund expenditures for the fiscal year.
- The Town of Clarkton's total debt decreased by \$41,665 during the current fiscal year. The key factor in this change was the regular scheduled debt payments.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Clarkton's basic financial statements. The Town's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town of Clarkton.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the Town's financial status.

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the Town's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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

Government-Wide Financial Statements

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

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

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, sanitation, and general administration. Property taxes and State and federal grant funds finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer services offered by the Town of Clarkton.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements (see Figure 1) provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Clarkton, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town of Clarkton can be divided into two categories: governmental funds and proprietary funds.

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

The Town of Clarkton adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Proprietary Funds – The Town of Clarkton has only one kind of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Clarkton uses enterprise funds to account for its water and sewer activity. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 19-36 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the Town of Clarkton's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 37 of this report.

Interdependence with Other Entities: The Town depends on financial resources flowing from, or associated with, both the Federal Government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations.

Government-Wide Financial Analysis

The Town of Clarkton's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Assets						
Current and other assets	\$ 1,669,652	\$ 1,337,067	\$ 622,605	\$ 495,402	\$ 2,292,257	\$ 1,832,469
Non-current assets	-	-	-	-	-	-
Capital assets	775,784	795,909	4,653,655	4,795,314	5,429,439	5,591,223
Total assets	<u>2,445,436</u>	<u>2,132,976</u>	<u>5,276,260</u>	<u>5,290,716</u>	<u>7,721,696</u>	<u>7,423,692</u>
Deferred outflows of resources	<u>41,982</u>	<u>25,917</u>	<u>26,841</u>	<u>21,205</u>	<u>68,823</u>	<u>47,122</u>
Liabilities						
Current and other liabilities:	21,803	42,017	84,908	62,609	106,711	104,626
Long-term liabilities:						
Net pension liability	55,135	37,012	35,251	25,166	90,386	62,178
Due within one year	8,639	6,532	43,444	42,382	52,083	48,914
Due in more than one year	19,927	22,384	471,799	511,115	491,726	533,499
Total liabilities	<u>105,504</u>	<u>107,945</u>	<u>635,402</u>	<u>641,272</u>	<u>740,906</u>	<u>749,217</u>
Deferred inflows of resources	10,530	8,743	5,578	7,154	16,108	15,897
Net position						
Net investment in capital assets	753,469	771,245	4,142,540	4,244,883	4,896,009	5,016,128
Restricted for						
State stabilization	99,999	93,898	-	-	99,999	93,898
Transportation	60,952	31,994	-	-	60,952	31,994
Unrestricted	1,456,964	1,145,068	519,581	418,612	1,976,545	1,563,680
Total net position	<u>\$ 2,371,384</u>	<u>\$ 2,042,205</u>	<u>\$ 4,662,121</u>	<u>\$ 4,663,495</u>	<u>\$ 7,033,505</u>	<u>\$ 6,705,700</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of resources of the Town of Clarkton exceeded liabilities and deferred inflows of resources by \$7,033,505 as of June 30, 2019. The Town's net position increased by \$327,805 for the fiscal year ended June 30, 2019. The largest portion \$4,896,099 (70%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Clarkton uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town's net position, \$160,951 (2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,976,545 (28%) is unrestricted.

Several particular aspects of Clarkton's financial operations influenced the total unrestricted governmental net position, including the following:

- Increase in revenues in the governmental and business type activities and decreased expenses in the government type activities.

Town of Clarkton's Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program Revenues:						
Charges for Services	\$ 83,671	\$ 83,758	\$ 549,237	\$ 523,365	\$ 632,908	\$ 607,123
Grants and Contributions	90,763	138,748	-	10,158	90,763	148,906
General Revenue:						
Property Taxes	443,356	421,034	-	-	443,356	421,034
Other Taxes	-	-	-	-	-	-
Grants and contributions not restricted to specific programs	332,124	308,512	-	-	332,124	308,512
Investment Earnings	5,435	4,419	4,829	3,108	10,264	7,527
Other	102,646	2,888	-	-	102,646	2,888
Total Revenues	<u>1,057,995</u>	<u>959,359</u>	<u>554,066</u>	<u>536,631</u>	<u>1,612,061</u>	<u>1,495,990</u>
Expenses:						
General Government	230,002	232,069	-	-	230,002	232,069
Public Safety	143,393	124,484	-	-	143,393	124,484
Transportation	307,436	568,811	-	-	307,436	568,811
Economic Development	-	-	-	-	-	-
Cultural and Recreation	46,892	35,798	-	-	46,892	35,798
Interest on Long-Term Debt	1,093	1,253	-	-	1,093	1,253
Water and Sewer Fund	-	-	555,440	542,663	555,440	542,663
Total Expenses	<u>728,816</u>	<u>962,415</u>	<u>555,440</u>	<u>542,663</u>	<u>1,284,256</u>	<u>1,505,078</u>
Increase in Net Position before Transfers	329,179	(3,056)	(1,374)	(6,032)	327,805	(9,088)
Transfers	-	-	-	-	-	-
Increase(Decrease) in Net Position	329,179	(3,056)	(1,374)	(6,032)	327,805	(9,088)
Net Position, beginning	2,042,205	2,045,261	4,663,495	4,669,527	6,705,700	6,714,788
Net Position, ending	<u>\$ 2,371,384</u>	<u>\$ 2,042,205</u>	<u>\$ 4,662,121</u>	<u>\$ 4,663,495</u>	<u>\$ 7,033,505</u>	<u>\$ 6,705,700</u>

Governmental activities. Governmental activities increased the Town's net position by \$329,179. Key element of this increase was due to the following:

- Increased revenues.

Business-type activities. Business-type activities displayed in this audit refer to the Water/Sewer Fund and decreased the Town of Clarkton's net position by \$1,374. Key elements of this decrease are as follows:

- Increased expenditures.

Financial Analysis of the Town of Clarkton's Funds

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

Governmental Funds. The focus of the Town of Clarkton's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the Town's financing requirements.

The general fund is the chief operating fund of the Town of Clarkton. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$1,300,923 while total fund balance reached \$1,537,072.

As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 184 percent of the total General Fund expenditures.

At June 30, 2019, the governmental funds of the Town reported a combined fund balance of \$1,537,072, an increase over last year. Included in this change in fund balance are increases in fund balance in the General Fund.

General Fund Budgetary Highlights. During the fiscal year, the Town of Clarkton revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

Revenues were more than the budgeted amounts primarily because revenue was budgeted conservatively. As were the expenditures and the town was able to comply with its budgetary requirements.

Proprietary Funds. The Town of Clarkton's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer fund at the end of the fiscal year amounted to \$4,662,121. The decrease in net position for this fund was \$1,374. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town of Clarkton's business-type activities.

Capital Asset and Debt Administration

Capital assets. The Town of Clarkton's investment in capital assets for its governmental and business-type activities as of June 30, 2019, totals \$5,429,439 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year were the below additions:

- Purchase of various equipment.

Town of Clarkton's Capital Assets (net of depreciation)

Figure 4

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Land and Construction						
in Progress	\$ 484,086	\$ 484,086	\$ 13,628	\$ 13,628	\$ 497,714	\$ 497,714
Buildings	161,501	166,603	687,421	690,493	848,922	857,096
Plant and Distribution	-	-	3,856,281	3,997,309	3,856,281	3,997,309
Equipment	105,753	124,382	96,325	93,884	202,078	218,266
Vehicles	24,444	20,838	-	-	24,444	20,838
	<u>\$ 775,784</u>	<u>\$ 795,909</u>	<u>\$ 4,653,655</u>	<u>\$ 4,795,314</u>	<u>\$ 5,429,439</u>	<u>\$ 5,591,223</u>

Additional information on the Town's capital assets can be found in notes of the Basic Financial Statements.

Long-term Debt. As of June 30, 2019, the Town of Clarkton had no bonded debt outstanding.

The Town of Clarkton's General Fund debt decreased by \$2,349 during the past fiscal year, primarily due to the amount of principal payments made during the year. The proprietary fund decreased by \$39,316 due to the amount of principal payments made during the year.

Town of Clarkton's Outstanding Debt

Figure 5

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Direct Placement Installment Contract	\$ 22,315	\$ 24,664	\$ -	\$ -	\$ 22,315	\$ 24,664
Direct Borrowing Notes Payable	-	-	511,115	550,431	511,115	550,431
	<u>\$ 22,315</u>	<u>\$ 24,664</u>	<u>\$ 511,115</u>	<u>\$ 550,431</u>	<u>\$ 533,430</u>	<u>\$ 575,095</u>

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The Town of Clarkton's total debt is well below this limit of \$6,163,327.

Additional information regarding the Town of Clarkton's long-term debt can be found in the notes beginning on page 33 of this report.

Economic Factors and Next Year's Budgets and Rates

For the upcoming year, management does not expect any surge of new development within the Town.

Due to Clarkton's size, it is difficult to show any real increase in jobs within the Town's boundaries. Management reviews the County of Bladen's economic conditions to monitor for effects on the economy of the Town.

The economy appears to be on the upswing, the empty textile plants have been occupied with industrial tenants that will increase tax base and water and sewer service revenue.

The property tax rate for the Town is not expected to change for the coming budget year.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities: Property taxes will remain flat due to no growth within the city limits and no measurable growth is anticipated in sales tax revenue. The Town will continue its commitment to reducing the cost of delivering services. Expenditures are expected to increase due to large capital expenditure in public safety.

Business – type Activities: The Town will continue its commitment to reducing the cost of delivering services.

Requests for Information

This report is designed to provide an overview of the Town of Clarkton's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the attention of Town Clerk, Town of Clarkton, PO Box 307, Clarkton, NC 28433 or by calling 910-647-5961.

Town of Clarkton, North Carolina
Statement of Net Position
June 30, 2019

Exhibit 1

	Governmental Funds	Business-Type Activities	Total
Assets			
Current Assets:			
Cash & cash equivalents	\$ 1,460,672	\$ 464,082	\$ 1,924,754
Restricted cash	60,952	51,064	112,016
Taxes receivable (Net)	109,147	-	109,147
Accounts receivable (Net)	7,925	46,341	54,266
Due from other governments	92,074	-	92,074
Internal balances	(61,118)	61,118	-
Total current assets	<u>1,669,652</u>	<u>622,605</u>	<u>2,292,257</u>
Non-current Assets:			
Capital Assets:			
Land and non-depreciable improvements	484,086	13,628	497,714
Other capital assets, net of depreciation	291,698	4,640,027	4,931,725
Total capital assets	<u>775,784</u>	<u>4,653,655</u>	<u>5,429,439</u>
Total Assets	<u>2,445,436</u>	<u>5,276,260</u>	<u>7,721,696</u>
Deferred outflows of resources	<u>41,982</u>	<u>26,841</u>	<u>68,823</u>
Liabilities			
Current liabilities:			
Accounts Payable and Accrued Liabilities	21,803	33,844	55,647
Current Portion of Long-Term Liabilities	8,639	43,444	52,083
Liabilities Payable from Restricted Assets			
Customer Deposits	-	51,064	51,064
Long-term Liabilities:			
Net Pension Liability	55,135	35,251	90,386
Due in More Than One Year	19,927	471,799	491,726
Total liabilities	<u>105,504</u>	<u>635,402</u>	<u>740,906</u>
Deferred inflows of resources	<u>10,530</u>	<u>5,578</u>	<u>16,108</u>
Net Position			
Net investment in capital assets	753,469	4,142,540	4,896,009
Restricted for:			
State stabilization	99,999	-	99,999
Transportation	60,952	-	60,952
Unrestricted	1,456,964	519,581	1,976,545
Total Net Position	<u>\$ 2,371,384</u>	<u>\$ 4,662,121</u>	<u>\$ 7,033,505</u>

Town of Clarkton, North Carolina
Statement of Activities
For the Year Ended June 30, 2019

Exhibit 2

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities Total
Primary Government:						
Governmental Activities:						
General Government	\$ 230,002	\$ 7,410	\$ -	\$ -	\$ (222,592)	\$ (222,592)
Public Safety	143,393	-	-	-	(143,393)	(143,393)
Transportation	307,436	76,261	90,763	-	(140,412)	(140,412)
Economic Development	-	-	-	-	-	-
Cultural and Recreation	46,892	-	-	-	(46,892)	(46,892)
Interest on Long-Term Debt	1,093	-	-	-	(1,093)	(1,093)
Total Governmental Activities	<u>728,816</u>	<u>83,671</u>	<u>90,763</u>	<u>-</u>	<u>(554,382)</u>	<u>(554,382)</u>
Business-Type Activities:						
Water and Sewer Fund	555,440	549,237	-	-	-	(6,203)
Total Business-Type Activities	<u>555,440</u>	<u>549,237</u>	<u>-</u>	<u>-</u>	<u>(6,203)</u>	<u>(6,203)</u>
Total Primary Government	<u>\$ 1,284,256</u>	<u>\$ 632,908</u>	<u>\$ 90,763</u>	<u>\$ -</u>	<u>\$ (554,382)</u>	<u>\$ (560,585)</u>
General Revenues:						
Taxes:						
Property taxes, levied for general purpose					443,356	443,356
Grants and contributions not restricted to specific programs					332,124	332,124
Investment earnings, unrestricted					5,435	10,264
Miscellaneous					102,646	102,646
Total general revenues					<u>883,561</u>	<u>888,390</u>
Change in net position					329,179	327,805
Net position - Beginning					2,042,205	6,705,700
Net position - Ending					<u>\$ 2,371,384</u>	<u>\$ 7,033,505</u>

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

Balance Sheet
Governmental Funds
June 30, 2019

	<u>Major Fund</u>	<u>Total</u>
	<u>General</u>	<u>Governmental</u>
		<u>Funds</u>
Assets:		
Cash and cash equivalents	\$ 1,460,672	\$ 1,460,672
Restricted cash	60,952	60,952
Receivables (net):		
Taxes	81,381	81,381
Accounts	7,925	7,925
Due from other governments	92,074	92,074
Total assets	<u>\$ 1,703,004</u>	<u>\$ 1,703,004</u>
Liabilities:		
Accounts payable and accrued liabilities	\$ 21,629	\$ 21,629
Due to other funds	61,118	61,118
Total liabilities	<u>82,747</u>	<u>82,747</u>
Deferred inflows of resources:		
Taxes	81,381	81,381
Prepaid taxes	1,804	1,804
Total deferred inflows of resources	<u>83,185</u>	<u>83,185</u>
Fund Balances:		
Restricted for:		
State stabilization	99,999	99,999
Streets - Powell Bill	60,952	60,952
Committed		
Capital projects	64,181	64,181
Parks and Recreation	11,017	11,017
Assigned		
Subsequent year's expenditures	-	-
Unassigned	1,300,923	1,300,923
Total fund balances	<u>1,537,072</u>	<u>1,537,072</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,703,004</u>	

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	775,784
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current-period expenditures and therefore are inflows of resources in the funds.	29,570
Net pension liability.	(55,135)
Deferred outflows of resources related to pensions are not reporting in the funds.	41,982
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	81,381
Deferred inflows of resources related to pensions are not reporting in the funds.	(10,530)
Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the net position of governmental activities	(28,740)
Net Position of Governmental Activities	<u>\$ 2,371,384</u>

Town of Clarkton, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2019

Exhibit 4

	<u>Major Fund</u>	<u>Total</u>
	<u>General</u>	<u>Governmental</u> <u>Funds</u>
Revenues		
Ad valorem taxes	\$ 432,481	\$ 432,481
Unrestricted intergovernmental	332,124	332,124
Restricted intergovernmental	90,763	90,763
Sales and services	83,671	83,671
Permits and fees	-	-
Investment earnings	5,435	5,435
Miscellaneous	102,646	102,646
Total revenues	<u>1,047,120</u>	<u>1,047,120</u>
Expenditures		
Current:		
General government	206,825	206,825
Public safety	143,393	143,393
Transportation	323,683	323,683
Cultural and recreation	29,657	29,657
Debt service:		
Principle	2,349	2,349
Interest	1,111	1,111
Total expenditures	<u>707,018</u>	<u>707,018</u>
Excess (Deficiency) of Revenues over expenditures	<u>340,102</u>	<u>340,102</u>
Net Change in Fund Balance	340,102	340,102
Fund Balances, Beginning	1,196,970	1,196,970
Fund Balances, Ending	<u>\$ 1,537,072</u>	<u>\$ 1,537,072</u>

Town of Clarkton, North Carolina
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2019

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

Net changes in fund balances - total governmental funds	\$	340,102
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay expenditures which were capitalized		31,133
Depreciation expense for governmental assets		(51,258)
Cost of capital asset disposed of during the year, not recognized on modified accrual basis.		-

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.		9,584
---	--	-------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Change in unavailable revenue for tax revenues.		10,875
---	--	--------

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position.

New long-term debt		-
Principal payments on long-term debt		2,349
Decrease in accrued interest payable		2,983

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Pension expenses		(14,590)
Compensated absences		(1,999)

Total changes in net position of governmental activities.	\$	329,179
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**Statement of Revenues, Expenditures, and Changes in Fund Balances -
Annual Budget and Actual**
For the Year Ended June 30, 2019

	General Fund			Variance With Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 355,500	\$ 355,100	\$ 432,481	\$ 77,381
Unrestricted intergovernmental	277,341	278,591	332,124	53,533
Restricted intergovernmental	30,000	87,519	90,763	3,244
Sales and services	86,940	89,640	83,671	(5,969)
Permits and fees	-	-	-	-
Investment earnings	-	400	5,435	5,035
Miscellaneous	5,450	88,752	102,646	13,894
Total revenues	<u>755,231</u>	<u>900,002</u>	<u>1,047,120</u>	<u>147,118</u>
Expenditures:				
Current:				
General government	244,547	248,110	206,825	41,285
Public safety	141,781	143,781	143,393	388
Transportation	338,269	466,077	323,683	142,394
Cultural and recreation	27,174	38,574	29,657	8,917
Debt service	3,460	3,460	3,460	-
Total expenditures	<u>755,231</u>	<u>900,002</u>	<u>707,018</u>	<u>192,984</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>340,102</u>	<u>340,102</u>
Fund Balance Appropriated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>340,102</u>	<u>\$ 340,102</u>
Fund balances, beginning			<u>1,196,970</u>	
Fund balances, ending			<u>\$ 1,537,072</u>	

Town of Clarkton, North Carolina
Statement of Fund Net Position
Proprietary Fund
June 30, 2019

Exhibit 6

	<u>Major Enterprise Fund</u>
Assets:	
Current assets:	
Cash and cash equivalents	\$ 464,082
Accounts receivable (net) - billed	39,267
Accounts receivable (net) - unbilled	7,074
Due from Other Fund	<u>61,118</u>
Total	<u>571,541</u>
 Restricted Assets:	
Restricted Cash	<u>51,064</u>
Total Restricted Assets	<u>51,064</u>
 Non-current Assets	
Capital Assets:	
Land and other non-depreciable assets	13,628
Other capital assets, net of depreciation	<u>4,640,027</u>
Total capital assets	<u>4,653,655</u>
Total assets	<u>5,276,260</u>
 Deferred outflows of resources	 <u>26,841</u>
 Liabilities:	
Current liabilities:	
Accounts payable and Accrued Liabilities	33,844
Accrued Vacation	4,128
Notes Payable - Current	39,316
Liabilities Paid from Restricted Assets:	
Accounts payable and Accrued Liabilities	<u>-</u>
Total	<u>77,288</u>
 Noncurrent liabilities:	
Liabilities Paid from Restricted Assets:	
Customer deposits	51,064
Pension Liability	35,251
Notes Payable	<u>471,799</u>
Total	<u>558,114</u>
Total liabilities	<u>635,402</u>
 Deferred inflows of resources	 <u>5,578</u>
 Net position:	
Net investment in capital assets	4,142,540
Unrestricted	<u>519,581</u>
Total net position	<u>\$ 4,662,121</u>

Town of Clarkton, North Carolina
Statement of Revenues, Expenditures, and Changes in Fund Net Position
Proprietary Fund
For the Year Ended June 30, 2019

Exhibit 7

	Major Enterprise Fund
Operating revenues:	
Water and Sewer Charges	\$ 502,734
Other Operating Revenues	46,503
Total	<u>549,237</u>
Operating Expenses:	
Water Department:	
Salaries	43,702
Employee Benefits	23,995
Repairs and Maintenance	33,883
Operating Expenses	77,760
Total	<u>179,340</u>
Sewer Department:	
Salaries	44,002
Employee Benefits	24,042
Repairs and Maintenance	11,647
Operating Expenses	129,859
Total	<u>209,550</u>
Depreciation	<u>166,550</u>
Total Operating Expenses	<u>555,440</u>
Operating Loss	<u>(6,203)</u>
Nonoperating revenues (expenses):	
Investment earnings	4,829
Total nonoperating revenues (expenses)	<u>4,829</u>
Income (loss) before contributions and transfers	(1,374)
Capital Contributions	<u>-</u>
Change in net position	<u>(1,374)</u>
Net position - Beginning	4,663,495
Net position - Ending	<u><u>\$ 4,662,121</u></u>

Town of Clarkton, North Carolina
Statements of Cash Flows
Proprietary Fund
For The Year Ended June 30, 2019

Exhibit 8

	Major Enterprise Fund
Cash flows from operating activities:	
Cash received from customers	\$ 546,741
Cash paid for goods and services	(278,186)
Cash paid to employees for services	(86,642)
Customer deposits received	2,172
Net cash provided by operating activities	<u>184,085</u>
Cash flows from noncapital financing activities:	
Transfers in(out)	<u>(4,879)</u>
Cash flows from capital and related financing activities	
Acquisition and construction of capital assets	(24,891)
Debt reduction	(39,316)
Capital Contributions - Grants	-
Net cash used by capital and related financing activities	<u>(64,207)</u>
Cash flows from investing activities:	
Interest on investments	<u>4,829</u>
Net increase/(decrease) in cash and cash equivalents	119,828
Cash and cash equivalents:	
Beginning of year, July 1	395,318
End of year, June 30	\$ <u><u>515,146</u></u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income (loss)	\$ <u>(6,203)</u>
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	166,550
Pension expenses	
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(2,496)
(Increase)/Decrease in deferred outflows of resources-pensions	(5,636)
Increase/(Decrease) in net pension liability	10,085
Increase/(Decrease) in deferred inflows of resources-pensions	(1,576)
Increase (decrease) in accounts payable and accrued liabilities	20,127
Increase (decrease) in accrued vacation	1,062
Increase (decrease) in customer deposits	2,172
Total adjustments	<u>190,288</u>
Net cash provided by operating activities	\$ <u><u>184,085</u></u>

TOWN OF CLARKTON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 1: Summary of Significant Accounting Policies

The accounting policies of the Town of Clarkton conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

A. Reporting Entity

The Town of Clarkton is a municipal corporation, which is governed by an elected mayor and a three-member council. As required by generally accepted accounting principles, these financial statements present the Town.

B. Basis of Presentation

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

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

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category-*governmental and proprietary*-are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

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

The Town reports the following major governmental fund:

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

The Town does not have any non-major governmental funds.

The Town reports the following major enterprise fund:

Water and Sewer Fund - This fund is used to account for the Town's water and sewer operations. Water and Sewer Capital Project Funds have been consolidated into the Water and Sewer Fund for financial reporting purposes. The budgetary comparisons for the Water and Sewer Capital Project Funds has been included in the supplemental information.

C. Measurement Focus and Basis of Accounting

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

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

D. Budgetary Data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for all Capital Project Funds. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the function level for all annually budgeted funds and at the project level for the multi-year funds. The Town clerk is authorized by the budget ordinance to transfer appropriations between departments within a fund; however, any revisions that alter total expenditures of any fund must be approved by the governing board. During the year, several amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers the time until annual ordinance can be adopted.

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

Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The town's investments are reported at fair value. Non-participating interest earning contracts are accounted for at cost. The NCCMT-Government Portfolio, a SEC-registered (2a-7) external investment pool, is measured at fair value. The NCCMT-Term is bond fund, has no rating and is measured at fair value. As of June 30, 2019, The Term portfolio has a duration of .11 years. Because the NCCMT Government and Term Portfolios have a weighted average of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

Cash and Cash Equivalents

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

TOWN OF CLARKTON, NORTH CAROLINA
Notes to the Financial Statements

Restricted Assets

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4.

Town of Clarkton Restricted Cash	
Governmental Activities	
General Fund	
Streets	\$ 60,952
Total Governmental Activities	\$ 60,952
Business Type Activities	
Water and Sewer Fund	
Customer Deposits	\$ 51,064
Total Business Type Activities	\$ 51,064
Total Restricted Cash	\$ 112,016

Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2018. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are reported net of such discounts.

Allowance for Doubtful Accounts

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

Inventory

The inventories of the Town are valued at cost (first-in, first-out), which approximates market. The inventory of the Town's Enterprise Fund consists of materials and supplies held for subsequent use. The cost of this inventory is recorded as an expense as it is consumed.

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and estimated useful life in excess of two years. Minimum capitalization costs are as follows: land, \$500; buildings, improvements, substations, lines, and other plant and distribution systems, \$500; infrastructure, \$500; furniture and equipment, \$500; and vehicles, \$500. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	40
Motor Vehicles	5
Equipment	7
Plant Assets	50

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meet this criterion, contributions made to the pension plan in the 2019 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meet the criterion for this category - prepaid taxes, property taxes receivable, and pension deferrals.

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

In the fund financial statements for governmental fund types, the face amount of debt issued is reported as an other financing source.

Compensated Absences

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

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

Net Position/Fund Balances

Net Position

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

TOWN OF CLARKTON, NORTH CAROLINA
Notes to the Financial Statements

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

The Town had none.

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

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

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

Assigned Fund Balance – portion of fund balance that Town of Clarkton intends to use for specific purposes.

Subsequent year's expenditures – portion of fund balance that is appropriated in the 2019-2020 budget that is not already classified in restricted or committed.

Capital projects – portion of fund balance that has been appropriated for future capital expenditures.

Parks and Recreation – portion of fund balance that has been appropriated for future capital expenditures within the Parks and Recreation Department.

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

The Town had none.

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

TOWN OF CLARKTON, NORTH CAROLINA
Notes to the Financial Statements

Defined Benefit Cost-Sharing Plans

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

NOTE 2: Stewardship, Compliance and Accountability

A. Significant Violations of Finance-Related Legal and Contractual Provisions

1. Noncompliance with N.C. General Statutes

None.

2. Contractual Violations

None.

B. Deficit in Fund Balance or Net Position of Individual Funds

None.

C. Excess of Expenditures over Appropriations

None.

NOTE 3: Detail Notes on All Funds

A. Assets

Deposits

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

At June 30, 2019, the Town's deposits had a carrying amount of \$2,036,770 and a bank balance of \$2,047,671. Of the bank balance, \$250,000 was covered by federal depository insurance; the remaining balance was covered by collateral and held under the Pooling Method.

Investments

The Town did not have any investments at June 30, 2019.

TOWN OF CLARKTON, NORTH CAROLINA
Notes to the Financial Statements

Receivables – Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position are net of the following allowances for doubtful accounts:

Fund	June 30, 2019
General Fund:	
Taxes Receivable	\$ 35,000
Accounts Receivable	11,400
Total	46,400
Enterprise Funds:	64,180
Total	\$ 110,580

Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital Assets not Being Depreciated:				
Land	\$ 484,086	\$ -	\$ -	\$ 484,086
Total Capital Assets not Being Depreciated	484,086	-	-	484,086
Capital Assets Being Depreciated:				
Buildings	472,664	12,133	-	484,797
Equipment	444,853	8,000	-	452,853
Vehicles	137,347	11,000	-	148,347
Total Capital Assets Being Depreciated	1,054,864	31,133	-	1,085,997
Less Accumulated Depreciation				
Buildings	306,061	17,235	-	323,296
Equipment	320,471	26,629	-	347,100
Vehicles	116,509	7,394	-	123,903
Total Accumulated Depreciation	743,041	\$ 51,258	\$ -	794,299
Total Capital Assets Being Depreciated, net	311,823			291,698
Governmental Activity Capital Assets, net	\$ 795,909			\$ 775,784

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

General Government	\$ 26,629
Transportation	7,394
Cultural and Recreational	17,235
Total Depreciation Expense	\$ 51,258

TOWN OF CLARKTON, NORTH CAROLINA
Notes to the Financial Statements

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type Activities:				
Water and Sewer Fund				
Capital Assets not Being Depreciated:				
Construction in Progress	\$ -	\$ -	\$ -	\$ -
Land	13,628	-	-	13,628
Total Capital Assets not Being Depreciated	13,628	-	-	13,628
Capital Assets Being Depreciated:				
Buildings	726,257	-	-	726,257
Plant and Distribution	6,044,050	-	-	6,044,050
Equipment	345,746	24,891	-	370,637
Total Capital Assets Being Depreciated	7,116,053	24,891	-	7,140,944
Less Accumulated Depreciation				
Buildings	35,764	3,072	-	38,836
Plant and Distribution	2,046,741	141,028	-	2,187,769
Equipment	251,862	22,450	-	274,312
Total Accumulated Depreciation	2,334,367	\$ 166,550	\$ -	2,500,917
Total Capital Assets Being Depreciated, net	4,781,686			4,640,027
Water and Sewer Capital Assets, net	\$ 4,795,314			\$ 4,653,655

B. Liabilities

Pension Plan and Postemployment Obligations

1. Local Governmental Employees' Retirement System

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

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

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

Contributions. Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Clarkton employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Clarkton's contractually required contribution rate for the year ended June 30, 2019, was 7.80% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Clarkton were \$17,426 for the year ended June 30, 2019.

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

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

At June 30, 2019, the Town reported a liability of \$90,386 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2019, the Town's proportion was 0.00381%, which was a decrease of 0.00026% from its proportion measured as of June 30, 2018.

TOWN OF CLARKTON, NORTH CAROLINA
Notes to the Financial Statements

For the year ended June 30, 2019, the Town recognized pension expense of \$22,339. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 13,944	\$ 468
Changes of assumptions	23,985	-
Net difference between projected and actual earnings on pension plan investments	12,407	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	1,061	13,836
Town contributions subsequent to the measurement date	17,426	-
Total	<u>\$ 68,823</u>	<u>\$ 14,304</u>

\$17,426 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2020	\$ 20,233
2021	11,018
2022	(437)
2023	6,279
2024	-
Thereafter	-
	<u>\$ 37,093</u>

Actuarial Assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2017 asset, liability, and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.00%. All rates of return and inflation are annualized.

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 217,116	\$ 90,386	\$ (15,511)

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

2. Supplemental Retirement Income Plan for Employees

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

Funding Policy - Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. The Town has no law enforcement officers. However, the Town provides for all other employees the same plan with a Town matching contribution rate not to exceed 5% of total compensation. Contributions for the year ended June 30, 2019 were \$20,532, which consisted of \$10,266 from the Town and \$10,266 from the employees. No amounts were forfeited.

3. Other Employment Benefits

The Town has elected to provide death benefits to employees through the Death Benefit Plan for members of the Local Governmental Employees' Retirement System (Death Benefit Plan), a multiple-employer, State-administered, cost-sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. The Town considers these contributions to be immaterial.

4. Deferred Outflows and Inflows of Resources

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

Source	Amount
Contributions to pension plan in current fiscal year	\$ 17,426
Differences between expected and actual experience	13,944
Changes of assumptions	23,985
Net difference between projected and actual earnings on pension plan investments	12,407
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,061
Total	\$ 68,823

TOWN OF CLARKTON, NORTH CAROLINA
Notes to the Financial Statements

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

	Statement of Net Position	General Fund Balance Sheet
Prepaid taxes (General Fund)	\$ 1,804	\$ -
Taxes Receivable (General Fund)	-	81,381
Differences between expected and actual experience	468	-
Changes of assumptions	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	13,836	-
Total	\$ 16,108	\$ 81,381

5. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

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

In accordance with G.S. 159-29, the Town has a \$50,000 fidelity bond on the finance officer, \$10,000 on the tax collector, and a blanket bond for \$10,000 on other employees.

6. Commitments

The Town is under contract with The Clarkton Fire Department to provide fire protection within the Town limits. Annual consideration must be given by the Town in the amount of \$20,000 to be paid in four quarterly payments of \$5,000. This contract can be terminated by either party at the end of any fiscal year by giving 180 days written notice by either party.

7. Claims, Judgements and Contingent Liabilities

There are no pending monetary suits against the Town as of June 30, 2019.

TOWN OF CLARKTON, NORTH CAROLINA
Notes to the Financial Statements

8. Long-Term Obligations

Notes Payable

General Fund

1. USDA \$50,000 dated April 29, 2002 is a direct placement contract to finance an extension to the volunteer fire department building. The property is pledged as collateral for the debt while the debt is outstanding. The financing contract requires 25 annual payments of \$3,460 including interest at 4.75%. Outstanding balance at year-end was \$22,315 with final payment expected in April 2027.

Water and Sewer Fund

2. NC Clean Water Trust Loan Fund \$786,327 dated October 5, 2010 is a direct borrowing contract to finance a portion of the wastewater treatment improvements. Terms are 20 annual payments of \$39,316 to include no interest, with last payment due May 1, 2031. Outstanding balance at year-end was \$511,115.

For The Town of Clarkton, the future minimum payments as of June 30, 2019 are as follows:

Year Ending 30-Jun	Governmental Activities		Business Type Activities	
	Principal	Interest	Principal	Interest
2020	\$ 2,388	1,072	\$ 39,316	\$ -
2021	2,501	958	39,316	-
2022	2,620	840	39,316	-
2023	2,745	715	39,316	-
2024	2,875	585	39,316	-
2025-2029	9,186	948	196,580	-
2030-2034	-	-	117,955	-
Total	\$ 22,315	\$ 5,118	\$ 511,115	\$ -

At June 30, 2019, Town of Clarkton had a legal debt margin of \$6,163,327.

Changes in Long-Term Liabilities

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Governmental Activities:					
Direct Placement Installment					
Contract	\$ 24,664	\$ -	\$ (2,349)	\$ 22,315	\$ 2,388
Net pension liability(LEGRS)	37,012	18,123	-	55,135	-
Compensated Absences	4,252	4,833	(2,834)	6,251	6,251
Total Governmental Activities	\$ 65,928	\$ 22,956	\$ (5,183)	\$ 83,701	\$ 8,639

Business-Type Activities:

Water and Sewer Fund

Direct Borrowing Notes Payable	\$ 550,431	\$ -	\$ (39,316)	\$ 511,115	\$ 39,316
Net pension liability(LEGRS)	25,166	10,085	-	35,251	-
Compensated Absences	3,066	3,365	(2,303)	4,128	4,128
Total Water and Sewer Fund	\$ 578,663	\$ 13,450	\$ (41,619)	\$ 550,494	\$ 43,444

TOWN OF CLARKTON, NORTH CAROLINA
Notes to the Financial Statements

9. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2019 consist of the following:

	Due from	Due to
General Fund	\$ 61,118	\$ -
Water and Sewer Fund	-	61,118
	<u>\$ 61,118</u>	<u>\$ 61,118</u>

The town maintains a separate bank account for the general fund and the water fund activities. Occasionally, cash will go between the two accounts. Therefore creating changes to the amounts owed between funds. Current change is the receipt of sales tax refund deposited all into the General Fund. Management expects these to clear out in the upcoming year.

10. Fund Balance

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

<i>Total fund balance-General Fund</i>	\$ 1,537,072
Less:	
Stabilization by State Statute	99,999
Streets - Powell Bill	60,952
Committed to Capital Projects	64,181
Committed to Parks and Recreation	11,017
Assigned to subsequent year's expenditures	-
Remaining Fund Balance	\$ 1,300,923

NOTE 4: Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

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

NOTE 5: Subsequent Events

There are no subsequent events that would have a material effect on the financial statements. Management has evaluated subsequent events through the date which the financial statements were available to be issued.

Town of Clarkton, North Carolina
Schedule of Proportionate Share of Net Pension Liability (Asset)
Required Supplementary Information
Last Six Fiscal Years *

Local Government Employees' Retirement System						
	2019	2018	2017	2016	2015	2014
Town's proportion of the net pension liability (asset) (%)	0.00381%	0.00407%	0.00519%	0.00627%	0.005%	0.480%
Town's proportion of the net pension liability (asset) (\$)	\$ 90,386	\$ 62,178	\$ 110,149	\$ 28,139	\$ (32,142)	\$ 57,858
Town's covered-employee payroll	\$ 218,315	\$ 224,787	\$ 313,350	\$ 345,489	\$ 291,022	\$ 235,928
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	41.40%	27.66%	35.15%	8.14%	-9.30%	19.88%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

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

Town of Clarkton, North Carolina
Schedule of Contributions
Required Supplementary Information
Last Six Fiscal Years

Local Government Employees' Retirement System

	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 17,426	\$ 15,820	\$ 16,401	\$ 21,049	\$ 24,613	\$ 20,671
Contributions in relation to the contractually required contribution	17,426	15,820	16,401	21,049	24,613	20,671
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll	\$ 223,428	\$ 218,315	\$ 224,787	\$ 313,350	\$ 345,489	\$ 291,022
Contributions as a percentage of covered-employee payroll	7.80%	7.25%	7.30%	6.72%	7.12%	7.12%

Town of Clarkton, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Ad valorem taxes:			
Taxes	\$	429,097	
Penalties and interest		3,384	
Total	\$ 355,100	432,481	\$ 77,381
Unrestricted intergovernmental:			
Beer and Wine Tax		3,558	
Local option sales taxes		168,561	
Utility franchise tax		148,275	
Video Programming		4,699	
Solid Waste Disposal		613	
Telecom Sales Tax		6,418	
Total	278,591	332,124	53,533
Restricted intergovernmental:			
Powell Bill Allocation		33,244	
FEMA proceeds		57,519	
Federal and State Grants		-	
Total	87,519	90,763	3,244
Sales and services:			
Rent of Facilities		7,410	
Garbage Collection Fees		76,261	
Total Sales and Services	89,640	83,671	(5,969)
Investment earnings:			
Powell Bill		420	
Regular		5,015	
Total Other Revenues	400	5,435	5,035
Other Revenues:			
Miscellaneous		102,646	
Total Other Revenues	88,752	102,646	13,894
Total Revenues	900,002	1,047,120	147,118

Town of Clarkton, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
General government:			
Governing body:			
Salaries		12,538	
Professional Services		5,750	
Employee Benefits		959	
Insurance		3,100	
Capital outlay		-	
Miscellaneous		1,586	
Total	31,297	23,933	7,364
Administration:			
Salaries		87,136	
Employee Benefits		42,046	
Operating Expenses		33,611	
Capital outlay		-	
Total	186,346	162,793	23,553
Elections:			
Operating Expenses		-	
Total	3,654	-	3,654
Public Buildings:			
Operating Expenses		13,966	
Capital Outlay		6,133	
Total	26,813	20,099	6,714
Total General Government	248,110	206,825	41,285
Public safety:			
Police Department			
Contract Services		121,005	
Operating Expenses		2,388	
Capital outlay		-	
Total	123,781	123,393	388

Town of Clarkton, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Fire and Rescue:			
Contribution to Fire Department		20,000	
Total	20,000	20,000	-
Total Public Safety	143,781	143,393	388
Transportation:			
Streets and highways:			
Salaries		42,533	
Contracted Services		75,971	
Employee Benefits		21,808	
Operating Expenses		153,827	
Powell Bill Expenditures		4,544	
Powell Bill Expenditures-Capital Outlay		-	
Capital Outlay		25,000	
Total Transportation	466,077	323,683	142,394
Cultural and recreation:			
Recreation Department:			
Operating Expenses		3,308	
Contracted Labor		-	
Capital Outlay		-	
Total Recreation Department	6,550	3,308	3,242
Library:			
Salaries		1,972	
Bladen County		7,000	
Employee Benefits		151	
Operating Expenses		17,226	
Capital Outlay		-	
Total Library	32,024	26,349	5,675
Total Cultural and Recreation	38,574	29,657	8,917

Town of Clarkton, North Carolina
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
Debt service:			
Principal retirement		2,349	
Interest and fees		1,111	
Total Debt Service	3,460	3,460	-
Total Expenditures	900,002	707,018	192,984
Revenues over (under) expenditures	-	340,102	340,102
Other Financing Sources (Uses):			
Fund Balance Appropriated		-	-
Net Change in Fund Balance	\$ -	340,102	\$ 340,102
Fund Balance, Beginning		1,196,970	
Fund Balance, Ending		\$ 1,537,072	

Town of Clarkton, North Carolina
Water and Sewer Fund
Schedule of Revenues Expenditures, and Changes in Fund Balance
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Charges for services:			
Water Sales	\$	\$ 323,696	\$
Sewer Charges		170,648	
Taps and Connection Fees		8,390	
Miscellaneous		46,503	
Total	<u>486,317</u>	<u>549,237</u>	<u>62,920</u>
Nonoperating Revenues:			
Sale of Assets		-	
Interest Earned on Investment		4,829	
Total	<u>400</u>	<u>4,829</u>	<u>4,429</u>
Total revenues	<u>486,717</u>	<u>554,066</u>	<u>67,349</u>
Expenditures:			
Operating Expenses:			
Water Department:			
Salaries		43,171	
Employee Benefits		22,559	
Departmental Supplies		27,612	
Repairs and Maintenance		33,883	
Operating Expenses		50,148	
Total	<u>183,723</u>	<u>177,373</u>	<u>6,350</u>
Sewer Department:			
Salaries		43,471	
Employee Benefits		22,605	
Professional Fees		37,723	
Departmental Supplies		37,971	
Repairs and Maintenance		11,647	
Operating Expenses		54,165	
Total	<u>222,876</u>	<u>207,582</u>	<u>15,294</u>
Total Operating Expenses	<u>406,599</u>	<u>384,955</u>	<u>21,644</u>
Debt service:			
Interest and fees		-	
Principal retirement		39,316	
Total debt service	<u>39,317</u>	<u>39,316</u>	<u>1</u>

Town of Clarkton, North Carolina
Water and Sewer Fund
Schedule of Revenues Expenditures, and Changes in Fund Balance
Budget and Actual (Non - GAAP)
For the Fiscal Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Capital outlay:			
Water		-	
Sewer		24,891	
Total capital outlay	<u>40,801</u>	<u>24,891</u>	<u>15,910</u>
Total expenditures	<u>486,717</u>	<u>449,162</u>	<u>37,555</u>
Capital Contributions - Grants	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance Appropriated	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>104,904</u>	\$ <u>104,904</u>

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

Revenues over expenditures	\$ <u>104,904</u>
Reconciling items:	
Principal retirement	39,316
Capital outlay	24,891
(Increase)/Decrease in compensated absences payable	(1,062)
Increase/(Decrease) in deferred outflows of resources-pensions	5,636
(Increase)/Decrease in net pension liability	(10,085)
(Increase)/Decrease in deferred inflows of resources-pensions	1,576
Depreciation	<u>(166,550)</u>
Total reconciling items	<u>(106,278)</u>
Change in Net Position	\$ <u>(1,374)</u>

Town of Clarkton, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
For the Fiscal Year Ended June 30, 2019

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2018</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2019</u>
2018 - 2019	\$	\$ 440,942	\$ 411,859	\$ 29,083
2017 - 2018	23,101	-	7,675	15,426
2016 - 2017	14,416	-	3,572	10,844
2015 - 2016	10,556	-	1,075	9,481
2014 - 2015	15,187	-	1,182	14,005
2013 - 2014	8,784	-	1,070	7,714
2012 - 2013	10,186	-	1,363	8,823
2011 - 2012	5,712	-	296	5,416
2010 - 2011	5,687	-	69	5,618
2009 - 2010	11,453	-	1,482	9,971
2008 - 2009	3,407	-	3,407	-
	<u>\$ 108,489</u>	<u>\$ 440,942</u>	<u>\$ 433,050</u>	<u>\$ 116,381</u>
Less Allowance for Doubtful Accounts				<u>35,000</u>
				<u>\$ 81,381</u>

Reconciliation with revenues:

Ad valorem taxes - General Fund	\$ 432,481
Reconciling items:	
Interest collected	(3,384)
Releases	<u>3,953</u>
Subtotal	<u>569</u>
Total collections and credits	<u>\$ 433,050</u>

Town of Clarkton, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
For the Fiscal Year Ended June 30, 2019

				Total Levy	
	Property Valuation	Town - Wide Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 78,067,895	\$ 0.57	\$ 444,987	\$ 422,086	22,901
Penalties			215	215	-
Total	<u>78,067,895</u>		<u>445,202</u>	<u>422,301</u>	<u>22,901</u>
Discoveries:					
Current year taxes	-	0.57	-	-	-
Total	<u>-</u>		<u>-</u>	<u>-</u>	<u>-</u>
Abatements:	(747,368)	0.57	(4,260)	(4,260)	-
Total property valuation	<u>\$ 77,320,526</u>				
Net levy			440,942	418,041	22,901
Uncollected taxes at June 30, 2019			<u>29,083</u>	<u>29,083</u>	<u>-</u>
Current year's taxes collected			<u>\$ 411,859</u>	<u>\$ 388,958</u>	<u>\$ 22,901</u>
Current levy collection percentage			<u>93.40%</u>	<u>93.04%</u>	<u>100.00%</u>



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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*

Independent Auditors' Report

To the Honorable Mayor and
Members of the Town Council
Town of Clarkton, North Carolina

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 accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Clarkton, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprises the Town of Clarkton's basic financial statements, and have issued our report thereon dated November 15, 2019.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or 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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses to be material weaknesses, 2019-001, 2019-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Clarkton's financial statements are free of 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*.

Town of Clarkton's Response to Findings

The Town of Clarkton's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

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

Thompson, Price, Scott, Adams & Co., PA

Elizabethtown, North Carolina

November 15, 2019

Town of Clarkton, North Carolina
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2019

Section I.	Summary of Auditors' Results
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Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance to GAAP: Unmodified.

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant Deficiency(s) identified? yes X no

Noncompliance material to financial
statements noted? yes X no

Town of Clarkton, North Carolina
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2019

Section II – Financial Statement Findings

MATERIAL WEAKNESSES

Findings:

2019 – 001 Segregation of Duties

Criteria: Duties should be segregated to provide reasonable assurance that transactions are handled appropriately.

Condition: There is a lack of segregation of duties among Town personnel. There are departments within the Town that do not have a sufficient number of personnel to separate billing and collection procedures.

Effect: Transactions could be mishandled.

Identification of a repeat finding: This is a repeat finding from the immediate previous audit, 2018-001.

Cause: There are a limited number of personnel for certain functions.

Recommendation: The duties should be separated as much as possible and alternative controls should be used to compensate for lack of separation.

Views of responsible officials and planned corrective actions: Management is aware of the deficiency, but the cost-benefit analysis indicates that hiring more personnel to mitigate the issue is not feasible. Management will review assigning procedures to other employees outside of those departments to help create compensation controls.

2019 – 002 Failure to perform reconciliations of significant accounts.

Criteria: Bank accounts, accounts receivable and accounts payable subsidiary ledgers are not reconciled to the general ledger accounts in a timely or accurate manner.

Condition: There is a lack of ability to reconcile these subsidiary ledgers to the general ledger.

Effect: Information obtained from interim reports could be incorrect.

Identification of a repeat finding: This is a repeat finding from the immediate previous audit, 2018-002.

Cause: Inadequate training with the current general ledger system.

Recommendation: The Town should obtain additional training with the software vendor and evaluate the usefulness the system.

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

Town of Clarkton

PO Box 307
Clarkton, NC 28433

Corrective Action Plan For the Year Ended June 30, 2019

Section II – Financial Statement Findings

Finding 2019 – 001 Name of contact person: Arthur Whedbee, Mayor

Corrective Action: The duties will be separated as much as possible and alternative controls will be used to compensate for lack of separation.

Proposed Completion Date: Certain alternative controls have been established and personnel are being trained. Management will continue to monitor the progress of this issue and modify the controls as needed.

Finding 2019 – 002 Name of contact person: Arthur Whedbee, Mayor

Corrective Action: Procedures and controls are being developed to train current personnel to keep a current schedule for all reconciliations.

Proposed Completion Date: Certain controls are currently being created and reviewed. Management will continue to monitor the progress of this issue and modify the controls as needed.