

**TOWN OF MILTON, DELAWARE**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2019**

# **TOWN OF MILTON, DELAWARE**

## **TABLE OF CONTENTS**

	<u>Page(s)</u>
<b>INDEPENDENT AUDITORS' REPORT</b>	1 - 2
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	3 - 8
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-wide financial statements	
Statement of net position	9
Statement of activities	10
Fund Financial Statements	
Governmental fund	
Balance sheet	11
Reconciliation of the governmental fund balance sheet to the statement of net position	12
Statement of revenues, expenditures, and changes in fund balance	13
Reconciliation of the statement of revenues, expenditures, and changes in fund balance of the governmental fund to the statement of activities	14
Proprietary fund	
Statement of net position	15
Statement of revenues, expenses, and changes in net position	16
Statement of cash flows	17
<b>NOTES TO BASIC FINANCIAL STATEMENTS</b>	18 - 35
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Budgetary comparison schedule - general fund	36

**TOWN OF MILTON, DELAWARE**

**TABLE OF CONTENTS (Continued)**

	<u>Page(s)</u>
<b>REQUIRED SUPPLEMENTARY INFORMATION (Continued)</b>	
Delaware Public Employees' Retirement System	
Schedule of the Town's proportionate share of the net pension liability	37
Schedule of the Town's contributions	38
<b>SUPPLEMENTARY INFORMATION</b>	
Independent auditors' report on supplementary information	39
General fund	
Schedule of revenues and expenditures	40
Utilities fund	
Schedule of revenues and expenses	41
<b>GOVERNMENT AUDITING STANDARDS REPORT</b>	
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 <i>Government Auditing Standards</i>	42 - 43



## INDEPENDENT AUDITORS' REPORT

ANDREW M. HAYNIE, CPA

SUSAN P. KEEN, CPA

MICHAEL C. KLEGER, CPA

E. LEE McCABE, CPA

JEFFREY A. MICHALIK, CPA

ROBERT L. MOORE, CPA

DANIEL M. O'CONNELL II, CPA

JOHN M. STERN, JR., CPA

[PKScpa.com](http://PKScpa.com)

### Salisbury

1801 SWEETBAY DRIVE

P.O. Box 72

SALISBURY, MD 21803

TEL: 410.546.5600

### Ocean City

12216 OCEAN GATEWAY

SUITE 800

OCEAN CITY, MD 21842

TEL: 410.213.7185

### Lewes

1143 SAVANNAH ROAD

SUITE 1

LEWES, DE 19958

TEL: 302.645.5757

### MEMBERS OF:

AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

MARYLAND ASSOCIATION OF  
CERTIFIED PUBLIC ACCOUNTANTS

DELAWARE SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

ALLINIAL GLOBAL

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, 2019, 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, 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.

## **Auditors' Responsibility (continued)**

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, 2019, 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 the required supplementary information on pages 3 through 8 and pages 36 through 38 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 February 19, 2020, 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.

**CERTIFIED PUBLIC ACCOUNTANTS**

Salisbury, Maryland  
February 19, 2020

**TOWN OF MILTON, DELAWARE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2019**

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, 2019. 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 and parks and recreation. 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, 2019**

**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 37.

**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 35 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 \$8.5 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 net 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, 2019**

**Net Position**

As of September 30, 2019, the Town's net position was \$8,466,000. Of this amount, \$2,293,000 was the net investment in capital assets, \$2,903,000 was restricted, and \$3,270,000 was unrestricted.

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

<p style="text-align: center;"><b>Table 1</b>  Town of Milton's Net Position  <i>(in thousands of dollars)</i></p>						
	2019			2018		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>						
Current and other assets	\$ 4,890	\$ 1,544	\$ 6,434	\$ 4,286	\$ 1,417	\$ 5,703
Capital assets	972	2,081	3,053	1,050	1,448	2,498
Total assets	5,862	3,625	9,487	5,336	2,865	8,201
<b>Deferred outflows of resources</b>	226	32	258	169	34	203
<b>Liabilities</b>						
Current and other liabilities	128	134	262	153	111	264
Long term liabilities	156	740	896	112	222	334
Total liabilities	284	874	1,158	265	333	598
<b>Deferred inflows of resources</b>	107	14	121	76	6	82
<b>Net position</b>						
Net investment in capital assets	972	1,321	2,293	1,050	1,225	2,275
Restricted	2,177	726	2,903	1,956	635	2,591
Unrestricted	2,548	722	3,270	2,158	700	2,858
<b>Total net position</b>	<u>\$ 5,697</u>	<u>\$ 2,769</u>	<u>\$ 8,466</u>	<u>\$ 5,164</u>	<u>\$ 2,560</u>	<u>\$ 7,724</u>

**Change in Net Position**

Net position for the period ending September 30, 2019 increased by \$742,000. This is a consequence of governmental activity net position increasing by \$533,000 and business-type net position increasing by \$209,000.



**TOWN OF MILTON, DELAWARE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2019**

**Change in Net Position (Continued)**

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)*

	2019			2018		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 591	\$ 1,119	\$ 1,710	\$ 542	\$ 966	\$ 1,508
Operating grants and contributions	208	22	230	180	2	182
Capital grants and contributions	31	88	119	88	82	170
General revenues						
Property and transfer taxes	1,664		1,664	1,525		1,525
Miscellaneous revenues	99		99	117		117
Unrestricted investment earnings	26	1	27			
Total revenues	<u>2,619</u>	<u>1,230</u>	<u>3,849</u>	<u>2,452</u>	<u>1,050</u>	<u>3,502</u>
<b>Expenses</b>						
General government	418		418	396		396
Public safety	930		930	898		898
Public works (streets)	377		377	259		259
Code enforcement	270		270	191		191
Parks and recreation	91		91	106		106
Utilities		1,021	1,021		1,026	1,026
Total expenses	<u>2,086</u>	<u>1,021</u>	<u>3,107</u>	<u>1,850</u>	<u>1,026</u>	<u>2,876</u>
<b>Change in net position</b>	<u>\$ 533</u>	<u>\$ 209</u>	<u>\$ 742</u>	<u>\$ 602</u>	<u>\$ 24</u>	<u>\$ 626</u>

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

**Governmental Funds**

For the fiscal year ended September 30, 2019, the Town had an increase in its governmental fund balance of \$608,000. The increase was due in large part to the collection of transfer taxes, intergovernmental revenues, and charges for services exceeding the amount budgeted. A detailed comparison with the prior two years is shown on page 40.

**Proprietary Fund**

The Town's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. Net position totaled \$2,769,000 at September 30, 2019. Other factors concerning these funds finances are addressed on pages 15 through 17 and a more detailed comparison to 2018 and 2017 is shown on page 41.

**TOWN OF MILTON, DELAWARE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**SEPTEMBER 30, 2019**

**BUDGETARY HIGHLIGHTS**

The general fund budget was amended during the fiscal year for anticipated changes in revenues and expenditures. As a result of the amendments, the general fund budgeted surplus changed from \$2,393 to \$103.

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 budget, the final revised budget, actual results, and the 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 \$454,668.
- Transfer taxes exceeded the final budget by \$223,712.
- Charges for services exceeded the final budget by \$111,589.
- Total general fund expenditures were under the final budget by \$170,819.

**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, 2019 was \$3,053,285 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, furniture and fixtures, vehicles and water systems.

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

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 38	\$ 38	\$	\$	\$ 38	\$ 38
Construction in progress			189	34	189	34
Buildings	427	454	1,738		2,165	454
Other improvements	211	251		1,301	211	1,552
Machinery and equipment	58	36	112	113	170	149
Streets and sidewalks	184	197			184	197
Vehicles	54	74	43		97	74
<b>Total net capital assets</b>	<b>\$ 972</b>	<b>\$ 1,050</b>	<b>\$ 2,082</b>	<b>\$ 1,448</b>	<b>\$ 3,054</b>	<b>\$ 2,498</b>

This year's major capital asset additions included:

*Governmental Activities:*

2018 Dodge Charger for \$23,871, downtown video camera surveillance system for \$15,562, two new speed signs for \$6,130.

*Business-Type Activities*

Wagamon's loop water main extension for \$501,183, 2019 Ford F350 pickup for \$44,436, and a series 300 test branch system for \$26,700.

**TOWN OF MILTON, DELAWARE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2019**

**Long-Term Debt**

At year end, the Town had \$760,234 in notes payable in the enterprise fund. New debt of \$395,000 and \$183,902 was incurred during the year for the Wagamon water main extension and the Shipbuilder well and treatment center respectively.

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 a 3% increase in the property tax base.

The Wagamon's water extension project was completed with funding provided by a loan of \$395,000 from the State of Delaware. Principal payments will begin during fiscal year 2020.

Additionally, the Town has received a loan of \$500,000 from the State of Delaware to fund the Shipbuilders Well and Treatment Facility. As of September 30, 2019, the well is complete and the Town is in the planning stages of the treatment plant.

The Town approved a resolution to support the \$1,000,000 Rails to Trails project. The Delaware Department of Transportation will fund \$800,000 and the Town's responsibility is \$200,000. Senator Lopez has committed \$100,000, Representative Smyk has committed \$10,000, and the remaining \$90,000 will be funded by an Outdoor Recreations Parks and Trails grant. The Town will be responsible to maintain the landscaping, asphalt and any sidewalks.

On June 3, 2019, the Council approved the installation of lighting to the trail at an estimated cost of \$200,000. An additional \$97,500 has been received from an Outdoor Recreations Parks and Trails grant.

**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 Manager, Town of Milton, 115 Federal Street, Milton, Delaware 19968.

**TOWN OF MILTON, DELAWARE**

**STATEMENT OF NET POSITION**

**SEPTEMBER 30, 2019**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current assets			
Cash	\$ 2,225,203	\$ 439,688	\$ 2,664,891
Investments, at fair value	307,340		307,340
Taxes receivable	83,222		83,222
Accounts receivable, net of allowance	27,888	292,610	320,498
Grants receivable	21,104	21,750	42,854
Inventory		55,804	55,804
Prepaid expenses	39,485	8,392	47,877
Restricted cash	2,185,655	725,503	2,911,158
Total current assets	4,889,897	1,543,747	6,433,644
Noncurrent assets			
Capital assets, net of accumulated depreciation	971,652	2,081,633	3,053,285
Total assets	5,861,549	3,625,380	9,486,929
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred financing outflows - retirement	226,001	32,292	258,293
<b>LIABILITIES</b>			
Current liabilities			
Current portion of long-term debt		43,224	43,224
Accounts payable	71,588	72,303	143,891
Accrued wages and payroll taxes	24,945	4,045	28,990
Current portion of accrued compensated absences	31,151	13,015	44,166
Accrued interest payable		1,364	1,364
Total current liabilities	127,684	133,951	261,635
Noncurrent liabilities			
Notes payable, less current portion		717,010	717,010
Accrued compensated absences, less current portion	22,256	7,762	30,018
Net pension liability	133,604	15,787	149,391
Total noncurrent liabilities	155,860	740,559	896,419
Total liabilities	283,544	874,510	1,158,054
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred grants	8,602		8,602
Deferred financing inflows - retirement	98,383	14,392	112,775
Total deferred inflows of resources	106,985	14,392	121,377
<b>NET POSITION</b>			
Net investment in capital assets	971,652	1,321,399	2,293,051
Restricted	2,177,053	725,503	2,902,556
Unrestricted	2,548,316	721,868	3,270,184
Total net position	\$ 5,697,021	\$ 2,768,770	\$ 8,465,791

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

**TOWN OF MILTON, DELAWARE**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED SEPTEMBER 30, 2019**

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>GOVERNMENTAL ACTIVITIES</b>							
General government	\$ 419,709	\$ 13,130	\$	\$	\$ (406,579)	\$	\$ (406,579)
Public safety	929,431	43,420	100,184	31,130	(754,697)		(754,697)
Public works (streets)	376,568	105,030	87,126		(184,412)		(184,412)
Code enforcement	269,671	425,217			155,546		155,546
Parks and recreation	90,617	3,900	20,377		(66,340)		(66,340)
Total governmental activities	<u>2,085,996</u>	<u>590,697</u>	<u>207,687</u>	<u>31,130</u>	<u>(1,256,482)</u>		<u>(1,256,482)</u>
<b>BUSINESS-TYPE ACTIVITIES</b>							
Utilities	1,021,496	1,074,165	67,004	88,000		207,673	207,673
Total business-type activities	<u>1,021,496</u>	<u>1,074,165</u>	<u>67,004</u>	<u>88,000</u>		<u>207,673</u>	<u>207,673</u>
Total	<u>\$ 3,107,492</u>	<u>\$ 1,664,862</u>	<u>\$ 274,691</u>	<u>\$ 119,130</u>	<u>(1,256,482)</u>	<u>207,673</u>	<u>(1,048,809)</u>
<b>GENERAL REVENUES</b>							
					1,120,257		1,120,257
Real estate taxes					543,712		543,712
Transfer taxes					85,431		85,431
Franchise fees					26,366	679	27,045
Unrestricted investment earnings					3,452		3,452
Miscellaneous					10,421		10,421
Gain on sale of assets					<u>1,789,639</u>	<u>679</u>	<u>1,790,318</u>
Total general revenues					<u>533,157</u>	<u>208,352</u>	<u>741,509</u>
Change in net position							
<b>NET POSITION, BEGINNING OF YEAR,</b>					<u>5,163,864</u>	<u>2,560,418</u>	<u>7,724,282</u>
<b>NET POSITION, END OF YEAR</b>					<u>\$ 5,697,021</u>	<u>\$ 2,768,770</u>	<u>\$ 8,465,791</u>

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

**TOWN OF MILTON, DELAWARE**

**BALANCE SHEET  
GOVERNMENTAL FUND**

**SEPTEMBER 30, 2019**

**ASSETS**

	General Fund
	<hr/>
Cash	\$ 2,225,203
Investments, at fair value	307,340
Taxes receivable	83,222
Accounts receivable, net of allowance	27,888
Grants receivable	21,104
Prepaid insurance	39,485
Restricted cash	2,185,655
	<hr/>
Total assets	\$ 4,889,897
	<hr/> <hr/>

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

**LIABILITIES**

Accounts payable	\$ 71,588
Accrued wages and payroll taxes	24,945
Accrued compensated absences	31,151
Total liabilities	127,684
	<hr/>

**DEFERRED INFLOWS OF RESOURCES**

Deferred property taxes and grants	88,664
	<hr/>

**FUND BALANCES**

Non-spendable	39,485
Restricted	2,177,053
Assigned	60,595
Unassigned	2,396,416
Total fund balances	4,673,549
	<hr/>

Total liabilities, deferred inflows of resources, and fund balances	\$ 4,889,897
	<hr/> <hr/>

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, 2019**

Total fund balance, governmental fund	\$ 4,673,549
---------------------------------------	--------------

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.	971,652
-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	---------

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	226,001
---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	---------

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	(22,256)
Deferred financing inflows - retirement	(98,383)
Net pension liability	(133,604)

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>80,062</u>
----------------	---------------

Net position, governmental activities	<u><u>\$ 5,697,021</u></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, 2019**

	General Fund
<b>REVENUES</b>	
Real estate taxes	\$ 1,103,226
Transfer taxes	543,712
Licenses and permits	359,135
Intergovernmental revenues	222,058
Charges for services	267,919
Fines and forfeitures	46,090
Earnings on investments	26,366
Miscellaneous	23,194
Total revenues	<u>2,591,700</u>
<b>EXPENDITURES</b>	
Current	
General government	391,458
Public safety	874,598
Public works (streets)	334,710
Parks and recreation	76,964
Code enforcement	260,131
Capital outlay	56,894
Total expenditures	<u>1,994,755</u>
Excess of revenues over expenditures	596,945
<b>OTHER FINANCING SOURCES</b>	
Proceeds from sale of assets	<u>11,254</u>
Net change in fund balance	608,199
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<u>4,065,350</u>
<b>FUND BALANCES, END OF YEAR</b>	<u><u>\$ 4,673,549</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, 2019**

Net change in fund balances, governmental fund	\$ 608,199
------------------------------------------------	------------

Amounts reported for Governmental Funds 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	56,894	
Depreciation expense	<u>(134,092)</u>	
		(77,198)

In the Statement of Activities, the gain or loss on the disposal of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balances by the book value of the assets sold.

(833)

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	5,215
Change in deferred financing outflows - retirement	56,970
Change in net pension liability	(48,945)

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	17,031
Change in deferred financing inflows - retirement	<u>(27,282)</u>

Change in net position, governmental activities	<u><u>\$ 533,157</u></u>
-------------------------------------------------	--------------------------

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

**TOWN OF MILTON, DELAWARE**

**STATEMENT OF NET POSITION  
PROPRIETARY FUND**

**SEPTEMBER 30, 2019**

	<u>Utilities Fund</u>
<b>ASSETS</b>	
Current assets	
Cash	\$ 439,688
Accounts receivable, net of allowance	292,610
Grants receivable	21,750
Inventory	55,804
Prepaid expenses	8,392
Restricted cash	725,503
Total current assets	<u>1,543,747</u>
Noncurrent assets	
Capital assets, net of accumulated depreciation	<u>2,081,633</u>
Total assets	<u>3,625,380</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred financing outflows - retirement	<u>32,292</u>
<b>LIABILITIES</b>	
Current liabilities	
Current portion of long-term debt	43,224
Accounts payable	72,303
Accrued wages and payroll taxes	4,045
Accrued interest payable	1,364
Current portion of accrued compensated absences	13,015
Total current liabilities	<u>133,951</u>
Non-current liabilities	
Notes payable, less current portion	717,010
Accrued compensated absences, less current portion	7,762
Net pension liability	15,787
Total non-current liabilities	<u>740,559</u>
Total liabilities	<u>874,510</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred financing inflows - retirement	<u>14,392</u>
<b>NET POSITION</b>	
Net investment in capital assets	1,321,399
Restricted	725,503
Unrestricted	721,868
Total net position	<u>\$ 2,768,770</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, 2019**

	<u>Utilities Fund</u>
<b>OPERATING REVENUES</b>	
Water service charges	\$ 645,376
Trash service charges	318,656
Tapping fees	23,000
Sales of meters	52,930
Operating grants	21,750
Penalties	9,656
Other	24,547
Total operating revenues	<u>1,095,915</u>
<b>OPERATING EXPENSES</b>	
Salaries and labor	221,607
Payroll taxes	14,981
Pension	11,167
Employee benefits	41,657
Uniforms	3,575
Utilities	27,754
Trash removal services	305,331
Telephone	4,465
Gas and oil	8,175
Repairs and maintenance	157,463
Operating supplies	86,140
Professional fees	16,139
Insurance	18,074
Miscellaneous	6,567
Depreciation	92,853
Total operating expenses	<u>1,015,948</u>
Operating income	<u>79,967</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest income	679
Debt service fees	45,254
Interest expense	(5,548)
Net non-operating expenses	<u>40,385</u>
Income before contributions	120,352
Capital contributions - impact fees	<u>88,000</u>
Change in net position	208,352
<b>NET POSITION, BEGINNING OF YEAR</b>	<u>2,560,418</u>
<b>NET POSITION, END OF YEAR</b>	<u><u>\$ 2,768,770</u></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, 2019**

	<u>Utilities Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 1,044,478
Payments to suppliers	(564,113)
Payments to employees	(296,298)
	<u>184,067</u>
Net cash provided by operating activities	
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchases of capital assets	(726,418)
Debt service fees	45,254
Principal paid on long-term debt	537,014
Interest paid on long-term debt	(6,725)
Capital contributions - impact fees	88,000
	<u>(62,875)</u>
Net cash used by capital and related financing activities	
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Interfund borrowings	<u>(154,226)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income	<u>679</u>
Net decrease in cash	(32,355)
<b>CASH, BEGINNING OF YEAR</b>	<u>1,197,546</u>
<b>CASH, END OF YEAR</b>	<u><u>\$ 1,165,191</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating income	\$ 79,967
Adjustments to reconcile operating income to net cash provided by operating activities	
Bad debt expense	1,367
Depreciation	92,853
Change in deferred outflows and inflows	11,005
(Increase) decrease in assets	
Accounts receivable	(31,054)
Grants receivable	(21,750)
Inventory	20,985
Prepaid expenses	25,281
Increase (decrease) in liabilities	
Accounts payable and accrued expenses	<u>5,413</u>
Net cash provided by operating activities	<u><u>\$ 184,067</u></u>

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

**TOWN OF MILTON, DELAWARE**  
**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2019**

**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 those receiving services.

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, 2019**

**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 (Enterprise 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 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, 2019**

**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 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, 2019**

**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.

Investments

Investments consist of funds managed and held by M&T Securities Inc. for the purpose of generating income and capital appreciation on a total return basis. Investments with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in fund balance in the governmental funds and the change in net position in the government-wide statements.

The fair values and original costs of the Town's investments as of September 30, 2019 are as follows:

	Cost	Fair Value	Unrealized Gains
Corporate bonds	<u>\$ 305,450</u>	<u>\$ 307,340</u>	<u>\$ 1,890</u>

Prepaid expenses

Prepaid expenses are for payments made by the Town in the current year for insurance for 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.



**TOWN OF MILTON, DELAWARE**  
**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2019**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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, 2019 were \$6,577 and \$5,167, 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 financing inflows for retirement contributions, 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 has one item that qualifies for reporting in this category: deferred outflows for retirement contributions.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the 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.

Sick pay is generally not vested except under certain circumstances such as retirement or death. Therefore, sick pay is not accrued but expensed when paid.

**TOWN OF MILTON, DELAWARE**  
**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2019**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Property taxes

Property taxes are levied on or around January 15th and are due and payable by March 31. Taxes unpaid by April 1 of the same year become delinquent. Property taxes may attach as an enforceable lien 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 capital assets received prior to June 15, 2015 are valued at their fair market value on the date donated. Donated capital assets received after June 15, 2015 are recorded at acquisition value. Repairs and maintenance that do not add to the value of the asset or materially extend the asset's life are not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	10 – 40 years
Other improvements	10 – 40 years
Streets and sidewalks	10 – 25 years
Machinery and equipment	3 – 20 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.

**TOWN OF MILTON, DELAWARE**  
**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2019**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Government-wide and enterprise fund net position

Government-wide and enterprise 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 for budgeted items toward unrestricted resources and then toward restricted resources.

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 for budgeted items toward unassigned fund balances and then to other, more restrictive classifications (committed, assigned, and then restricted fund balances).

**TOWN OF MILTON, DELAWARE**  
**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2019**

**CASH AND 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, corporate debt instruments, 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. As of September 30, 2019, \$4,833,078 of the Town's deposits were exposed to custodial credit risk. These amounts were not covered by the Federal Deposit Insurance Corporation (FDIC) but were collateralized with securities held by the pledging financial institution's trust department, not in the Town's name.

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, 2019**

**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	\$ 38,380	\$	\$	\$ 38,380
Total capital assets not being depreciated	38,380			38,380
<i>Capital assets being depreciated</i>				
Building	818,691			818,691
Other improvements	1,137,473			1,137,473
Machinery and equipment	534,916	33,023	21,980	545,959
Street and sidewalks	320,526			320,526
Vehicles	314,337	23,871	34,860	303,348
Total capital assets being depreciated	3,125,943	56,894	56,840	3,125,997
less accumulated depreciation for:				
Building	364,847	27,147		391,994
Other improvements	886,998	39,245		926,243
Machinery and equipment	498,779	11,140	21,980	487,939
Street and sidewalks	123,253	14,141		137,394
Vehicles	240,763	42,419	34,027	249,155
Total accumulated depreciation	2,114,640	134,092	56,007	2,192,725
Total capital assets being depreciated, net	1,011,303	(77,198)	833	933,272
Capital assets, net	\$ 1,049,683	\$ (77,198)	\$ 833	\$ 971,652

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

Governmental activities:	
General government	\$ 25,912
Public safety	47,244
Public works	41,085
Code enforcement	7,456
Parks and recreation	12,395
Total governmental activities	<u>\$ 134,092</u>

**TOWN OF MILTON, DELAWARE**  
**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2019**

**CAPITAL ASSETS (Continued)**

Business-type activities:	Beginning Balance	Increases	Decreases	Ending Balance
<i>Capital assets not being depreciated</i>				
Construction in progress	\$ 34,473	\$ 655,283	\$ 501,183	\$ 188,573
Total capital assets not being depreciated	<u>34,473</u>	<u>655,283</u>	<u>501,183</u>	<u>188,573</u>
<i>Capital assets being depreciated</i>				
Improvements	2,484,229	501,183		2,985,412
Machinery and equipment	532,073	26,700		558,773
Vehicles	191,065	44,436		235,501
Total capital assets being depreciated	<u>3,207,367</u>	<u>572,319</u>		<u>3,779,686</u>
less accumulated depreciation for:				
Improvements	1,176,443	69,471		1,245,914
Machinery and equipment	425,418	21,900		447,318
Vehicles	191,912	1,482		193,394
Total accumulated depreciation	<u>1,793,773</u>	<u>92,853</u>		<u>1,886,626</u>
Total capital assets being depreciated, net	<u>1,413,594</u>	<u>479,466</u>		<u>1,893,060</u>
Capital assets, net	<u>\$ 1,448,067</u>	<u>\$ 1,134,749</u>	<u>\$ 501,183</u>	<u>\$ 2,081,633</u>

**LONG-TERM DEBT**

Changes in long-term obligations for the year ended September 30, 2019 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Notes payable	<u>\$ 223,220</u>	<u>\$ 578,902</u>	<u>\$ 41,888</u>	<u>\$ 760,234</u>

**TOWN OF MILTON, DELAWARE**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**LONG-TERM DEBT (Continued)**

The following is a summary of the Town's long-term debt as of September 30, 2019:

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 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. \$ 181,332

*State Revolving Fund Loan Monies (SRF).* On December 14, 2018, the Town entered a loan agreement with the Delaware Drinking Water State Revolving Fund to fund construction of the Wagamon water main. The original obligation was \$395,000. Interest payments are due quarterly until the completion of the project at which point the loan is payable in forty semi-annual payments of principal and interest accruing at 2.00%. 395,000

*State Revolving Fund Loan Monies (SRF).* On December 14, 2018, the Town entered a loan agreement with the Delaware Drinking Water State Revolving Fund to fund construction of the Shipbuilder Well and treatment center. The original obligation was \$500,000. Interest payments are due quarterly until the completion of the project at which point the loan is payable in forty semi-annual payments of principal and interest accruing at 2.00%. As of September 30, 2019, draws of \$183,902 have been made. 183,902

---

\$ 760,234

Principal and interest requirements to amortize all Business-type Activities debt outstanding as of September 30, 2019 are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2020	\$ 43,224	\$ 5,391	\$ 48,615
2021	44,600	4,015	48,615
2022	46,021	2,594	48,615
2023	47,487	1,128	48,615
	<u>\$ 181,332</u>	<u>\$ 13,128</u>	<u>\$ 194,460</u>

The above amounts do not include the \$395,000 and \$500,000 SRF loans. As of the date of the audit report, these loans have not gone to settlement.

**TOWN OF MILTON, DELAWARE**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**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, 2019, total interest incurred in the Utilities fund was \$5,548 including accrued interest of \$1,364. The full amount was charged to operations.

**INTERNAL BALANCES**

Balances due to/from other funds at September 30, 2019 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>\$ 154,226</u>	<u>\$ (154,226)</u>	<u>\$</u>

**FUND BALANCES – GOVERNMENTAL FUNDS**

Non-spendable fund balances consist of prepaid expenses for insurance and maintenance contracts.

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

Assigned fund balances consist of expenses budgeted in 2019 for which the goods or services were not received until 2020.

**IMPACT FEES – WASTEWATER TREATMENT PLANT**

On July 1, 2007, the Town sold the wastewater treatment plant, sewer infrastructure, franchise fees, prior engineering costs, land, and repayment of the State Revolving Fund debt to Tidewater Environment Services, Inc. (TESI) for \$6,400,000. After a cash payment of \$2,500,000, there was a remaining balance of \$3,900,000. This amount will be received in installments of \$1,500 per customer from the impact fees collected by TESI.

The Town is scheduled to collect the \$3,900,000, but it has not been recorded as a receivable as of September 30, 2019. 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 \$67,500.



**TOWN OF MILTON, DELAWARE**  
**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2019**

**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 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, 2018. 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.

*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.

**TOWN OF MILTON, DELAWARE**  
**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2019**

**RETIREMENT AND PENSION PLANS (Continued)**

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 1/60<sup>th</sup> 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 75% of pension, if employee is active, eligible survivor receives 50% of pension the employee would have received at age 62.

*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.

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 \$41,379.

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

At September 30, 2019, the Town reported a liability in the government-wide activities of \$149,391 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. Update procedures were used to roll forward the total pension liability/asset to June 30, 2018. The Town's proportion of the net pension liability was based on the percentage of actual employee contributions. At June 30, 2018, the Town's proportion for the Police Plan was .4790% and for the General Plan was 1.2417%.

**TOWN OF MILTON, DELAWARE**  
**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2019**

**RETIREMENT AND PENSION PLANS (Continued)**

For the year ended September 30, 2019, the Town recognized pension expense of \$96,679. At September 30, 2019, 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 of Resources
Changes in proportion	\$ 5,441	\$ 22,482
Net difference between projected and actual earnings on pension plan investments		26,285
Differences between expected and actual experience	113,788	48,439
Changes of assumptions	58,548	15,569
Contributions subsequent to measurement date	80,516	
	<u>\$ 258,293</u>	<u>\$ 112,775</u>

The Town's contribution subsequent to the measurement date of \$80,516, reported as deferred outflows of resources, will be recognized as a reduction of the net pension liability in the year ended September 30, 2019.

Deferred inflows and outflows are made up of changes in proportion, net difference between projected and actual earnings on pension plan investments, differences between expected and actual experience, and changes of assumptions. The deferred outflows and inflows related to non-investment activity are being amortized over the remaining service life ranging from 8 to 11 years. The net difference in investment earnings are being amortized over a five-year period.

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions will be recognized in pension expense as follows:

Year Ending September 30	
2020	\$ 27,032
2021	15,074
2022	(16,309)
2023	(1,977)
2024	13,609
Thereafter	44,614
	<u>\$ 82,043</u>

**TOWN OF MILTON, DELAWARE**  
**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2019**

**RETIREMENT AND PENSION PLANS (Continued)**

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts are amortized over the average of the expected remaining service lives of all plan members which is 9 years for the 2018 amounts for the General Plan and the Police Plan.

*Actuarial assumptions.* The collective total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of June 30, 2017, and update procedures were used to roll forward the total pension liability to June 30, 2018. These actuarial valuations used the following actuarial assumptions:

Investment rate of return	7.0%
Projected salary increases	2.5% + Merit
Inflation	2.5%

Mortality assumptions are based on the RP-2014 mortality tables with gender adjustments for healthy annuitants and disabled retirees and an adjusted version on MP-2015 mortality improvement scale on a fully generational basis.

*Discount rate:* The discount rate for all plans used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution 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.

*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 7.0%, 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 (6.0%)	\$ 552,066
Current discount rate (7.0%)	\$ 149,391
1% Increase (8.0%)	\$ (176,358)

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

**TOWN OF MILTON, DELAWARE**  
**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2019**

**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.

**FAIR VALUE MEASUREMENTS**

Government Accounting Standards Board (GASB) Statement No. 72, Fair Value Measurement and Application, defines fair value, establishes a framework for measuring fair value, establishes a three-level valuation hierarchy for disclosure of fair value measurement, and enhances the disclosure requirements for fair value measurements. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The fair value hierarchy for assets measured at fair value on a recurring basis as of September 30, 2019 is as follows:

	Fair value using:		
	Level 1	Level 2	Level 3
Corporate bonds	\$	\$ 307,340	\$

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practical to estimate that value:

Investments in corporate bonds (Level 2) – The fair value of the investments are based on quoted market prices for similar investments.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, although the Town believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**TOWN OF MILTON, DELAWARE**  
**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2019**

**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 PRONOUNCEMENTS**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the year ended September 30, 2019, that have effective dates that may impact future financial presentations. The full statements are available on the GASB's website. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements on the Town.

GASB Statement No. 87, *Leases*, will be effective for the Town beginning with the year ending September 30, 2020. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This statement will also change the way leases are disclosed in the financial statements.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the end of a Construction Period*, requires interest cost incurred before the end of a construction period be recognized as an expense for financial statements prepared using the economic resources measurement focus. Previously, this interest was included in the historical cost of capital assets. It is effective beginning with the year ended September 20, 2021.

**SUBSEQUENT EVENTS**

The Delaware Department of Transportation (DOT), has preliminary plans for Phase II of the Milton Rails to Trails project with an estimated cost of \$1,000,000. The DOT will fund \$800,000 and the Town is responsible for \$200,000. Senator Lopez has committed \$100,000, Representative Smyk has committed \$10,000, and the remaining \$90,000 will be funded by an Outdoor Recreations Parks and Trails grant thereby meeting the Town's responsibility.

Over a period of 5 years, the Town, through its Water Infrastructure Land Acquisition Committee, searched for property suitable to expand the Town's drinking water system for potable wells, a treatment facility, and a water tower. Expansion was necessary for Town-wide pressure, fire flow, water quality, better service, and resiliency. Upon recommendation from the Committee to Mayor and Town Council, on December 17, 2019, the Town of Milton purchased approximately 4 acres of land at 614 Federal Street for \$425,000.

## **REQUIRED SUPPLEMENTARY INFORMATION**

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

**YEAR ENDED SEPTEMBER 30, 2019**

	Budget		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
Real estate taxes	\$ 1,105,000	\$ 1,105,000	\$ 1,103,226	\$ (1,774)
Transfer taxes	320,000	320,000	543,712	223,712
Licenses and permits	273,000	293,000	359,135	66,135
Intergovernmental revenues	179,252	187,252	222,058	34,806
Charges for services	156,330	156,330	267,919	111,589
Fines and forfeitures	32,000	32,000	46,090	14,090
Earnings on investments	9,600	9,600	26,366	16,766
Miscellaneous	17,000	33,850	23,194	(10,656)
Total revenues	<u>2,092,182</u>	<u>2,137,032</u>	<u>2,591,700</u>	<u>454,668</u>
<b>EXPENDITURES</b>				
Current				
General government	427,570	458,220	391,458	66,762
Public safety	947,100	920,760	874,598	46,162
Public works (streets)	213,690	250,240	334,710	(84,470)
Parks and recreation	77,043	77,643	76,964	679
Code enforcement	198,172	218,097	260,131	(42,034)
Capital outlay	226,214	240,614	56,894	183,720
Total expenditures	<u>2,089,789</u>	<u>2,165,574</u>	<u>1,994,755</u>	<u>170,819</u>
Excess of revenues over (under) expenditures	<u>2,393</u>	<u>(28,542)</u>	<u>596,945</u>	<u>625,487</u>
<b>OTHER FINANCING SOURCES</b>				
Proceeds from sale of assets			11,254	11,254
Prior year surplus		28,645		(28,645)
Total other financing sources		<u>28,645</u>	<u>11,254</u>	<u>(17,391)</u>
Net change in fund balance	<u>\$ 2,393</u>	<u>\$ 103</u>	<u>\$ 608,199</u>	<u>\$ 608,096</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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>County &amp; Municipal Police and Firefighters' Pension Plan</u>					
Town's proportion of the net pension liability (asset)	0.4790%	0.4593%	0.4243%	0.4360%	0.5216%
Town's proportionate share of the net pension liability (asset) \$	110,315	\$ 46,307	\$ 67,438	\$ (22,978)	\$ (56,430)
Town's covered-employee payroll \$	498,486	\$ 495,567	\$ 472,936	\$ 383,128	\$ 392,497
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	22%	9%	14%	-6%	-14%
Plan fiduciary net position as a percentage of the total pension liability (asset)	94.10%	97.0%	94.7%	102.0%	104.5%
<u>County &amp; Municipal Other Employees' Pension Plan</u>					
Town's proportion of the net pension liability (asset)	1.2417%	1.0762%	1.1416%	1.360%	1.325%
Town's proportionate share of the net pension liability (asset) \$	39,076	\$ 69,731	\$ 70,728	\$ 580	\$ (4,878)
Town's covered-employee payroll \$	511,887	\$ 506,268	\$ 415,983	\$ 363,868	\$ 378,200
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	8%	14%	17%	0%	-1%
Plan fiduciary net position as a percentage of the total pension liability (asset)	94.4%	87.6%	86.4%	99.9%	101.8%

In accordance with GASB No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**TOWN OF MILTON, DELAWARE**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE TOWN'S CONTRIBUTIONS**

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

	2019	2018	2017	2016	2015
<u>County &amp; Municipal Police and Firefighters' Pension Plan</u>					
Contractually required contribution	\$ 51,968	\$ 42,809	\$ 43,892	\$ 53,639	\$ 49,272
Contributions in relation to the contractually required contribution	<u>(51,968)</u>	<u>(42,809)</u>	<u>(43,892)</u>	<u>(53,639)</u>	<u>(49,272)</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Town's covered-employee payroll	\$ 498,486	\$ 495,567	\$ 472,936	\$ 383,128	\$ 392,497
Contributions as a percentage of covered-employee payroll	10%	9%	9%	14%	13%
<u>County &amp; Municipal Other Employees' Pension Plan</u>					
Contractually required contribution	\$ 27,057	\$ 23,714	\$ 26,133	\$ 26,756	\$ 23,743
Contributions in relation to the contractually required contribution	<u>(27,057)</u>	<u>(23,714)</u>	<u>(26,133)</u>	<u>(26,756)</u>	<u>(23,743)</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Town's covered-employee payroll	\$ 511,887	\$ 506,268	\$ 415,983	\$ 363,868	\$ 378,200
Contributions as a percentage of covered-employee payroll	5%	5%	6%	7%	6%

In accordance with GASB No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

## **SUPPLEMENTARY INFORMATION**



ANDREW M. HAYNIE, CPA  
SUSAN P. KEEN, CPA  
MICHAEL C. KLEGER, CPA  
E. LEE MCCABE, CPA  
JEFFREY A. MICHALIK, CPA  
ROBERT L. MOORE, CPA  
DANIEL M. O'CONNELL II, CPA  
JOHN M. STERN, JR., CPA

[PKScpa.com](http://PKScpa.com)

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

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

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

## INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

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 2018 and 2017 financial statements and, in our reports dated January 16, 2019 and February 15, 2018 we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities and each major fund.

MEMBERS OF:  
  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
  
MARYLAND ASSOCIATION OF  
CERTIFIED PUBLIC ACCOUNTANTS  
  
DELAWARE SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS  
  
ALLINIAL GLOBAL

**CERTIFIED PUBLIC ACCOUNTANTS**

Salisbury, Maryland  
February 19, 2020

**TOWN OF MILTON, DELAWARE**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**GENERAL FUND**  
**YEAR ENDED SEPTEMBER 30, 2019**  
**(WITH COMPARATIVE TOTALS FOR 2018 AND 2017)**

	2019	2018	2017
<b>REVENUES</b>			
Real estate taxes	\$ 1,103,226	\$ 1,105,505	\$ 1,056,608
Transfer taxes	543,712	425,094	457,447
Licenses and permits	359,135	371,821	383,066
Intergovernmental revenues	222,058	248,191	224,323
Charges for services	267,919	216,266	234,893
Fines and forfeitures	46,090	46,464	34,365
Earnings (losses) on investments	26,366	(2,215)	(1,825)
Miscellaneous	23,194	48,519	29,197
Total revenues	<u>2,591,700</u>	<u>2,459,645</u>	<u>2,418,074</u>
<b>EXPENDITURES</b>			
Current			
General government	391,458	376,007	399,358
Public safety	874,598	848,924	815,703
Public works (streets)	334,710	220,701	191,827
Parks and recreation	76,964	83,027	69,924
Code enforcement	260,131	191,647	234,833
Capital outlay	56,894	131,466	70,840
Total expenditures	<u>1,994,755</u>	<u>1,851,772</u>	<u>1,782,485</u>
Excess revenues over expenditures	596,945	607,873	635,589
<b>OTHER FINANCING SOURCES</b>			
Proceeds from sale of assets	<u>11,254</u>		
Net change in fund balance	<u><u>\$ 608,199</u></u>	<u><u>\$ 607,873</u></u>	<u><u>\$ 635,589</u></u>

**TOWN OF MILTON, DELAWARE**  
**SCHEDULE OF REVENUES AND EXPENSES**  
**UTILITIES FUND**  
**YEAR ENDED SEPTEMBER 30, 2019**  
**(WITH COMPARATIVE TOTALS FOR 2018 AND 2017)**

	2019	2018	2017
<b>OPERATING REVENUES</b>			
Water service charges	\$ 645,376	\$ 567,017	\$ 501,520
Trash service charges	318,656	305,634	314,070
Tapping fees	23,000	21,000	21,500
Sales of meters	52,930	42,024	55,182
Operating grants	21,750	2,110	52,627
Penalties	9,656	7,525	6,956
Other	24,547	22,261	16,161
Total operating revenues	<u>1,095,915</u>	<u>967,571</u>	<u>968,016</u>
<b>OPERATING EXPENSES</b>			
Salaries and labor	221,607	226,696	197,111
Payroll taxes	14,981	15,082	12,072
Pension	11,167	29,684	9,678
Employee benefits	41,657	32,738	33,784
Uniforms	3,575	4,134	3,585
Utilities	27,754	27,875	23,384
Trash removal	305,331	294,420	275,772
Telephone	4,465	4,175	4,778
Gas and oil	8,175	8,414	6,672
Repairs and maintenance	157,463	116,786	209,121
Operating supplies	86,140	79,300	78,579
Professional fees	16,139	58,932	18,028
Insurance	18,074	19,007	6,980
Miscellaneous	6,567	5,281	3,543
Depreciation	92,853	96,192	97,691
Total operating expenses	<u>1,015,948</u>	<u>1,018,716</u>	<u>980,778</u>
Operating income (loss)	<u>79,967</u>	<u>(51,145)</u>	<u>(12,762)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest income	679	591	524
Debt service fees	45,254		
Interest expense	(5,548)	(8,018)	(9,272)
Net non-operating expenses	<u>40,385</u>	<u>(7,427)</u>	<u>(8,748)</u>
Income (loss) before contributions	120,352	(58,572)	(21,510)
Capital contributions - impact fees	<u>88,000</u>	<u>82,000</u>	<u>62,350</u>
Change in net position	<u>\$ 208,352</u>	<u>\$ 23,428</u>	<u>\$ 40,840</u>

***GOVERNMENT AUDITING STANDARDS REPORT***



ANDREW M. HAYNIE, CPA  
SUSAN P. KEEN, CPA  
MICHAEL C. KLEGER, CPA  
E. LEE McCABE, CPA  
JEFFREY A. MICHALIK, CPA  
ROBERT L. MOORE, CPA  
DANIEL M. O'CONNELL II, CPA  
JOHN M. STERN, JR., CPA

PKScpa.com

**Salisbury**

1801 SWEETBAY DRIVE  
P.O. Box 72  
SALISBURY, MD 21803  
TEL: 410.546.5600

**Ocean City**

12216 OCEAN GATEWAY  
SUITE 800  
OCEAN CITY, MD 21842  
TEL: 410.213.7185

**Lewes**

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

**MEMBERS OF:**

AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

MARYLAND ASSOCIATION OF  
CERTIFIED PUBLIC ACCOUNTANTS

DELAWARE SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

ALLNIAL GLOBAL

**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, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated February 19, 2020.

**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. Given these limitations, 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.

**CERTIFIED PUBLIC ACCOUNTANTS**

Salisbury, Maryland  
February 19, 2020