

TOWN OF MILTON, DELAWARE
FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2021

TOWN OF MILTON, DELAWARE

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TOWN OF MILTON, DELAWARE

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INDEPENDENT AUDITORS' REPORT

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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, 2021, 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

Town of Milton, Delaware's 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 auditors' 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, 2021, 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 9 and pages 39 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2022, on our consideration of the Town of Milton, Delaware's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Milton, Delaware's internal control over financial reporting and compliance.

PKS & Company, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
January 28, 2022

TOWN OF MILTON, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021

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, 2021. Please read it in conjunction with the Town's basic financial statements, which begin on page 10.

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, 2021

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 12 through 15. 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 39.

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 an enterprise fund to account for its water and trash activities. The basic proprietary fund financial statements can be found on pages 16 through 18 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 19 through 38 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 \$10.1 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, 2021

Net Position

As of September 30, 2021, the Town's net position was \$10,133,000. Of this amount, \$2,964,000 was the net investment in capital assets, \$3,247,000 was restricted, and \$3,922,000 was unrestricted.

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

<p style="text-align: center;">Table 1 Town of Milton's Net Position <i>(in thousands of dollars)</i></p>						
	2021			2020		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Assets						
Current and other assets	\$ 6,645	\$ 1,865	\$ 8,510	\$ 5,103	\$ 1,739	\$ 6,842
Capital assets, net	1,425	2,502	3,927	1,383	2,035	3,418
Total assets	<u>8,070</u>	<u>4,367</u>	<u>12,437</u>	<u>6,486</u>	<u>3,774</u>	<u>10,260</u>
Deferred outflows of resources	<u>179</u>	<u>28</u>	<u>207</u>	<u>238</u>	<u>32</u>	<u>270</u>
Liabilities						
Current and other liabilities	240	238	478	174	156	330
Long term liabilities	100	913	1,013	205	723	928
Total liabilities	<u>340</u>	<u>1,151</u>	<u>1,491</u>	<u>379</u>	<u>879</u>	<u>1,258</u>
Deferred inflows of resources	<u>1,004</u>	<u>16</u>	<u>1,020</u>	<u>81</u>	<u>9</u>	<u>90</u>
Net position						
Net investment in capital assets	1,425	1,539	2,964	1,383	1,282	2,665
Restricted	2,466	781	3,247	2,053	814	2,867
Unrestricted	3,014	908	3,922	2,828	822	3,650
Total net position	<u>\$ 6,905</u>	<u>\$ 3,228</u>	<u>\$ 10,133</u>	<u>\$ 6,264</u>	<u>\$ 2,918</u>	<u>\$ 9,182</u>

Change in Net Position

Net position for the period ending September 30, 2021 increased by \$951,000. This is a result of governmental activity net position increasing by \$641,000 and business-type net position increasing by \$310,000.

TOWN OF MILTON, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021

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)

	2021			2020		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenues						
Program revenues						
Charges for services	\$ 735	\$ 1,156	\$ 1,891	\$ 626	\$ 1,039	\$ 1,665
Operating grants and contributions	214	79	293	256	81	337
Capital grants and contributions	35	104	139	59	90	149
General revenues						
Property and transfer taxes	1,906		1,906	1,569		1,569
Miscellaneous revenues	118		118	138		138
Unrestricted investment earnings	1		1	20	1	21
Total revenues	<u>3,009</u>	<u>1,339</u>	<u>4,348</u>	<u>2,668</u>	<u>1,211</u>	<u>3,879</u>
Expenses						
General government	565		565	465		465
Public safety	987		987	893		893
Public works (streets)	415		415	264		264
Code enforcement	295		295	299		299
Parks and recreation	106		106	180		180
Utilities		1,029	1,029		1,062	1,062
Total expenses	<u>2,368</u>	<u>1,029</u>	<u>3,397</u>	<u>2,101</u>	<u>1,062</u>	<u>3,163</u>
Change in net position	<u>\$ 641</u>	<u>\$ 310</u>	<u>\$ 951</u>	<u>\$ 567</u>	<u>\$ 149</u>	<u>\$ 716</u>

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

General fund

For the fiscal year ended September 30, 2021, the Town had an increase in the general fund balance of \$610,000 compared to an increase of \$184,000 in the prior year. The general fund balance as of September 30, 2021 was \$5,467,000. Of this amount, \$3,069,000 is restricted, assigned, or non-spendable leaving an unassigned balance of \$2,398,000. A detailed comparison with the prior two years is shown on page 44.

Total revenues were \$3,020,000 which is an increase of \$360,000 or 14% over the prior year. Significant changes from the prior year include:

- Real estate taxes increased \$101,000 and transfer taxes increased \$226,000.

TOWN OF MILTON, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021

General fund (Continued)

Total expenditures were \$2,410,000 which is a decrease of \$94,000 from last year. Significant changes include:

- Capital outlay expenditures decreased by \$356,000 due to the purchase of the Federal Street property in the prior year.
- Salaries and taxes increased 12% due to new personnel in administration and police.
- Paving and signage costs increased in FY21.

Utilities Fund

The utilities fund had operating income of \$159,000 and an increase in net position of \$310,000 for the year ended September 30, 2021 compared to operating income of \$11,000 and an increase in net position of \$149,000 in the prior year. A detailed comparison with the prior two years is shown on page 45.

Significant changes were as follows:

- Operating revenues increased \$113,000 due to an increase in water charges, sale of meters, and trash service charges. Quarterly trash fees increased from \$56 to \$58 in fiscal year 2021.
- Operating expenses decreased \$35,000 due to decreases in professional fees, operating supplies, and depreciation expense.

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 \$3,929 to \$4,711.

A budget and actual comparison schedule is provided in the required supplementary information for the General Fund on page 39. 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 \$70,000 due to favorable variances in transfer taxes, licenses and permits, and charges for services.
- Total general fund expenditures were under the final budget by \$1,224,000 due to favorable variances in public safety and capital outlay. Budgeted capital outlay expenditures included estimated costs for the Magnolia St. Drainage Project which did not occur during the year.

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, 2021 was \$3,927,000 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, furniture and fixtures, vehicles and water systems.

TOWN OF MILTON, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021

Capital Assets (Continued)

This year's major capital asset additions included:

Governmental Activities:

- Telephone system for the police department for \$7,000,
- Lighting for Federal Street to Lavinia Street for \$64,000, and
- Chevy Tahoe for \$40,000.

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

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 467	\$ 467	\$	\$	\$ 467	\$ 467
Construction in progress	53		812	243	865	243
Buildings	375	400	1,583	1,652	1,958	2,052
Other improvements	148	179			148	179
Machinery and equipment	58	68	74	100	132	168
Streets and sidewalks	227	178			227	178
Vehicles	97	91	33	39	130	130
Total net capital assets	\$ 1,425	\$ 1,383	\$ 2,502	\$ 2,034	\$ 3,927	\$ 3,417

Long-Term Debt

At year end, the Town had \$963,000 in notes payable in the enterprise fund. New debt of \$272,000 was incurred during the year for the Shipbuilders well and treatment center.

Additional information on the Town's debt can be found on pages 29 and 30 of this report.

CURRENTLY KNOWN FACTS, DECISION, OR CONDITIONS

The Town is in the planning process of improving drainage on Magnolia Street. The project is being funded with a State Bond Bill of \$300,000, Department of Natural Resources RC&D funds of \$135,000, and Department of Natural Resources ORPT grant of \$100,000. The remaining funds will be paid out of the general fund. The project is expected to go out to bid in early spring 2022. Expenses to date are for engineering fees, totaling \$53,000.

The Town has approved a resolution to borrow up to \$1,670,000 for water infrastructure projects through the Delaware Drinking Water State Revolving Fund. The loan would be 100% forgivable. The referendum passed on January 16, 2021. The project went out to bid in February 2021. The contract was awarded to ECM Corporation for \$1,567,194 in April 2021.

TOWN OF MILTON, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2021

CURRENTLY KNOWN FACTS, DECISION, OR CONDITIONS (Continued)

The Town was awarded a grant of \$1,626,124 under the American Rescue Plan Act of 2021 Coronavirus Local Fiscal Recovery Funds (CLFRF). The Town received \$813,062 in June 2021, which is 50% of the total funds. The remainder of the funds will be disbursed in no less than 12 months.

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, 2021

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash	\$ 2,821,326	\$ 708,880	\$ 3,530,206
Investments, at fair value	308,348		308,348
Taxes receivable	50,800		50,800
Accounts receivable, net of allowance	53,178	309,467	362,645
Grants receivable	30,933		30,933
Internal balances	500	(500)	
Inventory		59,633	59,633
Prepaid expenses	24,085	6,655	30,740
Restricted cash	3,355,823	780,642	4,136,465
Total current assets	<u>6,644,993</u>	<u>1,864,777</u>	<u>8,509,770</u>
Noncurrent assets			
Capital assets, net of accumulated depreciation	1,425,205	2,502,276	3,927,481
Total assets	<u>8,070,198</u>	<u>4,367,053</u>	<u>12,437,251</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred financing outflows - retirement	179,598	27,984	207,582
LIABILITIES			
Current liabilities			
Current portion of notes payable		63,268	63,268
Current portion of accrued compensated absences	50,162	14,557	64,719
Accounts payable	145,532	151,078	296,610
Accrued wages and payroll taxes	44,733	7,295	52,028
Accrued interest payable		2,223	2,223
Total current liabilities	<u>240,427</u>	<u>238,421</u>	<u>478,848</u>
Noncurrent liabilities			
Notes payable, less current portion		899,995	899,995
Accrued compensated absences, less current portion	28,896	4,285	33,181
Net pension liability	71,057	9,092	80,149
Total noncurrent liabilities	<u>99,953</u>	<u>913,372</u>	<u>1,013,325</u>
Total liabilities	<u>340,380</u>	<u>1,151,793</u>	<u>1,492,173</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred grants	890,234		890,234
Deferred financing inflows - retirement	114,320	15,557	129,877
Total deferred inflows of resources	<u>1,004,554</u>	<u>15,557</u>	<u>1,020,111</u>
NET POSITION			
Net investment in capital assets	1,425,205	1,539,013	2,964,218
Restricted	2,465,585	780,642	3,246,227
Unrestricted	3,014,072	908,032	3,922,104
Total net position	<u>\$ 6,904,862</u>	<u>\$ 3,227,687</u>	<u>\$ 10,132,549</u>

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

TOWN OF MILTON, DELAWARE
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2021

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
GOVERNMENTAL ACTIVITIES							
General government	\$ 564,637	\$ 20,886	\$ 85,199	\$ 35,000	\$ (543,751)		\$ (543,751)
Public safety	987,197	44,961			(822,037)		(822,037)
Public works (streets)	414,672	114,837	86,546		(213,289)		(213,289)
Code enforcement	295,306	548,130			252,824		252,824
Parks and recreation	105,782	6,425	41,983		(57,374)		(57,374)
Total governmental activities	<u>2,367,594</u>	<u>735,239</u>	<u>213,728</u>	<u>35,000</u>	<u>(1,383,627)</u>		<u>(1,383,627)</u>
BUSINESS-TYPE ACTIVITIES							
Utilities	1,028,840	1,155,652	79,065	104,000		309,877	309,877
Total business-type activities	<u>1,028,840</u>	<u>1,155,652</u>	<u>79,065</u>	<u>104,000</u>		<u>309,877</u>	<u>309,877</u>
Total	<u>\$ 3,396,434</u>	<u>\$ 1,890,891</u>	<u>\$ 292,793</u>	<u>\$ 139,000</u>	<u>(1,383,627)</u>	<u>309,877</u>	<u>(1,073,750)</u>
GENERAL REVENUES							
Real estate taxes					1,206,071		1,206,071
Transfer taxes					699,719		699,719
Franchise fees					115,103		115,103
Unrestricted investment earnings					611	269	880
Miscellaneous					2,800		2,800
Total general revenues					<u>2,024,304</u>	<u>269</u>	<u>2,024,573</u>
Change in net position					640,677	310,146	950,823
NET POSITION, BEGINNING OF YEAR,					<u>6,264,185</u>	<u>2,917,541</u>	<u>9,181,726</u>
NET POSITION, END OF YEAR					<u>\$ 6,904,862</u>	<u>\$ 3,227,687</u>	<u>\$ 10,132,549</u>

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

TOWN OF MILTON, DELAWARE

**BALANCE SHEET
GOVERNMENTAL FUND**

SEPTEMBER 30, 2021

ASSETS

	General Fund
	<hr/>
Cash	\$ 2,821,326
Investments, at fair value	308,348
Taxes receivable	50,800
Accounts receivable, net of allowance	53,178
Grants receivable	30,933
Prepaid insurance	24,085
Due from other funds	500
Restricted cash	<hr/> 3,355,823
Total assets	<hr/> <hr/> \$ 6,644,993

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

LIABILITIES

Accounts payable	\$ 145,532
Accrued wages and payroll taxes	44,733
Accrued compensated absences	50,162
Total liabilities	<hr/> 240,427

DEFERRED INFLOWS OF RESOURCES

Deferred property taxes and grants	<hr/> 937,068
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FUND BALANCE

Non-spendable	24,085
Restricted	2,465,585
Assigned	580,064
Unassigned	2,397,764
Total fund balance	<hr/> 5,467,498
Total liabilities, deferred inflows of resources, and fund balance	<hr/> <hr/> \$ 6,644,993

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, 2021

Total fund balance, governmental fund	\$ 5,467,498
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and are therefore not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position.	1,425,205
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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	179,598
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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	(28,896)
Deferred financing inflows - retirement	(114,320)
Net pension liability	(71,057)

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>46,834</u>
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Net position, governmental activities	<u><u>\$ 6,904,862</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWN OF MILTON, DELAWARE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
GOVERNMENTAL FUND
YEAR ENDED SEPTEMBER 30, 2021

	General Fund
REVENUES	
Real estate taxes	\$ 1,217,667
Transfer taxes	699,719
Licenses and permits	447,439
Intergovernmental revenues	235,594
Charges for services	343,067
Fines and forfeitures	57,713
Earnings on investments	611
Miscellaneous	18,057
Total revenues	<u>3,019,867</u>
EXPENDITURES	
Current	
General government	538,437
Public safety	952,714
Public works (streets)	375,248
Parks and recreation	93,442
Code enforcement	286,356
Capital outlay	164,011
Total expenditures	<u>2,410,208</u>
Change in fund balance	609,659
FUND BALANCE, BEGINNING OF YEAR	<u>4,857,839</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 5,467,498</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
CHANGE IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT
OF ACTIVITIES**

YEAR ENDED SEPTEMBER 30, 2021

Change in fund balance, governmental fund \$ 609,659

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	164,011	
Depreciation expense	<u>(122,246)</u>	
		41,765

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	6,531
Change in deferred financing outflows - retirement	(58,539)
Change in net pension liability	98,706

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	(11,595)
Change in deferred financing inflows - retirement	<u>(45,850)</u>

Change in net position, governmental activities	<u>\$ 640,677</u>
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The accompanying notes are an integral part of these financial statements.

TOWN OF MILTON, DELAWARE

**STATEMENT OF NET POSITION
PROPRIETARY FUND**

SEPTEMBER 30, 2021

	<u>Utilities Fund</u>
ASSETS	
Current assets	
Cash	\$ 708,880
Accounts receivable, net of allowance	309,467
Inventory	59,633
Prepaid expenses	6,655
Restricted cash	780,642
Total current assets	<u>1,865,277</u>
Noncurrent assets	
Capital assets, net of accumulated depreciation	<u>2,502,276</u>
Total assets	<u>4,367,553</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred financing outflows - retirement	<u>27,984</u>
 LIABILITIES	
Current liabilities	
Current portion of notes payable	63,268
Current portion of accrued compensated absences	14,557
Accounts payable	151,078
Accrued wages and payroll taxes	7,295
Accrued interest payable	2,223
Due to other funds	500
Total current liabilities	<u>238,921</u>
Non-current liabilities	
Notes payable, less current portion	899,995
Accrued compensated absences, less current portion	4,285
Net pension liability	9,092
Total non-current liabilities	<u>913,372</u>
Total liabilities	<u>1,152,293</u>
 DEFERRED INFLOWS OF RESOURCES	
Deferred financing inflows - retirement	<u>15,557</u>
 NET POSITION	
Net investment in capital assets	1,539,013
Restricted	780,642
Unrestricted	908,032
Total net position	<u>\$ 3,227,687</u>

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

TOWN OF MILTON, DELAWARE

**STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
PROPRIETARY FUND**

YEAR ENDED SEPTEMBER 30, 2021

	<u>Utilities Fund</u>
OPERATING REVENUES	
Water service charges	\$ 656,675
Trash service charges	352,397
Tapping fees	24,000
Sales of meters	74,358
Operating grants	15,842
Penalties	10,546
Other	37,676
Total operating revenues	<u>1,171,494</u>
OPERATING EXPENSES	
Salaries and labor	242,281
Payroll taxes	15,810
Pension	15,330
Employee benefits	48,595
Uniforms	2,399
Utilities	28,821
Trash removal services	325,613
Telephone	5,126
Gas and oil	8,129
Repairs and maintenance	110,140
Operating supplies	65,021
Professional fees	10,095
Insurance	18,087
Miscellaneous	17,181
Depreciation	100,207
Total operating expenses	<u>1,012,835</u>
Operating income	<u>158,659</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest income	269
Debt service fees	63,223
Interest expense	(16,005)
Net non-operating revenues	<u>47,487</u>
Income before contributions	206,146
Capital contributions - impact fees	<u>104,000</u>
Change in net position	310,146
NET POSITION, BEGINNING OF YEAR	<u>2,917,541</u>
NET POSITION, END OF YEAR	<u><u>\$ 3,227,687</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, 2021

	<u>Utilities Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 1,181,261
Payments to suppliers	(539,522)
Payments to employees	(322,911)
Net cash provided by operating activities	<u>318,828</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(568,329)
Debt service fees	63,223
Proceeds on notes payable	272,095
Principal paid on notes payable	(61,513)
Interest paid on notes payable	(16,180)
Capital contributions - impact fees	104,000
Net cash used by capital and related financing activities	<u>(206,704)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Interfund borrowings	<u>500</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>269</u>
Net increase in cash	112,893
CASH, BEGINNING OF YEAR	<u>1,376,629</u>
CASH, END OF YEAR	<u><u>\$ 1,489,522</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 158,659
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	100,207
Change in allowance for bad debts	(7,560)
Change in deferred outflows and inflows	10,730
(Increase) decrease in assets	
Accounts receivable	(1,797)
Grants receivable	19,124
Inventory	(16,437)
Prepaid expenses	(6,655)
Increase (decrease) in liabilities	
Accounts payable and accrued expenses	62,557
Net cash provided by operating activities	<u><u>\$ 318,828</u></u>
RECONCILIATION OF CASH TO THE STATEMENT OF NET POSITION	
Cash - unrestricted	\$ 708,880
Cash - restricted	780,642
Total cash on the Statement of Cash Flows	<u><u>\$ 1,489,522</u></u>

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

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

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, 2021

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 the following 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, 2021

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.

Budgetary data

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

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

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.

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2021 are as follows:

	Cost	Fair Value	Unrealized Gains
Corporate bonds	<u>\$ 303,767</u>	<u>\$ 308,348</u>	<u>\$ 4,581</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.

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, 2021 were \$6,577 and \$4,536, respectively.

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred inflows of resources

The Town may report a separate section for deferred inflows of resources. This separate financial element reflects an increase in net position 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 position 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.

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.

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

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.

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and enterprise fund net position (continued)

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 (assigned, committed, and then restricted fund balances).

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

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, 2021, \$7,277,916 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.
- Cash received under the American Rescue Plan Act of 2021. Eligible uses of these funds include lost revenue replacement, COVID-19 expenditures or negative economic impact programs, premium pay for essential workers, and investments in certain infrastructures.

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, 2021

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	\$ 466,484	\$	\$	\$ 466,484
Construction in progress		53,441		53,441
Total capital assets not being depreciated	<u>466,484</u>	<u>53,441</u>		<u>519,925</u>
<i>Capital assets being depreciated</i>				
Building	818,691			818,691
Other improvements	1,137,473			1,137,473
Machinery and equipment	558,149	6,950		565,099
Street and sidewalks	328,921	63,701		392,622
Vehicles	361,500	39,919	28,355	373,064
Total capital assets being depreciated	<u>3,204,734</u>	<u>110,570</u>	<u>28,355</u>	<u>3,286,949</u>
Less accumulated depreciation for:				
Building	418,470	24,976		443,446
Other improvements	958,196	31,777		989,973
Machinery and equipment	489,625	17,092		506,717
Street and sidewalks	151,010	14,388		165,398
Vehicles	270,477	34,013	28,355	276,135
Total accumulated depreciation	<u>2,287,778</u>	<u>122,246</u>	<u>28,355</u>	<u>2,381,669</u>
Total capital assets being depreciated, net	<u>916,956</u>	<u>(11,676)</u>		<u>905,280</u>
Capital assets, net	<u>\$ 1,383,440</u>	<u>\$ 41,765</u>	<u>\$</u>	<u>\$ 1,425,205</u>

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

Governmental activities:	
General government	\$ 26,101
Public safety	36,945
Public works	39,191
Code enforcement	8,200
Parks and recreation	<u>11,809</u>
Total governmental activities	<u>\$ 122,246</u>

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

CAPITAL ASSETS (Continued)

Business-type activities:	Beginning Balance	Increases	Decreases	Ending Balance
<i>Capital assets not being depreciated</i>				
Construction in progress	\$ 243,267	\$ 568,329	\$	\$ 811,596
Total capital assets not being depreciated	<u>243,267</u>	<u>568,329</u>		<u>811,596</u>
<i>Capital assets being depreciated</i>				
Improvements	2,985,412			2,985,412
Machinery and equipment	562,492			562,492
Vehicles	235,501			235,501
Total capital assets being depreciated	<u>3,783,405</u>			<u>3,783,405</u>
Less accumulated depreciation for:				
Improvements	1,325,735	76,869		1,402,604
Machinery and equipment	468,945	18,894		487,839
Vehicles	197,838	4,444		202,282
Total accumulated depreciation	<u>1,992,518</u>	<u>100,207</u>		<u>2,092,725</u>
Total capital assets being depreciated, net	<u>1,790,887</u>	<u>(100,207)</u>		<u>1,690,680</u>
Capital assets, net	<u>\$ 2,034,154</u>	<u>\$ 468,122</u>	<u>\$</u>	<u>\$ 2,502,276</u>

Construction in progress in the Utility Fund includes \$782,863 for the Shipbuilders Well and Treatment facility and \$28,733 for the Atlantic Ave and Chestnut Street project.

INTEREST COST – UTILITIES FUND

During the year ended September 30, 2021, total interest incurred in the Utilities fund was \$16,005 including accrued interest of \$2,223.

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

LONG-TERM DEBT

Changes in long-term obligations for the year ended September 30, 2021 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Notes payable	\$ 752,681	\$ 272,095	\$ 61,513	\$ 963,263

The following is a summary of the Town's long-term debt as of September 30, 2021:

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. \$ 93,507

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%. Principal payments began in May 2020. Matures June 2039. 369,756

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%. 500,000

\$ 963,263

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

LONG-TERM DEBT (Continued)

Principal and interest requirements to amortize all Business-type Activities debt outstanding as of September 30, 2021 are as follows:

Year Ending	Principal	Interest	Totals
2022	\$ 63,268	\$ 9,910	\$ 73,178
2023	65,080	8,097	73,177
2024	17,947	6,615	24,562
2025	18,308	6,255	24,563
2026	18,676	5,887	24,563
2027 - 2031	99,163	23,649	122,812
2032 - 2036	109,538	13,274	122,812
2037 - 2039	71,283	2,165	73,448
	\$ 463,263	\$ 75,852	\$ 539,115

The above amounts do not include the \$500,000 SRF loan. As of the date of the audit report, this loan has not gone to settlement.

FUND BALANCE – GOVERNMENTAL FUND

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

Assigned fund balances consist of expenses budgeted in 2021 for which the goods or services were not received until 2022 and funds budgeted in fiscal year 2022 for the use of prior year surplus and transfer taxes.

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, 2021. 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 \$72,000.

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

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, 2020. 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, 2021

RETIREMENT AND PENSION PLANS (Continued)

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

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

Disability benefits are the same as service benefits. Employee must have 5 years of credited service. For survivor benefits, if the employee is receiving a pension, then the eligible survivor receives 75% of pension, if the employee is active, the 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 \$36,749.

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

At September 30, 2021, the Town reported a liability in the government-wide activities of \$80,149 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019. Update procedures were used to roll forward the total pension liability/asset to June 30, 2020. The actuarial assumptions were based on the most recent experience study completed during the fiscal year ended June 30, 2020. The Town's proportion of the net pension liability was based on the percentage of actual employee contributions. At June 30, 2020, the Town's proportion for the Police Plan was .3679% and for the General Plan was 1.1116%.

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

RETIREMENT AND PENSION PLANS (Continued)

For the year ended September 30, 2021, the Town recognized pension expense of \$87,599. At September 30, 2021, 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	\$ 3,895	\$ 29,121
Net difference between projected and actual earnings on pension plan investments		57,743
Differences between expected and actual experience	72,747	34,471
Changes of assumptions	34,783	8,542
Contributions subsequent to measurement date	96,157	
	<u>\$ 207,582</u>	<u>\$ 129,877</u>

The Town's contribution subsequent to the measurement date of \$96,157, reported as deferred outflows of resources, will be recognized as a reduction of the net pension liability in the year ended September 30, 2022.

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 9 to 10 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	
2022	\$ (16,839)
2023	(5,340)
2024	7,251
2025	(1,391)
2026	7,245
Thereafter	15,850
	<u>\$ 6,776</u>

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

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 2020 amounts for the General Plan and the Police Plan.

Actuarial assumptions. The collective total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of June 30, 2019, and update procedures were used to roll forward the total pension liability to June 30, 2020. 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.

Investments. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage, which is based on the nature and mix of current and expected plan investments and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the Board of Trustees after considering input from DPERS investment consultants and actuaries. For each major class that is included in the DPERS target asset allocation as of June 30, 2020, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	28.5%	5.7%
International equity	15.2%	5.7%
Fixed income	28.8%	2.0%
Alternative investments	23.0%	7.8%
Cash and equivalents	4.5%	
Total	100%	

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

RETIREMENT AND PENSION PLANS (Continued)

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%)	\$ 458,068
Current discount rate (7.0%)	\$ 80,149
1% Increase (8.0%)	\$ (228,849)

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

LAND LEASE AGREEMENT

In June 2020, the Town entered into a land lease agreement which allows Verizon to install, maintain, and operate telecommunications equipment on property owned by the Town for a period of five years with four additional five-year terms allowed. The agreement calls for annual rents of \$30,000 in the initial year with 2% per year increases in subsequent years. Rental payments are scheduled to begin upon completion of the site plan and required approvals.

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

LEASE AGREEMENTS

The Town has entered into two lease agreements expiring in 2026 with Xerox for the use of two copiers.

Future minimum lease payments are:

<u>Year ending September 30,</u>	<u>Total Payment</u>
2022	\$ 4,337
2023	4,337
2024	4,337
2025	4,337
2026	<u>723</u>
Total minimum lease payments	<u>\$ 18,071</u>

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. Management believes such coverage is sufficient to preclude any uninsured losses to the Town.

CONTINGENT LIABILITIES

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

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).

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

FAIR VALUE MEASUREMENTS (Continued)

The fair value hierarchy for assets measured at fair value on a recurring basis as of September 30, 2021 is as follows:

	Fair value using:		
	Level 1	Level 2	Level 3
Corporate bonds	\$	\$ 308,348	\$

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.

NEW PRONOUNCEMENTS

GASB Statement No. 87, *Leases*, will be effective for the Town beginning with the year ending September 30, 2022. 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.

SUBSEQUENT EVENTS

The Town is in the planning process of improving drainage on Magnolia Street. The project is expected to be funded with a State Bond Bill of \$300,000, Department of Natural Resources RC&D funds of \$135,000, and Department of Natural Resources ORPT grant of \$100,000. The remaining cost will be paid out of the fiscal year 2022 budget. The project is expected to go out to bid in early spring 2022.

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

SUBSEQUENT EVENTS (Continued)

The Town has approved a resolution to borrow up to \$1,670,000 for water infrastructure projects through the Delaware Drinking Water State Revolving Fund. The loan would be 100% forgivable. The referendum passed on January 16, 2021 and went out to bid in February 2021. The contract was awarded to ECM Corporation for \$1,567,194 in April 2021.

The Town was awarded a grant of \$1,626,124 under the American Rescue Plan Act of 2021 Coronavirus Local Fiscal Recovery Funds (CLFRF). The Town received \$813,062 in June 2021, which is 50% of the total funds. Eligible uses of these funds include lost revenue replacement, COVID-19 expenditures or negative economic impact programs, premium pay for essential workers, and investments in certain infrastructure.

IMPACT OF COVID-19

In March 2020, the World Health Organization declared the novel coronavirus (COVID-19) outbreak a global pandemic. There were mandate from federal, state, and local authorities requiring forced closures and movement, however, the COVID-19 pandemic remains a rapidly evolving situation. It is possible that a resurgence in COVID-19 cases could prompt a return to tighter restrictions. Therefore, significant uncertainty remains regarding the financial impact on the Town's financial condition and future results of operations.

REQUIRED SUPPLEMENTARY INFORMATION

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

YEAR ENDED SEPTEMBER 30, 2021

	Budget		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Real estate taxes	\$ 1,230,000	\$ 1,201,000	\$ 1,217,667	\$ 16,667
Transfer taxes	210,000	230,000	699,719	469,719
Licenses and permits	364,000	364,000	447,439	83,439
Intergovernmental revenues	747,144	843,676	235,594	(608,082)
Charges for services	204,630	248,930	343,067	94,137
Fines and forfeitures	31,500	36,500	57,713	21,213
Earnings on investments	10,145	9,645	611	(9,034)
Miscellaneous	16,500	16,500	18,057	1,557
Total revenues	<u>2,813,919</u>	<u>2,950,251</u>	<u>3,019,867</u>	<u>69,616</u>
EXPENDITURES				
Current				
General government	478,655	479,455	538,437	(58,982)
Public safety	1,011,520	1,009,520	952,714	56,806
Public works	260,350	264,350	375,248	(110,898)
Parks and recreation	88,050	87,050	93,442	(6,392)
Code enforcement	231,015	264,515	286,356	(21,841)
Capital outlay	1,529,050	1,529,300	164,011	1,365,289
Total expenditures	<u>3,598,640</u>	<u>3,634,190</u>	<u>2,410,208</u>	<u>1,223,982</u>
Excess of revenues over (under) expenditures	<u>(784,721)</u>	<u>(683,939)</u>	<u>609,659</u>	<u>1,293,598</u>
OTHER FINANCING SOURCES				
Transfer tax reserve	379,150	279,150		(279,150)
Prior year surplus	409,500	409,500		(409,500)
Total other financing sources	<u>788,650</u>	<u>688,650</u>		<u>(688,650)</u>
Net change in fund balance	<u>\$ 3,929</u>	<u>\$ 4,711</u>	<u>\$ 609,659</u>	<u>\$ 604,948</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>Fiscal Year/ Measurement Date</u>	<u>Town's proportion of the net pension liability</u>	<u>Town's share of the net pension liability (asset)</u>	<u>Town's covered employee payroll</u>	<u>Town's proportionate percentage of covered payroll</u>	<u>Plan fiduciary as a percentage of total pension liability</u>
<u>County & Municipal Police and Firefighters' Pension Plan</u>					
2015/2014	0.521600%	\$ (56,430)	\$ 392,497	-14%	104.5%
2016/2015	0.436000%	(22,978)	383,128	-6%	102.0%
2017/2016	0.424300%	67,438	472,936	14%	94.7%
2018/2017	0.459300%	46,307	495,567	9%	97.0%
2019/2018	0.479000%	110,315	498,486	22%	94.1%
2020/2019	0.467500%	134,289	489,826	27%	93.3%
2021/2020	0.367900%	56,545	547,222	10%	96.7%
<u>County and Municipal Other Employees' Pension Plan</u>					
2015/2014	1.3250%	\$ (4,878)	\$ 378,200	-1%	101.8%
2016/2015	1.3600%	580	363,868	0%	99.9%
2017/2016	1.1416%	70,728	415,983	17%	86.4%
2018/2017	1.0762%	69,731	506,268	14%	87.6%
2019/2018	1.2417%	39,076	511,887	8%	94.4%
2020/2019	1.2374%	56,685	553,218	10%	92.7%
2021/2020	1.1116%	23,604	616,567	4%	96.9%

In accordance with GASB Statement 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 is available to present a ten-year trend.

TOWN OF MILTON, DELAWARE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE TOWN'S CONTRIBUTIONS
DELAWARE PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(UNAUDITED)

<u>Fiscal Year</u>	<u>Contractually required contribution</u>	<u>Actual contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Town's covered payroll</u>	<u>Actual contribution as a percentage of covered payroll</u>
<u>County & Municipal Police and Firefighters' Pension Plan</u>					
2015	\$ 53,639	\$ (53,639)	\$	\$ 392,497	-14%
2016	43,892	(43,892)		383,128	-11%
2017	42,809	(42,809)		472,936	-9%
2018	51,968	(51,968)		495,567	-10%
2019	45,428	(45,428)		498,486	-9%
2020	68,939	(68,939)		489,826	-14%
2021	56,495	(56,495)		547,222	-10%
<u>County and Municipal Other Employees' Pension Plan</u>					
2015	\$ 26,756	\$ (26,756)	\$	\$ 378,200	-7%
2016	26,133	(26,133)		363,868	-7%
2017	23,714	(23,714)		415,983	-6%
2018	27,057	(27,057)		506,268	-5%
2019	35,088	(35,088)		511,887	-7%
2020	40,070	(40,070)		553,218	-7%
2021	39,662	(39,662)		616,567	-6%

In accordance with GASB Statement 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 is available to present a ten-year trend.

TOWN OF MILTON, DELAWARE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

SEPTEMBER 30, 2021

Changes in benefit terms:

There were no benefit changes during the year.

Changes in assumptions:

Discount rates remained unchanged at 7.0%.

Method and assumptions used in calculations of actuarially determined contributions for the plan years ended June 30, 2020 and 2019:

Actuarial	Entry age normal.	
Remaining amortization period	Open 10-year level percent of payroll; 9 years remaining	
Asset valuation model	Five year smoothed market.	
Inflation	2020	2.50%
	2019	2.50%
Salary increases	2020	2.5% plus merit
	2019	2.5% plus merit
Investment rate of return	2020	7.0%
	2019	7.0%
Retirement age	<i>Police and Firefighters Plan</i> : 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. <i>County and Municipal Other Employees Plan</i> : Age 62 with five years of credited service; age 60 with 15 years of credited service; or after 30 years of credited service.	
Mortality	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.	

SUPPLEMENTARY INFORMATION

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MARYLAND ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

DELAWARE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

ALLINIA GLOBAL

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 2020 and 2019 financial statements and, in our reports dated February 19, 2021 and February 19, 2020 we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities and each major fund.

PKS & Company, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
January 28, 2022

TOWN OF MILTON, DELAWARE
SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2021
(WITH COMPARATIVE TOTALS FOR 2020 AND 2019)

	2021	2020	2019
REVENUES			
Real estate taxes	\$ 1,217,667	\$ 1,116,240	\$ 1,103,226
Transfer taxes	699,719	474,018	543,712
Licenses and permits	447,439	428,634	359,135
Intergovernmental revenues	235,594	311,783	222,042
Charges for services	343,067	268,680	267,919
Fines and forfeitures	57,713	29,608	46,090
Earnings on investments	611	19,728	26,382
Miscellaneous	18,057	11,306	23,194
Total revenues	<u>3,019,867</u>	<u>2,659,997</u>	<u>2,591,700</u>
EXPENDITURES			
Current			
General government	538,437	439,955	391,458
Public safety	952,714	844,340	866,218
Public works (streets)	375,248	237,641	343,090
Parks and recreation	93,442	170,885	76,964
Code enforcement	286,356	291,595	260,131
Capital outlay	164,011	519,720	56,894
Total expenditures	<u>2,410,208</u>	<u>2,504,136</u>	<u>1,994,755</u>
Excess revenues over expenditures	609,659	155,861	596,945
OTHER FINANCING SOURCES			
Proceeds from sale of assets	<u> </u>	<u>28,429</u>	<u>11,254</u>
Net change in fund balance	<u>\$ 609,659</u>	<u>\$ 184,290</u>	<u>\$ 608,199</u>

TOWN OF MILTON, DELAWARE
SCHEDULE OF REVENUES AND EXPENSES
UTILITIES FUND
YEAR ENDED SEPTEMBER 30, 2021
(WITH COMPARATIVE TOTALS FOR 2020 AND 2019)

	2021	2020	2019
OPERATING REVENUES			
Water service charges	\$ 656,675	\$ 601,018	\$ 645,376
Trash service charges	352,397	335,818	318,656
Tapping fees	24,000	22,500	23,000
Sales of meters	74,358	55,524	52,930
Operating grants	15,842	19,124	21,750
Penalties	10,546	4,105	9,656
Other	37,676	20,299	24,547
Total operating revenues	<u>1,171,494</u>	<u>1,058,388</u>	<u>1,095,915</u>
OPERATING EXPENSES			
Salaries and labor	242,281	215,319	221,607
Payroll taxes	15,810	14,060	14,981
Pension	15,330	14,646	11,167
Employee benefits	48,595	41,425	41,657
Uniforms	2,399	2,526	3,575
Utilities	28,821	25,264	27,754
Trash removal	325,613	321,162	305,331
Telephone	5,126	4,354	4,465
Gas and oil	8,129	7,185	8,175
Repairs and maintenance	110,140	99,438	157,463
Operating supplies	65,021	106,621	86,140
Professional fees	10,095	49,340	16,139
Insurance	18,087	19,085	18,074
Miscellaneous	17,181	21,063	6,567
Depreciation	100,207	105,892	92,853
Total operating expenses	<u>1,012,835</u>	<u>1,047,380</u>	<u>1,015,948</u>
Operating income	<u>158,659</u>	<u>11,008</u>	<u>79,967</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest income	269	733	679
Debt service fees	63,223	62,016	45,254
Interest expense	(16,005)	(14,986)	(5,548)
Net non-operating revenues	<u>47,487</u>	<u>47,763</u>	<u>40,385</u>
Income before contributions	206,146	58,771	120,352
Capital contributions - impact fees	<u>104,000</u>	<u>90,000</u>	<u>88,000</u>
Change in net position	<u>\$ 310,146</u>	<u>\$ 148,771</u>	<u>\$ 208,352</u>

***GOVERNMENT AUDITING STANDARDS* REPORT**

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Mayor and Council
 Town of Milton, Delaware

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund of the Town of Milton, Delaware as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated January 28, 2022.

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) as a basis for designing 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. 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

PKS & Company, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
January 28, 2022