

TOWN OF MILTON, DELAWARE  
FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2014

TOWN OF MILTON, DELAWARE

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## INDEPENDENT AUDITORS' REPORT

To the Mayor and Council  
Town of Milton, Delaware

### Report on the Financial Statements

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PKF INTERNATIONAL

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Town of Milton, Delaware as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Milton, Delaware'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 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, 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, Delaware, as of September 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and page 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 2, 2015, on our consideration of the Town of Milton, Delaware's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the Town of Milton, Delaware's internal control over financial reporting and compliance.

PKS & Company, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland  
January 2, 2015

## TOWN OF MILTON, DELAWARE

### MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2014

This section of the Town of Milton's (the Town) annual report presents our discussion and analysis of the Town's financial performance during the fiscal year that ended on September 30, 2014. Please read it in conjunction with the Town's financial statements, which begin on page 9.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

##### **Government-Wide Financial Statements**

The *Statement of Activities* presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, public safety, public works, code enforcement, parks and recreation, and activities from grants. The business-type activities of the Town include water and trash services.

##### **Fund Financial Statements**

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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. 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. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the Governmental Fund Balance Sheet and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

TOWN OF MILTON, DELAWARE

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2014

**Governmental Funds** (Continued)

The Town maintains one major governmental fund, the General Fund. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances.

The Town adopts an annual appropriated budget for its General Fund. The basic governmental fund financial statements can be found on pages 11 through 14. Included in required supplementary information is a budgetary comparison statement for the General Fund to demonstrate compliance with this budget. The budgetary comparison can be found on page 31.

**Proprietary Funds**

The Town maintains one proprietary-type fund: 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 enterprise funds to account for its water and trash activities. The basic proprietary fund financial statements can be found on pages 15 through 17 of this report.

**Summary of Significant Accounting Policies and Notes to the Financial Statements**

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. Notes to the financial statements are part of the basic financial statements and can be found on pages 18 through 30 of this report.

**FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE**

As noted earlier, net position may serve over time as a useful indicator of a government's overall financial condition and position. In the case of the Town, assets exceeded liabilities by \$5 million at the close of the current fiscal year. The Town's net position is divided into three categories – invested in capital assets - net of related debt, restricted, and unrestricted net position.

The largest portion of the Town's net position reflects its investment in capital assets (e.g., land, improvements, buildings, machinery, equipment, vehicles and water system), less accumulated depreciation and any unmatured debt used to acquire those assets. 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 be noted 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.

Restricted net position on the Statement of Net Position represents impact fees, transfer taxes, municipal street aid, and law enforcement grants received and restricted to certain expenditures.

TOWN OF MILTON, DELAWARE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2014

**Net Position**

As of September 30, 2014, the Town's net position was \$5,010,000. Of this amount, \$2,500,000 was invested in capital assets, net of related debt, \$726,000 was restricted, and \$1,784,000 was unrestricted.

The table below provides key financial information in a condensed format.

**Table 1**  
Town of Milton's Net Position  
*(in thousands of dollars)*

	2014			2013		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>						
Current and other assets	\$ 1,473	\$ 1,294	\$ 2,767	\$ 1,166	\$ 1,139	\$ 2,305
Capital assets	1,415	1,463	2,878	1,378	1,469	2,847
Total assets	2,888	2,757	5,645	2,544	2,608	5,152
<b>Liabilities</b>						
Current and other liabilities	111	124	235	125	58	183
Long term liabilities	13	344	357	21	379	400
Total liabilities	124	468	592	146	437	583
<b>Deferred inflows of resources</b>	43		43	38		38
<b>Net position</b>						
Invested in capital assets, net of related debt	1,415	1,085	2,500	1,378	1,055	2,433
Restricted	330	396	726	263	333	596
Unrestricted	976	808	1,784	718	783	1,501
<b>Total net position</b>	\$ 2,721	\$ 2,289	\$ 5,010	\$ 2,359	\$ 2,171	\$ 4,530

**Change in Net Position**

Net position for the period ending September 30, 2014 increased by \$480,000 relative to the stated value in the prior year. This is a consequence of governmental activity assets increasing by \$362,000 and business-type assets increasing by \$118,000. Governmental activity increases result from an increase of transfer tax received, property taxes, and building permit revenues.

Governmental assets increased from 2013 to 2014 by \$344,000. Business-type assets increased from 2013 to 2014 by \$149,000; total liabilities increased by a \$9,000.

TOWN OF MILTON, DELAWARE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2014

The following table indicates the changes in net position for governmental and business-type activities in a condensed format.

Table 2  
Town of Milton's Change in Net Position  
*(in thousands of dollars)*

	2014			2013		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 478	\$ 860	\$ 1,338	\$ 402	\$ 825	\$ 1,227
Operating grants and contributions	143		143	179		179
Capital grants and contributions	25	62	87	29	49	78
General revenues						
Property and transfer taxes	1,287		1,287	1,035		1,035
Miscellaneous revenues	60		60	52		52
Unrestricted investment earnings	1	1	2	3	1	4
Total revenues	<u>\$ 1,994</u>	<u>\$ 923</u>	<u>\$ 2,917</u>	<u>\$ 1,700</u>	<u>\$ 875</u>	<u>\$ 2,575</u>
<b>Expenses</b>						
General government	362		362	349		349
Public safety	747		747	881		881
Public works	224		224	206		206
Code enforcement	197		197	209		209
Parks and recreation	103		103	86		86
Utilities		805	805		762	762
Total expenses	<u>1,633</u>	<u>805</u>	<u>2,438</u>	<u>1,731</u>	<u>762</u>	<u>2,493</u>
<b>Change in net position</b>	<u>\$ 361</u>	<u>\$ 118</u>	<u>\$ 479</u>	<u>\$ (31)</u>	<u>\$ 113</u>	<u>\$ 82</u>

**FINANCIAL ANALYSIS OF THE TOWN'S FUNDS**

**Governmental Funds**

For the fiscal year ending September 30, 2014, the Town had an increase in its governmental fund balance of \$290,000. Significant variances between budget and actual included increases in taxes and assessments, intergovernmental revenues, licenses and permits, charges for services and a decrease in total expenditures.

TOWN OF MILTON, DELAWARE  
MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2014

**Proprietary Funds**

The Town's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position totaled \$808,000. Other factors concerning these funds finances are addressed on pages 15 through 17 and a more detailed comparison to 2013 is shown on page 36.

**BUDGETARY HIGHLIGHTS**

A budget and actual comparison schedule is provided in the required supplementary information for the General Fund. The budget and actual comparison schedules show the original adopted budgets, the final revised budget, actual results and variance between the final budget and actual results. Major variances between the final budget and actual results are as follows:

- Total General Fund revenues exceeded the final budget by \$211,590.
- Transfer Taxes and Property Tax revenues exceeded the final budget by \$87,083.
- Total expenditures were under the final budget by \$77,411.

**CAPITAL ASSETS AND LONG-TERM DEBT**

**Capital Assets**

The Town's investment in capital assets for its governmental (government-wide) and business-type activities as of September 30, 2014 was \$2,878,000 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, furniture and fixtures, vehicles and water systems.

This year's major capital asset additions included:

Governmental Activities

1. Purchase of land and building for \$152,516
2. Purchase of police radios and camera equipment for \$17,952

Business-type activities

1. Purchase of security fences for the maintenance yard and water towers for \$42,198.
2. Engineering costs for the Shipbuilders tower's foundation for \$38,902.

TOWN OF MILTON, DELAWARE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2014

Table 3  
Town of Milton's Net Capital Assets  
*(in thousands of dollars)*

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 134	\$ 38	\$	\$	\$ 134	\$ 38
Buildings	620	592			620	592
Other improvements	403	447	1,285	1,261	1,688	1,708
Machinery and equipment	109	128	161	187	270	315
Streets and sidewalks	139	151			139	151
Vehicles	10	23	17	21	27	44
<b>Total net capital assets</b>	<b>\$ 1,415</b>	<b>\$ 1,379</b>	<b>\$ 1,463</b>	<b>\$ 1,469</b>	<b>\$ 2,878</b>	<b>\$ 2,848</b>

**Long-Term Debt**

At year end, the Town had \$378,241 in notes payable in the enterprise fund. No new debt was incurred during the year.

Additional information on the Town's debt can be found on pages 27 and 28 of this report.

**CURRENTLY KNOWN FACTS, DECISION, OR CONDITIONS**

Residential construction continues to increase from 2013; 43 permits were issued in fiscal year 2014.

The Shipbuilders Water Tower re-location project was funded subsequent to fiscal year 2014 in the approximate amount of \$300,000. This expenditure is funded from the proprietary accounts. Additional improvements are being discussed for the water system, but definite plans have not been approved.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Town of Milton's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the Mayor, Town of Milton, 115 Federal Street, Milton, Delaware 19968.

## TOWN OF MILTON, DELAWARE

## STATEMENT OF NET POSITION

SEPTEMBER 30, 2014

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets			
Cash	\$ 1,041,850	\$ 581,336	\$ 1,623,186
Taxes receivable	59,206		59,206
Accounts receivable, net of allowance	9,390	217,357	226,747
Internal balances	9,562	(9,562)	
Inventory		97,489	97,489
Prepaid expenses		10,868	10,868
Restricted cash	353,403	396,225	749,628
Total current assets	<u>1,473,411</u>	<u>1,293,713</u>	<u>2,767,124</u>
Capital assets			
Capital assets, at cost	3,190,004	2,872,512	6,062,516
Accumulated depreciation	(1,775,158)	(1,409,362)	(3,184,520)
Net capital assets	<u>1,414,846</u>	<u>1,463,150</u>	<u>2,877,996</u>
Total assets	<u>2,888,257</u>	<u>2,756,863</u>	<u>5,645,120</u>
<b>LIABILITIES</b>			
Current liabilities			
Current portion of long-term debt		36,952	36,952
Accounts payable	61,198	73,167	134,365
Accrued wages and payroll taxes	25,991	5,445	31,436
Accrued compensated absences, net of long term	23,882	5,295	29,177
Accrued interest payable		2,816	2,816
Total current liabilities	<u>111,071</u>	<u>123,675</u>	<u>234,746</u>
Noncurrent liabilities			
Notes payable		341,289	341,289
Accrued compensated absences	13,425	3,243	16,668
Total noncurrent liabilities	<u>13,425</u>	<u>344,532</u>	<u>357,957</u>
Total liabilities	<u>124,496</u>	<u>468,207</u>	<u>592,703</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred grants	42,540		42,540
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	1,414,846	1,084,909	2,499,755
Restricted	329,891	396,225	726,116
Unrestricted	976,484	807,522	1,784,006
Total net position	<u>\$ 2,721,221</u>	<u>\$ 2,288,656</u>	<u>\$ 5,009,877</u>

The accompanying notes are an integral part of these financial statements.



TOWN OF MILTON, DELAWARE

BALANCE SHEET  
GOVERNMENTAL FUND

SEPTEMBER 30, 2014

	<u>General Fund</u>
<b>ASSETS</b>	
Cash	\$ 1,041,850
Taxes receivable	59,206
Accounts receivable, net of allowance	9,390
Due from other funds	9,562
Restricted cash	<u>353,403</u>
Total assets	<u><u>\$ 1,473,411</u></u>
<b>LIABILITIES</b>	
Accounts payable	\$ 61,198
Accrued wages and payroll taxes	25,991
Accrued compensated absences	<u>23,882</u>
Total liabilities	<u>111,071</u>
<b>DEFERRED INFLOW OF RESOURCES</b>	
Deferred property taxes and grants	<u>99,430</u>
<b>FUND BALANCES</b>	
Restricted	329,891
Unassigned	<u>933,019</u>
Total fund balances	<u>1,262,910</u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 1,473,411</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF MILTON, DELAWARE

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET POSITION

SEPTEMBER 30, 2014

Total fund balance, governmental fund \$ 1,262,910

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

Capital assets used in governmental activities are not financial resources and are therefore not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position.

Capital assets	3,190,004	
Accumulated depreciation	(1,775,158)	
		1,414,846

Some liabilities are not due and payable in the current period and are not included in the fund financial statements, but are included in the governmental activities of the Statement of Net Position.

Accrued compensated absences		(13,425)
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Certain revenues that do not provide current financial resources are reported as deferred income in the fund financial statements, but are reported as revenue in the governmental activities of the Statement of Net Position.

Deferred taxes		56,890

Net assets, governmental activities in the Statement of Net Position		\$ 2,721,221

The accompanying notes are an integral part of these financial statements.

TOWN OF MILTON, DELAWARE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUND

YEAR ENDED SEPTEMBER 30, 2014

	General Fund
	<u>                    </u>
Revenues	
Real estate taxes	\$ 856,599
Transfer taxes	402,684
Licenses and permits	263,062
Intergovernmental revenues	168,137
Charges for services	229,875
Fines and forfeitures	22,600
Earnings on investments	1,296
Miscellaneous	<u>22,426</u>
Total revenues	<u>1,966,679</u>
Expenditures	
Current	
General government	334,719
Public safety	722,780
Public works	179,798
Parks and recreation	78,055
Code enforcement	191,270
Capital outlay	<u>170,469</u>
Total expenditures	<u>1,677,091</u>
Net change in fund balance	289,588
Fund balance, beginning of year	<u>973,322</u>
Fund balance, end of year	<u><u>\$ 1,262,910</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF MILTON, DELAWARE

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2014

Net change in fund balances, governmental funds \$ 289,588

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

Governmental funds report outlays for capital assets as expenditures  
because such outlays use current financial resources. However, in the  
Statement of Activities, the cost of these assets is allocated over their  
estimated lives and reported as depreciation expense.

Capital outlay	170,469	
Depreciation expense	(134,141)	
		36,328

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

Change in long-term compensated absences	7,545
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Governmental funds do not present revenues that are not available to pay  
current obligations. In contrast, such revenues are reported in the  
Statement of Activities when earned:

Change in deferred taxes	28,028
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Change in net position, governmental activities	\$ 361,489
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The accompanying notes are an integral part of these financial statements.

TOWN OF MILTON, DELAWARE

STATEMENT OF NET POSITION  
 PROPRIETARY FUND

SEPTEMBER 30, 2014

	<u>Utilities Fund</u>
<b>ASSETS</b>	
Current assets	
Cash	\$ 581,336
Accounts receivable, net of allowance	217,357
Inventory	97,489
Prepaid maintenance contract	10,868
Restricted cash	396,225
Total current assets	<u>1,303,275</u>
Capital assets	
Capital assets, at cost	2,872,512
Accumulated depreciation	<u>(1,409,362)</u>
Net capital assets	<u>1,463,150</u>
Total assets	<u>2,766,425</u>
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	73,167
Accrued wages and payroll taxes	5,445
Accrued interest payable	2,816
Accrued compensated absences, net of long term	5,295
Due to other funds	9,562
Current portion of long-term debt	36,952
Total current liabilities	<u>133,237</u>
Non-current liabilities	
Accrued compensated absences	3,243
Notes payable	341,289
Total non-current liabilities	<u>344,532</u>
Total liabilities	<u>477,769</u>
<b>NET POSITION</b>	
Invested in capital assets, net of related debt	1,084,909
Restricted	396,225
Unrestricted	807,522
Net position	<u>\$ 2,288,656</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF MILTON, DELAWARE

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

YEAR ENDED SEPTEMBER 30, 2014

	<u>Utilities Fund</u>
Operating revenues	
Water service charges	\$ 440,343
Trash service charges	306,385
Tapping fees	22,000
Sales of meters	36,218
Operating grants	30,000
Penalties	8,079
Other	17,359
Total operating revenues	<u>860,384</u>
Operating expenses	
Salaries and labor	120,848
Payroll taxes	7,246
Pension	6,487
Employee benefits	14,933
Uniforms	3,837
Utilities	33,324
Trash removal services	277,333
Telephone	3,754
Gas and oil	13,206
Repairs and maintenance	129,347
Operating supplies	67,773
Professional fees	13,310
Insurance	11,436
Miscellaneous	3,161
Depreciation	86,952
Total operating expenses	<u>792,947</u>
Operating income	<u>67,437</u>
Non-operating revenues (expenses)	
Interest income	460
Interest expense	(12,537)
Net non-operating revenues (expenses)	<u>(12,077)</u>
Income before contributions	55,360
Capital contributions - impact fees	<u>62,350</u>
Change in net position	117,710
Net position, beginning of year	<u>2,170,946</u>
Net position, end of year	<u>\$ 2,288,656</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF MILTON, DELAWARE

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND

YEAR ENDED SEPTEMBER 30, 2014

	<u>Utilities Fund</u>
Cash flows from operating activities	
Receipts from customers	\$ 843,868
Other receipts	47,359
Payments to suppliers	(524,257)
Payments to employees	(119,438)
Net cash provided by operating activities	<u>247,532</u>
Cash flows from non-capital financing activities	
Interfund borrowings	<u>(15,044)</u>
Cash flows from investing activities	
Interest income	<u>460</u>
Cash flows from capital and related financing activities	
Purchases of capital assets	(81,101)
Principal paid on long-term debt	(35,812)
Interest paid on long-term debt	(12,804)
Capital contributions	62,350
Net cash used by capital and related financing activities	<u>(67,367)</u>
Net increase in cash	165,581
Cash, beginning of year	<u>811,980</u>
Cash, end of year	<u><u>\$ 977,561</u></u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 67,437
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	86,952
(Increase) decrease in assets	
Accounts receivable	30,843
Inventory	(4,938)
Prepaid expenses	(1)
Increase (decrease) in liabilities	
Accounts payable and accrued expenses	<u>67,239</u>
Net cash provided by operating activities	<u><u>\$ 247,532</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF MILTON, DELAWARE  
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Milton, Delaware (the "Town"), was incorporated in 1807. The Town operates under a Town Council form of government and provides the following services as authorized by its charter: public safety (police), public works (streets and highways), trash removal, water, recreation, code enforcement, and general administrative services.

The Town's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Town are discussed below.

Reporting Entity

The basic criteria for including component units in the Town's financial statements are the exercise of oversight responsibility over such units by the Town's elected officials. In evaluating how to define the Town for financial purposes, management has considered all potential component units. Based on criteria set forth by the GASB, the Town of Milton has no component units.

Basis of Presentation

*Government-wide statements:* The statement of net position and the statement of activities display information about the Town. These statements include the financial activities of the overall government. These statements distinguish between the governmental and business-type activities of the Town. For the most part, the effect on interfund activity has been removed from these statements. Governmental activities 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 revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

TOWN OF MILTON, DELAWARE  
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

*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 proprietary funds, each displayed in a separate column. Any remaining governmental and proprietary funds are aggregated and reported as non-major funds.

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

*Governmental Funds:* The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The Town reports this major governmental fund:

General Fund – This is the main operating fund of the Town. It is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

*Proprietary Funds:* The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The Town has presented the following proprietary fund:

Utilities Fund - This fund is used to account for the provision of water and trash services to the residents of the Town. Activities of the fund include administration, operations and maintenance, and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water debt. Trash services are subcontracted out to a local trash company.

TOWN OF MILTON, DELAWARE  
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting

Measurement focus refers to what is being measured. Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all the eligibility requirements have been satisfied.

The 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. The Town considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year end. Property taxes, charges for services, and interest are considered to be susceptible to accrual. 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 acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, claims and judgments, and compensated absences are recorded as expenditures to the extent they have matured. General capital acquisitions are reported as expenditures in the governmental funds.

Budgetary Data

The Town charter established the fiscal year as the twelve-month period beginning October 1<sup>st</sup> of each year. The Town Council adopts a budget annually. The budget can be revised as deemed necessary by the Council. The budgetary amounts are comprised of the normal operating budget and supplemental budget allocations, if applicable.

The general fund budget is adopted on a basis consistent with generally accepted accounting principles for governmental funds.

TOWN OF MILTON, DELAWARE  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Data (Continued)

The budget for the utilities fund is prepared on a basis (budgetary basis) that differs from generally accepted accounting principles for proprietary funds (GAAP basis). The major differences between the budgetary basis and the GAAP basis are:

- Loans and transfers from other funds are reported as funding sources.
- Principal payments on long-term debt and capital outlay expenses are reported as funding uses.
- No budget is recorded for depreciation expense.

Cash equivalents

Cash equivalents include highly liquid investments with original maturities, when purchased, of less than three months.

Prepaid Items

Prepaid balances are for payments made by the Town in the current year to provide services occurring in the subsequent fiscal year.

Inventory

Inventory consists of water meters, hydrants, and other supplies used in the water department and are recorded at cost using the first-in, first-out method. Inventory is charged to expense when consumed, rather than when purchased or donated.

Allowance for Uncollectible Accounts

Provision is made for estimated uncollectible water and trash collection charges and other receivables based upon the Town's determination of individual accounts not likely to be collected. The allowance for uncollectible accounts in the general fund and utilities fund as of September 30, 2014 were \$59,418 and \$10,800, respectively.

TOWN OF MILTON, DELAWARE  
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Inflows of Resources

The Town may report a separate section for deferred inflows of resources. This separate financial element reflects an increase in net assets that applies to a future period. The Town has two types of items that qualify for reporting in this category: deferred property taxes, which are not recognized until available (collected not later than 60 days after the end of the Town's fiscal year,) and deferred grants, which are not recognized until a future event occurs.

Deferred Outflows of Resources

The Town may report decreases in net assets that relate to a future period as deferred outflows of resources in a separate section of its government-wide and proprietary statements of net position or the governmental funds balance sheet. The Town did not have deferred outflows of resources to report in the current year.

Accounting for Compensated Absences

The Town has accrued a liability for vacation pay which has been earned but not taken by Town employees. The liability for the Water Department is reported in the Proprietary Fund. For departments included in the General Fund, the current liability is reported in the General Fund and the long-term portion, if any, is recorded in the governmental activities of the government-wide statements.

Property Taxes

Property taxes are levied on January 15th and are due and payable at that time. Taxes unpaid by March 31 of the same year become delinquent. Property taxes attach as an enforceable lien on property as of March 31 after being two years delinquent.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. Capital assets are defined by the Town as assets with an initial, individual cost of \$5,000 or more and an estimated useful life exceeding one year. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance that do not add to the value of the asset or materially extend the asset's life are not capitalized.

TOWN OF MILTON, DELAWARE  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	10 – 40 years
Other improvements	10 – 25 years
Streets and sidewalks	10 – 25 years
Machinery and equipment	3 – 10 years
Vehicles	3 – 5 years

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Town to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

Government-Wide and Proprietary Fund Net Position

Government-wide and proprietary fund net position are divided into three components:

Invested in capital assets, net of related debt - consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.

Restricted net position – consist of assets that are restricted by the Town’s creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.

Unrestricted - all other net position is reported in this category.

When an expense is incurred that can be paid using either restricted or unrestricted net position, the Town’s policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

TOWN OF MILTON, DELAWARE  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable fund balance - amounts that cannot be spent either because they are in a nonspendable form (such as inventories and prepaid amounts) or they are legally or contractually required to be maintained intact.

Restricted fund balance - amounts that can be spent only for specific purposes because of the Town charter, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed fund balance - amounts that can be spent only for specific purposes determined by a formal action of the Mayor and Council through ordinance or resolution.

Assigned fund balance – amounts that are designated by the Mayor and Council for a particular purpose but are not spendable until a budget ordinance is passed or a majority vote approval by the Town Council.

Unassigned fund balance – all amounts not included in other spendable classifications.

In governmental funds, the Town's policy is to first apply the expenditure toward restricted fund balances and then to other, less restrictive classifications (committed and then assigned fund balances) before using unassigned fund balances.

Change in Accounting Principles

During 2014, the Town implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which require certain items that were previously reported as assets and liabilities to be reported as deferred outflows of resources or deferred inflows of resources. In addition, debt issuance costs, which under previous guidelines were amortized over the life of the debt, are expensed under GASB Statement No. 65.

TOWN OF MILTON, DELAWARE  
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

CASH AND INVESTMENTS

Cash

The Town is permitted to invest funds in U.S. treasury bills, short-term obligations of the United States Government or its agencies or instrumentalities, obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, the State of Delaware or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision, certificates of deposit, secured purchase agreements, authorized investment trust companies, and time or share accounts of institutions insured or secured by the FDIC to the extent such certificates are insured by a proper bond or collateral.

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town's deposits were not exposed to custodial credit risk at September 30, 2014, as \$500,000 was covered by FDIC insurance and the remaining was secured by acceptable collateral.

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Town was not exposed to foreign currency risk for the fiscal year.

Restricted cash

Restricted cash in the general fund consists of:

- Cash collected for transfer taxes which by state law must be segregated from the Town's general cash and can be expended solely for the capital and operating costs of public safety services, economic development programs, public works services, infrastructure projects and improvements, and debt reduction
- Cash received from the State of Delaware restricted for municipal street improvements
- Cash received from the State of Delaware restricted for local law enforcement activities.

Restricted cash in the utilities fund consists of cash accumulated from water impact fees which are restricted for future capital improvements.

TOWN OF MILTON, DELAWARE  
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

CAPITAL ASSETS

The changes in the Town's capital assets are as follows:

Governmental activities:	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<i>Capital assets not being depreciated</i>				
Land	\$ 38,380	\$ 96,086	\$	\$ 134,466
<i>Capital assets being depreciated</i>				
Buildings	818,691	56,431		875,122
Other improvements	1,113,552			1,113,552
Machinery and equipment	568,037	17,952		585,989
Streets and sidewalks	218,502			218,502
Vehicles	307,768		45,394	262,374
Total capital assets being depreciated	<u>3,026,550</u>	<u>74,383</u>	<u>45,394</u>	<u>3,055,539</u>
less accumulated depreciation for:				
Buildings	226,512	28,811		255,323
Other improvements	666,575	44,207		710,782
Machinery and equipment	440,273	36,941		477,214
Streets and sidewalks	67,998	11,059		79,057
Vehicles	285,054	13,123	45,394	252,783
Total accumulated depreciation	<u>1,686,412</u>	<u>134,141</u>	<u>45,394</u>	<u>1,775,159</u>
Total capital assets being depreciated, net	<u>1,340,138</u>	<u>(59,758)</u>		<u>1,280,380</u>
Governmental activities				
Capital assets, net	<u>\$ 1,378,518</u>	<u>\$ 36,328</u>	<u>\$</u>	<u>\$ 1,414,846</u>

Depreciation expense for governmental activities was charged to functions as follows:

Governmental activities:	
General government	\$ 27,387
Public safety	32,040
Public works	44,522
Parks and recreation	<u>30,192</u>
Total governmental activities	<u>\$ 134,141</u>

TOWN OF MILTON, DELAWARE  
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

CAPITAL ASSETS (Continued)

Business-type activities:	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<i>Capital assets not being depreciated</i>				
Construction in progress	\$	\$ 38,902	\$	\$ 38,902
<i>Capital assets being depreciated</i>				
Improvements	2,116,735	42,199		2,158,934
Machinery and equipment	483,611			483,611
Vehicles	191,065			191,065
Total capital assets being depreciated	<u>2,791,411</u>	<u>42,199</u>		<u>2,833,610</u>
less accumulated depreciation for:				
Improvements	855,737	56,692		912,429
Machinery and equipment	296,403	26,031		322,434
Vehicles	170,270	4,229		174,499
Total accumulated depreciation	<u>1,322,410</u>	<u>86,952</u>		<u>1,409,362</u>
Total capital assets being depreciated, net	<u>1,469,001</u>	<u>(44,753)</u>		<u>1,424,248</u>
Business-type activities				
Capital assets, net	<u>\$ 1,469,001</u>	<u>\$ (5,851)</u>	<u>\$</u>	<u>\$ 1,463,150</u>

LONG-TERM DEBT

Business-Type activities

*State Revolving Fund Loan Monies (SRF).* On June 8, 2001, the Town entered into a loan agreement with the Delaware Drinking Water State Revolving Fund, offered through the Delaware Department of Health & Social Services, Division of Public Health, to fund upgrades to the Town's drinking water treatment and delivery system. The original obligation was \$635,621. The loan is payable in thirty-four semi-annual payments of \$24,307 including interest at 3.16% and matures July 6, 2023.

Changes in long-term obligations for the year ended September 30, 2014 are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Notes payable	<u>\$ 414,052</u>	<u>\$</u>	<u>\$ 35,811</u>	<u>\$ 378,241</u>

TOWN OF MILTON, DELAWARE  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

LONG-TERM DEBT (Continued)

Business-Type activities (Continued)

Principal and interest requirements to amortize all Business-type Activities debt outstanding as of September 30, 2014 are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2015	\$ 36,952	\$ 11,663	\$ 48,615
2016	38,129	10,486	48,615
2017	39,343	9,272	48,615
2018	40,597	8,018	48,615
2019	41,889	6,726	48,615
2020-2023	181,331	13,128	194,459
	<u>\$ 378,241</u>	<u>\$ 59,293</u>	<u>\$ 437,534</u>

INTEREST COST – UTILITIES FUND

Where applicable, the Town follows the policy of capitalizing interest as a component of the cost of property, plant, and equipment constructed for its own use. During the year ended September 30, 2014, total interest incurred and paid in the Utilities fund was \$12,537. The full amount was charged to operations.

INTERNAL BALANCES

Balances due to/from other funds at September 30, 2014 consist of the following:

	<u>Beginning of year</u>	<u>Increase (Decrease)</u>	<u>End of year</u>
Due from the utilities fund to the general fund	<u>\$ (24,606)</u>	<u>\$ 15,044</u>	<u>\$ (9,562)</u>

TOWN OF MILTON DELAWARE  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014

FUND BALANCES – GOVERNMENTAL FUNDS

Restricted fund balances consist of transfer taxes and grants (net of deferred revenue) that are restricted to specific uses by the State of Delaware.

IMPACT FEES – WASTEWATER TREATMENT PLANT

On July 1, 2007, the Town sold the wastewater treatment plant and sewer infrastructure to Tidewater Environment Services, Inc. (TESI). As new customers pay impact fees to TESI, the Town will receive \$2,400,000 in additional money for franchise fees, prior engineering costs, and repayment of the state revolving fund debt. This amount will be received in installments of \$1,500 per customer from the impact fees collected by TESI.

The Town is likely to collect the \$2,400,000, but it has not been recorded as a receivable as of September 30, 2014. This income will be recorded as received, or when it becomes absolutely certain that the money will be received. Impact fees collected during the year were \$64,500 and were deposited in a separate bank account in the general fund.

EMPLOYEE PENSION PLAN

Effective October 1, 2003, the Town became a member of the State of Delaware County and Municipal Police Pension Plan, a cost-sharing multiple-employer defined benefit plan administered by the Board of Pension Trustees of the State of Delaware. The Town's cost of participating in this plan is set by the State's Legislative body annually. Municipal employees and municipal police officers must contribute 3% and 7%, respectively. The three year contribution information for the Town is as follows:

Fiscal year ended	Annual Pension Costs (APC)	Presentation of APC Contribution	Net Pension Obligation
September 30, 2014	\$72,889	100%	0
September 30, 2013	\$87,612	100%	0
September 30, 2012	\$85,949	100%	0

The Police Department receives grant monies from the State of Delaware through a special tax on gross premiums for the benefit of police. During the fiscal year, the Town received \$43,765.

TOWN OF MILTON DELAWARE  
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

RISK MANAGEMENT

Due to the nature of activities in which Town employees are involved, from time to time, legal matters may arise. The Town maintains insurance coverage for such potential liabilities. Insurance deductibles are \$2,500 for general liabilities and \$10,000 for police liabilities. Management believes such coverage is sufficient to preclude any uninsured losses to the Town.

CONTINGENT LIABILITIES

The Town is the recipient of various federal and state grants. The Town may be under obligation to repay these grant funds if, upon final review by the respective granting agencies, the funds expended did not meet the established program objectives. The Town is not aware of any repayment request.

NEW PRONOUNCEMENT

GASB has approved Statement No. 68 which will require the Town to provide additional information in the financial statements related to cost sharing pension plans such as the Delaware County and Municipal Police Pension Plan. The Town will be required to implement GASB Statement No. 68 for the year ending September 30, 2015.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF MILTON, DELAWARE  
 REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND

YEAR ENDED SEPTEMBER 30, 2014

	Budget		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Real estate taxes	\$ 819,200	\$ 824,200	\$ 856,599	\$ 32,399
Transfer taxes	174,000	348,000	402,684	54,684
Licenses and permits	200,720	200,720	263,062	62,342
Intergovernmental revenues	192,089	192,089	168,137	(23,952)
Charges for services	152,530	152,530	229,875	77,345
Fines and forfeitures	38,500	18,500	22,600	4,100
Earnings on investments	4,350	4,350	1,296	(3,054)
Miscellaneous	14,700	14,700	22,426	7,726
Total revenues	<u>1,596,089</u>	<u>1,755,089</u>	<u>1,966,679</u>	<u>211,590</u>
Expenditures				
Current				
General government	338,903	318,412	334,719	(16,307)
Public safety	841,441	847,441	722,780	124,661
Public works	135,607	171,197	179,798	(8,601)
Parks and recreation	85,249	88,249	78,055	10,194
Code enforcement	176,203	176,203	191,270	(15,067)
Capital outlay		153,000	170,469	(17,469)
Total expenditures	<u>1,577,403</u>	<u>1,754,502</u>	<u>1,677,091</u>	<u>77,411</u>
Net change in fund balance	<u>\$ 18,686</u>	<u>\$ 587</u>	<u>\$ 289,588</u>	<u>\$ 289,001</u>

SUPPLEMENTARY INFORMATION



**PKS** & Company, P.A.

*Pigg, Krahl & Stern*

**Certified Public Accountants  
& Advisors to Business**

ANDREW M. HAYNIE, CPA  
SUSAN P. KEEN, CPA  
MICHAEL C. KLEGER, CPA  
JEFFREY A. MICHALIK, CPA  
DANIEL M. O'CONNELL II, CPA  
JEFFERY D. PRUITT, CPA  
JOHN M. STERN, JR., CPA

## INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Mayor and Council  
Town of Milton, Delaware

[www.pkscpa.com](http://www.pkscpa.com)

### Report on Supplementary Information

#### Salisbury

1801 SWEETBAY DRIVE  
P.O. BOX 72  
SALISBURY, MD 21803  
TEL: 410.546.5600  
FAX: 410.548.9576

Our report on our audit of the financial statements that collectively comprise the Town of Milton, Delaware's basic financial statements appears on pages one and two. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Milton, Delaware's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

#### Ocean City

12308 OCEAN GATEWAY, UNIT #5  
OCEAN CITY, MD 21842  
TEL: 410.213.7185  
FAX: 410.213.7638

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information, except for the portion marked "unaudited," has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

#### Lewes

1143 SAVANNAH ROAD, SUITE 1  
LEWES, DE 19958  
TEL: 302.645.5757  
FAX: 302.645.1757

#### MEMBERS OF:

AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

MARYLAND ASSOCIATION OF  
CERTIFIED PUBLIC ACCOUNTANTS

DELAWARE SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

PKF INTERNATIONAL

### Other Matter

The prior year summarized comparative information has been derived from the Town's 2013 financial statements and, in our report dated January 17, 2014, we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities and each major fund.

*PKS & Company, P.A.*

CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland  
January 2, 2015

TOWN OF MILTON, DELAWARE  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL  
GENERAL FUND

YEAR ENDED SEPTEMBER 30, 2014  
(WITH COMPARATIVE TOTALS FOR 2013)

	2014		2013
	Final Budget (Unaudited)	Actual	Actual
Revenues			
Real estate taxes	\$ 824,200	\$ 856,599	\$ 833,018
Transfer taxes	348,000	402,684	213,246
Licenses and permits	200,720	263,062	200,063
Intergovernmental revenues	192,089	168,137	208,758
Charges for services	152,530	229,875	187,844
Fines and forfeitures	18,500	22,600	48,863
Earnings on investments	4,350	1,296	2,710
Miscellaneous	14,700	22,426	17,084
Total revenues	<u>1,755,089</u>	<u>1,966,679</u>	<u>1,711,586</u>
Expenditures			
Current			
General government	318,412	334,719	323,411
Public safety	847,441	722,780	851,363
Public works	171,197	179,798	162,638
Parks and recreation	88,249	78,055	54,619
Code enforcement	176,203	191,270	208,592
Capital outlay	153,000	170,469	126,156
Total expenditures	<u>1,754,502</u>	<u>1,677,091</u>	<u>1,726,779</u>
Net change in fund balance	<u>\$ 587</u>	<u>\$ 289,588</u>	<u>\$ (15,193)</u>

TOWN OF MILTON, DELAWARE

SCHEDULE OF REVENUES—BUDGET AND ACTUAL  
GENERAL FUND

YEAR ENDED SEPTEMBER 30, 2014  
(WITH COMPARATIVE TOTALS FOR 2013)

	2014		2013
	Final Budget (Unaudited)	Actual	Actual
Revenues			
Taxes and assessments			
Real estate	\$ 814,000	\$ 845,040	\$ 820,635
Transfer	348,000	402,684	213,246
Penalties	10,200	11,559	12,383
Total taxes	<u>1,172,200</u>	<u>1,259,283</u>	<u>1,046,264</u>
Licenses and permits			
Business licenses	166,000	225,203	165,179
Franchise fees	34,720	37,859	34,884
Total licenses and permits	<u>200,720</u>	<u>263,062</u>	<u>200,063</u>
Intergovernmental revenues			
Federal Government			4,061
State of Delaware	167,089	143,137	179,697
Sussex County	25,000	25,000	25,000
Total intergovernmental revenues	<u>192,089</u>	<u>168,137</u>	<u>208,758</u>
Charges for services			
Professional fees	29,100	51,798	47,595
Other service charges	123,430	178,077	140,249
Total service charges	<u>152,530</u>	<u>229,875</u>	<u>187,844</u>
Fines and forfeitures	<u>18,500</u>	<u>22,600</u>	<u>48,863</u>
Earnings on investments	<u>4,350</u>	<u>1,296</u>	<u>2,710</u>
Miscellaneous			
Donations	11,000	15,342	16,470
Other	3,700	7,084	614
Total miscellaneous	<u>14,700</u>	<u>22,426</u>	<u>17,084</u>
Total revenues	<u>\$ 1,755,089</u>	<u>\$ 1,966,679</u>	<u>\$ 1,711,586</u>

TOWN OF MILTON, DELAWARE

SCHEDULE OF EXPENDITURES—BUDGET AND ACTUAL  
GENERAL FUND

YEAR ENDED SEPTEMBER 30, 2014  
(WITH COMPARATIVE TOTALS FOR 2013)

	2014		2013
	Final Budget (Unaudited)	Actual	Actual
Expenditures			
General government			
Administration	\$ 269,412	\$ 289,449	\$ 286,775
Law	49,000	45,270	36,636
Total general government	<u>318,412</u>	<u>334,719</u>	<u>323,411</u>
Public safety			
Police department	844,941	720,280	848,863
Fire department	2,500	2,500	2,500
Total public safety	<u>847,441</u>	<u>722,780</u>	<u>851,363</u>
Public Works			
Streets	116,997	118,422	78,956
Sanitation	54,200	61,376	83,682
Total public works	<u>171,197</u>	<u>179,798</u>	<u>162,638</u>
Parks and recreation	<u>88,249</u>	<u>78,055</u>	<u>54,619</u>
Code enforcement	<u>176,203</u>	<u>191,270</u>	<u>208,592</u>
Capital outlay	<u>153,000</u>	<u>170,469</u>	<u>126,156</u>
Total expenditures	<u>\$ 1,754,502</u>	<u>\$ 1,677,091</u>	<u>\$ 1,726,779</u>

TOWN OF MILTON, DELAWARE  
SCHEDULE OF REVENUES AND EXPENSES  
UTILITIES FUND

YEAR ENDED SEPTEMBER 30, 2014  
(WITH COMPARATIVE TOTALS FOR 2013)

	<u>2014</u>	<u>2013</u>
Operating revenues		
Water service charges	\$ 440,343	\$ 478,827
Trash service charges	306,385	289,446
Tapping fees	22,000	14,500
Sales of meters	36,218	19,532
Operating grants	30,000	2,192
Penalties	8,079	7,090
Other	17,359	13,744
Total operating revenues	<u>860,384</u>	<u>825,331</u>
Operating expenses		
Salaries and labor	120,848	149,572
Payroll taxes	7,246	10,463
Pension	6,487	8,787
Employee benefits	14,933	16,375
Uniforms	3,837	6,374
Utilities	33,324	25,647
Trash removal	277,333	270,196
Telephone	3,754	3,803
Gas and oil	13,206	13,724
Repairs and maintenance	129,347	73,870
Operating supplies	67,773	29,448
Professional fees	13,310	44,263
Insurance	11,436	12,273
Miscellaneous	3,161	3,654
Depreciation	86,952	79,871
Total operating expenses	<u>792,947</u>	<u>748,320</u>
Operating income	<u>67,437</u>	<u>77,011</u>
Non-operating revenues (expenses)		
Interest income	460	448
Interest expense	(12,537)	(13,650)
Net non-operating expenses	<u>(12,077)</u>	<u>(13,202)</u>
Income before contributions	55,360	63,809
Capital contributions - impact fees	<u>62,350</u>	<u>49,300</u>
Change in net position	<u>\$ 117,710</u>	<u>\$ 113,109</u>

*GOVERNMENT AUDITING STANDARDS REPORT*



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Pigg, Krahl & Stern

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PKF INTERNATIONAL

**INDEPENDENT AUDITORS' 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 Mayor and Council  
Town of Milton, Delaware

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 financial statements of the governmental activities, the business-type activities and each major fund of the Town of Milton, Delaware as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated January 2, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses that we considered to be a significant deficiency. 14-01.

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. During our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town's financial statements are free of 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Town of Milton, Delaware's Response to Findings**

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

### **Purpose of this Report**

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

PKS & Company, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland  
January 2, 2015

TOWN OF MILTON, DELAWARE  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED SEPTEMBER 30, 2014

SIGNIFICANT DEFICIENCIES

14-01 Criteria - Controls should be in place to detect, prevent, or correct misstatements in the Town's drafted financial statements.

Condition - Management relies on the auditor to prepare the financial statements in accordance with generally accepted accounting principles (GAAP). The financial statements are reviewed and approved by management prior to their issuance. In addition, management relies on the auditor to perform certain tasks such as the calculation of accrued liabilities, update of depreciation schedules, and the posting of approved adjusting entries to the trial balance prior to the preparation of the financial statements.

Effect - There is a danger that intentional fraud or unintentional errors could be made and not detected.

Cause - Management does not have sufficient knowledge of required generally accepted accounting principles to prepare the financial statements and determine whether the disclosures are complete.

Recommendation - None.

Auditee's response and planned corrective action - Management has evaluated the cost vs. benefit of establishing internal controls over the preparation of the financial statements and has determined that it is in the best interests of the Town to outsource this task to its independent auditors.