

**Town of Micro**

Financial Statements

**For the Fiscal Year Ended June 30, 2019**

**Town Board Members**

Walter Warren, Mayor  
Russell Creech, Commissioner  
Kevin Worley, Commissioner  
Marty Parnell, Commissioner

**Administrative and Financial Staff**

Lisa Holland, Town Clerk

**Town of Micro, North Carolina  
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June 30, 2019**

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## **Financial Section**



**Andrew Harris, CPA PLLC**  
3722 N. Main St.  
Farmville, NC 27828  
Phone (252) 753-2636  
Phone (252) 813-9988  
Fax (888) 689-1014  
E-mail [andrew@andrewharriscpa.com](mailto:andrew@andrewharriscpa.com)

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## **Independent Auditor's Report**

To the Honorable Mayor  
and Members of the Town Council  
Micro, 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 Micro, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements 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 *Governmental Auditing Standards*, issued by the Comptroller 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall 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 Micro, North Carolina as of June 30, 2019, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 12, the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset (Liability) and Contributions on pages 49 through 50, and the Law Enforcement Officers' Special Separation Allowance schedules of the Changes in Total Pension Liability and Total Pension Liability as a Percentage of Covered Payroll on pages 51 through 52 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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.

### *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 Micro, North Carolina. The budgetary schedules, and other schedules, as well as the accompanying schedule of expenditures of federal and state awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards*, and the State Single Audit Implementation Act are presented for additional analysis and are a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules, and other schedules, and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by me. In my opinion, based on my audit, the procedures performed as described above, the combining fund financial statements, budgetary schedules, other schedules,

and the schedule of expenditures of federal and state awards, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, I have also issued my report dated *November 29, 2020* on my consideration of Town of Micro internal control over financial reporting and on my test of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Micro internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Andrew Harris, CPA PLLC". The signature is written in a cursive, flowing style.

*Farmville, North Carolina  
November 29, 2020*



## **Management's Discussion and Analysis**

**Town of Micro, North Carolina  
Management's Discussion and Analysis  
For the Year Ended June 30, 2019**

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

**Financial Highlights**

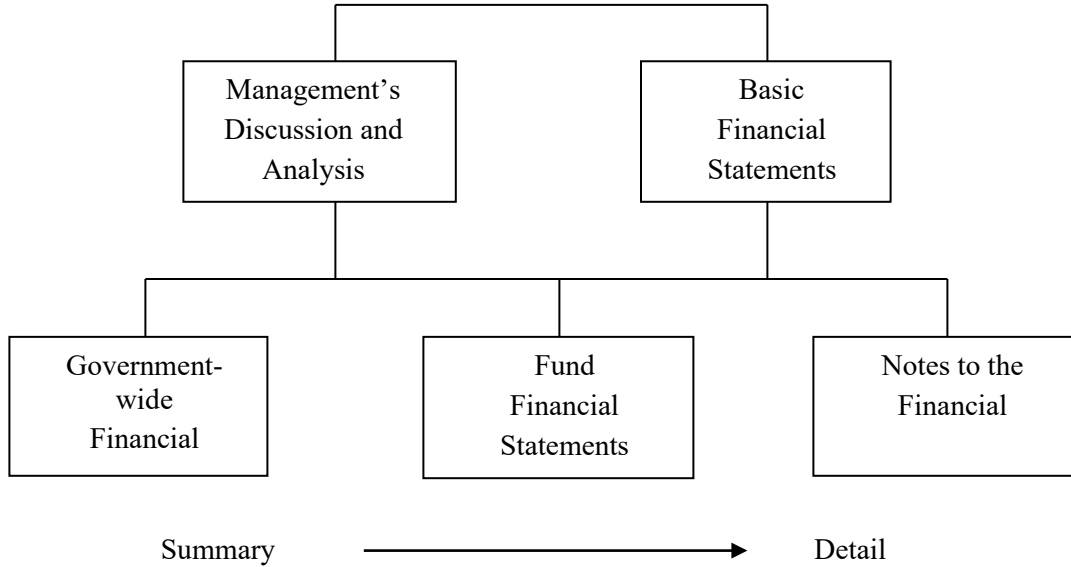
- The assets and deferred outflows of resources of the Town of Micro exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$1,344,957 (net position).
- The government's total net position increased a total of \$141,153, primarily due to increases in the governmental and business-type activities net position.
- At the close of the current fiscal year, the Town of Micro's governmental funds reported combined ending fund balances of \$177,436 with a net change of \$(151) in fund balance. Approximately 43.17 percent of this total amount, or \$76,607, is restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$100,829, or 39.46 percent of total general fund expenditures for the fiscal year.
- The Town of Micro's total debt increased by \$826,432 during the current fiscal year. The key factor in this increase was the increase in bond anticipation notes.

**Overview of the Financial Statements**

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

**Town of Micro, North Carolina  
Management's Discussion and Analysis  
For the Year Ended June 30, 2019**

**Required Components of Annual Financial Report  
Figure 1**



**Basic Financial Statements**

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

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

The next section of the basic financial statements is the **Notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the Notes, **Supplemental Information** is provided to show details about the Town's individual funds. Budgetary information required by the 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.

**Town of Micro, North Carolina**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2019**

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

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

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

### **Fund Financial Statements**

The fund financial statements (see Figure 2) 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 Micro, 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 Town of Micro can be divided into two categories: governmental funds and proprietary funds.

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

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

**Town of Micro, North Carolina  
Management's Discussion and Analysis  
For the Year Ended June 30, 2019**

**Proprietary Funds.** Town of Micro has two different kinds 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 Micro uses enterprise funds to account for its water and sewer activity. This fund are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 24 of this report.

**Government-wide Financial Analysis  
Town of Micro's Net Position  
Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 209,485	\$ 201,656	\$ 324,147	\$ 202,567	\$ 338,209	\$ 404,223
Capital assets	140,643	137,331	1,685,054	846,929	983,297	984,260
Deferred outflows of resources	26,573	23,919	8,497	3,035	8,511	26,954
Total Assets and Deferred Outflows of Resources	<u>\$ 376,701</u>	<u>\$ 362,906</u>	<u>\$ 2,017,698</u>	<u>\$ 1,052,531</u>	<u>\$ 2,394,399</u>	<u>\$ 1,415,437</u>
Long-term liabilities outstanding	\$ 36,909	\$ 35,077	\$ 92,950	\$ 101,371	\$ 129,859	\$ 136,448
Other liabilities	25,234	27,888	893,297	47,010	918,531	74,898
Deferred inflows of resources	1,020	219	31	67	1,051	286
Total Liabilities and Deferred Inflows of Resources	<u>\$ 63,163</u>	<u>\$ 63,184</u>	<u>\$ 986,278</u>	<u>\$ 148,448</u>	<u>\$ 1,049,441</u>	<u>\$ 211,632</u>
Net position:						
Net investments in capital assets	\$ 130,899	\$ 128,561	\$ 754,054	\$ 736,929	\$ 884,953	\$ 865,490
Restricted	76,607	71,658	-	-	76,607	71,658
Unrestricted	106,032	99,502	277,365	167,154	383,397	266,656
Total Net Position	<u>\$ 313,538</u>	<u>\$ 299,721</u>	<u>\$ 1,031,419</u>	<u>\$ 904,083</u>	<u>\$ 1,344,957</u>	<u>\$ 1,203,804</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Micro exceeded liabilities and deferred inflows by \$1,344,957 as of June 30, 2019. The Town's net position increased by \$141,153 for the fiscal year ended June 30, 2019. However, the largest portion (65.80%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Micro uses

**Town of Micro, North Carolina  
Management's Discussion and Analysis  
For the Year Ended June 30, 2019**

these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Micro's net investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Micro's net position, \$76,607 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$383,397 is unrestricted.

Several particular aspects of the Town's financial operations positively influenced the total unrestricted governmental net position:

- Continued diligence in the collection of property taxes by maintaining a tax collection percentage of 90.49%, which is less than the statewide average. The statewide average in fiscal year 2019 was 98%.

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

	Governmental Activities		Business Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program Revenues:						
Charges for services	\$ 54,752	\$ 56,349	\$ 440,126	\$ 391,560	\$ 494,878	\$ 405,784
Operating grants and contributions	13,711	32,584	-	-	13,711	26,671
Capital grants and contributions	-	-	31,649	-	31,649	-
General Revenues:						
Property taxes	122,160	115,237	-	-	122,160	115,237
Other taxes	550	370	-	-	550	370
Grants and contributions not restricted to specific programs	72,064	74,192	-	-	72,064	74,192
Other	2,837	437	4,408	19	7,245	456
Total Revenues	<u>\$ 266,074</u>	<u>\$ 279,169</u>	<u>\$ 476,183</u>	<u>\$ 391,579</u>	<u>\$ 742,257</u>	<u>\$ 622,710</u>
Expenses:						
General government	\$ 71,179	\$ 60,276	\$ -	\$ -	\$ 71,179	\$ 60,276
Public safety	67,136	97,263	-	-	67,136	97,263
Transportation	23,369	11,164	-	-	23,369	11,164
Environmental protection	85,758	86,343	-	-	85,758	86,343
Cultural and recreation	4,541	5,982	-	-	4,541	5,982
Interest on long-term debt	274	324	-	-	274	324
Water and sewer	-	-	348,847	331,729	348,847	331,729
Total Expenses	<u>\$ 252,257</u>	<u>\$ 261,352</u>	<u>\$ 348,847</u>	<u>\$ 331,729</u>	<u>\$ 601,104</u>	<u>\$ 593,081</u>
Increase in Net Position	\$ 13,817	\$ 17,817	\$ 127,336	\$ 59,850	\$ 141,153	\$ 29,629
Net Position, beginning	299,721	281,904	904,083	844,233	1,203,804	1,126,137
Net Position, June 30	<u>\$ 313,538</u>	<u>\$ 299,721</u>	<u>\$ 1,031,419</u>	<u>\$ 904,083</u>	<u>\$ 1,344,957</u>	<u>\$ 1,155,766</u>

**Town of Micro, North Carolina  
Management's Discussion and Analysis  
For the Year Ended June 30, 2019**

**Governmental activities.** Governmental activities increased the Town of Micro's net position by \$13,817, thereby accounting for 9.79% of the total increase in the net position of the Town. The Town continues to work to reduce expenses and increase revenues for the benefit of all of the Town's citizens.

**Business-type activities.** Business-type activities increased the Town of Micro's net position by \$127,336, thereby accounting for 90.21% of the total increase in the government's net position. Revenues and expenses are being monitored in the water and sewer departments.

**Financial Analysis of the Town's Funds**

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

**Governmental Funds.** The focus of the Town of Micro'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 Micro'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 Micro. At the end of the current fiscal year, the Town of Micro's fund balance available in the General Fund was \$100,829, while total fund balance was \$177,436. The Governing Body of the Town of Micro has determined the Town should maintain an available fund balance of 10% of general fund expenditures in case of unforeseen needs or opportunities, in addition to meeting the cash flow needs of the Town. The Town currently has an available fund balance of 39.46 percent of General Fund expenditures, while total fund balance represents 69.43 percent of the same amount.

At June 30, 2019, the governmental funds of Town of Micro reported a combined fund balance of \$177,436, a 0.08 percent decrease over 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.

Reserves were greater than the budgeted amounts primarily because tax distributions and building permits that the Town originally had expected to receive were greater than originally budgeted. Expenditures were held in check to help keep the expenditures of the Town under the projected budget amounts.

**Proprietary Funds.** The Town of Micro's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Water and Sewer Fund at the end of the fiscal year amounted to \$277,365. The total increase in net position for the fund was \$127,336. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town's business-type activities.

**Town of Micro, North Carolina  
Management's Discussion and Analysis  
For the Year Ended June 30, 2019**

**Capital Asset and Debt Administration**

**Capital assets.** The Town of Micro's investment in capital assets for its governmental and business-type activities as of June 30, 2019, totals \$984,260 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Major capital asset transactions during the year include the following additions:

- Purchase of equipment and vehicles totaling \$37,529.
- Water wastewater project and land totaling \$863,650.

**Town of Micro's Capital Assets  
(net of depreciation)  
Figure 4**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 39,500	\$ 39,500	\$ 59,093	\$ 24,457	\$ 98,593	\$ 63,957
Construction in progress	-	-	829,014	-	829,014	-
Buildings and system	50,351	54,542	743,399	780,883	793,750	835,425
Machinery and equipment	17,688	24,467	50,298	37,339	67,986	61,806
Infrastructure	2,665	3,332	-	-	2,665	3,332
Vehicles and motorized equipment	30,439	15,490	3,250	4,250	33,689	19,740
<b>Total</b>	<b>\$ 140,643</b>	<b>\$ 137,331</b>	<b>\$ 1,685,054</b>	<b>\$ 846,929</b>	<b>\$ 1,825,697</b>	<b>\$ 984,260</b>

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

**Long-term Debt.** As of June 30, 2019, the Town of Micro had total bonded debt outstanding of \$99,000.



**Town of Micro, North Carolina  
Management's Discussion and Analysis  
For the Year Ended June 30, 2019**

**Loans and Installment Purchase Agreements  
Figure 5**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Installment Debt	\$ 7,120	\$ 8,770	\$ -	\$ -	\$ 7,120	\$ 8,770
General Obligation Bonds	-	-	99,000	110,000	99,000	110,000
Direct placement bond anticipation notes	-	-	832,000	-	832,000	-
Compensated absences	2,624	2,639	2,624	2,639	5,248	5,278
Pension Related Debt (LGERS)	9,707	7,559	5,950	2,371	15,657	9,930
Pension Related Debt (LEO)	21,783	20,398	-	-	21,783	20,398
<b>Total</b>	<b>\$ 41,234</b>	<b>\$ 39,366</b>	<b>\$ 939,574</b>	<b>\$ 115,010</b>	<b>\$ 980,808</b>	<b>\$ 154,376</b>

**Town of Micro's Outstanding Debt**

The Town of Micro's total debt increased by \$826,432 (535.34%) during the past fiscal year, primarily due to the increase in net and total pension 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 Micro's is \$1,649,542. The Town has no bonds authorized but unissued at June 30, 2019.

Additional information regarding the Town of Micro's long-term debt can be found in Notes to the Financial Statements.

**Economic Factors and Next Year's Budgets and Rates**

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

- Close proximity to the triangle area and interstate I-40 and I-95.
- Industrial Park has been developed near town limits.

**Budget Highlights for the Fiscal Year Ending June 30, 2020**

**Governmental Activities.** Property taxes (benefiting from the economic growth) and revenues from permits and fees are expected to lead the increase in budgeted revenue. The Town will use these increases in revenues to finance programs currently in place.

**Business-type Activities.** Extensions of water and sewer service are continuing.

**Town of Micro, North Carolina  
Management's Discussion and Analysis  
For the Year Ended June 30, 2019**

**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 Clerk during regular working hours Monday through Friday, telephone (919) 284-2572, Post Office Box 9, Micro, NC 27555, e-mail [townofmicro@gmail.com](mailto:townofmicro@gmail.com).

## **Basic Financial Statements**

**Town of Micro, North Carolina**  
**Statement of Net Position**  
**June 30, 2019**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 121,738	\$ 218,469	\$ 340,207
Taxes receivables (net)	11,140	-	11,140
Accounts receivable (net)	6,030	65,367	71,397
Due from other governments	14,914	-	14,914
Internal balances	3,222	(3,222)	-
Inventories	-	2,046	2,046
Restricted cash and cash equivalents	52,441	41,487	93,928
Total Current Assets	<u>\$ 209,485</u>	<u>\$ 324,147</u>	<u>\$ 533,632</u>
Non-current Assets:			
Capital assets (Note 4):			
Land, non-depreciable improvements, and construction in progress	\$ 39,500	\$ 888,107	\$ 927,607
Other capital assets, net of depreciation	101,143	796,947	898,090
Capital Assets (net)	<u>140,643</u>	<u>1,685,054</u>	<u>1,825,697</u>
Total Assets	<u>\$ 350,128</u>	<u>\$ 2,009,201</u>	<u>\$ 2,359,329</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension deferrals	\$ 13,863	\$ 8,497	\$ 22,360
Pension deferrals-LEO	12,710	-	12,710
Total Deferred Outflows of Resources	<u>\$ 26,573</u>	<u>\$ 8,497</u>	<u>\$ 35,070</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	\$ 20,909	\$ 8,980	\$ 29,889
Customer deposits	-	37,683	37,683
Current portion of long-term liabilities	4,325	846,634	850,959
Total Current Liabilities	<u>\$ 25,234</u>	<u>\$ 893,297</u>	<u>\$ 918,531</u>
Long-term Liabilities:			
Net pension liability	\$ 9,707	\$ 5,950	\$ 15,657
Total pension liability	21,783	-	21,783
Due in more than one year	5,419	87,000	92,419
Total Noncurrent Liabilities	<u>36,909</u>	<u>92,950</u>	<u>129,859</u>
Total Liabilities	<u>\$ 62,143</u>	<u>\$ 986,247</u>	<u>\$ 1,048,390</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension deferrals	\$ 50	\$ 31	\$ 81
Pension deferrals-LEO	970	-	970
Total Deferred Inflows of Resources	<u>\$ 1,020</u>	<u>\$ 31</u>	<u>\$ 1,051</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 130,899	\$ 754,054	\$ 884,953
Restricted for:			
Streets	52,441	-	52,441
Stabilization by State Statute	24,166	-	24,166
Unrestricted	106,032	277,365	383,397
Total Net Position	<u>\$ 313,538</u>	<u>\$ 1,031,419</u>	<u>\$ 1,344,957</u>

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

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

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	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	\$ 71,179	\$ 9,919	\$ -	\$ -	\$ (61,260)	\$ -	\$ (61,260)
Public safety	67,136	5	-	-	(67,131)	-	(67,131)
Transportation	23,369	-	13,228	-	(10,141)	-	(10,141)
Environmental protection	85,758	44,828	343	-	(40,587)	-	(40,587)
Cultural and recreation	4,541	-	140	-	(4,401)	-	(4,401)
Interest on long-term debt	274	-	-	-	(274)	-	(274)
Total Governmental Activities (See Note 1)	\$ 252,257	\$ 54,752	\$ 13,711	\$ -	\$ (183,794)	\$ -	\$ (183,794)
Business-type Activities:							
Water and sewer	\$ 348,847	\$ 440,126	\$ -	\$ 31,649	\$ -	\$ 122,928	\$ 122,928
Total Business-type Activities	\$ 348,847	\$ 440,126	\$ -	\$ 31,649	\$ -	\$ 122,928	\$ 122,928
Total Primary Government	\$ 601,104	\$ 494,878	\$ 13,711	\$ 31,649	\$ (183,794)	\$ 122,928	\$ (60,866)
General Revenues:							
Taxes:							
Property taxes, levied for general purpose					\$ 122,160	\$ -	\$ 122,160
Other taxes					550	-	550
Grants and contributions not restricted to specific programs					72,064	-	72,064
Unrestricted investment earnings					189	4,408	4,597
Miscellaneous					2,648	-	2,648
Total General Revenues and Transfers					\$ 197,611	\$ 4,408	\$ 202,019
Change in Net Position					13,817	127,336	141,153
Net Position, beginning					299,721	904,083	1,203,804
Net Position, ending					\$ 313,538	\$ 1,031,419	\$ 1,344,957

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

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

	<b>General Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 121,738	\$ 121,738
Restricted cash	52,441	52,441
Receivables, net:		
Taxes	11,140	11,140
Accounts	6,030	6,030
Due from other governments	14,914	14,914
Due from other funds	3,222	3,222
Total Assets	\$ 209,485	\$ 209,485
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 20,909	\$ 20,909
Total Liabilities	\$ 20,909	\$ 20,909
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property taxes receivable	\$ 11,140	\$ 11,140
Total Deferred Inflows of Resources	\$ 11,140	\$ 11,140
<b>FUND BALANCES</b>		
Restricted:		
Stabilization by State Statute	\$ 24,166	\$ 24,166
Streets	52,441	52,441
Unassigned	100,829	100,829
Total Fund Balances	\$ 177,436	\$ 177,436
Total Liabilities, deferred inflows of resources, and Fund Balances	\$ 209,485	

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

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

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

Total Fund Balance, Governmental Funds	177,436
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Gross Capital Assets at historical cost	549,788
Accumulated depreciation	(409,145)
Deferred outflows of resources related to pensions are not reported in the funds	26,573
Earned revenues considered deferred inflows of resources in fund statements	11,140
Long-term liabilities used in governmental activities are not financial uses and are not reported in the funds:	
Gross long-term debt	(9,744)
Net Pension liability (LGERS)	(9,707)
Total Pension Liability (LEO)	(21,783)
Deferred inflows of resources related to pensions are not reported in the funds	<u>(1,020)</u>
Net Position of Governmental Activities	<u>\$ 313,538</u>

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

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

	<b>General Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>		
Ad valorem taxes	\$ 111,490	\$ 111,490
Unrestricted intergovernmental	72,613	72,613
Restricted intergovernmental	13,571	13,571
Sales and services	54,751	54,751
Investment earnings	189	189
Miscellaneous	2,789	2,789
Total Revenues	\$ 255,403	\$ 255,403
<b>EXPENDITURES</b>		
Current:		
General government	\$ 64,550	\$ 64,550
Public safety	60,334	60,334
Transportation	28,487	28,487
Environmental protection	69,471	69,471
Culture and recreation	1,514	1,514
Debt Service:		
Principal	1,650	1,650
Interest and other charges	274	274
Contingency	29,274	29,274
Total Expenditures	\$ 255,554	\$ 255,554
Net Change in Fund Balance	\$ (151)	\$ (151)
Fund Balances, beginning as previously reported	177,587	177,587
Fund Balances, ending	\$ 177,436	\$ 177,436

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



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

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

Net changes in fund balances - total governmental funds	\$	(151)
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period</p>		
Capital outlay expenditures which were capitalized		18,729
Depreciation expense for governmental assets		<u>(15,417)</u>
	\$	3,312
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		6,140
Benefit payments paid and administrative expense for the LEOSSA are not included on the Statement of Activities		1,433
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		10,670
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
Principal payments on long-term debt		<u>1,650</u>
	\$	1,650
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Compensated absences	\$	15
Pension expense		<u>(9,212)</u>
	\$	(9,197)
Total changes in net position of governmental activities		<u><u>\$ 13,857</u></u>

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

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

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
<b>REVENUES</b>				
Ad valorem taxes	\$ 120,267	\$ 120,267	\$ 111,490	\$ (8,777)
Unrestricted intergovernmental	73,700	73,700	72,613	(1,087)
Restricted intergovernmental	13,115	13,115	13,571	456
Sales and services	58,471	58,471	54,751	(3,720)
Investment earnings	-	-	189	189
Miscellaneous	3,500	3,500	2,789	(711)
Total revenues	\$ 269,053	\$ 269,053	\$ 255,403	\$ (13,650)
<b>EXPENDITURES</b>				
Current:				
General government	\$ 56,410	\$ 56,410	\$ 64,550	\$ (8,140)
Public safety	98,916	98,916	89,608	9,308
Transportation	37,550	37,550	28,487	9,063
Environmental protection	71,852	71,852	69,471	2,381
Cultural and recreation	2,400	2,400	1,514	886
Debt service:				
Principal retirement	1,925	1,925	1,650	275
Interest and other charges	-	-	274	(274)
Total expenditures	\$ 269,053	\$ 269,053	\$ 255,554	\$ 13,499
Revenues over (under) expenditures	\$ -	\$ -	\$ (151)	\$ (151)
Net Change in Fund Balance	\$ -	\$ -	\$ (151)	\$ (151)
Fund balances, beginning as previously reported:			177,587	
Fund balances, ending			\$ 177,436	

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

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

	<b>Water and Sewer Fund</b>	<b>Total</b>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 218,469	\$ 218,469
Accounts receivable (net) - billed	65,367	65,367
Inventories	2,046	2,046
Restricted cash and cash equivalents	41,487	41,487
Total Current Assets	<u>\$ 327,369</u>	<u>\$ 327,369</u>
Noncurrent Assets:		
Capital Assets:		
Land and construction in progress	888,107	888,107
Other capital assets, net of depreciation	796,947	796,947
Capital Assets (net)	<u>\$ 1,685,054</u>	<u>\$ 1,685,054</u>
Total Noncurrent Assets	<u>\$ 1,685,054</u>	<u>\$ 1,685,054</u>
Total Assets	<u><u>\$ 2,012,423</u></u>	<u><u>\$ 2,012,423</u></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension deferrals	<u>\$ 8,497</u>	<u>\$ 8,497</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 8,980	\$ 8,980
Due to other funds	3,222	3,222
Compensated absences - current	2,634	2,634
General obligation bonds payable - current	12,000	12,000
Bond anticipation note - current	832,000	832,000
Liabilities payable from restricted assets:		
Customer deposits	37,683	37,683
Total Current Liabilities	<u>\$ 896,519</u>	<u>\$ 896,519</u>
Noncurrent Liabilities:		
Net pension liability	5,950	5,950
General obligation bonds payable - noncurrent	87,000	87,000
Total Noncurrent Liabilities	<u>\$ 92,950</u>	<u>\$ 92,950</u>
Total Liabilities	<u><u>\$ 989,469</u></u>	<u><u>\$ 989,469</u></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension deferrals	<u>\$ 31</u>	<u>\$ 31</u>
<b>NET POSITION</b>		
Net investment in capital assets	\$ 754,054	\$ 754,054
Unrestricted	277,365	277,365
Total Net Position	<u><u>\$ 1,031,419</u></u>	<u><u>\$ 1,031,419</u></u>

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

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

	<b>Water and Sewer Fund</b>	<b>Total</b>
<b>OPERATING REVENUES</b>		
Charges for services	\$ 372,541	\$ 372,541
Other operating revenues	67,585	67,585
Total Operating Revenues	<u>\$ 440,126</u>	<u>\$ 440,126</u>
<b>OPERATING EXPENSES</b>		
Administration	\$ 64,922	\$ 64,922
Water distribution	117,717	117,717
Waste collection and treatment	115,877	115,877
Depreciation	44,325	44,325
Total Operating Expenses	<u>\$ 342,841</u>	<u>\$ 342,841</u>
Operating Income (Loss)	<u>\$ 97,285</u>	<u>\$ 97,285</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment earnings	\$ 4,408	\$ 4,408
Interest and other charges	(6,006)	(6,006)
Total Nonoperating Revenue (Expenses)	<u>\$ (1,598)</u>	<u>\$ (1,598)</u>
Capital contribution	<u>31,649</u>	<u>31,649</u>
Change in Net Position	127,336	95,687
Total Net Position, beginning	904,083	904,083
Total Net Position, ending	<u>\$ 1,031,419</u>	<u>\$ 1,031,419</u>

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

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

	<b>Water and Sewer Fund</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 347,374	\$ 347,374
Cash paid for goods and services	(235,052)	(235,052)
Cash paid for or on behalf of employees for services	(58,541)	(58,541)
Customer deposits, net	6,445	6,445
Other operating revenues	67,585	67,585
Net Cash Provided (Used) by Operating Activities	<u>\$ 127,811</u>	<u>\$ 127,811</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Decrease in due to other funds	(689)	(689)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Bond anticipation notes issued	\$ 832,000	\$ 832,000
Acquisition and construction of capital assets	(882,450)	(882,450)
Capital contribution - federal grant	42,650	42,650
Principal paid on bond maturities and equipment contracts	(22,000)	(22,000)
Interest paid on bond maturities and equipment contracts	(6,006)	(6,006)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ (35,806)</u>	<u>\$ (35,806)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and dividends	4,408	4,408
Net increase in cash and cash equivalents	<u>\$ 95,724</u>	<u>\$ 95,724</u>
Balances, beginning	164,232	164,232
Balances, ending	<u><u>\$ 259,956</u></u>	<u><u>\$ 259,956</u></u>

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

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

Reconciliation of operating income to net cash provided by operating activities:

Operating income	\$ 97,285	\$ 97,285
<hr/>		
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	44,325	44,325
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(25,167)	(25,167)
Increase (decrease) in accounts payable and accrued liabilities	6,847	6,847
Increase (decrease) in customer deposits	6,445	6,445
Increase (decrease) in compensated absences	(5)	(5)
Increase (decrease) deferred inflows of resources for pensions	(36)	(36)
(Increase) decrease in deferred outflows of resources for pensions	(5,462)	(5,462)
Increase (decrease) in net pension liability	3,579	3,579
Total Adjustments	<u>\$ 30,526</u>	<u>\$ 30,526</u>
Net Cash Provided by Operating Activities	<u>\$ 127,811</u>	<u>\$ 127,811</u>

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

**Town of Micro, North Carolina  
Notes to the Financial Statements  
For the Year Ended June 30, 2019**

**I. Summary of Significant Accounting Policies**

The accounting policies of the Town of Micro 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 Micro is a municipal corporation that is governed by an elected mayor and a three-member board. The Town maintains its Police Department and sanitation operations, and also operates water and sewer utilities for the incorporated area. The Town also has a volunteer Fire Department located within the corporation limits, which is independently operated by the local citizens. The Town makes an annual contribution to the Fire Department to help defray operating costs.

B. Basis of Presentation

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

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

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

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

**Town of Micro, North Carolina  
Notes to the Financial Statements  
For the Year Ended June 30, 2019**

The Town reports the following major governmental fund:

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

The Town reports the following major enterprise funds:

**Water and Sewer Fund.** This fund is used to account for the Town's water and sewer 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 fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange 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 expenses 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 operations. The principal operating revenues of the Town enterprise funds are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.



**Town of Micro, North Carolina  
Notes to the Financial Statements  
For the Year Ended June 30, 2019**

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

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

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Micro

because the tax is levied by Johnston County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there 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, followed by categorical block grants, and then by general revenues.

**D. Budgetary Data**

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Funds. All annual appropriations lapse at the fiscal year-end. The enterprise fund projects are consolidated with their respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. All amendments must be approved by the governing board. During the year, several immaterial amendments to the original budget were necessary. The budget ordinance must be adopted by July 1 of the fiscal year or the

**Town of Micro, North Carolina  
Notes to the Financial Statements  
For the Year Ended June 30, 2019**

governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

E. Assets, Liabilities, 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). The Town's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT Cash Portfolio, a SEC-registered (2a-7) external investment pool, is measured at amortized cash, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value.

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

The restricted assets in the Water and Sewer Fund represent an accumulation required by USDA to have one year's payment in reserve at all times in case the payment is not made timely. Powell Bill funds are also classified as restricted cash because they can be expended only for the purpose of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136-41.4.

**Town of Micro, North Carolina  
Notes to the Financial Statements  
For the Year Ended June 30, 2019**

Town of Micro Restricted Cash

Governmental Activities:

General Fund

Streets	\$ 52,433
Total Governmental Activities	\$ 52,433

Business-type Activities:

Water and Sewer Fund

Customer deposits	\$ 37,683
Total Business-type Activities	\$ 37,683

Total Restricted Cash	\$ 90,116
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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<sup>st</sup>, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2017.

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. Inventory and Prepaid Items

The inventories of the Town are valued at cost (first-in, first-out), which approximates market. The Town's General Fund inventory consists of expendable supplies that are recorded as expenditures as used rather than when purchased.

The inventories of the Town's enterprise funds consist of materials and supplies held for subsequent use. The cost of these inventories is expensed when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and expensed as the items are used.

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7. Capital Assets

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

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

Asset Class	Estimated Useful Lives
Infrastructure	30
Buildings	50
Improvements	10-25
Vehicles	6
Furniture and Equipment	10
Computer Equipment	3

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has no items that meet this criterion. 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 two items that meet the criterion for this category - prepaid taxes and property taxes receivable.

9. 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

**Town of Micro, North Carolina**  
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liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of Net Position. Bond premiums and discounts, as well as issuance costs, 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.

10. Compensated Absences

The vacation policy of the Town provides for the accumulation of up to thirty days earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time 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 policy provide for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

11. Net Position/Fund Balances

a. Net Position

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

b. Fund Balances

**Town of Micro, North Carolina  
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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:

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

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

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

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

The Town of Micro has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-town funds, town funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Town.

The Town of Micro has also adopted a minimum fund balance policy for the general fund which instructs management to conduct the business of the Town in such a manner that available fund balance is at least equal to or greater than 10% of budgeted expenditures. Any portion of the general fund balance in excess of 10% of budgeted expenditures may be appropriated for one-time expenditures and may not be used for any purpose that would obligate the Town in a future budget.

12. Defined Benefit Cost-Sharing Plans

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

**Town of Micro, North Carolina  
Notes to the Financial Statements  
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13. Subsequent Events

The Town evaluated the effect subsequent events would have on the financial statements through November 29, 2020, which is the date the financial statements were available to be issued.

II.

**II. Stewardship, Compliance, and Accountability**

A. Excess of Expenditures over Appropriations

For the fiscal year ended June 30, 2019, the expenditures made in the Town's General Fund exceeded the authorized appropriations made by the governing board for general government activities by \$8,140. This over-expenditure occurred because of management oversight on the administration other operating expenditures and office supplies. Management and the Board will more closely review the budget reports to ensure compliance in future years.

For the fiscal year ended June 30, 2019, the expenditures made in the Town's Water and Sewer Fund exceeded the authorized appropriations made by the governing board for waste collection and treatment by \$4,078. This over-expenditure occurred because of management oversight on the waste collection and treatment system repair and maintenance. Management and the Board will more closely review the budget reports to ensure compliance in future years.

**III. Detail Notes on All Funds**

A. Assets

1. 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 name. 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

**Town of Micro, North Carolina**  
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minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2019, the Town's deposits had a carrying amount of \$430,043 and a bank balance of \$433,103. Of the bank balance, \$500,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2019, the Town's petty cash fund totaled \$200.

2. Investments

At June 30, 2019, the Town of Micro had \$3,892 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAAM by Standard and Poor's. The Town has no policy regarding credit risk.

3. Capital Assets

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



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	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 39,500	\$ -	\$ -	\$ 39,500
Total Capital Assets Not Being Depreciated	<u>\$ 39,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,500</u>
Capital Assets Being Depreciated:				
Buildings	\$ 134,097	\$ -	\$ -	\$ 134,097
Equipment	218,176	-	-	218,176
Vehicles and motorized equipment	129,286	18,729	-	148,015
Infrastructure	10,000	-	-	10,000
Total Capital Assets Being Depreciated	<u>\$ 491,559</u>	<u>\$ 18,729</u>	<u>\$ -</u>	<u>\$ 510,288</u>
Less accumulated depreciation for:				
Buildings	\$ 79,555	\$ 4,191	\$ -	\$ 83,746
Equipment	193,709	6,779	-	200,488
Vehicles and motorized equipment	113,796	3,780	-	117,576
Infrastructure	6,668	667	-	7,335
Total accumulated depreciation	<u>\$ 393,728</u>	<u>\$ 15,417</u>	<u>\$ -</u>	<u>\$ 409,145</u>
Total Capital Assets Being Depreciated, Net	<u>97,831</u>			<u>101,143</u>
Governmental Activity Capital Assets, Net	<u>\$ 137,331</u>			<u>\$ 140,643</u>

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

General government	\$ 5,101
Public safety	1,568
Transportation	4,191
Enviromental protecton	1,530
Cultural and recreation	3,027
Total Depreciation Expense	<u>\$ 15,417</u>

**Town of Micro, North Carolina  
Notes to the Financial Statements  
For the Year Ended June 30, 2019**

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type Activities:				
Water and Sewer Fund:				
Capital Assets Not Being Depreciated:				
Land	\$ 24,457	\$ 34,636	\$ -	\$ 59,093
Construction in progress	-	829,014	-	829,014
Total Capital Assets Not Being Depreciated	<u>\$ 24,457</u>	<u>\$ 863,650</u>	<u>\$ -</u>	<u>\$ 888,107</u>
Capital Assets Being Depreciated:				
Plant and distribution systems	1,871,375	-	-	1,871,375
Furniture and maintenance equipment	79,699	18,800	-	98,499
Vehicles	69,814	-	-	69,814
Total Capital Assets Being Depreciated	<u>\$ 2,020,888</u>	<u>\$ 18,800</u>	<u>\$ -</u>	<u>\$ 2,039,688</u>
Less accumulated depreciation for:				
Plant and distribution systems	1,090,492	37,484	-	1,127,976
Furniture and maintenance equipment	42,360	5,841	-	48,201
Vehicles	65,564	1,000	-	66,564
Total Accumulated Depreciation	<u>\$ 1,198,416</u>	<u>\$ 44,325</u>	<u>\$ -</u>	<u>\$ 1,242,741</u>
Total Capital Assets Being Depreciated, Net	<u>822,472</u>			<u>796,947</u>
Business-type Activities Capital Assets, Net	<u>\$ 846,929</u>			<u>\$ 1,685,054</u>

Construction commitments

The government has active construction projects as of June 30, 2019. At year end, the government's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Water and sewer treatment facilities	\$ 829,014	\$ 753,350

**B. Liabilities**

**1. Pension Plan Obligations and Postemployment Obligations**

**a. Local Governmental Employees' Retirement System**

*Plan Description.* The Town of Micro is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Management of the plan is

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vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

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

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

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Micro employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Micro's contractually required contribution rate for the year ended June 30, 2019, was

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8.25% of compensation for law enforcement officers and 7.50% for general employees and firefighters, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Micro were \$9,903 for the year ended June 30, 2019.

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

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

At June 30, 2019, the Town reported a liability of \$9,930 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. The total pension liability was then rolled forward to the measurement date of June 30, 2018 utilizing update procedures incorporating the actuarial assumptions. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2018, the Town's proportion was 0.00066%, which was an increase of 0.00001% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Town recognized pension expense of \$4,494. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 2,416	\$ 81
Changes of assumptions	4,155	-
Net difference between projected and actual earnings on pension plan investments	2,149	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	3,737	-
Town contributions subsequent to the measurement date	9,903	-
Total	\$ 22,360	\$ 81

\$9,903 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an decrease of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2020	\$ 5,527
2021	3,876
2022	1,431
2023	1,540
2024	-
Thereafter	-
	\$ 12,374

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

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

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant

**Town of Micro, North Carolina  
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portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

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

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 are summarized in the following table:

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

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

*Discount rate.* The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that

**Town of Micro, North Carolina  
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contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	<b>1% Decrease (6.00%)</b>	<b>Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
Town's proportionate share of the net pension liability (asset)	\$ 37,611	\$ 15,657	\$ (2,687)

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

b. Law Enforcement Officers Special Separation Allowance

***1. Plan Description.***

The Town of Micro administers a public employee retirement system (the *Separation Allowance*), a single-employer defined benefit pension plan that provides retirement benefits to the Town's qualified sworn law enforcement officers under the age of 62 who have completed at least 30 years of creditable service or have attained 55 years of age and have completed five or more years of creditable service. The Separation Allowance is equal to 0.85 percent of the annual equivalent of the base rate of compensation most recently applicable to the officer for each year of creditable service. The retirement benefits are not subject to any increases in salary or retirement allowances that may be authorized by the General Assembly. Article 12D of G.S. Chapter 143 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly.

All full-time Town law enforcement officers are covered by the Separation Allowance. At December 31, 2018, the Separation Allowance's membership consisted of:

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Retirees receiving benefits	1
Terminated plan members entitled to but not yet receiving benefits	0
Active plan members	1
Total	2

**2. Summary of Significant Accounting Policies**

*Basis of Accounting.* The Town has chosen to fund the Separation Allowance on a pay as you go basis. Pension expenditures are made from the General Fund, which is maintained on the modified accrual basis of accounting. Benefits are recognized when due and payable in accordance with the terms of the plan.

The Separation Allowance has no assets accumulated in a trust that meets the criteria which are outlined in GASB Statement 73.

**3. Actuarial Assumptions**

The entry age actuarial cost method was used in the December 31, 2017 valuation. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary increases	3.50 to 8.10 percent, including inflation and productivity factor
Discount rate	3.64 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2017.

Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

**3. Contributions.**

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$1,433 as benefits came due for the reporting period.



**Town of Micro, North Carolina  
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***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2019, the Town reported a total pension liability of \$21,783. The total pension liability was measured as of December 31, 2018 based on a December 31, 2017 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2018 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2019, the Town recognized pension expense of \$6,441.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 10,450	\$ -
Changes of assumptions	827	970
Town benefit payments and plan administrative expense made subsequent to the measurement date	1,433	-
Total	\$ 12,710	\$ 970

\$1,433 reported as deferred outflows of resources related to pensions resulting from benefit payments made and administrative expenses incurred subsequent to the measurement date will be recognized as a decrease of the total pension liability in the year ended June 30, 2019. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2020	\$ 304
2021	304
2022	305
2023	57
2024	-
Thereafter	-
Total deferred inflows of resources	\$ 970

\$1,433 paid as benefits came due and \$322 of administrative expenses subsequent to the measurement date are reported as deferred outflows of resources.

*Sensitivity of the Town's total pension liability to changes in the discount rate.* The following presents the Town's total pension liability calculated using the discount rate of 3.64 percent, as well as what the

**Town of Micro, North Carolina  
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Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.64 percent) or 1-percentage-point higher (4.64 percent) than the current rate:

	<b>1% Decrease (2.64%)</b>	<b>Discount Rate (3.64%)</b>	<b>1% Increase (4.64%)</b>
Total pension liability	\$ 24,507	\$ 21,783	\$ 19,354

**Schedule of Changes in Total Pension Liability  
Law Enforcement Officers' Special Separation Allowance**

	<b>2018</b>
Beginning balance	\$ 20,398
Service Cost	1,184
Interest on the total pension liability	627
Changes of benefit terms	-
Differences between expected and actual experience in the measurement of the total pension liability	1,969
Changes of assumptions or other inputs	(1,269)
Benefit payments	(1,126)
Other changes	-
Ending balance of the total pension liability	\$ 21,783

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

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

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

Following is information related to the proportionate share and pension expense for all pension plans:

**Town of Micro, North Carolina  
Notes to the Financial Statements  
For the Year Ended June 30, 2019**

	LGERS	LEOSSA	Total
Pension Expense	\$ 4,494	\$ 6,441	\$ 10,935
Pension Liability	9,930	21,783	31,713
Proportionate share of the net pension liability	0.01092%	n/a	
 Deferred of Outflows of Resources			
Differences between expected and actual experience	2,416	10,450	12,866
Changes of assumptions	4,155	827	4,982
Net difference between projected and actual earnings on plan investments	2,149	-	2,149
Changes in proportion and differences between contributions and proportionate share of contributions	3,737	-	3,737
Benefit payments and administrative costs paid subsequent to the measurement date	9,903	1,433	11,336
 Deferred of Inflows of Resources			
Differences between expected and actual experience	81	-	81
Changes of assumptions	-	970	970
Net difference between projected and actual earnings on plan investments	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-

c. Supplemental Retirement Income Plan for Law Enforcement Officers

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

*Funding Policy.* Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan. Contributions for the year ended June 30, 2019 were \$1,158, which consisted of \$1,158 from the law enforcement officers.

**Town of Micro, North Carolina  
Notes to the Financial Statements  
For the Year Ended June 30, 2019**

d. Firefighter's and Rescue Squad Workers' Pension Fund

*Plan Description.* The State of North Carolina contributes, on behalf of the Town of Micro's, to the Firefighter's and Rescue Squad Workers' Pension Fund (Fund), a cost-sharing multiple-employer defined benefit pension plan with a special funding situation administered by the State of North Carolina. The Fund provides pension benefits for eligible fire and rescue squad workers that have elected to become members of the fund. Article 86 of G.S. Chapter 58 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of thirteen members, nine appointed by the Governor, one appointed by the State Senate, 1 appointed by the State House of Representatives, and the State Treasurer, and State Superintendent, who serve as the ex-officio members. The Firefighter's and Rescue Squad Workers' Pension Fund is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for the Firefighter's and Rescue Squad Workers' Pension Fund. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, or by calling (919) 981-5454 or at [www.osc.nc.gov](http://www.osc.nc.gov).

*Benefits Provided.* FRSWPF provides retirement and survivor benefits. The present retirement benefit is \$170 per month. Plan members are eligible to receive the monthly benefit at age 55 with 20 years of creditable service as a firefighter or rescue squad worker, and have terminated duties as a firefighter or rescue squad worker. Eligible beneficiaries of members who die before beginning to receive the benefit will receive the amount paid by the member and contributions paid on the member's behalf into the plan. Eligible beneficiaries of members who die after beginning to receive benefits will be paid the amount the member contributed minus the benefits collected.

*Contributions.* Plan members are required to contribute \$10 per month to the Fund. The State, a non-employer contributor, funds the plan through appropriations. The Town does not contribute to the Fund. Contribution requirements of plan members and the State of North Carolina are established and may be amended by the North Carolina General Assembly. Contribution provisions are established by General Statute 58-86 and may be amended only by the North Carolina General Assembly. For the fiscal year ending June 30, 2018, the State contributed \$17,952,000 to the plan. The Town of Micro's proportionate share of the State's contribution is \$0.

*Refunds of Contributions.* Plan members who are no longer eligible or choose not to participate in the plan may file an application for a refund of their contributions. Refunds include the member's contributions and contributions paid by others on the member's behalf. No interest will be paid on the amount of the refund. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by FRSWPF.

**Town of Micro, North Carolina  
Notes to the Financial Statements  
For the Year Ended June 30, 2019**

e. Other Employment Benefits

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

2. Deferred Outflows and Inflows of Resources

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

Source	Amount
Contributions to pension plan in current fiscal year	\$ 11,336
Differences between expected and actual experience	12,866
Changes of assumptions	4,982
Net difference between projected and actual earnings on pension plan investments	2,149
Changes in proportion and differences between Town contributions and proportionate share of contributions	3,737
Total	<u>\$ 35,070</u>

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

	Statement of Net Position	General Fund Balance Sheet
Taxes receivable (General Fund)	\$ -	\$ 11,140
Differences between expected and actual experience	81	-
Changes of assumptions	970	-
Total	<u>\$ 1,051</u>	<u>\$ 11,140</u>

3. Risk Management

**Town of Micro, North Carolina  
Notes to the Financial Statements  
For the Year Ended June 30, 2019**

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

The Town carries commercial coverage for all 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 of Micro does not carry flood insurance.

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 town clerk is individually bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$50,000.

4. Long-term Obligations

a. Installment Purchases

Annual debt service payments of the installment purchase as of June 30, 2019, including interest, are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2020	1,701	223
2021	1,755	169
2022	1,809	115
2023	1,855	58
Total	\$ 7,120	\$ 565

b. General Obligation Indebtedness

**Town of Micro, North Carolina  
Notes to the Financial Statements  
For the Year Ended June 30, 2019**

The Town’s general obligation bonds serviced by the governmental funds were issued for the acquisition of public safety equipment. Those general obligation bonds issued to finance the construction of facilities utilized in the operations of the water and sewer system and which are being retired by its resources are reported as long-term debt in the Water and Sewer Fund. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the Town. Principal and interest requirements are appropriated when due.

Bonds payable at June 30, 2019 are comprised of the following individual issues:

c. General Obligation Bonds

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

Year Ending June 30	Business-type Activities	
	Principal	Interest
2020	12,000	5,500
2021	13,000	4,900
2022	13,000	4,250
2023	14,000	3,600
2024	14,000	2,900
2025-2027	33,000	3,950
Total	\$ 99,000	\$ 25,100

At June 30, 2019, the Town of Micro had no bonds authorized but unissued and a legal debt margin at \$1,649,542.

d. Bond Anticipation Notes

\$832,000 Water and Sewer Notes issued on November 29, 2018, and due on November 29, 2019; interest at 4.54% with PNC Bank. The notes was repaid from a \$832,000 bond issue dated November 26, 2019. The interest rate on the bond issue was 1.75% with 40 annual payments.

e. Changes in Long-term Liabilities

**Town of Micro, North Carolina  
Notes to the Financial Statements  
For the Year Ended June 30, 2019**

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
<b>Governmental activities:</b>					
Installment purchase	\$ 8,770	\$ -	\$ 1,650	\$ 7,120	\$ 1,701
Compensated absences	2,639	-	15	2,624	2,624
Net pension liability (LGERS)	7,559	2,148	-	9,707	-
Total pension liability (LEO)	20,398	1,385	-	21,783	1,433
Governmental Activity Long-term Liabilities	\$ 39,366	\$ 3,533	\$ 1,665	\$ 41,234	\$ 5,758
<b>Business-type activities:</b>					
General obligation bonds	\$ 110,000	\$ -	\$ 11,000	\$ 99,000	\$ 12,000
Direct placement bond anticipation notes	-	832,000	-	832,000	832,000
Compensated absences	2,639	-	15	2,624	2,624
Net pension liability (LGERS)	2,371	3,579	-	5,950	-
Business-type Activity Long-term Liabilities	\$ 115,010	\$ 835,579	\$ 11,015	\$ 939,574	\$ 846,624

C. Interfund Balances and Activity

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

Water and Sewer Fund owes the General Fund \$3,222 at June 30, 2019

D. Net Investments in Capital Assets

	Governmental	Business-type
Capital Assets	\$ 140,643	\$ 1,685,054
Less: Long-term debt	7,120	931,000
Net investments in capital asset	\$ 133,523	\$ 754,054

E. Fund Balance

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



**Town of Micro, North Carolina  
Notes to the Financial Statements  
For the Year Ended June 30, 2019**

Total Fund Balance - General Fund	\$ 177,436
Less:	
Stabilization by State Statute	24,166
Streets - Powell Bill	52,441
Remaining Fund Balance	\$ 100,829

**IV. 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.

## Required Supplementary Financial Data

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This section contains additional information required by generally accepted accounting principles.

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- Schedule of Proportionate Share of Net Pension Liability for Local Government Employees' Retirement System
- Schedule of Contributions to Local Government Employees' Retirement System
- Schedule of Funding Progress for the Law Enforcement Officers' Special Separation Allowance
- Schedule of Employer Contributions for the Law Enforcement Officers' Special Separation Allowance

**Town of Micro, North Carolina**  
**Town of Micro's Proportionate Share of Net Pension Liability (Asset)**  
**Required Supplementary Information**  
**Last Six Fiscal Years \***

**Local Government Employees' Retirement System**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Town of Micro's proportion of the net pension liability (asset) (%)	0.00066%	0.06500%	0.00028%	0.00033%	0.00049%	0.00049%
Town of Micro's proportion of the net pension liability (asset) (\$)	\$ 15,657	\$ 9,930	\$ 5,944	\$ 1,481	\$ (2,123)	\$ 4,822
Town of Micro's covered-employee payroll	\$ 118,518	\$ 50,340	\$ 30,567	\$ 28,934	\$ 26,999	\$ 26,449
Town of Micro's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	13.21%	19.73%	19.45%	5.12%	( 7.86%)	18.23%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%	98.09%	102.64%	94.35%

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

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

**Town of Micro, North Carolina  
Town of Micro's Contributions  
Required Supplementary Information  
Last Six Fiscal Years**

**Local Government Employees' Retirement System**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 9,903	\$ 4,636	\$ 3,148	\$ 2,783	\$ 2,442	\$ 2,385
Contributions in relation to the contractually required contribution	9,903	4,636	3,148	2,783	2,442	2,385
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town of Micro's covered-employee payroll	\$ 118,518	\$ 50,340	\$ 30,567	\$ 28,934	\$ 26,999	\$ 25,759
Contributions as a percentage of covered-employee payroll	8.36%	9.21%	10.30%	9.62%	9.04%	9.26%

**Town of Micro, North Carolina**  
**Schedule of Changes in Total Pension Liability**  
**Law Enforcement Officers' Special Separation Allowance**  
**June 30, 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Beginning balance	\$ 20,398	\$ 1,853	\$ 2,411
Service Cost	1,184	915	413
Interest on the total pension liability	627	50	68
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the total pension liability	1,969	17,125	-
Changes of assumptions or other inputs	(1,269)	1,581	(7)
Benefit payments	(1,126)	(1,126)	(1,032)
Other changes	-	-	-
Ending balance of the total pension liability	<u>\$ 21,783</u>	<u>\$ 20,398</u>	<u>\$ 1,853</u>

The amounts presented for each fiscal year were determined as of the prior fiscal year ending December 31.

**Town of Micro, North Carolina**  
**Schedule of Total Pension Liability as a Percentage of Covered Payroll**  
**Law Enforcement Officers' Special Separation Allowance**  
**June 30, 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability	\$ 21,783	\$ 20,398	\$ 1,853
Covered payroll	31,956	26,633	27,098
Total pension liability as a percentage of covered payroll	68.17%	76.59%	6.84%

Notes to the schedules:

The Town of Micro has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 73 to pay related benefits.

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>			
Ad Valorem Taxes:			
Taxes	\$ 120,267	\$ 111,490	\$ (8,777)
Total	<u>\$ 120,267</u>	<u>\$ 111,490</u>	<u>\$ (8,777)</u>
Unrestricted Intergovernmental:			
Local option sales tax	\$ 45,000	\$ 49,401	\$ 4,401
Telecommunications sales tax	2,000	6,913	4,913
Video programming tax	700	415	(285)
Utility sales tax	20,000	10,329	(9,671)
Beer and wine tax	2,000	4,336	2,336
ABC profit distribution	3,000	669	(2,331)
Zoning permits	1,000	550	(450)
Total	<u>\$ 73,700</u>	<u>\$ 72,613</u>	<u>\$ (1,087)</u>
Restricted Intergovernmental:			
Powell Bill allocation	\$ 12,800	\$ 13,228	\$ 428
Solid waste disposal tax	315	343	28
Total	<u>\$ 13,115</u>	<u>\$ 13,571</u>	<u>\$ 456</u>
Sales and Services:			
Garbage fees	\$ 47,600	\$ 44,827	\$ (2,773)
Police fees	50	5	(45)
Lease fees	10,821	9,919	(902)
Total	<u>\$ 58,471</u>	<u>\$ 54,751</u>	<u>\$ (3,720)</u>
Investment earnings	<u>-</u>	<u>189</u>	<u>189</u>
Miscellaneous:			
Miscellaneous	\$ 3,500	\$ 2,789	\$ (711)
Total	<u>\$ 3,500</u>	<u>\$ 2,789</u>	<u>\$ (711)</u>
Total Revenues	<u>\$ 269,053</u>	<u>\$ 255,403</u>	<u>\$ (13,650)</u>

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

	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative)</u>
<b>EXPENDITURES</b>			
General Government:			
Governing body:			
Salaries and taxes-mayor and commissioners	\$ 1,831	\$ 1,830	\$ 1
Dues and subscriptions	1,500	3,210	(1,710)
Total	<u>\$ 3,331</u>	<u>\$ 5,040</u>	<u>\$ (1,709)</u>
Administration:			
Salaries and employee benefits	\$ 24,820	\$ 25,283	\$ (463)
Telephone	2,000	1,828	172
Office supplies	500	2,844	(2,344)
Postage and box rental	370	699	(329)
Insurance and bonds	6,789	6,788	1
Other operating expenditures	18,600	22,068	(3,468)
Total	<u>\$ 53,079</u>	<u>\$ 59,510</u>	<u>\$ (6,431)</u>
Total General Government	<u>\$ 56,410</u>	<u>\$ 64,550</u>	<u>\$ (8,140)</u>
Public Safety:			
Police:			
Salaries and employee benefits	\$ 64,366	\$ 36,394	\$ 27,972
Fuel	2,750	1,044	1,706
Vehicle maintenance	4,000	22,443	(18,443)
Insurance	4,825	4,824	1
Other operating expenditures	2,475	3,723	(1,248)
Total	<u>\$ 78,416</u>	<u>\$ 68,428</u>	<u>\$ 9,988</u>
Fire:			
Other operating expenditures	20,500	21,180	(680)
Total public safety	<u>\$ 98,916</u>	<u>\$ 89,608</u>	<u>\$ 9,308</u>



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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Transportation:			
Streets and Highways:			
Maintenance streets	\$ 20,000	\$ 11,932	\$ 8,068
Equipment maintenance	1,000	873	127
Street lights	8,400	7,964	436
Supplies	950	1,004	(54)
Uniforms	750	611	139
Capital outlay	2,000	2,255	(255)
Railroad Crossing	3,700	3,660	40
Other operating expenditures	750	188	562
Total Transportation	<u>\$ 37,550</u>	<u>\$ 28,487</u>	<u>\$ 8,501</u>
Environmental Protection:			
Salaries and employee benefits	\$ 35,112	\$ 36,231	\$ (1,119)
Landfill fees	350	154	196
Electricity and LP Gas	2,390	2,616	(226)
Garbage removal	29,675	27,393	2,282
Other operating expenses	1,300	142	1,158
Fuel	400	359	41
Building repairs	125	1,411	(1,286)
Capital outlay	2,500	1,165	1,335
Total environmental protection	<u>\$ 71,852</u>	<u>\$ 69,471</u>	<u>\$ 2,381</u>
Cultural and Recreation:			
Utilities	\$ 400	\$ 366	\$ 34
Other operating expenditures	2,000	1,148	852
Total	<u>\$ 2,400</u>	<u>\$ 1,514</u>	<u>\$ 886</u>
Debt Service			
Principal retirement		\$ 1,650	
Interest and other charges		274	
Total Debt Service	<u>\$ 1,925</u>	<u>\$ 1,924</u>	<u>\$ 1</u>
Total Expenditures	<u>\$ 269,053</u>	<u>\$ 255,554</u>	<u>\$ 12,937</u>
Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ (151)</u>	<u>\$ (151)</u>
Fund balances, beginning		177,587	
Fund balances, ending		<u>\$ 177,436</u>	

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>			
Water Sales:			
Water sales	\$ 132,500	\$ 168,127	\$ 35,627
Total	<u>\$ 132,500</u>	<u>\$ 168,127</u>	<u>\$ 35,627</u>
Sewer Charges:			
Sewer sales	\$ 180,000	\$ 204,414	\$ 24,414
Total	<u>\$ 180,000</u>	<u>\$ 204,414</u>	<u>\$ 24,414</u>
Water and sewer taps	\$ 4,500	\$ -	\$ (4,500)
Other operating revenues	\$ 52,350	\$ 67,585	\$ 15,235
Total Operating Revenues	<u>\$ 369,350</u>	<u>\$ 440,126</u>	<u>\$ 70,776</u>
Nonoperating Revenues:			
Interest earnings	\$ 25	\$ 604	\$ 579
Total Nonoperating Revenues	<u>\$ 25</u>	<u>\$ 604</u>	<u>\$ 579</u>
Total Revenues	<u>\$ 369,375</u>	<u>\$ 440,730</u>	<u>\$ 71,355</u>
<b>EXPENDITURES</b>			
Water and Sewer Administration:			
Salaries and employee benefits	\$ 3,640	\$ 3,675	\$ (35)
Supplies	1,000	638	362
Professional services	4,175	1,505	2,670
Postage	1,700	1,134	566
Insurance	4,500	10,746	(6,246)
Computer maintenance	1,900	-	1,900
Bank charges	3,000	2,956	44
Telephone	1,500	1,424	76
Other operating expenditures	55,139	46,838	8,301
Capital outlay	10,000	-	10,000
Total Water and sewer administration	<u>\$ 86,554</u>	<u>\$ 68,916</u>	<u>\$ 17,638</u>
Water Distribution:			
Salaries and employee benefits	\$ 56,392	\$ 56,790	\$ (398)
Vehicles	3,000	5,249	(2,249)
Chemicals	3,000	1,266	1,734
Water purchase	3,800	11,438	(7,638)
Electricity	4,500	5,106	(606)
CSX Railroad	1,850	-	1,850
Maintenance	22,650	27,807	(5,157)
Water testing	7,000	2,355	4,645
Other operating expenditures	21,529	5,637	15,892
Total Water Distribution	<u>\$ 123,721</u>	<u>\$ 115,648</u>	<u>\$ 8,073</u>

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

	<b>Budget</b>	<b>Actual</b>	<b>Positive (Negative)</b>
Waste Collection and Treatment:			
Treatment charges	\$ 80,000	\$ 70,015	\$ 9,985
Electricity- lift station	9,600	9,877	(277)
Maintenance and repair system	39,000	52,379	(13,379)
Chemicals	2,000	2,407	(407)
Total Waste Collection and Treatment	\$ 130,600	\$ 134,678	\$ (4,078)
Debt Service			
Interest and other charges	\$ 6,500	\$ 6,050	\$ 450
Principal retirement	22,000	11,000	11,000
Total debt service	\$ 28,500	\$ 17,050	\$ 11,450
Total expenditures	\$ 369,375	\$ 336,292	\$ 33,083
Revenues over (under) expenditures	\$ -	\$ 104,438	\$ 38,272
Reconciling items:			
Principal retirement		11,000	
Capital outlay		18,800	
Decrease in bond interest accrued		44	
Increase in pension contributions		2,656	
Increase in deferred outflows-pensions		2,805	
Increase in net pension liability		(3,579)	
Increase in deferred inflows-pensions		36	
Increase in accrued vacation pay		8	
Depreciation		(44,325)	
Total Reconciling Items		(12,555)	
Change in Net Position		\$ 91,883	

**Town of Micro, North Carolina**  
**USDA Water and Wastewater Collection Systems Improvements Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non - GAAP)**  
**From Inception and for the Fiscal Year Ended June 30, 2019**

	Original Project <u>Authorization</u>	Final Project <u>Authorization</u>	<u>Prior Year</u>	<u>Actual Current Year</u>	<u>Total to Date</u>	Variance Positive (Negative)
<b>Revenues</b>						
Restricted Intergovernmental:						
USDA loans	\$ 832,000	\$ 832,000	\$ -	\$ 832,000	\$ 832,000	-
USDA grants	785,000	785,000	-	31,649	31,649	(753,351)
Investment earnings	-	-	-	3,804	3,804	3,804
Total Revenues	<u>\$ 1,617,000</u>	<u>\$ 1,617,000</u>	<u>\$ -</u>	<u>\$ 867,453</u>	<u>\$ 867,453</u>	<u>\$ (749,547)</u>
<b>Expenditures</b>						
Wastewater Systems Improvements Project:						
Construction	\$ 1,276,050	\$ 1,245,988	\$ -	\$ 692,594	\$ 692,594	\$ 553,394
Engineering	144,008	142,508	-	118,497	118,497	24,011
Land / Right-of-way	40,000	40,000	-	34,636	34,636	5,364
Legal	16,000	16,000	-	17,883	17,883	(1,883)
Contingency	108,222	108,222	-	-	-	108,222
Capitalized Interest	32,720	32,782	-	-	-	32,782
Other	-	31,500	-	40	40	31,460
Total Expenditures	<u>\$ 1,617,000</u>	<u>\$ 1,617,000</u>	<u>\$ -</u>	<u>\$ 863,650</u>	<u>\$ 863,650</u>	<u>\$ 753,350</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	\$ 3,803	<u>\$ 3,803</u>	<u>\$ 3,803</u>
Fund Balance, beginning				-		
Fund Balance, ending				<u>\$ 3,803</u>		

## Other Schedules

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This section contains additional information on property taxes.

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- Schedule of Ad Valorem Taxes Receivable
- Analysis of Current Tax Levy
- Water and Sewer Fund's Schedule of Net Position by Function
- Water and Sewer Fund's Schedule of Revenues, Expenses, and Changes in Fund Net Position by Function
- Water and Sewer Fund's Schedule of Cash Flows by Function

**Town of Micro, North Carolina**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2019**

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2018</u>	<u>Additions</u>	<u>Collections And Credits</u>	<u>Uncollected Balance June 30, 2019</u>
2018-2019	\$ -	\$ 118,484	\$ 107,212	\$ 11,272
2017-2018	-	-	-	-
2016-2017	-	-	-	-
2015-2016	-	-	-	-
2014-2015	-	-	-	-
2013-2014	83	-	-	83
2012-2013	162	-	6	156
2011-2012	132	-	-	132
2010-2011	44	-	-	44
2009-2010	49	-	49	-
	<u>\$ 470</u>	<u>\$ 118,484</u>	<u>\$ 107,267</u>	<u>\$ 11,687</u>

Less: Allowance for uncollectible accounts:

General Fund 547

Ad Valorem Taxes Receivable - Net \$ 11,140

Reconciliation with revenues:

Ad valorem taxes - General Fund \$ 111,490

Reconciling Items:

Adjustments (3,788)

Releases 317

Interest collected (801)

Taxes written off 49

Subtotal \$ (4,223)

Total Collections and Credits \$ 107,267

**Town Micro, North Carolina  
Analysis of Current Tax Levy  
For the Fiscal Year Ended June 30, 2019**

	Town - Wide			Total Levy	
	Property	Rate	Total	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
	Valuation		Levy		
Original Levy:					
Property taxed at current year's rate	\$ 20,619,273	0.55	\$ 113,406	\$ 97,592	\$ 15,814
Discoveries	980,909		5,395	5,395	-
Releases	57,636		317	317	-
Penalties					
Total	<u>\$ 21,542,546</u>		<u>\$ 118,484</u>	<u>\$ 102,670</u>	<u>\$ 15,814</u>
 Total Property Valuation	 <u>\$ 21,542,546</u>				
 Net Levy			 \$ 118,484	 \$ 102,670	 \$ 15,814
 Uncollected Taxes at June 30, 2019			 <u>\$ 11,272</u>	 <u>\$ 11,272</u>	 <u>\$ -</u>
 Current Year's Taxes Collected			 <u>\$ 107,212</u>	 <u>\$ 91,398</u>	 <u>\$ 15,814</u>
 Current Levy Collection Percentage			 <u>90.49%</u>	 <u>89.02%</u>	 <u>100.00%</u>

**Town of Micro, North Carolina**  
**Schedule of Net Position**  
**Water and Sewer Fund by Function**  
**June 30, 2019**

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 42,013	\$ 176,456	\$ 218,469
Accounts receivable (net) - billed	29,415	35,952	65,367
Inventories	921	1,125	2,046
Restricted cash and cash equivalents	18,669	22,818	41,487
Total Current Assets	<u>\$ 91,018</u>	<u>\$ 236,351</u>	<u>\$ 327,369</u>
Noncurrent Assets:			
Capital Assets:			
Land and construction in progress	\$ 444,054	\$ 444,053	\$ 888,107
Other capital assets, net of depreciation	39,847	725,450	796,947
Total Noncurrent Assets	<u>\$ 483,901</u>	<u>\$ 1,169,503</u>	<u>\$ 1,685,054</u>
Total Assets	<u>\$ 574,919</u>	<u>\$ 1,405,854</u>	<u>\$ 2,012,423</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension deferrals	\$ 8,497	\$ -	\$ 8,497
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable and accrued liabilities	\$ 8,980	\$ -	\$ 8,980
Due to other funds	1,450	1,772	3,222
Compensated absences - current	2,634	-	2,634
General obligation bonds- current	-	12,000	12,000
Bond anticipation note - current	416,000	416,000	832,000
Liabilities payable from restricted assets:			
Customer deposits	16,957	20,726	37,683
Total Current Liabilities	<u>\$ 446,021</u>	<u>\$ 450,498</u>	<u>\$ 896,519</u>
Noncurrent Liabilities:			
Net pension liability	5,950	-	5,950
General obligation bond- nncurrent	-	87,000	87,000
Total Noncurrent Liabilities	<u>\$ 5,950</u>	<u>\$ 87,000</u>	<u>\$ 92,950</u>
Total Liabilities	<u>\$ 451,971</u>	<u>\$ 537,498</u>	<u>\$ 989,469</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension deferrals	\$ 31	\$ -	\$ 31
<b>NET POSITION</b>			
Net investment in capital assets	\$ 67,901	\$ 654,503	\$ 754,054
Unrestricted	63,513	213,853	277,365
Total Net Position	<u>\$ 131,414</u>	<u>\$ 868,356</u>	<u>\$ 1,031,419</u>



**Town of Micro, North Carolina**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Water and Sewer Fund by Function**  
**For the Year Ended June 30, 2019**

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 168,127	\$ 204,414	\$ 372,541
Other operating revenues	16,302	51,283	67,585
Total Operating Revenues	<u>\$ 184,429</u>	<u>\$ 255,697</u>	<u>\$ 440,126</u>
<b>OPERATING EXPENSES</b>			
Administration	\$ 29,215	\$ 35,707	\$ 64,922
Water distribution	117,717	-	117,717
Waste collection and treatment	-	115,877	115,877
Depreciation	6,649	37,676	44,325
Total Operating Expenses	<u>\$ 153,581</u>	<u>\$ 189,260</u>	<u>\$ 342,841</u>
Operating Income (Loss)	<u>\$ 30,848</u>	<u>\$ 66,437</u>	<u>\$ 97,285</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Investment earnings	\$ 1,984	\$ 2,424	\$ 4,408
Interest and other charges	-	(6,006)	(6,006)
Total Nonoperating Revenue (Expenses)	<u>\$ 1,984</u>	<u>\$ (3,582)</u>	<u>(1,598)</u>
Income (loss) before contributions and transfers	32,832	62,855	95,687
Change in Net Position	32,832	62,855	95,687
Total Net Position, beginning	98,582	805,501	904,083
Total Net Position, ending	<u><u>\$ 131,414</u></u>	<u><u>\$ 868,356</u></u>	<u><u>\$ 999,770</u></u>

**Town of Micro, North Carolina**  
**Statement of Cash Flows**  
**Water and Sewer Fund by Function**  
**For the Fiscal Year Ended June 30, 2019**

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 177,124	\$ 170,250	\$ 347,374
Cash paid for goods and services	(94,590)	(140,462)	(235,052)
Cash paid for or on behalf of employees for services	(60,465)	1,924	(58,541)
Customer deposits, net	(224)	6,669	6,445
Other operating revenues	16,302	51,283	67,585
	<hr/>		
Net Cash Provided (Used) by Operating Activities	\$ 38,147	\$ 89,664	\$ 127,811
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Decrease in due to other funds	(701)	2	(689)
	<hr/>		
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Bond anticipation note proceeds	\$ 416,000	\$ 416,000	\$ 832,000
Acquisition and construction of capital assets	\$ (437,198)	\$ (445,252)	\$ (882,450)
USDA grant proceeds	\$ 21,325	\$ 21,325	\$ 42,650
Principal paid on bond maturities and equipment contracts	-	(11,000)	(11,000)
Interest paid on bond maturities and equipment contracts	-	(6,006)	(6,006)
	<hr/>		
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ 127	\$ (24,933)	\$ (24,806)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest and dividends	1,984	2,424	4,408
	<hr/>		
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 39,557	\$ 67,155	\$ 95,724
Balances, beginning	42,450	121,782	164,232
Balances, ending	<u>\$ 82,007</u>	<u>\$ 188,937</u>	<u>\$ 259,956</u>

**Town of Micro, North Carolina**  
**Statement of Cash Flows**  
**Water and Sewer Fund by Function**  
**For the Fiscal Year Ended June 30, 2019**

Reconciliation of operating income to net cash provided by operating activities:

Operating income (loss)	\$	30,848	\$	66,437	\$	97,285
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation		6,649		37,676		44,325
Changes in Assets and Liabilities:						
(Increase) decrease in accounts receivable		(7,305)		(17,862)		(25,167)
(Increase) decrease in inventory		204		(204)		-
(Increase) decrease in accounts payable		8,980		(2,133)		6,847
Increase (decrease) in customer deposits		(224)		6,669		6,445
Increase (decrease) in compensated absences		1,183		(1,188)		(5)
Increase (decrease) in deferred inflows of resources for pensions		(6)		(30)		(36)
(Increase) decrease in deferred outflows of resources for pensions		(6,828)		1,366		(5,462)
Increase (decrease) in net pension liability		4,646		(1,067)		3,579
Total Adjustments	\$	7,299	\$	23,227	\$	30,526
Net Cash Provided by Operating Activities	\$	38,147	\$	89,664	\$	127,811

*Andrew Harris, CPA PLLC*  
3722 N. Main St.  
Farmville, NC 27828  
Phone (252) 753-2636  
Phone (252) 813-9988  
Fax (888) 689-1014  
E-mail [andrew@andrewharriscpa.com](mailto:andrew@andrewharriscpa.com)

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**Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit  
of Financial Statements Performed in Accordance with  
*Government Auditing Standards***

To the Honorable Mayor and Town Council  
Town of Micro, 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 aggregated remaining fund information of the Town of Micro, North Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Micro basic financial statements and have issued my report thereon dated November 29, 2020.

Internal Control over Financial Reporting

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

My consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, I did identify certain deficiencies in internal control that I consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town of Micro financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiencies described in the accompanying schedule of findings and questioned costs 2019-1 to be a material weakness.

*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. I

consider the deficiencies described in the accompanying schedule of findings and questioned costs 2019-2 to be a significant deficiency.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Micro financial statements are free of 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 statements 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Finding 2019-3.

#### Town of Micro Response to Findings

The Town's response to the finding identified in my audit is described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

#### Purpose of this Report

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

Handwritten signature of Andrew Harris, CPA PLLC in black ink.

Farmville, North Carolina  
November 29, 2020

*Andrew Harris, CPA PLLC*  
3722 N. Main St.  
Farmville, NC 27828  
Phone (252) 753-2636  
Phone (252) 813-9988  
Fax (888) 689-1014  
E-mail [andrew@andrewharriscpa.com](mailto:andrew@andrewharriscpa.com)

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**Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; In accordance with OMB Uniform Guidance; and the State Single Audit Implementation Act**

Independent Auditor's Report

To the Members of the Town Council  
Town of Micro  
Micro, North Carolina

Report on Compliance for Each Major Federal Program

I have audited the Town of Micro, North Carolina compliance with the types of compliance requirements described in the OMB *Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the Town of Micro major federal programs for the year ended June 30, 2019. The Town of Micro major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal awards applicable to its state programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the Town of Micro major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, Uniform Guidance, and the State Single Audit Implementation Act, require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Micro compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of the Town of Micro compliance.

### Opinion on Each Major Federal Program

In my opinion, the Town of Micro complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

### Report on Internal Control over Compliance

Management of the Town of Micro is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Town of Micro's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Town of Micro's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Farmville, North Carolina  
November 29, 2020





**Town of Micro, North Carolina**  
**Schedule of Findings and Questioned Costs**  
**For the Fiscal Year Ended June 30, 2019**

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Section II - Financial Statement Findings

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**Material Weakness**

**Finding: 2019 – 1 Account Reconciliations**

Criteria: The Town should record all transactions in its general ledger to properly reflect all transactions incurred by the Town.

Condition: The Town did not record transactions in the project cash account.

Effect: The Town could understate capital assets and debt balances.

Cause: The Town hired a new Town Clerk / Finance Officer to manage the accounting function without capital project budget / accounting experience.

Recommendation: The Town should record and reconcile all transactions to properly reflect capital assets and debt at year end.

Views of responsible officials:

The Town agrees with this finding. Management will include capital assets and debt in its year end reconciliation process.

**Significant Deficiency**

**Finding: 2019 – 2 Segregation of Duties**

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

Condition: There is a lack of segregation of duties among Town personnel.

Effect: The Town's internal control process cannot ensure that errors will be detected by employees in the normal course of performing their assigned functions.

Cause: The Town has one employee to handle the majority of financial transactions due to the Town's limited budget.

Recommendation: The duties should be separated as much as possible, and alternative controls should be used to compensate for lack of separation. The governing board should provide some of these controls.

Views of responsible officials:

The Town agrees with this finding. The Town will continue to monitor its internal controls in an effort to alleviate inherent limitations placed on small towns.

**Town of Micro, North Carolina**  
**Schedule of Findings and Questioned Costs**  
**For the Fiscal Year Ended June 30, 2019**

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Section II - Financial Statement Findings

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**Noncompliance Material to Financial Statements**

**Finding: 2019 – 3 Budget Violation**

Criteria: The Town should budget revenues, expenditures, and other financing sources (uses) in each fund.

Condition: There were expenditures that were not properly budgeted in the General Fund and Water and Sewer Fund. There were expenditures that were not properly budgeted in the General Fund for general government activities and Water and Sewer Fund waste collection and treatment activities by \$8,140 and \$4,078, respectively.

Effect: Budget violations (Excess of Expenditures over Appropriations) may occur.

Cause: Budget Amendments did not occur during the year for certain transactions.

Recommendation: Internal control over financial reporting should be expanded to include monthly reconciliation of the general ledger to supporting documentation.

Views of responsible officials:

The Town agrees with this finding. Management will monitor budget appropriations and expenditures to ensure compliance in future years.



# TOWN OF MICRO

P.O. Box 9, 101 US 301 Hwy, Micro, NC 27555

Phone: (919) 284-2572  
Fax: (919) 284-5966  
townofmicro@gmail.com

## Town of Micro, North Carolina Corrective Action Plan For the Fiscal Year Ended June 30, 2019

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### Section II - Financial Statement Findings

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#### Material Weakness

##### Finding: 2019-1

##### Account Reconciliations

Name of contact person:

Lisa Holland, Town Clerk / Finance Officer

Corrective Action:

The Town management will record the appropriate capital project transactions that occur during the year in the general ledger in a separate fund.

Proposed Completion Date:

The board will implement this above procedure immediately.

#### Significant Deficiency

##### Finding: 2019-2

##### Segregation of Duties

Name of contact person:

Lisa Holland, Town Clerk / Finance Officer

Corrective Action:

The duties will be separated as much as possible and alternative controls will be used to compensate for lack of segregation. The governing board will continue to be involved in providing some of the controls.

Proposed Completion Date:

The board will implement this above procedure immediately.

#### Noncompliance Material to Financial Statements

##### Finding: 2019-3

##### Budget Violations

Name of contact person:

Lisa Holland, Town Clerk / Finance Officer

Corrective Action:

The Town management will record the appropriate budget amendments approved by the board when significant transactions occur during the year before year end, June 30. Budget amendments will be prepared prior to year end, June 30 of each fiscal year.

Proposed Completion Date:

The board will implement this above procedure immediately.

**TOWN OF MICRO, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2019**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Fed. (Direct &amp; Pass-through) Expenditures</u>	<u>State Expenditures</u>	<u>Pass-through to subrecipients</u>	<u>Local Expenditures</u>
<b>Federal Grants:</b>						
<u>U.S. Dept. of Agriculture</u>						
Water and Waste Disposal for Rural Communities	10.760	n/a	\$ 863,650	\$ -	\$ -	\$ -
<u>U. S. Department of Homeland Security</u>						
<u>Passed-through N.C. Department of Public Safety</u>						
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	PW622	\$ 945	\$ -	\$ -	\$ -
Total assistance - federal programs			<u>\$ 864,595</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>State Grants:</b>						
<u>N.C. Department of Transportation:</u>						
Powell Bill			\$ -	\$ 9,131	\$ -	\$ -
Total assistance - State programs			<u>\$ -</u>	<u>\$ 9,131</u>	<u>\$ -</u>	<u>\$ -</u>
Total assistance			<u>\$ 864,595</u>	<u>\$ 9,131</u>	<u>\$ -</u>	<u>\$ -</u>

Notes to the Schedule of Expenditures of Federal and State Financial Awards:

**Note 1: Basis of Presentation**

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the Town of Micro under the programs of the federal government and the State of North Carolina for the year ended June 30, 2019. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of the Town of Micro, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Micro.

**Note 2: Summary of Significant Accounting Policies**

Expenditures reported in the SEFSA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note 3: Indirect Cost Rate**

The Town of Micro has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**Note 4: Loan Outstanding**

Town of Micro had the following loan balances outstanding at June 30, 2019 for loans that the grantor / pass-through grantor has still imposed continuing compliance requirements. Loans outstanding at the beginning of the year and loans made during the year are included in the SEFSA. The balance of loans outstanding at June 30, 2019 consist of:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Amount Outstanding</u>
Water and Waste Disposal Systems for Rural Communities	10.760	-	\$ 832,000