

TOWN OF MILLINGTON, MARYLAND
FINANCIAL STATEMENTS WITH
REQUIRED SUPPLEMENTAL
INFORMATION
JUNE 30, 2023

TOWN OF MILLINGTON, MARYLAND
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INDEPENDENT AUDITOR’S REPORT

To the Mayor and Council
Town of Millington, Maryland

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Millington, Maryland as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town of Millington, Maryland’s basic financial statements as listed in the table of contents.

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 Millington, Maryland, as of June 30, 2023, and the respective changes in financial position and where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Comparative Information

The financial statements include comparative totals for the previous year, as of and for the year ended June 30, 2022. The audit opinion expressed in this report does not extend to these comparative totals. Such information has been derived from the Town of Millington, Maryland’s audited financial statements for the year ended June 30, 2022, for which we expressed an unmodified opinion on November 11, 2022.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Millington, Maryland and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Millington, Maryland’s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town of Millington, Maryland's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Millington, Maryland's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis to be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 supplemental 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 November 24, 2023, on our consideration of the Town of Millington, Maryland'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 solely 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 the effectiveness of the Town of Millington, Maryland's 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 Millington, Maryland's internal control over financial reporting and compliance.



Seaford, Delaware
November 24, 2023

TOWN OF MILLINGTON, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

This Discussion and Analysis is intended to be an easily readable analysis of the Town of Millington, Maryland's financial activities based on current known facts, decisions or conditions. This analysis focuses on current year activities and should be read in conjunction with the financial statements that follow.

Report Layout

In addition to Management's Discussion and Analysis (MD&A), the report consists of government-wide statements, fund financial statements, and notes to the financial statements. The first several statements are highly condensed and present a government-wide view of the Town's finances. Within this view, all Town operations are categorized and reported as either governmental or business-type activities. Governmental activities include basic services such as public works, parks and recreation, public safety, and general government administration. These government-wide statements are designed to be more corporate-like in that all activities are consolidated into a total for the Town.

Basic Financial Statements

- The Statement of Net Position focuses on resources available for future operations. In simple terms, this statement presents a snap-shot view of the assets the community owns, the liabilities owed and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts.
- The Statement of Activities focuses gross and net costs of Town programs and the extent to which such programs rely upon general tax and other revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.
- Fund Financial Statements focus separately on major Governmental Funds and Proprietary Funds. Governmental Fund statements follow the more traditional presentation of financial statements. A budgetary comparison is presented for the General Fund. Statements for the Town's Proprietary Funds follow the Governmental Fund statements and include net position, revenue, expenses and changes in net position, and cash flow.
- The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the Town's financial condition.

TOWN OF MILLINGTON, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

The Town's combined net position increased by \$136,599, or 4%, from 2022 to 2023. (See table below.) Governmental Fund net position increased by 24% during this time, due to the Town being able to fund current operating costs and acquire fixed assets without incurring any new debt. The Business-Type Fund decreased by 8%, which is the result of unfunded depreciation and other operating costs exceeding current year revenue.

Town of Millington, Maryland
Net Position

	Governmental		Business-Type		Total		Total Percentage
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>Change</u>
Current Assets	145,932	238,472	204,208	377,617	350,140	616,089	(43%)
Capital Assets	1,009,705	859,753	3,187,959	3,383,445	4,197,664	4,243,198	(1%)
Other Assets	509,577	504,972	(423,081)	(416,518)	86,496	88,454	(2%)
Total Assets	1,665,214	1,603,197	2,969,086	3,344,544	4,634,300	4,947,741	(6%)
Current Liabilities	39,688	35,226	106,010	54,562	145,698	89,788	62%
Non-Current Liabilities	-	235,950	1,065,830	1,333,815	1,065,830	1,569,765	(32%)
Deferred Inflows	81,011	82,986	-	-	81,011	82,986	(2%)
Total Liabilities and Deferrals	120,699	354,162	1,171,840	1,388,377	1,292,539	1,742,539	(26%)
Net Investment in Capital Assets	1,009,705	859,753	2,145,859	2,320,398	3,155,564	3,180,151	(1%)
Restricted	7,716	7,716	15,600	15,600	23,316	23,316	-
Unrestricted	527,094	381,566	(364,213)	(379,831)	162,881	1,735	9,288%
Total Net Position	1,544,515	1,249,035	1,797,246	1,956,167	3,341,761	3,205,202	4%

TOWN OF MILLINGTON, MARYLAND
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2023

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE (CONTINUED)

The Town’s total revenues increased 70% to \$1,149,215 (See table below). Revenue from business-type activities increased 36% to \$538,101, which is primarily due to increases in grant revenue. Governmental revenues increased 117% to \$611,114, also mostly due to increased grant revenue.

The total cost of all programs and services increased by 9%, to \$1,012,656. Costs of business-type activities increased by less than 1%. Costs of governmental activities increased by 38% to \$315,634, due to general government and public works capital outlay.

Town of Millington, Maryland
Change in Net Position

	Governmental		Business-Type		Total		Total Percentage
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>Change</u>
Program Revenue:							
Fees, Fines, Services	22,603	22,579	358,628	334,553	381,231	357,132	7%
Operating Grants	25,690	7,242	-	-	25,690	7,242	255%
Capital Grants	318,353	-	178,927	60,209	497,280	60,209	726%
General Revenue							
Taxes	236,091	239,301	-	-	236,091	239,301	(1%)
Cable Franchise	2,447	2,107	-	-	2,447	2,107	16%
Other Income	184	10,000	-	-	184	10,000	(98%)
Investment Income	5,746	489	546	10	6,292	499	1,161%
Total Revenue	611,114	281,718	538,101	394,772	1,149,215	676,490	70%
Program Expenses:							
General	157,832	91,476	-	-	157,832	91,476	73%
Public Safety	732	1,309	-	-	732	1,309	(44%)
Public Works	127,929	105,617	-	-	127,929	105,617	21%
Parks and Recreation	29,141	30,995	-	-	29,141	30,995	(6%)
Water and Sewer	-	-	697,022	695,450	697,022	695,450	-
Total Expenses	315,634	229,397	697,022	695,450	1,012,656	924,847	9%
Change in Net Position	295,480	52,321	(158,921)	(300,678)	136,559	(248,357)	155%
Net Position Beginning	1,249,035	1,196,714	1,956,167	2,256,845	3,205,202	3,453,559	(7%)
Net Position Ending	1,544,515	1,249,035	1,797,246	1,956,167	3,341,761	3,205,202	4%

GENERAL FUND BUDGETARY HIGHLIGHTS

The original budget was not amended during the current fiscal year.

General Fund revenues of \$611,114 were over the budget by \$375,027. This favorable variance was mainly attributed to higher than anticipated grant revenue.

General Fund expenditures of \$315,634 were over the budget by \$79,547. This unfavorable variance was attributed to corresponding grant expenditures for capital outlay.

TOWN OF MILLINGTON, MARYLAND
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2023

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2023, the Town had \$4,197,664 invested in capital assets, including land, infrastructure, buildings, and equipment. Note 3 of the Notes to Basic Financial Statements gives further details of the Town’s capital asset activity.

Town of Millington, Maryland
Capital Assets

	Governmental		Business-Type		Total	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Construction in Progress	107,774	1,638	-	-	107,774	1,638
Land	493,331	493,331	-	-	493,331	493,331
Infrastructure, Buildings and Equipment	408,600	364,784	3,187,959	3,383,445	3,596,559	3,748,229
Total Capital Assets	1,009,705	859,753	3,187,959	3,383,445	4,197,664	4,243,198

Debt

At June 30, 2023, the Town had \$1.04 million in debt outstanding versus \$1.06 million last year, a decrease of 2%. Note 4 of the Notes to Basic Financial Statements gives further details of the Town’s debt activity.

Town of Millington, Maryland
Debt

	Governmental		Business-Type		Total	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
USDA Water System Bond	-	-	1,042,100	1,063,047	1,042,100	1,063,047

SIGNIFICANT FINANCIAL HIGHLIGHTS

Town Hall Renovations - The Town entered into a contract with KRM Construction to renovate Town Hall. Renovations included new floors, upgrade electric and lighting, installation of new HVAC units, painting, new windows, upgrade and renovate restroom and fixtures, construct overhang at back entrance, construct front vestibule with electronic door to office area, installation of new front door, and construction of new ADA accessible front entrance. The Town office experienced a water leak located under the building; E T Kimble & Company vacated the old connection and installed a new water connection. The Town also purchased new office and meeting room furnishings. Outside entrance to be completed in FY 2024.

Annexation - The Town Council approved the annexation of 172 Sassafras Street and additional land owned by Mountaire Farms. This annexation increased the Town’s size approximately 28 acres.

172 Sassafras Street - The Town Council approved the purchase of 25+/- acres of land from Kent County Commissioners located at 172 Sassafras Street. This site included the retired Millington Elementary School structure. Town Council contracted with Legacy Mechanical, A.M. Webb Electrical, Torchio Architects, Chesapeake Flooring, and KRM Construction to begin minor repairs and inspections for future refurbishing of this structure. In FY 2023 upgrades included installation and upgrading of HVAC in the hallways, upgrading of 4 individual restrooms, removal of ceiling tiles, removal of damaged flooring, cleaning of destruction caused from vandalism, completion of two offices for use by KC Sheriff’s Office and Entity One Security Systems, inspection of roof and structure for future repairs, installation of new water main, installation of new lighting fixtures in hallways, cameras, and inspection of sewer laterals. The Town also began work with interested vendors for rental of space

TOWN OF MILLINGTON, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

SIGNIFICANT FINANCIAL HIGHLIGHTS (CONTINUED)

upon renovation completion. Future confirmed use of space is Tip Top Tots to open a pre-K/daycare/Montessori school; Millington-Crumpton Food bank; a Hotdesk office space; and a commercial kitchen.

On-going discussions with potential vendors and businesses continue. The Town submitted an application to DHCD for \$7,000,000 to cover projected costs of repairs and renovations.

Subdivision - The Town Council and Planning Commission approved the subdivision of 172 Sassafras Street into six (6) separate parcels to allow for development. Parcels are to be used for the Senior Housing project, Lions Club Youth ball field, Town maintenance shed, future proposed site for Emergency Services, and renovation of the old school structure into a Community/Business center.

Business Façade Program - The Town submitted an application to DHCD to begin a commercial façade program in the amount of \$50,000; notification of approval/denial to be made in FY2024.

Town Maintenance - The Town Council approved the purchase of a new broom for street cleaning. Also approved was the construction of a maintenance shed on 172 Sassafras Street to be completed in FY 2024.

Security Cameras - The Town Council approved the installation of security cameras at the water treatment plant, the wastewater treatment plant, Town Hall, and 172 Sassafras Street. Installation and training were completed in FY 2023.

Senior Housing Project - In FY 2021, the Town Council signed an agreement with Home Partnership LLC to construct a Senior Housing Project on Town property in Mill Village. Determination of management and maintenance are pending. Upon application review by DHCD, the project was returned to the Town due to project not being large enough for funding criteria. The Town continued working with Home Partnership LLC to increase number of units to be built. In FY 2022, the Town and Home Partnership resubmitted an application to DHCD increasing the number of units from 20 to 52 by expanding the site to include Mill Village location and a site at 172 Sassafras Street location. Again, DHCD returned the project stating senior citizens should not be expected to cross the road for activities. Home Partnership and the Town agreed to remove the Mill Village location from the project and move all units to 172 Sassafras Street location; the application was resubmitted a third (3rd) time. Home Partnership and the Town continue to secure funding for this project while working with engineers and architects to begin design work, address permitting needs, address zoning concerns, address utility needs, and site plan. Construction projection is FY 2025.

Robvanary Park -The Town received approval of an Open Space grant in the amount of \$101,000 to restore Robvanary Park. Restorations include installation of soccer fields, basketball court, skateboard curbing along walking trail, resurfacing of walking trail, refurbishing of parking area with proper stormwater controls, and new signage. A contract was signed in FY 2024 with Delmarva Building Group for restore Robvanary Park.

Sidewalk Project - The Town entered into an agreement with KCI Technologies, Inc. to review and develop an RFP for sidewalk installation along north Crane Street, east Back Street, and Hurtt Avenue. In addition to sidewalks; along Hurtt Avenue research was to include installation of traffic slowing mechanisms.

Millington Water System - The Town Council signed an agreement with Core & Main, Inc. to upgrade the current Neptune water meter reading system to a cloud-based system.

Medical Transport Project - The Town received a grant in the amount of \$14,000 to research data to support its request for a medical transport van. The Town struggled to find a consultant to research required data and failed to meet the grant parameters. Rural Maryland Council has requested return of the grant funds in FY 2024.

Wastewater Treatment Plant - The Town continues to work with Kent County Public Works to construct and relocate a new wastewater treatment plant out of the flood zone. The new plant will allow for future developments and growth along the 301 corridor and in Town.

TOWN OF MILLINGTON, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

SIGNIFICANT FINANCIAL HIGHLIGHTS (CONTINUED)

Freedom Trail Serenity Park - The Town continues to work with signage design and research data as phase 1 of the creation of this park on the Quaker Cemetery location.

Development along Rt 301 Corridor - The Town is working with Kent County Planning to create a joint planning task force to review future site plan developments, permit requests, and for future annexation of properties along the 301 Corridor. The Town Council, Planning Commission, and management staff participated in a charrette sponsored by the Richardson Properties, LLC to discuss zoning, development, utility needs, and annexation of property along the 301 Corridor.

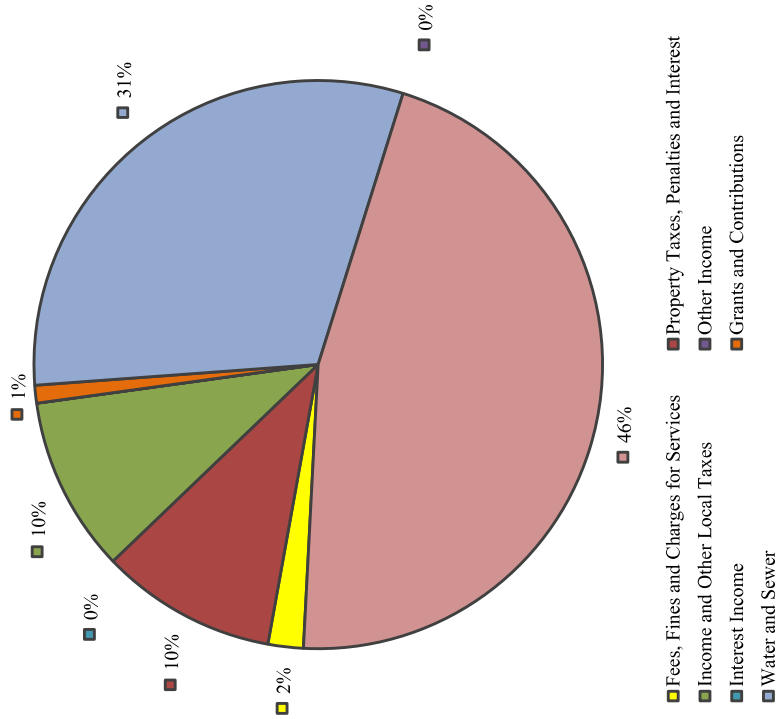
The financial statements are closely watched by management and Town Council to allow for any adjustments that may be necessary due to unforeseen circumstances. The Town's Council continually strives to provide adequate services without substantial increase to property taxes, miscellaneous fees, and periodic adjustments of utility fees to property owners. There is future potential of growth due to the development of the Evans property, 126 acres on the north end of Millington; the construction of 52 senior housing units at 172 Sassafras Street; the repurposing of the old school structure to a Community/Business center; a possible small subdivision on approximately 5 acres in the Queen Anne's County portion of Millington, and development along the Route 301 corridor. There are continual discussions between the Town and Kent County with regards to water and wastewater capacity and the need to enlarge the plants and the coverage area. There are continued conversations with DNR regarding the future use of Cypress Branch State Park, 300 acres previously annexed into Town, allowable usages, and future water/wastewater connections.

FINANCIAL CONTACT

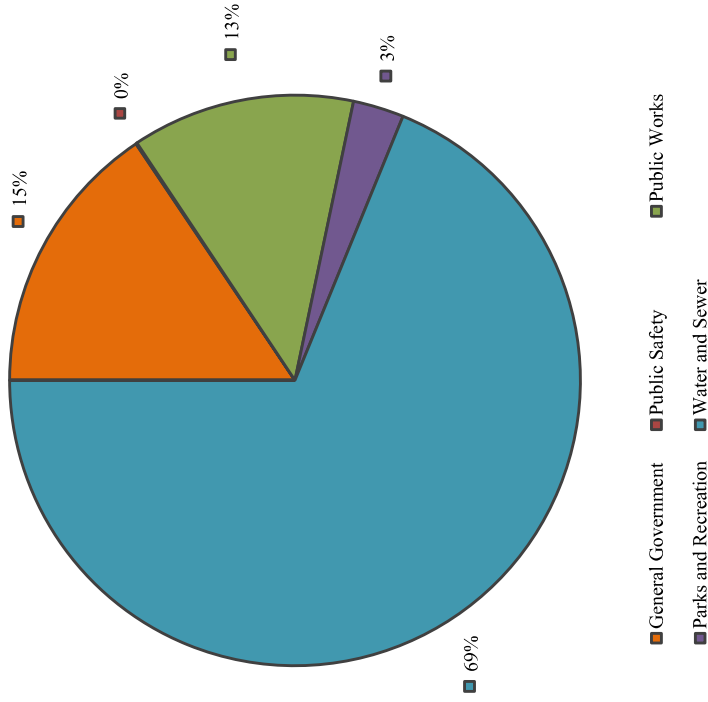
The Town's Financial Statements are designed to present the users (citizens, taxpayers, customers, and creditors) with a general overview of the Town's finances and to demonstrate the Town's accountability. If you have any questions about the report or need additional financial information, please put your request in writing to the attention of: Town Office, P.O. Box 330, Millington, Maryland 21651.

TOWN OF MILLINGTON, MARYLAND
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 TOTAL REVENUE AND EXPENSES
 GOVERNMENT - WIDE
 JUNE 30, 2023

TOTAL REVENUES



TOTAL EXPENSES



TOWN OF MILLINGTON, MARYLAND
GOVERNMENT - WIDE STATEMENT OF NET POSITION
JUNE 30, 2023

EXHIBIT A

<u>ASSETS</u>	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
Current Assets			
Cash and Cash Equivalents	\$ 122,440	\$ 150,902	\$ 273,342
Restricted Cash	7,716	-	7,716
Due from Other Governments	5,137	25,569	30,706
Other Receivables	<u>10,639</u>	<u>27,737</u>	<u>38,376</u>
Total Current Assets	<u>145,932</u>	<u>204,208</u>	<u>350,140</u>
Capital Assets			
Construction in Progress	107,774	-	107,774
Land - Nondepreciable	493,331	-	493,331
Buildings, Equipment and Improvements	980,134	7,556,911	8,537,045
Less: Accumulated Depreciation	<u>(571,534)</u>	<u>(4,368,952)</u>	<u>(4,940,486)</u>
Total Capital Assets	<u>1,009,705</u>	<u>3,187,959</u>	<u>4,197,664</u>
Other Assets			
Certificates of Deposit	5,485	-	5,485
Lease Receivable	81,011	-	81,011
Internal Balances	<u>423,081</u>	<u>(423,081)</u>	<u>-</u>
Total Other Assets	<u>509,577</u>	<u>(423,081)</u>	<u>86,496</u>
Total Assets	<u>\$ 1,665,214</u>	<u>\$ 2,969,086</u>	<u>\$ 4,634,300</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

TOWN OF MILLINGTON, MARYLAND
GOVERNMENT - WIDE STATEMENT OF NET POSITION
JUNE 30, 2023

EXHIBIT A

<u>LIABILITIES</u>	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
Current Liabilities			
Accounts Payable	\$ 39,688	\$ 76,425	\$ 116,113
Current Portion - Bonds Payable	<u>-</u>	<u>29,585</u>	<u>29,585</u>
Total Current Liabilities	<u>39,688</u>	<u>106,010</u>	<u>145,698</u>
Non-Current Liabilities			
Unearned Revenue	-	53,315	53,315
Bonds Payable, Net of Current Portion	<u>-</u>	<u>1,012,515</u>	<u>1,012,515</u>
Total Non-Current Liabilities	<u>-</u>	<u>1,065,830</u>	<u>1,065,830</u>
Deferred Inflow of Resources	<u>81,011</u>	<u>-</u>	<u>81,011</u>
Total Liabilities and Deferred Inflows	<u>120,699</u>	<u>1,171,840</u>	<u>1,292,539</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	1,009,705	2,145,859	3,155,564
Restricted	7,716	15,600	23,316
Unrestricted	<u>527,094</u>	<u>(364,213)</u>	<u>162,881</u>
Total Net Position	<u>\$ 1,544,515</u>	<u>\$ 1,797,246</u>	<u>\$ 3,341,761</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

TOWN OF MILLINGTON, MARYLAND
GOVERNMENT - WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

<u>Program Activities</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>			
	<u>Expenses</u>	<u>Fees, Fines, and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Governmental Activities</u>							
General Government	\$ 157,832	\$ 6,100	\$ -	\$ 280,133	\$ 128,401	\$ -	\$ 128,401
Public Safety	732	-	-	-	(732)	-	(732)
Public Works	127,929	16,503	16,694	38,220	(56,512)	-	(56,512)
Parks and Recreation	29,141	-	8,996	-	(20,145)	-	(20,145)
<u>Total Governmental Activities</u>	<u>315,634</u>	<u>22,603</u>	<u>25,690</u>	<u>318,353</u>	<u>51,012</u>	<u>-</u>	<u>51,012</u>
<u>Business-Type Activities</u>							
Water and Sewer	697,022	358,628	-	178,927	-	(159,467)	(159,467)
<u>Total Government</u>	<u>\$ 1,012,656</u>	<u>\$ 381,231</u>	<u>\$ 25,690</u>	<u>\$ 497,280</u>	<u>51,012</u>	<u>(159,467)</u>	<u>(108,455)</u>
<u>General Revenues:</u>							
<u>Taxes:</u>							
					119,902	-	119,902
					116,189	-	116,189
					2,447	-	2,447
					184	-	184
					5,746	546	6,292
					244,468	546	245,014
					295,480	(158,921)	136,559
					1,249,035	1,956,167	3,205,202
					\$ 1,544,515	\$ 1,797,246	\$ 3,341,761

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

TOWN OF MILLINGTON, MARYLAND
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2023

EXHIBIT C

<u>ASSETS</u>	<u>General Fund</u>
Current Assets:	
Cash and Cash Equivalents	\$ 122,440
Restricted Cash	7,716
Due from Other Governments	5,137
Property Taxes Receivable	4,542
Other Receivables	6,097
Certificates of Deposit	<u>5,485</u>
Total Current Assets	151,417
Non-Current Assets:	
Advances to Other Funds	<u>423,081</u>
Total Assets	\$ <u><u>574,498</u></u>

LIABILITIES AND FUND BALANCE

Liabilities:	
Accounts Payable	\$ 39,688
Deferred Inflows of Resources:	
Unavailable Revenue - Property Taxes	5,851
Fund Balance:	
Nonspendable	423,081
Restricted - Reforestation	7,716
Unassigned	<u>98,162</u>
Total Fund Balance	<u>528,959</u>
Total Liabilities, Deferred Inflows, and Fund Balance	\$ <u><u>574,498</u></u>

Amounts Reported For Governmental Activities in the Statement of Net Position Are Different Because:

Total Fund Balance	\$ 528,959
Governmental funds recognize revenues if they are received within sixty days of year end. The Statement of Activities reports revenues when earned. This is the amount of deferred inflows which was earned, but not received within the specified time period.	5,851
Capital assets and related accumulated depreciation used in governmental activities are not current financial resources and therefore are not reported in the governmental fund's balance sheet.	<u>1,009,705</u>
Net Position of Governmental Activities	\$ <u><u>1,544,515</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

TOWN OF MILLINGTON, MARYLAND EXHIBIT D
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

	<u>General Fund</u>
Revenues:	
Property Taxes	\$ 122,086
Income and Other Local Taxes	102,221
Licenses and Permits	6,100
Intergovernmental - State	367,609
Miscellaneous	<u>24,880</u>
Total Revenues	<u>622,896</u>
Expenditures:	
General Government	146,630
Public Safety	732
Public Works	113,309
Parks and Recreation	6,559
Capital Outlay	<u>198,354</u>
Total Expenditures	<u>465,584</u>
Net Change in Fund Balance	157,312
Fund Balance - Beginning	<u>371,647</u>
Fund Balance - Ending	<u>\$ 528,959</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

TOWN OF MILLINGTON, MARYLAND
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

EXHIBIT E

Net Change in Fund Balance - Total Governmental Funds	\$	157,312
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.		198,354
Depreciation expense on capital assets is reported in the government-wide statement of activities, but does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.		(48,402)
Governmental funds recognize revenues if they are received within sixty days of year end. The Statement of Activities reports revenues when earned. This is the net change in deferred inflows which was earned, but not received within the specified time period.		<u>(11,784)</u>
Change in Net Position of Governmental Activities	\$	<u><u>295,480</u></u>

TOWN OF MILLINGTON, MARYLAND
SUPPLEMENTAL INFORMATION
ANALYSIS OF EXPENDITURES/EXPENSES - BUDGET AND ACTUAL
ALL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

EXHIBIT F

	<u>2023</u>			
	<u>Budgeted</u> <u>Amounts</u>	<u>Actual</u> <u>Amounts</u>	<u>Favorable</u> <u>(Unfavorable)</u> <u>Variance</u>	<u>Prior Year</u> <u>06/30/22</u>
<u>REVENUES:</u>				
Property Taxes	\$ 112,832	\$ 122,086	\$ 9,254	\$ 117,335
Income and Other Local Taxes	84,560	102,221	17,661	89,443
Licenses and Permits	6,230	6,100	(130)	9,226
Intergovernmental	10,700	367,609	356,909	7,242
Miscellaneous	21,765	24,880	3,115	27,396
<u>TOTAL REVENUES</u>	<u>236,087</u>	<u>622,896</u>	<u>386,809</u>	<u>250,642</u>
<u>EXPENDITURES:</u>				
General Government	138,887	232,296	(93,409)	106,877
Public Safety	1,500	732	768	1,309
Public Works	94,900	225,997	(131,097)	88,597
Parks and Recreation	800	6,559	(5,759)	8,412
<u>TOTAL EXPENDITURES</u>	<u>236,087</u>	<u>465,584</u>	<u>(229,497)</u>	<u>205,195</u>
<u>NET CHANGE IN FUND BALANCE</u>	<u>\$ -</u>	<u>\$ 157,312</u>	<u>\$ 157,312</u>	<u>\$ 45,447</u>

TOWN OF MILLINGTON, MARYLAND
STATEMENT OF NET POSITION - PROPRIETARY FUND
JUNE 30, 2023

EXHIBIT G

		<u>Water and Sewer Fund</u>
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$	150,902
Water and Sewer Charges Receivable		27,737
Due from Other Governments		<u>25,569</u>
Total Current Assets		<u>204,208</u>
Capital Assets:		
Buildings and Equipment		7,556,911
Accumulated Depreciation		<u>(4,368,952)</u>
Total Capital Assets		<u>3,187,959</u>
Total Assets	\$	<u><u>3,392,167</u></u>
<u>LIABILITIES</u>		
Current Liabilities:		
Accounts Payable	\$	76,425
Notes Payable - Current Portion		<u>29,585</u>
Total Current Liabilities		<u>106,010</u>
Non-Current Liabilities:		
Unearned Revenue		53,315
Long-Term Debt - Net of Current Portion		1,012,515
Advances from Other Funds		<u>423,081</u>
Total Non-Current Liabilities		<u>1,488,911</u>
Total Liabilities		<u>1,594,921</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets		2,145,859
Restricted for Capital Improvements		15,600
Unrestricted		<u>(364,213)</u>
Total Net Position		<u>1,797,246</u>
Total Liabilities and Net Position	\$	<u><u>3,392,167</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

TOWN OF MILLINGTON, MARYLAND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2023

	Water System	Sewer System	Total	Prior Year 06/30/22
Operating Revenues:				
Fees - Town Residents	\$ 133,795	\$ 121,287	\$ 255,082	\$ 248,805
Fees - Other Governments	45,947	56,331	102,278	83,990
Penalties and Interest	<u>634</u>	<u>634</u>	<u>1,268</u>	<u>1,758</u>
 Total Operating Revenues	 <u>180,376</u>	 <u>178,252</u>	 <u>358,628</u>	 <u>334,553</u>
Operating Expenses:				
Payroll and Payroll Taxes	35,876	35,877	71,753	45,549
Operator Costs	45,234	45,234	90,468	110,356
Laboratory and Testing	1,321	9,665	10,986	13,851
Professional Fees	3,597	3,597	7,194	12,489
Insurance	3,111	7,287	10,398	8,498
Office Expenses	5,299	4,350	9,649	9,162
Miscellaneous	4,588	4,686	9,274	8,078
Utilities	16,867	34,611	51,478	39,666
Supplies and Materials	16,476	8,743	25,219	34,499
Repairs and Maintenance	59,426	72,409	131,835	134,686
Permit Fees	639	173	812	702
Depreciation	<u>110,850</u>	<u>120,902</u>	<u>231,752</u>	<u>229,881</u>
 Total Operating Expenses	 <u>303,284</u>	 <u>347,534</u>	 <u>650,818</u>	 <u>647,417</u>
 Net Operating Income (Loss)	 <u>(122,908)</u>	 <u>(169,282)</u>	 <u>(292,190)</u>	 <u>(312,864)</u>
Non-Operating Revenue (Expenses):				
ARPA Grant	61,063	117,864	178,927	60,209
Interest Income	273	273	546	10
Interest Expense and Bond Administration Fees	<u>(46,204)</u>	<u>-</u>	<u>(46,204)</u>	<u>(48,033)</u>
 Total Non-Operating Revenue (Expenses)	 <u>15,132</u>	 <u>118,137</u>	 <u>133,269</u>	 <u>12,186</u>
 Net Change in Fund Net Position	 <u>\$ (107,776)</u>	 <u>\$ (51,145)</u>	 <u>(158,921)</u>	 <u>(300,678)</u>
 Total Net Position - Beginning			 <u>1,956,167</u>	 <u>2,256,845</u>
 Total Net Position - Ending			 <u>\$ 1,797,246</u>	 <u>\$ 1,956,167</u>

EXHIBIT I

TOWN OF MILLINGTON, MARYLAND
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Water and Sewer Fund</u>
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 273,964
Cash Payments to Suppliers for Goods and Services	(397,568)
Cash Payments to Employees	<u>(71,753)</u>
Net Cash Flows from Operating Activities	<u>(195,357)</u>
Cash Flows from Non-Capital Financing Activities:	
Transfers from General Fund	<u>261,865</u>
Cash Flows from Capital and Related Financing Activities:	
Principal Payments on Bond	(20,947)
Interest Payments and Administrative Fees	(46,204)
Acquisition of Capital Assets	<u>(36,266)</u>
Net Cash Flows from Capital and Related Financing Activities	<u>(103,417)</u>
Cash Flows from Investing Activities:	
Investment Income	<u>546</u>
Net Change in Cash	(36,363)
Cash - Beginning	<u>187,265</u>
Cash - Ending	<u>\$ 150,902</u>
Reconciliation of Net Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Operating Income (Loss)	\$ (292,190)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	231,752
Change in Accounts Receivable	(151,582)
Change in Unearned Revenue	66,918
Change in Accounts Payable	<u>(50,255)</u>
Net Cash Flows from Operating Activities	<u>\$ (195,357)</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

TOWN OF MILLINGTON, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

EXHIBIT J

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. General Statement

The Town of Millington, Maryland (the “Town”) was founded in 1890 under the provisions of the State of Maryland Public Local Law, Chapter 171. The Town is located in Kent and Queen Anne’s Counties, Maryland. The Town operates under a Mayor-Council form of government and provides the following services to its citizens as authorized by its charter: public safety, public works, planning and zoning, recreation, and general administrative services. A substantial portion of the Town’s revenue is received from the property and income taxes related to the residents and businesses of the Town, and services provided by its Water and Sewer Systems.

The accounting and reporting policies of the Town relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards Board (when applicable).

The more significant accounting policies of the Town are described below.

B. Financial Reporting Entity

The Town’s basic financial statements include the accounts of all Town operations. The criteria for including organizations as component units within the Town’s reporting entity is set forth in Section 2100 of GASB’s Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 61.

Based on these criteria, the Town of Millington, Maryland has no component units.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The government-wide statements are reported using the “economic resources” measurement focus and the accrual basis of accounting as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied, while grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Program revenues include: (1) charges for services which report fees and other charges to users of the Town’s services and facilities; (2) operating grants and contributions which finance annual operating activities; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets, when applicable. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

TOWN OF MILLINGTON, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

EXHIBIT J

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

While government-wide and fund financial statements are presented separately, they are interrelated. The governmental activities column of the government-wide statements incorporates data from governmental funds, while business-type activities incorporate data from the Town's enterprise funds. Separate financial statements are provided for each major governmental and proprietary fund. There are no fiduciary funds held by the Town.

Governmental fund financial statements are reported using the "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included in the balance sheet. The Town's deferred outflows of resources and deferred inflows of resources are noncurrent. The statement of revenues, expenditures and changes in fund balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. Available means collectible within the current period, or soon enough thereafter to pay current liabilities. The Town considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Major revenue sources susceptible to year-end accruals include: Income tax receipts, property taxes and capital grants. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of yearend). In general, all other revenues are considered to be measurable and available when cash is received.

Since the governmental funds financial statements are presented using a different measurement focus and basis of accounting than the government-wide statements, a reconciliation is presented on the page following each fund level statement that summarizes the adjustments necessary to convert the fund level statements into the government-wide presentation.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating income reported in proprietary fund financial statements include revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for services provided. Principal operating expenses are the costs of providing services, including administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. Short-term interfund loans are classified as "due to/from other funds." All short-term interfund receivables and payables at year end are planned to be eliminated in the subsequent year. Long-term interfund loans are classified as "advances to/from other funds." These funds were utilized by the utility fund to fund capital projects related to the water and wastewater system upgrades. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

TOWN OF MILLINGTON, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

EXHIBIT J

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

However, internal eliminations do not include water and sewage services provided to the Town Hall. Reimbursements are reported as reductions to expenses.

Further, certain activity may occur during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in preparation of the government-wide statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities' column. Similarly, balances between funds are included in the business-type activities column.

D. Fund Types and Major Funds

The accounts of the Town are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. There are no non-major funds in either fund category.

An emphasis is placed on major funds. A fund is considered major if it is the primary operating fund of the organization or meets the following criteria:

- a. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category and
- b. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures of the individual governmental fund are at least 5 percent of the corresponding total for all governmental funds combined.

The Town maintains the following major governmental fund:

The General Fund - This is the primary operating fund of the Town. It accounts for all of the financial resources and the legally authorized activities of the Town except for those required to be accounted for in other specialized funds.

The Town reports the following major proprietary fund:

Water and Sewer Fund - This fund accounts for the operation of the Town's water and sewer utilities. Activities of the fund include administration, operation and maintenance of the water and sewer system and billing and collection activities. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the Fund.

Budgetary Data - Formal budgetary accounting is employed as a management control for all funds of the Town. Annual operating budgets are adopted, after public hearings, by passing of a resolution prior to the start of each fiscal year. Transfers of appropriations between functions require approval of the Mayor and Council. The budget uses the same basis of accounting as used to reflect actual revenues and expenditures, except that the Town may use prior year surplus to cover budget shortfalls.

TOWN OF MILLINGTON, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

EXHIBIT J

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

E. Cash and Cash Equivalents

The Town follows the practice of segregating cash as to fund purpose or type. The types of investments allowed are governed by Maryland Statute. Cash and Cash Equivalents may include demand deposits, money market accounts, funds held in the Maryland Local Government Investment Pool (MLGIP) and certificates of deposit with an initial maturity date of less than three months.

F. Cash - Restricted

Consists of funds which are held for future reforestation and capital projects in the Town.

G. Certificates of Deposit

Are recorded at cost plus accrued interest which approximates fair value.

H. Accounts Receivable

Receivables not expected to be collected within 60 days of year end will be reported as a deferred inflow of resources in the Balance Sheet - Governmental Funds, as they are not currently available to the Town. All receivables are reported at gross values. Allowances are reported when management has determined that collection of the receivable is not probable. Balances are continually reviewed by management and are deemed fully collectible.

I. Due from Other Governments

Receivables from other governments primarily consist of amounts arising from transfer payments and amounts due from grantors for specific programs and include highway user fees and income taxes collected and remitted to the Town by the State of Maryland.

J. Property Taxes

Consist of real property taxes billed and collected on behalf of the Town by Kent and Queen Anne's Counties which remit payment to the Town. Property taxes are billed each July 1 for the fiscal year. Full payment is due by September 30. January 1 is the delinquent and levy date for all taxes.

K. Other Receivables

Consists of personal property taxes and other service charges billed by the Town. Amounts are recorded when billed, except that an amount is accrued for water and sewer services rendered but not yet billed, as of the close of the fiscal year. The accrued amount is based on actual billings made subsequent to year end.

L. Internal Balances

Internal Balances are treated as interfund receivables and payables arising from interfund transactions that are recorded by all funds affected in the period in which transactions are executed.

M. Capital Assets

The Town's property, buildings and facilities with an initial, individual cost of more than \$1,000 and an estimated useful life of more than one year are stated at historical cost and comprehensively

TOWN OF MILLINGTON, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

EXHIBIT J

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

reported in the government-wide financial statements. All land is capitalized. Proprietary capital assets are also reported in their fund financial statements. The costs of normal maintenance and repairs which do not add to the asset value or materially extend useful lives are not capitalized. Donated capital assets received on or before June 15, 2015, are stated at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015, are recorded at acquisition value. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

The Town has been exempted from retroactively reporting its infrastructure assets. However, all future construction or major improvements to the roads, bridges, sidewalks, drainage and lighting systems for the Town will be capitalized and depreciated in a manner consistent with current policies for capital assets in the governmental activities and proprietary funds.

Depreciation has been calculated on each class of depreciable property using the straight-line method.

Estimated useful lives are as follows:

<u>Classification</u>	<u>Life</u>
Infrastructure and Improvements	15 - 30 Years
Buildings and Improvements	15 - 30 Years
Machinery and Equipment	5 - 10 Years
Water and Sewer Assets	5 - 40 Years

In accordance with Accounting Standards Codification (ASC), No. 360, "Accounting for the Impairment or Disposal of Long-Lived Assets," management reviews property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recovered. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. No impairment losses have been recognized during the year presented.

N. Deferred Outflows and Inflows of Resources

A deferred outflow of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. Likewise, a deferred inflow of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

O. Long-Term Obligations

In the government-wide financial statements, and for proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable business-type activities or proprietary fund type statement of net position. Bond issuance costs are expensed when bonds are issued.

P. Net Position

Net Position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the

TOWN OF MILLINGTON, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

EXHIBIT J

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

In the government-wide and proprietary fund financial statements, net position is classified in the following categories:

Net Investment in Capital Assets

This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balance of the debt that is attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted

This category represents the net position of the Town which has been restricted for a specific project or purpose by a third party.

Unrestricted

This category represents the net position of the Town, which is not restricted for any project or other purpose by third parties.

Q. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

R. Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Non-spendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Mayor and Council. These amounts cannot be used for any other purpose unless the Mayor and Council remove or change the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

TOWN OF MILLINGTON, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

EXHIBIT J

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

- Assigned: This classification includes amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Mayor and Council or through the Mayor and Council delegating this responsibility to the Town Manager through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.
- Unassigned: This classification includes the residual fund balance for the General Fund and the amount established for Minimum Funding, if any. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The Town would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

S. Subsequent Events

Events and transactions subsequent to year-end have been evaluated for potential recognition in the financial statements or disclosure in the notes to the financial statements. All events and transactions have been evaluated through November 24, 2023, the date the report was available for issuance.

As a result of the spread of COVID-19 (Coronavirus) and its variants, economic uncertainties have arisen which are likely to negatively impact the Town's revenue. Other financial impact could occur, though such potential impact is unknown at this time.

NOTE 2 - CASH AND INVESTMENTS:

Deposits are carried at cost plus accrued interest. The carrying amount of deposits is separately displayed on the balance sheet as "Cash and Cash Equivalents" and "Cash - Restricted" and consists of demand deposits and funds held in the Maryland Local Government Investment Pool (MLGIP).

The Town is a participant in the MLGIP, which was established by the State of Maryland as an investment vehicle for short-term investment of funds by local municipalities. The MLGIP, under the control of the state treasurer, has been managed by a single financial institution. The MLGIP is operated in accordance with Rule 2a-7 (SEC-registered) of the Investment Company Act of 1940, as amended. The fair value is based on a share price of \$1.00 per share (Level 1). As of June 30, 2023, all pool holdings are in cash and cash equivalents.

Credit Risk - The Town has adopted a policy to be followed when investing public funds in accordance with the provisions of Section 17-101 of the Local Government Article of the Annotated Code of Maryland which prescribes the type of investments permissible for Maryland municipalities. This policy requires that Town funds be invested in obligations for which the United States has pledged its full faith and credit, obligations insured by a federal agency (such as the FDIC), obligations collateralized by federal obligations, and portfolios created under the Maryland Local Government Investment Pool. The Town was in compliance with the provisions of the Annotated Code of Maryland as of June 30, 2023, which was adopted to mitigate credit risk for the Town.

Interest Rate and Credit Risk - The Town manages interest rate and credit risk by investing primarily in short term holdings, including demand deposits, certificates of deposit and MLGIP.

TOWN OF MILLINGTON, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

EXHIBIT J

NOTE 2 - CASH AND INVESTMENTS (CONTINUED):

Custodial Credit Risk - The Town manages custodial credit risk through its use of permissible investments based on its compliance with the Annotated Code of Maryland as previously described. As such, uninsured or uncollateralized funds are not permitted.

The Town also holds funds in a certificate of deposit with an initial maturity date of greater than three months. It has been included in the following analysis of deposits by level of risk, as it is fully insured by the FDIC.

The balances of cash and investments, by level of risk are categorized as follows:

People's Bank Community Investment Checking	\$ 5,485
Truist General Fund Checking	106,043
PNC MLGIP Savings - General Fund	<u>23,863</u>
<u>SUBTOTAL - GENERAL FUND</u>	<u>135,391</u>
Truist Enterprise Fund Checking	303
PNC MLGIP Investment - Enterprise Fund	16,485
PNC MLGIP Emergency Fund - Enterprise Fund	<u>134,160</u>
<u>SUBTOTAL - ENTERPRISE FUND</u>	<u>150,948</u>
<u>TOTAL CASH AND INVESTMENTS - PER BANK STATEMENTS</u>	<u>\$ 286,339</u>

The balances of cash and investments are categorized as follows:

Amount insured by the FDIC	\$ <u>286,339</u>
Collateralized	<u>\$ -</u>
Uncollateralized	<u>\$ -</u>

The Town carries investments with readily determinable fair values at fair value in the financial statements. In accordance with current accounting standards, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

Accounting standards establish a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Town.

Unobservable inputs reflect management's assumptions about the inputs market participants would use in pricing the asset or liability, developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs. The Town uses the following level:

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are unobservable, either directly or indirectly. All of the Town's CDs are valued at this level.

TOWN OF MILLINGTON, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

EXHIBIT J

NOTE 3 - CAPITAL ASSETS:

Capital Assets of the Governmental Activities are summarized as follows:

Governmental Activities

	Balance Beginning of Year	Additions	Adjustments	Balance End of Year
Capital Assets not being Depreciated:				
Land	\$ 493,331	\$ -	\$ -	\$ 493,331
Construction in Progress	<u>1,638</u>	<u>106,136</u>	<u>-</u>	<u>107,774</u>
Total Capital Assets not being Depreciated	494,969	106,136	-	601,105
Capital Assets being Depreciated:				
Buildings, Equipment and Improvements	<u>887,916</u>	<u>92,218</u>	<u>-</u>	<u>980,134</u>
Total Capital Assets	1,382,885	198,354	-	1,581,239
Less: Accumulated Depreciation	<u>(523,132)</u>	<u>(48,402)</u>	<u>-</u>	<u>(571,534)</u>
Governmental Activities Capital Assets - Net	\$ <u>859,75</u>	\$ <u>149,952</u>	\$ <u>-</u>	\$ <u>1,009,705</u>

Capital Assets of the Business-Type Activities are summarized as follows:

Water and Sewer

	Balance Beginning of Year	Additions	Retirements	Balance End of Year
Capital Assets being Depreciated:				
Buildings, Equipment and Improvements	\$ 7,520,645	\$ 36,266	\$ -	\$ 7,556,911
Less: Accumulated Depreciation	<u>(4,137,200)</u>	<u>(231,752)</u>	<u>-</u>	<u>(4,368,952)</u>
Water and Sewer Capital Assets - Net	\$ <u>3,383,445</u>	\$ <u>(195,486)</u>	\$ <u>-</u>	\$ <u>3,187,959</u>

Depreciation expense was charged as a direct expense to programs of the primary government as follows:

General Government	\$ 11,200
Public Works	14,620
Parks and Recreation	22,582
Business-Type Activities - Water and Sewer	<u>231,752</u>
<u>Total Depreciation Expense</u>	<u>\$ 280,154</u>

TOWN OF MILLINGTON, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

EXHIBIT J

NOTE 4 - DEBT:

Debt consists of the following:

USDA General Obligation Bond: On September 29, 2005, the Town executed the Water System Improvements Bond of 2005 in accordance with Town Ordinance No. 2002-01. The principal amount of the Bond was \$1,395,200. The Bond bears interest at 4.125% per annum. Principal and interest payments of \$17,845 are due quarterly on March 27, June 27, September 27, and December 27, with the final installment due on September 27, 2045. Payments of principal and interest will be made from revenues received by the Town from operation of the water system. In the event such revenues are insufficient to pay the principal and interest, the Town may levy and collect ad valorem taxes on all real and tangible personal property sufficient to provide for such payments when due.

The Town's outstanding general obligation bond contains acceleration provisions that in the event of default the full amount outstanding including accrued interest may become due and payable immediately or the lender may take possession of the facility. Defaults would be triggered by events such as bankruptcy or failure to pay principal and interest when due.

As of June 30, 2023, outstanding general obligation bonds payable to USDA were \$1,042,100.

Maturities of principal and interest over the next five years, and five-year increments thereafter, are as follows:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ -	\$ -	\$ 29,585	\$ 41,795
2025	-	-	30,829	40,551
2026	-	-	32,125	39,255
2027	-	-	33,476	37,904
2028	-	-	34,883	36,497
2029 - 2033	-	-	197,683	159,217
2034 - 2038	-	-	242,878	114,022
2039 - 2043	-	-	298,407	58,493
2044 - 2048	-	-	120,864	5,086
<u>Totals</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,020,730</u>	<u>\$ 532,820</u>

Transactions for all noncurrent liabilities for the year are summarized as follows:

	<u>Balance</u> <u>July 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30</u>	<u>Due within</u> <u>One year</u>
<u>Governmental Activities:</u>					
Unearned Revenue	\$ 235,950	\$ -	\$ (235,950)	\$ -	\$ -
<u>Business-Type Activities:</u>					
Bonds Payable	1,063,047	-	(20,947)	1,042,100	29,585
Unearned Revenue	299,160	-	(245,845)	53,315	-
<u>Total Debt</u>	<u>\$ 1,598,157</u>	<u>\$ -</u>	<u>\$ (502,742)</u>	<u>\$ 1,095,415</u>	<u>\$ 29,585</u>

TOWN OF MILLINGTON, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

EXHIBIT J

NOTE 5 - UNEARNED REVENUE:

The Town reports unearned revenue on its government-wide and fund financial statements. Unearned revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period (fund financial statements). Unearned revenues also arise when resources are unearned by the Town and received before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures (fund financial statements and government-wide financial statements). In subsequent periods, when both revenue recognition criteria are met, or when the Town has a legal claim to the resources, the liability for unearned revenue is removed from the applicable financial statement and revenue is recognized. Unearned Revenues consist of the following:

ARPA Funds	\$ <u>53,315</u>
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To date, the Town has received \$595,319 in grant funds from the American Rescue Plan Act of 2021 (ARPA). During 2023 and 2022, the Town made eligible expenditures of these funds totaling \$481,795 and \$60,209, respectively. As a result, Unearned Revenue of \$53,315 was recorded as of June 30, 2023. The Town has elected the standard deduction available in the Plan’s final guidance. A standard deduction allows an awardee to spend up to \$10,000,000 in grant funds received on any government services.

NOTE 6 - PROPERTY TAXES:

Property taxes on real estate are recorded as receivables and attach as an enforceable lien on property on July 1, the date levied. The Kent and Queen Anne’s Counties Treasurers bill and collect property taxes for the Town. Taxes for the year ended June 30, 2023, were certified with the Counties during the preceding fiscal year. Semi-annual installment payments are mandatory for qualified properties unless the taxpayer chooses to pay in one installment. Qualified property is defined as "an owner-occupied principal residence." Under the semi-annual plan, one-half of the tax bill is due September 30 with the balance due on December 31. For all other properties, the bill is due in its entirety on September 30. After the due date, interest is charged on the delinquent portion. All delinquent taxes are turned over to their respective county for tax sale. Current year delinquent property taxes receivable represents unpaid taxes from the current year. Personal property taxes are ordinarily billed annually by the Town based on an assessment determined by the State of Maryland.

NOTE 7 - LEASE AGREEMENT:

Starting in 2022, the Town implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Leases. GASB Statement No. 87 enhances the relevance and consistency of information of the government’s leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Town’s leasing operations consist of an operating lease that does not meet the definition of a short-term lease. It is a lease with an internet service provider which installed equipment on the Town’s water tower to provide internet service.

The tower lease with Delmarva WiFi commenced on May 9, 2017. The original lease was for five years with unlimited renewals, of an additional five-year period each. Rent is due monthly in the amount of \$350 and increases by 5% per year. Based on similar agreements between other municipalities and cell phone and internet service providers, we estimated the total term of the lease at 20 years. Therefore, the lease is estimated to mature on May 9, 2037. In the year presented, the Town received \$5,360 in payments in connection with this lease agreement. The total remaining lease payments due were \$104,681 at June 30, 2023.

The lease receivable is discounted by the Town’s effective borrowing rate, which was determined to be 4.125%, based on its existing debt instruments. The discounted present value of future payments is recorded on the Town’s Government-Wide Statement of Net Position, as Lease Receivable, and corresponding Deferred Inflow of Resources.

TOWN OF MILLINGTON, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

EXHIBIT J

NOTE 7 - LEASE AGREEMENT (CONTINUED):

The present value of future payments to be received from the operating lease are as follows:

2024	\$ 2,330
2025	2,715
2026	3,130
2027	3,578
2028	4,061
2029	4,580
2030	5,139
2031	5,739
2032	6,384
2033	7,076
Thereafter	<u>36,279</u>
Total Minimum Lease Payments to be Received	\$ <u>81,011</u>

NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES:

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. Short-term interfund loans are classified as “due to/from other funds.” All short-term interfund receivables and payables at year-end are planned to be eliminated in the subsequent year. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Long-term interfund loans are classified as “advances to/from other funds.” These funds were primarily utilized by the utility fund to make capital improvements and support operations of the enterprise fund. Any residual balances outstanding between governmental activities and business-type activities are reported as “advances to (from) other funds.”

NOTE 9 - RISK MANAGEMENT:

The Town is exposed to various risks of loss related to torts; damage to and destruction of assets; errors and omissions; employee health and accident; and natural disasters. The Town purchases insurance to protect its interest in its property and equipment, insurance against employee dishonesty and liability protection. During the year ended June 30, 2023, there was no significant reduction in insurance coverage. Settled claims from these risks have not exceeded insurance coverage in any of the past three years. Insurance is provided through the Local Government Insurance Trust (the “Trust”) and by commercial insurance. The Trust is a total risk and cost sharing plan for all participants. In the event that the Trust’s General Fund falls into a deficit that cannot be satisfied by transfer from the Trust’s capital and surplus accounts, the Trustees determine a method to fund the deficit. The Trust agreement empowers the Trustees to assess an additional premium to each deficit-year participant. Debt issues could also be used to fund a deficit. The Town’s workers compensation insurance premium is adjusted retroactively based on the ultimate costs of the experience to date of a group of entities. The unemployment insurance premium rate is adjusted annually based on experience to date of the Town.

NOTE 10 - COMMITMENTS AND CONTINGENCIES:

In the normal course of operations, the Town receives grant funds from various State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement, which may arise as the result of these audits, is not believed to be material.

TOWN OF MILLINGTON, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

EXHIBIT J

NOTE 10 - COMMITMENTS AND CONTINGENCIES (CONTINUED):

In February 2018, the Town entered into a development agreement with Home Partnership of Cecil County, Inc. (a Maryland nonprofit corporation) in connection with the development, construction, and financing of approximately 12 affordable senior housing units within the Town. In 2020, a funding application was submitted to Maryland DHCD for review. Maryland DHCD denied the application stating the project needed to increase the number of units to be constructed. In 2022, the Town purchased approximately 25 acres, the former site of the Millington Elementary School, to be subdivided for use as senior housing sites and a commercial/business center. In 2023, the subdivision and annexation of this property was approved. The original agreement with Home Partnership of Cecil County, Inc. was amended to increase the number of units from 12 units to 52 units and construct an administrative office facility. In 2023, the amended funding application was submitted to Maryland DHCD. This project is in the design phase and estimated costs are approximately \$18,000,000. There were no costs incurred in association with this project in the year presented.

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INDEPENDENT AUDITOR'S 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 Millington, Maryland

We have audited, in accordance with the 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 Millington, Maryland as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town of Millington, Maryland's basic financial statements, and have issued our report thereon dated November 24, 2023.

Report on Internal Control over Financial Reporting

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

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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Millington, Maryland's financial statements are free from 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.

Handwritten signature in cursive script that reads "Lank, Johnson + Tull".

Seaford, Delaware
November 24, 2023