

**REVIEWED**

*By SLGFD at 2:39 pm, Oct 05, 2021*

**TOWN OF CLYDE, NORTH CAROLINA**



**FINANCIAL STATEMENTS**

**June 30, 2021**

**(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 Garland .....Town Administrator and Finance Officer

Sheila Kirkpatrick.....Town Clerk and Tax Collector

Brian Gulden..... Town Attorney

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Clyde, NC 28721

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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, 2021, 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, 2021, 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 42, 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 and the procedures performed as described above, the individual fund statements, budgetary schedules and other schedules are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, I have also issued my report dated September 3, 2021 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  
September 3, 2021

## **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, 2021. We encourage readers to read the information presented here in conjunction with additional information we have furnished in the Town's financial statements, which follow this narrative.

### **Financial Highlights**

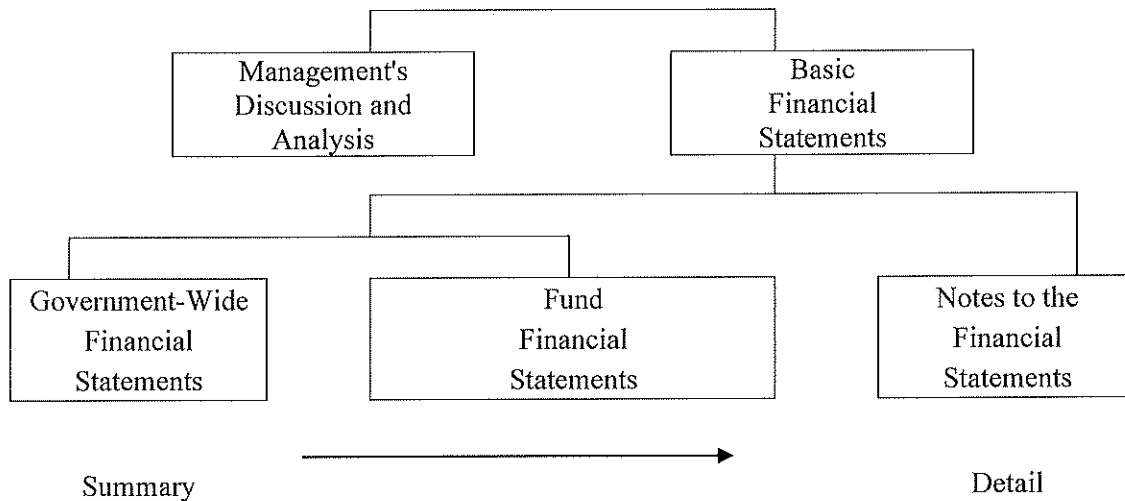
- The assets and deferred outflows of resources of the Town of Clyde exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$5,734,188 (*net position*).
- The government's total net position increased by \$158,390 due to operating and capital grants and an increase in sales tax revenue.
- As of the close of the current fiscal year, the Town of Clyde's governmental fund reported an ending fund balance of \$1,402,643 an increase of \$101,686 in comparison with the prior year. Approximately 10.29% of this total amount, or \$144,400 is restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,008,079 or 97.70% of total general fund expenditures for the fiscal year.
- The Town of Clyde's total debt increased by \$8,157 or 1.1% during the current fiscal year due to an increase in OPEB liabilities.

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

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the Town's individual funds. Budgetary information required by the 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 two categories: governmental funds, and proprietary funds.

**Governmental Funds** – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town'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 certain required supplementary information concerning the Town's total OPEB, which can be found on page 42, and other schedules concerning the Town of Clyde's ad valorem taxes, which can be found on pages 49 and 50.

**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	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$1,470,617	\$1,382,018	\$1,412,931	\$1,277,606	\$2,883,548	\$2,659,624
Capital assets	1,241,111	1,351,954	2,449,899	2,464,058	3,691,010	3,816,012
Deferred outflows	32,183	232	29,214	380	61,397	612
Total assets and deferred outflows of resources	2,743,911	2,734,204	3,892,044	3,742,044	6,635,955	6,476,248
Long-term liabilities outstanding	213,821	239,104	479,666	442,389	693,487	681,493
Other liabilities	35,306	48,022	143,548	140,147	178,854	188,169
Deferred inflows of resources	16,585	18,724	12,841	12,064	29,426	30,788
Total liabilities and deferred inflows of resources	265,712	305,850	636,055	594,600	901,767	900,450
Net position:						
Net investment in capital assets	1,241,111	1,351,954	2,143,503	2,132,165	3,384,614	3,484,119
Restricted for Transportation	6,417	27,768	-	-	6,417	27,768
Restricted for Stabilization by State Statute	137,983	82,025	-	-	137,983	82,025
Unrestricted	1,092,688	966,607	1,112,486	1,015,279	2,205,174	1,981,886
Total net position	\$2,478,199	\$2,428,354	\$3,255,989	\$3,147,444	\$5,734,188	\$5,575,798

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 \$5,734,188 as of June 30, 2021. The Town's net position increased by \$158,390 for the fiscal year ended June 30, 2021. However, a large portion \$3,384,614 (59%) 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 \$144,400 (2.5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,205,174 (38.5%) is unrestricted.

**Town of Clyde's Changes in Net Position**  
**Figure 3**

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 16,620	\$ 7,038	\$1,218,390	\$1,188,409	\$1,235,010	\$1,195,447
Operating grants and contributions	83,292	37,715	-	-	83,292	37,715
Capital grants and contributions	-	-	96,007	1,633	96,007	1,633
General revenues:						
Property taxes	410,959	391,512	-	-	410,959	391,512
Grants and contributions not restricted to specific programs	578,659	493,680	-	-	578,659	493,680
Other	19,897	29,563	1,909	39,647	21,806	69,210
Total revenues	<u>1,109,427</u>	<u>959,508</u>	<u>1,316,306</u>	<u>1,229,689</u>	<u>2,425,733</u>	<u>2,189,197</u>
Expenses:						
General government	352,937	346,758	-	-	352,937	346,758
Public safety	437,051	335,030	-	-	437,051	335,030
Transportation	255,735	315,214	-	-	255,735	315,214
Cultural and recreation	13,859	11,318	-	-	13,859	11,318
Interest on long-term debt	-	685	39	1,460	39	2,145
Water and sewer	-	-	1,148,723	1,233,787	1,148,723	1,233,787
Sanitation	-	-	58,999	74,003	58,999	74,003
Total expenses	<u>1,059,582</u>	<u>1,009,005</u>	<u>1,207,761</u>	<u>1,309,250</u>	<u>2,267,343</u>	<u>2,318,255</u>
Change in net position before transfers	49,845	(49,497)	108,545	(79,561)	158,390	(129,058)
Transfers	-	-	-	-	-	-
Net position, July 1	<u>2,428,354</u>	<u>2,477,851</u>	<u>3,147,444</u>	<u>3,227,005</u>	<u>5,575,798</u>	<u>5,704,856</u>
Net position, June 30	<u>\$2,478,199</u>	<u>\$2,428,354</u>	<u>\$3,255,989</u>	<u>\$3,147,444</u>	<u>\$5,734,188</u>	<u>\$5,575,798</u>

**Governmental activities.** Governmental activities increased the Town's net position by \$49,845 thereby accounting for 32% of the total increase in the net position of the Town of Clyde. Key element of this increase is due to increase in sales tax revenue.

**Business-type activities:** Business-type activities increased the Town of Clyde's net position by \$108,545 accounting for 68% of the total increase in the government's net position. Key element of this increase is due to a CDBG grant for water-structure improvements.

### 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 \$1,008,079 while total fund balance reached \$1,402,643. The Town currently has an available fund balance of 97.7% of general fund expenditures, while total fund balance represents 136% of the same amount.

At June 30, 2021, the general fund, which is the Town's only governmental fund, reported a fund balance of \$1,402,643 a \$101,686 increase 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 that needed to be replaced or repaired and an increase in salaries and benefits in the Transportation Department due to additional staff. 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 \$901,386 while those for the Sanitation Fund amounted to \$211,100. The total increase in net position for the Water and Sewer Fund was \$92,379 and the total increase for the Sanitation Fund was \$16,166. The Water and Sewer Fund increase was due to a capital grant for a water improvement project.

### **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, 2021, totals \$3,384,614 (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:

- A new roof and flooring at Town Hall and a new mower for the General Fund.
- Construction in progress for a water-structure project for the Water and Sewer Fund.



**Town of Clyde's Capital Assets**  
(net of depreciation)

**Figure 4**

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land/CIP	\$ 521,737	\$ 521,737	\$ 96,007	\$ -	\$ 617,744	\$ 521,737
Buildings	369,282	318,909	-	-	369,282	318,909
Plant and distribution systems	-	-	2,301,741	2,381,181	2,301,741	2,381,181
Equipment	65,169	65,366	41,264	65,112	106,433	130,478
Vehicles and equipment	22,748	126,984	10,887	17,765	33,635	144,749
Infrastructure	262,175	318,958	-	-	262,175	318,958
	<u>\$ 1,241,111</u>	<u>\$ 1,351,954</u>	<u>\$ 2,449,899</u>	<u>\$ 2,464,058</u>	<u>\$ 3,691,010</u>	<u>\$ 3,816,012</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, 2021, the Town of Clyde had total long-term liabilities outstanding of \$893,161. Of this amount, \$129,599 represents a 2014 note issued to the Town by the North Carolina Department of Environment and Natural Resources for sewer system upgrades; \$92,624 represents a 2016 loan for a sewer project; and \$84,173 represents a 2020 loan from the North Carolina Department of Environmental Quality for a sewer project. 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	
	2021	2020	2021	2020	2021	2020
Note payable	\$ -	\$ -	\$ 306,396	\$ 331,893	\$ 306,396	\$ 331,893
Compensated Absences	5,268	8,358	4,939	5,686	10,207	14,044
Capital lease OPEB liability	-	-	-	-	-	-
	<u>213,821</u>	<u>239,104</u>	<u>194,090</u>	<u>131,316</u>	<u>407,911</u>	<u>370,420</u>
	<u>\$ 219,089</u>	<u>\$ 247,462</u>	<u>\$ 505,425</u>	<u>\$ 468,895</u>	<u>\$ 724,514</u>	<u>\$ 716,357</u>

The Town of Clyde's total long-term liabilities increased by \$8,157 (1.1%) during the year due to an increase in OPEB liability.

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 \$6,511,650.

### **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 1274 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. Due to a recent reappraisal by Haywood County, for the next year, the Town anticipates property tax valuations to increase.

### **Budget Highlights for the Fiscal Year Ending June 30, 2022**

**Governmental Activities:** The Town decreased the current tax rate of 45 cents to 43 cents per one-hundred-dollar valuation. Consultants have been acquired during the year to assist the town in the rewriting and updating of the town's Zoning/Subdivision/Stormwater Ordinances.

**Business-type activities:** The town increased monthly garbage fee by \$1 per month beginning July 2019. This increase helped offset the new recycling cart program costs that were rolled out in March of 2020. 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 10 years. The study outlined annual increases in water and sewer rates to assist with the funding of 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 cost for these services.

**Significant Effects:** Due to the COVID-19 pandemic, revenues and expenditures have been budgeted conservatively for the year ending June 30, 2022.

The Town contracted with Haywood County and Haywood County Sheriff's Office in October 2020. This contract provided four full-time Sworn Patrol Deputy Sherriff's and a full-time Sworn Deputy Sergeant to perform all necessary law enforcement patrol services in the Town of Clyde. This service has improved the concentration and presence of law enforcement and has been well received by town residents. The Town transferred police equipment as part of the first-year contract costs for law enforcement services. The current contact will terminate June 30, 2025.

On February 12, 2020, the Town was approved for a Community Development Block Grant in the amount of \$910,050 for water improvements in the Chambers Mountain Road area. Construction for this project is expected to begin in October 2021 and to be completed by June 30, 2022.

On July 9, 2021, the Town received an award for \$415,581 from the Coronavirus Local Fiscal Recovery Funds. The funds are restricted for allowable pandemic recovery. The Town received the first payment of \$207,791 in July, 2021 but has not yet encumbered the funds. The Town has until November 31, 2024 to use the funds.

### **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, 2021**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 1,290,720	\$ 1,137,432	\$ 2,428,152
Taxes receivables (net)	32,259	-	32,259
Accrued interest receivable on taxes	3,238	-	3,238
Accounts receivable (net)	-	168,024	168,024
Internal balances	443	(443)	-
Due from other governments	137,540	65,918	203,458
Restricted cash and cash equivalents	6,417	42,000	48,417
Total current assets	1,470,617	1,412,931	2,883,548
Non Current assets:			
Capital assets: (Note II, A-3)			
Land, non-depreciable improvements, and construction in process	521,737	96,007	617,744
Other capital assets, net of depreciation	719,374	2,353,892	3,073,266
Total capital assets	1,241,111	2,449,899	3,691,010
Total assets	\$ 2,711,728	\$ 3,862,830	\$ 6,574,558
<b>Deferred Outflows of Resources</b>			
OPEB Deferrals	\$ 32,183	\$ 29,214	\$ 61,397
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 30,038	\$ 67,036	\$ 97,074
Prepaid utilities	-	8,753	8,753
Current portion of long-term liabilities	-	20,820	20,820
Current portion of compensated absences	5,268	4,939	10,207
Payable from restricted assets	-	42,000	42,000
Long-term liabilities:			
Due in more than one year	-	285,576	285,576
OPEB liability	213,821	194,090	407,911
Total liabilities	249,127	623,214	872,341
<b>Deferred Inflows of Resources</b>			
Prepaid taxes	\$ 2,439	\$ -	\$ 2,439
OPEB deferrals	14,146	12,841	26,987
Total deferred inflows of resources	16,585	12,841	29,426
<b>NET POSITION</b>			
Net investment in capital assets	1,241,111	2,143,503	3,384,614
Restricted for:			
Stabilization by State Statue	137,983	-	137,983
Transportation	6,417	-	6,417
Unrestricted	1,092,688	1,112,486	2,205,174
Total net position	\$ 2,478,199	\$ 3,255,989	\$ 5,734,188

See auditor's report and accompanying notes.

Town of Clyde, North Carolina  
Statement of Activities  
For the Year Ended June 30, 2021

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
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 352,937	\$ 16,620	\$ 45,731	\$ -	\$ (290,586)	\$ -	\$ (290,586)
Public safety	437,051	-	2,000	-	(435,051)	-	(435,051)
Transportation	255,735	-	35,561	-	(220,174)	-	(220,174)
Cultural and recreation	13,859	-	-	-	(13,859)	-	(13,859)
Interest on long-term debt	-	-	-	-	-	-	-
Total government activities	<u>1,059,582</u>	<u>16,620</u>	<u>83,292</u>	<u>-</u>	<u>(959,670)</u>	<u>-</u>	<u>(959,670)</u>
Business-type activities:							
Water and sewer	1,148,723	1,143,225	-	96,007	-	90,509	90,509
Sanitation	58,999	75,165	-	-	-	16,166	16,166
Interest on long-term debt	39	-	-	-	-	(39)	(39)
Total business-type activities	<u>1,207,761</u>	<u>1,218,390</u>	<u>-</u>	<u>96,007</u>	<u>-</u>	<u>106,636</u>	<u>106,636</u>
Total primary government	<u>\$ 2,267,343</u>	<u>\$ 1,235,010</u>	<u>\$ 83,292</u>	<u>\$ 96,007</u>	<u>(959,670)</u>	<u>106,636</u>	<u>(853,034)</u>
General revenues:							
Taxes:							
Property taxes, levied for general purpose					410,959	-	410,959
Grants and contributions not restricted to specific programs					578,659	-	578,659
Unrestricted investment earnings					7,042	1,909	8,951
(Loss) on disposal of fixed assets					(11,266)	-	(11,266)
Miscellaneous					24,121	-	24,121
Total general revenues and transfers					<u>1,009,515</u>	<u>1,909</u>	<u>1,011,424</u>
Change in net position					49,845	108,545	158,390
Net position-beginning					2,428,354	3,147,444	5,575,798
Net position-ending					<u>\$ 2,478,199</u>	<u>\$ 3,255,989</u>	<u>\$ 5,734,188</u>

See auditor's report and accompanying notes.

Exhibit 3

**Town of Clyde, North Carolina  
Balance Sheet  
Governmental Funds  
June 30, 2021**

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,290,720
Restricted cash	6,417
Receivables, net:	
Taxes	32,259
Accounts	-
Total receivables, net	<u>32,259</u>
Due from water and sewer fund	443
Due from other governments	<u>137,540</u>
Total assets	<u><u>1,467,379</u></u>
<b>LIABILITIES</b>	
Accounts payable and accrued liabilities	<u>30,038</u>
Total liabilities	30,038
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property taxes receivable	32,259
Prepaid taxes	<u>2,439</u>
Total deferred inflows of resources	34,698
<b>FUND BALANCES</b>	
Restricted:	
Stabilization by State Statute	137,983
Streets	6,417
Assigned:	
Subsequent year's expenditures	250,164
Unassigned	<u>1,008,079</u>
Total fund balances	<u>1,402,643</u>
Total liabilities, deferred inflows of resources and fund balances	<u><u>\$ 1,467,379</u></u>
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:	
Total fund balances, Governmental Funds	\$ 1,402,643
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,241,111
Deferred outflows related to OPEB are not reported in the funds	32,183
Earned revenues considered deferred inflows of resources in fund statements.	32,259
Deferred inflows of resources related to OPEB are not reported in the funds	(14,146)
Long term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(219,089)
Other long term assets (accrued interest receivable) are not available to pay for current period expenditures and therefore are inflows of resources in the funds.	<u>3,238</u>
Net position of governmental activities	<u><u>\$ 2,478,199</u></u>

See auditor's report and accompanying notes.



## Exhibit 4

**Town of Clyde, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2021**

	<u>General Fund</u>
<b>REVENUES</b>	
Ad valorem taxes	\$ 418,712
Unrestricted intergovernmental	578,659
Restricted intergovernmental	83,292
Sales and services	16,540
Investment earnings	7,042
Miscellaneous	24,211
Total revenues	<u>1,128,456</u>
<b>EXPENDITURES</b>	
Current:	
General government	319,478
Public safety	362,784
Transportation	255,646
Culture and recreation	9,458
Capital outlay	84,404
Debt service:	
Principal	-
Interest	-
Total expenditures	<u>1,031,770</u>
Excess (deficiency) of revenues over expenditures	96,686
<b>OTHER FINANCING SOURCES (USES)</b>	
Sales of capital assets	5,000
Loan proceeds issued	-
Total other financing sources (uses)	<u>5,000</u>
Net change in fund balance	101,686
Fund balances-beginning	1,300,957
Fund balances-ending	<u>\$ 1,402,643</u>

See auditor'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, 2021**

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

Net changes in fund balances - total governmental funds	\$ 101,686
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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.

Capital outlay expenditures which were capitalized	84,404	
Depreciation expense for governmental assets	<u>(109,264)</u>	(24,860)

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

Proceeds from sale of assets	5,000	
Gain (Loss) reported on the Statement of Activities	<u>(11,266)</u>	(6,266)

OPEB benefit payments made in the current fiscal year are not included on the Statement of Activities	23,537
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Deferred inflows/outflows of resources related to OPEB are not reported in the governmental funds

Increase in OPEB outflows	31,951	
Decrease in OPEB inflows	<u>4,578</u>	36,529

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	5,314
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds

Compensated absences	(3,090)	
Donation of fixed assets per law enforcement contract	(67,171)	
OPEB expense	<u>(15,834)</u>	<u>(86,095)</u>

Total changes in net position of governmental activities	<u>\$ 49,845</u>
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See auditor'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, 2021

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 365,000	\$ 377,200	\$ 418,712	\$ 41,512
Unrestricted intergovernmental	382,800	499,900	578,659	78,759
Restricted intergovernmental	32,000	77,000	83,292	6,292
Sales and Service	2,100	3,100	16,540	13,440
Investment earnings	25,000	6,900	7,042	142
Miscellaneous	2,000	4,000	24,211	20,211
Total revenues	808,900	968,100	1,128,456	160,356
Expenditures:				
Current:				
General government	370,400	425,800	389,883	35,917
Public safety	398,250	363,238	362,784	454
Transportation	290,400	290,400	269,645	20,755
Cultural and recreation	12,500	15,500	9,458	6,042
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	1,071,550	1,094,938	1,031,770	63,168
Revenues over expenditures	(262,650)	(126,838)	96,686	223,524
Other Financing Sources (uses)				
Sales of capital assets	-	-	5,000	5,000
Loan proceeds	-	-	-	-
Total other financing sources	-	-	5,000	5,000
Appropriated fund balance	262,650	126,838	-	(126,838)
Net change in fund balance	\$ -	\$ -	101,686	\$ 101,686
Fund balances, beginning of year			1,300,957	
Fund balances, end of year			\$ 1,402,643	

See auditor's report and accompanying notes.

Town of Clyde, North Carolina  
Statement of Fund Net Position  
Proprietary Funds  
June 30, 2021

	Enterprise Funds		
	Water and Sewer Fund	Sanitation Fund	Total
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 948,477	\$ 188,955	\$ 1,137,432
Accounts receivable (net) - billed	125,637	9,583	135,220
Accounts receivable (net) - unbilled	30,782	2,022	32,804
Accounts receivable government agencies	65,918	-	65,918
Due from/(to) other funds	(10,983)	10,540	(443)
Restricted assets:			
Cash and cash equivalents	42,000	-	42,000
Total current assets	1,201,831	211,100	1,412,931
Capital assets:			
Land and construction in progress	96,007	-	96,007
Other capital assets, net of depreciation	2,353,892	-	2,353,892
Capital assets (net)	2,449,899	-	2,449,899
Total noncurrent assets	2,449,899	-	2,449,899
Total assets	3,651,730	211,100	3,862,830
<b>Deferred Outflows of Resources</b>			
OPEB deferrals	\$ 29,214	-	\$ 29,214
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued liabilities	67,036	-	67,036
Prepaid utilities	8,753	-	8,753
Liabilities payable from restricted assets	42,000	-	42,000
Compensated Absences - current	4,939	-	4,939
Note payable - current	20,820	-	20,820
Total current liabilities	143,548	-	143,548
Noncurrent liabilities:			
Note payable - noncurrent	285,576	-	285,576
Total OPEB liability	194,090	-	194,090
Total noncurrent liabilities	479,666	-	479,666
Total liabilities	623,214	-	623,214
<b>Deferred Inflows of Resources</b>			
OPEB deferrals	\$ 12,841	-	\$ 12,841
<b>NET POSITION</b>			
Net investment in capital assets	2,143,503	-	2,143,503
Unrestricted	901,386	211,100	1,112,486
Total net position	\$ 3,044,889	\$ 211,100	\$ 3,255,989

See auditor'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, 2021**

	<b>Enterprise Funds</b>		
	<b>Water and Sewer Fund</b>	<b>Sanitation Fund</b>	<b>Total</b>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 1,123,671	\$ 75,165	\$ 1,198,836
Water and sewer taps	5,700	-	5,700
Miscellaneous income	-	-	-
Other operating revenues	13,854	-	13,854
<b>Total operating revenues</b>	<u>1,143,225</u>	<u>75,165</u>	<u>1,218,390</u>
<b>OPERATING EXPENSES</b>			
Administration	210,379	-	210,379
Water treatment and distribution	819,255	-	819,255
Waste collection and treatment	8,923	-	8,923
Garbage operations	-	58,999	58,999
Depreciation	110,166	-	110,166
<b>Total operating expenses</b>	<u>1,148,723</u>	<u>58,999</u>	<u>1,207,722</u>
<b>Operating income (loss)</b>	<u>(5,498)</u>	<u>16,166</u>	<u>10,668</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Capital contributions	96,007	-	96,007
Investment earnings	1,909	-	1,909
Loss on disposal of fixed assets	-	-	-
Interest and other charges	(39)	-	(39)
<b>Total nonoperating revenue (expenses)</b>	<u>97,877</u>	<u>-</u>	<u>97,877</u>
<b>Change in net position</b>	92,379	16,166	108,545
<b>Total net position - beginning</b>	<u>2,952,510</u>	<u>194,934</u>	<u>3,147,444</u>
<b>Total net position - ending</b>	<u>\$ 3,044,889</u>	<u>\$ 211,100</u>	<u>\$ 3,255,989</u>

See auditor's report and accompanying notes.

Town of Clyde, North Carolina  
Statement of Cash Flows  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2021

	Enterprise Funds		
	Water and Sewer Fund	Sanitation Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 1,474,830	\$ 73,961	\$ 1,548,791
Cash paid for goods and services	(1,081,193)	(58,999)	(1,140,192)
Cash paid to or on behalf of employees for services	(300,180)	-	(300,180)
Customer deposits received	4,656	-	4,656
Customer deposits returned	(3,130)	-	(3,130)
Net cash provided (used) by operating activities	94,983	14,962	109,945
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition and construction of capital assets	(96,007)	-	(96,007)
Loan proceeds received	-	-	-
Principal paid on notes payable and capital leases	(25,497)	-	(25,497)
Capital contributions - state grants	96,007	-	96,007
Interest paid on note payable and capital leases activities	(39)	-	(39)
	(25,536)	-	(25,536)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from sale of asset disposal	-	-	-
Interest and dividends	1,909	-	1,909
Net cash provided by investing activities	1,909	-	1,909
Net increase in cash and cash equivalents	71,356	14,962	86,318
Balances-beginning of the year	919,121	173,993	1,093,114
Balances-end of the year	\$ 990,477	\$ 188,955	\$ 1,179,432
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	\$ (5,498)	\$ 16,166	\$ 10,668
Adjustments to reconcile operating income to net cash			
Depreciation	110,166	-	110,166
Changes in assets and liabilities:			
Decrease (Increase) in accounts receivable	5,898	669	6,567
Decrease (Increase) in due from other governments	(60,938)	-	(60,938)
Decrease (Increase) in deferred outflows - OPEB	(28,834)	-	(28,834)
Increase (Decrease) in accounts payable and accrued liabilities	474	-	474
Decrease (increase) in prepaid expenses	5,364	-	5,364
Increase (Decrease) in due to other funds	1,873	(1,873)	-
Increase (Decrease) in prepaid services	2,148	-	2,148
Increase (decrease) in compensated absences	(747)	-	(747)
Increase (decrease) in deferred inflows - OPEB	777	-	777
Increase (decrease) in OPEB liability	62,774	-	62,774
Increase (decrease) in customer deposits	1,526	-	1,526
Total adjustments	100,481	(1,204)	99,277
Net cash provided by operating activities	\$ 94,983	\$ 14,962	\$ 109,945

See auditor's report and accompanying notes.

Town of Clyde  
Notes to Financial Statements  
For the Year Ended June 30, 2021

**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 1,274. The Town maintains its own police department and provides water, sewer and sanitation 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

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

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:



Town of Clyde  
Notes to Financial Statements  
For the Year Ended June 30, 2021

**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 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 and Proprietary Fund Financial Statements.* The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, 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 expenses for enterprise funds include the costs of sales and services, administrative expenses,

Town of Clyde  
Notes to Financial Statements  
For the Year Ended June 30, 2021

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

Town of Clyde  
Notes to Financial Statements  
For the Year Ended June 30, 2021

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, 2021 the Town did not invest in any such obligations. The Town 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

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	\$	6,417
Business-type Activities			
Water and Sewer Fund	Customer Deposits	\$	42,000
Total Restricted Cash		\$	<u>48,417</u>

Town of Clyde  
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For the Year Ended June 30, 2021

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, 2020.

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

Town of Clyde  
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For the Year Ended June 30, 2021

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

Town of Clyde  
Notes to Financial Statements  
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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 represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

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

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Notes to Financial Statements  
For the Year Ended June 30, 2021

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.



Town of Clyde  
Notes to Financial Statements  
For the Year Ended June 30, 2021

At June 30, 2021, the Town's deposits had a carrying amount of \$2,476,169 and a bank balance of \$2,541,713. 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, 2021, the Town's petty cash fund totaled \$400.

Investments

The Town had no investments at June 30, 2021. 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:

Fund	Allowance
General fund:	
Property taxes receivable	\$ 3,000
Water and sewer fund:	
Utility charges receivable	62,601
Total allowance for doubtful accounts	\$ 65,601

3. Capital Assets

Capital Asset Activity for the Town for the year ended June 30, 2021 was as follows:

	Beginning Balances	Additions	Retirements	Ending Balances
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	521,737	-	-	521,737
Total capital assets not being depreciated	521,737	-	-	521,737
Capital assets being depreciated:				
Buildings	534,422	70,405	6,279	598,548
Equipment	298,845	13,999	29,502	283,342
Vehicles and motorized equipment	328,866	-	161,335	167,531
Infrastructure	990,642	-	-	990,642
Total capital assets being depreciated	2,152,775	84,404	197,116	2,040,063
Less accumulated depreciation for:				
Buildings	215,512	15,414	1,660	229,266
Equipment	233,479	12,550	27,856	218,173
Vehicles and motorized equipment	201,883	24,517	81,617	144,783
Infrastructure	671,684	56,783	-	728,467
Total accumulated depreciation	1,322,558	\$ 109,264	\$ 111,133	1,320,689
Total capital assets being depreciated, net	830,217			719,374
<b>Governmental activity capital assets, net</b>	\$ 1,351,954			\$ 1,241,111

Town of Clyde  
Notes to Financial Statements  
For the Year Ended June 30, 2021

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

General government	\$	70,064
Public safety		13,331
Transportation		21,468
Cultural and recreational		4,401
Total depreciation expense	\$	<u>109,264</u>

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balances</u>
<b>Business-type activities:</b>				
Water and Sewer Fund				
Capital assets not being depreciated:				
Construction in Progress	<u>-</u>	<u>96,007</u>	<u>-</u>	<u>96,007</u>
Total capital assets not being depreciated	<u>-</u>	<u>96,007</u>	<u>-</u>	<u>96,007</u>
Capital assets being depreciated:				
Plant and distribution systems	<u>3,769,866</u>	<u>-</u>	<u>-</u>	<u>3,769,866</u>
Furniture and maintenance equipment	<u>239,066</u>	<u>-</u>	<u>-</u>	<u>239,066</u>
Vehicles and motorized equipment	<u>75,869</u>	<u>-</u>	<u>-</u>	<u>75,869</u>
Total capital assets being depreciated, net	<u>4,084,801</u>	<u>-</u>	<u>-</u>	<u>4,084,801</u>
Less accumulated depreciation for:				
Plant and distribution systems	<u>1,388,684</u>	<u>79,441</u>	<u>-</u>	<u>1,468,125</u>
Furniture and maintenance equipment	<u>173,954</u>	<u>23,848</u>	<u>-</u>	<u>197,802</u>
Vehicles and motorized equipment	<u>58,105</u>	<u>6,877</u>	<u>-</u>	<u>64,982</u>
Total accumulated depreciation	<u>1,620,743</u>	<u>110,166</u>	<u>-</u>	<u>1,730,909</u>
Total capital assets being depreciated, net	<u>2,464,058</u>			<u>2,353,892</u>
<b>Business-type activities capital assets, net</b>	<b>\$ <u>2,464,058</u></b>			<b>\$ <u>2,449,899</u></b>

No capital assets are held by the Sanitation Fund.

With the dissolution of the police department and subsequent contract for law enforcement services with Haywood County Sheriff's Department, the Town donated police vehicles with a remaining value of \$67,171, during the current year.

### Construction Commitments

The government has active construction projects as of June 30, 2021. At year end the government's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Chambers Mountain Waterline Improvement	\$96,007	\$119,243

Town of Clyde  
Notes to Financial Statements  
For the Year Ended June 30, 2021

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 participants 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, 2021 was \$310,353. Town contributions were calculated using the budgeted base salary. All required contributions for the year ending June 30, 2021 were made, consisting of \$39,212 from the Town and \$13,698 from the covered employees, or a total of \$52,910.

b. Supplemental Retirement Income Plan for Law Enforcement Officers

*Plan Description.* The Town contributed 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 provided 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 \$2,517. No amounts were forfeited.

Town of Clyde  
Notes to Financial Statements  
For the Year Ended June 30, 2021

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, 2019, 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	7	2
	<u>9</u>	<u>3</u>

Total OPEB Liability

The Town's total OPEB liability of \$407,911 was measured as of June 30, 2020 and was determined by an actuarial valuation as of June 30, 2019.

Town of Clyde  
Notes to Financial Statements  
For the Year Ended June 30, 2021

*Actuarial assumptions and other inputs.* The total OPEB liability in the June 30, 2019 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%
Real wage growth	1.0%
Salary increases, including wage inflation	3.5% - 7.75% general employees 3.5% - 7.35% law enforcement officers
Municipal Bond Index rate	3.50%
Healthcare cost trend rates	Pre-Medicare medical and prescription drug, 7.0% for 2019 decreasing to an ultimate of 4.5% by 2026

The Municipal Bond Index rate is equal to the Bond Buyer 20-year General Obligation Bond Index published at the last Thursday of June by the Bond Buyer, and the Municipal Bond Index Rate as of the measurement date at the discount rate used to measure the TOL.

**Changes in the Total OPEB liability**

Balance at June 30, 2020	\$370,420
Changes for the year:	
Service Cost	1,982
Interest	12,644
Change in benefit terms	-
Difference between expected and actual experience	( 594)
Changes of assumptions or other inputs	45,944
Benefit payments	<u>(22,485)</u>
Net changes	<u>\$ 37,491</u>
Total OPEB liability as of June 30, 2020	\$ 407,911

Changes in assumptions and other inputs reflect a change in the discount rate from 3.50% to 2.21%.

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, 2019 valuation were based on a review of recent plan experience performed concurrently with the June 30, 2019 valuation.

*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

Town of Clyde  
Notes to Financial Statements  
For the Year Ended June 30, 2021

if it were calculated using a discount rate that is 1-percentage-point lower (2.21%) or 1-percentage-point higher (4.50%) than the current discount rate:

	<u>1% decrease</u>	<u>Discount rate</u>	<u>1% increase</u>
Total OPEB liability	\$449,801	\$407,911	\$371,590

*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	\$368,362	\$407,911	\$453,374

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

For the year ended June 30, 2021, the Town recognized OPEB expense of \$18,927. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 277	\$ 4,469
Benefit payments paid subsequent to measurement date	23,537	-
Change of assumptions and other inputs	<u>37,583</u>	<u>22,518</u>
Total	\$ 61,397	\$26,987

\$23,537 reported as deferred outflows of resources related to pensions resulting from benefit payments made subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year ended June 30:

2022	\$4,301
2023	4,301
2024	4,301
2025	4,999
2026	( 143)
Thereafter	( 6,886)

Town of Clyde  
Notes to Financial Statements  
For the Year Ended June 30, 2021

2. Other Employment Benefits

a. Flexible Spending Accounts and Health Reimbursement Accounts

The Town has elected to provide Flexible Spending Accounts (FSAs) and Health Reimbursement Accounts (HRAs) for employees. FSAs allows employees to use pre-tax dollars to pay for co-payments, deductibles and other health care costs. HRAs, 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, 2021, the Town contributions to the HRA plan were \$15,000.

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	\$ 277
Benefit payments paid subsequent to measurement date	23,537
Change of assumptions and other inputs	37,583

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

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable, less penalties	\$ -	\$ 32,259
Change of assumptions	22,518	-
Differences between expected and actual experience	4,469	-

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,

Town of Clyde  
Notes to Financial Statements  
For the Year Ended June 30, 2021

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. Claims, Judgments and Contingent Liabilities

At June 30, 2021, the Town was a defendant to a lawsuit. In the opinion of the Town's management the ultimate effect of this legal matter will not have a material adverse effect on the Town's financial position. The Town's attorney's have advised the Town has asserted certain counterclaims, does not agree with the allegations from the lawsuit and plans to vigorously defend and prosecute the counterclaims.

6. Long-Term Obligations

a. Long-Term Debt – Business-type Activities

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. A 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, 2021 was \$129,599.

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, 2021 was \$92,624.

In June 2020, a note payable was issued by North Carolina Department of Environmental Quality for the North Pigeon River Sewer Project. The State approved a total loan of \$93,526.



Town of Clyde  
Notes to Financial Statements  
For the Year Ended June 30, 2021

This is an interest free loan. Principal is payable annually in the amount of \$4,676. The maturity date is May 1, 2039. Two payments for a total of \$9,353 was paid during the current year. The balance at June 30, 2021 was \$84,173.

Total notes payable

Balance on note payables	\$	306,396
Less current portion		<u>(20,820)</u>
Noncurrent portion	\$	<u>285,576</u>

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

Year Ending June 30	Business-Type Activities	
	Principal	Interest
2022	20,820	-
2023	20,820	-
2024	20,820	-
2025	20,820	-
2026	20,820	-
2027-2031	104,103	-
2032-2036	84,164	-
2037-2039	14,029	-
Total	\$ 306,396	\$ -

b. Changes in Long-Term Liabilities

	Beginning Balance	Increase	Decreases	Ending Balances	Current Portion
<u>Governmental activities:</u>					
Total OPEB liability	\$ 239,104	\$ -	\$ 25,283	\$ 213,821	\$ -
Compensated absences	<u>8,358</u>	<u>16,550</u>	<u>19,640</u>	<u>5,268</u>	<u>5,268</u>
Governmental activity long-term liabilities	\$ <u>247,462</u>	\$ <u>16,550</u>	\$ <u>44,923</u>	\$ <u>219,089</u>	\$ <u>5,268</u>
 <u>Business-type activities:</u>					
Total OPEB liability	131,316	62,774	-	194,090	-
Compensated absences	5,686	13,700	14,447	4,939	4,939
Notes payable	<u>331,893</u>	<u>-</u>	<u>25,497</u>	<u>306,396</u>	<u>20,820</u>
Business-type activity long-term liabilities	\$ <u>468,895</u>	\$ <u>76,474</u>	\$ <u>39,944</u>	\$ <u>505,425</u>	\$ <u>25,759</u>

Town of Clyde  
Notes to Financial Statements  
For the Year Ended June 30, 2021

At June 30, 2021 the Town of Clyde had a legal debt margin of \$6,511,650.

C. Interfund Balances and Activity

Balances due to/from other funds at June 30, 2021 consist of the following:

Due to the Sanitation Fund from the Water Fund	\$10,539
Due to the General Fund from the Water Fund	443

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

During the year the Town transferred \$27,648 from the Capital Reserve Fund to use funds for a project for waterline improvements at Chambers Mountain. This transfer closed the Capital Reserve Fund and is an allowed and board approved use of capital reserve funds.

D. Net Investment in Capital Assets

	<u>Governmental</u>	<u>Business-type</u>
Capital assets	\$ 1,241,111	\$ 2,449,899
Less: Long-Term Debt	-	306,396
Net investment in capital assets	\$ 1,241,111	\$ 2,143,503

E. Fund Balances

Total fund balance – General Fund	\$1,402,643
Less:	
Stabilization by State Statute	137,983
Streets – Powell Bill	6,417
Appropriated fund balance in 2022 budget	250,164
Remaining fund balance	1,008,079

**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.

Town of Clyde  
Notes to Financial Statements  
For the Year Ended June 30, 2021

**IV. Significant Effects of Subsequent Events**

Subsequent events have been evaluated through September 3, 2021, the date the financial statements were available to be issued.

On February 12, 2020, the Town was approved for a Community Development Block Grant for up to \$910,050 for a water improvements project at Chambers Mountain Road. Construction will begin during the year ending June 30, 2022.

On July 9, 2021, the Town received an award for \$415,581 from the Coronavirus Local Fiscal Recovery Funds. The funds are restricted for allowable pandemic recovery. The Town received the first payment of \$207,791 in July, 2021 but has not yet encumbered the funds. The Town has until November 31, 2024 to use the funds.

On August 17, 2021 portions of the Town of Clyde were flooded as a result of Tropical Storm Fred. During the initial assessments 92 properties were identified as flooded in addition to approximately 40 apartment units. The long-term effects to the Town and community are being assessed currently. The Town expects federal and/or state emergency relief funding due to this event in the next few weeks or months.

**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, 2021**

<b>Total OPEB Liability</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Service cost	1,982	7,656	7,801	8,229
Interest	12,644	14,194	13,418	12,012
Differences between expected and actual experience	(594)	(6,065)	(261)	441
Change of assumptions	45,944	361	(11,955)	(21,965)
Benefit payments	(22,485)	(21,005)	(21,093)	(20,672)
Net change in total OPEB liability	37,491	(4,859)	(12,090)	(21,955)
Total OPEB liability, beginning	370,420	375,279	387,369	409,324
<b>Total OPEB liability, ending</b>	<b>407,911</b>	<b>370,420</b>	<b>375,279</b>	<b>387,369</b>
Covered payroll	464,103	380,657	392,502	392,502
Total OPEB liability as a percentage of covered payroll	87.89%	97.31%	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>
2021	2.21%
2020	3.50%
2019	3.89%
2018	3.56%

## **INDIVIDUAL FUND 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, 2021

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Ad valorem taxes:			
Taxes	\$ 374,700	\$ 413,717	\$ 39,017
Penalties and interest	2,500	4,995	2,495
Total ad valorem taxes	<u>377,200</u>	<u>418,712</u>	<u>41,512</u>
Unrestricted intergovernmental:			
Local option sales taxes	414,600	482,528	67,928
Utility franchise tax	79,800	88,352	8,552
Alcohol beverage tax	4,000	5,309	1,309
Gasoline tax refund	1,500	2,470	970
Total unrestricted intergovernmental	<u>499,900</u>	<u>578,659</u>	<u>78,759</u>
Restricted intergovernmental:			
Powell Bill allocation	32,000	35,561	3,561
COVID grant	45,000	45,731	731
Other	-	2,000	2,000
Total restricted intergovernmental	<u>77,000</u>	<u>83,292</u>	<u>6,292</u>
Investment earnings:			
Interest earnings	6,900	7,042	142
Total investment earnings	<u>6,900</u>	<u>7,042</u>	<u>142</u>
Miscellaneous:			
Services	3,100	16,540	13,440
Court fees	-	90	90
Other miscellaneous	4,000	24,121	20,121
Total miscellaneous	<u>7,100</u>	<u>40,751</u>	<u>33,651</u>
Total revenues	<u>968,100</u>	<u>1,128,456</u>	<u>160,356</u>
<b>Expenditures:</b>			
General government:			
Salaries and employee benefits	171,600	169,996	1,604
Professional services	49,700	42,752	6,948
Other operating expenditures	131,500	106,730	24,770
Capital outlay	73,000	70,405	2,595
Total general government	<u>425,800</u>	<u>389,883</u>	<u>35,917</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, 2021**

	Budget	Actual	Variance Positive (Negative)
Public safety:			
Police:			
Salaries and employee benefits	71,487	71,487	-
Maintenance	3,937	3,937	-
Law enforcement contract	280,338	280,299	39
Other operating expenditures	7,476	7,061	415
Capital outlay	-	-	-
Total public safety	<u>363,238</u>	<u>362,784</u>	<u>454</u>
Transportation:			
Streets and highways:			
Salaries and employee benefits	115,100	114,036	1,064
Maintenance	85,400	77,391	8,009
Street Lights	34,000	31,212	2,788
Other operating expenditures	41,900	33,007	8,893
Capital outlay	14,000	13,999	1
Total transportation	<u>290,400</u>	<u>269,645</u>	<u>20,755</u>
Culture and recreation			
Other operating expenditures	15,500	9,458	6,042
Capital outlay	-	-	-
Total culture and recreation	<u>15,500</u>	<u>9,458</u>	<u>6,042</u>
Debt service:			
Principal retirement	-	-	-
Interest	-	-	-
Total debt service	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>1,094,938</u>	<u>1,031,770</u>	<u>63,168</u>
Revenues over (under) expenditures	(126,838)	96,686	223,524
Other financing sources (uses):			
Proceeds from sale of asset	-	5,000	5,000
Proceeds from loans	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>5,000</u>	<u>5,000</u>
Fund balance appropriated	126,838	-	(126,838)
Net change in fund balance	<u>\$ -</u>	<u>101,686</u>	<u>\$ 101,686</u>
Fund balances:			
Beginning of year, July 1		1,300,957	
End of year, June 30		<u>\$ 1,402,643</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, 2021**

	Budget	Actual	Variance Positive (Negative)
<b>OPERATING REVENUES</b>			
Charges for services:			
Water charges	\$ 715,200	\$ 740,530	\$ 25,330
Sewer charges	370,000	383,141	13,141
Total charges for services	1,085,200	1,123,671	38,471
Water and sewer tap fees:			
Water tap fees	4,700	4,700	-
Sewer tap fees	1,000	1,000	-
Total water and sewer tap fees	5,700	5,700	-
Other operating revenues	14,599	13,854	(745)
Miscellaneous income	-	-	-
Total other operating revenues	14,599	13,854	(745)
Total operating revenues	1,105,499	1,143,225	37,726
<b>NON-OPERATING REVENUES</b>			
Grant revenue	96,007	96,007	-
Investment earnings	1,700	1,808	108
Total non-operating revenues	97,707	97,815	108
Total revenues	1,203,206	1,241,040	37,834
<b>OPERATING EXPENDITURES</b>			
Administration:			
Salaries and employee benefits	125,000	120,396	4,604
Contracted services	30,900	22,515	8,385
Insurance	18,000	14,899	3,101
Other operating expenditures	26,600	17,852	8,748
Total administration	200,500	175,662	24,838
Water treatment and distribution:			
Salaries and employee benefits	195,200	179,037	16,163
Water purchases	260,000	237,465	22,535
Sewer treatment	370,000	288,066	81,934
Contracted services	50,000	35,640	14,360
Maintenance	75,600	64,577	11,023
Special projects	41,099	150	40,949
Other operating expenditures	18,600	14,320	4,280
Total water treatment and distribution	1,010,499	819,255	191,244

(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  
For the Fiscal Year Ended June 30, 2021

	Budget	Actual	Variance Positive (Negative)
Waste collection and treatment:			
Supplies	7,500	5,031	2,469
Other operating expenditures	5,000	3,892	1,108
Total waste collection and treatment	12,500	8,923	3,577
Capital outlay	96,007	96,007	-
Total operating expenditures	1,319,506	1,099,847	219,659
<b>NON-OPERATING EXPENDITURES</b>			
Interest expense	50	39	11
Total expenditures	1,319,556	1,099,886	219,670
Revenues over (under) expenditures	(116,350)	141,154	257,504
<b>OTHER FINANCING SOURCES (USES)</b>			
Loss on disposal of assets	-	-	-
Transfer from Capital Reserve Fund	27,749	27,749	-
Loan principal payments	(25,650)	(25,497)	153
Total other financing sources (uses)	2,099	2,252	153
Fund Balance Appropriated	114,251	-	(114,251)
Revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ 143,406	\$ 143,406
<b>Reconciliation from budgetary basis (modified accrual) to full accrual:</b>			
Reconciling items:			
Loan proceeds		-	
Loan principal payments		25,497	
Capital outlay		96,007	
OPEB adjustment		(34,717)	
Depreciation		(110,166)	
Total reconciling items		(23,379)	
Change in net position - Water and Sewer Fund		\$ 120,027	
Change in net position - Capital Reserve Fund		(27,648)	
Consolidated change in net position for full accrual statement		\$ 92,379	

**Exhibit D**

**Town of Clyde, North Carolina  
Sanitation Fund  
Schedule of Revenues and Expenditures  
Budget and Actual  
For the Fiscal Year Ended June 30, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 66,600	\$ 75,165	\$ 8,565
<b>OPERATING EXPENSES</b>			
Contract fees	55,000	49,203	5,797
Recycling expense	11,000	9,796	1,204
Other operating expenditures	600	-	600
Total operating expenditures	<u>66,600</u>	<u>58,999</u>	<u>7,601</u>
Revenues over (under) expenditures	-	16,166	16,166

## 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, 2021**

	<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>\$ 52,327</u>	<u>\$ 101</u>	<u>\$ 52,428</u>	<u>\$ 52,428</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>(81,595)</u>	<u>(27,749)</u>	<u>(109,344)</u>	<u>40,656</u>
Total Financing Sources (Uses)	<u>-</u>	<u>(24,679)</u>	<u>(27,749)</u>	<u>(52,428)</u>	<u>(52,428)</u>
Other Revenue and Sources Over Financing Uses	<u>\$ -</u>	<u>\$ 27,648</u>	<u>\$ (27,648)</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances:					
Beginning of year, July 1			<u>27,648</u>		
End of year, June 30			<u>\$ -</u>		

## **OTHER SCHEDULES**

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This section contains additional information required.

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

Exhibit F

**Town of Clyde, North Carolina  
General Fund  
Schedule of Ad Valorem Taxes Receivable  
June 30, 2021**

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2020</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2021</u>
2020-2021	\$ -	407,034	\$ 398,867	\$ 8,167
2019-2020	16,335	-	11,247	5,088
2018-2019	5,548	-	1,346	4,202
2017-2018	4,220	-	537	3,683
2016-2017	3,721	-	483	3,238
2015-2016	2,761	-	98	2,663
2014-2015	2,882	-	1,039	1,843
2013-2014	3,435	-	907	2,528
2012-2013	2,461	-	106	2,355
2011-2012	1,585	-	93	1,492
2010-2011	1,449	-	1,449	-
	<u>\$ 44,397</u>	<u>\$ 407,034</u>	<u>\$ 416,172</u>	<u>35,259</u>
Less: allowance for uncollectible accounts:				
General Fund				<u>3,000</u>
Ad valorem taxes receivable - net				<u>\$ 32,259</u>
<u>Reconciliation with revenues:</u>				
Ad valorem taxes - General Fund				<u>\$ 418,712</u>
Reconciling items:				
Interest collected				(4,955)
Discounts allowed				966
Taxes written off				<u>1,449</u>
Subtotal				<u>(2,540)</u>
Total collections and credits				<u>\$ 416,172</u>

Exhibit G

**Town of Clyde, North Carolina  
Analysis of Current Tax Levy  
Town - Wide Levy  
For the Fiscal Year Ended June 30, 2021**

	Town - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property - real and personal	\$ 79,100,667	0.45	\$ 355,953	\$ 355,953	\$ -
Registered motor vehicles:	13,574,000	0.45	61,083	-	61,083
Total	92,674,667		417,036	355,953	61,083
Discoveries:					
Current year taxes	10,691	0.45	48	48	-
Abatements	(2,233,310)	0.45	(10,050)	(10,050)	-
Total property valuation	<u>\$ 90,452,048</u>				
Net levy			407,034	345,951	61,083
Uncollected taxes at June 30, 2021			(8,167)	(8,167)	-
Current year's taxes collected			<u>\$ 398,867</u>	<u>\$ 337,784</u>	<u>\$ 61,083</u>
Current levy collection percentage			<u>97.99%</u>	<u>97.64%</u>	<u>100.00%</u>

## COMPLIANCE SECTION



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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, 2021, 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 September 3, 2021.

### **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  
September 3, 2021