

**Town of Macclesfield**  
**Macclesfield, North Carolina**  
**Financial Statements**  
**For The Year Ended June 30, 2020**

Town of Macclesfield, North Carolina

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**TOWN COUNCIL MEMBERS**

Dennis Sanderson - Mayor

Joyce Braxton - Mayor Pro Tem

Patricia Keel

Charlie Lewis

Paula Lewis

**ADMINISTRATIVE AND FINANCIAL STAFF**

Cynthia Buck, Finance Officer

Lorie Webb, Tax Collector

# Flowers & Stanley, L.L.P.

Certified Public Accountants

3403 North Main Street – Tarboro, North Carolina 27886

Phone: 252-823-3125 Fax: 252-823-3201

Charles R. Flowers Jr., CPA

Michael L. Stanley, CPA

Eric B. Harrell, CPA

Members

North Carolina Association of  
Certified Public Accountants

American Institute of  
Certified Public Accountants

## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Macclesfield, North Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

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

## Opinion

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Macclesfield as of June 30, 2020, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 10 and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Liability (Asset) and Contributions, on pages 47 and 48, respectively, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

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

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



Tarboro, North Carolina  
October 14, 2021

## **Town of Macclesfield Management's Discussion and Analysis**

As management of the Town of Macclesfield, we offer readers of the Town of Macclesfield's financial statements this narrative overview and analysis of the financial activities of the Town of Macclesfield for the fiscal year ended June 30, 2020. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

### **Financial Highlights**

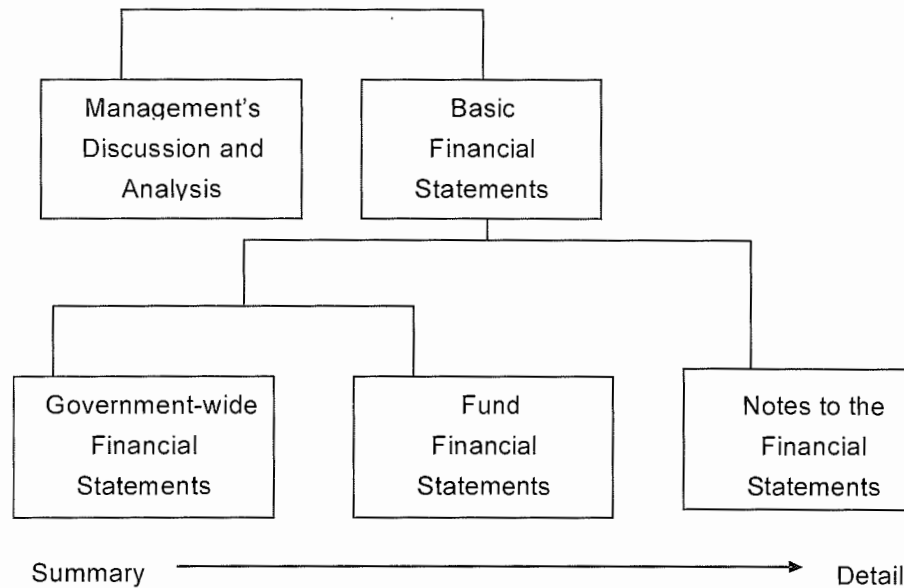
- The assets and deferred outflows of resources of the Town of Macclesfield exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$3,817,015 (net position).
- The government's total net position decreased by \$94,778. This change includes depreciation on fixed assets of \$120,163.
- As of the close of the current fiscal year, the Town of Macclesfield's governmental funds reported an ending fund balance of \$568,647, reflecting a net increase of \$72,124. Approximately 9.9% of this total or \$56,476 is non-spendable or restricted.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$512,171 or 210% of total General Fund expenditures for the fiscal year.
- At year-end the Town of Macclesfield had no outstanding long-term debt

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Town of Macclesfield'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 fiscal condition of the Town of Macclesfield.

## 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.

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

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the Town's basic services such as public safety, environmental protection, 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 and electric services offered by the Town of Macclesfield. The government-wide financial statements are on Exhibits 1 and 2 of this report.

## **Fund Financial Statements**

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

## **Governmental Funds**

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

## Town of Macclesfield Management's Discussion and Analysis

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

### **Proprietary Funds**

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

### **Notes to the Financial Statements**

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

### **Other Information**

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

### **Interdependence with Other Entities**

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

## Government-wide Financial Analysis

**Town of Macclesfield's Net Position**  
**Figure 2**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
<b>Assets:</b>						
Current and other assets	\$ 631,261	\$ 558,843	\$ 369,569	\$ 427,670	\$ 1,000,830	\$ 986,513
Capital assets	251,683	248,213	2,672,716	2,780,289	2,924,399	3,028,502
Deferred outflows of resources	14,459	14,830	37,214	42,209	51,673	57,039
Total assets and deferred outflows of resources	<u>\$ 897,403</u>	<u>\$ 821,886</u>	<u>\$ 3,079,499</u>	<u>\$ 3,250,168</u>	<u>\$ 3,976,902</u>	<u>\$ 4,072,054</u>
<b>Liabilities:</b>						
Current liabilities	\$ 5,763	\$ 13,307	\$ 73,877	\$ 81,131	\$ 79,640	\$ 94,438
Long-term liabilities outstanding	22,204	16,962	57,612	48,277	79,816	65,239
Deferred inflows of resources	120	256	311	729	431	985
Total liabilities and deferred inflows of resources	<u>\$ 28,087</u>	<u>\$ 30,525</u>	<u>\$ 131,800</u>	<u>\$ 130,137</u>	<u>\$ 159,887</u>	<u>\$ 160,662</u>
<b>Net Position:</b>						
Net investment in capital assets	\$ 251,683	\$ 248,213	\$ 2,672,716	\$ 2,780,289	\$ 2,924,399	\$ 3,028,502
Restricted:						
Stabilization by						
State Statute	20,587	20,790	-	-	20,587	20,790
Streets	35,889	73,618	-	-	35,889	73,618
Unrestricted	561,157	448,740	274,983	339,742	836,140	788,482
Total Net Position	<u>\$ 869,316</u>	<u>\$ 791,361</u>	<u>\$ 2,947,699</u>	<u>\$ 3,120,031</u>	<u>\$ 3,817,015</u>	<u>\$ 3,911,392</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Macclesfield exceeded liabilities and deferred inflows by \$3,817,015 as of June 30, 2020. The Town's net position decreased by \$94,377 for the fiscal year ended June 30, 2020. However, the largest portion (76.6%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Macclesfield uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. An additional portion of the Town of Macclesfield's net position, \$56,476 or 1.5% represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$836,140 is unrestricted.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
<b>Revenues:</b>						
Program Revenues:						
Charges for services	\$ 77,808	\$ 86,902	\$ 629,105	\$ 665,138	\$ 706,913	\$ 752,040
Grants & contributions:						
Operating	14,016	14,171	-	-	14,016	14,171
Capital	-	-	-	-	-	-
General Revenues:						
Property taxes	71,398	73,276	-	-	71,398	73,276
Other taxes	500	2,603	-	-	500	2,603
Unrestricted						
intergovernmental	123,119	109,714	-	-	123,119	109,714
Investment earnings	3,925	4,697	214	1,185	4,139	5,882
Other	33,136	12,754	-	-	33,136	12,754
Donated assets	-	192,623	-	-	-	192,623
Extraordinary Income	-	178,200	-	119,300	-	297,500
Total Revenues	<u>\$ 323,902</u>	<u>\$ 674,940</u>	<u>\$ 629,319</u>	<u>\$ 785,623</u>	<u>\$ 953,221</u>	<u>\$ 1,460,563</u>
<b>Expenses:</b>						
General Government	\$ 95,472	\$ 182,703	\$ -	\$ -	\$ 95,472	\$ 182,703
Public Safety	-	7,782	-	-	-	7,782
Transportation	56,128	47,054	-	-	56,128	47,054
Environmental Protection	89,397	107,063	-	-	89,397	107,063
Cemetery	4,950	1,767	-	-	4,950	1,767
Water & Sewer	-	-	325,340	476,751	325,340	476,751
Electric	-	-	476,311	353,725	476,311	353,725
Total Expenses	<u>\$ 245,947</u>	<u>\$ 346,369</u>	<u>\$ 801,651</u>	<u>\$ 830,476</u>	<u>\$ 1,047,598</u>	<u>\$ 1,176,845</u>
Increase (Decrease) in Net Position before Transfers	\$ 77,955	\$ 328,571	\$ (172,332)	\$ (44,853)	\$ (94,377)	\$ 283,718
Transfers	-	-	-	-	-	-
Increase (Decrease) in Net Position	\$ 77,955	\$ 328,571	\$ (172,332)	\$ (44,853)	\$ (94,377)	\$ 283,718
Net Position, July 1	791,361	462,790	3,120,031	3,164,884	3,911,392	3,788,471
Net Position, June 30	<u>\$ 869,316</u>	<u>\$ 791,361</u>	<u>\$ 2,947,699</u>	<u>\$ 3,120,031</u>	<u>\$ 3,817,015</u>	<u>\$ 4,072,189</u>

### **Governmental Activities**

Governmental activities increased the Town's net position by \$77,955.

### **Business-type Activities**

Business-type activities decreased the Town's net position by \$172,332. The decrease includes a \$43,554 decrease in Electric Fund net position and a decrease in Water and Sewer net position of \$128,778.

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

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

#### Governmental Funds

The focus of the Town of Macclesfield'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 Macclesfield's financing requirements.

The general fund is the chief operating fund of the Town of Macclesfield. At the end of the current fiscal year, the Town of Macclesfield's fund balance available in the General Fund was \$512,171, while total fund balance reached \$568,647. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. The Town currently has an available fund balance of 210% of general fund expenditures, while total fund balance represents 233% of the same amount.

At June 30, 2020, the governmental fund of the Town of Macclesfield reported a fund balance of \$568,647, an increase of \$72,124 or 14.5%.

#### Proprietary Funds

The Town's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Electric Fund at the end of the fiscal year amounted to \$333,726, and those for the Water and Sewer Fund amounted to \$(58,4743). Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town's business-type activities.

### **Capital Asset and Debt Administration**

#### Capital Assets

The Town of Macclesfield's investment in capital assets for its governmental and business-type activities as of June 30, 2020, totals \$2,672,716 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, and vehicles.

### Town of Macclesfield's Capital Assets

**Figure 4**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Land	\$ 21,060	\$ 5,000	\$ 140,000	\$ 140,000	\$ 161,060	\$ 145,000
Buildings & systems	179,781	186,202	2,518,867	2,624,077	2,698,648	2,810,279
Machinery & equipment	8,060	8,980	13,849	16,212	21,909	25,192
Vehicles & motorized equipment	42,782	48,031	-	-	42,782	48,031
<b>Total Net Assets</b>	<b>\$ 251,683</b>	<b>\$ 248,213</b>	<b>\$ 2,672,716</b>	<b>\$ 2,780,289</b>	<b>\$ 2,924,399</b>	<b>\$ 3,028,502</b>

Additional information on the Town of Macclesfield's capital assets can be found in the Notes to the financial statements.

#### Long-term Debt

As of June 30, 2020, the Town of Macclesfield had no long-term debt outstanding.

### **Budget Highlights for the Fiscal Year Ending June 30, 2021**

#### **Governmental Activities**

This year's budget is a total of \$955,715.

In the General Fund property taxes will remain at .37 per \$100 valuation.

Garbage rates will increase by 3.5% for all garbage customers.

#### **Business-type Activities**

Electric rates will remain the same.

Water rates will remain the same for all customers.

Sewer rates will increase \$5.00 and a \$1.00 rate increase per one thousand gallons of sewer.

#### **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 addressed to the Finance Officer, Cynthia Buck, Post Office Box 185, Macclesfield, North Carolina 27852.

**Town of Macclesfield, North Carolina**  
**Statement of Net Position**  
**June 30, 2020**

**Exhibit 1**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Current Assets:			
Cash and cash equivalents	\$ 517,934	\$ 251,719	\$ 769,653
Taxes receivable	42,005	-	42,005
Accrued interest receivable on taxes	14,846	-	14,846
Accounts receivable (net)	-	76,720	76,720
Inventory	-	3,482	3,482
Due from other governments	20,587	-	20,587
Restricted cash and cash equivalents	35,889	37,648	73,537
Total Current Assets	<u>\$ 631,261</u>	<u>\$ 369,569</u>	<u>\$ 1,000,830</u>
Non-Current Assets:			
Capital Assets			
Land and other non-depreciable assets	\$ 21,060	\$ 140,000	\$ 161,060
Other capital assets, net of depreciation	230,623	2,532,716	2,763,339
Total Capital Assets	<u>\$ 251,683</u>	<u>\$ 2,672,716</u>	<u>\$ 2,924,399</u>
Total Assets	<u>\$ 882,944</u>	<u>\$ 3,042,285</u>	<u>\$ 3,925,229</u>
<b>Deferred Outflows of Resources</b>			
Pension deferrals	\$ 14,459	\$ 37,214	\$ 51,673
Total deferred outflows of resources	<u>\$ 14,459</u>	<u>\$ 37,214</u>	<u>\$ 51,673</u>
<b>Liabilities</b>			
Current Liabilities:			
Accounts payable and accrued liabilities	\$ 5,763	\$ 36,229	\$ 41,992
Payable from Restricted Assets:			
Customer deposits	-	37,648	37,648
Total Current Liabilities	<u>\$ 5,763</u>	<u>\$ 73,877</u>	<u>\$ 79,640</u>
Long-Term Liabilities:			
Net Pension Liability	22,204	57,612	79,816
Total Liabilities	<u>\$ 27,967</u>	<u>\$ 131,489</u>	<u>\$ 159,456</u>

(continued)

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

**Town of Macclesfield, North Carolina**  
**Statement of Net Position**  
**June 30, 2020**

**Exhibit 1**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
(continued)			
<b>Deferred Inflows of Resources</b>			
Pension deferrals	\$ 120	\$ 311	\$ 431
<b>Net Position</b>			
Net investment in capital assets	\$ 251,683	\$ 2,672,716	\$ 2,924,399
Restricted for:			
Stabilization by State Statute	20,587	-	20,587
Streets	35,889	-	35,889
Unrestricted	561,157	274,983	836,140
Total Net Position	<u>\$ 869,316</u>	<u>\$ 2,947,699</u>	<u>\$ 3,817,015</u>

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



**Town of Macclesfield, North Carolina**  
**Statement of Activities**  
**For the Year Ended June 30, 2020**

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government:			
Governmental Activities:			
General Government	\$ 95,472	\$ 2,800	\$ -
Public Safety	-	-	-
Transportation	56,128	-	13,681
Environmental Protection	89,397	70,524	335
Cemetery	4,950	4,484	-
Total Governmental Activities	\$ 245,947	\$ 77,808	\$ 14,016
Business-type Activities:			
Electric	\$ 476,311	\$ 432,546	\$ -
Water and Sewer	325,340	196,559	-
Total Business-type Activities	\$ 801,651	\$ 629,105	\$ -
Total Primary Government	\$ 1,047,598	\$ 706,913	\$ 14,016

General Revenues:

Taxes:

Property taxes, levied for general purpose

Other taxes

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Miscellaneous

Total General Revenues and Transfers

Change in Net Position

Net Position, Beginning

Net Position-Ending

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Position  
Primary Government

Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
\$ -	\$ (92,672)	\$ -	\$ (92,672)
-	-	-	-
-	(42,447)	-	(42,447)
-	(18,538)	-	(18,538)
-	(466)	-	(466)
<u>\$ -</u>	<u>\$ (154,123)</u>	<u>\$ -</u>	<u>\$ (154,123)</u>
\$ -	\$ -	\$ (43,765)	\$ (43,765)
-	-	(128,781)	(128,781)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (172,546)</u>	<u>\$ (172,546)</u>
<u>\$ -</u>	<u>\$ (154,123)</u>	<u>\$ (172,546)</u>	<u>\$ (326,669)</u>
	\$ 71,398	\$ -	\$ 71,398
	500	-	500
	123,119	-	123,119
	3,925	214	4,139
	33,136	-	33,136
	<u>\$ 232,078</u>	<u>\$ 214</u>	<u>\$ 232,292</u>
	\$ 77,955	\$ (172,332)	\$ (94,377)
	791,361	3,120,031	3,911,392
	<u>\$ 869,316</u>	<u>\$ 2,947,699</u>	<u>\$ 3,817,015</u>

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

**Town of Macclesfield, North Carolina**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2020**

**Exhibit 3**

**Assets**

Cash and cash equivalents	\$ 517,934
Restricted cash	35,889
Taxes receivable	42,005
Due from other governments	20,587
 Total Assets	 <u>\$ 616,415</u>

**Liabilities**

Accounts payable and accrued liabilities	<u>\$ 5,763</u>
--	-----------------

**Deferred Inflows of Resources**

Property taxes receivable	<u>\$ 42,005</u>
---------------------------	------------------

**Fund Balances**

Restricted:	
Stabilization by State Statute	\$ 20,587
Streets	35,889
Unassigned	512,171
Total Fund Balances	<u>\$ 568,647</u>

Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 616,415</u>
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The notes to the financial statements are an integral part of this statement.

**Town of Macclesfield, North Carolina**  
**Reconcilaitaion of the Governmental Funds**  
**Balance Sheet to the Statement of Net Position**  
**June 30, 2020**

**Exhibit 3**

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

Total Fund Balance, Governmental Flunds	\$	568,647
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Gross capital assets at historical cost	\$	493,836
Accumulated depreciation	<u>(242,153)</u>	251,683
Deferred outflows of resources related to pensions are not reported in the funds		14,459
Other long-term assets (accrued interest receivable from taxes) are not available to pay for current period expenditures and therefore are inflows of resources in the funds.		14,846
Earned revenues considered deferred inflows of resources in fund statements.		42,005
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds		-
Net pension liability		(22,204)
Deferred inflows of resources related to pensions are not reported in the funds		(120)
Net Position of Governmental Activities	<u>\$</u>	<u>869,316</u>

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

**Town of Macclesfield, North Carolina**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2020**

**Exhibit 4**

	<u><b>General</b></u>
<b>Revenues:</b>	
Ad valorem taxes	\$ 63,560
Other taxes and licenses	500
Unrestricted intergovernmental	123,119
Restricted intergovernmental	14,016
Sales and services	77,808
Investment earnings	3,925
Miscellaneous	33,136
	<hr/>
Total Revenues	\$ 316,064
	<hr/>
<b>Expenditures:</b>	
General Government	\$ 87,364
Transportation	64,199
Environmental Protection	87,427
Cemetery	4,950
	<hr/>
Total Expenditures	\$ 243,940
	<hr/>
Revenues Over (Under) Expenditures	\$ 72,124
Other Financing Sources	-
	<hr/>
Net Change in Fund Balance	\$ 72,124
	<hr/>
<b>Fund Balance:</b>	
Beginning of Year	496,523
	<hr/>
End of Year	\$ 568,647
	<hr/>

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

**Town of Macclesfield, North Carolina**  
**Reconciliation of the Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances to the Statement of Activities**  
**Governmental Funds**  
**For the Year Ended June 30, 2020**

**Exhibit 4**

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

Net change in fund balance - Governmental Funds	\$	72,124
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Governmental funds report capital outlay as expenditures. However in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation in the current period.

Capital outlay expenditures which were capitalized	\$ 16,060	
Depreciation expenses for governmental assets	<u>(12,590)</u>	3,470

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities.		5,026
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Change in unavailable revenue for tax revenues	\$ 5,691	
Change in accrued interest on taxes receivable	<u>2,150</u>	7,841

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

Pension expense		(10,506)
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Total Change in Net Position of Governmental Activities	<u>\$</u>	<u>77,955</u>
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The notes to the financial statements are an integral part of this statement.

**Town of Macclesfield, North Carolina**  
**General Fund**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2020**

**Exhibit 5**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues:</b>				
Ad valorem taxes	\$ 57,150	\$ 57,150	\$ 63,560	\$ 6,410
Other taxes and licenses	-	-	500	500
Unrestricted intergovernmental	131,100	131,100	123,119	(7,981)
Restricted intergovernmental	13,861	13,861	14,016	155
Sales and services	84,700	84,700	77,808	(6,892)
Investment earnings	2,500	2,500	3,925	1,425
Miscellaneous	5,000	40,000	33,136	(6,864)
Total Revenues	<u>\$ 294,311</u>	<u>\$ 329,311</u>	<u>\$ 316,064</u>	<u>\$ (13,247)</u>
<b>Expenditures:</b>				
General Government	\$ 90,737	\$ 111,357	\$ 87,364	\$ 23,993
Public Safety	-	-	-	-
Transportation	65,400	65,400	64,199	1,201
Environmental Protection	112,045	112,045	87,427	24,618
Cemetery	5,000	5,000	4,950	50
Total Expenditures	<u>\$ 273,182</u>	<u>\$ 293,802</u>	<u>\$ 243,940</u>	<u>\$ 49,862</u>
Revenues Over (Under) Expenditures	<u>\$ 21,129</u>	<u>\$ 35,509</u>	<u>\$ 72,124</u>	<u>\$ 36,615</u>
Other Financing Sources (Uses):				
Transfers In (Out)	\$ (16,170)	\$ (16,170)	\$ -	\$ 16,170
Fund Balance Reserved	(4,959)	(19,339)	-	19,339
Total Other Financing Sources (Uses)	<u>\$ (21,129)</u>	<u>\$ (35,509)</u>	<u>\$ -</u>	<u>\$ 35,509</u>
Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72,124</u>	<u>\$ 72,124</u>
<b>Fund Balance:</b>				
Beginning of Year			496,523	
End of Year			<u>\$ 568,647</u>	

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

**Town of Macclesfield, North Carolina**  
**Statement of Fund Net Position**  
**Proprietary Funds**  
**June 30, 2020**

Exhibit 6

	<u>Electric Fund</u>	<u>Water and Sewer Fund</u>	<u>Total</u>
<b>Assets</b>			
Current Assets:			
Cash and cash equivalents	\$ 251,719	\$ -	\$ 251,719
Accounts receivable (net)	51,308	25,412	76,720
Due from other funds	66,023	-	66,023
Inventory	1,472	2,010	3,482
Restricted cash and cash equivalents	25,967	11,681	37,648
Total Current Assets	<u>\$ 396,489</u>	<u>\$ 39,103</u>	<u>\$ 435,592</u>
Non-Current Assets:			
Capital Assets:			
Land and other non-depreciable assets	\$ -	\$ 140,000	\$ 140,000
Other capital assets, net of depreciation	36,812	2,495,904	2,532,716
Capital Assets (Net)	<u>\$ 36,812</u>	<u>\$ 2,635,904</u>	<u>\$ 2,672,716</u>
Total non-current assets	<u>\$ 36,812</u>	<u>\$ 2,635,904</u>	<u>\$ 2,672,716</u>
Total Assets	<u><u>\$ 433,301</u></u>	<u><u>\$ 2,675,007</u></u>	<u><u>\$ 3,108,308</u></u>
<b>Deferred Outflows of Resources</b>			
Pension deferrals	\$ 17,573	\$ 19,641	\$ 37,214
Total deferred outflows of resources	<u>\$ 17,573</u>	<u>\$ 19,641</u>	<u>\$ 37,214</u>
<b>Liabilities</b>			
Current Liabilities:			
Accounts payable and accrued liabilities	\$ 27,017	\$ 9,212	\$ 36,229
Due to other funds	-	66,023	66,023
Payable from Restricted Assets:			
Customer Deposits	25,967	11,681	37,648
Current Liabilities	<u>\$ 52,984</u>	<u>\$ 86,916</u>	<u>\$ 139,900</u>
Non-Current Liabilities			
Net Pension Liabilities	27,205	30,407	57,612
Total Liabilities	<u><u>\$ 80,189</u></u>	<u><u>\$ 117,323</u></u>	<u><u>\$ 197,512</u></u>

(continued)

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



Town of Macclesfield, North Carolina  
Statement of Fund Net Position  
Proprietary Funds  
June 30, 2020

Exhibit 6

	<u>Electric Fund</u>	<u>Water and Sewer Fund</u>	<u>Total</u>
(continued)			
<b>Deferred Inflows of Resources</b>			
Pension deferrals	\$ 147	\$ 164	\$ 311
<b>Net Position</b>			
Net investment in capital assets	\$ 36,812	\$ 2,635,904	\$ 2,672,716
Unrestricted	333,726	(58,743)	274,983
Total net position	<u>\$ 370,538</u>	<u>\$ 2,577,161</u>	<u>\$ 2,947,699</u>

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

**Town of Macclesfield, North Carolina**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2020**

**Exhibit 7**

	<b>Electric Fund</b>	<b>Water and Sewer Fund</b>	<b>Total</b>
<b>Operating Revenues:</b>			
Charges for services	\$ 432,546	\$ 196,559	\$ 629,105
Other operating revenues	-	-	-
Total Operating Revenues	<u>\$ 432,546</u>	<u>\$ 196,559</u>	<u>\$ 629,105</u>
<b>Operating Expenses:</b>			
Administration and operations	\$ 172,125	\$ 219,392	\$ 391,517
Electrical power purchases	275,480	-	275,480
Depreciation	1,625	105,948	107,573
Sales tax	27,081	-	27,081
Total Operating Expenses	<u>\$ 476,311</u>	<u>\$ 325,340</u>	<u>\$ 801,651</u>
Operating Income (Loss)	<u>\$ (43,765)</u>	<u>\$ (128,781)</u>	<u>\$ (172,546)</u>
<b>Non-operating Revenues (Expenses):</b>			
Interest on investments	\$ 211	\$ 3	\$ 214
Other	-	-	-
Total Non-Operating Revenues (Expenses)	<u>\$ 211</u>	<u>\$ 3</u>	<u>\$ 214</u>
Income (Loss) before Transfers & Contributions	\$ (43,554)	\$ (128,778)	\$ (172,332)
Transfers and contributions	-	-	-
Change in Net Position	<u>\$ (43,554)</u>	<u>\$ (128,778)</u>	<u>\$ (172,332)</u>
<b>Net Position:</b>			
Beginning of Year	414,092	2,705,939	3,120,031
End of Year	<u>\$ 370,538</u>	<u>\$ 2,577,161</u>	<u>\$ 2,947,699</u>

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

**Town of Macclesfield, North Carolina**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2020**

Exhibit 8

	<u>Electric Fund</u>	<u>Water and Sewer Fund</u>	<u>Total</u>
<b>Cash Flows from Operating Activities:</b>			
Cash received from customers	\$ 450,672	\$ 200,120	\$ 650,792
Cash paid for goods and services	(346,258)	(113,853)	(460,111)
Cash paid to or on behalf of employees for services	(109,056)	(99,896)	(208,952)
Customer deposits received (net)	(3,110)	(540)	(3,650)
Net Cash Provided (Used) By Operating Activities	<u>\$ (7,752)</u>	<u>\$ (14,169)</u>	<u>\$ (21,921)</u>
<b>Cash Flows from Non-Capital Financing Activities</b>			
Change in due to/from other funds	\$ (13,626)	\$ 13,626	\$ -
Net Cash Provided (Used) By Non-Capital Financing Activities	<u>\$ (13,626)</u>	<u>\$ 13,626</u>	<u>\$ -</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Cash Flows from Investing Activities:</b>			
Interest earned on investments	<u>\$ 211</u>	<u>\$ 3</u>	<u>\$ 214</u>
Net Increase (Decrease) In Cash	\$ (21,167)	\$ (540)	\$ (21,707)
Cash at Beginning of Year	298,853	12,221	311,074
Cash at End of Year	<u><u>\$ 277,686</u></u>	<u><u>\$ 11,681</u></u>	<u><u>\$ 289,367</u></u>

(continued)

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

Town of Macclesfield, North Carolina  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2020

Exhibit 8

	<u>Electric Fund</u>	<u>Water and Sewer Fund</u>	<u>Total</u>
(continued)			
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>			
Operating Income (Loss)	\$ (43,765)	\$ (128,781)	\$ (172,546)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	\$ 1,625	\$ 105,948	\$ 107,573
Changes in Assets and Liabilities:			
(Increase) decrease in accounts receivable	18,126	3,561	21,687
(Increase) decrease inventory	14,367	340	14,707
(Increase) decrease in deferred outflows of resources for contributions to pension plan	-	-	-
1,820	1,820	3,175	4,995
Increase (decrease) in accounts payable and accrued liabilities	-	-	-
(1,651)	(1,651)	(1,953)	(3,604)
Increase (decrease) in customer deposits	(3,110)	(540)	(3,650)
Increase (decrease) in deferred inflows	(188)	(230)	(418)
Increase (decrease) in pension liabilities	5,024	4,311	9,335
Total Adjustments	<u>\$ 36,013</u>	<u>\$ 114,612</u>	<u>\$ 150,625</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (7,752)</u>	<u>\$ (14,169)</u>	<u>\$ (21,921)</u>

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

**TOWN OF MACCLESFIELD, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**I. Summary of Significant Accounting Policies**

The accounting policies of the Town of Macclesfield 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 Macclesfield is a municipal corporation, which is governed by an elected mayor and local board. The Town has no component units (legally separate entities for which the Town is financially accountable).

**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 any internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

**Fund Financial Statements**

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

**TOWN OF MACCLESFIELD, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

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

The Town reports the following major governmental fund:

**General Fund** - The General Fund is the general operating fund of the Town. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes and State-shared revenues. The primary expenditures are for streets, sanitation, and general government services.

The Town reports the following major enterprise funds:

**Electric Fund** - This fund is used to account for the Town's electric operations.

**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 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.

**TOWN OF MACCLESFIELD, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

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

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

**Governmental Fund Financial Statements**

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

The Town considers all revenues available if they are collected within 60 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

**TOWN OF MACCLESFIELD, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

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 because the tax is levied by the 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 when applicable. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues if in the best interest of the Town.

**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 fiscal year-end. Project ordinances are adopted for any Capital Project Funds. 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 the project level for any multi-year funds. All amendments must be approved by the governing board and the Board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

**1. Deposits and Investments**

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high-quality issues of commercial paper and bankers' acceptances,



**TOWN OF MACCLESFIELD, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. The NCCMT-Government Portfolio, a SEC-registered (2a-7) money market fund, is measured at fair value. The NCCMT-Term Portfolio is a bond fund, that has no rating and is measured at fair value. As of June 30, 2020, the Term Portfolio has a duration of .15 years. Because the NCCMT-Government and Term Portfolios have a weighted average maturity of less than 90 days they are presented as an investment with a maturity of less than 6 months.

**2. Cash and Cash Equivalents**

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

**3. Restricted Assets**

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

Town of Macclesfield Restricted Cash

Governmental Activities	
General Fund - Streets	\$35,889
Business-type Activities - Customer Deposits	
Electric Fund	\$25,967
Water & Sewer Fund	<u>11,681</u>
Total Restricted Cash	<u>\$73,537</u>

**TOWN OF MACCLESFIELD, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**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 1st, the beginning of the fiscal year. The taxes are due on September 1st (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2019.

**5. Allowances for Doubtful Accounts**

Allowances for doubtful accounts are maintained on all types of receivables that historically experience material uncollectable accounts. These amounts are estimated by analyzing percentage of receivables written off in prior years. Uncollectible taxes receivable are not considered material based on prior years' write-offs. There is no allowance for uncollectible taxes receivable reflected in these financial statements.

**6. Inventory**

The inventories of the Town are valued at cost (first-in, first-out), which approximates market. 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.

**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 cost policies were established at \$3,000. Donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. General infrastructure assets acquired prior to July 1, 2003, consist of water and sewer system assets and improvements. 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:

**TOWN OF MACCLESFIELD, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	25 - 33
Buildings	30
Improvements	20 - 30
Vehicles	5 - 7
Furniture and equipment	5 - 10
Computer Equipment	5

**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 one item that meets this criterion, pension related deferrals. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meet this criterion, property taxes receivable and pension deferrals.

**9. Long-term Obligations**

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

**10. Compensated Absences**

The Town has no policy for the accumulation of vacation leave. Unused leave is not carried over to subsequent years; therefore, there is no provision reflected in the financial statements.

The Town's sick leave policy provides for five (5) days of sick leave per year. There is no accumulation; therefore, there is no provision for accrued sick leave in the accompanying financial statements.

**11. Net Position/Fund Balances**

**Net Position**

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets, restricted, and

**TOWN OF MACCLESFIELD, NORTH CAROLINA**  
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unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

**Fund Balances**

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

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.

**TOWN OF MACCLESFIELD, NORTH CAROLINA  
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The Town has established no formal spending policy for programs with multiple revenue resources. Management's policy is to expend fund balance with restricted classification first and unassigned fund balance lastly if such is in the best interest of the Town.

The Town has not adopted a minimum fund balance policy for the General Fund but monitors the percentage of fund balance to budgeted expenditures closely.

**12. Defined Benefit Cost Sharing Plan**

For purposes of measuring the net pension asset, 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 Macclesfield's employer contributions are recognized when due and the Town of Macclesfield 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.

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

**Significant Violations of Finance-Related Legal and Contractual Provisions**

**1. Contractual Provision**

The Town is required to submit audited financial statements to the Local Government Commission by October 31 annually. Procedures should be established to ensure timely submission of audited financials in future years. Management agrees but believes personnel and financial constraints of small units and Covid related issues in the current year made timely compliance difficult, if not impossible. Management understands the need for timely financial data and will take steps to allow more timely filing.

**Deficit in Fund Balance or Net Position of Individual Funds**

There were no deficits for the year ended June 30, 2020.

**Excess of Expenditures over Appropriations**

There were no expenditures exceeding appropriations during the year.

**TOWN OF MACCLESFIELD, NORTH CAROLINA**  
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**III. Detail Notes on All Funds**

**A. Assets**

**1. Deposits**

All of the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agent in its name. 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 agent in its 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. 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 policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with the provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2020, the Town's deposits had a carrying amount of \$569,834 and a bank balance of \$578,720. Of the bank balance, \$457,215 was covered by federal depository insurance and the balance was covered under the pooling method. At June 30, 2020, the Town's Petty Cash fund totaled \$300.

**2. Investments**

At June 30, 2020, the Town of Macclesfield had \$273,056 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.

TOWN OF MACCLESFIELD, NORTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2020

**3. Receivables - Allowance for Doubtful Accounts**

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2020 are net of the following allowances for doubtful accounts:

	<u>June 30, 2020</u>
Enterprise Funds:	
Electric Fund	\$ 25,022
Water & Sewer Fund	13,836
Total	<u>\$ 38,858</u>

Historically taxes written off have been immaterial to the financial statements. There is no allowance for doubtful accounts presented for taxes receivable.

**4. Capital Assets**

Capital asset activity for the Town for the year ended June 30, 2020, was as follows:

**TOWN OF MACCLESFIELD, NORTH CAROLINA**  
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	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental Activities:</b>				
Capital Assets not Being Depreciated:				
Land and improvement	\$ 5,000	\$ 16,060	\$ -	\$ 21,060
Capital Assets Being Depreciated:				
Buildings	\$ 293,899	\$ -	\$ -	\$ 293,899
Vehicles and motorized equipment	160,018	-	17,027	142,991
Equipment	35,886	-	-	35,886
Total	<u>\$ 489,803</u>	<u>\$ -</u>	<u>\$ 17,027</u>	<u>\$ 472,776</u>
Less Accumulated Depreciation For:				
Buildings	\$ 107,697	\$ 6,421	\$ -	\$ 114,118
Vehicles and motorized equipment	111,987	5,249	17,027	100,209
Equipment	26,906	920	-	27,826
Total	<u>\$ 246,590</u>	<u>\$ 12,590</u>	<u>\$ 17,027</u>	<u>\$ 242,153</u>
Total Capital Assets Being Depreciated, Net	<u>\$ 243,213</u>			<u>\$ 230,623</u>
Governmental Activities Capital Assets, Net	<u>\$ 248,213</u>			<u>\$ 251,683</u>



**TOWN OF MACCLESFIELD, NORTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
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Depreciation expense was charged to functions/programs of the governmental unit as follows:

General Government	\$ 7,341
Environmental Protection	-
Transportation	<u>5,249</u>
	<u>\$ 12,590</u>

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type Activities:</b>				
<b>Electric Fund:</b>				
Capital Assets				
Being Depreciated:				
Distribution system	\$ 133,277	\$ -	\$ -	\$ 133,277
Equipment	135,683	-	-	135,683
	<u>\$ 268,960</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 268,960</u>
 Total				
	<u>\$ 268,960</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 268,960</u>
 Less Accumulated Depreciation For:				
Distribution system	\$ 101,235	\$ 1,366	\$ -	\$ 102,601
Equipment	129,288	259	-	129,547
	<u>\$ 230,523</u>	<u>\$ 1,625</u>	<u>\$ -</u>	<u>\$ 232,148</u>
 Total				
	<u>\$ 230,523</u>	<u>\$ 1,625</u>	<u>\$ -</u>	<u>\$ 232,148</u>
 Total Capital Assets Being Depreciated, Net	<u>\$ 38,437</u>			<u>\$ 36,812</u>
 Electric Fund Capital Assets, Net	<u>\$ 38,437</u>			<u>\$ 36,812</u>

(continued)

TOWN OF MACCLESFIELD, NORTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
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**Capital Assets (continued)**

	Beginning Balances	Increases	Decreases	Ending Balances
<b>(continued)</b>				
<b>Business-type Activities:</b>				
<b>Water &amp; Sewer Fund:</b>				
Capital Assets not Being Depreciated:				
Land	\$ 140,000	\$ -	\$ -	\$ 140,000
Capital Assets Being Depreciated:				
Distribution system	\$5,041,807	\$ -	\$ -	\$5,041,807
Equipment	203,904	-	-	203,904
Total	<u>\$5,245,711</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$5,245,711</u>
Less Accumulated Depreciation For:				
Distribution system	\$2,449,772	\$ 103,844	\$ -	\$2,553,616
Equipment	194,087	2,104	-	196,191
Total	<u>\$2,643,859</u>	<u>\$ 105,948</u>	<u>\$ -</u>	<u>\$2,749,807</u>
Total Capital Assets Being Depreciated, Net	<u>\$2,601,852</u>			<u>\$2,495,904</u>
Water & Sewer Fund Capital Assets, Net	<u>\$2,741,852</u>			<u>\$2,635,904</u>
Total Business-type Activities Capital Assets, Net	<u><u>\$2,780,289</u></u>			<u><u>\$2,672,716</u></u>

TOWN OF MACCLESFIELD, NORTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
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**B. Liabilities**

**1. Pension Plan Obligations**

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

*Plan Description.* The Town of Macclesfield is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members - nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](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. 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 or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive 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.

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*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Macclesfield 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 Macclesfield's contractually required contribution rate for the year ended June 30, 2019 was 7.5% for all employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the Town of Macclesfield were \$17,949 for the year ended June 30, 2020.

*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, 2020, the Town reported a liability of \$37,401 for its proportionate share of the net pension liability. The net pension asset was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. The total pension liability was then rolled forward to the measurement date of June 30, 2019 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 .00275%, which was an increase of .00018% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2020, the Town recognized pension expense of \$37,525. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 13,701	\$ -
Changes in assumptions	13,041	-
Net difference between projected and actual earnings on pension plan investments	1,952	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	5,043	431
Town contributions subsequent to the measurement date	17,949	-
Total	<u>\$ 51,686</u>	<u>\$ 431</u>

\$17,949 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset 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:**

2021	15,839
2022	5,600
2023	9,148
2024	2,719
Thereafter	-
	<u>\$ 33,306</u>

*Actuarial Assumptions.* The total pension liability in the December 31, 2018 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	7.0 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2018 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018 are summarized in the following table:

<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>100.0%</u>	

**TOWN OF MACCLESFIELD, NORTH CAROLINA**  
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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 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employees 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 benefits payments to determine the total pension liability.

*Sensitivity of the Town's proportionate share of the net pension asset to changes in the discount rate.* The following presents the Town's proportionate share of the net pension asset calculated using the discount rate of 7.0 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 (8.0 percent) or one percentage point higher (6.0 percent) than the current rate:

	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
Town's proportionate share of the net pension liability (asset)	\$ 183,011	\$ 80,016	\$ (5,594)

*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.

**TOWN OF MACCLESFIELD, NORTH CAROLINA**  
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**2. 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 employees' 12 highest months' salary in a row during the 24 months prior to the employees' death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number eligible participants. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. The Town considers these contributions to be immaterial.

**3. Deferred Outflows and Inflows of Resources**

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

Source	Amount
Contributions to pension plan in current fiscal year	\$ 17,949
Difference between expected and actual experience	13,701
Changes of assumption	13,041
Net difference between project and actual earnings on investments	1,952
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,043
Total	\$ 51,686



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

Source	Statement of Net Position	General Fund Balance Sheet
Taxes Receivable (General Fund)	\$ -	\$ 41,604
Difference between expected and actual experience	431	-
Total	\$ 431	\$ 41,604

**4. Risk Management**

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

The property liability pool has an aggregate limit for the total property losses in a single year, with the reinsurance limit based upon a percentage of total insurance values.

The Town carries flood insurance through the Interlocal Risk Financing Fund of N.C. with an aggregated limit of \$5,000,000 annually. The Town has a self-insured deductible of \$50,000 on this coverage.

In accordance with G.S. 159-29, the Town's employees that have access to \$100 or more at any given time of the Town's funds are performance bonded through a commercial surety bond. The finance officer is individually bonded for \$50,000. The assistant finance officer and other employees are bonded under a blanket bond of \$25,000.

TOWN OF MACCLESFIELD, NORTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
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**Long-Term Obligations**

At June 30, 2020, the Town had no outstanding long-term debt.

**a. Changes in the Long-term Debt**

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020	Current Portion of Balance
<b>Governmental Activities:</b>					
Net pension					
liability (LGERS)	\$ 16,962	\$ 5,242	\$ -	\$ 22,204	\$ -
Governmental					
activity long-term					
liabilities	<u>\$ 16,962</u>	<u>\$ 5,242</u>	<u>\$ -</u>	<u>\$ 22,204</u>	<u>\$ -</u>
<b>Business-type activities:</b>					
<b><u>Electric Fund</u></b>					
Net pension					
liability (LGERS)	\$ 22,181	\$ 5,024	\$ -	\$ 27,205	\$ -
Electric Fund					
long-term liabilities	<u>\$ 22,181</u>	<u>\$ 5,024</u>	<u>\$ -</u>	<u>\$ 27,205</u>	<u>\$ -</u>
<b><u>Water and Sewer Fund</u></b>					
Net pension					
liability (LGERS)	\$ 26,096	\$ 4,311	\$ -	\$ 30,407	\$ -
Water and Sewer Fund					
long-term liabilities	<u>\$ 26,096</u>	<u>\$ 4,311</u>	<u>\$ -</u>	<u>\$ 30,407</u>	<u>\$ -</u>
Business-type					
activity long-term					
liabilities	<u>\$ 48,277</u>	<u>\$ 9,335</u>	<u>\$ -</u>	<u>\$ 57,612</u>	<u>\$ -</u>

**TOWN OF MACCLESFIELD, NORTH CAROLINA**  
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**C. Interfund Balances and Activity**

Balances due to/from other funds at June 30, 2020, consist of the following:

Due to the Electric Fund for reimbursement  
of expenses from the:

Water and Sewer Fund	<u>\$66,023</u>
----------------------	-----------------

The interfund balances resulted from the time lag between the dates that expenses were paid and funds for those expenses were received.

**D. Fund Balance**

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

Total Fund Balance - General Fund	\$ 568,647
Less:	
Stabilization by State Statute	20,587
Streets - Powell Bill	<u>35,889</u>
Remaining Fund Balance - Unassigned	<u><u>\$ 512,171</u></u>

**IV. Summary Disclosure of Significant Contingencies**

**Federal and State Assisted Programs**

The Town has received proceeds from 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.

**V. Significant Effects of Subsequent Events**

The Town has evaluated subsequent events from the date of the balance sheet through the date the report is available to be issued which is the date of the independent auditor's report. The Town has not evaluated subsequent events after that date. There were no material subsequent events during this period that require disclosure.

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

Local Government Employees' Retirement System

Exhibit A-1

	2020	2019	2018	2017	2016	2015	2014
Macclesfield's proportion of the net pension liability (asset) (%)	0.00293%	0.27500%	0.00234%	0.00273%	0.00267%	0.00280%	0.00%
Macclesfield's proportion of the net pension liability (asset) (\$)	\$ 79,816	\$ 65,239	\$ 35,749	\$ 57,940	\$ 11,983	\$ (16,514)	33,751
Macclesfield's covered-employee payroll	119,423	207,610	178,660	193,403	183,604	178,374	174,218
Macclesfield's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	40.02%	31.42%	20.01%	29.96%	6.53%	-9.26%	19.37%
Plan fiduciary net position as a percentage of the total pension liability **	90.86%	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 Macclesfield, North Carolina  
Town of Macclesfield's Contributions  
Required Supplementary Information  
Last Seven Fiscal Years

Local Government Employees' Retirement System

Exhibit A-2

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 17,949	\$ 16,193	\$ 12,862	\$ 13,128	\$ 13,134	\$ 12,987	\$12,597
Contributions in relation to the contractually required contribution	17,949	16,193	12,862	13,128	13,134	12,987	12597
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Macclesfield's covered-employee payroll	\$ 199,423	\$ 207,610	\$ 190,328	\$ 178,660	\$ 193,403	\$ 183,604	178,374
Contributions as a percentage of covered-employee payroll	9.00%	7.80%	6.76%	7.35%	6.79%	7.07%	7.06%

**Town of Macclesfield, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2020**

Exhibit B-1

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Ad Valorem Taxes:			
Taxes		\$ 63,006	
Penalties and interest		554	
Total Ad Valorem Taxes	\$ 57,150	\$ 63,560	\$ 6,410
Other Taxes and Licenses:			
Sales tax refund			
Privilege licenses		\$ 500	
Total Other Taxes and Licenses	-	500	500
Unrestricted Intergovernmental Revenues:			
Local option sales tax		\$ 110,909	
Beer and wine tax		1,888	
Electric franchise/natural gas excise tax		10,287	
ABC profit distribution		35	
Total Unrestricted Intergovernmental	\$ 131,100	\$ 123,119	\$ (7,981)
Restricted Intergovernmental Revenues:			
Powell Bill allocation		\$ 13,681	
Solid waste disposal tax		335	
Total Restricted Intergovernmental	\$ 13,861	\$ 14,016	\$ 155
Sales and Services:			
Rent		\$ 2,800	
Refuse collections		70,524	
Cemetery lot sales		2,684	
Cemetery grave services		1,800	
Total Sales and Service	\$ 84,700	\$ 77,808	\$ (6,892)

(continued)

Town of Macclesfield, North Carolina  
General Fund  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2020

Exhibit B-1

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues: (continued)</b>			
Investment Earnings	\$ 2,500	\$ 3,925	\$ 1,425
Other Revenues:			
Sale of Vidant Building		30,050	
Miscellaneous	\$ -	\$ 3,086	
Total Other Revenues	\$ 40,000	\$ 33,136	\$ 6,864
Total Revenues	\$ 329,311	\$ 316,064	\$ (13,247)
<b>Expenditures:</b>			
General Government:			
Governing Body:			
Salaries & employee benefits		\$ 6,911	
Operating expenses		56,792	
Capital outlay		-	
Total Governing Body		\$ 63,703	
Administration:			
Salaries & employee benefits		\$ 10,085	
Operating expenses		13,576	
Capital outlay		-	
Total Administration		\$ 23,661	
Total General Government	\$ 111,357	\$ 87,364	\$ 23,993

(continued)

**Town of Macclesfield, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**For the Year Ended June 30, 2020**

**Exhibit B-1**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Expenditures: (continued)</b>			
Transportation:			
Street Department:			
Salaries & employee benefits		\$ 35,499	
Operating expenses		12,640	
Capital outlay		16,060	
Total Transportation	<u>\$ 65,400</u>	<u>\$ 64,199</u>	<u>\$ 1,201</u>
Environmental Protection:			
Sanitation:			
Salaries & employee benefits		\$ 25,992	
Operating expenses		20,494	
Capital outlay		-	
Solid Waste		40,941	
Total Environmental Protection	<u>\$ 112,045</u>	<u>\$ 87,427</u>	<u>\$ 24,618</u>
Cemetery:			
Operation & maintenance		\$ 4,950	
Capital outlay		-	
Total Cemetery	<u>\$ 5,000</u>	<u>\$ 4,950</u>	<u>\$ 50</u>
Total Expenditures	<u>\$ 293,802</u>	<u>\$ 243,940</u>	<u>\$ 49,862</u>

(continued)



Town of Macclesfield, North Carolina  
General Fund  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2020

Exhibit B-1

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
(continued)			
Revenues Over (Under) Expenditures	\$ 35,509	\$ 72,124	\$ 36,615
Other Financing Sources (Uses):			
Transfers In (Out)	\$ (16,170)	\$ -	\$ 16,170
Fund Balance Reserve	(19,339)	-	19,339
Total Other Financing Sources (Uses):	<u>\$ (35,509)</u>	<u>\$ -</u>	<u>\$ 35,509</u>
Net Change in Fund Balance	<u>\$ -</u>	\$ 72,124	<u>\$ 72,124</u>
<b>Fund Balance:</b>			
Beginning of Year		496,523	
End of Year		<u>\$ 568,647</u>	

Town of Macclesfield, North Carolina  
Electric Fund  
Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)  
For the Year Ended June 30, 2020

			Exhibit C-1
	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Operating Revenues:			
Charges for Services:			
Electricity sales	\$ -	\$ 432,546	
Other operating revenues	-	-	
Total Operating Revenues	<u>\$ 453,400</u>	<u>\$ 432,546</u>	<u>\$ (20,854)</u>
Non-operating Revenues:			
Interest earnings	\$ 40	\$ 211	\$ 171
Other	100	-	(100)
Total Non-operating Revenues	<u>140</u>	<u>211</u>	<u>71</u>
Total Revenues	<u>\$ 453,540</u>	<u>\$ 432,757</u>	<u>\$ (20,783)</u>
<b>Expenditures:</b>			
Administration & Operations:			
Salaries and employee benefits		\$ 111,999	
Contracted services		18,296	
Repairs, supplies, and other		35,174	
Total Administration & Operations	<u>\$ 166,040</u>	<u>\$ 165,469</u>	<u>\$ 571</u>
Sales Tax	<u>\$ 28,500</u>	<u>\$ 27,081</u>	<u>\$ 1,419</u>
Electrical Power Purchases	<u>\$ 276,000</u>	<u>\$ 275,480</u>	<u>\$ 520</u>
Capital Outlay	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenditures	<u>\$ 470,540</u>	<u>\$ 468,030</u>	<u>\$ 2,510</u>

(continued)

**Town of Macclesfield, North Carolina**  
**Electric Fund**  
**Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)**  
**For the Year Ended June 30, 2020**

	<b>Exhibit C-1</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
(continued)			
Revenues Over (Under) Expenditures	\$ (17,000)	\$ (35,273)	\$ (18,273)
Other Financing Sources (Uses):			
Transfers In (Out)	17,000	-	(17,000)
Fund Balance Reserved	-	-	-
Total Other Financing Sources (Uses)	17,000	-	(17,000)
Revenues over expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ (35,273)</u>	<u>\$ (35,273)</u>

**Reconciliation From Budgetary Basis (Modified Accrual) to Full Accrual:**

Revenues and Other Financing Sources	
Over (Under) Expenditures and	
Other Financing Uses	<u>\$ (35,273)</u>
Reconciling Items:	
Depreciation	\$ (1,625)
Decrease in deferred outflows of resources-pensions	(1,820)
Increase in net pension liability	(5,024)
Decrease in deferred inflows of resources-pensions	<u>\$ 188</u>
Total Reconciling Items	<u>(8,281)</u>
Change in Net Position	<u><u>\$ (43,554)</u></u>

**Town of Macclesfield, North Carolina**  
**Water and Sewer Fund**  
**Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)**  
**For the Year Ended June 30, 2020**

Exhibit C-2

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Revenues:</b>			
Operating Revenues:			
Charges for Services:			
Water and sewer sales		\$ 196,559	
Other operating revenues		-	
Total Operating Revenues	<u>\$ 205,340</u>	<u>\$ 196,559</u>	<u>\$ (8,781)</u>
Non-operating Revenues:			
Interest earnings	<u>\$ 2</u>	<u>\$ 3</u>	<u>\$ 1</u>
Total Revenues	<u>\$ 205,342</u>	<u>\$ 196,562</u>	<u>\$ (8,780)</u>
<b>Expenditures:</b>			
Administration & Operations:			
Salaries and employee benefits		\$ 112,487	
Chemical supplies and repairs		79,396	
Contracted services		20,253	
Total Administration & Operations	<u>\$ 218,012</u>	<u>\$ 212,136</u>	<u>\$ 5,876</u>
Capital Outlay	<u>\$ 3,500</u>	<u>\$ -</u>	<u>\$ 3,500</u>
Total Expenditures	<u>\$ 221,512</u>	<u>\$ 212,136</u>	<u>\$ 9,376</u>

(continued)

**Town of Macclesfield, North Carolina**  
**Water and Sewer Fund**  
**Schedule of Revenues and Expenditures - Budget and Actual (Non-GAAP)**  
**For the Year Ended June 30, 2020**

Exhibit C-2

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
(continued)			
Revenues Over (Under) Expenditures	\$ (16,170)	\$ (15,574)	\$ 596
Other Financing Sources (Uses)			
Transfers in (out)	16,170	-	(16,170)
Fund Balance Reserved	-	-	-
Total Other Financing Sources (Uses)	16,170	-	(16,170)
Revenues over expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ (15,574)</u>	<u>\$ (15,574)</u>

**Reconciliation From Budgetary Basis (Modified Accrual) to Full Accrual:**

Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ (15,574)</u>
Reconciling Items:	
Depreciation	\$ (105,948)
Decrease in deferred outflows of resources-pensions	(3,175)
Increase in net pension liability	(4,311)
Decrease in deferred inflows of resources-pensions	230
Total Reconciling Items	<u>\$ (113,204)</u>
Change in Net Position	<u>\$ (128,778)</u>

**Town of Macclesfield, North Carolina**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2020**

**Exhibit D-1**

<b>Fiscal Year</b>	<b>Uncollected Balance July 1, 2019</b>	<b>Additions</b>	<b>Collections and Credits</b>	<b>Uncollected Balance June 30, 2020</b>
2019-2020	\$ -	\$ 68,548	\$ 60,710	\$ 7,838
2017-2018	7,424		684	6,740
2017-2018	5,887	-	150	5,737
2016-2017	5,009	245	-	5,254
2015-2016	3,450	-	197	3,253
2014-2015	1,962	9	-	1,971
2013-2014	2,732	186	-	2,918
2012-2013	4,292	-	-	4,292
2011-2012	1,643	-	1	1,642
2010-2011	2,360	-	-	2,360
2009-2010	1,555	-	1,555	-
<b>Total</b>	<b>\$ 36,314</b>	<b>\$ 68,988</b>	<b>\$ 63,297</b>	<b>\$ 42,005</b>

Reconciliation to Revenues:

Ad Valorem Taxes - General Fund	\$ 63,560
Reconciling items:	
Penalties and interest	(554)
Taxes written off	291
<b>Total Collections and Credits</b>	<b>\$ 63,297</b>

**Town of Macclesfield, North Carolina**  
**Analysis of Current Tax Levy**  
**For the Fiscal Year Ended June 30, 2020**

**Exhibit D-2**

				<b>Total Levy</b>	
<b>Town - Wide</b>				<b>Property (excluding Registered Motor Vehicles)</b>	<b>Registered Motor Vehicles</b>
<b>Property Valuation</b>	<b>Rate</b>	<b>Total Levy</b>			
<b>Original Levy:</b>					
Real and					
personal property	\$ 15,118,378	0.37	\$ 55,938	\$ 55,938	\$ -
Motor vehicles	3,408,108	0.37	12,610	-	12,610
Total Property Valuation	<u>\$ 18,526,486</u>				
Net Levy			\$ 68,548	\$ 55,938	\$ 12,610
Uncollected taxes at June 30, 2020			7,838	7,838	-
Current Year's Taxes Collected			<u>\$ 60,710</u>	<u>\$ 48,100</u>	<u>\$ 12,610</u>
Current Levy Collection Percentage			<u>88.57%</u>	<u>85.99%</u>	<u>100.00%</u>