

TOWN OF CLYDE, NORTH CAROLINA



FINANCIAL STATEMENTS

June 30, 2019

(With Independent Auditor's Report Thereon)

TOWN OF CLYDE
Clyde, North Carolina

Board of Aldermen

James Trantham
Mayor

Frank Lay II
Mayor Pro-Tem

Dann Jesse

Diane Fore

John Hemingway

Officials

Andrea GarlandTown Administrator and Finance Officer

Sheila KirkpatrickTown Clerk and Tax Collector

Terry Troutman.....Police Chief

Clarence H. Dickson, III Town Attorney

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Independent Auditor's Report

To the Honorable Mayor
and Members of the Board of Aldermen
Clyde, North Carolina

Report on the Financial Statements

I 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 Clyde, North Carolina, as of and for the year 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.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions

Opinions

In my opinion, based on my 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 Clyde, 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 4 through 13, and the Schedule of Changes in the Total OPEB Liability and Related Ratios on page 41, 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 statement in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Clyde, 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 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 me. In my opinion, based on my audit, the individual fund statements, budgetary schedules and other schedules are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

n accordance with *Government Auditing Standards*, I have also issued my report dated August 13, 2019 on my consideration of Town of Clyde's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of the report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Clyde's internal control over financial reporting and compliance.



Sheila Gahagan, CPA
August 13, 2019

MANAGEMENT DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Town of Clyde, we offer readers of the Town of Clyde's financial statements this narrative overview and analysis of the financial activities of the Town of Clyde 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

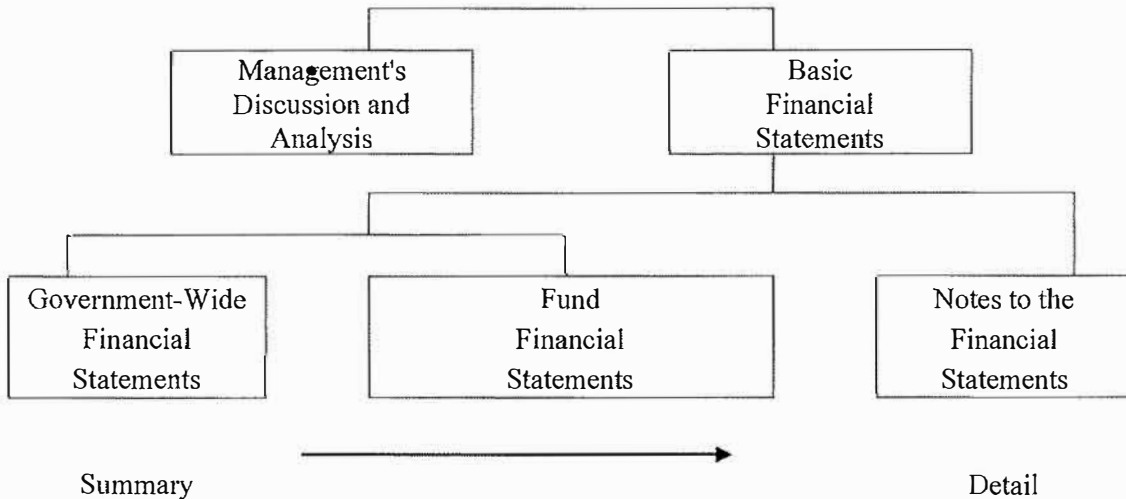
- The assets and deferred outflows of resources of the Town of Clyde exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$5,704,856 (*net position*).
- The government's total net position increased by \$173,275 due to a increase in water and sewer rates.
- As of the close of the current fiscal year, the Town of Clyde's governmental fund reported an ending fund balance of \$1,365,603 a decrease of \$78,068 in comparison with the prior year. Approximately 13.34% of this total amount, or \$182,195, is restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$919,808 or 85.49% of total general fund expenditures for the fiscal year.
- The Town of Clyde's total debt decreased by \$117,896 or 14% during the current fiscal year due to normal principal payments.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Town of Clyde'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 Clyde.

Required Components of Annual Financial Statements

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 9) 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 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 they have changed. Net position is the difference between the Town's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the Town's financial condition.

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

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

Fund Financial Statements

The fund financial statements provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Clyde, 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 Clyde can be divided into three categories: governmental funds, proprietary funds and fiduciary 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'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 of Clyde 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 Clyde 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 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. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement.

Proprietary Funds – The Town of Clyde has one kind of proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Clyde uses enterprise funds to account for its water and sewer activity and for its sanitation operations. 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.

Other Information - In addition to the basic financial statements and accompanying notes, this report includes other schedules concerning the Town of Clyde's ad valorem taxes.

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 modification to federal and State laws and federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

Government-Wide Financial Analysis

Town of Clyde's Net Position
Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$1,428,729	\$1,534,141	\$1,213,281	\$1,301,922	\$2,642,010	\$2,836,063
Capital assets	1,365,472	1,341,901	2,582,565	2,350,498	3,948,037	\$3,692,399
Deferred outflows	244	262	115	138	359	400
Total assets and deferred outflows of resources	2,794,445	2,876,304	3,795,961	3,652,558	6,590,406	6,528,862
Long-term liabilities outstanding	254,790	265,131	358,856	461,891	613,646	727,022
Other liabilities	42,110	58,463	200,787	191,855	242,897	250,318
Deferred inflows of resources	19,694	13,061	9,313	6,880	29,007	19,941
Total liabilities and deferred inflows of resources	316,594	336,655	568,956	660,626	885,550	997,281
Net position:						
Net investment in capital assets	1,354,069	1,319,345	2,254,316	1,933,804	3,608,385	3,253,149
Restricted for Transportation	45,887	105,365	-	-	45,887	105,365
Restricted for Stabilization by State Statute	136,308	161,868	-	-	136,308	161,868
Unrestricted	941,587	953,071	972,689	1,058,128	1,914,276	2,011,199
Total net position	\$2,477,851	\$2,539,649	\$3,227,005	\$2,991,932	\$5,704,856	\$5,531,581

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 the Town of Clyde exceeded liabilities and deferred inflows by \$5,704,856 as of June 30, 2019. The Town's net position increased by \$173,275 for the fiscal year ended June 30, 2019. However, a large portion \$3,608,385 (63%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The Town of Clyde uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Clyde's net investment in 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 \$182,195 (3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,914,276 (34%) is unrestricted.

Town of Clyde'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	\$ 240	\$ 253	\$1,199,238	\$1,115,222	\$1,199,478	\$1,115,475
Operating grants and contributions	53,344	167,272	-	-	53,344	167,272
Capital grants and contributions	30,000	-	228,646	58,476	258,646	58,476
General revenues:						
Property taxes	376,517	356,008	-	-	376,517	356,008
Other taxes and licenses	-	-	-	-	-	-
Grants and contributions not restricted to specific programs	466,618	453,212	-	-	466,618	453,212
Other	16,579	27,548	(221)	(6,031)	16,358	21,517
Total revenues	943,298	1,004,293	1,427,663	1,167,667	2,370,961	2,171,960
Expenses:						
General government	323,093	302,780	-	-	323,093	302,780
Public safety	381,402	351,504	-	-	381,402	351,504
Transportation	292,493	207,828	-	-	292,493	207,828
Cultural and recreation	7,600	5,613	-	-	7,600	5,613
Interest on long-term debt	508	-	2,906	4,317	3,414	4,317
Water and sewer	-	-	1,129,287	982,158	1,129,287	982,158
Sanitation	-	-	60,397	53,112	60,397	53,112
Total expenses	1,005,096	867,725	1,192,590	1,039,587	2,197,686	1,907,312
Change in net position before transfers	(61,798)	136,568	235,073	128,080	173,275	264,648
Transfers	-	-	-	-	-	-
Net position, July 1, restated	2,539,649	2,403,081	2,991,932	2,863,852	5,531,581	5,266,933
Net position, June 30	\$2,477,851	\$2,539,649	\$3,227,005	\$2,991,932	\$5,704,856	\$5,531,581

Governmental activities. Governmental activities decreased the Town's net position by \$61,798 thereby accounting for -35% of the total increase in the net position of the Town of Clyde. Key element of this decrease is due to increase in salary and benefits costs and increased maintenance of streets and railroad crossings within Town-limits.

Business-type activities: Business-type activities increased the Town of Clyde's net position by \$235,073 accounting for 135% of the total growth in the government's net position. Key element of this increase is due to an increase in water and sewer charges.

Financial Analysis of the Town's Funds

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

Governmental Funds. The focus of the Town of Clyde'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 of Clyde's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Town of Clyde. At the end of the current fiscal year, the Town of Clyde's fund balance available in the General Fund was \$919,808 while total fund balance reached \$1,365,603. The Town currently has an available fund balance of 85% of general fund expenditures, while total fund balance represents 126% of the same amount.

At June 30, 2019, the general fund, which is the Town's only governmental fund, reported a fund balance of \$1,365,603 a \$78,068 decrease from last year.

General Fund Budgetary Highlights: During the fiscal year, the Town revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 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.

Budgeted expenses increased due to necessary purchases of items needed to be replaced or repaired. The increase in expenses increased the original budgeted amounts.

Proprietary Funds. The Town of Clyde'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 \$781,246, while those for the Sanitation Fund amounted to \$191,443. The total increase in net position for the Water and Sewer Fund was \$230,079 and the total increase for the Sanitation Fund was \$4,994. The Water and Sewer Fund increase was due to rate increases.

Capital Asset and Debt Administration

Capital assets. The Town of Clyde's investment in capital assets for its governmental and business-type activities as of June 30, 2019, totals \$3,608,385 (net of accumulated depreciation and related debt). These assets include buildings, roads, land, machinery and equipment, park facilities, and vehicles.

Major capital asset and related transactions during the year include the following:

- Purchase of transportation department equipment, police and transportation vehicles, land improvements for Rivers Edge Park, and sidewalk improvements for the General Fund.
- Purchase of new sewer lines and costs for a sewer project for the Water and Sewer Fund.

Town of Clyde's Capital Assets

(net of depreciation)

Figure 4

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 521,737	\$ 415,477	\$ -	\$ -	\$ 521,737	\$ 415,477
Construction in Progress	-	47,470	-	50,300	-	97,770
Buildings	331,527	400,206	-	-	331,527	400,206
Plant and distribution systems	-	-	2,492,477	2,177,308	2,492,477	2,177,308
Equipment	77,171	55,836	63,101	82,031	140,272	137,867
Vehicles and equipment	97,865	56,641	26,987	40,859	124,852	97,500
Infrastructure	337,172	366,271	-	-	337,172	366,271
	<u>\$1,365,472</u>	<u>\$ 1,341,901</u>	<u>\$ 2,582,565</u>	<u>\$ 2,350,498</u>	<u>\$ 3,948,037</u>	<u>\$ 3,692,399</u>

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

Long-term Liabilities. As of June 30, 2019, the Town of Clyde had total long-term liabilities outstanding of \$339,652. Of this amount, \$149,537 represents a 2014 note issued to the Town by the North Carolina Department of Environment and Natural Resources for sewer system upgrades; \$104,974 represents a 2016 loan for a sewer project; \$73,738 represents a 2016 loan for the purchase of radio meter readers and \$11,403 represents a capital lease for a new police vehicle. The notes are not secured by a pledge of the faith and credit of the Town.

Town of Clyde's Outstanding Debt

Figure 5

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Note payable	\$ -	\$ 5,065	\$ 328,249	\$ 416,694	\$ 328,249	\$ 421,759
Compensated Absences	2,778	3,578	1,551	1,894	4,329	5,472
OPEB liability	254,790	253,727	120,489	133,642	375,279	387,369
Capital lease	11,403	22,556	-	-	11,403	22,556
	<u>\$ 268,971</u>	<u>\$ 284,926</u>	<u>\$ 450,289</u>	<u>\$ 552,230</u>	<u>\$ 719,260</u>	<u>\$ 837,156</u>

The Town of Clyde's total long-term liabilities decreased by \$117,896 (14%) during the year due to planned principal payments.

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 legal debt margin for Town of Clyde is \$6,044,424.

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the Town.

- The Town of Clyde is a small family community with approximately 1,264 citizens. Clyde currently functions as a bedroom community, as most of its citizens work outside the town limits. All the necessary public works utilities are provided as well as a small police force. The Town and its extraterritorial jurisdiction encompass a total land area of 5.5 square miles (.86 miles within the town limits, 4.64 miles in the ETJ). The land use composition is estimated with 91.4% as residential, 4.3% commercial/institutional and 4.3% industrial. For next year the Town anticipates property tax valuations to remain consistent.

Budget Highlights for the Fiscal Year Ending June 30, 2020

Governmental Activities: The Town intends to maintain the current tax rate at 45 cents per one-hundred-dollar valuation.

Business-type activities: The water and sewer rates increased July 1, 2019. In 2011, a Master Wastewater and Water Study was completed and capital projects were proposed for the next ten years. The study outlined an annual increase in water and sewer rates to assist with funding these future projects. Since the town purchases water from the Town of Canton and the Town of Waynesville treats the wastewater, the rates must be evaluated yearly based on proposed increase in costs for these services.

Significant Effects: Revenues have been budgeted conservatively for the year ending June 30, 2020. Budgeted increases in expenses are a reflection of capital needs within the departments.

Other activities that are underway are as follows:

- The Town is in the process of applying for a U.S. Housing and Urban Development (HUD) Community Development Block Grant for the replacement and repair of waterlines, valves and various components along Chambers Mountain Road. This is a federal grant program and if funded would be at 100% of the cost which is projected at \$911,000. This project is needed due to the undersized and aging lines. This project would benefit approximately 91 people and 52 households, 71% of who are low and moderate income based off surveys performed by the Town's engineering firm.

Requests for Information

This report is designed to provide an overview of the Town'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 Town Administrator, Town of Clyde, 8437 Carolina Blvd., Clyde, NC 28721.

BASIC FINANCIAL STATEMENTS

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

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,211,337	\$ 699,631	\$ 1,910,968
Taxes receivables (net)	35,197	-	35,197
Accounts receivable (net)	-	166,585	166,585
Internal balances	444	(444)	-
Due from other governments	135,864	283,458	419,322
Restricted cash and cash equivalents	45,887	64,051	109,938
Total current assets	1,428,729	1,213,281	2,642,010
Non Current assets:			
Capital assets: (Note II, A-3)			
Land, non-depreciable improvements, and construction in process	521,737	-	521,737
Other capital assets, net of depreciation	843,735	2,582,565	3,426,300
Total capital assets	1,365,472	2,582,565	3,948,037
Total assets	\$ 2,794,201	\$ 3,795,846	\$ 6,590,047
Deferred Outflows of Resources			
OPEB Deferrals	\$ 244	\$ 115	\$ 359
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 27,929	\$ 67,990	\$ 95,919
Prepaid utilities	-	4,514	4,514
Unearned revenue	-	-	-
Current portion of long-term liabilities	11,403	89,882	101,285
Current portion of compensated absences	2,778	1,551	4,329
Payable from restricted assets-customer deposits	-	36,850	36,850
Long-term liabilities:			
Due in more than one year	-	238,367	238,367
OPEB liability	254,790	120,489	375,279
Total liabilities	296,900	559,643	856,543
Deferred Inflows of Resources			
OPEB Deferrals	\$ 19,694	\$ 9,313	\$ 29,007
NET POSITION			
Net investment in capital assets	1,354,069	2,254,316	3,608,385
Restricted for:			
Stabilization by State Statue	136,308	-	136,308
Transportation	45,887	-	45,887
Unrestricted	941,587	972,689	1,914,276
Total net position	\$ 2,477,851	\$ 3,227,005	\$ 5,704,856

See accountant's report and accompanying notes.

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 323,093	\$ 240	\$ 15,028	\$ -	\$ (307,825)	\$ -	\$ (307,825)
Public safety	381,402	-	750	-	(380,652)	-	(380,652)
Transportation	292,493	-	37,566	-	(254,927)	-	(254,927)
Cultural and recreation	7,600	-	-	30,000	22,400	-	22,400
Interest on long-term debt	508	-	-	-	(508)	-	(508)
Total government activities	1,005,096	240	53,344	30,000	(921,512)	-	(921,512)
Business-type activities:							
Water and sewer	1,129,287	1,133,847	-	228,646	-	233,206	233,206
Sanitation	60,397	65,391	-	-	-	4,994	4,994
Interest on long-term debt	2,906	-	-	-	-	(2,906)	(2,906)
Total business-type activities	1,192,590	1,199,238	-	228,646	-	235,294	235,294
Total primary government	\$ 2,197,686	\$ 1,199,478	\$ 53,344	\$ 258,646	(921,512)	235,294	(686,218)
General revenues:							
Taxes:							
Property taxes, levied for general purpose					376,517	-	376,517
Other taxes					-	-	-
Grants and contributions not restricted to specific programs					466,618	-	466,618
Unrestricted investment earnings					11,202	1,665	12,867
Gain (Loss) on sale of asset					(28,451)	(1,886)	(30,337)
Miscellaneous					33,828	-	33,828
Total general revenues and transfers					859,714	(221)	859,493
Change in net position					(61,798)	235,073	173,275
Net position-beginning					2,539,649	2,991,932	5,531,581
Net position-ending					\$ 2,477,851	\$ 3,227,005	\$ 5,704,856

See accountant's report and accompanying notes.

Exhibit 3

Town of Clyde, North Carolina
Balance Sheet
Governmental Funds
June 30, 2019

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 1,211,337
Restricted cash	45,887
Receivables, net:	
Taxes	35,197
Accounts	-
Total receivables, net	<u>35,197</u>
Due from water and sewer fund	444
Due from other governments	135,864
Total assets	<u><u>1,428,729</u></u>
LIABILITIES	
Accounts payable and accrued liabilities	27,929
Unearned Revenue	-
Total liabilities	<u>27,929</u>
DEFERRED INFLOWS OF RESOURCES	
Property taxes receivable	35,197
FUND BALANCES	
Restricted:	
Stabilization by State Statute	136,308
Streets	45,887
Assigned:	
Subsequent year's expenditures	263,600
Unassigned	919,808
Total fund balances	<u>1,365,603</u>
Total liabilities, deferred inflows of resources and fund balances	<u><u>\$ 1,428,729</u></u>
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:	
Total fund balances, Governmental Funds	\$ 1,365,603
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,365,472
Deferred outflows related to OPEB are not reported in the funds	244
Earned revenues considered deferred inflows of resources in fund statements.	35,197
Deferred inflows of resources related to OPEB are not reported in the funds	(19,694)
Other long term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(268,971)</u>
Net position of governmental activities	<u><u>\$ 2,477,851</u></u>

See accountant's report and accompanying notes.

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

	<u>General Fund</u>
REVENUES	
Ad valorem taxes	\$ 393,122
Other taxes and licenses	-
Unrestricted intergovernmental	466,618
Restricted intergovernmental	83,364
Sales and services	240
Investment earnings	11,202
Miscellaneous	7,253
Total revenues	<u>961,799</u>
EXPENDITURES	
Current:	
General government	252,008
Public safety	358,788
Transportation	264,020
Culture and recreation	5,391
Capital outlay	178,956
Debt service:	
Principal	16,217
Interest	508
Total expenditures	<u>1,075,888</u>
Excess (deficiency) of revenues over expenditures	(114,089)
OTHER FINANCING SOURCES (USES)	
Sales of capital assets	36,021
Loan proceeds issued	-
Total other financing sources (uses)	<u>36,021</u>
Net change in fund balance	(78,068)
Fund balances-beginning	1,443,671
Fund balances-ending	<u>\$ 1,365,603</u>

See accountant's report and accompanying notes.

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

Amounts reported for governmental activities in the statement of activities (Exhibit 2) are different because:

Net changes in fund balances - total governmental funds	\$	(78,068)
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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 outlay exceeded depreciation in the current period.

61,469

Deferred outflows/inflows of resources related to OPEB are not reported in the funds

17,217

Proceeds from the sale of assets are recorded in the fund statements; however, in the Statement of Activities only the gain or loss is recorded. This is the amount by which the cash proceeds received exceeded the loss.

(64,472)

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

(17,144)

OPEB benefit payments made in the current fiscal year are not included on the Statement of Activities

21,093

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. This amount is the net effect of these differences in the treatment of long-term debt and related items.

16,217

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.

OPEB plan expense

(18,110)

Total changes in net position of governmental activities

\$ (61,798)

See accountant's report and accompanying notes.

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

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 351,000	\$ 377,550	\$ 393,122	\$ 15,572
Other taxes and licenses	100	-	-	-
Unrestricted intergovernmental	434,400	437,200	466,618	29,418
Restricted intergovernmental	39,000	107,750	83,364	(24,386)
Sales and Service	6,200	200	240	40
Investment earnings	4,500	9,500	11,202	1,702
Miscellaneous	7,000	6,000	7,253	1,253
Total revenues	<u>842,200</u>	<u>938,200</u>	<u>961,799</u>	<u>23,599</u>
Expenditures:				
Current:				
General government	307,250	307,250	252,008	55,242
Public safety	391,450	401,850	389,305	12,545
Transportation	365,600	416,535	380,245	36,290
Cultural and recreation	11,700	41,700	37,605	4,095
Debt Service:				
Principal	12,000	16,565	16,217	348
Interest	450	550	508	42
Total expenditures	<u>1,088,450</u>	<u>1,184,450</u>	<u>1,075,888</u>	<u>108,562</u>
Revenues over expenditures	<u>(246,250)</u>	<u>(246,250)</u>	<u>(114,089)</u>	<u>132,161</u>
Other Financing Sources (uses)				
Sales of capital assets	-	-	36,021	36,021
Capital lease obligations issued	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>36,021</u>	<u>36,021</u>
Appropriated fund balance	246,250	246,250	-	(246,250)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(78,068)</u>	<u>\$ (78,068)</u>
Fund balances, beginning of year			1,443,671	
Fund balances, end of year			<u>\$ 1,365,603</u>	

See accountant's report and accompanying notes.

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

	Enterprise Funds		
	Water and Sewer Fund	Sanitation Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 523,691	\$ 175,940	\$ 699,631
Accounts receivable (net) - billed	127,002	8,664	135,666
Accounts receivable (net) - unbilled	29,202	1,717	30,919
Accounts receivable government agencies	283,458	-	283,458
Due from/(to) other funds	(7,430)	6,986	(444)
Restricted assets:			
Cash and cash equivalents	64,051	-	64,051
Total current assets	<u>1,019,974</u>	<u>193,307</u>	<u>1,213,281</u>
Capital assets:			
Land and construction in progress	-	-	-
Other capital assets, net of depreciation	<u>2,582,565</u>	<u>-</u>	<u>2,582,565</u>
Capital assets (net)	<u>2,582,565</u>	<u>-</u>	<u>2,582,565</u>
Total noncurrent assets	<u>2,582,565</u>	<u>-</u>	<u>2,582,565</u>
Total assets	<u>3,602,539</u>	<u>193,307</u>	<u>3,795,846</u>
Deferred Outflows of Resources			
OPEB deferrals	\$ 115	-	\$ 115
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	66,126	1,864	67,990
Prepaid utilities	4,514	-	4,514
Liabilities payable from restricted assets - customer deposits	36,850	-	36,850
Compensated Absences - current	1,551	-	1,551
Note payable - current	89,882	-	89,882
Total current liabilities	<u>198,923</u>	<u>1,864</u>	<u>200,787</u>
Noncurrent liabilities:			
Compensated absences - noncurrent	-	-	-
Note payable - noncurrent	238,367	-	238,367
Total OPEB liability	<u>120,489</u>	<u>-</u>	<u>120,489</u>
Total noncurrent liabilities	<u>358,856</u>	<u>-</u>	<u>358,856</u>
Total liabilities	<u>557,779</u>	<u>1,864</u>	<u>559,643</u>
Deferred Inflows of Resources			
OPEB deferrals	\$ 9,313	-	\$ 9,313
NET POSITION			
Net investment in capital assets	2,254,316	-	2,254,316
Unrestricted	<u>781,246</u>	<u>191,443</u>	<u>972,689</u>
Total net position	<u>\$ 3,035,562</u>	<u>\$ 191,443</u>	<u>\$ 3,227,005</u>

See accountant's report and accompanying notes.

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

	Enterprise Funds		
	Water and Sewer Fund	Sanitation Fund	Total
OPERATING REVENUES			
Charges for services	\$ 1,099,248	\$ 65,391	\$ 1,164,639
Water and sewer taps	22,100	-	22,100
Other operating revenues	12,499	-	12,499
Total operating revenues	<u>1,133,847</u>	<u>65,391</u>	<u>1,199,238</u>
OPERATING EXPENSES			
Administration	121,780	-	121,780
Water treatment and distribution	860,840	-	860,840
Waste collection and treatment	13,355	-	13,355
Garbage operations	-	60,397	60,397
Depreciation	133,312	-	133,312
Total operating expenses	<u>1,129,287</u>	<u>60,397</u>	<u>1,189,684</u>
Operating income (loss)	<u>4,560</u>	<u>4,994</u>	<u>9,554</u>
NONOPERATING REVENUES (EXPENSES)			
Capital contributions	228,646	-	228,646
Investment earnings	1,665	-	1,665
Gain (loss) on sale of assets	(1,886)	-	(1,886)
Interest and other charges	(2,906)	-	(2,906)
Total nonoperating revenue (expenses)	<u>225,519</u>	<u>-</u>	<u>225,519</u>
Change in net position	<u>230,079</u>	<u>4,994</u>	<u>235,073</u>
Total net position - beginning	<u>2,805,483</u>	<u>186,449</u>	<u>2,991,932</u>
Total net position - ending	<u>\$ 3,035,562</u>	<u>\$ 191,443</u>	<u>\$ 3,227,005</u>

See accountant's report and accompanying notes.

Town of Clyde, North Carolina
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2019

	Enterprise Funds		
	Water and Sewer Fund	Sanitation Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 879,558	\$ 65,102	\$ 944,660
Cash paid for goods and services	(742,060)	(58,578)	(800,638)
Cash paid to or on behalf of employees for services	(251,706)	-	(251,706)
Customer deposits received	14,100	-	14,100
Customer deposits returned	(14,050)	-	(14,050)
Net cash provided (used) by operating activities	(114,158)	6,524	(107,634)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Due (to)/from other funds	1,571	(1,571)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	(367,265)	-	(367,265)
Principal paid on notes payable and capital leases	(88,445)	-	(88,445)
Capital contributions - state grants	228,644	-	228,644
Interest paid on note payable and capital leases activities	(2,906)	-	(2,906)
	(229,972)	-	(229,972)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of asset disposal	-	-	-
Interest and dividends	1,665	-	1,665
Net cash provided by investing activities	1,665	-	1,665
Net increase in cash and cash equivalents	(340,894)	4,953	(335,941)
Balances-beginning of the year	928,636	170,987	1,099,623
Balances-end of the year	\$ 587,742	\$ 175,940	\$ 763,682
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	\$ 4,560	\$ 4,994	\$ 9,554
Adjustments to reconcile operating income to net cash			
Depreciation	133,312	-	133,312
Changes in assets and liabilities:			
Decrease (Increase) in accounts receivable	(22,058)	(289)	(22,347)
Decrease (Increase) in due from other governments	(224,953)	-	(224,953)
Increase (Decrease) in deferred outflows - OPEB	23		23
Increase (Decrease) in accounts payable and accrued liabilities	5,116	1,819	6,935
Increase (Decrease) in prepaid services	855	-	855
Increase (decrease) in compensated absences	(343)	-	(343)
Increase (decrease) in deferred inflows - OPEB	2,433		2,433
Increase (decrease) in OPEB liability	(13,153)		(13,153)
Increase in customer deposits	50	-	50
Total adjustments	(118,718)	1,530	(117,188)
Net cash provided by operating activities	\$ (114,158)	\$ 6,524	\$ (107,634)

See accountant's report and accompanying notes.

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Clyde 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 Clyde is a municipal corporation that is governed by an elected mayor and a four-member board of aldermen. The Town is a single entity, and there are no other legally separate entities for which the Town is financially accountable. The Town of Clyde is a municipality located in the western area of the State of North Carolina, and has a population of 1,264. The Town maintains its own police department and operates water and sewer services for the incorporated and immediately surrounding area.

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. Fiduciary activities are not included in the government-wide statements.

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. 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, including its fiduciary funds. Separate statements for each fund category – *governmental*, *proprietary* and *fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

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 funds:

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

The Town has no non-major governmental funds.

The Town reports the following major enterprise funds:

Water and Sewer Fund. This fund is used to account for the Town's water and sewer operations. For financial reporting purposes, a Water and Sewer Capital Reserve Fund has been consolidated with the Water and Sewer Fund. The budgetary comparison for the Capital Reserve Fund has been included in the supplemental information.

Sanitation Fund. This fund is used to account for the Town's garbage collection operations.

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, Proprietary and Fiduciary Fund Financial Statements. The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus, except for the agency fund which has no measurement focus. The government-wide, proprietary and fiduciary 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, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Proprietary funds distinguish operating revenues and expense from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operating. The principal operating revenues of the Town's 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 customer to the water and sewer system. Operating expense for enterprise funds includes the costs of sales and services, administrative expenses, and

depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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 inflows of resources.

Sales taxes and certain intergovernmental revenues 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 Clyde because the tax is levied by Haywood 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. Grant revenues which are unearned at year-end are recorded as unearned revenues. Under the terms of grant agreements, the town funds certain programs by a combination of cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are 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 and then by general revenues, if allowable by the terms of the grant.

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 Funds. All annual appropriations lapse at the fiscal year end. Project ordinances are adopted for the Water and Sewer Capital Reserve Fund, which is consolidated with the Water and Sewer Fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. The Town's finance officer is authorized by the budget

ordinance to transfer appropriations within a department. Amendments are required for any revisions that alter total expenditures of any department or any fund. All amendments must be approved by the governing board. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; 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). For the year ended June 30, 2019 the Town did not invest in any such obligations.

The Town's has only invested in money market accounts, which are classified as cash and cash equivalents.

2. Cash and Cash Equivalents

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

3. Restricted Assets

Cash in the Water and Sewer Capital Reserve Fund is classified as restricted assets for the enterprise fund because their use is completely restricted to the purpose of capital improvements. 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 because it 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 Clyde Restricted Cash

Governmental Activities		
General Fund	Transportation	\$ 45,887
Total Governmental Activities		\$ 45,887

Business-type Activities		
Water and Sewer Fund	Customer Deposits	\$ 36,850
	Capital Reserve	27,201
Total Business-type Activities		<u>\$ 64,051</u>
Total Restricted Cash		<u>\$ 109,938</u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6. These taxes are based on the assessed values as of January 1, 2018.

5. Allowances for Doubtful Accounts

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

6. Capital Assets

Capital assets are defined by the government as tangible and intangible assets used in municipal operations that have a useful life of greater than one year and a minimum value of \$1,000 prior to November 12, 2014 and a value of \$5,000 subsequent to that date, with the exception that any asset, regardless of value, deemed to be an improvement to the water distribution system will be considered to be an addition to that system and will be subject to capitalization and depreciation.

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. No amounts have been recorded for general infrastructure assets acquired prior to July 1, 2003. Infrastructure assets acquired subsequent to that date are recorded at 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:

Asset Class	Estimated Useful Lives
Infrastructure	15
Buildings	50
Water distribution system improvements	30
Improvements to facilities and structures	15
Furnishing and Fixtures	10
Automobiles	5
Equipment (non-computer)	5
Computer Equipment/Software	3

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period so will not be recognized as an expense or expenditure until then. The Town has one item that meets the criterion for this category-OPEB deferrals. 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 only two items that meets the criterion for this category – property taxes receivable and prepaid taxes.

8. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Compensated Absences

The vacation policy of the Town requires that annual leave must be taken during the fiscal year in which the leave is granted. An employee may carry over one week with approval. The Board retains the right to approve special exceptions to this rule, but each case will be dealt with on an individual basis. Annual leave carried over must be used in the next fiscal year. For the Town's government-wide fund, 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 that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The Town's sick leave policies provide for an accumulation of earned sick leave up to 30 days. Sick leave does not vest, and is not used in the determination of length of service for retirement

benefit purposes. Since the Town has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

9. Net Position/Fund Balances

Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets, net of related debt; restricted; and unrestricted. Restricted net position represent 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.

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.

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

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

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

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Town of Clyde's Board of Aldermen. Any changes or removal of specific purposes requires majority action by the governing body.

Assigned Fund Balance – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation.

Subsequent year's expenditures – portion of fund balance that is appropriated in the next year's budget that is not already classified in restricted or committed. The governing body approves the appropriation.

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

II. Detail Notes on All Funds

A. Assets

1. Deposits and Investments

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 agents 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 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 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 \$2,020,506 and a bank balance of \$2,201,854. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2019, the Town's petty cash fund totaled \$400.

Investments

The Town had no investments at June 30, 2019. The Town has no policy regarding credit risk.

2. Receivables - Allowances for Doubtful Accounts

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

	<u>Fund</u>	<u>Allowance</u>
General fund:		
Property taxes receivable	\$	3,000
Water and sewer fund:		
Utility charges receivable		62,061
Total allowance for doubtful accounts	\$	<u>65,061</u>

Town of Clyde
Notes to the Financial Statements
June 30, 2019

3. Capital Assets

Capital Asset Activity for the Town for the year ended June 30, 2019 was as follows:

	Beginning Balances	Additions	Retirements	Ending Balances
Governmental Activities				
Capital assets not being depreciated:				
Construction in progress	\$ 47,470	\$ -	\$ 47,470	\$ -
Land	415,477	106,260	-	521,737
Total capital assets not being depreciated	462,947	106,260	47,470	521,737
Capital assets being depreciated:				
Buildings	660,402	-	125,981	534,421
Equipment	270,856	40,276	6,901	304,232
Vehicles and motorized equipment	256,200	79,264	36,278	299,187
Infrastructure	925,118	27,201	-	952,317
Total capital assets being depreciated	2,112,576	146,741	169,160	2,090,157
Less accumulated depreciation for:				
Buildings	260,196	12,618	69,920	202,894
Equipment	215,020	18,942	6,901	227,061
Vehicles and motorized equipment	199,559	29,629	27,866	201,322
Infrastructure	558,847	56,298	-	615,145
Total accumulated depreciation	1,233,622	\$ 117,487	\$ 104,687	1,246,422
Total capital assets being depreciated, net	878,954			843,735
Governmental activity capital assets, net	\$ 1,341,901			\$ 1,365,472

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

General government	\$ 69,721
Public safety	18,600
Transportation	26,957
Cultural and recreational	2,209
Total depreciation expense	\$ 117,487

	Beginning Balances	Additions	Retirements	Ending Balances
Business-type activities:				
Water and Sewer Fund				
Capital assets not being depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Construction in progress	50,300	-	50,300	-
Total capital assets not being depreciated	50,300		50,300	-
Capital assets being depreciated:				
Plant and distribution systems	3,360,034	417,565		3,777,599
Furniture and maintenance equipment	236,461	-	7,245	229,216
Vehicles and motorized equipment	100,813	-	3,650	97,163
Total capital assets being depreciated	3,697,308	417,565	10,895	4,103,978

Town of Clyde
Notes to the Financial Statements
June 30, 2019

Less accumulated depreciation for:				
Plant and distribution systems	1,182,726	102,396	-	1,285,122
Furniture and maintenance equipment	154,430	18,930	7,245	166,115
Vehicles and motorized equipment	59,954	11,986	1,764	70,176
Total accumulated depreciation	1,397,110	133,312	9,009	1,521,413
Total capital assets being depreciated, net	2,300,198			2,582,565
Business-type activities capital assets, net	\$ 2,350,498			\$ 2,582,565

No capital assets are held by the Sanitation Fund.

B. Liabilities

1. Pension Plan and Postemployment Obligations

a. Defined Contribution Plan

Plan Description. The Town of Clyde provides pension benefits for all of its full-time employees through a defined contribution (money purchase) plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate upon reaching the age of twenty and completing two years of service. Each participant shall have a vested interest of 100% as soon as he or she becomes eligible to participate in the plan.

The Town only has administrative rights, approval of forms and shifting of monies, to the investments held for participants of the Town's retirement plan. These investments are not the Town's investments; the investments are held by MetLife Insurance Company in each participant's name and are comprised of annuities, stocks and insurance policies with cash value. Employees through MetLife make decisions regarding the investments within their personal accounts.

Funding Policy. Plan members are required to contribute five percent of their annual covered salary. The Town is required to contribute 15%. The Town's total eligible payroll for the year ending June 30, 2019 was \$240,724. Town contributions were calculated using the budgeted base salary. All required contributions for the year ending June 30, 2019 were made, consisting of \$36,109 from the Town and \$12,036 from the covered employees, or a total of \$48,145.

b. Supplemental Retirement Income Plan for Law Enforcement Officers

Plan Description. The Town contributes to the Supplemental Retirement Income Plan (Plan), a defined contribution pension plan administered by the Department of State Treasurer and a Board of Trustees. The Plan provides retirement benefits to law enforcement officers employed by the Town. Article 5 of G.S. Chapter 135 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Supplemental Retirement Income Plan for Law Enforcement Officers is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes the pension trust fund financial statements for the Internal Revenue Code Section 401(k) plan that includes the

Supplemental Retirement Income Plan for Law Enforcement Officers. That report may be obtained by writing to the Office of the State Controller, 1410 Main 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 made contributions of \$9,875. No amounts were forfeited.

c. Other Post-employment Benefits

Healthcare Benefits

Plan Description: According to a Town resolution, for employees that retired prior to December 8, 2010; the Town provides post-employment health care benefits (HCB) to retirees of the Town, provided they have reached the age of 55 with 20 years of service with the Town. The Town Board has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits Provided. The Town pays 50% of the cost of coverage for these benefits and an additional 5% of the cost of coverage for each additional year of service above 20 years. The Town pays 100% of the cost of coverage for retirees who have reached the age of 62 with 20 years of service. Additionally, the Town pays an equivalent percentage of the cost of health insurance benefits for spouses of retirees.

For employees retiring on or after December 8, 2010; the Town provides post-employment benefits for a maximum of ten years for the employee only or until the retiree reaches age 65 or until the retiree becomes Medicare eligible, provided they have reached the age 62 with 20 years of service with the Town or the age 55 with 30 years of service with the Town. The Town will pay 50% up to 75% of the cost of medical health insurance coverage on the employee, depending on the number of years of service. At the conclusion of the ten-year period the retiree will be allowed to pay the cost of the group health premium and maintain coverage until age 65 or retiree becomes Medicare eligible. The Board of Aldermen may amend the benefit provisions. A separate report was not issued for the plan.

Membership of the HCB consisted of the following at June 30, 2017, the date of the latest actuarial valuation:

	General Employees	Law Enforcement Officers
Retirees and dependents receiving benefits	2	1
Terminated plan members entitled to but no yet receiving benefits	-	-
Active plan members	6	4
	<u>8</u>	<u>5</u>

Total OPEB Liability

The Town's total OPEB liability of \$375,279 was measured as of June 30, 2018 and was determined by a biennial actuarial valuation as of June 30, 2017.

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.5%
Salary increases, including wage inflation	3.5% - 7.75% general employees 3.5% - 7.35% law enforcement officers
Discount rate	3.89%
Healthcare cost trend rates	Pre-Medicare, 7.5% for 2017 decreasing to an ultimate of 5.0% by 2023 Medicare, 5.5% for 2017 decreasing to an ultimate rate of 5.0% by 2020

The discount rate is based on the June average of the Bond Buyer 20-year General Obligation Municipal Bond Index published weekly by The Bond Buyer, and the discount rate used to determine the TOL is the Municipal Bond Index Rate as of the measurement date.

Changes in the Total OPEB liability

Balance at June 30, 2018	\$387,369
Changes for the year:	
Service Cost	7,801
Interest	13,418
Change in benefit terms	-
Difference between expected and actual experience	(261)
Changes of assumptions or other inputs	(11,955)
Benefit payments	(21,093)
Net changes	<u>\$ (12,090)</u>
Total OPEB liability as of June 30, 2019	\$375,279

Changes in assumptions and other inputs reflect a change in the discount rate from 3.56% to 3.89%.

Mortality rates were based on the RP-2014 mortality tables, with adjustments for LGERS experience and generational mortality improvements using Scale MP-2015.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period December 1, 2010 through December 31, 2014, adopted by LGERS Board.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.89%) or 1-percentage-point higher (4.89%) than the current discount rate:

	<u>1% decrease</u>	<u>Discount rate</u>	<u>1% increase</u>
Total OPEB liability	\$413,382	\$375,279	\$342,337

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% decrease</u>	<u>Current</u>	<u>1% decrease</u>
Total OPEB liability	\$337,636	\$375,279	\$418,832

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the Town recognized OPEB expense of \$18,110. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 359	\$ 237
Change of assumptions and other inputs	<u>-</u>	<u>28,770</u>
Total	\$ 359	\$29,007

2.. Other Employment Benefits

a. Flexible Spending Accounts and Health Reimbursement Accounts

The Town has elected to provide Flexible Spending Accounts (FSA's) and Health Reimbursement Accounts (HRA's) for employees. FSA's allows employees to use pre-tax dollars to pay for co-payments, deductibles and other health care costs. HRA's, when used in conjunction with a high-deductible health insurance policy, allow employees to use pre-tax dollars to save money tax-free to be used against medical expenses.

Employees can elect to contribute to the FSA plan but the Town doesn't make any matching contributions. For the HSA plan the Town contributes \$1,500 for participating employees and

\$3,000 for employees with family coverage. For the year ended June 30, 2019, the Town contributions to the HRA plan were \$20,900.

3. Deferred Outflows and Inflows of Resources

Deferred outflows of resources is comprised of the following:

<u>Source</u>	<u>Amount</u>
Difference between expected and actual experience	\$ 359

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

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable, less penalties	\$ -	\$ 35,197
Change of assumptions	28,770	
Differences between expected and actual experience	237	-

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability, workers compensation, and auto liability coverage of \$1 million per occurrence, property coverage up to the total insurance values of the property policy, workers; compensation coverage up to statutory limits, and employee health coverage up to a \$2 million lifetime limit. The pools are reinsured through commercial companies for single occurrence claims against general liability, auto liability and property in excess of \$500,000 and \$300,000 up to statutory limits for workers' compensation. The pools are reinsured for annual employee health claims in excess of \$150,000. The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of the total insurance values.

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

The Town carries flood insurance through the National Flood Insurance Plan (NFIP). Because the Town is in an area of the State that has been mapped and designated an "A" area (an area close to a river, lake or stream) by the Federal Emergency Management Agency, the Town is eligible to purchase coverage of \$500,000 per structure through the NFIP. The Town also is

eligible to and has purchased commercial flood insurance for another \$345,200 of coverage for its buildings in the "A" area.

In accordance with G.S. 159-29, The Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The Finance Officer is bonded for \$150,000 and the Tax Collector for \$50,000 and the remaining employees that have access to funds are bonded under a blanket bond for \$20,000.

5. Long-Term Obligations

a. Capital Leases – Government Activities

The Town has entered into agreements to lease certain equipment. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. The following is an analysis of asset recorded under capital leases at June 30, 2019:

During 2012 the Town, North Carolina Department of Transportation, and Southern Railway entered into an agreement to construct a railroad crossing guard in town. The town was to pay \$15,195 in three equal installments of \$5,065 with no interest expense. The final payments as not requested prior to the current year. Final payment was made during the year ended June 30, 2019.

During 2018 the Town entered into a capital lease to purchase a police vehicle for \$34,216. The capital lease is payable in three annual installments of \$11,660, including interest at 2%, beginning November 2017. No interest was paid in the current year.

The following is an analysis of the assets recorded under capital leases at June 30, 2019:

Class of Property	Cost	Accumulated Depreciation	Net Book Value
Vehicles and motorized equipment	\$ 34,216	\$ (11,405)	\$ 22,811

The future minimum lease obligations and the present value of these minimum base payments as of June 30, 2019 were as follows:

Year Ending June 30	
2019	\$ 11,660
Less amount representing interest	(257)
Total minimum lease payments	\$ 11,403

b. Long-Term Debt – Business-type Activities

During 2016, the Town received a loan to purchase radio meter readers for \$338,786.

Town of Clyde
Notes to the Financial Statements
June 30, 2019

The loan is payable in five annual installments of \$75,207, including interest at 2%. An initial payment of \$52,351 was paid during the year ended June 30, 2016. The amount of \$2,906 in interest was paid in the current year. The balance at June 30, 2019 was \$73,738.

During 2014 and 2015, the Town received a loan to construct a pump station on Hyder Mountain for \$199,800. This is an interest free loan from North Carolina Department of Environment and Natural Resources. An initial payment of \$10,387 was paid initially. Principal is payable annually in the amount of \$9,969. The maturity date is May 1, 2034. The balance at June 30, 2019 was \$149,537.

On April 9, 2016, a note payable was issued by the North Carolina Department of the State Treasurer, State Revolving Loan for the Fire Station Sewer Project. The State approved a total loan of \$123,500. This is an interest free loan. Principal is payable annually in the amount of \$6,175. The maturity date is May 1, 2036. The balance at June 30, 2019 was \$104,974.

Total notes payable:

Balance on note payables	\$	328,249
Less current portion		(89,882)
Noncurrent portion	\$	<u>238,367</u>

Annual debt service requirements to maturity for long-term obligations are as follows:

Year Ending June 30	Business-Type Activities	
	Principal	Interest
2020	89,883	1,468
2021	16,144	-
2022	16,144	-
2023	16,144	-
2024-2028	80,720	-
2029-2033	80,720	-
2034-2036	28,494	-
Total	\$ 328,249	\$ 1,468

c. Changes in Long-Term Liabilities

	Beginning Balance	Increase	Decreases	Ending Balances	Current Portion
<u>Governmental activities:</u>					
Capitalized leases	\$ 22,556	\$ -	\$ 11,153	\$ 11,403	\$ 11,403
Total OPEB liability	253,727	1,063	-	254,790	-
Compensated Absences	3,578	-	800	2,778	2,778
Southern Railway- Note	5,065	-	5,065	-	-
Governmental activity long-term liabilities	\$ <u>284,926</u>	\$ <u>1,063</u>	\$ <u>17,018</u>	\$ <u>268,971</u>	\$ <u>14,181</u>

Town of Clyde
Notes to the Financial Statements
June 30, 2019

Business-type activities:

Total OPEB liability	133,642	-	13,153	120,489	-
Compensated Absences	1,894	-	343	1,551	1,551
Notes payable	416,694	-	88,445	328,249	89,882
Business-type activity long-term debt	\$ 552,230	\$ -	\$ 101,941	\$ 450,289	\$ 91,433

Compensated absences typically have been liquidated in the General Fund.

At June 30, 2019 the Town of Clyde had a legal debt margin of \$6,044,424.

C. Interfund Balances and Activity

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

Due to the Sanitation Fund from the Water Fund	\$ 6,986
Due to the General Fund from the Water Fund	444

The Water Fund collected service fees that were for the Sanitation Fund. The inter-fund balances resulted from the time lag between the dates that payments between funds are made.

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

From the Capital Reserve Fund to the Water Fund	\$39,100
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The Capital Reserve Fund is reported as a part of the Water Fund. The Capital Reserve Fund transferred money to the Water Fund for a sewer project. The transfer met the terms of the restriction of the Capital Reserve Fund.

D. Net Investment in Capital Assets

	Governmental	Business-type
Capital assets	\$ 1,365,472	\$ 2,582,565
Less: Long-Term Debt	11,403	328,249
Net investment in capital assets	\$ 1,354,069	\$ 2,254,316

E. Fund Balances

Total fund balance – General Fund	\$1,365,603
Less:	
Stabilization by State Statute	136,308
Streets – Powell Bill	45,887
Appropriated fund balance in 2019 budget	263,600
Remaining fund balance	919,808

III. 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 moneys 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 moneys.

IV. Significant Effects of Subsequent Events

Subsequent events have been evaluated through August 13, 2019, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTAL FINANCIAL DATA

Exhibit A

Town of Clyde, North Carolina
Schedule of Changes in the Total OPEB Liability and Related Ratios
For the Year Ended June 30, 2019

Total OPEB Liability	2019	2018
Service cost	7,801	8,229
Interest	13,418	12,012
Differences between expected and actual experience	(261)	441
Change of assumptions	(11,955)	(21,965)
Benefit payments	(21,093)	(20,672)
Net change in total OPEB liability	(12,090)	(21,955)
Total OPEB liability, beginning	387,369	409,324
Total OPEB liability, ending	375,279	387,369
Covered payroll	392,502	392,502
Total OPEB liability as a percentage of covered payroll	95.61%	98.69%

Notes to Schedule

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate of each period. The following are the discount rates used in each period:

<u>Fiscal Year</u>	<u>Rate</u>
2018	3.56%
2017	3.89%

INDIVIDUAL FUNDS STATEMENTS AND SCHEDULES

Exhibit B

**Town of Clyde, 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	\$ 376,050	\$ 389,098	\$ 13,048
Penalties and interest	1,500	4,024	2,524
Total ad valorem taxes	<u>377,550</u>	<u>393,122</u>	<u>15,572</u>
Other taxes and licenses:			
Privilege licenses	<u>-</u>	<u>-</u>	<u>-</u>
Unrestricted intergovernmental:			
Local option sales taxes	342,000	365,512	23,512
Utility franchise tax	84,000	90,590	6,590
Alcohol beverage tax	2,000	5,445	3,445
Gasoline tax refund	1,200	1,551	351
Other	8,000	3,520	(4,480)
Total unrestricted intergovernmental	<u>437,200</u>	<u>466,618</u>	<u>29,418</u>
Restricted intergovernmental:			
Powell Bill allocation	37,000	37,586	586
Other	70,750	45,778	(24,972)
Total restricted intergovernmental	<u>107,750</u>	<u>83,364</u>	<u>(24,386)</u>
Investment earnings:			
Interest earnings	9,500	11,202	1,702
Total investment earnings	<u>9,500</u>	<u>11,202</u>	<u>1,702</u>
Miscellaneous:			
Court fees	200	240	40
Other miscellaneous	6,000	7,253	1,253
Total miscellaneous	<u>6,200</u>	<u>7,493</u>	<u>1,293</u>
Total revenues	<u>938,200</u>	<u>961,799</u>	<u>23,599</u>
Expenditures:			
General government:			
Salaries and employee benefits	163,900	134,266	29,634
Professional services	13,950	11,579	2,371
Other operating expenditures	129,400	106,163	23,237
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total general government	<u>307,250</u>	<u>252,008</u>	<u>55,242</u>

(continued)

Exhibit B
(continued)

Town of Clyde, 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)
Public safety:			
Police:			
Salaries and employee benefits	301,000	297,509	3,491
Maintenance	14,000	12,324	1,676
Other operating expenditures	54,350	48,955	5,395
Capital outlay	32,500	30,517	1,983
Total public safety	<u>401,850</u>	<u>389,305</u>	<u>12,545</u>
Transportation:			
Streets and highways:			
Salaries and employee benefits	113,300	102,108	11,192
Maintenance	111,435	106,231	5,204
Street Lights	38,000	32,458	5,542
Other operating expenditures	34,300	23,223	11,077
Capital outlay	119,500	116,225	3,275
Total transportation	<u>416,535</u>	<u>380,245</u>	<u>36,290</u>
Culture and recreation			
Other operating expenditures	7,700	5,391	2,309
Capital outlay	34,000	32,214	1,786
Total culture and recreation	<u>41,700</u>	<u>37,605</u>	<u>4,095</u>
Debt service:			
Principal retirement	16,565	16,217	348
Interest	550	508	42
	<u>17,115</u>	<u>16,725</u>	<u>390</u>
Total expenditures	<u>1,184,450</u>	<u>1,075,888</u>	<u>108,562</u>
Revenues over (under) expenditures	(246,250)	(114,089)	132,161
Other financing sources (uses):			
Proceeds from sale of asset	-	36,021	36,021
Proceeds from loan proceeds	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>36,021</u>	<u>36,021</u>
Fund balance appropriated	246,250	-	(246,250)
Net change in fund balance	<u>\$ -</u>	<u>(78,068)</u>	<u>\$ (78,068)</u>
Fund balances:			
Beginning of year, July 1		1,443,671	
End of year, June 30		<u>\$ 1,365,603</u>	

Town of Clyde, North Carolina
Water and Sewer Fund
Schedule of Revenues and Expenditures and Changes in Fund Balances
Budget and Actual
For the Fiscal Year Ended June 30, 2019

	Budget	Actual	Variance Positive (Negative)
OPERATING REVENUES			
Charges for services:			
Water charges	\$ 712,000	\$ 740,721	\$ 28,721
Sewer charges	328,000	358,527	30,527
Total charges for services	<u>1,040,000</u>	<u>1,099,248</u>	<u>59,248</u>
Water and sewer tap fees:			
Water tap fees	12,100	12,100	-
Sewer tap fees	10,000	10,000	-
Total water and sewer tap fees	<u>22,100</u>	<u>22,100</u>	<u>-</u>
Other operating revenues	19,700	12,499	(7,201)
Total other operating revenues	<u>19,700</u>	<u>12,499</u>	<u>(7,201)</u>
Total operating revenues	<u>1,081,800</u>	<u>1,133,847</u>	<u>52,047</u>
NON-OPERATING REVENUES			
Grant Revenue	412,500	228,646	(183,854)
Investment earnings	1,000	1,556	556
Total non-operating revenues	<u>413,500</u>	<u>230,202</u>	<u>(183,298)</u>
Total revenues	<u>1,495,300</u>	<u>1,364,049</u>	<u>(131,251)</u>
OPERATING EXPENDITURES			
Administration:			
Salaries and employee benefits	100,000	80,035	19,965
Contracted services	12,250	10,097	2,153
Insurance	16,000	15,428	572
Other operating expenditures	22,500	16,220	6,280
Total administration	<u>150,750</u>	<u>121,780</u>	<u>28,970</u>
Water treatment and distribution:			
Salaries and employee benefits	174,150	158,400	15,750
Water purchases	235,000	229,489	5,511
Contracted services	372,500	352,530	19,970
Maintenance	113,100	106,888	6,212
Other operating expenditures	21,400	13,533	7,867
Total water treatment and distribution	<u>916,150</u>	<u>860,840</u>	<u>55,310</u>

(continued)

Exhibit C
(continued)

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

	Budget	Actual	Variance Positive (Negative)
Waste collection and treatment:			
Supplies	15,500	13,355	2,145
Other operating expenditures	-	-	-
Total waste collection and treatment	15,500	13,355	2,145
Capital outlay	538,800	367,265	171,535
Total operating expenditures	1,621,200	1,363,240	257,960
NON-OPERATING EXPENDITURES			
Interest expense	3,000	2,906	94
Total expenditures	1,624,200	1,366,146	258,054
Revenues over (under) expenditures	(128,900)	(2,097)	126,803
OTHER FINANCING SOURCES (USES)			
Loss on disposal of assets	-	-	-
Transfer from Capital Reserve	39,100	39,100	-
Loan principal payments	(88,600)	(88,445)	155
Total other financing sources (uses)	(49,500)	(49,345)	155
Fund Balance Appropriated	178,400	-	(178,400)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ (51,442)	\$ (51,442)
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Loan principal payments		88,445	
Capital outlay		367,265	
Loss on disposal of assets		(1,886)	
Depreciation		(133,312)	
Total reconciling items		320,512	
Change in net position - Water and Sewer Fund		\$ 269,070	
Change in net position - Capital Reserve Fund		(38,991)	
Consolidated change in net position for full accrual statement		\$ 230,079	

Exhibit D

**Town of Clyde, North Carolina
Sanitation Fund
Schedule of Revenues and Expenditures
Budget and Actual
For the Fiscal Year Ended June 30, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
OPERATING REVENUES			
Charges for services	\$ 60,800	\$ 65,391	\$ 4,591
OPERATING EXPENSES			
Contract fees		51,170	
Recycling expense		9,227	
Other operating expenditures		-	
Total operating expenditures	<u>60,800</u>	<u>60,397</u>	<u>403</u>
Revenues over (under) expenditures	-	4,994	4,994

Exhibit E

Town of Clyde, North Carolina
 Water and Sewer Capital Reserve Fund
 Schedule of Revenues - Budget and Actual
 From Inception and for the Fiscal Year Ended June 30, 2019

	<u>Project Authorization</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total To Date</u>	<u>Variance Favorable (Unfavorable)</u>
Revenue:					
Interest Earnings	<u>\$ -</u>	<u>\$ 51,771</u>	<u>\$ 109</u>	<u>\$ 51,880</u>	<u>\$ 51,880</u>
Other Financing Sources (Uses):					
Operating Transfers In:					
Water and Sewer Fund	150,000	56,916	-	56,916	(93,084)
Operating Transfers Out:					
Water and Sewer Fund	<u>(150,000)</u>	<u>(42,495)</u>	<u>(39,100)</u>	<u>(81,595)</u>	<u>68,405</u>
Total Financing Sources (Uses)	<u>-</u>	<u>14,421</u>	<u>(39,100)</u>	<u>(24,679)</u>	<u>(24,679)</u>
Other Revenue and Sources Over Financing Uses	<u>\$ -</u>	<u>\$ 66,192</u>	<u>\$ (38,991)</u>	<u>\$ 27,201</u>	<u>\$ 27,201</u>
Fund balances:					
Beginning of year, July 1			<u>66,192</u>		
End of year, June 30			<u>\$ 27,201</u>		

OTHER SCHEDULES

This section contains additional information required.

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

Exhibit G

Town of Clyde, North Carolina
General Fund
Schedule of Ad Valorem Taxes Receivable
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	\$ -	\$ 378,359	369,019	\$ 9,340
2017-2018	15,861	-	10,967	4,894
2016-2017	7,675	-	3,360	4,315
2015-2016	6,630	-	3,517	3,113
2014-2015	6,162	-	2,927	3,235
2013-2014	4,757	-	549	4,208
2012-2013	2,680	-	(474)	3,154
2011-2012	2,548	-	750	1,798
2010-2011	2,973	-	1,332	1,641
2009-2010	1,696	-	(803)	2,499
2008-2009	1,820	-	1,820	-
	<u>\$ 52,802</u>	<u>\$ 378,359</u>	<u>\$ 392,964</u>	<u>38,197</u>

Less: allowance for uncollectible accounts:

General Fund

3,000

Ad valorem taxes receivable - net

\$ 35,197

Reconciliation with revenues:

Ad valorem taxes - General Fund

\$ 393,122

Reconciling items:

Interest collected

(4,024)

Discounts allowed

2,046

Taxes written off

1,820

Subtotal

(158)

Total collections and credits

\$ 392,964

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

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property - real and personal	\$ 74,995,556	0.45	\$ 337,480	\$ 337,480	\$ -
Registered motor vehicles:	11,075,556	0.45	49,840	-	49,840
Total	86,071,112		387,320	337,480	49,840
Discoveries:					
Current year taxes	203,123	0.45	914	914	-
Abatements	(2,194,555)	0.45	(9,875)	(9,875)	-
Total property valuation	<u>\$ 84,079,680</u>				
Net levy			378,359	328,519	49,840
Uncollected taxes at June 30, 2017			(9,340)	(9,340)	-
Current year's taxes collected			<u>\$ 369,019</u>	<u>\$ 319,179</u>	<u>\$ 49,840</u>
Current levy collection percentage			<u>97.53%</u>	<u>97.16%</u>	<u>100.00%</u>

COMPLIANCE SECTION

SHEILA GAHAGAN, CPA

229 Penland Street

Clyde, NC 28721

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and
Members of the Board of Aldermen
Town of Clyde, North Carolina

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Clyde, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Clyde's basic financial statements, and have issued my report thereon dated August 13, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Clyde's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Sheila Gahagan, CPA

August 13, 2019