

TOWN OF MILLINGTON, MARYLAND
FINANCIAL STATEMENTS WITH
REQUIRED SUPPLEMENTAL
INFORMATION
JUNE 30, 2022

TOWN OF MILLINGTON
TABLE OF CONTENTS
JUNE 30, 2022

	<u>PAGE</u>
<u>TITLE PAGE</u>	1
<u>TABLE OF CONTENTS</u>	2
<u>INDEPENDENT AUDITOR'S REPORT</u>	3 - 4
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)</u>	5 - 10
<u>BASIC FINANCIAL STATEMENTS</u>	
Government-Wide Statement of Net Position	Exhibit A 11 - 12
Government-Wide Statement of Activities	Exhibit B 13
<u>FUND FINANCIAL STATEMENTS</u>	
Balance Sheet - Governmental Fund	Exhibit C 14
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund	Exhibit D 15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Fund to the Statement of Activities	Exhibit E 16
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	Exhibit F 17
Statement of Net Position - Proprietary Fund	Exhibit G 18
Statement of Revenues, Expenditures, and Changes in Fund Net Position - Proprietary Fund	Exhibit H 19
Statement of Cash Flows - Proprietary Fund	Exhibit I 20
<u>NOTES TO BASIC FINANCIAL STATEMENTS</u>	Exhibit J 21 - 33
<u>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</u>	34 - 35

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council
Town of Millington
Millington, Maryland

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 as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town'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 as of June 30, 2022, 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.

Prior Period Financial Statements

The financial statements of the Town of Millington as of June 30, 2021, were audited by other auditors whose report dated October 27, 2021, expressed an unmodified opinion on those statements.

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, 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'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'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'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 the Management's Discussion and Analysis 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 11, 2022, on our consideration of the Town of Millington'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 Millington's internal control over financial reporting and compliance.

Lank, Johnson & Tull

Seaford, Delaware
November 11, 2022

TOWN OF MILLINGTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

This Discussion and Analysis is intended to be an easily readable analysis of the Town of Millington'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.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

The Town's combined net position decreased by \$248,357, or 7%, from 2021 to 2022. (See table below.) Governmental Fund net position increased by 4% during this time. The Business-Type Fund decreased by 13%, which is the result of unfunded depreciation and other operating costs.

TOWN OF MILLINGTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE (CONTINUED)

Town of Millington
Net Position

	Governmental		Business-Type		Total		Total Percentage
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>Change</u>
Current Assets	238,472	74,360	377,617	107,692	616,089	182,052	238%
Capital Assets	859,753	878,342	3,383,445	3,593,490	4,243,198	4,471,832	(5%)
Other Assets	504,972	260,114	(416,518)	(254,723)	88,454	5,391	1,541%
Total Assets	1,603,197	1,212,816	3,344,544	3,446,459	4,947,741	4,659,275	6%
Current Liabilities	35,226	16,102	54,562	125,947	89,788	142,049	(37%)
Non-Current							
Liabilities	235,950	-	1,333,815	1,063,667	1,569,765	1,063,667	48%
Deferred Inflows	82,986	-	-	-	82,986	-	100%
Total Liabilities							
and Deferrals	354,162	16,102	1,388,377	1,189,614	1,742,539	1,205,716	45%
Net Investment in							
Capital Assets	859,753	903,342	2,320,398	2,503,610	3,180,151	3,406,952	(7%)
Restricted	7,716	7,716	15,600	15,600	23,316	23,316	-
Unrestricted	381,566	285,656	(379,831)	(262,365)	1,735	23,291	(93%)
Total Net Position	1,249,035	1,196,714	1,956,167	2,256,845	3,205,202	3,453,559	(7%)

The Town's total revenues increased 25% to \$676,490 (See table below). Revenue from business-type activities increased 29% to \$394,772, which is primarily due to increases in user fees and grant revenue. Governmental revenues increased 20% to \$281,718, mostly due to increased tax and other revenues.

The total cost of all programs and services increased by 19%, to \$924,847. Costs of business-type activities increased 19% to \$695,450, which is primarily due to increased operating costs and repairs and maintenance. Costs of governmental activities increased by 17% to \$229,397, due to various line-item increases.

TOWN OF MILLINGTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE (CONTINUED)

Town of Millington
Change in Net Position

	Governmental		Business-Type		Total		Total Percentage
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>Change</u>
Program Revenue:							
Fees, Fines, Services	22,579	22,200	334,553	306,976	357,132	329,176	8%
Operating Grants	7,242	23,659	-	-	7,242	23,659	(69%)
Capital Grants	-	-	60,209	-	60,209	-	100%
General Revenue							
Taxes	239,301	183,045	-	-	239,301	183,045	31%
Cable Franchise	2,107	2,271	-	-	2,107	2,271	(7%)
Other Income	10,000	3,744	-	-	10,000	3,744	167%
Investment Income	489	503	10	2	499	505	(1%)
Total Revenue	281,718	235,422	394,772	306,978	676,490	542,400	25%
Program Expenses:							
General	91,476	97,944	-	-	91,476	97,944	(7%)
Public Safety	1,309	516	-	-	1,309	516	154%
Public Works	105,617	67,877	-	-	105,617	67,877	56%
Parks and Recreation	30,995	29,527	-	-	30,995	29,527	5%
Water and Sewer	-	-	695,450	582,991	695,450	582,991	19%
Total Expenses	229,397	195,864	695,450	582,991	924,847	778,855	19%
Change in Net Position	52,321	39,558	(300,678)	(276,013)	(248,357)	(236,455)	(5%)
Net Position Beginning	1,196,714	1,157,156	2,256,845	2,532,858	3,453,559	3,690,014	(6%)
Net Position Ending	1,249,035	1,196,714	1,956,167	2,256,845	3,205,202	3,453,559	(7%)

GENERAL FUND BUDGETARY HIGHLIGHTS

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

General Fund revenues of \$250,642 were over the budget by \$29,668. This favorable variance was mainly attributed to higher than anticipated tax collections and grants received.

General Fund expenditures of \$205,195 were under the budget by \$15,779. This favorable variance was attributed to lower-than-expected general government operating expenditures.

TOWN OF MILLINGTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2022, the Town had \$4,243,198 invested in capital assets, including land, infrastructure, buildings, and equipment.

Town of Millington
Capital Assets

	Governmental		Business-Type		Total	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Construction in Progress	1,638	1,638	-	-	1,638	1,638
Land	493,331	515,354	-	-	493,331	515,354
Infrastructure, Buildings and Equipment	364,784	361,350	3,383,445	3,593,490	3,748,229	3,954,840
Total Capital Assets	859,753	878,342	3,383,445	3,593,490	4,243,198	4,471,832

	Governmental		Business-Type		Total	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
USDA Water System Bond	-	-	1,063,047	1,089,880	1,063,047	1,089,880

Note 3 of the Notes to Basic Financial Statements gives further details of the Town's capital asset activity.

Note 4 of the Notes to Basic Financial Statements gives further details of the Town's debt activity.

SIGNIFICANT FINANCIAL HIGHLIGHTS

The Town received grant approval from Chesapeake Bay Trust's Green Streets, Green Jobs, and Green Towns program for the design of a concept plan to treat stormwater runoff from impervious surfaces, environmental restoration, and pervious parking enhancements for property owned by the Town along the Chester River. This is phase 1 of a restoration project that includes shoreline restoration, construction of a kayak/canoe launch, installation of fishing piers, and nature trails through the site.

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. Town continues to work with Home Partnership LLC to increase number of units to be built at additional sites and researching services to be offered through partnerships with State and Federal agencies in a multi-complex commercial center. Project and funding applications will be re-submitted during FY 2023.

The Town Council is in discussion with USDA and MDE for funding to remove and replace the existing water distribution system and replace meter pits after review and approval of the completed PER and ER for the water system.

The Town continues to work with various health facilities to bring much needed health care to Town citizens and the surrounding area residents. The initial plan is to make this part of the Senior Housing project's multi-complex commercial center.

The Town submitted a LOI to Rural Maryland Council to fund the purchase of a medical transport vehicle, contracted by a local transportation company to transport area residents to doctor's appointments, treatment facilities, etc.

TOWN OF MILLINGTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

SIGNIFICANT FINANCIAL HIGHLIGHTS (CONTINUED)

The Town is working with Kent County to relocate and construct a larger, more efficient wastewater treatment plant. The current wastewater treatment plant is near its capacity and does not have room for future developments and growth along the 301 corridor.

The Town is working with Kent County to purchase and renovate the vacant Millington Elementary School Building into a multi-complex commercial center. This center would house the local Food Bank, a Pre-K/Day Care Center, a larger library/computer center, medical facilities, and office space for various State and Federal service agencies, and space for potential new businesses.

The Town received approval from Maryland Heritage Trust to transform the existing Quaker Cemetery into a serenity garden park to honor the Town's heritage and its part in the Freedom Trail. This project is to be a two-phase project, with the first phase for research and development of signage, and the second phase will be actual construction of the park. The Town hopes to partner with Kent Cultural Alliance and Washington College in the creation and research of signage.

The Town began work with KRM Construction to renovate the existing Town Office with upgrades to HVAC, electric, flooring, and the installation of a vestibule and security cameras.

The Town submitted a grant application to Department of Natural Resources, Open Space Program, for transformation of the existing Robvanary Park to a park with soccer fields, a basketball court, and skateboard ramps along the existing walking trail.

Due to continual decrease in the funding received from State shared funds, an increase in home foreclosures and the Town's faulty water system, the Town continues to cut costs and monitor expenses. The Town plans to work with Department of Natural Resources to extend the Water Front Park to include the acquired property through the FEMA/MEMA Acquisition program.

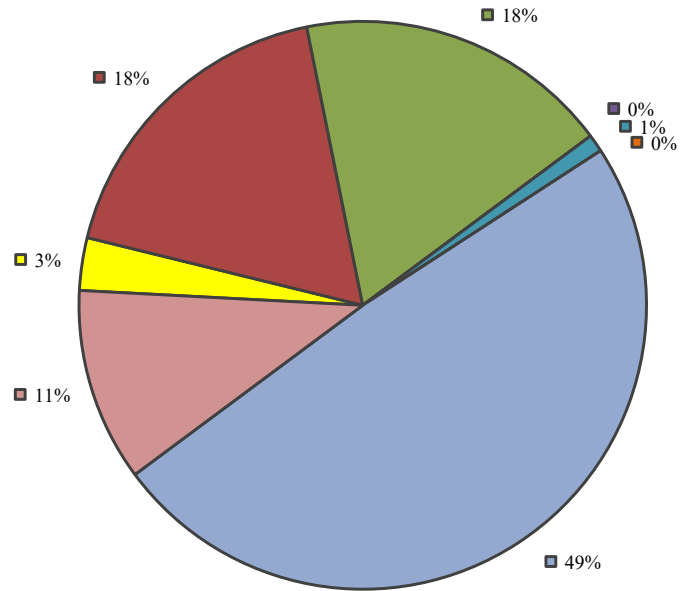
The financial statements are closely watched by management and Mayor and Council to allow for any adjustments that may be necessary due to unforeseen circumstances. The Town's Mayor and Council continually strive to provide adequate services without substantial increase to property taxes, miscellaneous fees, and periodic adjustments of utility fees to its property owners. There is future potential of growth due to the approval of the annexation of approximately 126 acres on the north end of Millington, a potential additional annexation of approximately 142 acres on the north end of Millington, and development along the Route 301 corridor. There are continual discussions between the Town and County with regards to the ownership of the water and sewer lines west of the Town of Millington, future growth in the County, and future annexation of properties along the Route 301 corridor. There are continual discussions with DNR regarding the future use of property previously annexed into Town, allowed usages, and future water/sewer 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.

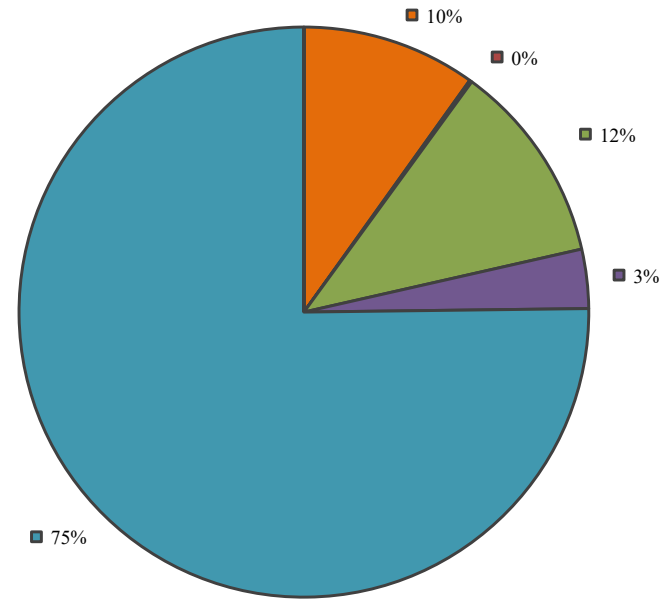
TOWN OF MILLINGTON
MANAGEMENT'S DISCUSSION AND ANALYSIS
TOTAL REVENUE AND EXPENSES
GOVERNMENT - WIDE
JUNE 30, 2022

TOTAL REVENUES



■ Fees, Fines and Charges for Services ■ Property Taxes, Penalties and Interest
■ Income and Other Local Taxes ■ Other Income
■ Interest Income ■ Grants and Contributions
■ Water and Sewer

TOTAL EXPENSES



■ General Government ■ Public Safety ■ Public Works
■ Parks and Recreation ■ Water and Sewer

TOWN OF MILLINGTON
GOVERNMENT - WIDE STATEMENT OF NET POSITION
JUNE 30, 2022

EXHIBIT A

<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current Assets			
Cash and Cash Equivalents	\$ 56,737	\$ 187,265	\$ 244,002
Restricted Cash	7,716	-	7,716
Due from Other Governments	159,734	169,883	329,617
Other Receivables	<u>14,285</u>	<u>20,469</u>	<u>34,754</u>
Total Current Assets	<u>238,472</u>	<u>377,617</u>	<u>616,089</u>
Capital Assets			
Construction in Progress	1,638	-	1,638
Land - Nondepreciable	493,331	-	493,331
Buildings, Equipment and Improvements	887,916	7,520,645	8,408,561
Less: Accumulated Depreciation	<u>(523,132)</u>	<u>(4,137,200)</u>	<u>(4,660,332)</u>
Total Capital Assets	<u>859,753</u>	<u>3,383,445</u>	<u>4,243,198</u>
Other Assets			
Certificates of Deposit	5,468	-	5,468
Lease Receivable	82,986	-	82,986
Internal Balances	<u>416,518</u>	<u>(416,518)</u>	<u>-</u>
Total Other Assets	<u>504,972</u>	<u>(416,518)</u>	<u>88,454</u>
Total Assets	<u>\$ 1,603,197</u>	<u>\$ 3,344,544</u>	<u>\$ 4,947,741</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

TOWN OF MILLINGTON
GOVERNMENT - WIDE STATEMENT OF NET POSITION
JUNE 30, 2022

EXHIBIT A

<u>LIABILITIES</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current Liabilities			
Accounts Payable	\$ 29,726	\$ 26,170	\$ 55,896
Amounts Held in Escrow	5,500	-	5,500
Current Portion - Bonds Payable	<u>-</u>	<u>28,392</u>	<u>28,392</u>
Total Current Liabilities	<u>35,226</u>	<u>54,562</u>	<u>89,788</u>
Non-Current Liabilities			
Unearned Revenue	235,950	299,160	535,110
Bonds Payable, Net of Current Portion	<u>-</u>	<u>1,034,655</u>	<u>1,034,655</u>
Total Non-Current Liabilities	<u>235,950</u>	<u>1,333,815</u>	<u>1,569,765</u>
Deferred Inflow of Resources	<u>82,986</u>	<u>-</u>	<u>82,986</u>
Total Liabilities and Deferred Inflows	<u>354,162</u>	<u>1,388,377</u>	<u>1,742,539</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	859,753	2,320,398	3,180,151
Restricted	7,716	15,600	23,316
Unrestricted	<u>381,566</u>	<u>(379,831)</u>	<u>1,735</u>
Total Net Position	<u>\$ 1,249,035</u>	<u>\$ 1,956,167</u>	<u>\$ 3,205,202</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

TOWN OF MILLINGTON
GOVERNMENT - WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

<u>Program Activities</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</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	\$ 91,476	\$ 7,779	\$ 2,642	\$ -	\$ (81,055)	\$ -	\$ (81,055)
Public Safety	1,309	-	-	-	(1,309)	-	(1,309)
Public Works	105,617	14,800	-	-	(90,817)	-	(90,817)
Parks and Recreation	30,995	-	4,600	-	(26,395)	-	(26,395)
<u>Total Governmental Activities</u>	229,397	22,579	7,242	-	(199,576)	-	(199,576)
<u>Business-Type Activities</u>							
Water and Sewer	695,450	334,553	-	60,209	-	(300,688)	(300,688)
<u>Total Government</u>	<u>\$ 924,847</u>	<u>\$ 357,132</u>	<u>\$ 7,242</u>	<u>\$ 60,209</u>	<u>(199,576)</u>	<u>(300,688)</u>	<u>(500,264)</u>
General Revenues:							
Taxes:							
Property Taxes					119,776	-	119,776
Income and Other Local Taxes					119,525	-	119,525
Franchise Fees					2,107	-	2,107
Other Income					10,000	-	10,000
Investment Income					489	10	499
Total General Revenues					251,897	10	251,907
Change in Net Position					52,321	(300,678)	(248,357)
Net Position - Beginning - Restated					1,196,714	2,256,845	3,453,559
Net Position - Ending					<u>\$ 1,249,035</u>	<u>\$ 1,956,167</u>	<u>\$ 3,205,202</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

TOWN OF MILLINGTON
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2022

EXHIBIT C

<u>ASSETS</u>	<u>General Fund</u>
Current Assets:	
Cash and Cash Equivalents	\$ 56,737
Restricted Cash	7,716
Due from Other Governments	159,734
Property Taxes Receivable	5,842
Other Receivables	8,443
Certificates of Deposit	<u>5,468</u>
Total Current Assets	243,940
Non-Current Assets:	
Advances to Other Funds	<u>416,518</u>
Total Assets	\$ <u><u>660,458</u></u>
 <u>LIABILITIES AND FUND BALANCE</u> 	
Liabilities:	
Accounts Payable	\$ 29,726
Amounts Held in Escrow	5,500
Unearned Revenue	<u>235,950</u>
Total Liabilities	<u>271,176</u>
Deferred Inflows of Resources:	
Unavailable Revenue - Property Taxes	3,667
Unavailable Revenue - Intergovernmental	<u>13,968</u>
Total Deferred Inflows	<u>17,635</u>
Fund Balance:	
Nonspendable	416,518
Restricted - Reforestation	7,716
Unassigned	<u>(52,587)</u>
Total Fund Balance	<u>371,647</u>
Total Liabilities, Deferred Inflows, and Fund Balance	\$ <u><u>660,458</u></u>

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

Total Fund Balance	\$ 371,647
--------------------	------------

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.

17,635

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.

859,753

Net Position of Governmental Activities

\$ 1,249,035

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

TOWN OF MILLINGTON
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

EXHIBIT D

	General Fund
Revenues:	
Property Taxes	\$ 117,335
Income and Other Local Taxes	89,443
Licenses and Permits	9,226
Intergovernmental - State	7,242
Miscellaneous	<u>27,396</u>
Total Revenues	<u>250,642</u>
Expenditures:	
General Government	87,041
Public Safety	1,309
Public Works	88,597
Parks and Recreation	8,412
Capital Outlay	<u>19,836</u>
Total Expenditures	<u>205,195</u>
Excess of Revenues over Expenditures	45,447
Fund Balance - Beginning	<u>326,200</u>
Fund Balance - Ending	\$ <u><u>371,647</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

TOWN OF MILLINGTON
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, 2022

EXHIBIT E

Net Change in Fund Balance - Total Governmental Funds	\$ 45,447
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.	19,836
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.	(44,038)
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>31,076</u>
Change in Net Position of Governmental Activities	<u>\$ 52,321</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

TOWN OF MILLINGTON
SUPPLEMENTAL INFORMATION
ANALYSIS OF EXPENDITURES/EXPENSES - BUDGET AND ACTUAL
ALL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

SCHEDULE F

	2022			
	Budgeted Amounts	Actual Amounts	Favorable (Unfavorable) Variance	Prior Year 06/30/21
<u>REVENUES:</u>				
Property Taxes	\$ 110,224	\$ 117,335	\$ 7,111	\$ 117,348
Income and Other Local Taxes	92,925	89,443	(3,482)	68,408
Licenses and Permits	5,825	9,226	3,401	8,324
Intergovernmental - State	1,500	7,242	5,742	22,233
Miscellaneous	10,500	27,396	16,896	4,247
<u>TOTAL REVENUES</u>	<u>220,974</u>	<u>250,642</u>	<u>29,668</u>	<u>220,560</u>
<u>EXPENDITURES:</u>				
General Government	134,474	106,877	27,597	100,474
Public Safety	1,500	1,309	191	516
Public Works	80,000	88,597	(8,597)	80,395
Parks and Recreation	5,000	8,412	(3,412)	5,617
<u>TOTAL EXPENDITURES</u>	<u>220,974</u>	<u>205,195</u>	<u>15,779</u>	<u>187,002</u>
<u>EXCESS OF REVENUES OVER EXPENDITURES</u>	<u>\$ -</u>	<u>\$ 45,447</u>	<u>\$ 45,447</u>	<u>\$ 33,558</u>

TOWN OF MILLINGTON
STATEMENT OF NET POSITION - PROPRIETARY FUND
JUNE 30, 2022

EXHIBIT G

	<u>Water and Sewer Fund</u>
<u>ASSETS</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 187,265
Water and Sewer Charges Receivable	20,469
Due from Other Governments	<u>169,883</u>
Total Current Assets	<u>377,617</u>
Capital Assets:	
Buildings and Equipment	7,520,645
Accumulated Depreciation	<u>(4,137,200)</u>
Total Capital Assets	<u>3,383,445</u>
Total Assets	<u>\$ 3,761,062</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	\$ 26,170
Notes Payable - Current Portion	<u>28,392</u>
Total Current Liabilities	<u>54,562</u>
Non-Current Liabilities:	
Unearned Revenue	299,160
Long-Term Debt - Net of Current Portion	1,034,655
Advances from Other Funds	<u>416,518</u>
Total Non-Current Liabilities	<u>1,750,333</u>
Total Liabilities	<u>1,804,895</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	2,320,398
Restricted for Capital Improvements	15,600
Unrestricted	<u>(379,831)</u>
Total Net Position	<u>1,956,167</u>
Total Liabilities and Net Position	<u>\$ 3,761,062</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

TOWN OF MILLINGTON
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2022

	Water System	Sewer System	Total	Prior Year 06/30/21
Operating Revenues:				
Fees - Town Residents	\$ 125,175	\$ 123,630	\$ 248,805	\$ 216,315
Fees - Other Governments	36,831	47,159	83,990	89,441
Penalties and Interest	879	879	1,758	1,220
	<u>162,885</u>	<u>171,668</u>	<u>334,553</u>	<u>306,976</u>
Total Operating Revenues				
Operating Expenses:				
Payroll and Payroll Taxes	22,775	22,774	45,549	47,748
Operator Costs	49,170	61,186	110,356	68,332
Laboratory and Testing	2,175	11,676	13,851	14,720
Professional Fees	5,725	6,764	12,489	13,121
Insurance	2,557	5,941	8,498	7,246
Office Expenses	4,361	4,801	9,162	10,360
Miscellaneous	4,043	4,035	8,078	2,385
Utilities	12,829	26,837	39,666	42,519
Supplies and Materials	29,863	4,636	34,499	16,912
Repairs and Maintenance	33,097	101,589	134,686	82,940
Permit Fees	592	110	702	905
Depreciation	109,311	120,570	229,881	230,724
	<u>276,498</u>	<u>370,919</u>	<u>647,417</u>	<u>537,912</u>
Total Operating Expenses				
Net Operating Income (Loss)	<u>(113,613)</u>	<u>(199,251)</u>	<u>(312,864)</u>	<u>(230,936)</u>
Non-Operating Revenue (Expenses):				
ARPA Grant	1,800	58,409	60,209	-
Interest Income	5	5	10	2
Interest Expense and Bond Administration Fees	(48,033)	-	(48,033)	(45,079)
	<u>(46,228)</u>	<u>58,414</u>	<u>12,186</u>	<u>(45,077)</u>
Total Non-Operating Revenue (Expenses)				
Net Change in Fund Net Position	<u>\$ (159,841)</u>	<u>\$ (140,837)</u>	(300,678)	(276,013)
Total Net Position - Beginning			<u>2,256,845</u>	<u>2,532,858</u>
Total Net Position - Ending			<u>\$ 1,956,167</u>	<u>\$ 2,256,845</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

EXHIBIT I

TOWN OF MILLINGTON
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Water and Sewer Fund</u>
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 129,268
Cash Payments to Suppliers for Goods and Services	(298,423)
Cash Payments to Employees	<u>(45,549)</u>
Net Cash Flows from Operating Activities	<u>(214,704)</u>
Cash Flows from Non-Capital Financing Activities:	
Transfers from General Fund	<u>494,980</u>
Cash Flows from Capital and Related Financing Activities:	
Principal Payments on Bond	(26,833)
Interest Payments and Administrative Fees	(48,033)
Acquisition of Capital Assets	<u>(19,835)</u>
Net Cash Flows from Capital and Related Financing Activities	<u>(94,701)</u>
Cash Flows from Investing Activities:	
Investment Income	<u>10</u>
Net Change in Cash	185,585
Cash - Beginning	<u>1,680</u>
Cash - Ending	<u>\$ 187,265</u>
Reconciliation of Net Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Operating Income (Loss)	\$ (312,864)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	229,881
Change in Accounts Receivable	154,084
Change in Unearned Revenue	(359,369)
Change in Accounts Payable	<u>73,564</u>
Net Cash Flows from Operating Activities	<u>\$ (214,704)</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

TOWN OF MILLINGTON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

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 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
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

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
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

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 included in 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
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

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. In 2022, this amount also includes ARPA grant fund receivable in the amount of \$297,771.

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.

TOWN OF MILLINGTON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

EXHIBIT J

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

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 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.

TOWN OF MILLINGTON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

EXHIBIT J

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

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 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:

TOWN OF MILLINGTON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

EXHIBIT J

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

- 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.
- 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 11, 2022, 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).

TOWN OF MILLINGTON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

EXHIBIT J

NOTE 2 - CASH AND INVESTMENTS (CONTINUED):

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, 2022, 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, 2022, 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.

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	\$ 5,468
Truist General Fund Checking	40,785
PNC MLGIP Savings - General Fund	<u>23,065</u>
<u>SUBTOTAL - GENERAL FUND</u>	<u>69,318</u>
Truist Enterprise Fund Checking	71,699
PNC MLGIP Investment - Enterprise Fund	8,095
PNC MLGIP Emergency Fund - Enterprise Fund	<u>175,539</u>
<u>SUBTOTAL - ENTERPRISE FUND</u>	<u>255,333</u>
<u>TOTAL CASH AND INVESTMENTS - PER BANK STATEMENTS</u>	<u>\$ 324,651</u>

The balances of cash and investments are categorized as follows:

Amount insured by the FDIC	\$ <u>324,651</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.

TOWN OF MILLINGTON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

EXHIBIT J

NOTE 2 - CASH AND INVESTMENTS (CONTINUED):

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.

NOTE 3 - CAPITAL ASSETS:

Capital Assets of the Governmental Activities are summarized as follows:

Government Activities

	Balance Beginning of Year	Additions	Adjustments	Balance End of Year
Capital Assets not being Depreciated:				
Land	\$ 515,354	\$ -	\$ (22,023)	\$ 493,331
Construction in Progress	<u>1,638</u>	<u>-</u>	<u>-</u>	<u>1,638</u>
Total Capital Assets not being Depreciated	516,992	-	(22,023)	494,969
Capital Assets being Depreciated:				
Buildings, Equipment and Improvements	<u>868,080</u>	<u>19,836</u>	<u>-</u>	<u>887,916</u>
Total Capital Assets	1,385,072	19,836	(22,023)	1,382,885
Less: Accumulated Depreciation	<u>(506,730)</u>	<u>(44,038)</u>	<u>27,636</u>	<u>(523,132)</u>
Governmental Activities Capital Assets - Net	\$ <u>878,342</u>	\$ <u>(24,202)</u>	\$ <u>5,613</u>	\$ <u>859,753</u>

TOWN OF MILLINGTON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

EXHIBIT J

NOTE 3 - CAPITAL ASSETS (CONTINUED):

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	\$ 7,500,810	\$ 19,835	\$ -	\$ 7,520,645
Less: Accumulated Depreciation	<u>(3,907,320)</u>	<u>(229,880)</u>	<u>-</u>	<u>(4,137,200)</u>
Water and Sewer Capital Assets - Net	\$ <u>3,593,490</u>	\$ <u>(210,045)</u>	\$ <u>-</u>	\$ <u>3,383,445</u>

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

General Government	\$ 4,435
Public Works	17,020
Parks and Recreation	22,583
Business-Type Activities - Water and Sewer	<u>229,881</u>
<u>Total Depreciation Expense</u>	<u>\$ 273,919</u>

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, 2022, outstanding general obligation bonds payable to USDA were \$1,063.047.

TOWN OF MILLINGTON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

EXHIBIT J

NOTE 4 - DEBT (CONTINUED):

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>
2023	\$ -	\$ -	\$ 28,392	\$ 42,988
2024	-	-	29,585	41,795
2025	-	-	30,829	40,551
2026	-	-	32,125	39,255
2027	-	-	33,476	37,904
2028 - 2032	-	-	189,708	167,192
2033 - 2037	-	-	233,080	123,820
2038 - 2042	-	-	286,368	70,532
2043 - 2047	-	-	199,484	11,771
<u>Totals</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,063,047</u>	<u>\$ 575,808</u>

Transactions 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	1,089,880	-	(26,833)	1,063,047	28,392
Unearned Revenue	-	359,370	(60,210)	299,160	-
<u>Total Debt</u>	<u>\$ 1,089,880</u>	<u>\$ 595,320</u>	<u>\$ (87,043)</u>	<u>\$ 1,598,157</u>	<u>\$ 28,392</u>

NOTE 5 - 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, 2022, 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 6 - 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. These changes were incorporated beginning in the Town's 2022 financial statements. Implementation had no effect on prior periods.

TOWN OF MILLINGTON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

EXHIBIT J

NOTE 6 - LEASE AGREEMENT (CONTINUED):

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 \$5,103 in payments in connection with this lease agreement. The total remaining lease payments due were \$110,309 at June 30, 2022.

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.

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

2023	\$ 1,975
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
Thereafter	<u>43,355</u>
Total Minimum Lease Payments to be Received	<u>\$ 82,986</u>

NOTE 7 - 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."

TOWN OF MILLINGTON
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

EXHIBIT J

NOTE 8 - 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, 2022, 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 9 - 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.

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. The project is in the preliminary planning stages and estimated costs are approximately \$6,000,000. There were no costs incurred in association with this project in the year presented.

NOTE 10 - PRIOR PERIOD ADJUSTMENT:

During 2022, the Town noted differences in its beginning accumulated depreciation and accounts receivable balances when comparing supporting schedules to the prior period's audited financial statements. As a result, an adjustment was made to reduce the Town's prior year current assets by \$57,986, and to reduce its prior year capital assets by \$25,000. Beginning net position on its Government-Wide Statement of Activities also decreased by these amounts.

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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
 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, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Millington's basic financial statements, and have issued our report thereon dated November 11, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Millington's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Millington's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Millington'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Members of the American Institute of Certified Public Accountants and the Delaware Society of Certified Public Accountants

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Millington'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Lank, Johnson & Tull". The signature is written in a cursive, flowing style.

Seaford, Delaware
November 11, 2022