

TOWN OF MILTON, DELAWARE
FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2015

TOWN OF MILTON, DELAWARE

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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

JOHN M. STERN, JR., CPA

www.pkscpa.com

Salisbury

1801 SWEETBAY DRIVE

P.O. BOX 72

SALISBURY, MD 21803

TEL: 410.546.5600

FAX: 410.548.9576

Ocean City

12216 OCEAN GATEWAY

SUITE 800

OCEAN CITY, MD 21842

TEL: 410.213.7185

FAX: 410.213.7638

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

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 CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

**To the Mayor and Council
 Town of Milton, Delaware**

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, 2015, 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, 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, 2015, 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.

Change in Accounting Principle

As discussed in the notes to the financial statements, in 2015 the Town adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 25*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the required supplementary information on pages 3 through 8 and pages 34 through 36 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 20, 2016, 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 20, 2016

TOWN OF MILTON, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015

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, 2015. 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, 2015

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 34.

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 33 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 \$5.6 million at the close of the current fiscal year. The Town's net position is divided into three categories – net investment in capital assets, 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, 2015

Net Position

As of September 30, 2015, the Town's net position was \$5,655,000. Of this amount, \$2,666,000 was invested in capital assets, net of related debt, \$1,046,000 was restricted, and \$1,943,000 was unrestricted.

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

<p style="text-align: center;">Table 1 Town of Milton's Net Position <i>(in thousands of dollars)</i></p>						
	2015			2014		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Assets						
Current and other assets	\$ 2,103	\$ 1,146	\$ 3,249	\$ 1,473	\$ 1,294	\$ 2,767
Capital assets	1,431	1,637	3,068	1,415	1,463	2,878
Total assets	3,534	2,783	6,317	2,888	2,757	5,645
Deferred outflows of resources	70	11	81	79	10	89
Liabilities						
Current and other liabilities	142	120	262	111	124	235
Long term liabilities	19	308	327	114	362	476
Total liabilities	161	428	589	225	486	711
Deferred inflows of resources	139	15	154	43		43
Net position						
Net investment in capital assets	1,372	1,294	2,666	1,415	1,085	2,500
Restricted	619	427	1,046	330	396	726
Unrestricted	1,313	630	1,943	954	800	1,754
Total net position	<u>\$ 3,304</u>	<u>\$ 2,351</u>	<u>\$ 5,655</u>	<u>\$ 2,699</u>	<u>\$ 2,281</u>	<u>\$ 4,980</u>

The 2014 amounts have been restated to reflect the implementation of GASB Statement No. 68

Change in Net Position

Net position for the period ending September 30, 2015 increased by \$674,000. This is a consequence of governmental activity assets increasing by \$604,000 and business-type assets increasing by \$70,000. Governmental activity increases result from an increase of transfer tax received, property taxes, and building permit revenues.

TOWN OF MILTON, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2015

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)

	2015			2014		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenues						
Program revenues						
Charges for services	\$ 474	\$ 946	\$ 1,420	\$ 478	\$ 860	\$ 1,338
Operating grants and contributions	224		224	143		143
Capital grants and contributions		71	71	25	62	87
General revenues						
Property and transfer taxes	1,504		1,504	1,287		1,287
Miscellaneous revenues	70		70	60		60
Unrestricted investment earnings	1		1	1	1	2
Total revenues	\$ 2,273	\$ 1,017	\$ 3,290	\$ 1,994	\$ 923	\$ 2,917
Expenses						
General government	402		402	362		362
Public safety	780		780	747		747
Public works	216		216	224		224
Code enforcement	173		173	197		197
Parks and recreation	98		98	103		103
Utilities		947	947		805	805
Total expenses	1,669	947	2,616	1,633	805	2,438
Change in net position	\$ 604	\$ 70	\$ 674	\$ 361	\$ 118	\$ 479

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

Governmental Funds

For the fiscal year ending September 30, 2015, the Town had an increase in its governmental fund balance of \$604,000. Significant variances included increases in property and transfer taxes, intergovernmental revenues, licenses and permits, and a decrease in total expenditures.

TOWN OF MILTON, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2015

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 \$630,000. Other factors concerning these funds finances are addressed on pages 15 through 17 and a more detailed comparison to 2014 is shown on page 39.

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 \$426,544.
- Transfer Taxes exceeded the final budget by \$291,119.
- Total expenditures were under the final budget by \$234,412.

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, 2015 was \$3,007,455 (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. Street and sidewalk replacement for \$67,544
2. Town clock for \$5,000

Business-type activities

1. Water tank foundation improvements and fencing for \$301,871

TOWN OF MILTON, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2015

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

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 134	\$ 134	\$	\$	\$ 134	\$ 134
Construction in progress	10	-			10	
Buildings	591	620			591	620
Other improvements	359	403	1,487	1,285	1,846	1,688
Machinery and equipment	82	109	136	161	218	270
Streets and sidewalks	194	139			194	139
Vehicles	2	10	12	17	14	27
Total net capital assets	\$ 1,372	\$ 1,415	\$ 1,635	\$ 1,463	\$ 3,007	\$ 2,878

Long-Term Debt

At year end, the Town had \$341,289 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

Growth in Town continues resulting in increases in property taxes and transfer taxes. The charter was amended to raise the limitation on tax revenue. The previous limit of \$1 million was increased to .5% of the assessed value of all taxable real property within the Town limits. The Mayor and Council are continuing to review the charter and additional amendments may be proposed.

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 Town Clerk, Town of Milton, 115 Federal Street, Milton, Delaware 19968.

TOWN OF MILTON, DELAWARE

STATEMENT OF NET POSITION

SEPTEMBER 30, 2015

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current assets			
Cash	\$ 1,412,568	\$ 376,162	\$ 1,788,730
Taxes receivable	43,884		43,884
Accounts receivable, net of allowance	9,538	244,409	253,947
Due from other governments	7,000		7,000
Internal balances	1,735	(1,735)	
Inventory		89,092	89,092
Prepaid expenses		10,867	10,867
Restricted cash	627,834	427,089	1,054,923
Total current assets	<u>2,102,559</u>	<u>1,145,884</u>	<u>3,248,443</u>
Noncurrent assets			
Capital assets, net of accumulated depreciation	1,372,037	1,635,418	3,007,455
Net pension asset	59,308	2,000	61,308
Total assets	<u>3,533,904</u>	<u>2,783,302</u>	<u>6,317,206</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred financing outflows - retirement	<u>69,425</u>	<u>10,970</u>	<u>80,395</u>
LIABILITIES			
Current liabilities			
Current portion of long-term debt		38,129	38,129
Accounts payable	82,513	62,007	144,520
Accrued wages and payroll taxes	33,508	9,313	42,821
Accrued compensated absences, net of long term	25,747	7,607	33,354
Accrued interest payable		2,541	2,541
Total current liabilities	<u>141,768</u>	<u>119,597</u>	<u>261,365</u>
Noncurrent liabilities			
Notes payable		303,160	303,160
Accrued compensated absences	18,583	5,020	23,603
Total noncurrent liabilities	<u>18,583</u>	<u>308,180</u>	<u>326,763</u>
Total liabilities	<u>160,351</u>	<u>427,777</u>	<u>588,128</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred grants	8,816		8,816
Deferred financing inflows - retirement	130,602	15,361	145,963
Total deferred inflows of resources	<u>139,418</u>	<u>15,361</u>	<u>154,779</u>
NET POSITION			
Net investment in capital assets	1,372,037	1,294,129	2,666,166
Restricted	619,018	427,089	1,046,107
Unrestricted	1,312,505	629,916	1,942,421
Total net position	<u>\$ 3,303,560</u>	<u>\$ 2,351,134</u>	<u>\$ 5,654,694</u>

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

TOWN OF MILTON, DELAWARE

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2015

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
FUNCTIONS/PROGRAMS							
GOVERNMENTAL ACTIVITIES							
General government	\$ 402,329	\$ 8,297	\$ 7,000	\$	\$ (387,032)	\$	\$ (387,032)
Public safety	779,679	13,591	108,208		(657,880)		(657,880)
Public works	215,528	87,485	102,777		(25,266)		(25,266)
Code enforcement	173,089	360,559			187,470		187,470
Parks and recreation	98,418	3,865	6,462		(88,091)		(88,091)
Total governmental activities	<u>1,669,043</u>	<u>473,797</u>	<u>224,447</u>		<u>(970,799)</u>		<u>(970,799)</u>
BUSINESS-TYPE ACTIVITIES							
Utilities	946,735	945,458		71,050		69,773	69,773
Total business-type activities	<u>946,735</u>	<u>945,458</u>		<u>71,050</u>		<u>69,773</u>	<u>69,773</u>
Total	<u>\$ 2,615,778</u>	<u>\$ 1,419,255</u>	<u>\$ 224,447</u>	<u>\$ 71,050</u>	<u>(970,799)</u>	<u>69,773</u>	<u>(901,026)</u>
GENERAL REVENUES							
					985,605		985,605
Real estate taxes					518,850		518,850
Transfer taxes					38,815		38,815
Franchise fees					1,378	422	1,800
Unrestricted investment earnings					29,936		29,936
Miscellaneous					500		500
Gain on sale of assets					<u>1,575,084</u>	<u>422</u>	<u>1,575,506</u>
Total general revenues					<u>604,285</u>	<u>70,195</u>	<u>674,480</u>
Change in net position							
NET POSITION, BEGINNING OF YEAR, RESTATED							
					2,699,275	2,280,939	4,980,214
NET POSITION, END OF YEAR					<u>\$ 3,303,560</u>	<u>\$ 2,351,134</u>	<u>\$ 5,654,694</u>

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

TOWN OF MILTON, DELAWARE

**BALANCE SHEET
GOVERNMENTAL FUND**

SEPTEMBER 30, 2015

ASSETS

	<u>General Fund</u>
Cash	\$ 1,412,568
Taxes receivable	43,884
Accounts receivable, net of allowance	9,538
Due from other governments	7,000
Due from other funds	1,735
Restricted cash	<u>627,834</u>
Total assets	<u><u>\$ 2,102,559</u></u>

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES,
AND FUND BALANCES**

LIABILITIES

Accounts payable	\$ 82,513
Accrued wages and payroll taxes	33,508
Accrued compensated absences	25,747
Total liabilities	<u>141,768</u>

DEFERRED INFLOWS OF RESOURCES

Deferred property taxes and grants	<u>51,294</u>
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FUND BALANCES

Restricted	619,018
Unassigned	1,283,479
Total fund balances	<u>1,909,497</u>

Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 2,102,559</u></u>
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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, 2015

Total fund balance, governmental fund	\$ 1,909,497
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.	1,372,037
Some expenditures reported in the governmental funds require the use of current financial resources and these are not reported as expenses in the Statement of Activities: Deferred financing outflows - retirement	69,425
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	(18,583)
Deferred financing inflows - retirement	(130,602)
Net pension asset	59,308
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	<u>42,478</u>
Net position, governmental activities	<u>\$ 3,303,560</u>

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, 2015

	General Fund
REVENUES	
Real estate taxes	\$ 1,000,020
Transfer taxes	518,850
Licenses and permits	304,174
Intergovernmental revenues	224,447
Charges for services	190,810
Fines and forfeitures	17,627
Earnings on investments	1,378
Miscellaneous	30,436
Total revenues	<u>2,287,742</u>
EXPENDITURES	
Current	
General government	376,902
Public safety	760,603
Public works	171,642
Parks and recreation	74,729
Code enforcement	175,234
Capital outlay	82,044
Total expenditures	<u>1,641,154</u>
Net change in fund balance	646,588
FUND BALANCES, BEGINNING OF YEAR	<u>1,262,909</u>
FUND BALANCES, END OF YEAR	<u><u>\$ 1,909,497</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, 2015

Net change in fund balances, governmental funds	\$	646,588
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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	82,044	
Depreciation expense	<u>(124,853)</u>	
		(42,809)

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	(5,157)
Change in deferred outflows - retirement	(10,122)
Change in net pension asset	160,801

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	(14,414)
Change in deferred inflows - retirement	(130,602)

Change in net position, governmental activities	\$	<u><u>604,285</u></u>
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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, 2015

	<u>Utilities Fund</u>
ASSETS	
Current assets	
Cash	\$ 376,162
Accounts receivable, net of allowance	244,409
Inventory	89,092
Prepaid maintenance contract	10,867
Restricted cash	<u>427,089</u>
Total current assets	<u>1,147,619</u>
Noncurrent assets	
Capital assets, net of accumulated depreciation	1,635,418
Net pension asset	<u>2,000</u>
Total assets	<u>2,785,037</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred financing outflows - retirement	<u>10,970</u>
LIABILITIES	
Current liabilities	
Accounts payable	62,007
Accrued wages and payroll taxes	9,313
Accrued interest payable	2,541
Accrued compensated absences, net of long term	7,607
Due to other funds	1,735
Current portion of long-term debt	<u>38,129</u>
Total current liabilities	<u>121,332</u>
Non-current liabilities	
Accrued compensated absences	5,020
Notes payable	<u>303,160</u>
Total non-current liabilities	<u>308,180</u>
Total liabilities	<u>429,512</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred financing inflows - retirement	<u>15,361</u>
NET POSITION	
Net investment in capital assets	1,294,129
Restricted	427,089
Unrestricted	<u>629,916</u>
Total net position	<u>\$ 2,351,134</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, 2015

	<u>Utilities Fund</u>
OPERATING REVENUES	
Water service charges	\$ 539,622
Trash service charges	289,867
Tapping fees	22,800
Sales of meters	62,672
Penalties	7,592
Other	22,905
Total operating revenues	<u>945,458</u>
OPERATING EXPENSES	
Salaries and labor	166,051
Payroll taxes	11,235
Pension	2,368
Employee benefits	18,425
Uniforms	3,611
Utilities	33,642
Trash removal services	265,041
Telephone	3,965
Gas and oil	5,798
Repairs and maintenance	238,106
Operating supplies	79,813
Professional fees	3,200
Insurance	9,674
Miscellaneous	3,718
Depreciation	90,700
Total operating expenses	<u>935,347</u>
Operating income	<u>10,111</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest income	422
Interest expense	<u>(11,388)</u>
Net non-operating expenses	<u>(10,966)</u>
Loss before contributions	(855)
Capital contributions - impact fees	<u>71,050</u>
Change in net position	70,195
NET POSITION, BEGINNING OF YEAR, RESTATED	<u>2,280,939</u>
NET POSITION, END OF YEAR	<u>\$ 2,351,134</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, 2015

	<u>Utilities Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 895,501
Other receipts	22,905
Payments to suppliers	(649,333)
Payments to employees	(195,446)
	<u>73,627</u>
Net cash provided by operating activities	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(262,968)
Principal paid on long-term debt	(36,952)
Interest paid on long-term debt	(11,663)
Capital contributions	71,050
	<u>71,050</u>
Net cash used by capital and related financing activities	<u>(240,533)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Interfund borrowings	<u>(7,826)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>422</u>
Net decrease in cash	(174,310)
CASH, BEGINNING OF YEAR	<u>977,561</u>
CASH, END OF YEAR	<u><u>\$ 803,251</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 10,111
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	90,700
Change in deferred outflows and inflows	14,115
(Increase) decrease in assets	
Accounts receivable	(27,052)
Inventory	8,397
Increase (decrease) in liabilities	
Accounts payable and accrued expenses	<u>(22,644)</u>
Net cash provided by operating activities	<u><u>\$ 73,627</u></u>

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

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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, trash removal, water, parks and 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, 2015

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.

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.

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement focus, basis of accounting (continued)

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 1st 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, 2015

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, 2015 were \$46,744 and \$10,800, respectively.

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 three 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), deferred retirement, and deferred grants, which are not recognized until a future event occurs.

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 has one item that qualifies for reporting in this category: deferred outflow retirement contributions.

Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Delaware Public Employees' Retirement System (DPERS), and additions to/deductions from DPERS's fiduciary net position have been determined on the same basis as they are reported by DPERS.

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, 2015

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 net position

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

Net investment in capital assets – consists 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, 2015

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 2015, the Town implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Adoption of this statement requires the Town to provide additional information in the financial statements related to cost sharing pension plans. Implementation of GASB Statement No. 68 resulted in a restatement of the net position as of September 30, 2014 as follows:

	<u>Government-wide</u>		<u>Funds</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Utility Fund</u>
Net position, June 30, 2014, as originally reported	\$ 2,721,221	\$ 2,288,656	\$ 2,288,656
Adjustment for net pension liability at June 30, 2014	(21,946)	(7,717)	(7,717)
Net position, beginning of year, as restated	<u>\$ 2,699,275</u>	<u>\$ 2,280,939</u>	<u>\$ 2,280,939</u>

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

CASH AND CASH EQUIVALENTS

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, 2015, 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, 2015

CAPITAL ASSETS

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

Governmental activities:	Beginning Balance	Increases	Decreases	Ending Balance
<i>Capital assets not being depreciated</i>				
Land	\$ 134,466	\$	\$	\$ 134,466
Construction in process		9,500		9,500
Total capital assets not being depreciated	134,466	9,500		143,966
<i>Capital assets being depreciated</i>				
Buildings	875,122			875,122
Other improvements	1,113,552			1,113,552
Machinery and equipment	585,989	5,000		590,989
Streets and sidewalks	218,502	67,543		286,045
Vehicles	262,374		18,181	244,193
Total capital assets being depreciated	3,055,539	72,543	18,181	3,109,901
less accumulated depreciation for:				
Buildings	255,323	29,192		284,515
Other improvements	710,782	44,207		754,989
Machinery and equipment	477,214	31,841		509,055
Streets and sidewalks	79,057	12,560		91,617
Vehicles	252,783	7,052	18,181	241,654
Total accumulated depreciation	1,775,159	124,852	18,181	1,881,830
Total capital assets being depreciated, net	1,280,380	(52,309)		1,228,071
Capital assets, net	\$ 1,414,846	\$ (42,809)	\$	\$ 1,372,037

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

Governmental activities:	
General government	\$ 28,185
Public safety	26,335
Public works	44,576
Parks and recreation	25,757
Total governmental activities	\$ 124,853

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

CAPITAL ASSETS (Continued)

Business-type activities:	Beginning Balance	Increases	Decreases	Ending Balance
<i>Capital assets not being depreciated</i>				
Construction in progress	\$ 38,902	\$	\$ (38,902)	\$
<i>Capital assets being depreciated</i>				
Improvements	2,158,934	301,871		2,460,805
Machinery and equipment	483,611			483,611
Vehicles	191,065			191,065
Total capital assets being depreciated	2,833,610	301,871		3,135,481
less accumulated depreciation for:				
Improvements	912,429	60,440		972,869
Machinery and equipment	322,434	26,031		348,465
Vehicles	174,499	4,230		178,729
Total accumulated depreciation	1,409,362	90,701		1,500,063
Total capital assets being depreciated, net	1,424,248	211,170		1,635,418
Capital assets, net	\$ 1,463,150	\$ 211,170	\$ (38,902)	\$ 1,635,418

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, 2015 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Notes payable	\$ 378,241	\$	\$ 36,952	\$ 341,289

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

LONG-TERM DEBT (Continued)

Business-type activities (continued)

Principal and interest requirements to amortize all Business-type Activities debt outstanding as of September 30, 2015 are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
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	43,224	5,391	48,615
2021-2023	138,107	7,737	145,844
	<u>\$ 341,289</u>	<u>\$ 47,630</u>	<u>\$ 388,919</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, 2015, total interest incurred and paid in the Utilities fund was \$11,388. The full amount was charged to operations.

INTERNAL BALANCES

Balances due to/from other funds at September 30, 2015 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>\$ (9,562)</u>	<u>\$ 11,297</u>	<u>\$ 1,735</u>

TOWN OF MILTON DELAWARE
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

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) for \$3,900,000. Of this amount, \$1,500,000 was allocated to the purchase of land. As new customers pay impact fees to TESI, the Town will receive the \$2,400,000 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, 2015. 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 \$51,000.

RETIREMENT AND PENSION PLANS

General information about the pension plans

Plan descriptions: The Town participates in two plans of the Delaware Public Employees' Retirement System (DPERS): the County Municipal Police/Firefighters Pension Plan (Police Plan) and the County and Municipal Other Employees' Pension Plan (General Plan).

Both plans are cost sharing multiple-employer defined-benefit pension plan established in the Delaware Code. The General Assembly is responsible for setting benefits and contributions and amending plan provisions; administrative rules and regulations are adopted and maintained by the Board of Pension Trustees (the Board). The management of the Plan is the responsibility of the Board. The Board is comprised of five members appointed by the Governor and confirmed by the State Senate, plus two ex officio members. The daily operation is the responsibility of the Office of Pensions. Although most of the assets of the Plans are commingled with other Plans for investment purposes, the Plans' assets may be used for the payment of benefits to the members of the Plans in accordance with the terms of the Plans.

The following are brief descriptions of the Plans in effect as of June 30, 2014. For a more complete description, please refer to the DPERS CAFR for each plan. Separately issued financial statements for DPERS are available from the pension office at: McArdle Building, Suite 1, 860 Silver Lake Blvd, Dover, DE 19904.

TOWN OF MILTON DELAWARE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

RETIREMENT AND PENSION PLANS (Continued)

Benefits provided. The DPERS provide retirement, disability and death benefits. Eligibility and benefits vary depending on which plan the employee is enrolled in.

Police Plan covers police officers and firefighters employed by a county or municipality of the state that have joined the Plan. Service benefits are based on 2.5% of final average monthly compensation multiplied by years of credited service up to 20 years, plus 3.5% of final average monthly compensation multiplied by years of service in excess of 20 years. For this plan, final average monthly compensation is the monthly average of the highest three consecutive years of compensation. Employees in the plan may retire after age 62 with 5 years of service; age plus credited service (but not less than 10 years) equals 75; or 20 years of credited service. Benefits are vested after five years of credited service.

Total disability benefits for duty officers are based on 75% of final average compensation plus 10% for each dependent but not to exceed 25% for all dependents. Partial disability benefits for duty officers are calculated the same as service benefits, subject to minimum of 50% of final average compensation. Disability benefits for non-duty officers are calculated the same as service benefits, total disability subject to a minimum of 50% of final average monthly compensation plus 5% of each dependent not to exceed 20% for all dependents with partial disability benefits subject to a minimum of 30% of final average monthly compensation.

For survivor benefits, if the employee is receiving a pension, then eligible survivor receives 50% of pension; if the employee is active, eligible survivor receives 50% of pension the employee would have received at age 62. If the member is killed in the line of duty, the eligible survivor receives 75% of the members' compensation.

General plan covers employees of counties or municipalities that have joined the plan. Services benefits are based on 1/60th of final average monthly compensation multiplied by years of credited service, subject to maximum limitations. For this plan average monthly compensation is the monthly average of the highest five years of compensation. Employees in the plan may retire after age 62 with 5 years of credited services, age 60 with 15 years of credited services, or after 30 years of credited services. Benefits are vested after five years of credited service.

Disability benefits are the same as service benefits. Employee must have 5 years of credited service. For survivor benefits, if the employee is receiving a pension, then eligible survivor received 50% of pension, if employee is active, eligible survivor receives 50% of pension the employee would have received at age 62.

TOWN OF MILTON DELAWARE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

RETIREMENT AND PENSION PLANS (Continued)

Contributions: Active members of the Police Plan are required to contribute to the Plan at the rate of 7% of their covered salary. Active members of the General Plan are required to contribute to the plan at the rate of 3% of earnings in excess of \$6,000. Employer contributions are determined by the Board of Pension Trustees. Contributions to the plan from the Town for the past three years were as follows:

Fiscal Year Ending	Pension Cost	Percentage Funded
9/30/2013	\$ 87,612	100%
9/30/2014	\$ 72,889	100%
9/30/2015	\$ 73,015	100%

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 \$34,536.

Pension liabilities, pension expense and deferred outflows of resources and deferred inflows of resources related to pensions

At September 30, 2015, the Town reported an asset of \$61,308 for its proportionate share of the net pension liability/asset. The net pension liability/asset was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013. Update procedures were used to roll forward the total pension liability/asset to June 30, 2014. The Town's proportion of the net pension liability/asset was based on the percentage of actual employee contributions. At June 30, 2014, the Town's proportion for the Police Plan was .5216% and for the General Plan was 1.3250%.

For the year ended June 30, 2015, the Town recognized pension expense of \$52,936. At June 30, 2015, the Town reported deferred outflows of resources or deferred inflows of resources related to pensions from the following sources.

	Deferred Outflows of Resources	Deferred Inflows Resources
Changes to assumptions	\$	\$ 29,188
Net difference between projected and actual earnings on pension plan investments		116,775
Contributions subsequent to measurement date	80,395	
	<u>\$ 80,395</u>	<u>\$ 145,963</u>

TOWN OF MILTON DELAWARE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

RETIREMENT AND PENSION PLANS (Continued)

The Town's contribution subsequent to the measurement date of \$80,395, reported as deferred outflows of resources, will be recognized as a reduction of the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be amortized over five years and recognized in pension expense at \$29,192 per year beginning September 30, 2015 through September 30, 2019.

Actuarial assumptions. The collective total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of June 30, 2013, and update procedures were used to roll forward the total pension liability to June 30, 2014. The collective total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of June 30, 2013. These actuarial valuations used the following actuarial assumptions:

Investment rate of return	7.2%
Projected salary increases	3.5% to 11.5%
Inflation	3%

The total pension liabilities are measured based on assumptions pertaining to the interest rates, inflation rates, and employee demographic behavior in future years. The assumptions used were based on the results of an actuarial experience study conducted in 2011. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates the larger the impact on future financial statements.

Mortality rates were based on the Sex distinct RP – 2000 combined Mortality Table projected to 2015 using scale AA for Males or Females, as appropriate, for mortality improvement.

Discount rate: The discount rate for all plans used to measure the total pension liability was 7.2%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at rates determined by the Board of Pension Trustees, actuarially determined. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investment was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF MILTON DELAWARE
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

RETIREMENT AND PENSION PLANS (Continued)

Sensitivity of the net pension liability to changes in the discount rate: The following presents the collective net pension liability (asset) of the Plan, calculated using the discount rate of 7.2%, as well as what the Plan's net pension liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

1% Decrease (6.2%)	\$ 212,073
Current discount rate (7.2%)	\$ (61,308)
1% Increase (8.2%)	\$ (285,565)

Pension Plan Fiduciary Net Position: Detailed information about the Pension Plan's fiduciary net position is available in the separately issued DPERS financial reports.

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 GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STANDARDS

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the year ended September 30, 2015, that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the new standards may have on the financial statements.

GASB Statement No. 77, *Tax Abatement Disclosures*, will be effective for the Town beginning with the year ending September 30, 2017. This statement requires additional disclosure of tax abatement agreements including a description of the agreement, the amount of taxes abated during year and other commitments made by the Town as part of the agreement. The statement also requires disclosure of tax abatement agreements with an impact on the Town that have been entered into by other governments.

REQUIRED SUPPLEMENTARY INFORMATION

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

YEAR ENDED SEPTEMBER 30, 2015

	Budget		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Real estate taxes	\$ 998,500	\$ 998,500	\$ 1,000,020	\$ 1,520
Transfer taxes	150,000	227,731	518,850	291,119
Licenses and permits	208,500	208,500	304,174	95,674
Intergovernmental revenues	159,912	232,937	224,447	(8,490)
Charges for services	161,930	161,930	190,810	28,880
Fines and forfeitures	16,500	16,500	17,627	1,127
Earnings on investments	1,000	1,000	1,378	378
Miscellaneous	14,100	14,100	30,436	16,336
Total revenues	<u>1,710,442</u>	<u>1,861,198</u>	<u>2,287,742</u>	<u>426,544</u>
EXPENDITURES				
Current				
General government	374,484	381,274	376,902	4,372
Public safety	812,660	827,825	760,603	67,222
Public works	234,714	250,283	171,642	78,641
Parks and recreation	89,647	109,647	74,729	34,918
Code enforcement	181,113	198,537	175,234	23,303
Capital outlay	16,600	108,000	82,044	25,956
Total expenditures	<u>1,709,218</u>	<u>1,875,566</u>	<u>1,641,154</u>	<u>234,412</u>
Net change in fund balance	<u>\$ 1,224</u>	<u>\$ (14,368)</u>	<u>\$ 646,588</u>	<u>\$ 660,956</u>

TOWN OF MILTON, DELAWARE

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE TOWN'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY**

**DELAWARE PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(UNAUDITED)**

	<u>2015</u>
<u>County & Municipal Police and Firefighters' Pension Plan</u>	
Town's proportion of the net pension liability (asset)	0.5216%
Town's proportionate share of the net pension liability (asset) \$	(56,430)
Town's covered-employee payroll	\$ 392,497
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-14%
Plan fiduciary net position as a percentage of the total pension liability (asset)	104.5%
 <u>County & Municipal Other Employees' Pension Plan</u>	
Town's proportion of the net pension liability (asset)	1.325%
Town's proportionate share of the net pension liability (asset) \$	(4,878)
Town's covered-employee payroll	\$ 378,200
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-1%
Plan fiduciary net position as a percentage of the total pension liability (asset)	101.8%

TOWN OF MILTON, DELAWARE

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE TOWN'S CONTRIBUTIONS

DELAWARE PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(UNAUDITED)

	<u>2015</u>
<u>County & Municipal Police and Firefighters' Pension Plan</u>	
Contractually required contribution	\$ 49,272
Contributions in relation to the contractually required contribution	<u>(49,272)</u>
Contribution deficiency (excess)	<u>\$</u>
Town's covered-employee payroll	\$ 392,497
Contributions as a percentage of covered-employee payroll	13%
 <u>County & Municipal Other Employees' Pension Plan</u>	
Contractually required contribution	\$ 23,743
Contributions in relation to the contractually required contribution	<u>(23,743)</u>
Contribution deficiency (excess)	<u>\$</u>
Town's covered-employee payroll	\$ 378,200
Contributions as a percentage of covered-employee payroll	6%

SUPPLEMENTARY INFORMATION



INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

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

www.pkscpa.com

Salisbury
1801 SWFETRAY DRIVE
P.O. Box 72
SALISBURY, MD 21803
TEL: 410.546.5600
FAX: 410.548.9576

Ocean City
12216 OCEAN GATEWAY
SUITE 800
OCEAN CITY, MD 21842
TEL: 410.213.7185
FAX: 410.213.7638

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

To the Mayor and Council
Town of Milton, Delaware

Report on Supplementary Information

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.

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 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.

Other Matter

The prior year summarized comparative information has been derived from the Town's 2014 and 2013 financial statements and, in our reports dated January 2, 2015 and January 25, 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 20, 2016

TOWN OF MILTON, DELAWARE
SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2015
(WITH COMPARATIVE TOTALS FOR 2014 AND 2013)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
REVENUES			
Real estate taxes	\$ 1,000,020	\$ 856,599	\$ 833,018
Transfer taxes	518,850	402,684	213,246
Licenses and permits	304,174	263,062	200,063
Intergovernmental revenues	224,447	168,137	208,758
Charges for services	190,810	229,875	187,844
Fines and forfeitures	17,627	22,600	48,863
Earnings on investments	1,378	1,296	2,710
Miscellaneous	30,436	22,426	17,084
Total revenues	<u>2,287,742</u>	<u>1,966,679</u>	<u>1,711,586</u>
EXPENDITURES			
Current			
General government	376,902	331,719	320,411
Public safety	760,603	717,766	875,908
Public works	171,642	179,798	188,307
Parks and recreation	74,729	72,487	53,779
Code enforcement	175,234	196,838	209,432
Capital outlay	82,044	178,483	78,942
Total expenditures	<u>1,641,154</u>	<u>1,677,091</u>	<u>1,726,779</u>
Net change in fund balance	<u>\$ 646,588</u>	<u>\$ 289,588</u>	<u>\$ (15,193)</u>

TOWN OF MILTON, DELAWARE

**SCHEDULE OF REVENUES AND EXPENSES
UTILITIES FUND**

**YEAR ENDED SEPTEMBER 30, 2015
(WITH COMPARATIVE TOTALS FOR 2014 AND 2013)**

	<u>2015</u>	<u>2014</u>	<u>2013</u>
OPERATING REVENUES			
Water service charges	\$ 539,622	\$ 440,343	\$ 478,827
Trash service charges	289,867	306,385	289,446
Tapping fees	22,800	22,000	14,500
Sales of meters	62,672	36,218	19,532
Operating grants		30,000	2,192
Penalties	7,592	8,079	7,090
Other	22,905	17,359	13,744
Total operating revenues	<u>945,458</u>	<u>860,384</u>	<u>825,331</u>
OPERATING EXPENSES			
Salaries and labor	166,051	120,848	149,572
Payroll taxes	11,235	7,246	10,463
Pension	2,368	6,487	8,787
Employee benefits*	18,425	14,933	16,375
Uniforms	3,611	3,837	6,374
Utilities	33,642	33,324	25,647
Trash removal	265,041	277,333	270,196
Telephone	3,965	3,754	3,803
Gas and oil	5,798	13,206	13,724
Repairs and maintenance	238,106	129,347	73,870
Operating supplies	79,813	67,773	29,448
Professional fees	3,200	13,310	44,263
Insurance	9,674	11,436	12,273
Miscellaneous	3,718	3,161	3,654
Depreciation	90,700	86,952	79,871
Total operating expenses	<u>935,347</u>	<u>792,947</u>	<u>748,320</u>
Operating income	<u>10,111</u>	<u>67,437</u>	<u>77,011</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest income	422	460	448
Interest expense	(11,388)	(12,537)	(13,650)
Net non-operating expenses	<u>(10,966)</u>	<u>(12,077)</u>	<u>(13,202)</u>
Income (loss) before contributions	(855)	55,360	63,809
Capital contributions - impact fees	<u>71,050</u>	<u>62,350</u>	<u>49,300</u>
Change in net position	<u>\$ 70,195</u>	<u>\$ 117,710</u>	<u>\$ 113,109</u>

* The 2014 and 2013 amounts have not been adjusted for the effect of GASB Statement No. 68.

GOVERNMENT AUDITING STANDARDS REPORT



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

www.pkscpa.com

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

Ocean City
12216 OCEAN GATEWAY
SUITE 800
OCEAN CITY, MD 21842
TEL: 410.213.7185
FAX: 410.213.7638

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

MEMBERS OF:

AMERICAN INSTITUTE OF
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**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, 2015, 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 20, 2016.

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.

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

Internal Control over Financial Reporting (continued)

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.

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*.

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 20, 2016