



TOWN OF CLARKTON
SUMMARY OF AUDIT
YEAR ENDED JUNE 30, 2025

	2025	2024	
GENERAL FUND (EXHIBIT 4)			
CASH	3,204,415	2,991,458	
RESTRICTED CASH FOR POWELL BILL FUND	114,956	84,759	
REVENUES AND TRANSFERS IN	945,508	923,399	
EXPENDITURES AND TRANSFERS OUT	734,929	717,367	
NET REVENUES OVER EXPENDITURES AND TRANSFERS	210,579	206,032	
FUND BALANCE AT BEGINNING OF YEAR	3,072,571	2,866,539	
FUND BALANCE AT END OF YEAR	3,283,150	3,072,571	
UNASSIGNED PORTION OF FUND BALANCE	2,984,045	2,838,323	
MINIMUM UNASSIGNED FUND BALANCE AS RECOMMENDED LOCAL GOVERNMENT COMMISSION (8% OF EXPENDITURES)	58,794	57,389	
% OF UNASSIGNED FUND BALANCE TO TOTAL EXPENDITURES	406.03%	395.66%	
% STATEWIDE AVERAGE FOR TOWNS OF COMPARABLE SIZE	266.00%	266.00%	
WATER AND SEWER FUND (EXHIBIT 7)			
CASH	1,048,203	971,242	
REVENUES AND TRANSFERS IN	639,349	614,042	
CONTRIBUTED CAPITAL (GRANTS)	221,095	21,705	
EXPENDITURES AND TRANSFERS OUT	713,805	761,171	
NET REVENUES OVER EXPENDITURES AND TRANSFERS	146,639	(125,424)	
FUND BALANCE AT BEGINNING OF YEAR	4,825,465	4,950,889	
FUND BALANCE AT END OF YEAR	4,972,104	4,825,465	
UNDESIGNATED PORTION OF FUND BALANCE	845,973	749,024	
AD VALOREM TAX COLLECTIONS			
	TOTAL	EXCLUDING MOTOR VEHICLE	MOTOR VEHICLE
TAX VALUATION			
CURRENT YEAR	64,422,295	59,878,525	4,543,770
PRIOR YEAR	67,702,787	63,239,180	4,463,607
COLLECTION RATE			
CURRENT YEAR	94.81%	94.42%	100.00%
PRIOR YEAR	93.01%	92.52%	100.00%
OVERALL STATE AVERAGE		99.30%	99.85%
STATEWIDE AVERAGE FOR TOWNS OF COMPARABLE SIZE		96.20%	99.87%



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R. Bryon Scott, CPA
Gregory S. Adams, CPA
Alan W. Thompson, CPA

Independent Auditor's Report

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

Report on the Audit of Financial Statements

Opinions

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 ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, based upon our audit, the accompanying 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 Town of Clarkton as of June 30, 2025, and the respective changes in financial position, and cash flows [where applicable] 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Clarkton and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Audit of 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raises substantial doubt about the Town of Clarkton's ability to continue as a going concern for the twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated November 11, 2025 on our consideration of the Town of Clarkton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Town of Clarkton's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Town of Clarkton's internal control over financial reporting and compliance.

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

Elizabethtown, North Carolina

November 11, 2025

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 11, 2025.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to Management's Discussion & Analysis and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on Schedule of Revenues and Expenditures-Budget vs. Actual, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We would like to bring attention additional items. The tax collection rate is 94.81%, which is well below state average. The delinquent accounts for ad valorem taxes should continue to be reviewed for additional collection action. Kentrina and Adreiona will continue to do a wonderful job for the Town in their positions, however outside assistance should be provided to them to improve the financial system and provide needed internal controls to the Town.

The Local Government Commission (LGC) continues to require responses to any of the financial indicators identified in the data input worksheet. The data input worksheet is required to be completed and submitted with the audit. If there are items that identified as "Financial Performance Indicators of Concern" (FPICs), we are required to communicate those items to the Board. The Town is required to submit a response within 60 days of the Board meeting in which the financial statements are presented. The detailed audit response should be presented to the entire Board and signed by the Mayor and entire Board and Finance Officer.

This information is intended solely for the use of Town Council and management of Town of Clarkton, North Carolina and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

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

Thompson, Price, Scott, Adams & Co., PA
Elizabethtown, North Carolina



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

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Clarkton as of and for the year ended June 30, 2025, in accordance with auditing standards generally accepted in the United States of America, we considered Town of Clarkton's internal control over financial reporting (internal control) as a basis for designing 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 Town of Clarkton's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Clarkton's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the following deficiencies in internal control to be a material weakness:

- Absent or inadequate segregation of duties within a significant account or process. Due to the overlapping of duties by the finance officer.

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. We did not identify any deficiencies in internal control that we consider to be a significant deficiency.

This communication is intended solely for the information and use of management, the cognizant audit agency and other federal and state agencies and should not be used for any other purpose and is not intended to be and should not be used by anyone other than these specified parties.

Thompson, Price, Scott, Adams & Co., PA
Elizabethtown, North Carolina
November 11, 2025



Deb/Liabilities						
Indicator Name	2023	2024	2025	Fail Condition	2025 Status	
Late Debt Service Payments and/or Bond Covenants Not Met	N/A	N/A	N/A	Equal Yes	Pass	
Internal Controls						
Indicator Name	2023	2024	2025	Fail Condition	2025 Status	
Adopted Ordinance Level Budget Violations	No	No	No	Equal Yes	Pass	
Material weaknesses, significant deficiencies, and/or statutory violations	No	No	No	Equal Yes	Pass	
Appointed Finance Officer Exists During Fiscal Year per G.S. § 159-24 (Local Governments & Public Authorities) or G.S. § 115C-435 (Board of Education)	Yes	Yes	Yes	Equal No	Pass	
Appointed Finance Officer Bonded per G.S. § 159-29 (Local Governments & Public Authorities) or G.S. § 115C-442 (Board of Education)	Yes	Yes	Yes	Equal No	Pass	
Financial Statements - Auditor Opinion Unmodified	Yes	Yes	Yes	Equal No	Pass	
Going Concern	No	No	No	Equal Yes	Pass	
General Qualifying Factors						
Indicator Name	2023	2024	2025	Fail Condition	2025 Status	
Date Audit Submitted	11/30/2023	11/27/2024	Data Not Available	Greater Than 12/31/2025	Not Applicable	
Collected Ad Valorem Tax as Percent of Budgeted Ad Valorem Tax	22.24%	10.61%	11.98%	Less Than -3.00%	Pass	
Expected Property Revaluation Direction	N/A	N/A	No Change	Equal Decrease	Pass	
Other Issues	0	0	0	Greater Than 0	Pass	



Total Fund Balance

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If the General Fund is negative, that means the unit's revenues and other receipts are inadequate to support its operations. G.S. § 159.13(b)(2) requires that the board fund the full amount of a prior fiscal year's deficit in the current fiscal year's budget. Therefore, this deficit should have been funded immediately after the June 30 fiscal year end. The law requires such action be taken to stop any further deterioration of the overall financial condition of the fund. Please let us know if the deficit was funded in the budget, and what actions the unit plans to take to bring the General Fund balance up to an acceptable level.

Water & Sewer Fund		
Indicator Name	Formula	Description
Quick Ratio	$(654-655-510-579) / (633-634-635-636-637-638-578) * 579 \& 578$ Used FY 20-23	A Quick Ratio less than 1 indicates that the unit owes more for its current bills than what it has on hand in unrestricted cash and investments plus what is owed from customers (accounts receivable). This could indicate that the fund may have difficulty paying its current bills. If this pattern continues, the water and/or sewer system may not be sustainable.
Operating Net Income Excluding Depreciation; Including Debt Service Principal and Interest	84-85+49-331-89	Formula subtracts operating expenses from operating revenues. Depreciation expense is not included in the calculation but debt principal and interest payments are included. A negative balance indicates that your rates are not covering your operating expenses and debt service payments.
Unrestricted Cash as a Percentage of Expenses	$80 / (85+351-49+331)$	Formula calculates how many month's worth of expenses (including debt principal but not depreciation) a unit can pay based on the amount of unrestricted cash at year end. The typical billing cycle is one month (8.33%) and one extra month usually gives a local government enough cash to handle unusual monthly expenses (16.66%). This 16% would be the bare minimum necessary to keep the fund from experiencing cash flow issues.
Transfers in > 3% of Total of Operating and Non-Operating Expenses	$((85+351) * 0.03) - 986$	The rate structure of the Water and Sewer Fund should support the operating expenses of the fund without operating subsidies or transfers from other funds.
Capital Assets Condition Ratio	$1 - ((523+524+525+526) / (515+516+517+518))$	This capital assets condition ratio formula calculates the remaining useful life. A remaining useful life asset value less than or equal to 0.50 may signal the need to replace the assets in the near future.
Electric Fund		
Indicator Name	Formula	Description
Quick Ratio	$(657-658-511-581) / (639-640-641-642-643-644-580) * 581 \& 580$ Used FY 20-23	A Quick Ratio less than 1 indicates that the unit owes more for its current bills than what it has on hand in unrestricted cash and investments plus what is owed from customers (accounts receivable). This could indicate that the fund may have difficulty paying its current bills. If this pattern continues, the electric system may not be sustainable.
Operating Net Income Excluding Depreciation; Including Debt Service Principal and Interest	93-94+52-100-98	Formula subtracts operating expenses from operating revenues. Depreciation expense is not included in the calculation but debt principal and interest payments are included. A negative balance indicates that your rates are not covering your operating expenses and debt service payments.
Unrestricted Cash as a Percentage of Expenses	$90 / (364+94-52+100)$	Formula calculates how many month's worth of expenses (including debt principal but not depreciation) a unit can pay based on the amount of unrestricted cash at year end. The typical billing cycle is one month (8.33%) and one extra month usually gives a local government enough cash to handle unusual monthly expenses (16.66%). This 16% would be the bare minimum necessary to keep the fund from experiencing cash flow issues.

TOWN OF CLARKTON, NORTH CAROLINA
FINANCIAL STATEMENTS
June 30, 2025

TOWN OF CLARKTON, NORTH CAROLINA
FINANCIAL STATEMENTS
June 30, 2025

BOARD OF TOWN COUNCIL

Jerome Myers, Mayor

Linda Croom, Council Member

Troy Mitchell, Council Member

Stephen Hester, Council Member

ADMINISTRATIVE/FINANCIAL STAFF

TOWN CLERK/FINANCE OFFICER

Kentrina S. Woods

TAX COLLECTOR

Andreiona Smith

ATTORNEY

Kyle J. Melvin

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Financial Section



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In our opinion, based upon our audit, the accompanying 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 Town of Clarkton as of June 30, 2025, and the respective changes in financial position, and cash flows [where applicable] 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Clarkton and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raises substantial doubt about the Town of Clarkton's ability to continue as a going concern for the twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Other Reporting Required by *Government Auditing Standards*

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

Elizabethtown, North Carolina

November 11, 2025

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, 2025. 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 \$8,925,460 (*net position*).
- The government's total net position increased by \$328,922.
- As of the close of the current fiscal year, the Town's governmental funds reported ending fund balances of \$3,283,150 an increase of \$210,579. Approximately 91 percent of this total amount, or \$2,984,045 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 \$2,984,045 or 413 percent of the total general fund expenditures for the fiscal year.
- The Town of Clarkton's total debt decreased by \$22,176 during the current fiscal year. The key factor in this change was increased pension liabilities was less than 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.

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 20-35 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 36 of this report.

Town of Clarkton's Changes in Net Position

Figure 3

	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program Revenues:						
Charges for Services	\$ 100,598	\$ 109,917	\$ 624,803	\$ 603,107	\$ 725,401	\$ 713,024
Grants and Contributions	36,983	33,893	221,095	21,705	258,078	55,598
General Revenue:						
Property Taxes	392,306	419,443	-	-	392,306	419,443
Grants and contributions not restricted to specific programs	351,726	357,244	-	-	351,726	357,244
Investment Earnings	25,541	11,810	14,546	10,935	40,087	22,745
Other	15,773	718	-	-	15,773	718
Total Revenues	<u>922,927</u>	<u>933,025</u>	<u>860,444</u>	<u>635,747</u>	<u>1,783,371</u>	<u>1,568,772</u>
Expenses:						
General Government	308,755	285,155	-	-	308,755	285,155
Public Safety	30,000	30,000	-	-	30,000	30,000
Transportation	380,808	397,316	-	-	380,808	397,316
Cultural and Recreation	21,081	25,172	-	-	21,081	25,172
Interest on Long-Term Debt	-	-	-	-	-	-
Water and Sewer Fund	-	-	713,805	761,171	713,805	761,171
Total Expenses	<u>740,644</u>	<u>737,643</u>	<u>713,805</u>	<u>761,171</u>	<u>1,454,449</u>	<u>1,498,814</u>
Increase in Net Position before Transfers	182,283	195,382	146,639	(125,424)	328,922	69,958
Transfers	-	-	-	-	-	-
Increase(Decrease) in Net Position	182,283	195,382	146,639	(125,424)	328,922	69,958
Net Position, beginning	3,771,073	3,575,691	4,825,465	4,950,889	8,596,538	8,526,580
Net Position, ending	<u>\$ 3,953,356</u>	<u>\$ 3,771,073</u>	<u>\$ 4,972,104</u>	<u>\$ 4,825,465</u>	<u>\$ 8,925,460</u>	<u>\$ 8,596,538</u>

Governmental activities. Governmental activities increased the Town's net position by \$182,283. This year's increase was lower than the prior year's. Key elements of this was due to the following:

- Expenditures increased.

Business-type activities. Business-type activities displayed in this audit refer to the Water/Sewer Fund. Change in net position increased by \$146,639, which was more than the prior year's decrease to net position. Key elements of this change are as follows:

- Revenues increased.
- Capital projects expenditures decreased.

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.

Long-term Debt. As of June 30, 2025, the Town of Clarkton had no bonded debt outstanding.

The Town of Clarkton's General Fund outstanding debts increased by \$10,475 during the past fiscal year primarily due the increase of pension liabilities. The proprietary fund's decreased by \$32,651 primarily due the increase of pension liabilities being less than principal payments made during the year.

Town of Clarkton's Outstanding Debt

Figure 5

	Governmental Activities		Business-Type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Direct Borrowing Notes Payable	\$ -	\$ -	\$ 275,217	\$ 314,533	\$ 275,217	\$ 314,533
Net pension liability (LIGERS)	107,084	98,578	68,464	63,025	175,548	161,603
Compensated absences	6,905	4,936	3,402	2,176	10,307	7,112
	<u>\$ 113,989</u>	<u>\$ 103,514</u>	<u>\$ 347,083</u>	<u>\$ 379,734</u>	<u>\$ 461,072</u>	<u>\$ 483,248</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 \$5,153,784.

Additional information regarding the Town of Clarkton's long-term debt can be found in the notes beginning on page 34 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, 2026

Governmental Activities: Property taxes will remain flat due to no growth within the town 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.

Basic Financial Statements

Town of Clarkton, North Carolina
Statement of Net Position
June 30, 2025

Exhibit I

	Governmental Funds	Business-Type Activities	Total
Assets			
Current Assets:			
Cash & cash equivalents	\$ 3,204,415	\$ 987,228	\$ 4,191,643
Restricted cash	114,956	60,975	175,931
Taxes receivable (Net)	51,443	-	51,443
Accounts receivable (Net)	5,461	78,208	83,669
Due from other governments	92,649	-	92,649
Internal balances	(98,763)	98,763	-
Total current assets	<u>3,370,161</u>	<u>1,225,174</u>	<u>4,595,335</u>
Non-current Assets:			
Capital Assets:			
Land and non-depreciable improvements	484,086	13,628	497,714
Other capital assets, net of depreciation	193,975	4,126,722	4,320,697
Total capital assets	<u>678,061</u>	<u>4,140,350</u>	<u>4,818,411</u>
Total Assets	<u>4,048,222</u>	<u>5,365,524</u>	<u>9,413,746</u>
Deferred outflows of resources	<u>57,635</u>	<u>36,849</u>	<u>94,484</u>
Liabilities			
Current liabilities:			
Accounts Payable and Accrued Liabilities	31,801	20,329	52,130
Current Portion of Long-Term Liabilities	4,742	42,718	47,460
Liabilities Payable from Restricted Assets			
Customer Deposits	-	60,975	60,975
Long-term Liabilities:			
Net Pension Liability	107,084	68,464	175,548
Due in More Than One Year	2,163	235,901	238,064
Total liabilities	<u>145,790</u>	<u>428,387</u>	<u>574,177</u>
Deferred inflows of resources	<u>6,711</u>	<u>1,882</u>	<u>8,593</u>
Net Position			
Net investment in capital assets	678,061	3,865,133	4,543,194
Restricted for:			
State stabilization	98,110	-	98,110
Transportation	114,956	-	114,956
Unrestricted	3,062,229	1,106,971	4,169,200
Total Net Position	<u>\$ 3,953,356</u>	<u>\$ 4,972,104</u>	<u>\$ 8,925,460</u>

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

Balance Sheet
Governmental Funds
June 30, 2025

	Major Fund	Total
	General	Governmental Funds
Assets:		
Cash and cash equivalents	\$ 3,204,415	\$ 3,204,415
Restricted cash	114,956	114,956
Receivables (net):		
Taxes	38,400	38,400
Accounts	5,461	5,461
Due from other governments	92,649	92,649
Total assets	\$ 3,455,881	\$ 3,455,881
Liabilities:		
Accounts payable and accrued liabilities	\$ 31,801	\$ 31,801
Due to other funds	98,763	98,763
Total liabilities	130,564	130,564
Deferred inflows of resources:		
Taxes	38,400	38,400
Prepaid taxes	3,767	3,767
Total deferred inflows of resources	42,167	42,167
Fund Balances:		
Restricted for:		
State stabilization	98,110	98,110
Streets - Powell Bill	114,956	114,956
Committed		
Assigned		
Capital projects	27,018	27,018
Parks and Recreation	11,017	11,017
Subsequent year's expenditures	48,004	48,004
Unassigned	2,984,045	2,984,045
Total fund balances	3,283,150	3,283,150
Total liabilities, deferred inflows of resources and fund balances	\$ 3,455,881	

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.	678,061
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.	13,043
Net pension liability.	(107,084)
Deferred outflows of resources related to pensions are not reporting in the funds.	57,635
Liabilities for earned revenues considered deferred inflows of resources in fund statements.	38,400
Deferred inflows of resources related to pensions are not reporting in the funds.	(2,944)
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	(6,905)
Net Position of Governmental Activities	\$ 3,953,356

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, 2025

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

Net changes in fund balances - total governmental funds	\$	210,579
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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		44,444
Depreciation expense for governmental assets		(37,031)

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.		20,195
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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.		(22,581)
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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		(31,354)
Compensated absences		(1,969)

Total changes in net position of governmental activities.	\$	<u>182,283</u>
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Town of Clarkton, North Carolina
Statement of Fund Net Position
Proprietary Fund
June 30, 2025

Exhibit 6

	<u>Major Enterprise Fund</u>
Assets:	
Current assets:	
Cash and cash equivalents	\$ 987,228
Accounts receivable (net) - billed	70,054
Accounts receivable (net) - unbilled	8,154
Due from other fund	<u>98,763</u>
Total	<u>1,164,199</u>
Restricted Assets:	
Restricted Cash	<u>60,975</u>
Total Restricted Assets	<u>60,975</u>
Non-current Assets	
Capital Assets:	
Land and other non-depreciable assets	13,628
Other capital assets, net of depreciation	<u>4,126,722</u>
Total capital assets	<u>4,140,350</u>
Total assets	<u>5,365,524</u>
Deferred outflows of resources	<u>36,849</u>
Liabilities:	
Current liabilities:	
Accounts payable and Accrued Liabilities	20,329
Compensated absences	3,402
Notes Payable - Current	<u>39,316</u>
Total	<u>63,047</u>
Noncurrent liabilities:	
Liabilities Paid from Restricted Assets:	
Customer deposits	60,975
Pension Liability	68,464
Notes Payable	<u>235,901</u>
Total	<u>365,340</u>
Total liabilities	<u>428,387</u>
Deferred inflows of resources	<u>1,882</u>
Net position:	
Net investment in capital assets	3,865,133
Unrestricted	<u>1,106,971</u>
Total net position	<u>\$ 4,972,104</u>

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

Town of Clarkton, North Carolina
Statements of Cash Flows
Proprietary Fund
For The Year Ended June 30, 2025

Exhibit 8

	Major Enterprise Fund
Cash flows from operating activities:	
Cash received from customers	\$ 579,356
Cash paid for goods and services	(470,289)
Cash paid to employees for services	(132,495)
Customer deposits received	3,625
Net cash provided by operating activities	(19,803)
Cash flows from noncapital financing activities:	
Transfers in(out)	(8,249)
Cash flows from capital and related financing activities	
Acquisition and construction of capital assets	(91,312)
Debt reduction	(39,316)
Capital Contributions - Grants	221,095
Net cash used by capital and related financing activities	90,467
Cash flows from investing activities:	
Interest on investments	14,546
Net increase/(decrease) in cash and cash equivalents	76,961
Cash and cash equivalents:	
Beginning of year, July 1	971,242
End of year, June 30	\$ 1,048,203
Reconciliation of operating income to net cash provided by operating activities	
Operating income (loss)	\$ (89,002)
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	172,946
Pension expenses	
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(45,447)
(Increase)/Decrease in deferred outflows of resources-pensions	3,334
Increase/(Decrease) in net pension liability	5,439
Increase/(Decrease) in deferred inflows of resources-pensions	(1,638)
Increase (decrease) in accounts payable and accrued liabilities	(70,286)
Increase (decrease) in accrued vacation	1,226
Increase (decrease) in customer deposits	3,625
Total adjustments	69,199
Net cash provided by operating activities	\$ (19,803)

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

TOWN OF CLARKTON, NORTH CAROLINA
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2025

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 (the Town) 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 Town has no fiduciary funds to report. 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.

TOWN OF CLARKTON, NORTH CAROLINA
Notes to the Financial Statements

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.

NC 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 mutual fund shares when the mutual fund is certified by the Local Government Commission.

Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income and considers all cash and investments to be cash and cash equivalents.

TOWN OF CLARKTON, NORTH CAROLINA
Notes to the Financial Statements

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 2025 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

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, 2025, the Town's deposits had a carrying amount of \$4,367,499 and a bank balance of \$4,447,288. 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. Cash on hand for the Town as of June 30, 2025 was \$75.

Investments

The Town did not have any investments at June 30, 2025.

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	6,363,220	-	-	6,363,220
Equipment	465,646	91,312	-	556,958
Total Capital Assets Being Depreciated	7,555,123	91,312	-	7,646,435
Less Accumulated Depreciation				
Buildings	153,224	17,488	-	170,712
Plant and Distribution	2,794,924	129,744	-	2,924,668
Equipment	398,619	25,714	-	424,333
Total Accumulated Depreciation	3,346,767	\$ 172,946	\$ -	3,519,713
Total Capital Assets Being Depreciated, net	4,208,356			4,126,722
Water and Sewer Capital Assets, net	\$ 4,221,984			\$ 4,140,350

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 Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at www.osc.nc.gov.

TOWN OF CLARKTON, NORTH CAROLINA
Notes to the Financial Statements

For the year ended June 30, 2025, the Town recognized pension expense of \$51,401. At June 30, 2025, 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	\$ 30,763	\$ 207
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	23,866	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	6,748	4,619
Town contributions subsequent to the measurement date	33,107	-
Total	<u>\$ 94,484</u>	<u>\$ 4,826</u>

\$33,107 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, 2026. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2026	\$ 15,524
2027	36,620
2028	7,106
2029	(2,699)
2030	-
Thereafter	-
	<u>\$ 56,551</u>

Actuarial Assumptions. The total pension liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.25 to 8.25 percent, including inflation and productivity factor
Investment rate of return	6.50 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, 2023 valuation were based on the results of an actuarial experience study for the period January 1, 2015 through December 31, 2019.

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

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 Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes 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, 2025 were \$16,225, which consisted of \$11,728 from the Town and \$4,497 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 are comprised of the following:

Source	Amount
Contributions to pension plan in current fiscal year	\$ 33,107
Differences between expected and actual experience	30,763
Changes of assumptions	-
Net difference between projected and actual earnings on pension plan investments	23,866
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,748
Total	\$ <u>94,484</u>

TOWN OF CLARKTON, NORTH CAROLINA
Notes to the Financial Statements

8. Long-Term Obligations

Notes Payable

Water and Sewer Fund

1. 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 \$275,217.

For The Town of Clarkton, the future minimum payments as of June 30, 2025 are as follows:

Year Ending 30-Jun	Business Type Activities	
	Principal	Interest
2026	\$ 39,316	\$ -
2027	39,316	-
2028	39,316	-
2029	39,316	-
2030	39,316	-
2031-2034	78,637	-
Total	\$ 275,217	\$ -

At June 30, 2025, Town of Clarkton had a legal debt margin of \$5,153,784.

Changes in Long-Term Liabilities

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
Governmental Activities:					
Net pension liability(LGERS)	\$ 98,578	\$ 8,506	\$ -	\$ 107,084	\$ -
Compensated Absences	4,936	6,711	(4,742)	6,905	4,742
Total Governmental Activities	\$ 103,514	\$ 15,217	\$ (4,742)	\$ 113,989	\$ 4,742
Business-Type Activities:					
Water and Sewer Fund					
Direct Borrowing Notes Payable	\$ 314,533	\$ -	\$ (39,316)	\$ 275,217	\$ 39,316
Net pension liability(LGERS)	63,025	5,439	-	68,464	-
Compensated Absences	2,176	2,880	(1,654)	3,402	3,402
Total Water and Sewer Fund	\$ 379,734	\$ 8,319	\$ (40,970)	\$ 347,083	\$ 42,718

Required Supplementary Financial Data

The section contains additional information required by the generally accepted accounting principles.

Schedule of Proportionate Share of Net Pension Liability (Asset) Local Government Employees' Retirement System

Schedule of Contributions to Local Government Employees' Retirement System

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

Local Government Employees' Retirement System

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Contractually required contribution	\$ 33,107	\$ 31,184	\$ 28,843	\$ 25,278	\$ 23,425	\$ 20,468	\$ 17,426	\$ 15,820	\$ 16,401
Contributions in relation to the contractually required contribution	33,107	31,184	28,843	25,278	23,425	20,468	17,426	15,820	16,401
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll	\$ 242,544	\$ 241,550	\$ 237,393	\$ 221,544	\$ 229,657	\$ 235,954	\$ 223,428	\$ 218,315	\$ 224,787
Contributions as a percentage of covered-employee payroll	13.65%	12.91%	11.41%	10.20%	8.67%	7.80%	7.25%	7.30%	6.72%

Supplementary Statements

The section contains additional statements required by the Local Government
Commission in North Carolina.

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, 2025

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Ad valorem taxes:			
Taxes		\$ 406,770	
Penalties and interest		8,117	
Total	\$ 370,500	414,887	\$ 44,387
Other taxes and licenses:			
Business licenses		950	
Total	600	950	350
Unrestricted intergovernmental:			
Beer and Wine Tax		2,393	
Local option sales taxes		186,723	
Utility franchise tax		152,253	
Telecom Sales Tax		3,485	
Video Programming		2,450	
Payment in Lieu of Taxes		4,422	
Total	326,886	351,726	24,840
Restricted intergovernmental:			
Powell Bill Allocation		36,520	
Solid Waste Disposal		463	
Total	30,450	36,983	6,533
Sales and services:			
Rent of Facilities		7,025	
Garbage Collection Fees		91,248	
Total Sales and Services	100,400	98,273	(2,127)
Permits and Fees:			
Zoning Permits		1,375	
Total Permits and Fees	-	1,375	1,375
Investment earnings:			
Powell Bill		1,435	
Regular		24,106	
Total Other Revenues	2,400	25,541	23,141
Other Revenues:			
Miscellaneous		15,773	
Total Other Revenues	900	15,773	14,873
Total Revenues	832,136	945,508	113,372

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, 2025

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Transportation:			
Streets and highways:			
Salaries		75,513	
Contracted Services		132,807	
Employee Benefits		40,149	
Operating Expenses		96,659	
Powell Bill Expenditures		7,367	
Capital Outlay		43,481	
Total Transportation	<u>466,042</u>	<u>395,976</u>	<u>70,066</u>
Cultural and recreation:			
Recreation Department:			
Operating Expenses		842	
Contracted Labor		173	
Capital Outlay		-	
Total Recreation Department	<u>5,570</u>	<u>1,015</u>	<u>4,555</u>
Library:			
Salaries		2,012	
Bladen County		7,000	
Employee Benefits		154	
Operating Expenses		10,900	
Capital Outlay		-	
Total Library	<u>24,567</u>	<u>20,066</u>	<u>4,501</u>
Total Cultural and Recreation	<u>30,137</u>	<u>21,081</u>	<u>9,056</u>
Total Expenditures	<u>838,883</u>	<u>734,929</u>	<u>103,954</u>
Revenues over (under) expenditures	<u>(6,747)</u>	<u>210,579</u>	<u>217,326</u>
Fund Balance Appropriated	<u>6,747</u>	<u>-</u>	<u>(6,747)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>210,579</u>	<u>\$ 210,579</u>
Fund Balance, Beginning		3,072,571	
Fund Balance, Ending		<u>\$ 3,283,150</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, 2025

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Capital outlay:			
Water		47,831	
Sewer		43,481	
Total capital outlay	<u>94,000</u>	<u>91,312</u>	<u>2,688</u>
Total expenditures	<u>673,394</u>	<u>528,026</u>	<u>145,368</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>\$ 111,323</u>	<u>\$ 111,323</u>
 Reconciliation from budgetary basis (modified accrual) to full accrual:			
Revenues over expenditures		<u>\$ 111,323</u>	
 Reconciling items:			
Principal retirement		39,316	
Capital outlay		91,312	
Expenditures in Capital Projects not Capitalized		(135,100)	
Capital Contributions-Capital Projects		221,095	
(Increase)/Decrease in compensated absences payable		(1,226)	
Increase/(Decrease) in deferred outflows of resources-pensions		(3,334)	
(Increase)/Decrease in net pension liability		(5,439)	
(Increase)/Decrease in deferred inflows of resources-pensions		1,638	
Depreciation		<u>(172,946)</u>	
Total reconciling items		<u>35,316</u>	
Change in Net Position		<u>\$ 146,639</u>	

Town of Clarkton, North Carolina
Water and Sewer Capital Projects Fund - Sewer System Merger
Schedule of Revenues and Expenditures -
Budget and Actual (Non - GAAP)
From Inception and for the Fiscal Year Ended June 30, 2025

	Actual			Variance Favorable (Unfavorable)	
	Project Author- ization	Prior Years	Current Year		Total to Date
Revenues:					
Restricted Intergovernmental Revenue					
Grant Revenue	50,000	\$ -	\$ 30,300	\$ 30,300	\$ (19,700)
Total Revenues	50,000	-	30,300	30,300	(19,700)
Expenditures:					
Operating Expenses		4,500	25,800	30,300	
Construction		-	-	-	-
Total Expenditures	50,000	4,500	25,800	30,300	19,700
Revenue over (under) Expenditures	-	(4,500)	4,500	-	-
Other Financing Sources (Uses)					
Transfers - (Out)					
Local Match	-	-	-	-	-
Net Operating Transfers	-	-	-	-	-
Excess of Revenue and Other Sources over (Under) Expenditures	\$ -	\$ (4,500)	\$ 4,500	\$ -	\$ -

OTHER SCHEDULES

This section includes additional information on property taxes.

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

Town of Clarkton, North Carolina
Analysis of Current Tax Levy
Town - Wide Levy
For the Fiscal Year Ended June 30, 2025

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current year's rate	\$ 64,483,115	\$ 0.61	\$ 393,347	\$ 365,630	27,717
Total	<u>64,483,115</u>		<u>393,347</u>	<u>365,630</u>	<u>27,717</u>
Discoveries:					
Current year taxes	-	0.61	-		-
Abatements:	(60,820)	0.61	(371)	(371)	-
Total property valuation	<u>\$ 64,422,295</u>				
Net levy			392,976	365,259	27,717
Uncollected taxes at June 30, 2025			<u>20,396</u>	<u>20,396</u>	<u>-</u>
Current year's taxes collected			<u>\$ 372,580</u>	<u>\$ 344,863</u>	<u>\$ 27,717</u>
Current levy collection percentage			<u>94.81%</u>	<u>94.42%</u>	<u>100.00%</u>

COMPLIANCE SECTION



Thompson, Price, Scott, Adams & Co., P.A.
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R. Bryon Scott, CPA
Gregory S. Adams, CPA
Alan W. Thompson, CPA

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 Auditor's 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, 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, 2025, which collectively comprises the Town of Clarkton's basic financial statements, and have issued our report thereon dated November 11, 2025.

Report on 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) as a basis for designing 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for 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. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency as item 2025-001 that we consider to be a material weakness.

Report on 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, North Carolina
Schedule of Findings and Responses
For the Fiscal Year Ended June 30, 2025

Section I. Summary of Auditor's Results

Financial Statements

Type of auditor's report 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
PO Box 307
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Corrective Action Plan
June 30, 2025

Section II – Financial Statement Findings

Finding 2025-001 Segregation of Duties

Material Weakness

Name of contact person: Jerome Myers, Mayor

Corrective Action: Duties and functions will be reviewed to determine where segregation needs to occur. The duties will be separated as much as possible and alternative controls will be implemented to compensate for lack of segregation. Nonfinancial employees will be trained and provide some assistance.

Proposed Completion Date: The Board will implement the above procedure immediately.