

**Town of Micro  
Micro, North Carolina**

**Audited Financial Statements**

**Year Ended June 30, 2021**



**Town of Micro, North Carolina**  
**Audited Financial Statements**  
**For the Year Ended June 30, 2021**

**Board of Commissioners**

Eric Christiansen, Mayor

Kevin Worley, Commissioner

Coy Stanley, Commissioner

Marty Parnell, Commissioner

**Town of Micro, North Carolina**  
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**June 30, 2021**

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## **Financial Section**



# **S. Preston Douglas & Associates, LLP**

CERTIFIED PUBLIC ACCOUNTANTS

## **MEMBERS**

American Institute of CPAs

N. C. Association of CPAs

## **Independent Auditor's Report**

To the Honorable Mayor and  
Members of the Board of Commissioners  
Micro, 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 Micro, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

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

## ***Opinions***

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information of the Town of Micro, North Carolina as of June 30, 2021, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund for the year 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 Management's Discussion and Analysis on pages 4 through 10, the Local Government Employee's Retirement System's Schedules of the Proportionate Share of the Net Pension Liability and Contributions, on pages 47 and 48, respectively, the Law Enforcement Officers' Special Separation Allowance schedules of the changes in total Pension Liability and Total Pension Liability as a Percentage of covered Payroll on pages 49 and 50 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary and Other Information***

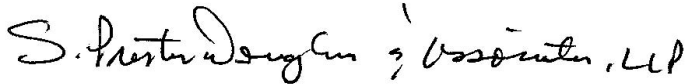
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the Town of Micro, North Carolina. The individual fund statements, budget and actual schedules, and supplemental ad valorem tax schedules, are presented for the purpose 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 relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed as described above, 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 April 14, 2023 on our consideration of the Town of Micro's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, and other matters. The purpose of the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Micro's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "S. Preston Douglas, Jr." followed by a stylized flourish.

Lumberton, North Carolina  
April 14, 2023

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

**Town of Micro, North Carolina**  
**Management's Discussion and Analysis**  
**June 30, 2021**

As management of the Town of Micro, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Micro for the fiscal year ending 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 Micro exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$1,868,169 (net position).

At the end of the current fiscal year, the Town's change in net position was a negative \$92,194 of which a negative \$81,250 was from business-type activities and a negative \$10,944 was from governmental activities.

As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$110,441. Approximately 24.50% of this total amount, or \$27,059, is available for spending at the government's discretion (unassigned fund balance).

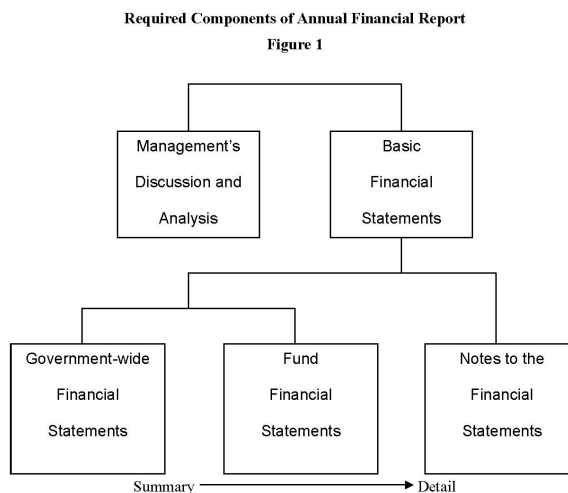
At the end of the current fiscal year, unassigned fund balance for the General Fund was \$27,059 or 8.69% of total General Fund expenditures.

At the end of the current fiscal year, the Town's Business-Type activities reported an ending net position of \$1,637,102, a decrease of \$81,250 over prior year.

The Town of Micro's total debt decreased by \$29,755 during the current fiscal year.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Town of Micro's basic financial statements. The Town's basic financial statements comprise 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 also contains other supplementary information that will enhance the reader's understanding of the financial condition of the Town of Micro.



**Town of Micro, North Carolina**  
**Management's Discussion and Analysis (continued)**  
**June 30, 2021**

**Financial Statements**

The first two statements 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 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 to the Financial Statements**. The notes explain in detail some of the data contained in those statements. After the notes, additional information is provided to show details about the Town's individual funds. Budgetary information required by the N.C. General Statutes can also 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, in a manner similar of a private-sector business. The government-wide statements provide short and long-term information about the Town's financial status as a whole.

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

The government-wide statements are divided into two categories: 1) governmental activities, and 2) business-type activities. The governmental activities include most of the Town's basic services such as general government, public safety, highways/streets, sanitation, economic development, culture and recreation, and debt service. 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. This includes the water and sewer services offered by the Town of Micro.

The government-wide financial statements can be found on pages 11 and 12 of this report.

**Fund Financial Statements.** The fund financial statements provide a more detailed look at the Town's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Micro, like other state and local governments, 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 can be divided into two categories, governmental funds and proprietary funds.

**Governmental Funds.** Governmental funds are used to account for essentially the same 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 monies that are unexpended 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 determine if there are more or less financial resources available to finance the Town's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Town of Micro adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them.

**Town of Micro, North Carolina**  
**Management's Discussion and Analysis (continued)**  
**June 30, 2021**

**Governmental Funds (continued).** It also authorizes the Town to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the Town complied with the budget ordinance and whether or not the Town succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the board; 2) the final budget as amended by the board; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

**Proprietary Funds.** The Town of Micro maintains one type of proprietary fund called an Enterprise Fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses the enterprise fund to account for its water and sewer activity. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Funds, which are considered major funds of the Town.

**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 can be found on pages 21-46 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 Micro's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 47 of this report.

**Government-Wide Financial Analysis**

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

	Governmental Activities 2021	Governmental Activities 2020	Business-type Activities 2021	Business-type Activities 2020	Totals 2021	Totals 2020
Current and other assets	\$ 200,337	\$ 176,302	\$ 277,154	\$ 315,030	\$ 477,491	\$ 491,332
Capital assets	108,645	123,509	2,292,034	2,377,500	2,400,679	2,501,009
Deferred Outflows of Resources	39,988	29,387	21,538	14,103	61,526	43,490
Total assets and deferred outflows	348,970	329,198	2,590,726	2,706,633	2,939,696	3,035,831
Long-term liabilities	53,592	39,241	902,116	922,606	955,708	961,847
Other liabilities	58,700	36,052	51,508	65,675	110,208	101,727
Deferred Inflows of Resources	5,682	11,965	-	-	5,682	11,965
Total liabilities and deferred inflows	117,974	87,258	953,624	988,281	1,071,598	1,075,539
Net position						
Net investment in capital assets	104,981	118,090	1,416,034	1,473,500	1,521,015	1,591,590
Restricted	83,382	67,857	6,084	3,042	89,466	70,899
Unrestricted	42,633	55,993	214,984	241,810	257,617	297,803
Total net position	\$ 230,996	\$ 241,940	\$ 1,637,102	\$ 1,718,352	\$ 1,868,098	\$ 1,960,292

**Town of Micro, North Carolina**  
**Management's Discussion and Analysis (continued)**  
**June 30, 2021**

**Government-Wide Financial Analysis (continued)**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The assets and deferred outflows of resources of the Town exceeded liabilities and deferred inflows of resources by \$1,868,169 at the close of the current fiscal year.

By far the largest portion of the Town's net position, 81.42%, reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, and infrastructure); less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should note that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The restricted portion of net position, 4.79%, represents the Town's resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is \$257,688 or 13.79% of the total.

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

	Governmental Activities 2021	Governmental Activities 2020	Business-type Activities 2021	Business-type Activities 2020	Totals 2021	Totals 2020
<b>Revenues:</b>						
Program revenues						
Charges for services	\$ 43,350	\$ 44,477	\$ 301,057	\$ 327,015	\$ 344,407	\$ 371,492
Operating grants and contributions	13,880	16,369	-	-	13,880	16,369
Capital grants and contributions	-	-	-	723,350	-	723,350
General revenues						
Property taxes	142,158	138,807	-	-	142,158	138,807
Other taxes	-	-	-	-	-	-
Grants and contributions not restricted to specific programs	88,694	80,215	-	-	88,694	80,215
Other	24,525	12,922	8,327	5,993	32,852	18,915
<b>Total revenues</b>	<b>312,607</b>	<b>292,790</b>	<b>309,384</b>	<b>1,056,358</b>	<b>621,991</b>	<b>1,349,148</b>
<b>Expenses:</b>						
General government	65,188	85,486	-	-	65,188	85,486
Public safety	171,694	134,582	-	-	171,694	134,582
Transportation	19,632	45,310	-	-	19,632	45,310
Environmental protection	63,299	89,064	-	-	63,299	89,064
Cultural and recreation	3,569	9,723	-	-	3,569	9,723
Interest on long-term debt	169	223	-	-	169	223
Water and Sewer	-	-	390,634	369,425	390,634	369,425
<b>Total expenses</b>	<b>323,551</b>	<b>364,388</b>	<b>390,634</b>	<b>369,425</b>	<b>714,185</b>	<b>733,813</b>
<b>Change in net position</b>	<b>(10,944)</b>	<b>(71,598)</b>	<b>(81,250)</b>	<b>686,933</b>	<b>(92,194)</b>	<b>615,335</b>
Net position, beginning	241,940	313,538	1,718,352	1,031,419	1,960,292	1,344,957
<b>Net position - June 30</b>	<b>\$ 230,996</b>	<b>\$ 241,940</b>	<b>\$ 1,637,102</b>	<b>\$ 1,718,352</b>	<b>\$ 1,868,098</b>	<b>\$ 1,960,292</b>

**Town of Micro, North Carolina**  
**Management's Discussion and Analysis (continued)**  
**June 30, 2021**

**Government-Wide Financial Analysis (continued)**

Ad valorem taxes were the largest revenue contributor for the governmental funds with 45.47% of total revenues. Grants and other contributions not restricted to specific programs were the next largest at 28.37%.

Capital and operating grants for governmental activities furnished resources to support the five functions of the Town: general government, public safety, transportation, environmental protection, and cultural and recreation.

**Business-type activities.** Business-type activities decreased the Town's net position by \$81,179. Key elements of the change in net position compared to prior year are as follows:

- The Town did not receive any grant revenue in this fiscal year, compared to receiving \$723,350 from USDA last year fiscal year.
- Charges for services have decreased from last year by \$25,958.
- Total expenses increased by \$21,209.

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

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

**Governmental Funds.** The focus of the Town'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's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the Town's governmental funds reported a combined fund balance of \$110,441. Of this total amount, \$27,059 constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that funds are not available for spending because these funds have already been committed 1) to liquidate contracts and purchase orders of the prior year, or 2) for a variety of other restricted purposes.

The General Fund is the principal operating fund of the Town of Micro. At the end of the fiscal year, unassigned fund balance for the general fund was \$27,059 with a total fund balance of \$110,441. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 8.69% of total General Fund expenditures.

**Proprietary Funds.** The Town of Micro's proprietary fund provides the same type of information found in the governmental-wide financial statements, but in more detail.

Unrestricted net position of the Water and Sewer Funds at the end of the fiscal year amounted to \$215,055. Other factors concerning these funds have been discussed in the Town's business-type activities.

**General Fund Budgetary Highlights**

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

- Amendments that adjust for the estimates that are prepared for the original budget ordinance, which reflect actual cost.
- Amendments that recognize new funding from external sources, such as federal and State grants.
- Amendments that appropriate increases that becomes necessary to maintain services and obligations from prior years not completed.

**Town of Micro, North Carolina**  
**Management's Discussion and Analysis (continued)**  
**June 30, 2021**

**Capital Assets and Debt Administration**

**Capital assets.** The Town of Micro's investments in capital assets for its governmental and business-type activities as of June 30, 2021, totals \$2,400,679 (net of accumulated depreciation). The investments in capital assets includes buildings, construction in progress, buildings and systems, machinery and equipment, infrastructure, and vehicles and equipment.

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

	Governmental Activities 2021	Governmental Activities 2020	Business-type Activities 2021	Business-type Activities 2020	Totals 2021	Totals 2020
Land	\$ 39,500	\$ 39,500	\$ 59,093	\$ 59,093	\$ 98,593	\$ 98,593
Construction in progress		-	-	1,514,531	-	1,514,531
Buildings and systems	41,971	46,161	2,144,943	705,916	2,186,914	752,077
Machinery and equipment	8,116	11,867	53,520	61,909	61,636	73,776
Infrastructure	1,331	1,998	-	-	1,331	1,998
Vehicles and motorized equipment	17,727	23,983	34,478	36,051	52,205	60,034
Total capital assets, net	\$ 108,645	\$ 123,509	\$ 2,292,034	\$ 2,377,500	\$ 2,400,679	\$ 2,501,009

Additional information on the Town's capital assets can be found in the notes on page 30 of this report.

**Long-term debt.** At the end of the current fiscal year, the Town of Micro had total bonded and installment debt outstanding of \$876,000.

**Town of Micro's Outstanding Debt**  
**Figure 5**

	Governmental Activities 2021	Governmental Activities 2020	Business-type Activities 2021	Business-type Activities 2020	Totals 2021	Totals 2020
Installment debt	\$ 3,664	\$ 5,419	\$ -	\$ -	\$ 3,664	\$ 5,419
General obligation bonds	-	-	74,000	87,000	74,000	87,000
Direct placement bond anticipation notes	-	-	802,000	817,000	802,000	817,000
Compensated absences	2,624	2,624	2,624	2,624	5,248	5,248
Net pension obligation (LERS)	38,328	26,074	23,492	15,982	61,820	42,056
Total pension obligation (LEO)	8,976	5,124	-	-	8,976	5,124
Total outstanding debt	\$ 53,592	\$ 39,241	\$ 902,116	\$ 922,606	\$ 955,708	\$ 961,847



**Town of Micro, North Carolina**  
**Management's Discussion and Analysis (continued)**  
**June 30, 2021**

North Carolina's General Statutes limit the amount of general obligation debt that a governmental unit can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Micro is presently at \$2,114,516 (the amount of additional debt the town could obligate itself to under NC General Statute).

Additional information pertaining to the Town of Micro's long-term debt can be found in the notes on page 42 of this report.

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

With the close proximity of Micro to I-95, we are hopeful that will assist in the town's future growth with commercial and residential. The extension of water and sewer services are continuing.

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

**Governmental Activities:** There were no significant changes from the 20-21 budget.

**Business-type Activities:** There were no significant changes from the 20-21 budget.

**Request for Information**

This financial report is designed to provide a general overview of the Town of Micro's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Director of Finance, Town of Micro, Post Office Box 9, Micro, North Carolina 27555.

## **Basic Financial Statements**

**Town of Micro, North Carolina**  
**Statement of Net Position**  
**June 30, 2021**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 97,169	\$ 159,792	\$ 256,961
Receivables:			
Taxes receivable (net)	31,196	-	31,196
Accounts receivable (net)	-	53,809	53,809
Inventory	-	2,046	2,046
Internal balances	(11,410)	11,410	-
Due from other governments	15,932	-	15,932
Cash and cash equivalents - restricted	67,450	50,097	117,547
<b>Total current assets</b>	<b>200,337</b>	<b>277,154</b>	<b>477,491</b>
Non-current assets:			
Capital assets (Note 3):			
Non-depreciable improvements	39,500	59,093	98,593
Other capital assets, net of depreciation	69,145	2,232,941	2,302,086
<b>Total capital assets</b>	<b>108,645</b>	<b>2,292,034</b>	<b>2,400,679</b>
<b>Total assets</b>	<b>308,982</b>	<b>2,569,188</b>	<b>2,878,170</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension deferrals	39,988	21,538	61,526
<b>Total deferred outflows of resources</b>	<b>39,988</b>	<b>21,538</b>	<b>61,526</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued expenses	6,509	7,495	14,004
Current portion of long-term liabilities	1,755	28,000	29,755
Due from other governments	52,191	-	52,191
Customer deposits	-	44,013	44,013
<b>Total current liabilities</b>	<b>60,455</b>	<b>79,508</b>	<b>139,963</b>
Long-term liabilities:			
Non-current portion of long-term debt	1,909	848,000	849,909
Non-current portion of compensated absences	2,624	2,624	5,248
Total pension liability (LEO)	8,976	-	8,976
Net pension liability (LGRS)	38,328	23,492	61,820
<b>Total liabilities</b>	<b>112,292</b>	<b>953,624</b>	<b>1,065,916</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension deferrals	5,682	-	5,682
<b>Total deferred inflows of resources</b>	<b>5,682</b>	<b>-</b>	<b>5,682</b>
<b>NET POSITION</b>			
Net investment in capital assets	104,981	1,416,034	1,521,015
Restricted for:			
Stabilization by State Statute	15,932	-	15,932
Streets	67,450	-	67,450
Pursuant to loan requirements	-	6,084	6,084
Unrestricted	42,633	214,984	257,617
<b>Total net position</b>	<b>\$ 230,996</b>	<b>\$ 1,637,102</b>	<b>\$ 1,868,098</b>

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

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>							
<b>Governmental Activities:</b>							
General government	\$ 65,188	\$ -	\$ 351	\$ -	\$ (64,837)	\$ -	\$ (64,837)
Public safety	171,694	-	-	-	(171,694)	-	(171,694)
Transportation	19,632	-	13,529	-	(6,103)	-	(6,103)
Environmental protection	63,299	43,350	-	-	(19,949)	-	(19,949)
Cultural and recreation	3,569	-	-	-	(3,569)	-	(3,569)
Interest on long-term debt	169	-	-	-	(169)	-	(169)
<b>Total governmental activities</b>	<b>323,551</b>	<b>43,350</b>	<b>13,880</b>	<b>-</b>	<b>(266,321)</b>	<b>-</b>	<b>(266,321)</b>
<b>Business-type activities:</b>							
Water and Sewer	390,634	301,057	-	-	-	(89,577)	(89,577)
<b>Total business-type activities</b>	<b>390,634</b>	<b>301,057</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(89,577)</b>	<b>(89,577)</b>
<b>Total primary government</b>	<b>\$ 714,185</b>	<b>\$ 344,407</b>	<b>\$ 13,880</b>	<b>\$ -</b>	<b>(266,321)</b>	<b>(89,577)</b>	<b>(355,898)</b>
<b>General revenues:</b>							
Taxes:							
Property taxes, levied for general purpose					142,158	-	142,158
Unrestricted intergovernmental					88,694	-	88,694
Miscellaneous					24,460	8,208	32,668
Investment earnings					65	119	184
<b>Total general revenues and transfers</b>					<b>255,377</b>	<b>8,327</b>	<b>263,704</b>
<b>Change in net position</b>					<b>(10,944)</b>	<b>(81,250)</b>	<b>(92,194)</b>
<b>Net position, beginning</b>					<b>241,940</b>	<b>1,718,352</b>	<b>1,960,292</b>
<b>Net position, ending</b>					<b>\$ 230,996</b>	<b>\$ 1,637,102</b>	<b>\$ 1,868,098</b>

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

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

	<u><b>Major General Fund</b></u>	<u><b>Total Governmental Funds</b></u>
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$ 97,169	\$ 97,169
Taxes receivable, net	31,196	31,196
Due from other governments	15,932	15,932
Restricted cash and cash equivalents	67,450	67,450
<b>Total assets</b>	<u><u>\$ 211,747</u></u>	<u><u>\$ 211,747</u></u>
<b><u>LIABILITIES</u></b>		
Accounts payable and accrued liabilities	\$ 6,509	\$ 6,509
Due from other funds	11,410	11,410
Due to other governments	52,191	52,191
<b>Total liabilities</b>	<u><u>70,110</u></u>	<u><u>70,110</u></u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>		
Property taxes receivable	31,196	31,196
<b>Total deferred inflows of resources</b>	<u><u>31,196</u></u>	<u><u>31,196</u></u>
<b><u>FUND BALANCE</u></b>		
Restricted:		
Stabilization by State Statute	15,932	15,932
Streets	67,450	67,450
Unassigned	27,059	27,059
<b>Total fund balance</b>	<u><u>110,441</u></u>	<u><u>110,441</u></u>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<u><u>\$ 211,747</u></u>	<u><u>\$ 211,747</u></u>

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

**Town of Micro, North Carolina**  
**Balance Sheet**  
**Governmental Funds (continued)**  
**June 30, 2021**

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

		\$	110,441
Total fund balances, governmental funds			
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.			
Gross capital assets at historical cost	\$	549,788	
Accumulated depreciation		<u>(441,143)</u>	108,645
Deferred outflows of resources related to pensions are not reported in the funds			39,988
Earned revenues are considered deferred inflows of resources in fund statements			31,196
Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds			
Gross long-term debt		(3,664)	
Net pension liability		(38,328)	
Total pension liability		(8,976)	
Compensated absences		<u>(2,624)</u>	(53,592)
Pension related deferrals			<u>(5,682)</u>
<b>Net position of governmental activities</b>		<u><u>\$</u></u>	<u><u>230,996</u></u>

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

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

	<u>Major Fund</u> <u>General</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<b>Revenues:</b>		
Ad valorem taxes	\$ 131,337	\$ 131,337
Unrestricted intergovernmental	88,694	88,694
Restricted intergovernmental	13,880	13,880
Sales and services	43,350	43,350
Investment earnings	65	65
Miscellaneous	24,461	24,461
<b>Total revenues</b>	<u>301,787</u>	<u>301,787</u>
<b>Expenditures:</b>		
Current:		
General government	60,157	60,157
Public safety	171,058	171,058
Transportation	15,599	15,599
Environmental protection	61,827	61,827
Cultural and recreational	656	656
Debt service:		
Principal	1,755	1,755
Interest and other charges	169	169
<b>Total expenditures</b>	<u>311,221</u>	<u>311,221</u>
<b>Net change in fund balance</b>	(9,434)	(9,434)
<b>Fund balance, beginning</b>	<u>119,875</u>	<u>119,875</u>
<b>Fund balance, ending</b>	<u>\$ 110,441</u>	<u>\$ 110,441</u>

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

**Town of Micro, North Carolina**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2021**

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

Net change in fund balances - total governmental funds	\$	(9,434)
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Depreciation expense for governmental assets		(14,864)
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Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		13,749
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in unavailable revenue for tax revenues		10,821

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has an effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments on long-term debt		1,755
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Pension expense		(12,971)
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<b>Total changes in net position of governmental activities</b>	<b>\$</b>	<b>(10,944)</b>
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**Town of Micro, North Carolina**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2021**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
<b>Revenues:</b>				
Ad valorem taxes	\$ 131,000	\$ 131,000	\$ 131,337	\$ 337
Unrestricted intergovernmental	98,800	98,800	88,694	(10,106)
Restricted intergovernmental	13,100	13,100	13,880	780
Sales and services	44,000	44,000	43,350	(650)
Investment earnings	-	-	65	65
Miscellaneous	15,740	15,740	24,461	8,721
<b>Total revenues</b>	<u>302,640</u>	<u>302,640</u>	<u>301,787</u>	<u>(853)</u>
<b>Expenditures:</b>				
Current:				
General government	57,974	57,974	60,157	(2,183)
Public safety	140,325	140,325	171,058	(30,733)
Transportation	10,000	10,000	15,599	(5,599)
Environmental protection	91,841	91,841	61,827	30,014
Culture and recreation	2,500	2,500	656	1,844
Debt service:				
Principal retirement	-	-	1,755	(1,755)
Interest and other charges	-	-	169	(169)
<b>Total expenditures</b>	<u>302,640</u>	<u>302,640</u>	<u>311,221</u>	<u>(8,581)</u>
<b>Revenues over (under) expenditures</b>	<u>-</u>	<u>-</u>	<u>(9,434)</u>	<u>(9,434)</u>
Fund balance appropriated	-	-	-	-
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>(9,434)</u>	<u>\$ (9,434)</u>
<b>Fund balance, beginning</b>			<u>119,875</u>	
<b>Fund balance, ending</b>			<u>\$ 110,441</u>	

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

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

	<b>Water and Sewer Fund</b>
<b><u>ASSETS</u></b>	
Current assets:	
Cash and cash equivalents	\$ 159,792
Accounts receivable (net)	53,809
Inventory	2,046
Due from other funds	11,410
Restricted cash	50,097
<b>Total current assets</b>	<b>277,154</b>
Non-current assets:	
Capital assets:	
Land and other non-depreciable assets	59,093
Other capital assets, net of depreciation	2,232,941
<b>Capital assets (net)</b>	<b>2,292,034</b>
<b>Total noncurrent assets</b>	<b>2,292,034</b>
<b>Total assets</b>	<b>2,569,188</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>	
Pension deferrals	21,538
<b>Total deferred outflows of resources</b>	<b>21,538</b>
<b><u>LIABILITIES</u></b>	
Current liabilities:	
Accounts payable and accrued liabilities	7,495
Current portion of long-term debt	28,000
Liabilities payable from restricted assets:	
Customer deposits	44,013
<b>Total current liabilities</b>	<b>79,508</b>
Noncurrent liabilities:	
Compensated absences	2,624
Net pension liability	23,492
Noncurrent portion of long-term debt	848,000
<b>Total noncurrent liabilities</b>	<b>874,116</b>
<b>Total liabilities</b>	<b>953,624</b>
<b><u>NET POSITION</u></b>	
Net investment in capital assets	1,416,034
Restricted for:	
Pursuant to loan requirements	6,084
Unrestricted	214,984
<b>Total net position</b>	<b>\$ 1,637,102</b>

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

**Town of Micro, North Carolina**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2021**

	<b>Water and Sewer Fund</b>
<b>Operating revenues:</b>	
Charges for services	\$ 299,307
Other operating revenues	1,750
<b>Total operating revenues</b>	<u>301,057</u>
<b>Operating expenses:</b>	
Water and Sewer Administration	25,337
Water Distribution	125,755
Water Collection and Treatment	135,428
Depreciation	85,466
<b>Total operating expenses</b>	<u>371,986</u>
<b>Operating income (loss)</b>	<u>(70,929)</u>
<b>Nonoperating revenues (expenses):</b>	
Investment earnings	119
Other	8,208
Interest and other charges	(18,648)
<b>Total nonoperating revenue (expenses)</b>	<u>(10,321)</u>
<b>Change in net position</b>	(81,250)
Net position, beginning	<u>1,718,352</u>
<b>Total net position, ending</b>	<u><u>\$ 1,637,102</u></u>

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

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

	<b>Water and Sewer Fund</b>
<b>Cash flows from operating activities:</b>	
Cash received from customers	\$ 301,057
Cash paid for goods and services	(188,557)
Cash paid to employees for services	(113,682)
<b>Net cash provided (used) by operating activities</b>	<u>(1,182)</u>
<b>Cash flows from capital and related financing activities:</b>	
Principal paid on bonds and installment notes	(28,000)
Interest paid on bonds and installment notes	(18,648)
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(46,648)</u>
<b>Cash flows from investing activities:</b>	
Nonoperating revenue	8,208
Investment earnings	119
<b>Net cash provided (used) by investing activities</b>	<u>8,327</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(39,503)
<b>Cash and cash equivalents - beginning of year</b>	<u>249,392</u>
<b>Cash and cash equivalents - end of year</b>	<u><u>\$ 209,889</u></u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>	
<b>Operating income (loss)</b>	<u>\$ (70,929)</u>
<b>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities :</b>	
Depreciation	85,466
Change in assets, deferred outflows of resources, and liabilities:	
(Increase) decrease in accounts receivable	(1,627)
Increase (decrease) in accounts payable and accrued liabilities	(16,022)
(Increase) decrease in due from other funds	-
Increase (decrease) in deposits	1,855
(Increase) decrease in deferred outflows of resources - pensions	(7,435)
Increase (decrease) in net pension liability	7,510
Increase (decrease) in deferred inflows of resources - pensions	-
<b>Total adjustments</b>	<u>69,747</u>
<b>Net cash provided (used) by operating activities</b>	<u><u>\$ (1,182)</u></u>

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

## **Notes to the Financial Statements**

These notes are intended to communicate information necessary for a fair presentation of financial position and results of operations that are not readily apparent from, or cannot be included in, the financial statement themselves. The notes supplement the financial statements, and are an integral part thereof, and are intended to be read in conjunction with the financial statements.

**Town of Micro, North Carolina**  
**Notes to the Financial Statements**  
**June 30, 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Town of Micro, North Carolina (“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 Micro is a municipal corporation that is governed by an elected mayor and a four-member Council. As required by generally accepted accounting principles, these financial statements include all funds, account groups, agencies, boards, commissions, and authorities that are controlled by or are financially independent upon the Town.

**B - Basis of Presentation**

*Government-wide Statements:* The statement of net position and 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 and 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 – government and proprietary – are presented. The emphasis of the fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. The Town has no fiduciary funds to report. 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 the exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies result from non-exchange transactions. Other non-operating revenues are ancillary activities such as investment earnings.

The Town reports the following major governmental funds:

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

**Town of Micro, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B - Basis of Presentation - Fund Accounting (continued)**

The Town reports the following major enterprise funds:

**Water and Sewer Fund** - This fund is used to account for the Town's water and sewer operations. A USDA Water and Wastewater Collection Systems Improvement Fund has been consolidated into the Water and Sewer Fund for financial reporting purposes. The budgetary comparison for the USDA Water and Wastewater Collection Systems Improvement Fund has been included in the supplemental information.

**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 the 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.

*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.

**Town of Micro, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C - Measurement Focus and Basis of Accounting (continued)**

The Town considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad Valorem taxes receivable are not accrued as a 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 utilities franchise tax, collected and held by the State at year-end on behalf of the Town are recognized as revenue. Sales taxes are considered shared revenue for the Town of Micro because the tax is levied by Johnston County and then remitted to and distributed by the State. Most intergovernmental revenue and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. 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, the Enterprise Fund. All annual appropriations lapse at the fiscal year-end. A project ordinance is adopted for the USDA Water and Wastewater Collection Systems Improvement Fund. The USDA Water and Wastewater Collection Systems Improvement Fund are consolidated with the respective operating funds for reporting purposes. All budgets are prepared using the modified accrual basis of accounting.

Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the object level for the multi-year funds. All amendments must be approved by the governing board and the Board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

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

**1. Deposits and Investments**

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States 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 nonguaranteed federal agencies; certain high quality issues of commercial paper and banker's acceptances and the North Carolina Capital Management Trust (NCCMT).



**Town of Micro, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)**

**1. Deposits and Investments (continued)**

The Town of Micro's investments with a maturity of more than one year at acquisition and non-money market investments are reported at fair value as determined by quoted market prices. The NCCMT Government Portfolio, a SEC-registered (2a7) money market mutual fund, are valued at fair value, which is the NCCMT's share price. The NCCMT Term Portfolio's securities are valued at fair value. The NCCMT-Term Portfolio is bond fund, has no rating and is measured at fair value. As of June 30, 2021, The Term Portfolios has a duration of .15 years. Because the NCCMT Government and Term Portfolios have a weighted average maturity of less than 90 days, they are presented as an investment with a maturity of less than 6 months.

In accordance with State law, the Town of Micro has invested in securities that are callable and which provide for periodic interest rate increases in specific increments until maturity. These investments are reported at fair value as determined by quoted market prices.

**2. Cash and Cash Equivalents**

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

**3. Restricted Assets**

Customer deposits held by the Town before any services are supplied are restricted to the service for which the deposit was collected. Powell Bill funds are also classified as restricted cash because they can be expended only for the purposes of maintaining, repairing, constructing, reconstructing, or widening of local streets per G.S. 136-41.1 through 136-41.4. The USDA requires the Town to establish a Debt Service Reserve account. This account was established for the payment of debt service if revenues are insufficient and is represented as a restricted asset.

**Town of Micro's Restricted Cash**

Governmental Activities:

General Fund

Streets	\$ 67,450
Total Governmental activities	<u>67,450</u>

Business-type activities:

Water and Sewer Fund

Customer deposits	44,013
Debt service reserve	6,084
Total business-type activities	<u>50,097</u>

Total restricted cash	<u><u>\$ 117,547</u></u>
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**Town of Micro, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)**

**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 other than motor vehicles on July 1, the beginning of the fiscal year. The taxes are due on September 1 (lien date); however, interest does not accrue until the following January 6th. These taxes are based on the assessed values as of January 1, 2020. As allowed by State law, the Town has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the Town's General Fund, ad valorem tax revenue is reported net of such discounts.

**5. Allowances for Doubtful Accounts**

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

**6. Capital Assets**

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain threshold and an estimated life in excess of one year. Minimum capitalization costs are \$5,000 for all asset categories. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets received prior to June 30, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 30, 2015 are recorded at acquisition value. All other purchased or constructed capital assets are reported at cost or estimated historical cost. All other purchased or constructed capital assets are reported at estimated historical cost using deflated replacement cost. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Improvements	10-25
Vehicles	6
Furniture and equipment	10
Computer equipment	3

**7. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meet this criterion – pension related deferrals for the 2021 fiscal year. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has two items that meet the criteria for this category – property taxes receivable and pension related deferrals.

**Town of Micro, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)**

**8. Long-Term Obligations**

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

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

**9. Compensated Absences**

The vacation policy of the Town provides for the accumulation of up to thirty (30) days of earned vacation leave with such leave being fully vested when earned. For the Town's government-wide and proprietary funds, an expense is recorded and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The Town has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designed as a current liability in the government-wide financial statements.

The Town's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the Town does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

**10. Net Position / Fund Balances**

**Net Position**

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

**Town of Micro, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)**

**10. Net Position / Fund Balances (continued)**

**Fund Balances**

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

**Nonspendable Fund Balance** - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

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

*Restricted 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 nonspendable. Outstanding Encumbrances are included within RSS. RSS is included as a component of Restricted Net Position and Restricted fund balance on the face of the balance sheet.

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

**Committed Fund Balance** - portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the Town's governing body. The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken to remove or revise the limitation.

**Assigned Fund Balance** - portion of fund balance that the Town intends to use for specific purposes.

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

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

**Town of Micro, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E - Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity (continued)**

Fund Balances (continued)

10. Net Position / Fund Balances (continued)

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

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

11. Defined Benefit Cost-Sharing Plans

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

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

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

1. Noncompliance with North Carolina General Statutes

N.C. General Statute 159-34(a) states the Board should have its accounts audited as soon as possible after the close of each fiscal year by a certified public accountant. The deadline to submit June 30 year end audits to the Local Government Commission is October 31. The October 31 deadline includes a grace period from November 1 to December 1, in which there are no additional documents or notifications needed. The June 30, 2021 audit was submitted after January 18, 2023. Management will consider hiring additional resources to support the Finance Officer and other business staff in order to submit the audit on time in the future.

2. Contractual Violations

The Town was not in compliance with Revenue Bonds debt service coverage ratio requirements for the year ended June 30, 2021. The Bond Order requires the debt service ratio to be no less than 110%. The Town's debt service ratio was 78% for the year ended June 30, 2020. The Town will closely monitor this ratio going forward.

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

None

**Town of Micro, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2021**

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)**

**D - Excess of Expenditures over Appropriations**

	<u>Budget</u>	<u>Actual</u>	<u>(Negative) Variance</u>
<b>General Fund:</b>			
General government	\$ 57,974	\$ 60,157	\$ (2,183)
Public safety	140,325	171,058	(30,733)
Transportation	10,000	15,599	(5,599)
Debt service	-	1,924	(1,924)
<b>Total</b>	<u>\$ 208,299</u>	<u>\$ 248,738</u>	<u>\$ (40,439)</u>

These over-expenditures occurred because of unplanned operating expenditures. Management and the Board will more closely review the budget reports to ensure compliance in future years.

**NOTE 3 - 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 Deposit Insurance Coverage level are collateralized with securities held by the Town's agents in this unit's names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town. The amount of the pledged collateral is based on an approved averaging method for non-interest-bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the Town or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the Town under the Pooling Method, the potential exists for under collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no policy regarding custodial 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 \$368,395 and a bank balance of \$394,427. Of the bank balance, \$750,000 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2021, the Town's petty cash amounted to \$100.

**2. Investments**

At June 30, 2021, the Town of Micro had \$6,084 invested with the North Carolina Capital Management Trust's Government Portfolio which carried a credit rating of AAA by Standard and Poor's. The Town has no policy regarding credit risk.

**Town of Micro, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2021**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**A - Assets (continued)**

4. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 39,500	\$ -	\$ -	\$ 39,500
Total capital assets not being depreciated	39,500	-	-	39,500
<b>Capital assets being depreciated:</b>				
Buildings	134,097	-	-	134,097
Equipment	218,176	-	-	218,176
Vehicles and motorized equipment	148,015	-	-	148,015
Infrastructure	10,000	-	-	10,000
Total capital assets being depreciated	510,288	-	-	510,288
<b>Less accumulated depreciation for:</b>				
Buildings	87,936	4,190	-	92,126
Equipment	206,309	3,751	-	210,060
Vehicles and motorized equipment	124,032	6,256	-	130,288
Infrastructure	8,002	667	-	8,669
Total accumulated depreciation	426,279	14,864	-	441,143
Total capital assets being depreciated, net	84,009			69,145
<b>Governmental activities capital assets, net</b>	<u>\$ 123,509</u>			<u>\$ 108,645</u>

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

General government	\$ 4,909
Public safety	1,537
Transportation	4,033
Environmental protection	1,472
Cultural and recreation	2,913
Total depreciation expense	<u>\$ 14,864</u>

**Town of Micro, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2021**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**A - Assets (continued)**

**4. Capital Assets (continued)**

Capital asset activity for the Proprietary Funds for the year ended June 30, 2021, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Water and Sewer Fund</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 59,093	\$ -	\$ -	\$ 59,093
Construction in progress	1,514,531	-	1,514,531	-
Total capital assets not being depreciated	1,573,624	-	1,514,531	59,093
<b>Capital assets being depreciated:</b>				
Plant and distribution systems	1,871,375	1,514,531	-	3,385,906
Furniture and maintenance equipment	118,499	-	-	118,499
Vehicles	104,188	-	-	104,188
Total capital assets being depreciated	2,094,062	1,514,531	-	3,608,593
<b>Less accumulated depreciation for:</b>				
Plant and distribution systems	1,165,459	75,504	-	1,240,963
Furniture and maintenance equipment	56,590	8,389	-	64,979
Vehicles	68,137	1,573	-	69,710
Total accumulated depreciation	1,290,186	85,466	-	1,375,652
Total capital assets being depreciated, net	803,876			2,232,941
<b>Business-type Activities capital assets, net</b>	<u>2,377,500</u>			<u>2,292,034</u>



**Town of Micro, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2021**

**NOTE 3 - 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 Micro is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. 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 Annual Comprehensive Financial Report for the State of North Carolina. The State's Annual Comprehensive Financial Report includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

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

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

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. Town of Micro employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The Town of Micro's contractually required contribution rate for the year ended June 30, 2021, was 9.70% of compensation for law enforcement officers and 8.95% for general 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 Micro were \$22,176 for the year ended June 30, 2021.

**Town of Micro, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2021**

**NOTE 3 - 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 \$61,820 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, 2020, the Town's proportion was 0.00173%, which was an increase of 0.00019% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Town recognized pension expense of \$22,376. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 7,807	\$ -
Changes of assumptions	4,601	-
Net difference between projected and actual earnings on pension plan investments	8,700	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	13,394	-
Town contributions subsequent to the measurement date	22,176	-
Total	<u>\$ 56,678</u>	<u>\$ -</u>

\$22,176 resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2022	\$ 10,946
2023	12,272
2024	8,709
2025	2,575
2026	-
Thereafter	-

**Town of Micro, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2021**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B - Liabilities (continued)**

**1. Pension Plan and Postemployment Obligations (continued)**

***a. Local Governmental Employees' Retirement System (continued)***

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (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 8.10 percent, including inflation and productivity factor
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

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

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	29.0%	1.4%
Global Equity	42.0%	5.3%
Real Estate	8.0%	4.3%
Alternatives	8.0%	8.9%
Credit	7.0%	6.0%
Inflation Protection	6.0%	4.0%
Total	100.0%	

**Town of Micro, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2021**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B - Liabilities (continued)**

**1. Pension Plan and Postemployment Obligations (continued)**

***a. Local Governmental Employees' Retirement System (continued)***

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (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 3.00%. All rates of return and inflation are annualized.

*Discount rate.* The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that 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 asset to changes in the discount rate.* The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.00%, 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%) or one percentage point higher (8.00%) than the current rate:

	<b>1% Decrease (6.00%)</b>	<b>Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
Town's proportionate share of the net pension liability (asset)	\$ 125,427	\$ 61,820	\$ 8,959

*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 for the State of North Carolina.

***b. Law Enforcement Officers' Special Separation Allowance***

***1. Plan Description.***

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

**Town of Micro, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2021**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B - Liabilities (continued)**

**1. Pension Plan and Postemployment Obligations (continued)**

***b. Law Enforcement Officers' Special Separation Allowance (continued)***

***1. Plan Description (continued).***

All full-time Town law enforcement officers are covered by the Separation Allowance. At December 31, 2019, the Separation Allowance's membership consisted of:

Retirees and dependents receiving benefits	1
Active plan members	1
Total	<u>2</u>

***2. Summary of Significant Accounting Policies***

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

The Separation Allowance has no assets accumulated in a trust that meets the following criteria which are outlined in GASB Statements 73:

***3. Actuarial Assumptions***

The entry age actuarial cost method was used in the December 31, 2019 valuation. 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	2.5 percent
Salary increases	3.25 to 7.75 percent, including inflation and productivity factor
Discount rate	1.93 percent

The discount rate is based on the yield of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2019. Mortality rates are based on the RP-2000 Mortality tables with adjustments for mortality improvements based on Scale AA.

***4. Contributions***

The Town is required by Article 12D of G.S. Chapter 143 to provide these retirement benefits and has chosen to fund the amounts necessary to cover the benefits earned on a pay as you go basis through appropriations made in the General Fund operating budget. There were no contributions made by employees. The Town's obligation to contribute to this plan is established and may be amended by the North Carolina General Assembly. Administration costs of the Separation Allowance are financed through investment earnings. The Town paid \$1,126 as benefits came due for the reporting period.

**Town of Micro, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2021**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B - Liabilities (continued)**

**1. Pension Plan and Postemployment Obligations (continued)**

***b. Law Enforcement Officers' Special Separation Allowance (continued)***

***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 total pension liability of \$8,976. The total pension liability was measured as of December 31, 2020 based on a December 31, 2019 actuarial valuation. The total pension liability was then rolled forward to the measurement date of December 31, 2020 utilizing update procedures incorporating the actuarial assumptions. For the year ended June 30, 2021, the Town recognized pension expense of \$225.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 2,286	\$ 5,320
Changes of assumptions	2,562	362
<b>Total</b>	<b>\$ 4,848</b>	<b>\$ 5,682</b>

\$0 paid as benefits came due subsequent to the measurement date have been reported as deferred outflows of resources. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2022	\$ (3,294)
2023	1,026
2024	994
2025	440
2026	-
Thereafter	-

*Sensitivity of the Town's total pension liability to changes in the discount rate.* The following presents the Town's total pension liability calculated using the discount rate of 1.93 %, as well as what the Town's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (0.93 %) or 1-percentage-point higher (2.93 %) than the current rate:

	<b>1% Decrease (0.93%)</b>	<b>Discount rate (1.93%)</b>	<b>1% Increase (2.93%)</b>
Total pension liability	\$ 9,632	\$ 8,976	\$ 8,357

**Town of Micro, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2021**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B - Liabilities (continued)**

1. Pension Plan and Postemployment Obligations (continued)

*b. Law Enforcement Officers' Special Separation Allowance (continued)*

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

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

	<u>2021</u>
Beginning balance	\$ 5,124
Service Cost	413
Interest on the total pension liability	149
Differences between expected and actual experience in the measurement of the total pension liability	1,226
Changes of assumptions or other inputs	3,190
Benefits payments	<u>(1,126)</u>
Ending balance of the total pension liability	<u><u>\$ 8,976</u></u>

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

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2010 through December 31, 2014.

**Town of Micro, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2021**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B - Liabilities (continued)**

**1. Pension Plan and Postemployment Obligations (continued)**

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

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

	<b>LGERS</b>	<b>LEOSSA</b>	<b>Total</b>
Pension Expense	\$ 22,376	\$ 225	\$ 22,601
Pension Liability	61,820	8,976	70,796
Proportionate share of the net pension liability	0.00173%	n/a	
 Deferred of Outflows of Resources			
Differences between expected and actual experience	7,807	2,286	10,093
Changes of assumptions	4,601	2,562	7,163
Net difference between projected and actual earnings on plan investments	8,700	-	8,700
Changes in proportion and differences between contributions and proportionate share of contributions	13,394	-	13,394
Benefit payments and administrative costs paid subsequent to the measurement date	22,176	-	22,176
 Deferred of Inflows of Resources			
Difference between expected and actual experience	-	5,320	5,320
Changes of assumptions	-	362	362
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-

**c. Supplemental Retirement Income Plan for Law Enforcement Officers**

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

*Funding Policy.* Article 12E of G.S. Chapter 143 requires the Town to contribute each month an amount equal to five percent of each officer's salary, and all amounts contributed are vested immediately. Also, the law enforcement officers may make voluntary contributions to the plan.



**Town of Micro, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2021**

**NOTE 3 - 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 Government Employees' Retirement System (Death Benefit Plan), a multi-employer, State-administered, cost sharing plan funded on a one-year term cost basis. The beneficiaries of those employees who die in active service after one year of contributing membership in the System, or who die within 180 days after retirement or termination of service and have at least one year of contributing membership service in the System at the time of death are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the employee's 12 highest months' salary in a row during the 24 months prior to the employee's death, but the benefit may not exceed \$50,000 or be less than \$25,000. All death benefit payments are made from the Death Benefit Plan.

The Town has no liability beyond the payment of the 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**

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

Contributions to pension plan in current fiscal year	\$ 22,176
Differences between expected and actual experience	10,093
Changes of assumptions	7,163
Net difference between projected and actual	8,700
Changes in proportion and differences between Town contributions and proportionate share of contributions	13,394
<b>Total</b>	<b>\$ 61,526</b>

**Town of Micro, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2021**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B - Liabilities (continued)**

3. Deferred Outflows and Inflows of Resources (continued)

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

	Statement of Net Position	General Fund Balance Sheet
Taxes Receivable, less penalties (General Fund)	\$ -	\$ 31,196
Changes in assumptions	362	-
Differences between expected and actual experience	5,320	-
<b>Total</b>	<b>\$ 5,682</b>	<b>\$ 31,196</b>

4. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the Town obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels.

Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the Town upon request.

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 Director is individually bonded for \$60,000. The remaining employees that have access to cash are covered under a blanket insurance policy for \$50,000.

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

The Town does not carry flood insurance, as the Town does not feel that, based on the location of their assets, the added cost of flood insurance is justifiable.

**Town of Micro, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2021**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B - Liabilities (continued)**

5. Long-Term Obligations

a. Installment Purchase

The Town has entered a direct placement installment purchase contract, the terms of these installment purchases are as follows:

*Governmental Activities:*

Annual debt service payments of the installment purchase as of June 30, 2021, including \$173 of interest, are as follows:

Years Ending <u>June 30:</u>	<u>Governmental Activities</u>	
	<u>Installment Purchases</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 1,809	\$ 115
2023	1,855	58
	<u>\$ 3,664</u>	<u>\$ 173</u>

b. General Obligation Indebtedness

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

**Town of Micro, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2021**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B - Liabilities (continued)**

6. Long-Term Obligations (continued)

Bonds payable at June 30, 2021 are comprised of the following individual issues:

c. General Obligation Bonds

Years Ending	<u>Business-type Activities</u>	
	Notes Payable	
	Principal	Interest
<u>June 30:</u>		
2022	\$ 13,000	\$ 4,250
2023	14,000	3,600
2024	14,000	2,900
2025	14,000	2,350
2026	14,000	950
2027	5,000	650
	<u>\$ 74,000</u>	<u>\$ 14,700</u>

d. Revenue Bond

The Town entered into a revenue bond anticipation note with USDA on November 19, 2019 to help with improvements on the Town's Water and Wastewater systems. The note will be paid in 40 annual payments with an interest rate of 1.75%.

Years Ending	<u>Business-type Activities</u>	
	Notes Payable	
	Principal	Interest
<u>June 30:</u>		
2022	\$ 15,000	\$ 14,035
2023	15,000	13,772
2024	16,000	13,510
2025	16,000	13,230
2026	16,000	12,950
2027-2031	85,000	61,618
2032-2036	93,000	54,319
2037-2041	102,000	46,007
2042-2046	110,000	36,958
2047-2051	120,000	27,158
2052-2056	131,000	16,483
2057-2059	83,000	4,919
	<u>\$ 802,000</u>	<u>\$ 314,959</u>

**Town of Micro, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2021**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**B - Liabilities (continued)**

6. Long-Term Obligations (continued)

d. Revenue Bond (continued)

The Town was not in compliance with the covenants as to rates, fees, rentals and charges in Section 3.04 of the Bond Order, authorizing the issue of the Water and Sewer Revenue Bonds, Series 2011. Section 3.04 of the Bond Order requires the debt service coverage ratio to be no less than 110%.

Operating revenues	\$ 301,057
Operating expenses*	286,520
Operating income	<u>14,537</u>
Nonoperating revenues (expenses)**	<u>8,398</u>
Income available for debt service	<u>\$ 22,935</u>

Net revenues must be no less than 110% for current year  
debt service requirement:

Debt service, principal and interest paid (revenue bond only)	<u>29,297</u>
Debt service ratio	78%

Net revenues must be no less than 110% of the amount necessary  
to pay annual debt service obligation on subordinated indebtedness

Debt service on subordinated indebtedness	None
Debt service on subordinated indebtedness percent coverage	-

\* Per rate covenants, this does not include the depreciation expense of \$85,466.

\*\* Per rate covenants, this does not include interest paid of \$18,648.

**Town of Micro, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2021**

e. Changes in Long-Term Liabilities

The following is a summary of changes in the Town's long-term obligations as of June 30, 2021.

	Beginning			Ending	Current
	Balances	Increases	Decreases	Balances	Portion
<b>Governmental activities:</b>					
Installment purchase	\$ 5,419	\$ -	\$ 1,755	\$ 3,664	\$ 1,755
Net pension obligation (LGERS)	26,074	12,254	-	38,328	-
Total pension obligation (LEO)	5,124	3,852	-	8,976	-
Compensated absences	2,624	-	-	2,624	-
Governmental activity					
long-term liabilities	<u>\$ 39,241</u>	<u>\$ 16,106</u>	<u>\$ 1,755</u>	<u>\$ 53,592</u>	<u>\$ 1,755</u>
 <b>Business-type activities:</b>					
	Beginning			Ending	Current
	Balances	Increases	Decreases	Balances	Portion
General obligation bonds	\$ 87,000	\$ -	\$ 13,000	\$ 74,000	\$ 13,000
Revenue bonds	817,000	-	15,000	802,000	15,000
Net pension obligation (LGERS)	15,982	7,510	-	23,492	-
Compensated absences	2,624	-	-	2,624	-
Business-type activity					
long-term liabilities	<u>\$ 922,606</u>	<u>\$ 7,510</u>	<u>\$ 28,000</u>	<u>\$ 902,116</u>	<u>\$ 28,000</u>

The General Fund provides the resources for the retirement of compensated absences payable. The Town's legal debt limit is 8.0% of the Town's assessed value of taxable property. The Town's legal debt margin as of June 30, 2021, amounts to approximately \$2,114,516.

**Town of Micro, North Carolina**  
**Notes to the Financial Statements (continued)**  
**June 30, 2021**

**NOTE 3 - DETAIL NOTES ON ALL FUNDS (continued)**

**C - Interfund Balances and Activity**

From the General Fund to Water Fund	\$ 11,410
Total	<u>\$ 11,410</u>

The interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**D - Fund Balance**

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

<i>Total fund balance - General Fund</i>	\$ 110,441
Less:	
Stabilization by State Statute	15,932
Streets	67,450
<b>Remaining fund balance</b>	<b>27,059</b>

There were no outstanding encumbrances at June 30, 2021.

**NOTE 4 - 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 monies.

**NOTE 5 - SUBSEQUENT EVENTS**

Subsequent events were evaluated through April 14, 2023, which is the date the financial statements were available to be issued.

## Required Supplementary Financial Data

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

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- Schedule of Proportionate Share of Net Pension Liability for Local Government Employees' Retirement System.
- Schedule of Contributions to Local Government Employees' Retirement System.
- Schedule of Changes in Total Pension Liability.
- Schedule of Total Pension Liability as a Percentage of Covered Payroll.



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

**Local Government Employees' Retirement System**

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Micro's proportionate share of the net pension liability (%)	0.00173%	0.00154%	0.00066%	0.06500%	0.00028%	0.00033%	0.00049%	0.00049%
Micro's proportionate share of the net pension liability (\$)	\$ 61,820	\$ 42,056	\$ 15,657	\$ 9,930	\$ 5,944	\$ 1,481	\$ (2,123)	\$ 4,822
Micro's covered payroll	\$ 120,482	\$ 118,518	\$ 50,340	\$ 30,567	\$ 28,934	\$ 26,999	\$ 25,759	\$ 26,449
Micro's proportionate share of the net pension liability as a percentage of its covered-employee payroll	51.31%	35.48%	31.10%	32.49%	20.54%	5.49%	-8.24%	18.23%
Plan fiduciary net position as a percentage of the total pension liability**	91.63%	94.18%	91.47%	98.09%	99.07%	102.64%	94.35%	96.45%

\* The amounts presented are for the prior fiscal year.

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

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

**Local Government Employees' Retirement System**

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required contribution	\$ 22,176	\$ 10,783	\$ 9,903	\$ 4,636	\$ 3,148	\$ 2,783	\$ 2,442	\$ 2,385
Contributions in relation to the contractually required contribution	22,176	10,783	9,903	4,636	3,148	2,783	2,442	2,385
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Micro's covered-employee payroll	\$ 195,844	\$ 120,482	\$ 118,518	\$ 50,340	\$ 30,567	\$ 28,934	\$ 26,999	\$ 25,759
Contributions as a percentage of covered-employee payroll	11.32%	8.95%	8.36%	9.21%	10.30%	9.62%	9.04%	9.26%

**Town of Micro, North Carolina**  
**Schedule of Changes in Total Pension Liability**  
**Law Enforcement Officer's Special Separation Allowance**  
**June 30, 2021**

	2021	2020	2019	2018	2017
Beginning balance	\$ 5,124	\$ 21,783	\$ 20,398	\$ 1,853	\$ 2,411
Service Cost	413	920	1,184	915	413
Interest on the total pension liability	149	772	627	50	68
Differences between expected and actual experience in the measurement of the total pension liability	1,226	(17,278)	1,969	17,125	(7)
Changes of assumptions or other inputs	3,190	53	(1,269)	1,581	(1,032)
Benefit payments	(1,126)	(1,126)	(1,126)	(1,126)	-
Other changes	-	-	-	-	-
Ending balance of the total pension liability	<u>\$ 8,976</u>	<u>\$ 5,124</u>	<u>\$ 21,783</u>	<u>\$ 20,398</u>	<u>\$ 1,853</u>

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

**Town of Micro, North Carolina**  
**Schedule of Total Pension Liability as a Percentage of Covered Payroll**  
**Law Enforcement Officer's Special Separation Allowance**  
**June 30, 2021**

	2021	2020	2019	2018	2017
Total pension liability	\$ 8,976	\$ 5,124	\$ 21,783	\$ 20,398	\$ 1,853
Covered payroll	23,240	41,412	31,956	26,633	27,098
Total pension liability as a percentage of covered payroll	38.62%	12.37%	68.17%	76.59%	6.84%

Notes to the schedules:

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

## **Individual Fund Statements and Schedules**

## **Governmental Funds**

***General Fund*** – This fund accounts for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in other funds.

**Town of Micro, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance -**  
**Budget and Actual**  
**For the Year Ended June 30, 2021**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues:</b>			
<b>Ad valorem taxes:</b>			
Taxes	\$	\$ 131,337	\$
<b>Total</b>	<u>131,000</u>	<u>131,337</u>	<u>337</u>
<b>Unrestricted intergovernmental:</b>			
Local option sales tax		60,431	
Telecommunications sales tax		1,544	
Video programming tax		748	
Utilities sales tax		20,245	
Beer and wine tax		1,971	
ABC profit distribution		3,455	
Zoning permits		300	
<b>Total</b>	<u>98,800</u>	<u>88,694</u>	<u>(10,106)</u>
<b>Restricted intergovernmental:</b>			
Powell bill allocation		13,529	
Solid waste disposal tax		351	
<b>Total</b>	<u>13,100</u>	<u>13,880</u>	<u>780</u>
<b>Sales and services:</b>			
Garbage fees		43,350	
<b>Total</b>	<u>44,000</u>	<u>43,350</u>	<u>(650)</u>
<b>Investment earnings</b>	<u>-</u>	<u>65</u>	<u>65</u>
<b>Miscellaneous:</b>			
Rent		11,480	
Miscellaneous		12,981	
<b>Total</b>	<u>15,740</u>	<u>24,461</u>	<u>8,721</u>
<b>Total revenues</b>	<u>\$ 302,640</u>	<u>\$ 301,787</u>	<u>\$ (853)</u>

**Town of Micro, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance -**  
**Budget and Actual (continued)**  
**For the Year Ended June 30, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Expenditures:</b>			
<b>General government:</b>			
<b>Governing body:</b>			
Salaries and employee benefits	\$	\$ 2,126	\$
Other operating expenditures		1,583	
<b>Total</b>	<u>2,831</u>	<u>3,709</u>	<u>(878)</u>
<b>Administration:</b>			
Salaries and employee benefits		17,795	
Other operating expenditures		38,653	
<b>Total</b>	<u>55,143</u>	<u>56,448</u>	<u>(1,305)</u>
<b>Total general government</b>	<u>57,974</u>	<u>60,157</u>	<u>(2,183)</u>
<b>Public safety:</b>			
<b>Police department:</b>			
Salaries and employee benefits		131,657	
Other operating expenditures		11,363	
<b>Total</b>	<u>119,325</u>	<u>143,020</u>	<u>(23,695)</u>
<b>Fire:</b>			
Other operating expenditures		28,038	
<b>Total</b>	<u>21,000</u>	<u>28,038</u>	<u>(7,038)</u>
<b>Total public safety</b>	<u>140,325</u>	<u>171,058</u>	<u>(30,733)</u>
<b>Transportation:</b>			
<b>Streets and highways:</b>			
Other operating expenditures		15,599	
<b>Total transportation</b>	<u>\$ 10,000</u>	<u>\$ 15,599</u>	<u>\$ (5,599)</u>



**Town of Micro, North Carolina**  
**General Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance -**  
**Budget and Actual (continued)**  
**For the Year Ended June 30, 2021**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Environmental protection:</b>			
Salaries and employee benefits	\$	\$ 23,054	\$
Other operating expenditures		38,773	
<b>Total</b>	<u>91,841</u>	<u>61,827</u>	<u>30,014</u>
<b>Cultural and recreation:</b>			
Operating expenditures		656	
<b>Total</b>	<u>2,500</u>	<u>656</u>	<u>1,844</u>
<b>Debt service:</b>			
Principal retirement		1,755	
Interest and other charges		169	
<b>Total</b>	<u>-</u>	<u>1,924</u>	<u>(1,924)</u>
<b>Total expenditures</b>	<u>302,640</u>	<u>311,221</u>	<u>(8,581)</u>
<b>Revenues over (under) expenditures</b>	<u>-</u>	<u>(9,434)</u>	<u>(9,434)</u>
Fund balance appropriated	-	-	-
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>(9,434)</u>	<u>\$ (9,434)</u>
<b>Fund balances, beginning</b>		119,875	
<b>Fund balances, ending</b>		<u>\$ 110,441</u>	

## Enterprise Funds

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Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of net income is appropriate for accountability purposes.

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***Water and Sewer Fund*** - This fund is used to account for the Town's water and sewer operations.

**Town of Micro, North Carolina**  
**Water and Sewer Fund**  
**Schedule of Revenues and Expenditures, and Changes in Fund Balances -**  
**Budget and Actual (Non-GAAP)**  
**For the Year Ended June 30, 2021**

	<b>Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>Revenues:</b>			
<b>Operating revenues:</b>			
Water sales	\$	\$ 132,892	\$
Sewer sales		166,415	
Water and sewer taps		1,750	
<b>Total</b>	<u>380,250</u>	<u>301,057</u>	<u>(79,193)</u>
<b>Non-operating revenues:</b>			
Interest income		119	
Other		8,208	
<b>Total</b>	<u>49,135</u>	<u>8,327</u>	<u>(40,808)</u>
<b>Total revenues</b>	<u>429,385</u>	<u>309,384</u>	<u>(120,001)</u>
<b>Expenditures:</b>			
<b>Water and Sewer Administration:</b>			
Water salaries and benefits		3,256	
Other operating expenditures		22,081	
<b>Total</b>	<u>25,378</u>	<u>25,337</u>	<u>41</u>
<b>Water Distribution:</b>			
Water salaries and benefits		110,426	
Other operating expenditures		15,292	
<b>Total</b>	<u>182,865</u>	<u>125,718</u>	<u>57,147</u>
<b>Water Collection and Treatment</b>			
Treatment charges		90,630	
Electricity - lift station		7,265	
Maintenance and repair system		35,667	
Other operating expenditures		1,828	
<b>Total</b>	<u>\$ 199,872</u>	<u>\$ 135,390</u>	<u>\$ 64,482</u>

**Town of Micro, North Carolina**  
**Water and Sewer Fund**  
**Schedule of Revenues and Expenditures, and Changes in Fund Balances -**  
**Budget and Actual (Non-GAAP) (continued)**  
**For the Year Ended June 30, 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>Debt service:</b>			
Principal payments		\$ 28,000	
Interest and other charges		18,648	
<b>Total</b>	<u>46,648</u>	<u>46,648</u>	<u>-</u>
 <b>Total expenditures</b>	 <u>429,385</u>	 <u>333,093</u>	 <u>96,292</u>
 <b>Revenues over (under) expenditures</b>	 <u>-</u>	 <u>(23,709)</u>	 <u>(23,709)</u>
 <b>Revenues, other financing sources (uses) over (under) expenditures</b>	 <u>\$ -</u>	 <u>(23,709)</u>	 <u>\$ (23,709)</u>
 <b>Reconciling items:</b>			
Depreciation		(85,466)	
Principal payments		28,000	
Increase in outflows of resources - pensions		7,435	
Increase in net pension liability		<u>(7,510)</u>	
<b>Total reconciling items</b>		<u>(57,541)</u>	
 <b>Change in net position</b>		 <u>\$ (81,250)</u>	

## Other Schedules

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**This section contains additional information on property taxes.**

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

**Town of Micro, North Carolina**  
**Schedule of Ad Valorem Taxes Receivable**  
**June 30, 2021**

<b><u>Fiscal Year</u></b>	<b><u>Uncollected Balances June 30, 2020</u></b>	<b><u>Additions</u></b>	<b><u>Collections and Credits</u></b>	<b><u>Uncollected Balances June 30, 2021</u></b>
2020-2021	\$ -	\$ 145,373	\$ 132,901	\$ 12,472
2019-2020	12,529	-	165	12,364
2018-2019	7,476	-	-	7,476
2017-2018	-	-	-	-
2016-2017	-	-	-	-
2015-2016	-	-	-	-
2014-2015	-	-	-	-
2013-2014	83	-	-	83
2012-2013	1,156	-	824	332
2011-2012	131	-	131	-
	<u>\$ 21,375</u>	<u>\$ 145,373</u>	<u>\$ 134,021</u>	<u>32,727</u>

Less: allowance for uncollectible accounts - General Fund	<u>1,531</u>
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<b>Ad valorem taxes receivable - net</b>	<b><u>\$ 31,196</u></b>
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**Reconciliation with revenues:**

Ad valorem taxes - General Fund	\$ 131,337
Reconciling items:	
Interest and lien advertising collected	3,965
Other	<u>(1,281)</u>
<b>Total collections and credits</b>	<b><u>\$ 134,021</u></b>

**Town of Micro, North Carolina**  
**Analysis of Current Year Tax Levy**  
**June 30, 2021**

	Town-Wide Levy			Total Levy	
	Property Valuation	Rate	Total Levy	Property Excluding Registered Motor Vehicles	Registered Motor Vehicles
<b>Original levy:</b>					
Property Tax	\$ 26,431,455	0.55	\$ 145,373	\$ 127,647	\$ 17,726
Total	<u>26,431,455</u>		<u>145,373</u>	<u>127,647</u>	<u>17,726</u>
<b>Total property valuation</b>	<u><u>\$ 26,431,455</u></u>				
<b>Net levy</b>			145,373	127,647	17,726
<b>Uncollected taxes at June 30, 2021</b>			<u>(12,472)</u>	<u>(12,472)</u>	<u>-</u>
<b>Current year's taxes collected</b>			<u><u>\$ 132,901</u></u>	<u><u>\$ 115,175</u></u>	<u><u>\$ 17,726</u></u>
<b>Current levy collection percentage</b>			<u><u>91.42%</u></u>	<u><u>90.23%</u></u>	<u><u>100.00%</u></u>

## **Compliance Section**





# S. Preston Douglas & Associates, LLP

CERTIFIED PUBLIC ACCOUNTANTS

## MEMBERS

American Institute of CPAs

N. C. Association of CPAs

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

To the Honorable Mayor and  
Members of the Board of commissioners  
Micro, North Carolina

We have audited, 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, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Micro, North Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Micro's basic financial statements and have issued our report thereon dated April 14, 2023.

#### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Micro's internal control over financial reporting (internal control) to determine the 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 Micro's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

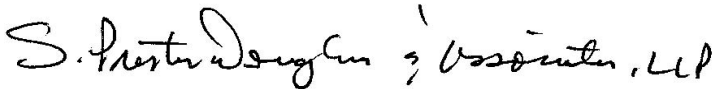
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses (items 2021-001, 2021-002, 2021-003, 2021-004, 2021-005, 2021-006).

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Micro'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 determination of financial statement amounts. 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 of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2021-003 and 2021-004.

### 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.

Handwritten signature of S. Preston Douglas in black ink.

Lumberton, North Carolina  
April 14, 2023

**Town of Micro, North Carolina**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2021**

<b>Section I. Summary of Auditor's Results</b>
--

**Financial Statements**

Type of auditor's report issued:

Unmodified.

Internal control over financial reporting:

- |  |       |     |       |               |
|--|-------|-----|-------|---------------|
| • Material weakness(es) identified?  | _X_   | yes | _____ | no            |
| • Significant deficiency(s) identified that are not considered to be material weaknesses | _____ | yes | _X_   | none reported |
| • Noncompliance material to financial statements   | _X_   | yes | _____ | no            |

**Town of Micro, North Carolina**  
**Schedule of Findings and Questioned Costs (continued)**  
**For the Year Ended June 30, 2021**

<b>Section II. Financial Statement Findings</b>
---

**MATERIAL WEAKNESS**

**Finding: 2021 - 001    Bank Reconciliations**

**Criteria:** All bank accounts should be reconciled monthly to ensure proper internal controls over cash are maintained, and to ensure that management receives accurate and timely financial reports to make decisions with during the year.

**Condition:** For all twelve months of the fiscal year and the previous fiscal year, the Town's main operating bank account was not reconciled in a timely manner. Therefore, accounting personnel could not provide management with financial reports that were accurate and timely.

**Effect:** Bank reconciliations serve as an important internal control over cash and can identify errors, irregularities, and other adjustments to improve accuracy of accounting records. When bank reconciliations are not performed on a timely basis there is a potential that the Town does not identify errors, irregularities, and other adjustments to accounting records on a timely basis.

**Cause:** During FY20/21, the Town Clerk/Finance Officer was the only person in the office to handle all the duties of both the Town Clerk and the Finance Officer, as well as the Utility Clerk taking in utility payments and assisting customers. As a result, some work was not completed in a timely manner, such as the monthly bank reconciliations.

**Repeat Finding:** This is a repeat finding from the immediate previous audit, 2020-001.

**Recommendation:** We recommend that the Town implement procedures to ensure proper reconciliation of all bank accounts in an accurate and timely manner in future years.

**View of responsible officials and planned corrective actions:**

The Town agrees with the finding and agrees to adhere to the correction action plan on page 67.

**Town of Micro, North Carolina**  
**Schedule of Findings and Questioned Costs (continued)**  
**For the Year Ended June 30, 2021**

<b>Section II. Financial Statement Findings (continued)</b>
---

**MATERIAL WEAKNESS**

**Finding: 2021 - 002   Segregation of Duties**

Criteria:                      Segregation of duties provide checks and balances to reduce possibilities for misstatements resulting from errors in judgements, dishonesty, personal carelessness, distraction, and fatigue.

Condition:                    The Town has a limited number of personnel for accounting functions which creates inherent limitations on the effectiveness of certain controls due to the lack of segregation of duties among the Town's personnel.

Effect:                        Potential misstatement of financial statements

Cause:                        The Town has a limited number of personnel for accounting functions which creates inherent limitations on the effectiveness of certain controls due to the lack of segregation of duties among the Town's personnel.

Repeat Finding:            This is a repeat finding from the immediate previous audit, 2020-002.

Recommendation:        The board should continually keep in mind that internal controls are limited due to the size of the Town's staff.

Views of responsible officials and planned corrective actions:

The Town agrees with the finding and agrees to adhere to the correction action plan on page 67.

**Town of Micro, North Carolina**  
**Schedule of Findings and Questioned Costs (continued)**  
**For the Year Ended June 30, 2021**

<b>Section II. Financial Statement Findings (continued)</b>
---

**MATERIAL WEAKNESS/MATERIAL NONCOMPLIANCE**

**Finding: 2021 - 003      Excess of Expenditures over Appropriations**

Criteria:	N.C. General Statute 159-8(a) states that all moneys received and expended by a local government should be included in the budget ordinance.
Condition:	The Town expended more than appropriated in the annual budget ordinance in multiple departments in the General Fund. The number of expenditures that exceeded appropriations were \$2,183, \$30,733, \$5,599, \$1,924, in the general government, public safety, transportation, and debt service department line items, respectively.
Effect:	Expenditures were incurred that had not been budgeted.
Cause:	Excess of expenditures were a result of financial records not being entered into the financial system in a timely manner so that the Town could not monitor reports at frequent intervals to ensure budgetary compliance.
Repeat Finding:	This is a repeat finding from the immediate previous audit, 2020-003.
Recommendation:	Management should closely monitor the budget versus actual statements to ensure actual expenditures are within budgetary constraints.
Views of responsible officials and planned corrective actions:	
	The Town agrees with the finding and agrees to adhere to the correction action plan on page 68.

**Town of Micro, North Carolina**  
**Schedule of Findings and Questioned Costs (continued)**  
**For the Year Ended June 30, 2021**

<b>Section II. Financial Statement Findings (continued)</b>
---

**MATERIAL WEAKNESS/MATERIAL NONCOMPLIANCE**

**Finding: 2021 - 004      Late Audit Submission**

Criteria:                      N.C. General Statute 159-34(a) states the Town should have its accounts audited as soon as possible after the close of each fiscal year by a certified public accountant. The deadline to submit June 30 year end audits to the Local Government Commission is October 31. The October 31 deadline includes a grace period from November 1 to December 1, in which there are no additional documents or notifications needed.

Condition:                    The June 30, 2021 audit which was due October 31, 2021, was submitted on January 27, 2023.

Effect:                        The governing body of the Board, management, and other cognitive agencies did not receive the results of the audit in a timely manner. Particularly in situations where the independent audit identifies any of the following: 1) findings 2) management letter comments for improvements 3) negative financial trends that need to disclose and addressed, a late audit would potentially delay timely and appropriate corrective actions.

Cause:                        Management and the board did not prioritize the timely submission of the audit.

Repeat Finding:            This is a repeat finding from the immediate previous audit, 2020-004.

Recommendation:        We recommend that the Board considers hiring additional resources to support the Finance Officer and other business office staff.

Views of responsible officials and planned corrective actions:

The Town agrees with the finding and agrees to adhere to the correction action plan on page 68.

**Town of Micro, North Carolina**  
**Schedule of Findings and Questioned Costs (continued)**  
**For the Year Ended June 30, 2021**

<b>Section II. Financial Statement Findings (continued)</b>
---

**MATERIAL WEAKNESS**

**Finding: 2021 - 005      Financial Reporting and Record Keeping**

Criteria:                      Accrued liability accounts should be accurate and reviewed monthly to ensure that financial reporting is accurate and reliable.

Condition:                      The Town did not properly account for accrued FICA and ORBIT retirement liability accounts and the related payroll expenditures accounts during the fiscal year ended June 30, 2021.

Effect:                              By not properly recording the financial transactions, this decreases the accuracy and reliability of the financial information provided to the Town’s Board of Commissioners who require an accurate assessment of the Town’s financial position on a routine basis.

Cause:                              Lack of management oversight and expertise in financial recording.

Repeat Finding:                      This is not a repeat finding

Recommendation:                      We recommend that the Board considers hiring financial staff with the necessary skills, knowledge, and experience to maintain these accounts.

View of responsible officials and planned corrective actions:

The Town agrees with the finding and agrees to adhere to the correction action plan on page 69.



**Town of Micro, North Carolina**  
**Schedule of Findings and Questioned Costs (continued)**  
**For the Year Ended June 30, 2021**

<b>Section II. Financial Statement Findings (continued)</b>
---

**MATERIAL WEAKNESS**

**Finding 2021-006      Noncompliance with Debt Service Coverage Ratio Requirements**

Criteria:                      In accordance with Water and Sewer Revenue Bonds, Series 2011, Section 3.04 of the Bond Order requires the debt service coverage ratio to be no less than 110%.

Condition:                    The debt service coverage ratio was 78% during the year ended June 30, 2021.

Effect:                        The Town is not in compliance with the debt covenants.

Cause:                        The Finance Director and Town Manager did not review the debt service coverage ratio during the year to anticipate this finding.

Repeat Finding:            This was not a repeat finding.

Recommendation:        We recommend that the Finance Director perform a careful review of the debt service coverage ratio on a quarterly basis.

Views of responsible officials and planned corrective actions:

The Town agrees with the finding and agrees to adhere to the correction action plan on page 69.



## **TOWN OF MICRO, NORTH CAROLINA**

**P.O. Box 9**

**450 US Hwy 301 N.  
Micro, NC 27555**

**Office: 919-284-2572  
Police: 919-284-1355**

### **Correction Action Plan**

#### **MATERIAL WEAKNESS**

##### **Finding: 2021 – 001 Bank Reconciliation**

Name of Contact Person: Marty Parnell, Mayor (supported by Triangle J Council of Government)

Corrective Action: The Town is in process of adding another qualified accounting personnel who is qualified to perform bank reconciliation duties in a timely manner. The position has been advertised and we hope to have someone hired soon. As of the issuance date of these audited financial statements, staff from the Triangle J Council of Governmental are providing support and financial assistance.

Proposed Completion Date: Immediately and ongoing.

#### **SIGNIFICANT DEFICIENCY**

##### **Finding 2021 – 002 Segregation of Duties**

Name of contact person: Marty Parnell, Mayor (supported by Triangle J Council of Government)

Corrective Action: The Town is in process of adding another qualified accounting personnel to separate the business office duties and to have a separate Finance Officer. The position has been advertised and we hope to have someone hired soon. As of the issuance date of these audited financial statements, staff from the Triangle J Council of Governmental are providing support and financial assistance.

Proposed Completion Date: Immediately and ongoing.



## **TOWN OF MICRO, NORTH CAROLINA**

**P.O. Box 9**

**450 US Hwy 301 N.  
Micro, NC 27555**

**Office: 919-284-2572  
Police: 919-284-1355**

### **Correction Action Plan (continued)**

#### **MATERIAL WEAKNESS/MATERIAL NONCOMPLIANCE**

##### **Finding: 2021 – 003 Excess of Expenditures over Appropriations**

Name of Contact Person: Marty Parnell, Mayor (supported by Triangle J Council of Government)

Corrective Action Plan: The Town is in process of adding another qualified accounting personnel to ensure adherence to approved budgets. The position has been advertised and we hope to have someone hired soon. As of the issuance date of these audited financial statements, staff from the Triangle J Council of Governmental have been providing support and financial assistance.

Proposed Completion Date: Immediately and ongoing.

#### **MATERIAL WEAKNESS/MATERIAL NONCOMPLIANCE**

##### **Finding: 2021 – 004 Late Audit Submission**

Name of Contact Person: Marty Parnell, Mayor (supported by Triangle J Council of Government)

Corrective Action: The Town is in process of adding another qualified accounting personnel to ensure adherence to the timely audit submission requirements. The position has been advertised and we hope to have someone hired soon. As of the issuance date of these audited financial statements, staff from the Triangle J Council of Governmental have been providing support and financial assistance.

Proposed Completion Date: Immediately and ongoing.



## **TOWN OF MICRO, NORTH CAROLINA**

P.O. Box 9

450 US Hwy 301 N.  
Micro, NC 27555

Office: 919-284-2572  
Police: 919-284-1355

### **Correction Action Plan (continued)**

#### **MATERIAL WEAKNESS/MATERIAL NONCOMPLIANCE**

##### **Finding: 2021 – 005 Financial Reporting and Record Keeping**

Name of Contact Person: Marty Parnell, Mayor (supported by Triangle J Council of Government)

Corrective Action: The Town is in process of adding another qualified accounting personnel who can provide the necessary skills, knowledge, and experience to maintain the accounting records accurately. The position has been advertised and we hope to have someone hired soon. As of the issuance date of these audited financial statements, staff from the Triangle J Council of Governmental have been providing support and financial assistance.

Proposed Completion Date: Immediately and ongoing.

#### **MATERIAL WEAKNESS**

##### **Finding: 2021 – 006 Noncompliance with Debt Service Coverage Ratio Requirements**

Name of Contact Person: Marty Parnell, Mayor (supported by Triangle J Council of Government)

Corrective Action: The Town is in process of adding another qualified accounting personnel who can provide the necessary skills, knowledge, and experience to make the appropriate adjustments to comply with debt service coverage ratio requirements. The position has been advertised and we hope to have someone hired soon. As of the issuance date of these audited financial statements, staff from the Triangle J Council of Governmental have been providing support and financial assistance.

Proposed Completion Date: Immediately and ongoing.

**Town of Micro, North Carolina**  
**Summary Schedule of Prior Audit Findings**  
**For the Year Ended June 30, 2021**

Finding:	2020-001
Status:	The finding has not been corrected. Similar comment in current year, see Finding 2021-001.
Finding:	2020-002
Status:	The finding has not been corrected. Similar comment in current year, see Finding 2021-002.
Finding:	2020-003
Status:	The finding has not been corrected. Similar comment in current year, see Finding 2021-003.
Finding:	2020-004
Status:	The finding has not been corrected. Similar comment in current year, see Finding 2021-004.
Finding:	2020-005
Status:	The finding has been corrected.
Finding:	2019-001
Status:	The finding has been corrected.
Finding:	2019-002
Status:	The finding has not been corrected. Similar comment in current year, see Finding 2021-002.
Finding:	2019-003
Status:	The finding has not been corrected. Similar comment in current year, see Finding 2021-003.