

REVIEWED

By SLGFD at 2:24 pm, Dec 19, 2022

**TOWN OF MACCLESFIELD,
NORTH CAROLINA**

FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2021

And Report of Independent Auditor

TOWN OF MACCLESFIELD, NORTH CAROLINA
TOWN COUNCIL AND OFFICERS

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

TOWN OF MACCLESFIELD, NORTH CAROLINA

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FINANCIAL SECTION

Independent Auditors' Report

To 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, each major fund, and the aggregate remaining fund information of the Town of Macclesfield, North Carolina (the Town), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents

Management's Responsibility for the Financial Statements

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

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditors' 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 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 opinions.

Opinions

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof 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 and budgetary comparison information on pages 4 through 10, the Schedule of the Proportionate Share of the Net Pension Liability (Asset) – Local Government Employees' Retirement System on page 48, and the Schedule of Contributions – Local Government Employees' Retirement System on page 49 be presented to supplement the basic financial statements. Such information, although not a 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund financial statements, 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. In our opinion, the individual fund financial statements, budgetary schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2022, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Macclesfield, North Carolina's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Macclesfield, North Carolina's internal control over financial reporting and compliance

RH CPA, PLLC

Lexington, North Carolina
November 13, 2022

TOWN OF MACCLESFIELD, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021

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, 2021. 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

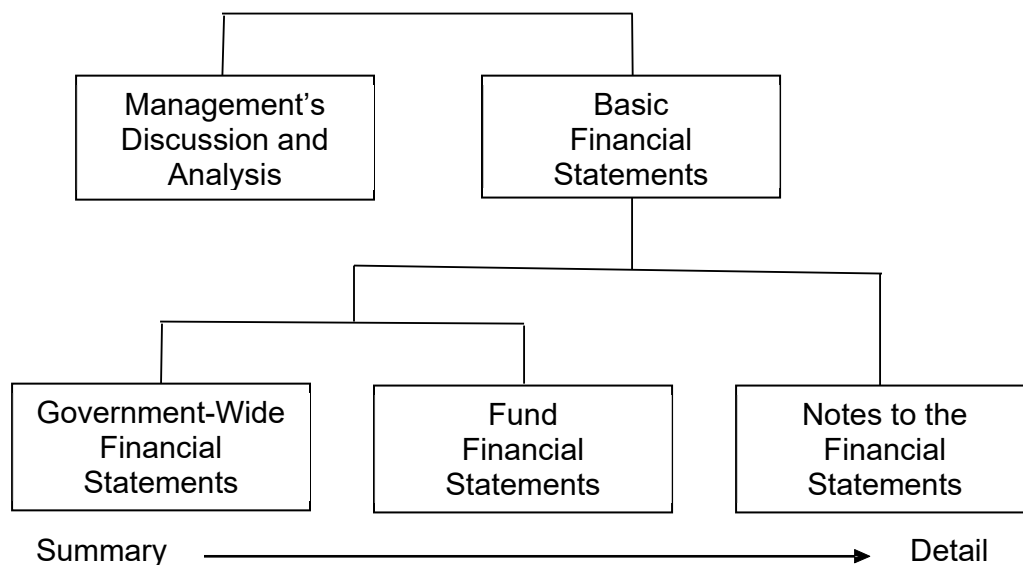
- The assets and deferred outflows of resources of the Town of Macclesfield exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$3,735,892 (net position).
- The government's total net position decreased by \$81,123. This change includes depreciation on capital assets of \$119,525.
- As of the close of the current fiscal year, the Town of Macclesfield's governmental funds reported combined ending fund balances of \$673,168, reflecting a net increase of \$104,521. Approximately 8.7% of this total, or \$58,234, is non-spendable or restricted.
- 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 financial condition of the Town of Macclesfield.

Required Components of Annual Financial Report

Figure 1



TOWN OF MACCLESFIELD, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021

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 North Carolina 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 environmental protection, transportation, 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 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.

TOWN OF MACCLESFIELD, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021

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's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of 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 council; 2) the final budget as amended by the council; 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 25 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 on page 48 of this report.

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.

TOWN OF MACCLESFIELD, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021

Government-Wide Financial Analysis

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Assets						
Current and other assets	\$ 747,617	\$ 631,261	\$ 341,326	\$ 369,569	\$ 1,088,943	\$ 1,000,830
Capital assets	239,207	251,683	2,565,667	2,672,716	2,804,874	2,924,399
Deferred outflows of resources	9,787	14,459	48,119	37,214	57,906	51,673
Total Assets and Deferred Outflows of Resources	996,611	897,403	2,955,112	3,079,499	3,951,723	3,976,902
Liabilities						
Current liabilities	20,376	5,763	98,866	73,877	119,242	79,640
Long-term liabilities outstanding	15,764	22,204	77,502	57,612	93,266	79,816
Deferred inflows of resources	562	120	2,761	311	3,323	431
Total Liabilities and Deferred Inflows of Resources	36,702	28,087	179,129	131,800	215,831	159,887
Net Position						
Net investment in capital assets	239,207	251,683	2,565,667	2,672,716	2,804,874	2,924,399
Restricted:						
Stabilization by State Statute	27,539	20,587	-	-	27,539	20,587
Streets	30,695	35,889	-	-	30,695	35,889
Unrestricted	662,468	561,157	210,316	274,983	872,784	836,140
Total Net Position	\$ 959,909	\$ 869,316	\$ 2,775,983	\$ 2,947,699	\$ 3,735,892	\$ 3,817,015

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the Town of Macclesfield exceeded liabilities and deferred inflows by \$3,735,892 as of June 30, 2021. The Town's net position decreased by \$81,123 for the fiscal year ended June 30, 2021. However, the largest portion (75.1%) 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, \$58,234, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$872,784 is unrestricted.

TOWN OF MACCLESFIELD, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021

Town of Macclesfield's Changes in Net Position
Figure 3

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program Revenues:						
Charges for services	\$ 82,417	\$ 77,808	\$ 659,558	\$ 629,105	\$ 741,975	\$ 706,913
Grants and Contributions:						
Operating	13,115	14,016	-	-	13,115	14,016
Capital	-	-	-	-	-	-
General Revenues:						
Property taxes	70,133	71,398	-	-	70,133	71,398
Other taxes	50	500	-	-	50	500
Unrestricted						
intergovernmental	128,708	123,119	-	-	-	123,119
Investment earnings	2,838	3,925	318	214	-	4,139
Other	11,912	33,136	-	-	-	33,136
Total Revenues	309,173	323,902	659,876	629,319	825,273	953,221
Expenses:						
General government	105,216	95,472	-	-	105,216	95,472
Transportation	31,860	56,128	-	-	31,860	56,128
Environmental Protection	76,704	89,397	-	-	76,704	89,397
Cemetery	4,800	4,950	-	-	4,800	4,950
Electric	-	-	468,542	325,340	468,542	325,340
Water & Sewer	-	-	363,050	476,311	363,050	476,311
Total Expenses	218,580	245,947	831,592	801,651	1,050,172	1,047,598
Increase (decrease) in net position before transfers	90,593	77,955	(171,716)	(172,332)	(81,123)	(94,377)
Increase (decrease) in Net position	90,593	77,955	(171,716)	(172,332)	(81,123)	(94,377)
Net Position, July 1	869,316	791,361	2,947,699	3,120,031	3,817,015	3,911,392
Net position, June 30	\$ 959,909	\$ 869,316	\$ 2,775,983	\$ 2,947,699	\$ 3,735,892	\$ 3,817,015

Governmental Activities

Governmental activities increased the Town's net position by \$90,593.

Business-type Activities

Business-type activities decreased the Town's net position by \$171,716. The decrease includes a \$27,809 decrease in the Electric Fund net position and a decrease in the Water and Sewer net position of \$143,907.

TOWN OF MACCLESFIELD, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021

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 \$614,934, while total fund balance reached \$673,168. 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 296% of General Fund expenditures, while total fund balance represents 324% of the same amount.

At June 30, 2021, the General Fund of the Town of Macclesfield reported a fund balance of \$673,168, an increase of \$104,521 or 18.4%.

Proprietary Funds

The Town of Macclesfield'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 \$307,542, and for the Water and Sewer Fund amounted to \$(97,226). 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, 2021 totals \$2,804,874 (net of accumulated depreciation). These assets include buildings, land, machinery and equipment, and vehicles.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Land	\$ 21,060	\$ 21,060	\$ 140,000	\$ 140,000	\$ 161,060	\$ 161,060
Buildings and systems	173,360	179,781	2,413,657	2,518,867	2,587,017	2,698,648
Machinery & equipment	7,140	8,060	12,010	13,849	19,150	21,909
Vehicles & motorized equipment	37,647	42,782	-	-	37,647	42,782
Total	\$ 239,207	\$ 251,683	\$ 2,565,667	\$ 2,672,716	\$ 2,804,874	\$ 2,924,399

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

TOWN OF MACCLESFIELD, NORTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021

Long-term Debt

As of June 30, 2021, the Town of Macclesfield had no long-term debt outstanding.

Budget Highlights for the Fiscal Year Ending June 30, 2022

The total General Fund budget for the year ending June 30, 2022 is \$974,300.

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

Garbage rates will remain the same for all customers.

Business-Type Activities

Electric rates will remain the same for all customers

Water and Sewer rates will remain the same for all customers

Requests for Information

This report is designed to provide an overview of the Town of Macclesfield's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Officer, Cynthia Buck, Post Office Box 185, Macclesfield, North Carolina 27852.

BASIC FINANCIAL STATEMENTS

TOWN OF MACCLESFIELD, NORTH CAROLINA
STATEMENT OF NET POSITION

Exhibit 1

JUNE 30, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current Assets:			
Cash and cash equivalents	\$ 635,310	\$ 200,725	\$ 836,035
Taxes receivable (net)	39,702	-	39,702
Accrued interest receivables on taxes	14,371		14,371
Accounts receivable (net)	3,623	92,822	96,445
Due from other governments	23,916	-	23,916
Inventory	-	3,481	3,481
Restricted cash and cash equivalents	30,695	44,298	74,993
Total Current Assets	747,617	341,326	1,088,943
Noncurrent Assets:			
Capital Assets:			
Land and other non-depreciable assets	21,060	140,000	161,060
Other capital assets, net of depreciation	218,147	2,425,667	2,643,814
Total Capital Assets	239,207	2,565,667	2,804,874
Total Assets	986,824	2,906,993	3,893,817
Deferred Outflows of Resources			
Pension deferrals	9,787	48,119	57,906
Liabilities			
Current Liabilities:			
Accounts payable	20,376	54,568	74,944
Liabilities payable from restricted assets:			
Customer deposits	-	44,298	44,298
Total Current Liabilities	20,376	98,866	119,242
Long-Term Liabilities:			
Net pension liability	15,764	77,502	93,266
Total Long-Term Liabilities	15,764	77,502	93,266
Total Liabilities	\$ 36,140	\$ 176,368	\$ 212,508

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

TOWN OF MACCLESFIELD, NORTH CAROLINA
STATEMENT OF NET POSITION (CONTINUED)

Exhibit 1

JUNE 30, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Deferred Inflows of Resources			
Pension deferrals	\$ 562	\$ 2,761	\$ 3,323
Total deferred inflows of resources	562	2,761	3,323
Net Position			
Investment in capital assets	239,207	2,565,667	2,804,874
Restricted for:			
Stabilization by State Statute	27,539	-	27,539
Streets	30,695	-	30,695
Unrestricted	662,468	210,316	872,784
Total Net Position	\$ 959,909	\$ 2,775,983	\$ 3,735,892

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

TOWN OF MACCLESFIELD, NORTH CAROLINA
STATEMENT ACTIVITIES

Exhibit 2

YEAR ENDED JUNE 30, 2021

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental Activities:							
General Government	\$ 105,216	\$ -	\$ -	\$ -	\$ (105,216)	\$ -	\$ (105,216)
Transportation	31,860	-	12,791	-	(19,069)	-	(19,069)
Environmental Protection	76,704	73,772	324	-	(2,608)	-	(2,608)
Cemetery	4,800	8,645	-	-	3,845	-	3,845
Total Governmental Activities	218,580	82,417	13,115	-	(123,048)	-	(123,048)
Business-type Activities:							
Electric	468,542	440,415	-	-	-	(28,127)	(28,127)
Water and Sewer	363,050	219,143	-	-	-	(143,907)	(143,907)
Total Business-type Activities	831,592	659,558	-	-	-	(172,034)	(172,034)
Total Primary Government	\$ 1,050,172	\$ 741,975	\$ 13,115	\$ -	(123,048)	(172,034)	(295,082)
General Revenues:							
Taxes:							
Property taxes, levied for general purpose					70,133	-	70,133
Other taxes					50	-	50
Grants and contributions not restricted to specific programs					128,708	-	128,708
Unrestricted investment earnings					2,838	318	3,156
Miscellaneous					11,912	-	11,912
Total General Revenues not including Transfers					213,641	318	213,959
Transfers					-	-	-
Total General Revenues and Transfers					213,641	318	213,959
Change in Net Position					90,593	(171,716)	(81,123)
Net Position, beginning,					869,316	2,947,699	3,817,015
Net Position, ending					\$ 959,909	\$ 2,775,983	\$ 3,735,892

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

TOWN OF MACCLESFIELD, NORTH CAROLINA
BALANCE SHEET – GOVERNMENTAL FUNDS

Exhibit 3

JUNE 30, 2021

	<u>General Fund</u>
Assets	
Cash and cash equivalents	\$ 635,310
Restricted cash	30,695
Taxes Receivable	39,702
Accounts Receivable	3,623
Due from other governments	23,916
Total Assets	<u><u>733,246</u></u>
Liabilities	
Accounts payable and accrued liabilities	20,376
Total Liabilities	<u><u>20,376</u></u>
Deferred Inflows of Resources	
Property taxes receivable	39,702
Total Deferred Inflows of Resources	<u><u>39,702</u></u>
Fund Balances	
Restricted	
Stabilization by State Statute	27,539
Streets	30,695
Unassigned	614,934
Total Fund Balances	<u><u>673,168</u></u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u><u>\$ 733,246</u></u>

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

TOWN OF MACCLESFIELD, NORTH CAROLINA

Exhibit 3 (cont.)

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION***JUNE 30, 2021*

(continued)

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

Total Fund Balance, Governmental Funds	\$	673,168
--	----	---------

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>(254,629)</u>	239,207

Deferred outflows of resources related to pensions are not reported in the funds		9,787
--	--	-------

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		14,371
---	--	--------

Earned revenues considered deferred inflows of resources in fund statements.		39,702
--	--	--------

Long-term liabilities used in governmental activities are not financial uses and
therefore are not reported in the funds

Net pension liability		(15,764)
-----------------------	--	----------

Deferred inflows of resources related to pensions are not reported in the funds		(562)
---	--	-------

Net Position of Governmental Activities	\$	<u>959,909</u>
---	----	----------------

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

TOWN OF MACCLESFIELD, NORTH CAROLINA

Exhibit 4

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUNDS***YEAR ENDED JUNE 30, 2021*

	<u>General Fund</u>
Revenues:	
Ad Valorem Taxes	\$ 72,911
Other Taxes and Licenses	50
Unrestricted Intergovernmental	128,708
Restricted Intergovernmental	13,115
Sales and Services	82,417
Investment earnings	2,838
Miscellaneous	11,912
Total Revenues	<u>311,951</u>
Expenditures:	
Current:	
General Government	98,246
Transportation	27,269
Environmental Protection	77,115
Cemetery	4,800
Total Expenditures	<u>207,430</u>
Revenues Over Expenditures	<u>104,521</u>
Net Change in Fund Balance	104,521
Fund Balance:	
Beginning of Year	<u>568,647</u>
End of Year	<u><u>\$ 673,168</u></u>

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

TOWN OF MACCLESFIELD, NORTH CAROLINA

Exhibit 4 (cont.)

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES***YEAR ENDED JUNE 30, 2021*

(continued)

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

Net change in fund balance - total governmental funds	\$	104,521
---	----	---------

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 depreciation exceeds capital outlay in the current period.

Depreciation expense for governmental assets	<u>(12,476)</u>	(12,476)
--	-----------------	----------

Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		6,832
--	--	-------

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	(2,303)	
Change in accrued interest on taxes receivable	(475)	(2,778)

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

Pension expense		<u>(5,506)</u>
-----------------	--	----------------

Total Change in Net Position of Governmental Activities	\$	<u>90,593</u>
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The accompanying 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 BALANCE –
ANNUAL BUDGET AND ACTUAL – GENERAL FUND

Exhibit 5

YEAR ENDED JUNE 30, 2021

	Original	Final	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Ad Valorem Taxes	\$ 75,150	\$ 75,150	\$ 72,911	\$ (2,239)
Other Taxes and Licenses	6,300	6,300	50	(6,250)
Unrestricted Intergovernmental	105,200	105,200	128,708	23,508
Restricted Intergovernmental	13,861	13,861	13,115	(746)
Sales and Services	80,450	80,450	82,417	1,967
Investment earnings	3,000	3,000	2,838	(162)
Miscellaneous	5,000	5,000	11,912	6,912
Total Revenues	288,961	288,961	311,951	22,990
Expenditures:				
Current:				
General Government	93,827	93,827	98,246	(4,419)
Transportation	41,700	41,700	27,269	14,431
Environmental Protection	100,645	100,645	77,115	23,530
Cemetery	3,500	3,500	4,800	(1,300)
Total Expenditures	239,672	239,672	207,430	32,242
Revenues Over Expenditures	49,289	49,289	104,521	55,232
Other Financing Sources (Uses):				
Fund Balance Reserved	(49,289)	(49,289)	-	49,289
Total Other Financing Sources (Uses)	(49,289)	(49,289)	-	49,289
Net change in fund balance	\$ -	\$ -	104,521	\$ 104,521
Fund Balance:				
Beginning of Year			568,647	
End of Year			\$ 673,168	

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

TOWN OF MACCLESFIELD, NORTH CAROLINA
STATEMENT OF FUND NET POSITION –
PROPRIETARY FUNDS

Exhibit 6

JUNE 30, 2021

	Electric Fund	Water and Sewer Fund	Totals
Assets			
Current Assets:			
Cash and cash equivalents	\$ 200,725	\$ -	\$ 200,725
Accounts receivable (net)	59,156	33,666	92,822
Due from other funds	97,492	-	97,492
Inventory	1,472	2,009	3,481
Restricted cash and cash equivalents	31,117	13,181	44,298
Total Current Assets	<u>\$ 389,962</u>	<u>\$ 48,856</u>	<u>\$ 438,818</u>
Noncurrent Assets:			
Capital assets:			
Land and construction in progress	-	140,000	140,000
Other capital assets, net of depreciation	35,187	2,390,480	2,425,667
Capital assets	<u>35,187</u>	<u>2,530,480</u>	<u>2,565,667</u>
Total Noncurrent Assets	<u>35,187</u>	<u>2,530,480</u>	<u>2,565,667</u>
Total Assets	<u>425,149</u>	<u>2,579,336</u>	<u>3,004,485</u>
Deferred Outflows of Resources			
Pension deferrals	<u>23,103</u>	<u>25,016</u>	<u>48,119</u>
Liabilities			
Current Liabilities:			
Accounts payable and accrued liabilities	35,868	18,700	54,568
Due to other funds	-	97,492	97,492
Liabilities payable from restricted assets:			
Customer deposits	31,117	13,181	44,298
Total Current Liabilities	<u>66,985</u>	<u>129,373</u>	<u>196,358</u>
Noncurrent Liabilities:			
Net pension liability	<u>37,212</u>	<u>40,290</u>	<u>77,502</u>
Total Noncurrent Liabilities	<u>37,212</u>	<u>40,290</u>	<u>77,502</u>
Total Liabilities	<u>\$ 104,197</u>	<u>\$ 169,663</u>	<u>\$ 273,860</u>

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

TOWN OF MACCLESFIELD, NORTH CAROLINA
STATEMENT OF FUND NET POSITION –
PROPRIETARY FUNDS (CONTINUED)

Exhibit 6 (cont.)

JUNE 30, 2021

	Electric Fund	Water Fund	Totals
Deferred Inflows of Resources			
Pension deferrals	\$ 1,326	\$ 1,435	\$ 2,761
Net Position			
Net investment in capital assets	35,187	2,530,480	2,565,667
Unrestricted	307,542	(97,226)	210,316
Total Net Position	\$ 342,729	\$ 2,433,254	\$ 2,775,983

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

TOWN OF MACCLESFIELD, NORTH CAROLINA

Exhibit 7

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION –
PROPRIETARY FUNDS**

YEAR ENDED JUNE 30, 2021

	Electric Fund	Water and Sewer Fund	Totals
Operating Revenues:			
Charges for services	\$ 440,415	\$ 217,613	\$ 658,028
Other operating revenues	-	1,530	1,530
Total Operating Revenues	440,415	219,143	659,558
Operating Expenses:			
Administration and operations	160,406	257,626	418,032
Electrical power purchases	265,655	-	265,655
Depreciation	1,625	105,424	107,049
Sales tax	40,856	-	40,856
Total Operating Expenses	468,542	363,050	831,592
Operating Income (Loss)	(28,127)	(143,907)	(172,034)
Nonoperating Revenues (Expenses):			
Interest on investments	318	-	318
Total Nonoperating Revenues (Expenses)	318	-	318
Income (loss) before contributions and transfers	(27,809)	(143,907)	(171,716)
Changes in Net Position	(27,809)	(143,907)	(171,716)
Total Net Position:			
Beginning	370,538	2,577,161	2,947,699
Ending	\$ 342,729	\$ 2,433,254	\$ 2,775,983

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

TOWN OF MACCLESFIELD, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

Exhibit 8

YEAR ENDED JUNE 30, 2021

	Electric Fund	Water and Sewer Fund	Totals
Cash Flows From Operating Activities:			
Cash received from customers	\$ 432,567	\$ 210,889	\$ 643,456
Cash paid for goods and services	(315,548)	(100,706)	(416,254)
Cash paid to or on behalf of employees for services	(136,862)	(141,652)	(278,514)
Customer deposits received (net)	5,150	1,500	6,650
Net Cash Provided (Used) By Operating Activities	(14,693)	(29,969)	(44,662)
Cash Flows from Non-Capital Financing Activities:			
Increase in due from other funds	(31,469)	-	(31,469)
Increase in due to other funds	-	31,469	31,469
Net Cash Provided (Used) By Non-Capital Financing Activities	(31,469)	31,469	-
Cash Flows from Investing Activities:			
Interest earned on investments	318	-	318
Net Increase (Decrease) In Cash	(45,844)	1,500	(44,344)
Cash at Beginning of Year	277,686	11,681	289,367
Cash at End of Year	<u>\$ 231,842</u>	<u>\$ 13,181</u>	<u>\$ 245,023</u>

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

TOWN OF MACCLESFIELD, NORTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)

Exhibit 8

YEAR ENDED JUNE 30, 2021

	Electric Fund	Water Fund	Totals
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating income (loss)	\$ (28,127)	\$ (143,907)	\$ (172,034)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	1,625	105,424	107,049
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:			
Accounts receivable	(7,848)	(8,253)	(16,101)
Deferred outflows of resources			
pensions	(5,530)	(5,375)	(10,905)
Net pension liability	10,007	9,883	19,890
Deferred inflows of resources			
pensions	1,179	1,271	2,450
Accounts payable and accrued liabilities	8,851	9,488	18,339
Customer deposits	5,150	1,500	6,650
Total Adjustments	13,434	113,938	127,372
Net Cash Provided (Used) by Operating Activities	<u>\$ (14,693)</u>	<u>\$ (29,969)</u>	<u>\$ (44,662)</u>

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

TOWN OF MACCLESFIELD, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Macclesfield (the "Town") 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 that is governed by an elected mayor and a 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 internal activities. These statements distinguish between the governmental and business-type activities of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

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

The Town reports the following major governmental fund:

General Fund

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

TOWN OF MACCLESFIELD, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. BASIS OF PRESENTATION (continued)

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.

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

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

TOWN OF MACCLESFIELD, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (continued)

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 inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the beer and wine tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered a shared revenue for the Town of Macclesfield because the tax is levied by Edgecombe County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the Town funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then general revenues.

D. BUDGETARY DATA

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Funds. All annual appropriations lapse at the 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 at the project level for the multi-year funds. All amendments must be approved by the governing board. The budget ordinance must be adopted by July 1 of the fiscal year or the governing board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

TOWN OF MACCLESFIELD, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND FUND EQUITY

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States; obligations of the State of North Carolina; bonds and notes of any North Carolina local government or public authority; obligations of certain non-guaranteed federal agencies; certain high quality issues of commercial paper and bankers' acceptances; and the North Carolina Capital Management Trust ("NCCMT"). The Town's investments are reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is 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 purpose 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

Governemental Activities	
General Fund - Streets	\$ 30,695
Business-Type Activities:	
Electric Fund - Customer deposits	\$ 31,117
Water/Sewer Fund-Customer Deposits	13,181
Total Restricted Cash	<u>\$ 74,993</u>

TOWN OF MACCLESFIELD, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the Town levies ad valorem taxes on property other than motor vehicles on July 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, 2020.

5. Allowance 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:

<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

TOWN OF MACCLESFIELD, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND FUND EQUITY (continued)

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 element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meet the criterion for this category, 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 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.

TOWN OF MACCLESFIELD, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND FUND EQUITY (continued)

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 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 unexpended Powell Bill funds.

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

The Town of Macclesfield has no formal revenue 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 of Macclesfield has not adopted a minimum fund balance policy for the General fund, but monitors the percentage of fund balance to budgeted expenditures closely.

TOWN OF MACCLESFIELD, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND FUND EQUITY (continued)

12. Defined Benefit Cost-Share Plan

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System ("LGERS") and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The Town of 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

A. SIGNIFICANT VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

1. Noncompliance with North Carolina General Statutes

North Carolina G.S. 159-28(a) requires that all obligations shall include on its face a certificate stating that the instrument has been preaudited in the manner required by the Local Government Budget and Fiscal Control Act. During the year ended June 30, 2021 invoices had did not have any form of approval by management or governance.

The Board will adhere to the corrective action plan on page 68 of this report.

2. Contractual Violations

The Contract to Audit Accounts for the Town of Macclesfield states that all audits are to be performed and the report of audit submitted to the State and Local Government Finance Division within four months of the fiscal year end. The audit report is due on October 31, 2021. The submission of the audit report is substantially late in violation of the Contract to Audit Accounts. Management has contracted with a Certified Public Accounting firm to assist the Town with the year-end work that is necessary to prepare the financial records for audit which will enable a timelier submittal of the annual audited financial report.

B. DEFICIT IN FUND BALANCE OR NET POSITION OF INDIVIDUAL FUNDS

There were no deficits for the year ended June 30, 2021.

C. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the fiscal year ended June 30, 2021, the expenditures made in the Town's General Fund exceeded the authorized appropriations made by the governing board for general government activities by \$4,419 and cemetery activities by \$1,300. This over-expenditure occurred because of unexpected expenditures in each activity. Management and the Board will more closely review the budget reports to ensure compliance in future years.

TOWN OF MACCLESFIELD, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

A. EXCESS OF EXPENDITURES OVER APPROPRIATIONS (continued)

For the fiscal year ended June 30, 2021, the expenditures made in the Town's Electric Fund exceeded the authorized appropriations made by the governing board by \$15,527 and the Town's Water and Sewer Fund exceeded the authorized appropriations made by the governing board by \$32,262. This over-expenditure occurred because of unexpected expenditures in the each of the Funds. Management and the Board will more closely review the budget reports to ensure compliance in future years.

III. DETAIL NOTES ON ALL FUNDS

A. ASSETS

1. Deposits

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

At June 30, 2021, the Town's deposits had a carrying amount of \$549,523 and a bank balance of \$555,871. Of the bank balance, \$457,215 was covered by federal depository insurance and the remainder was covered by collateral held under the Pooling Method. At June 30, 2021, the Town's petty cash fund totaled \$300.

2. Investments

At June 30, 2021, the Town of Macclesfield had \$361,205 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 THE FINANCIAL STATEMENTS

JUNE 30, 2021

III. DETAIL NOTES ON ALL FUNDS (continued)

A. ASSETS (continued)

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, 2021, are net of the following allowances for doubtful accounts:

<u>Fund</u>	<u>June 30, 2021</u>
Enterprise Funds:	
Electric Fund	\$ 39,034
Water and Sewer Fund	22,209
	<u>\$ 61,243</u>

4. Capital Assets

Primary Government

Capital asset activity for the Primary Government for the year ended June 30, 2021 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 21,060	\$ -	\$ -	\$ 21,060
Capital assets being depreciated:				
Buildings	293,899	-	-	293,899
Vehicles and motorized equipment	142,991	-	-	142,991
Equipment	35,886	-	-	35,886
	<u>472,776</u>	<u>-</u>	<u>-</u>	<u>472,776</u>
Less accumulated depreciation for:				
Buildings	114,118	6,421	-	120,539
Vehicles and motorized equipment	100,209	5,135	-	105,344
Equipment	27,826	920	-	28,746
	<u>242,153</u>	<u>\$ 12,476</u>	<u>\$ -</u>	<u>254,629</u>
Total capital assets being depreciated, net	<u>230,623</u>			<u>218,147</u>
Governmental activities capital assets, net	<u>\$ 251,683</u>			<u>\$ 239,207</u>

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

General Government	\$ 7,341
Transportation	5,135
Environmental Protection	-
	<u>\$ 12,476</u>

TOWN OF MACCLESFIELD, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

III. DETAIL NOTES ON ALL FUNDS (continued)

A. ASSETS (continued)

4. Capital Assets (continued)

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances</u>
<i>Business-Type Activities:</i>				
Electric Fund:				
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>
Less accumulated depreciation for:				
Distribution system	102,601	1,366	-	103,967
Equipment	129,547	259	-	129,806
	<u>232,148</u>	<u>1,625</u>	<u>-</u>	<u>233,773</u>
 Total capital assets being depreciated, net	 <u>36,812</u>			 <u>35,187</u>
 Electric Fund capital assets, net	 <u>36,812</u>			 <u>35,187</u>

TOWN OF MACCLESFIELD, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

III. DETAIL NOTES ON ALL FUNDS (continued)

A. ASSETS (continued)

4. Capital Assets (continued)

	Beginning Balances	Increases	Decreases	Balances
<i>Business-Type Activities (continued):</i>				
Water Fund & Sewer Fund:				
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
	<u>5,245,711</u>	<u>-</u>	<u>-</u>	<u>5,245,711</u>
Less accumulated depreciation for:				
Distribution system	2,553,616	103,844	-	2,657,460
Equipment	196,191	1,580	-	197,771
	<u>2,749,807</u>	<u>\$ 105,424.00</u>	<u>\$ -</u>	<u>2,855,231</u>
Total capital assets being depreciated, net	<u>2,495,904</u>			<u>2,390,480</u>
Water & Sewer Fund capital assets, net	<u>2,635,904</u>			<u>2,530,480</u>
Business-type activities capital assets, net	<u>\$ 2,672,716</u>			<u>\$ 2,565,667</u>

TOWN OF MACCLESFIELD, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

III. DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES

1. Pension Plan and Postemployment 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 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, or by calling (919) 981-5454, or at 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 a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

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, 2021 was 10.14% of compensation 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 \$22,776 for the year ended June 30, 2021.

TOWN OF MACCLESFIELD, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

III. DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES (continued)

1. Pension Plan and Postemployment Obligations (continued)

a. Local Governmental Employees' Retirement System (continued)

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, 2021, the Town reported a liability of \$93,266 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. The total pension liability was then rolled forward to the measurement date of June 30, 2020 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, 2021, the Town's proportion was .00261% which was a decrease of .00032% from its proportion measured as of June 30, 2020.

TOWN OF MACCLESFIELD, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

III. DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES (continued)

1. Pension Plan and Postemployment Obligations (continued)

a. Local Governmental Employees' Retirement System (continued)

For the year ended June 30, 2021, the Town recognized pension expense of \$32,579. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 11,778	\$ -
Changes in assumptions	6,941	-
Net difference between projected and actual earnings on pension plan investments	13,125	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	3,286	3,323
Town contributions subsequent to the measurement date	22,776	-
	<u>\$ 57,906</u>	<u>\$ 3,323</u>

\$22,776 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a decrease of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30,

2022	\$ 9,126
2023	12,311
2024	6,486
2025	3,884
	<u>\$ 31,807</u>

TOWN OF MACCLESFIELD, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

III. DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES (continued)

1. Pension Plan and Postemployment Obligations (continued)

a. Local Governmental Employees' Retirement System (continued)

Actuarial Assumptions. The total pension liability in the December 31, 2019 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 7.75 percent, including inflation and productivity factor
Investment rate of return	3.75 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study as of December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2021 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%
	100.0%	

TOWN OF MACCLESFIELD, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

III. DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES (continued)

1. Pension Plan and Postemployment Obligations (continued)

a. Local Governmental Employees' Retirement System (continued)

The information above is based on 30 year expectations developed with the consulting actuary for the 2019 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 3.05%. 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 employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Town's proportionate share of the net pension liability (asset)	\$ 189,227	\$ 93,266	\$ 13,516

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

TOWN OF MACCLESFIELD, NORTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

III. DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES (continued)

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 time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. Because all death benefit payments are made from the Death Benefit Plan and not by the Town, the Town does not determine the number of eligible participants. The Town has no liability beyond the payment of monthly contributions. The contributions to the Death Benefit Plan cannot be separated between the post-employment benefit amount and the other benefit amount. Contributions are determined as a percentage of monthly payroll based upon rates established annually by the State. Separate rates are set for employees not engaged in law enforcement and for law enforcement officers. The Town considers these contributions to be immaterial.

3. Deferred Outflows and Inflows of Resources

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

Source	Amount
Contributions to pension plan in current fiscal year	\$ 22,776
Difference between expected and actual experience	11,778
Changes in assumptions	6,941
Net difference between projected and actual earnings on pension plan investments	13,125
Changes in proportion and differences between contributions and proportionate share of contributions	3,286
	<u>\$ 57,906</u>

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

Source	Statement of Net Position	General Fund Balance Sheet
Taxes receivable, less penalties (General Fund)	\$ -	\$ 39,702
Changes in proportion and differences between contributions and proportionate share of contributions	3,323	-
	<u>\$ 3,323</u>	<u>\$ 39,702</u>

TOWN OF MACCLESFIELD, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

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 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 THE FINANCIAL STATEMENTS

JUNE 30, 2021

III. DETAIL NOTES ON ALL FUNDS (continued)

B. LIABILITIES (continued)

5. Long-Term obligations

At June 30, 2021, the Town had no outstanding long-term debt.

a. Changes in the Long-term Debt

	Beginning Balance	Increase	Decrease	Ending Balance	Current Portion of Balance
Governmental Activities:					
Net pension liability (LGERS)	\$ 22,204	\$ -	\$ 6,440	\$ 15,764	\$ -
Governmental activity long-term liabilities	<u>\$ 22,204</u>	<u>\$ -</u>	<u>\$ 6,440</u>	<u>\$ 15,764</u>	<u>\$ -</u>
Business-Type Activities:					
Net pension liability (LGERS)	\$ 57,612	\$ 19,890	\$ -	\$ 77,502	\$ -
Business-type activity long-term liabilities	<u>\$ 57,612</u>	<u>\$ 19,890</u>	<u>\$ -</u>	<u>\$ 77,502</u>	<u>\$ -</u>

TOWN OF MACCLESFIELD, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

III. DETAIL NOTES ON ALL FUNDS (continued)

C. INTERFUND BALANCES AND ACTIVITY

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

Due to the Electric Fund from the Water and Sewer Fund for interfund loan	\$ 97,492
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The interfund balances resulted from the time lag between the dates that expenses were paid and funds for those expenses were received.

Interfund Loan – During the fiscal year ended June 30, 2021, the Water and Sewer Fund borrowed \$97,492 from the Electric Fund to fund operations. There is no formal repayment agreement. In the Electric Fund, the loan amount of \$97,492 is presented as an advance from the Water and Sewer Fund.

D. INVESTMENT IN CAPITAL ASSETS

	<u>Governmental</u>	<u>Business-Type</u>
Capital assets	\$ 239,207	\$ 2,565,667
Less long-term debt	-	-
Investment in capital assets	<u>\$ 239,207</u>	<u>\$ 2,565,667</u>

E. 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	\$ 673,168
Less:	
Stabilization by State Statute	27,539
Streets-Powell Bill	30,695
Remaining fund balance	<u>\$ 614,934</u>

-

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

TOWN OF MACCLESFIELD, NORTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

IV. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

Federal and State Assisted Programs

The Town has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies 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. 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.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF MACCLESFIELD, NORTH CAROLINA

Exhibit A-1

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) – LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM

LAST EIGHT FISCAL YEARS*

	2021	2020	2019	2018	2017	2016	2015	2014
Macclesfield's proportion of the net pension liability (asset) (%)	0.00261%	0.00293%	0.00275%	0.00234%	0.00273%	0.00267%	0.00280%	0.00000%
Macclesfield's proportion of the net pension liability (asset) (\$)	\$ 93,266	\$ 79,816	\$ 65,239	\$ 35,749	\$ 57,940	\$ 11,983	\$ (16,514)	\$ 33,751
Macclesfield's covered-employee payroll	\$ 199,433	\$ 207,610	\$ 190,328	\$ 178,660	\$ 193,403	\$ 183,604	\$ 178,374	\$ 174,751
Macclesfield's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	46.77%	38.45%	34.28%	20.01%	29.96%	6.53%	-9.26%	19.37%
Plan fiduciary net position as a percentage of the total pension liability **	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%	96.45%	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
SCHEDULE OF CONTRIBUTIONS –
LOCAL GOVERNMENT EMPLOYEES' RETIREMENT SYSTEM

Exhibit A-2

LAST EIGHT FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 22,776	\$ 17,949	\$ 16,193	\$ 12,862	\$ 13,128	\$ 13,134	\$ 12,987	\$ 12,597
Contributions in relation to the contractually required contribution	<u>22,776</u>	<u>17,949</u>	<u>16,193</u>	<u>12,862</u>	<u>13,128</u>	<u>13,134</u>	<u>12,987</u>	<u>12,597</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Macclesfield's covered-employee payroll	\$ 224,611	\$ 199,433	\$ 207,610	\$ 190,328	\$ 178,660	\$ 193,403	\$ 183,604	\$ 178,374
Contributions as a percentage of covered-employee payroll	10.14%	9.00%	7.80%	6.76%	7.35%	6.79%	7.07%	7.06%

INDIVIDUAL FUND SCHEDULES

TOWN OF MACCLESFIELD, NORTH CAROLINA

Exhibit B-1

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – GENERAL FUND***YEAR ENDED JUNE 30, 2021*

	2021	
	Budget	Actual
		Variance Positive (Negative)
Revenues:		
Ad Valorem Taxes:		
Taxes		\$ 71,803
Penalties and interest		1,108
Total Ad Valorem Taxes	75,150	72,911
Other Taxes and Licenses:		
Privilege licenses		50
Total Other Taxes and Licenses	6,300	50
Unrestricted Intergovernmental:		
Local option sales tax		117,931
Beer and wine		1,817
Electric franchise/natural gas excise tax		8,960
Total Unrestricted Intergovernmental	105,200	128,708
Restricted Intergovernmental:		
Powell Bill allocation		12,791
Solid Waste disposal tax		324
Total Restricted Intergovernmental	13,861	13,115
Sales and Services:		
Refuse collections		73,772
Cemetery lot sales		4,445
Cemetery grave services		4,200
Total Sales and Services	80,450	82,417

TOWN OF MACCLESFIELD, NORTH CAROLINA

Exhibit B-1

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – GENERAL FUND (CONTINUED)**

YEAR ENDED JUNE 30, 2021

	2021	
	Budget	Actual
		Variance Positive (Negative)
Revenues (continued):		
Investment Earnings:		
Interest	3,000	2,838
Other Revenues:		
Miscellaneous	5,000	11,912
Total Other Revenues	5,000	11,912
Total Revenues	288,961	311,951
Expenditures:		
General Government:		
Governing Body		
Salaries and employee benefits		8,378
Operating expenses		32,395
Total Governing Body	-	40,773
Administration		
Salaries and employee benefits		17,992
Operating expenses		39,481
Total Administration	-	57,473
Total General Government	93,827	98,246
Transportation		
Street Department:		
Salaries and employee benefits		23,691
Operating expenses		3,578
Total Transportation	41,700	27,269
Environmental Protection		
Sanitation		
Salaries and employee benefits		19,967
Operating expenses		15,846
Solid Waste		41,302
Total Environmental Protection	100,645	77,115

TOWN OF MACCLESFIELD, NORTH CAROLINA

Exhibit B-1

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – GENERAL FUND (CONTINUED)***YEAR ENDED JUNE 30, 2021*

	2021		Variance
	Budget	Actual	Positive
			(Negative)
Expenditures (continued):			
Cemetery:			
Operating expenses		4,800	
Total Cemetery	3,500	4,800	(1,300)
 Total Expenditures	 239,672	 207,430	 32,242
Revenues Over Expenditures	49,289	104,521	55,232
Other Financing Sources (Uses):			
Fund Balance Reserve	(49,289)	-	49,289
Total Other Financing Sources	(49,289)	-	49,289
Net change in fund balance	<u>\$ -</u>	<u>\$ 104,521</u>	<u>\$ 104,521</u>
Fund Balance:			
Beginning of year		568,647	
End of year		<u>\$ 673,168</u>	

TOWN OF MACCLESFIELD, NORTH CAROLINA

Exhibit C-1

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – (NON-GAAP) – ELECTRIC FUND***YEAR ENDED JUNE 30, 2021*

	2021		Variance Positive (Negative)
	Budget	Actual	
Revenues:			
Operating Revenues:			
Charges for Service:			
Electric sales	\$ 447,350	\$ 440,415	\$ (6,935)
Total Operating Revenues	447,350	440,415	(6,935)
Non-operating Revenues			
Interest on investments	40	318	278
Other	4,000	-	(4,000)
Total Non-operating Revenues	4,040	318	(3,722)
Total Revenues	451,390	440,733	(10,657)
Expenditures:			
Administration & Operations:			
Salaries and employee benefits		142,221	
Contracted services		2,610	
Repairs, supplies, and other		9,919	
Total Administration & Operations	134,770	154,750	(19,980)
Sales Tax	37,000	40,856	(3,856)
Electrical Power Purchases	277,000	265,655	11,345
Capital Outlay	2,620	-	2,620
Total Expenditures	451,390	461,261	(9,871)
Revenues Over (Under) Expenditures	-	(20,528)	(20,528)
Revenues and Other Financing Sources			
Over (Under) Expenditures and Other Uses	\$ -	\$ (20,528)	\$ (20,528)

TOWN OF MACCLESFIELD, NORTH CAROLINA

Exhibit C-1

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – (NON-GAAP) – ELECTRIC FUND***YEAR ENDED JUNE 30, 2021*

Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:

Revenues and Other Financing Sources

Over(Under) Expenditures and

Other Financing Uses

\$ (20,528)

Reconciling Items:

Depreciation

(1,625)

Increase in deferred outflows of resources - pensions

5,530

(Increase) in net pension liability

(10,007)

Increase in deferred inflows of resources - pensions

(1,179)

Total Reconciling Items

\$ (7,281)

Change in Net Position

\$ (27,809)

TOWN OF MACCLESFIELD, NORTH CAROLINA

Exhibit C-2

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – (NON-GAAP) – WATER AND SEWER FUND**

YEAR ENDED JUNE 30, 2021

	2021		
	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating Revenues:			
Charges for Service:			
Water and sewer sales	\$ 225,260	\$ 217,613	\$ (7,647)
Other operating revenues	100	1,530	1,430
Total Operating Revenues	225,360	219,143	(6,217)
Nonoperating Revenues			
Interest on Investments	4	-	(4)
Total Revenues	225,364	219,143	(6,221)
Expenditures:			
Administration & Operations			
Salaries and employee benefits		145,794	
Chemical supplies and repairs		91,005	
Contracted services		15,048	
Total Administration & Operations	210,364	251,847	(41,483)
Capital outlay	15,000	-	15,000
Total Expenditures	225,364	251,847	(26,483)
Revenues Over (Under) Expenditures	-	(32,704)	(32,704)
Revenues and Other Financing Sources			
Over (Under) Expenditures and Other Uses	\$ -	\$ (32,704)	\$ (32,704)

TOWN OF MACCLESFIELD, NORTH CAROLINA

Exhibit C-2

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – (NON-GAAP) – WATER AND SEWER FUND (CONTINUED)***YEAR ENDED JUNE 30, 2021*

Reconciliation from Budgetary Basis (Modified Accrual) to Full Accrual:

Revenues Over (Under) Expenditures	<u>\$ (32,704)</u>
Reconciling Items:	
Depreciation	(105,424)
Increase in deferred outflows of resources - pensions	5,375
(Increase) in net pension liability	(9,883)
Increase in deferred inflows of resources - pensions	<u>(1,271)</u>
Total Reconciling Items	<u>\$ (111,203)</u>
Change in Net Position	<u><u>\$ (143,907)</u></u>

OTHER SCHEDULES

TOWN OF MACCLESFIELD, NORTH CAROLINA
SCHEDULE OF AD VALOREM TAXES RECEIVABLE

Exhibit D-1

YEAR ENDED JUNE 30, 2021

Fiscal Year	Uncollected Balance June 30, 2020	Additions	Collections And Credits	Uncollected Balance June 30, 2021
2020-2021	\$ -	\$ 71,799	\$ 66,523	\$ 5,276
2019-2020	7,838		1,181	6,657
2018-2019	6,740		922	5,818
2017-2018	5,737		963	4,774
2016-2017	5,254		937	4,317
2015-2016	3,253		232	3,021
2014-2015	1,971		231	1,740
2013-2014	2,918		442	2,476
2012-2013	4,292		522	3,770
2011-2012	1,642		337	1,305
2010-2011	2,360		2,360	-
Total	\$ 42,005	\$ 71,799	\$ 74,650	\$ 39,154
Less: allowance for uncollectible amounts				
Ad Valorem Taxes Receivable - Net				\$ 74,650
Reconcilement with Revenues:				
Ad valorem taxes - General Fund				72,911
Reconciling items:				
Penalties and interest				(1,108)
Taxes written off				2,360
Other				487
Total Collections and Credits				\$ 74,650

TOWN OF MACCLESFIELD, NORTH CAROLINA
ANALYSIS OF CURRENT TAX LEVY – TOWN-WIDE LEVY

Exhibit D-2

YEAR ENDED JUNE 30, 2021

	Total Property Valuation	Rate	Total	Property excluding Registered Vehicles	Registered Motor Vehicles
Original Levy:					
Real and personal property	\$ 15,838,438	0.37	\$ 58,602	\$ 58,602	\$ -
Motor vehicles	3,566,757	0.37	13,197	-	13,197
Total Property Valuation	<u>\$ 19,405,195</u>				
Net Levy			71,799	58,602	13,197
Uncollected taxes at June 30, 2021			5,276	5,276	-
Current Year's Taxes Collected			<u>\$ 66,523</u>	<u>\$ 53,326</u>	<u>\$ 13,197</u>
Current Levy Collection Percentage			<u>92.65%</u>	<u>91.00%</u>	<u>100.00%</u>

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with *Government Auditing Standards*

To the Town Council
Town of Macclesfield, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Macclesfield, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Macclesfield, North Carolina's basic financial statements and have issued our report thereon dated November 13, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Macclesfield, North Carolina's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Macclesfield, North Carolina's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Macclesfield, North Carolina's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 2021-001 to be material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and questioned costs as items 2021-002, 2021-003, and 2021-004 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Macclesfield, North Carolina's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Macclesfield, North Carolina's Response to Findings

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

Purpose of this Report

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

RH CPAs, PLLC

Lexington, North Carolina
November 13, 2022

TOWN OF MACCLESFIELD, NORTH CAROLINA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

Schedule 9

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditors' report issued on whether the financial statements audited were prepared in

accordance to GAAP:

Unmodified

Internal control over financial reporting:

Material weaknesses identified?

 X Yes No

Significant deficiency(s) identified that are
not considered to be material weaknesses?

 X Yes No

Noncompliance material to financial statements noted?

 Yes X No

SECTION II - FINANCIAL STATEMENT FINDINGS

Material Weakness

2021-001 Authorization and Preaudit Certification Not Attached to Invoices

Criteria:

Management is responsible for designing and maintaining internal controls that provide reasonable assurance that transactions are processed according to established procedures.

Condition:

North Carolina G.S. 159-28(a) requires that all obligations shall include on its face a certificate stating that the instrument has been preaudited in the manner required by the Local Government Budget and Fiscal Control Act. Additionally, during our testing, we noted that none of the invoices had any form of approval by management or governance.

Effect:

Failure to authorize and preaudit disbursements could make fraud prevention, detection, and investigation difficult, and could potentially lead to duplicate payment of invoices.

Cause:

Improper review by management.

Recommendation:

Staff should attach completed check requests or purchase orders to invoices and ensure that the authorization and preaudit approval process is followed.

Views of responsible officials and planned corrective actions:

The Board agrees with this finding and will adhere to the corrective action plan on page 68 of this audit report.

TOWN OF MACCLESFIELD, NORTH CAROLINA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

Schedule 9
(Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS

Significant Deficiency

2021-002 Segregation of Duties

Criteria:

A good system of internal control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

Condition:

Due to the limited number of personnel in the accounting department, there are inherent limitations to segregation of duties among Town personnel. Management is aware of this deficiency, but cost-benefit analysis indicates that hiring more personnel to mitigate this issue is not feasible.

Effect:

Inadequate segregation of duties could make fraud prevention, detection, and investigation difficult, and could potentially lead to misstated financial statements.

Cause:

The cost of hiring additional personnel to adequately address segregation of duties is not something management plans to do.

Recommendation:

We encourage management and the Board to continue to closely monitor financial statements for reasonableness and fluctuations from the budget. Additionally, we recommend reviewing internal controls on an ongoing basis to determine any additional controls that may be implemented with limited personnel.

Views of responsible officials and planned corrective actions:

The Board agrees with this finding and will adhere to the corrective action plan on page 68 of this audit report.

TOWN OF MACCLESFIELD, NORTH CAROLINA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

Schedule 9
(Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS

Significant Deficiency

2021-003 Deficiencies in Internal Control Over Payroll

Criteria:

A good system of internal control contemplates keeping up-to-date payroll files for all employees.

Condition:

The Town does not maintain adequate documentation for authorization of employee pay rates.

Effect:

Lack of adequate authorization could result in fictitious employees or employees being paid unauthorized rates.

Cause:

Improper review by management.

Recommendation:

We encourage management and the Board to keep up-to-date payroll files for all employees.

Views of responsible officials and planned corrective actions:

The Board agrees with this finding and will adhere to the corrective action plan on page 68 of this audit report.

TOWN OF MACCLESFIELD, NORTH CAROLINA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

Schedule 9
(Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS

Significant Deficiency

2021-004 Excess of Expenditures over Appropriations

Criteria:

No obligation may be incurred unless the budget resolution includes an appropriation authorizing the obligation and an unencumbered balance remains in the appropriation sufficient to pay in the current fiscal year the sums obligated by the transaction for the current fiscal year.

Condition:

The Town reported expenditures within the General Fund, Electric Fund, and Water and Sewer Fund that exceeded appropriations in the budget ordinance.

Effect:

The Town did not expend funds in accordance with the approved budget.

Cause:

Budget amendments were not adopted to include all expenditures to be incurred in the current year.

Recommendation:

Budget amendments should be adopted to ensure that amounts expended do not exceed those amounts appropriated within the budget ordinance.

Views of responsible officials and planned corrective actions:

The Board agrees with this finding and will adhere to the corrective action plan on page 68 of this audit report.

TOWN OF MACCLESFIELD, NORTH CAROLINA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

Schedule 9
(Continued)

SECTION III - QUESTIONED COSTS

Not applicable

Corrective Action Plan
Year Ended June 30, 2021

SECTION II - FINANCIAL STATEMENT FINDINGS

Material Weakness

2021-001 Authorization and Preaudit Certification

Name of contact person:

Pam Hurdle, Town Administrator

Corrective action:

A policy, procedures, and practices manual has been adopted and implemented into the daily task of the staff.

Proposed completion date: To begin immediately and continue through June 2023.

Significant Deficiency

2021-002 Segregation of Duties

Name of contact person:

Pam Hurdle, Town Administrator

Corrective action:

A policy, procedures, and practices manual has been adopted and implemented into the daily task of the staff.

Proposed completion date: To begin immediately and continue through June 2023.

Corrective Action Plan
Year Ended June 30, 2021

SECTION II - FINANCIAL STATEMENT FINDINGS

Significant Deficiency

2021-003 Deficiencies in Internal Control Over Payroll

Name of contact person:

Pam Hurdle, Town Administrator

Corrective action:

A policy, procedures, and practices manual has been adopted and implemented into the internal control of payroll.

Proposed completion date: To begin immediately and continue through June, 2023.

Significant Deficiency

2021-004 Excess of Expenditures over Appropriations

Name of contact person:

Pam Hurdle, Town Administrator

Corrective action:

The budget ordinance along with budget amendments will be administered and followed. A CPA firm has been contracted and they are assisting the staff with all accounting transactions.

Proposed completion date: To begin immediately and continue through June, 2023.

TOWN OF MACCLESFIELD, NORTH CAROLINA
Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2021

Schedule 11

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding Number	Description	Status
None reported		