

**Town of Milton
Milton, North Carolina
For the year ended
June 30, 2021**

**Independent Auditor's Reports
Basic Financial Statements
And
Information Accompanying the
Basic Financial Statements**

Governance

Town Council Members

Patricia Williams, Mayor

Lisa Brandon, Mayor Pro-Tem

John Wallace, Jr.

Cathia Stewart

Valerie Sottile

Administrative and Financial Staff

Sharon Williams, Finance Officer

Town of Milton
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June 30, 2021

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INDEPENDENT AUDITOR'S REPORT

To Honorable Mayor and Town Council
Town of Milton
Milton, North Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Milton, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall 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, and each major fund of the Town of Milton, North Carolina, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison of the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge We obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

Emphasis of Matter

As discussed in Note VI to the financial statements, in January 2020, the World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern." Given the uncertainty of the situation, the duration of any business disruption and related financial impact cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

Eddie Carrick CPA, PC

A handwritten signature in black ink, appearing to read "Eddie Carrick", with a stylized flourish at the end.

Lexington, North Carolina
September 20, 2021

Town of Milton

P.O. Box 85
Milton, NC 27305
336-234-0030

Management's Discussion and Analysis

As management of the Town of Milton, we offer the readers of the Town of Milton's financial statements this narrative overview and analysis of the financial activities of the Town of Milton for the fiscal year ended June 30, 2021. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the Town's financial statements, which follow this narrative.

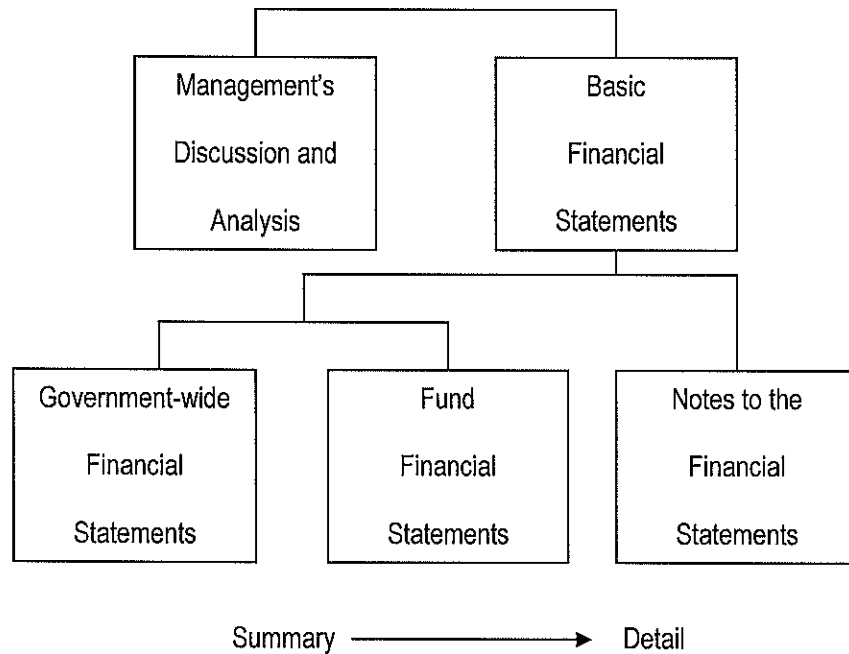
Financial highlights

- The assets of the Town of Milton exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$2,111,249 (*net position*).
- The Town's total net position decreased by \$35,471 primarily due to decreases in the business-type activities net position.
- As of the close of the current fiscal year, the Town of Milton's governmental fund reported combined ending fund balance of \$127,525 with a net increase of \$12,286 in fund balance. Approximately 21 percent of this total amount, or \$27,291, is restricted or assigned.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$100,235, or 134 percent of total General Fund expenditures for the fiscal year.
- The Town's total debt decreased by \$13,000 due to principal payments on water and sewer bonds.

Overview of the Financial Statements

This discussion and analysis is intended to serve as introduction to the Town of Milton's basic financial statements. The Town's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town of Milton.

Required Components of Annual Financial Report
Figure 1



Basic Financial Statements

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

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

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the Town's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Town's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Town's financial status as a whole.

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

The government-wide statements are divided into two categories: 1) governmental activities and 2) business-type activities. The governmental activities include most of the Town's basic services such as general administration. Property taxes and local option sales tax finance most of these activities. The business-type activities are those that the Town charges customers to provide. These include the water and sewer services offered by the Town of Milton.

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

Fund Financial Statements

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

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

The Town of Milton adopts an annual budget for the General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the Town, the management of the Town, and the decisions of the Board about which services to provide and how to pay for them. It also authorizes the Town to obtain funds from identified sources to finance the current period activities.

Management Discussion and Analysis
Town of Milton

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 in 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 differences or variance between the final budget and actual resources and charges. To account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reporting activities is shown at the end of the budgetary statement.

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

Notes to the Financial Statements – The notes provide additional information that is essential to the full understanding of data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 20 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain supplemental information detailing the information provided in the basic financial statements and is presented to allow the reader to gain an in-depth understanding of the financial information presented.

Interdependence with Other Entities - The Town depends on financial resources flowing from, or associated with, both the Federal Government and the State of North Carolina. Because of this dependency, the Town is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign government and other holders of publicly held U.S. Treasury Securities.

Management Discussion and Analysis
Town of Milton

Town of Milton's Net Position (Figure 2)
June 30, 2021 and June 30, 2020

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
Current and other assets	\$ 130,639	\$ 119,116	\$ 67,143	\$ 61,473	\$ 197,782	\$ 180,589
Capital assets	8,640	9,937	2,322,001	2,386,994	2,330,641	2,396,931
Total assets	<u>139,279</u>	<u>129,053</u>	<u>2,389,144</u>	<u>2,448,466</u>	<u>2,528,423</u>	<u>2,577,520</u>
Current liabilities	322	751	9,852	10,048	10,174	10,799
Long-term Liabilities	-	-	407,000	420,000	407,000	420,000
Total liabilities	<u>322</u>	<u>751</u>	<u>416,852</u>	<u>430,048</u>	<u>417,174</u>	<u>430,799</u>
Net position:						
Net investment in						
capital assets	8,640	9,937	1,915,001	1,966,994	1,923,641	1,976,931
Restricted for:						
Stabilization by State Statute	11,253	5,932	-	-	11,253	5,932
Debt service	-	-	-	-	-	-
Unrestricted	<u>119,064</u>	<u>112,433</u>	<u>57,291</u>	<u>51,424</u>	<u>176,355</u>	<u>163,857</u>
Total net position	<u>\$ 138,957</u>	<u>\$ 128,302</u>	<u>\$ 1,972,292</u>	<u>\$ 2,018,418</u>	<u>\$ 2,111,249</u>	<u>\$ 2,146,720</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the Town of Milton exceeded liabilities and deferred inflows by \$2,111,249 as of June 30, 2021. The Town's net position decreased by \$35,471 for the fiscal year ended June 30, 2021. However, the largest portion (91%) reflects the Town's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The Town of Milton uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Milton's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the Town of Milton's net position, \$11,253, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$176,355 is unrestricted.

One particular aspect of the Town's financial operations positively influenced the total unrestricted governmental assets:

- Conservative spending in both the General and Enterprise Funds
- Increase in tax rates as well as sewer rates

Management Discussion and Analysis
Town of Milton

	Town of Milton's Changes in Net Position (Figure 3)					
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues						
Program revenues:						
Charges for services	\$ -	\$ -	\$ 131,724	\$ 125,138	\$ 131,724	\$ 125,138
Operating grants and revenues	-	-	-	-	-	-
General revenues:						
Property taxes	52,617	40,740	-	-	52,617	40,740
Other taxes	25,488	22,686	-	-	25,488	22,686
Unrestricted intergovernmental revenues	8,422	8,609	-	-	8,422	8,609
Investment earnings	20	1,292	-	-	20	1,292
Miscellaneous income	225	20	-	-	225	20
Total revenues	86,772	73,347	131,724	125,138	218,496	198,485
Expenses:						
General government	76,116	60,655	-	-	76,116	60,655
Transportation	-	-	-	-	-	-
Water and Sewer	-	-	177,850	189,538	177,850	189,538
Total expenses	76,116	60,655	177,850	189,538	253,966	250,193
Increase (decrease) in net position before transfers	10,655	12,692	(46,126)	(64,400)	(35,471)	(51,708)
Transfers	-	(10,000)	-	10,000	-	-
Increase (decrease)	10,655	2,692	(46,126)	(54,400)	(35,471)	(51,708)
Net position July 1	128,302	125,610	2,018,418	2,072,817	2,146,720	2,198,427
Net position June 30	\$ 138,957	\$ 128,302	\$ 1,972,292	\$ 2,018,418	\$ 2,111,249	\$ 2,146,720

Governmental activities – Governmental activities increased the Town's net position by \$10,655, thereby accounting for 100% of the total increase in the net position of the Town of Milton. Town management reduced non-essential programs to a minimum and implemented cost saving strategies across Town departments. Tax revenue did not appreciably decline in the current year. Town management acknowledges that 2021 was a successful year and plans on improving upon these approaches as a long-term strategy to realize continued fiscal health.

Key elements of this increase are as follows:

- During the current fiscal year, the Town remained conservative in all spending
- Increase in tax rates
- Diligent collection practices resulted in increased collection rates

Management Discussion and Analysis Town of Milton

Business-type activities – Business-type activities decreased the Town's net position by \$46,126, accounting for 100% of the total decrease in the Town's net position. Key elements of this decrease are as follows:

- Depreciation in the amount of \$64,993
- An increase in water tank maintenance and repairs costs

Financial Analysis of the Town's Funds

As noted earlier, the Town 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. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, the Town of Milton's fund balance available in the General Fund was \$100,235, while total fund balance reached \$127,525. The Town currently has an available fund balance of 134% of general fund expenditures, while total fund balance represents 170% of the same amount.

At June 30, 2021, the governmental funds of the Town of Milton reported a combined fund balance of \$127,525, a 10% percent increase from last year. The General Fund is included in this combined amount.

General Fund Budgetary Highlights: Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

During the fiscal year ended June 30, 2021, the Town of Milton revised the budget to account for the Board approved transfer to the Water Sewer Fund. Actual General Fund expenditures amounted to \$3,931 less than the final budgeted amount.

Proprietary Funds. The Town of Milton's proprietary fund provides the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to \$57,291. The total decrease in net position for the Water and Sewer fund was \$46,126. The change in net position in the Water and Sewer Fund is a result of actual expenses, which includes depreciation, exceeding revenues.

Capital Asset and Debt Administration

Capital Assets. The Town's investment in capital assets for its governmental activities and business-type activities as of June 30, 2021, totals \$2,330,641 (net of accumulated depreciation). These assets include buildings, land, streets and sidewalks, and water plant and distribution system.

Management Discussion and Analysis
Town of Milton

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

	<i>Governmental</i>		<i>Business-type</i>		<i>Total</i>	
	<i>Activities</i>		<i>Activities</i>			
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
Land	\$ 1,000	\$ 1,000	\$ 53,983	\$ 53,983	\$ 54,983	\$ 54,983
Buildings	-	-	-	-	-	-
Street improvements and sidewalks	7,640	8,732	-	-	7,640	8,732
Furniture and equipment	-	205	4,046	4,254	4,046	4,459
Plant & distribution systems	-	-	2,263,972	2,328,757	2,263,972	2,328,757
	<u>\$ 8,640</u>	<u>\$ 9,937</u>	<u>\$ 2,322,001</u>	<u>\$ 2,386,994</u>	<u>\$ 2,330,641</u>	<u>\$ 2,396,931</u>

Additional information regarding the Town of Milton's capital assets can be found in Note III.A.4 of this report.

Long-term Debt. As of June 30, 2021, the Town had total bonded debt outstanding of \$407,000. This debt is backed by the full faith and credit of the Town.

	<i>Governmental</i>		<i>Business-type</i>		<i>Total</i>	
	<i>Activities</i>		<i>Activities</i>			
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
Direct Placement:						
Water Bonds	\$ -	\$ -	\$ -	\$ 4,000	\$ -	\$ 4,000
WWTP Bonds	-	-	407,000	416,000	407,000	416,000
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 407,000</u>	<u>\$ 420,000</u>	<u>\$ 407,000</u>	<u>\$ 420,000</u>

Town of Milton's Outstanding Debt

The Town's total debt decreased by \$13,000 due to principal payments on the water and WWTP bonds for water and sewer improvements. The Town incurred no new debt during 2021.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for the Town of Milton is \$1,226,491.

Additional information regarding the Town of Milton's long-term debt can be found in Note III.B.4 of this report.

Management Discussion and Analysis
Town of Milton

Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of Milton:

- The employment rate is anticipated to remain relatively stable for the fiscal year ending June 30, 2022, however Milton is experiencing an aging population, which may result in reduced revenues.

Budget Highlights for the Fiscal Year Ending June 30, 2022

Governmental Activities: The increase in property tax from \$0.35/100 to \$0.45/100 valuation allowed Milton to replace four non-working fire hydrants at a cost of \$20,283 in FY2021, and also allowed for more grounds maintenance services.

The Town has chosen to appropriate a Miscellaneous (un-reserved) fund balance in the fiscal year 2022 budget. Management believes that increased revenues and continued restrictions on spending will maintain the Town's financial position. As the Town considers future revenue sources, it has determined that a \$0.01 increase in the property tax rate will result in additional revenues of approximately \$1,104 at current values and collection rate. Though management believes current growth will generate enough revenue to support Town operations, a careful analysis of property tax revenue will be considered in future years' budgets.

Business-type Activities: FY21 was the first time in the tenure of the current Town Council and Finance Officer that the Town of Milton was able to meet the increased repair and maintenance expense of the Water/Sewer system without using general fund monies to subsidize the Water Fund. This can be attributed to the water rate increase implemented for FY21, and also some Covid relief aid to Milton citizens toward their water invoices. Repair and maintenance cost continue to rise, due to the aging system and the repair and replacement of worn or broken parts and pumps. In FY21, 6 pump assemblies and 12 pumps were purchased to replace non-working pumps. Numerous road leaks also accounted for approximately \$5,000 in additional cost. The water tank loan from Berkadia was retired in FY21, allowing the Town to have an additional \$4,000 in spendable income in FY22. The USDA loan of \$16,100 continues until 2050. Water fund maintenance expenses were budgeted at \$47,285 in FY21, with expenditures staying under budget at \$45,900. As the system ages, repair expense continues to rise. The customer base has remained steady over the past year. Milton may consider passing the system off to a third party if water receivables continue to rise with collections becoming doubtful. Milton will closely monitor receivable collections in order to meet the debt service payment in 2022. Milton has been using the NC Debt Set-Off program (over 3 years), along with Penn Credit (over 2 years) for collections. To date, their services have been completely ineffectual. Milton will continue to take the steps necessary to monitor and control costs and maintain expenditures to stay within the budget. Milton Town Commissioners and staff work closely together to insure the citizen's water quality needs are met, and that revenues are adequate to take care of those needs. Milton has received a request to implement a second water source. Because the municipality cannot absorb fresh debt, it is improbable that a second source can be secured. Milton will continue to explore different options for a second water source.

Requests for Information

This report is designed to provide an overview of the Town's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Finance Officer, Town of Milton, P.O. Box 85, Milton, NC 27305 or (336) 234-0030. You can also visit our website at townofMilton.org or send an email to miltonncfinanceofficer@gmail.com for more information.

Town of Milton, North Carolina
Statement of Net Position
June 30, 2021

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash & cash equivalents - unrestricted	\$ 116,594	\$ 8,312	\$ 124,906
Taxes receivable (net)	2,792	-	2,792
Accounts receivable (net)	-	20,679	20,679
Due from other governments	6,600	-	6,600
Inventory	-	20,748	20,748
Due from Caswell County	4,653	-	4,653
Prepaid expenses	-	7,810	7,810
Internal balances	-	-	-
Restricted cash & cash equivalents	-	9,594	9,594
	<u>130,639</u>	<u>67,143</u>	<u>197,782</u>
Capital assets:			
Land	1,000	53,983	54,983
Capital assets, net of depreciation	7,640	2,268,018	2,275,658
	<u>8,640</u>	<u>2,322,001</u>	<u>2,330,641</u>
Total assets	<u>139,279</u>	<u>2,389,144</u>	<u>2,528,423</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	322	258	580
Bonds payable - current maturity	-	-	-
USDA - current maturity	-	9,000	9,000
Payable from restricted assets	-	9,594	9,594
	<u>322</u>	<u>18,852</u>	<u>19,174</u>
Long-term liabilities:			
Bonds payable - General	-	-	-
Bonds payable - USDA	-	398,000	398,000
	<u>-</u>	<u>398,000</u>	<u>398,000</u>
Total liabilities	<u>322</u>	<u>416,852</u>	<u>417,174</u>
DEFERRED INFLOWS OF RESOURCES			
None	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Net investment in capital assets	8,640	1,915,001	1,923,641
Restricted for:			
Stabilization by State Statute	11,253	-	11,253
Unrestricted net position	119,064	57,291	176,355
Total net position	<u>\$ 138,957</u>	<u>\$ 1,972,292</u>	<u>\$ 2,111,249</u>

The accompanying notes are an integral part of the financial statements

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

Programs Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government and administration	\$ 76,116	\$ -	\$ -	\$ -	\$ (76,116)	\$ -	\$ (76,116)
Transportation	-	-	-	-	-	-	-
Total governmental activities	<u>76,116</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(76,116)</u>	<u>-</u>	<u>(76,116)</u>
Business-type activities:							
Water & Sewer fund	<u>177,850</u>	<u>131,724</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(46,126)</u>	<u>(46,126)</u>
Total business-type activities	<u>177,850</u>	<u>131,724</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(46,126)</u>	<u>(46,126)</u>
Total Government	<u>\$ 253,966</u>	<u>\$ 131,724</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(76,116)</u>	<u>(46,126)</u>	<u>(122,242)</u>
General revenues:							
Taxes:							
Ad valorem					52,617	-	52,617
Other					25,488	-	25,488
Unrestricted intergovernmental revenues					8,422	-	8,422
Investment earnings					20	-	20
Miscellaneous					225	-	225
Transfers					-	-	-
Total general revenues and transfers					<u>86,772</u>	<u>-</u>	<u>86,772</u>
Change in net position					<u>10,655</u>	<u>(46,126)</u>	<u>(35,471)</u>
Net position beginning					<u>128,302</u>	<u>2,018,418</u>	<u>2,146,720</u>
Net position ending					<u>\$ 138,957</u>	<u>\$ 1,972,292</u>	<u>\$ 2,111,249</u>

The accompanying notes are an integral part of the financial statements

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

	<u>Major Fund</u>	<u>Total Governmental Fund</u>
	<u>General</u>	
Assets		
Cash & investments - unrestricted	\$ 116,594	\$ 116,594
Property taxes receivable (net)	2,792	2,792
Due from other governments	6,600	6,600
Due from Caswell County	4,653	4,653
Due from Water and Sewer fund	-	-
Total assets	<u>\$ 130,639</u>	<u>\$ 130,639</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable and accrued payroll taxes	\$ 322	\$ 322
Total liabilities	<u>322</u>	<u>322</u>
DEFERRED INFLOWS OF RESOURCES		
Property taxes receivable	2,792	2,792
Total deferred inflows of resources	<u>2,792</u>	<u>2,792</u>
Fund balance:		
Restricted:		
Stabilization by State Statute	11,253	11,253
Assigned:		
Subsequent year's expenditures	16,038	16,038
Unassigned	100,235	100,235
Total fund balance	<u>127,525</u>	<u>127,525</u>
Total liabilities and fund balance	<u>\$ 130,639</u>	
Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Governmental capital assets	\$ 64,968	
Less accumulated depreciation	<u>(56,328)</u>	8,640
Liabilities for earned revenues considered deferred inflows of resources in fund statements		<u>2,792</u>
Net position of governmental activities		<u>\$ 138,957</u>

The accompanying notes are an integral part of the financial statements

Town of Milton, 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>Total Governmental Funds</u>
Revenues:		
Ad valorem taxes	\$ 52,951	\$ 52,951
Other taxes	25,488	25,488
Unrestricted intergovernmental revenues	8,422	8,422
Miscellaneous	225	225
Investment earnings	20	20
Total revenues	<u>87,106</u>	<u>87,106</u>
Expenditures:		
General government	74,819	74,819
Total expenditures	<u>74,819</u>	<u>74,819</u>
Other Financial Sources (Uses):		
Transfer to other funds	<u>-</u>	<u>-</u>
Excess of revenues over (under) expenditures	12,286	12,286
Fund balance - beginning of year	<u>115,239</u>	<u>115,239</u>
Fund balance - end of year	<u><u>\$ 127,525</u></u>	<u><u>\$ 127,525</u></u>

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

Net changes in fund balances - total governmental funds	\$ 12,286
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Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of these 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

Capital outlay	\$ -	
Depreciation	<u>(1,297)</u>	(1,297)

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	<u>(334)</u>
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Total changes in net position of governmental activities	<u><u>\$ 10,655</u></u>
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The accompanying notes are an integral part of the financial statements

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

	Original	Final	Actual	Variance Positive (Negative)
Revenues:				
Ad valorem taxes	\$ 50,500	\$ 50,500	\$ 52,951	\$ 2,451
Other taxes	19,800	19,800	25,488	5,688
Unrestricted intergovernmental revenues	7,950	7,950	8,422	472
Miscellaneous	-	-	225	225
Interest	500	500	20	(480)
Total revenues	<u>78,750</u>	<u>78,750</u>	<u>87,106</u>	<u>8,356</u>
Expenditures:				
General government	<u>78,750</u>	<u>78,750</u>	<u>74,819</u>	<u>3,931</u>
Total expenditures	<u>78,750</u>	<u>78,750</u>	<u>74,819</u>	<u>3,931</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>12,286</u>	<u>12,286</u>
Other Financial Sources (Uses):				
Appropriated fund balance	-	10,000	-	(10,000)
Transfer to other funds	<u>-</u>	<u>(10,000)</u>	<u>-</u>	<u>10,000</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other financing sources over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>12,286</u>	<u>\$ 12,286</u>
Fund balance, beginning of year			<u>115,239</u>	
Fund balance, end of year			<u>\$ 127,525</u>	

The accompanying notes are an integral part of the financial statements

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

	Water and Sewer Fund
ASSETS	
Current assets:	
Cash and investments	\$ 8,312
Restricted cash & cash equivalents	9,594
Accounts receivable (net)	20,679
Repair parts inventory	20,748
Prepaid bond expense	7,810
	<u>67,143</u>
Capital assets:	
Water and sewer system	1,328,136
Less: Accumulated depreciation	(993,865)
Net capital assets	<u>2,322,001</u>
 Total assets	 <u>2,389,144</u>
LIABILITIES	
Current liabilities:	
Due to General Fund	-
Accounts payable and accrued liabilities	258
Bonds payable - current maturity	-
USDA - current maturity	9,000
Liabilities payable from restricted assets:	
Customer deposits	9,594
Total current liabilities	<u>18,852</u>
Long-term liabilities:	
Bonds payable - General	-
Bonds payable - USDA	398,000
Total long-term liabilities	<u>398,000</u>
 Total liabilities	 <u>416,852</u>
NET POSITION	
Net investment in capital assets	1,915,001
Unrestricted net position	57,291
 Total net position	 <u><u>\$ 1,972,292</u></u>

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

	<u>Water and Sewer Fund</u>
Operating revenues:	
Water and sewer sales	\$ 131,724
Miscellaneous	-
Total operating revenue	<u>131,724</u>
 Operating expenses:	
Salaries	10,560
FICA expense	611
Utilities	7,401
Maintenance and repairs	43,657
Water tank maintenance	17,297
Water testing services	24,342
Permits and dues	1,210
Bad debt	-
Depreciation	64,993
Amortization	279
Miscellaneous	76
Total operating expenses	<u>170,427</u>
 Operating income (loss)	<u>(38,703)</u>
 Nonoperating revenues(expenses):	
Interest on long-term debt	<u>(7,423)</u>
Total nonoperating revenues (expenses)	<u>(7,423)</u>
 Income (loss) before other sources (uses)	(46,126)
 Other sources (uses):	
Transfer from other funds	<u>-</u>
 Change in net position	(46,126)
 Net position beginning of year	<u>2,018,418</u>
 Net position end of year	<u>\$ 1,972,292</u>

The accompanying notes are an integral part of the financial statements

Town of Milton, North Carolina
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2021

	<u>Water and Sewer Fund</u>
Cash flows from operating activities:	
Cash received from customers	\$ 143,125
Cash paid for goods and services	(96,375)
Cash paid to employees	(11,172)
	<u>35,578</u>
Net Cash Provided By Operating Activities	
Cash flows from capital and related financing activities:	
Principal paid on bonds	(13,000)
Interest paid on bonds	(7,423)
	<u>(20,423)</u>
Net Cash Used By Capital and Related Financing Activities	
Cash flows from non-capital financing activities:	
Transfers from other funds	-
	<u>-</u>
Net Cash Provided By Non-Capital and Related Financing Activities	
Net Increase (Decrease) In Cash	15,155
Cash - Beginning of Year, July 1	<u>2,751</u>
Cash - End of Year, June 30	<u><u>\$ 17,906</u></u>
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:	
Net Operating Income (Loss)	<u>\$ (38,703)</u>
Adjustments to reconcile net operating income to net cash used by operating activities:	
Depreciation	64,993
Amortization of prepaid bond expense	279
Changes in Current Assets and Liabilities:	
(Increase) decrease in accounts receivable	11,401
(Increase) decrease in inventory	(2,196)
Increase (Decrease) in accounts payable	(196)
Increase (Decrease) in customer deposits	-
Total adjustments	<u>74,281</u>
Net Cash Provided By Operating Activities	<u><u>\$ 35,578</u></u>
Interest paid	<u><u>\$ 7,423</u></u>

Town of Milton, North Carolina

NOTES TO FINANCIAL STATEMENTS As of or for the Year Ended June 30, 2021

I. Summary of Significant Accounting Policies

The accounting policies of the Town of Milton 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 Milton is a municipal corporation governed by an elected mayor and a four-member council. As required by generally accepted accounting principles, these financial statements present the Town and its component unit, a legally separate entity for which the Town is financially accountable. For the year ended June 30, 2021, the Town had no component unit.

B. Basis of presentation

Government-wide Statements: The statement of net position and the statement of activities display the information about the government. These statements include the activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. The 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 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 and capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

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

Notes to the Financial Statements (continued)

B. Basis of presentation (continued)

The Town reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in other funds. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for general government.

The Town reports the following major enterprise funds:

Water and Sewer Fund - The Town maintains an Enterprise Fund, the Water and Sewer Fund, to account for its water and sewer services. This fund is financed and operated in the same manner as a private business enterprise.

It is the intent of the governing body that costs (expenses, including depreciation) of providing these services to the public on a continuing basis be financed or recovered primarily through user charges. Therefore, periodic accounting is necessary for determination of net income and rate control.

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 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 recorded at the time liabilities are incurred regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, including 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 fund 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 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.

Notes to the Financial Statements (continued)

C. Measurement Focus and Basis of Accounting (continued)

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

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

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

D. Budgetary data

The Town's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Enterprise Fund. All annual appropriations lapse at the fiscal-year end. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the departmental level for all annually budgeted funds. The budget is amended by the governing body on a periodic basis as required by changing conditions. All amendments must be approved by the governing Board. During the year, several amendments to the original budget were necessary. The budget presented reflects the amended budget at June 30, 2021. The budget ordinance must be adopted by July 1 of the fiscal year or the governing Board must adopt an interim budget that covers that time until the annual ordinance can be adopted. In accordance with G.S. 159-13(a), the Town makes appropriations by department.

Notes to the Financial Statements (continued)

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

1. Deposits and Investments

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

State law [G.S. 159-30(c)] authorizes the Town to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances, and the North Carolina Capital Management Trust (NCCMT). The Town's investments are reported at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. The NCCMT Government Portfolio, a SEC-registered (2a-7) money market mutual fund, is measured at fair value. Because the NCCMT Government Portfolio has a weighted average maturity of less than 90 days, it is presented as an investment with a maturity of less than 6 months. The Town does not have a formal investment or credit risk policy.

2. Cash and Cash Equivalents

The Town pools money from several funds to facilitate disbursements 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.

Town of Milton's Restricted Cash

Business-type Activities		
Water Fund	Customer deposits	\$ 9,594
Total Business-type Activities		<u>9,594</u>
Total Restricted Cash		<u><u>\$ 9,594</u></u>

Notes to the Financial Statements (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 on July 1, the beginning of the fiscal year. The taxes are due on September 1; however, interest does not accrue until the following January 6. 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 which are paid prior to the due date. In the Town's General Fund, ad valorem tax revenues are 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 account is estimated by analyzing the percentage of receivables that were written off in prior years.

6. Inventory and Prepaid Items

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

7. Capital Assets

Capital assets are recorded by the government as assets when the Town administration determines that the value of the improved internal controls by recording the asset exceeds the cost of maintaining the capital asset records and the asset has an estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost. Donated assets are valued at their fair market value on the date donated. General infrastructure assets are recorded at cost. The plant and equipment in the proprietary fund of the Town are recorded at original cost at the time of acquisition. Plant assets of the Town are depreciated on a composite straight-line basis for the entire plant, regardless of the year of acquisition at a 2% annual rate.

Other assets of the Town are depreciated on a Class Life basis at the following rate:

Buildings	2%
Infrastructure	2%
Computer & electronic equipment	20%
Furniture & equipment	10%

Notes to the Financial Statements (continued)

8. Deferred Outflows/Inflows of Resources

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

9. Long-Term Obligations

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

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

10. Net Position/ Fund Balances

Net Position

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

Fund Balances

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

The governmental fund types classify fund balances as follows:

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

Inventories – portion of fund balance that in not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

Notes to the Financial Statements (continued)

10. Net Position/ Fund Balances (continued)

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.

Committed Fund Balance –portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of Town of Milton's governing body (highest level of decision-making authority). 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 (the adoption of another ordinance) to remove or revise the limitation.

Assigned fund balance – portion of fund balance that Town of Milton intends to use for specific purposes.

Assigned for Subsequent Year's Expenditures - portion of fund balance that is assigned for subsequent year's expenditures for a storm water project.

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

The Town does not have a minimum fund balance policy or a revenue spending policy.

II. Stewardship, Compliance, and Accountability:

A. Material Violations of Finance-Related Legal and Contractual Provisions:

1. *Noncompliance with North Carolina General Statutes:* None

Notes to the Financial Statements (continued)

II. Stewardship, Compliance, and Accountability (continued):

B. Excess of Expenditures Over Appropriations: None

III. Detail Notes on All Funds:

A. Assets:

1. Deposits

All the deposits of the Town are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Town's agents in these units' names. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the Town, these deposits are considered to be held by the Town's agents in their names. The amount of the pledged collateral is based on an approval 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 to undercollateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The Town has no formal policy regarding custodial credit risk for deposits, but relies on the State Treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The Town complies with provisions of GS 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 \$29,388 and a bank balance of \$49,994. All of the bank balance was covered by federal depository insurance. At June 30, 2021, the Town's petty cash totaled \$100.

2. Investments

At June 30, 2021, the Town's investment balances were as follows:

Investment by Type	Valuation Measurment Method	Book Value at 6/30/2021	Maturity	Rating
NC Capital Management Trust - Government Portfolio	Fair Value Level 1	\$ 105,012	N/A	AAAm

Notes to the Financial Statements (continued)

2. Investments (continued):

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

Level of fair value hierarchy: Level 1 debt securities are valued using directly observable, quoted prices (unadjusted) in active markets for identical assets.

Interest Rate Risk. The Town has no formal investment policy regarding interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the Town's internal investment policy limits at least half of the Town's investment portfolio to maturities of less than 12 months.

Credit risk. The Town has no formal policy regarding credit risk but has internal management procedures that limits the Town's investments to the provisions of G.S. 159-30 and restricts the purchase of securities to the highest possible ratings whenever particular types of securities are rated. The Town's investment in the NC Capital Management Trust Government Portfolio carried a credit rating of AAAm by Standard & Poor's as of June 30, 2021. The Term Portfolio is authorized to invest in obligations of the U.S. government and agencies, and in high grade money market instruments as permitted under North Carolina General Statutes 159-30 as amended.

3. Receivable - Allowances for Doubtful Accounts

The amounts presented in the Balance Sheet and the Statement of Net Position for the year ended June 30, 2021 is net of the following allowances for doubtful accounts:

<u>Fund</u>	<u>Amount</u>
General Fund	\$ 1,756
Enterprise Fund	<u>20,542</u>
Total	<u>\$ 22,298</u>

Notes to the Financial Statements (continued)

4. Capital assets

Primary Government

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,000	\$ -	\$ -	\$ 1,000
Total capital assets not being depreciated:	1,000	-	-	1,000
Capital assets being depreciated:				
Buildings	2,582	-	-	2,582
Furniture and equipment	6,796	-	-	6,796
Infrastructure	54,590	-	-	54,590
Total capital assets being depreciated:	63,968	-	-	63,968
Less, accumulated depreciation for:				
Buildings	2,582	-	-	2,582
Furniture and equipment	6,592	205	-	6,797
Infrastructure	45,858	1,092	-	46,950
Total accumulated depreciation	55,032	1,297	-	56,329
Total capital assets being depreciated, net	8,936			7,639
Governmental activity capital assets, net	\$ 9,937			\$ 8,640

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

General	\$ 205
Transportation	1,092
	<u>\$ 1,297</u>

Capital assets activity for the Business-type Activities for the year ending June 30, 2021:

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 53,983	\$ -	\$ -	\$ 53,983
Capital assets being depreciated:				
Equipment	10,116	-	-	10,116
Plant and distribution system	3,251,767	-	-	3,251,767
Total capital assets being depreciated:	3,261,883	-	-	3,261,883
Less, accumulated depreciation for:				
Equipment	5,862	674	-	6,536
Plant and distribution system	923,011	64,319	-	987,330
Total accumulated depreciation	928,873	64,993	-	993,866
Total capital assets being depreciated, net	2,333,010			2,268,017
Business-type activity capital assets, net	\$ 2,386,994			\$ 2,322,001

Notes to the Financial Statements (continued)

B. Liabilities:

1. Pension Plan Obligations:

The Town of Milton has no full-time employees and does not participate in any type pension plan or retirement system.

2. Deferred Outflows and Inflows of Resources

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

	<u>Statement of Net Position</u>	<u>General Fund Balance Sheet</u>
Taxes Receivable, net	\$ -	\$ 2,792
	<u>\$ -</u>	<u>\$ 2,792</u>

3. 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 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 owns land within the 100 Year Flood Plain but does not own any structures on the 100 Year Flood Plain and does not carry any flood insurance. At June 30, 2021, the Town carried a fidelity bond on the finance officer in the amount of \$50,000.

Notes to the Financial Statements (continued)

4. Long-Term Obligations:

a. General Obligation Indebtedness

The direct placement general obligation bonds were 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 bonds are collateralized by the faith, credit, and taxing power of the Town. Principal and interest requirements are appropriated when due.

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

General Obligation Bonds

Serviced by the Water and Sewer Fund:

\$450,000 2016 sanitary direct placement sewer bonds due in annual installments presented as follows through June 1, 2055; interest at 1.75 percent.

\$407,000

Annual debt service requirements to maturity for long-term obligation, including \$134,857 of interest, are as follows:

Year Ending June 30	Direct Placement Waste Water Treatment Plant Bonds	
	Principal	Interest
2022	\$ 9,000	\$ 7,123
2023	9,000	6,965
2024	9,500	6,808
2025	9,500	6,641
2026	9,500	6,475
2027-31	51,000	29,785
2032-36	55,500	25,183
2037-41	60,500	20,151
2042-46	65,500	14,683
2047-51	72,000	8,724
2052-55	56,000	2,319
	<u>\$ 407,000</u>	<u>\$ 134,857</u>

Notes to the Financial Statements (continued)

4. Long-Term Obligations (continued):

On June 13, 2013, the Town submitted an application subject to USDA approval to rework the waste water treatment plant bonds. At June 30, 2013, the Waste Water Plant bonds reflected a balance of \$423,000 plus accrued interest of \$19,035 for a total of \$442,035. During the workout period from June 30, 2013 until June 30, 2015, accrued interest was recorded at a rate of 2.125% rather than the original rate of 4.5%. This resulted in an understatement in the amount of \$19,466 due to USDA at June 30, 2015. On June 30, 2015, the amount due to USDA was restated by the amount of \$19,466 to the balance of \$441,826. On April 11, 2016, direct placement general obligation refunding bonds were issued in the amount of \$450,000 at an interest rate of 1.75%.

b. Changes in Long-term Liabilities

For the year ended June 30, 2021, the Town's changes in debt consisted of the following:

	Balance June 30, 2020	Increases	(Decreases)	Balance June 30, 2021	Current Portion of Balance
Business-type activities:					
Direct Placement					
General Obligation Bonds:					
Water Bonds	\$ 4,000	\$ -	\$ (4,000)	\$ -	\$ -
WWTP Bonds	416,000	-	(9,000)	407,000	9,000
	<u>\$ 420,000</u>	<u>\$ -</u>	<u>\$ (13,000)</u>	<u>\$ 407,000</u>	<u>\$ 9,000</u>

The Town's outstanding bonds from direct placements related to business-type activities of \$420,000 are collateralized by the faith, credit, and taxing power of the Town and contain provisions that in an event of default, outstanding amounts become immediately due if the Town is unable to make payment.

At June 30, 2021, the Town of Milton had bonds authorized but un-issued of \$0- and a legal debt margin of \$1,226,491.

5. Interfund Receivables and Activity

At June 30, 2021, the following Interfund receivables / payable were outstanding:

To:	General Fund	\$ 0
From:	Sewer Fund	\$ 0

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

From the General Fund to the Water and Sewer Fund \$0

Notes to the Financial Statements (continued)

C. Net Investment in Capital Assets

	Governmental	Business-type
Capital Assets	\$ 8,640	\$ 2,322,001
less: long-term debt	-	407,000
add: unexpended debt proceeds	-	-
Net investment in capital assets	<u>\$ 8,640</u>	<u>\$ 1,915,001</u>

D. Fund Balance

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

<u>Total fund balance - General Fund</u>	\$ 127,525
Less:	
Stabilization by State Statute	11,253
Assigned for subsequent year's expenditures	16,038
Remaining fund balance	<u>\$ 100,234</u>

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at year-end.

<u>Encumbrances</u>	<u>General Fund</u>	<u>Non-Major Funds</u>
	\$0	

IV. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

In prior years, the Town has received proceeds from various grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the grant monies.

Notes to the Financial Statements (continued)

VI. Significant Effects of Subsequent Events

Subsequent events occurring after the statement of financial position date have been evaluated through September 20, 2021, which is the date the financial statements were available to be issued.

In January 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a "Public Health Emergency of International Concern", which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The coronavirus outbreak and government responses are creating disruption in global supply chains and adversely impacting many industries. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of the coronavirus outbreak. The outbreak presents uncertainty and risk with respect to the Authority and its ability to carry out its activities which could impact its financial results.

Town of Milton, North Carolina
Comparative General Fund Balance Sheets

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
<u>Assets</u>		
Current Assets:		
Cash & investments	\$ 116,594	\$ 110,058
Receivables (net):		
Property taxes	2,792	3,126
Due from other governments	6,600	5,235
Due from Caswell County	4,653	697
Due from Water and Sewer fund	-	-
Total receivables	<u>14,045</u>	<u>9,058</u>
Total assets	<u><u>\$ 130,639</u></u>	<u><u>\$ 119,116</u></u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balance</u>		
Liabilities:		
Accounts payable and accrued payroll taxes	\$ 322	\$ 751
Accrued salaries	-	-
Total liabilities	<u>322</u>	<u>751</u>
DEFERRED INFLOWS OF RESOURCES		
Property taxes receivable	2,792	3,126
Accounts receivable - Unavailable revenue	-	-
Total deferred inflows of resources	<u>2,792</u>	<u>3,126</u>
Fund balances:		
Restricted:		
Stabilization by State Statute	11,253	5,932
Assigned:		
Subsequent year's expenditures	16,038	-
Unassigned	<u>100,234</u>	<u>109,307</u>
Total fund balance	<u>127,525</u>	<u>115,239</u>
Total liabilities, deferred inflows of resources and fund balances	<u><u>\$ 130,639</u></u>	<u><u>\$ 119,116</u></u>

Town of Milton, North Carolina
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	Budget	Actual	Variance Favorable (Unfavorable)	Actual Year ended June 30, 2020
REVENUES:				
Ad valorem taxes:				
Current year		\$ 52,951		\$ 40,721
Prior year		-		-
Penalties and interest, net		-		-
	<u>\$ 50,500</u>	<u>52,951</u>	<u>\$ 2,451</u>	<u>40,721</u>
Other taxes & licenses:				
Local option sales tax	<u>19,800</u>	<u>25,488</u>	<u>5,688</u>	<u>22,686</u>
Unrestricted intergovernmental:				
Utility franchise tax		7,704		7,865
Beer & wine tax		718		744
	<u>7,950</u>	<u>8,422</u>	<u>472</u>	<u>8,609</u>
Investment earnings	<u>500</u>	<u>20</u>	<u>(480)</u>	<u>1,292</u>
Miscellaneous income		225		20
	<u>-</u>	<u>225</u>	<u>225</u>	<u>20</u>
Total revenues	<u>78,750</u>	<u>87,106</u>	<u>8,356</u>	<u>73,328</u>
EXPENDITURES:				
General Government:				
Administration:				
Salaries		17,635		17,991
Payroll taxes		1,024		1,620
Professional services		7,140		7,414
Outside services		581		1,000
Miscellaneous		1,237		1,340
Utilities and telephone		9,931		10,405
Insurance and bonds		4,985		5,850
Tax collection fees		1,452		1,102
Supplies and postage		2,828		3,842
Building and grounds		7,725		8,793
Fire hydrant maintenance		20,283		-
Capital outlay		-		-
Contingency		-		-
Total expenditures	<u>78,750</u>	<u>74,819</u>	<u>3,931</u>	<u>59,358</u>
Revenues over (under) expenditures	<u>-</u>	<u>12,286</u>	<u>12,286</u>	<u>13,970</u>
Other sources (uses) of funds				
Appropriated fund balance	10,000	-	(10,000)	-
Transfer to other funds	<u>(10,000)</u>	<u>-</u>	<u>10,000</u>	<u>(10,000)</u>
Net change in fund balance	<u>\$ -</u>	<u>12,286</u>	<u>\$ 12,286</u>	<u>3,970</u>
Fund balances - beginning of year		<u>115,239</u>		<u>111,269</u>
Fund balances - end of year		<u>\$ 127,525</u>		<u>\$ 115,239</u>

Town of Milton, North Carolina
Water and Sewer Fund
Statement of Fund Net Positions
June 30, 2021

(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	<u>June 30,</u> <u>2021</u>	<u>June 30,</u> <u>2020</u>
<u>ASSETS:</u>		
Current Assets:		
Cash and investments	\$ -	\$ -
Restricted cash & cash equivalents	17,906	2,751
Receivables (net):	20,679	32,080
Repair parts inventory	20,748	18,552
Prepaid bond expense	7,810	8,089
Total current assets	<u>67,143</u>	<u>61,473</u>
Capital Assets (net)	<u>2,322,001</u>	<u>2,386,994</u>
Total assets	<u>2,389,144</u>	<u>2,448,466</u>
<u>LIABILITIES NET POSITION:</u>		
Current Liabilities:		
Due to General Fund	-	-
Accounts payable - WF	258	454
Bonds payable - current maturity	-	4,000
USDA - current maturity	9,000	9,000
Water and sewer deposits	9,594	9,594
Total current liabilities	<u>18,852</u>	<u>23,048</u>
Other Liabilities:		
Bonds payable - non current maturity	-	-
USDA - non current maturity	398,000	407,000
Total other liabilities	<u>398,000</u>	<u>407,000</u>
Total liabilities	<u>416,852</u>	<u>430,048</u>
Net Position:		
Net investment in capital assets	1,915,001	1,966,994
Unrestricted	57,291	51,424
Total net position	<u>\$ 1,972,292</u>	<u>\$ 2,018,418</u>

Town of Milton, North Carolina
Proprietary Fund Type - Enterprise Fund
Schedule of Revenue and Expenditures - Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual Year ended June 30, 2020</u>
Revenues:				
Operating revenues:				
Water sales		\$ 72,478		\$ 67,869
Sewer sales		58,586		55,059
Water reconnect fees		250		30
Late fees		410		980
	<u>\$ 132,180</u>	<u>131,724</u>	<u>\$ (456)</u>	<u>123,938</u>
Non-operating Revenues:				
Miscellaneous income		-		1,200
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,200</u>
Total revenues	<u>132,180</u>	<u>131,724</u>	<u>(456)</u>	<u>125,138</u>
Expenditures:				
Operating expenses:				
Salaries		10,560		10,070
FICA expense		611		562
Utilities		7,401		8,919
Maintenance and repairs		45,853		54,572
Water tank maintenance		17,297		11,106
Water testing services		24,342		25,379
Permits and dues		1,210		1,210
Credit card bank fees		-		855
Miscellaneous		76		255
Capital outlays		-		-
	<u>111,680</u>	<u>107,350</u>	<u>4,330</u>	<u>112,927</u>
Other budgetary appropriations:				
Debt service:				
Interest on long term debt - water		7,423		7,829
Principal paid on bonds		13,000		12,500
	<u>20,500</u>	<u>20,423</u>	<u>77</u>	<u>20,329</u>
Total expenditures	<u>132,180</u>	<u>127,774</u>	<u>4,406</u>	<u>133,256</u>
Excess of Revenues Over (Under) expenditures	-	3,950	3,950	(8,118)
Other financing sources (uses):				
Appropriated fund balance	(10,000)	-	(10,000)	-
Transfer from other funds	<u>10,000</u>	<u>-</u>	<u>10,000</u>	<u>10,000</u>
Revenues and other sources over (under) expenditures and other sources	<u>\$ -</u>	<u>\$ 3,950</u>	<u>\$ 3,950</u>	<u>\$ 1,882</u>

Town of Milton, North Carolina
Proprietary Fund Type - Enterprise Fund
Schedule of Revenue and Expenditures - Budget and Actual (Non-GAAP)
For the Year Ended June 30, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	<u>2021</u>	<u>2020</u>
Reconciliation from budgetary basis (modified accrual) to full accrual basis:		
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ 3,950	\$ 1,882
Budgetary appropriations:		
Capital outlay	-	-
Inventory adjustment	2,196	(3,510)
Debt service - principal portion	13,000	12,500
Bond interest amortization	(279)	(279)
Depreciation	<u>(64,993)</u>	<u>(64,993)</u>
Change in net position	<u>\$ (46,126)</u>	<u>\$ (54,400)</u>

Town of Milton, North Carolina
Schedule of Ad Valorem Taxes Receivable
For the Year Ended June 30, 2021

<u>Fiscal Year</u>	<u>Uncollected Balance June 30, 2020</u>	<u>Additions</u>	<u>Collections and Credits</u>	<u>Uncollected Balance June 30, 2021</u>
2020-21		\$ 53,659	\$ 52,300	\$ 1,359
2019-20	\$ 1,329		833	496
2018-19	965		517	448
2017-18	539		51	488
2016-17	293		(208)	501
2015-16	386		205	181
2014-15	354		(26)	380
2013-14	119		(198)	317
2012-13	150		(3)	153
2011-12	130		(95)	225
2010-11	86		86	-
	<u>\$ 4,351</u>	<u>\$ 53,659</u>	<u>\$ 53,462</u>	<u>4,548</u>

Less - allowance for doubtful Ad Valorem taxes receivable 1,756

Ad Valorem taxes receivable (net) \$ 2,792

Reconciliation with revenues:

Ad Valorem Tax - General Fund	\$ 52,951
Other adjustments	<u>511</u>

Total Collections & Credits \$ 53,462

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

	Town-Wide			Total Levy	
	Total Property Valuation	Rate	Amount of Levy	Property Excluding Registered Motor	Registered Motor Vehicles
Original levy:					
Real and personal property	\$ 13,915,714	0.45	\$ 48,705	\$ 48,705	\$ -
Motor vehicles	1,415,429		4,954	-	4,954
Total levy	15,331,143		53,659	48,705	4,954
Discoveries	-	0.45	-	-	-
Abatements	-	0.45	-	-	-
Total Property Valuation	<u>\$ 15,331,143</u>				
Net Levy			53,659	48,705	4,954
Less: Uncollected Tax at June 30, 2021			<u>1,359</u>	<u>1,359</u>	<u>-</u>
Current Year Tax Collected			<u>\$ 52,300</u>	<u>\$ 47,346</u>	<u>\$ 4,954</u>
Percent current year collected			<u>97.47%</u>	<u>97.21%</u>	<u>100.00%</u>