

TOWN OF MILLINGTON, MARYLAND
FINANCIAL STATEMENTS WITH
SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2025

TOWN OF MILLINGTON, MARYLAND
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FOR THE YEAR ENDED JUNE 30, 2025

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INDEPENDENT AUDITOR'S REPORT

To the Town 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, 2025, 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, 2025, and the respective changes in financial position and where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Comparative Information

The financial statements include comparative totals for the previous year, as of and for the year ended June 30, 2024. The audit opinions expressed in this report do 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, 2024, for which we expressed an unmodified opinion on December 27, 2024.

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 and the Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund 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 January 23, 2026, 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.

Lank, Johnson & Tull

Seaford, Delaware
January 23, 2026

TOWN OF MILLINGTON, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2025

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 on the 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 flows.
- 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
FOR THE YEAR ENDED JUNE 30, 2025

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

The Town's combined net position increased by \$367,445, or 12%, from 2024 to 2025. Governmental Fund net position increased by 38% during this time, primarily due to grants for construction of the Millington Senior Village and community business center, and without incurring any new debt. Business-Type Fund net position decreased by 15%, which is the result of unfunded depreciation and other operating costs exceeding current year revenues.

Town of Millington, Maryland
Net Position

	Governmental		Business-Type		Total		Total Percentage Change
	Restated				Restated		
	2025	2024	2025	2024	2025	2024	
Current Assets	324,511	35,618	61,673	72,853	386,184	108,471	256%
Capital Assets	1,734,916	1,129,959	2,754,096	2,988,150	4,489,012	4,118,109	9%
Other Assets	479,926	555,085	(474,397)	(470,897)	5,529	84,188	(93%)
Total Assets	2,539,353	1,720,662	2,341,372	2,590,106	4,880,725	4,310,768	13%
Current Liabilities	362,919	59,687	105,590	95,986	468,509	155,673	201%
Non-Current Liabilities	-	-	943,526	975,169	943,526	975,169	(3%)
Deferred Inflows	-	78,681	-	-	-	78,681	(100%)
Total Liabilities and Deferrals	362,919	138,368	1,049,116	1,071,155	1,412,035	1,209,523	17%
Net Investment in Capital Assets	1,734,916	1,129,959	1,778,445	1,982,152	3,513,361	3,112,111	13%
Restricted	7,716	7,716	17,000	15,600	24,716	23,316	6%
Unrestricted	433,802	444,619	(503,189)	(478,801)	(69,387)	(34,182)	(103%)
Total Net Position	2,176,434	1,582,294	1,292,256	1,518,951	3,468,690	3,101,245	12%

TOWN OF MILLINGTON, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2025

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE (CONTINUED)

The Town's total revenues increased 79% to \$1,361,846 during 2025. Revenue from business-type activities was comparable to the prior year, while governmental revenues increased 180% to \$941,632, due to capital grants received for construction of the Millington Senior Village and community business center project.

The total cost of all programs and services decreased by 3%, to \$994,401. Costs of business-type activities decreased by 8% to \$646,909. Costs of governmental activities increased by 8% to \$347,492. Overall, total expenses decreased by just \$30,326 compared to the prior year.

Town of Millington, Maryland
Change in Net Position

	Governmental		Business-Type		Total		Total Percentage Change
	2025	Restated 2024	2025	2024	2025	Restated 2024	
Program Revenue:							
Fees, Fines, Services	33,581	28,804	418,346	391,073	451,927	419,877	8%
Operating Grants	46,220	11,863	-	-	46,220	11,863	290%
Capital Grants	586,929	22,264	-	31,051	586,929	53,315	1,001%
General Revenue							
Taxes	263,800	255,853	-	-	263,800	255,853	3%
Cable Franchise	11,052	2,533	-	-	11,052	2,533	336%
Other Income	-	10,552	1,400	-	1,400	10,552	(87%)
Investment Income	50	3,841	468	1,373	518	5,214	(90%)
Total Revenue	941,632	335,710	420,214	423,497	1,361,846	759,207	79%
Program Expenses:							
General	222,995	176,131	-	-	222,995	176,131	27%
Public Safety	5,528	6,829	-	-	5,528	6,829	(19%)
Public Works	94,418	113,949	-	-	94,418	113,949	(17%)
Parks and Recreation	24,551	26,026	-	-	24,551	26,026	(6%)
Water and Sewer	-	-	646,909	701,792	646,909	701,792	(8%)
Total Expenses	347,492	322,935	646,909	701,792	994,401	1,024,727	(3%)
Change in Net Position	594,140	12,775	(226,695)	(278,295)	367,445	(265,520)	238%
Net Position Beginning	1,582,294	1,569,519	1,518,951	1,797,246	3,101,245	3,366,765	(8%)
Net Position Ending	2,176,434	1,582,294	1,292,256	1,518,951	3,468,690	3,101,245	12%

GENERAL FUND BUDGETARY HIGHLIGHTS

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

General Fund revenues of \$934,171 were over the budget by \$599,671. This favorable variance was mainly attributed to increased capital grant activity to fund construction in-progress.

General Fund expenditures of \$952,449 were over the budget by \$653,799. This unfavorable variance was also attributable to the capital outlay activity.

TOWN OF MILLINGTON, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2025

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2025, the Town had \$4,489,012 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	
	2025	Restated 2024	2025	2024	2025	Restated 2024
Construction in Progress	803,204	187,098	-	-	803,204	187,098
Land	493,331	493,331	-	-	493,331	493,331
Infrastructure, Buildings and Equipment	438,381	449,530	2,754,096	2,988,150	3,192,477	3,437,680
Total Capital Assets	1,734,916	1,129,959	2,754,096	2,988,150	4,489,012	4,118,109

Debt

At June 30, 2025, the Town had \$975,651 in debt outstanding versus \$1,005,998 last year, a decrease of 3%. 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	
	2025	2024	2025	2024	2025	2024
USDA Water System Bond	-	-	975,651	1,005,998	975,651	1,005,998

SIGNIFICANT FINANCIAL HIGHLIGHTS

The Town continues to advance several significant capital, infrastructure, and community development initiatives aimed at supporting long-term growth and improving public services. The following summarizes these projects and their status as of June 30, 2025:

Foundational site work for the Millington Senior Village, including stormwater structures, grading, water and sewer mains, and roadways, has been completed. The next phase, anticipated following the settlement of State CDA funding in late winter or early spring 2026, will initiate construction of the housing units and completion of electric, fiber, and final site improvements.

The Town is repurposing the former elementary school site, located at 172 Sassafras Street, into a community and business center known as the Millington Village Commons. Preliminary architectural work is nearly complete, supported by \$150,000 in grant funding. The Town expects to pursue additional financing from federal and state agencies as planning progresses.

The Town continues development of Freedom Trail Serenity Park, a historic site. Signage contracts have been completed and an RFP for landscaping and fencing has been issued. Future grant applications will support ground-penetrating sonar work and completion of site improvements.

Renovation of Robvanary Park is being funded through a \$101,000 Open Space award. Upgrades include new athletic facilities, skate features, and parking improvements. Construction has been awarded and will continue in fiscal year 2026.

TOWN OF MILLINGTON, MARYLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2025

SIGNIFICANT FINANCIAL HIGHLIGHTS (CONTINUED):

In partnership with Kent County, the Town is relocating the existing wastewater treatment plant out of the flood zone and upgrading processing capabilities. Preliminary plans are under MDE review, land acquisition is underway, and funding options for decommissioning the existing plant are being evaluated.

An updated Preliminary Engineering Report recommends constructing a second water tower, upgrading the treatment plant, and replacing well pumps to support projected development and improve system redundancy. These recommendations will be reviewed by Town and County officials in 2026.

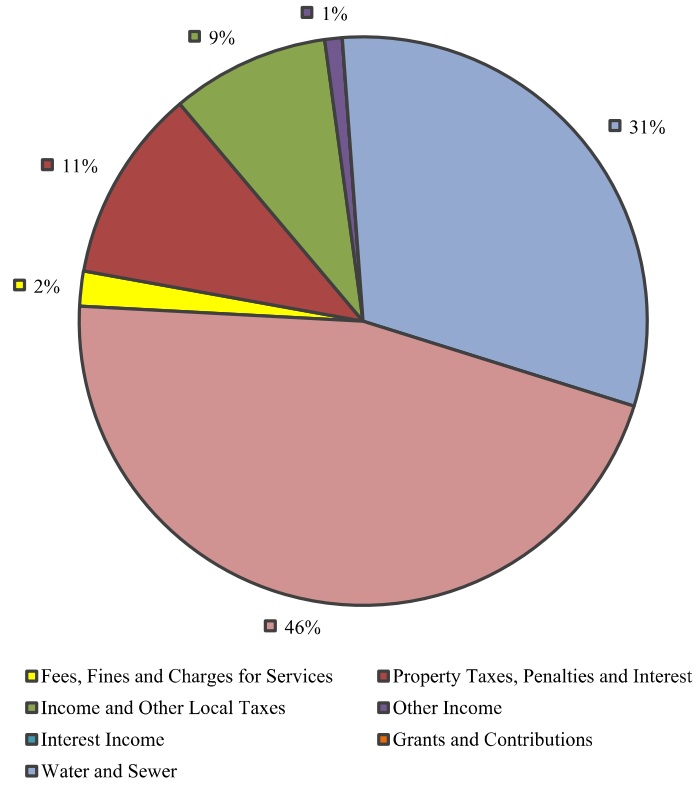
The Town continues to coordinate with the property owner on planning for the Coleman Farm Annexation and Development, a 192-acre mixed-use development. Discussions remain focused on zoning, utility allocations, infrastructure planning, and preliminary site design.

FINANCIAL CONTACT

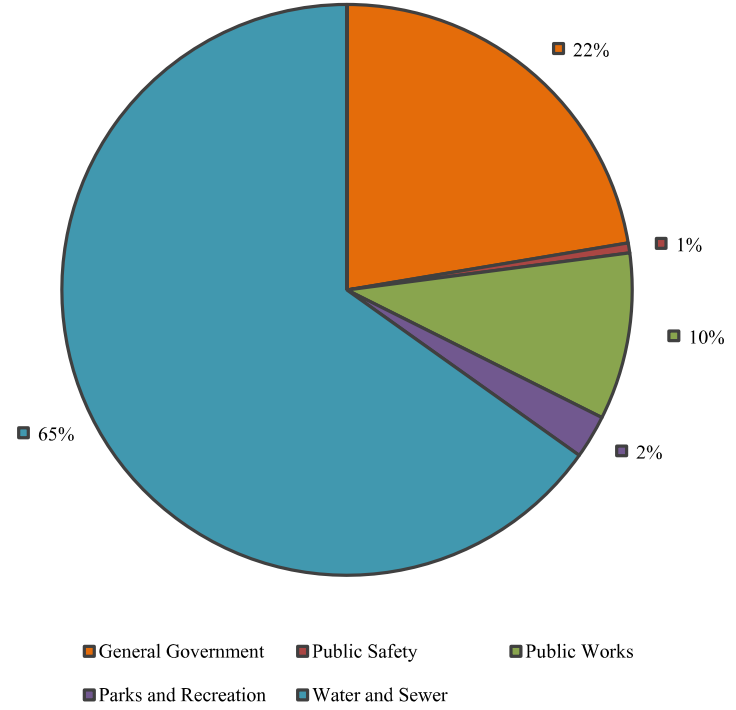
The Town's financial statements are designed to present the users (citizens, taxpayers, customers, and creditors) with a general overview of the Town's finances and to demonstrate the Town's accountability. If you have any questions about the report or need additional financial information, please put 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
FOR THE YEAR ENDED JUNE 30, 2025

TOTAL REVENUES



TOTAL EXPENSES



TOWN OF MILLINGTON, MARYLAND
GOVERNMENT - WIDE STATEMENT OF NET POSITION
JUNE 30, 2025
EXHIBIT A

ASSETS

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
Current Assets			
Cash and Cash Equivalents	\$ 190,538	\$ 1,306	\$ 191,844
Restricted Cash	7,716	-	7,716
Due from Other Governments	116,770	27,639	144,409
Other Receivables	<u>9,487</u>	<u>32,728</u>	<u>42,215</u>
Total Current Assets	<u>324,511</u>	<u>61,673</u>	<u>386,184</u>
Capital Assets			
Construction in Progress	803,204	-	803,204
Land - Nondepreciable	493,331	-	493,331
Buildings, Equipment and Improvements	1,066,992	7,588,703	8,655,695
Less: Accumulated Depreciation	<u>(628,611)</u>	<u>(4,834,607)</u>	<u>(5,463,218)</u>
Total Capital Assets	<u>1,734,916</u>	<u>2,754,096</u>	<u>4,489,012</u>
Other Assets			
Certificates of Deposit	5,529	-	5,529
Internal Balances	<u>474,397</u>	<u>(474,397)</u>	<u>-</u>
Total Other Assets	<u>479,926</u>	<u>(474,397)</u>	<u>5,529</u>
Total Assets	<u>\$ 2,539,353</u>	<u>\$ 2,341,372</u>	<u>\$ 4,880,725</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

TOWN OF MILLINGTON, MARYLAND
GOVERNMENT - WIDE STATEMENT OF NET POSITION
JUNE 30, 2025
EXHIBIT A

LIABILITIES

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
Current Liabilities			
Accounts Payable	\$ 321,951	\$ 73,465	\$ 395,416
Payroll Liabilities	40,968	-	40,968
Current Portion - Bonds Payable	-	32,125	32,125
Total Current Liabilities	362,919	105,590	468,509
Non-Current Liabilities			
Bonds Payable, Net of Current Portion	-	943,526	943,526
Total Liabilities	362,919	1,049,116	1,412,035
NET POSITION			
Net Investment in Capital Assets	1,734,916	1,778,445	3,513,361
Restricted	7,716	17,000	24,716
Unrestricted	433,802	(503,189)	(69,387)
Total Net Position	2,176,434	1,292,256	3,468,690

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, 2025

<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	\$ 222,995	\$ 10,185	\$ 46,220	\$ 7,500	\$ (159,090)	\$ -	\$ (159,090)
Public Safety	5,528	-	-	-	(5,528)	-	(5,528)
Public Works	94,418	23,396	-	448,029	377,007	-	377,007
Parks and Recreation	24,551	-	-	131,400	106,849	-	106,849
<u>Total Governmental Activities</u>	<u>347,492</u>	<u>33,581</u>	<u>46,220</u>	<u>586,929</u>	<u>319,238</u>	<u>-</u>	<u>319,238</u>
<u>Business-Type Activities</u>							
Water and Sewer	649,659	421,096	-	-	-	(228,563)	(228,563)
<u>Total Government</u>	<u>\$ 997,151</u>	<u>\$ 454,677</u>	<u>\$ 46,220</u>	<u>\$ 586,929</u>	<u>319,238</u>	<u>(228,563)</u>	<u>90,675</u>
General Revenues:							
Taxes:							
					147,597	-	147,597
					116,203	-	116,203
					11,052	-	11,052
					-	1,400	1,400
					50	468	518
					<u>274,902</u>	<u>1,868</u>	<u>276,770</u>
					594,140	(226,695)	367,445
					1,582,294	1,518,951	3,101,245
					<u>\$ 2,176,434</u>	<u>\$ 1,292,256</u>	<u>\$ 3,468,690</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

TOWN OF MILLINGTON, MARYLAND
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2025

EXHIBIT C

ASSETS

Current Assets:		General Fund
Cash and Cash Equivalents	\$ 190,538	
Restricted Cash	7,716	
Due from Other Governments	116,770	
Property Taxes Receivable	4,837	
Other Receivables	4,650	
	324,511	
Total Current Assets		
Non-Current Assets:		
Certificates of Deposit	5,529	
Advances to Other Funds	474,397	
	479,926	
Total Non-Current Assets		
Total Assets	\$ 804,437	

LIABILITIES AND FUND BALANCE

Liabilities:		General Fund
Accounts Payable	\$ 321,951	
Payroll Liabilities	40,968	
	362,919	
Total Liabilities		
Deferred Inflows of Resources:		
Unavailable Revenue - Intergovernmental	7,461	
	7,461	
Fund Balance:		
Nonspendable	479,926	
Restricted - Reforestation	7,716	
Unassigned	(53,585)	
	434,057	
Total Fund Balance		
Total Liabilities, Deferred Inflows, and Fund Balance	\$ 804,437	

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

Total Fund Balance	\$ 434,057	
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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.

7,461

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.

1,734,916

Net Position of Governmental Activities

\$ 2,176,434

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, 2025

Revenues:		General
Property Taxes	\$	<u>Fund</u>
Income and Other Local Taxes		147,597
Licenses and Permits		116,203
Intergovernmental		10,185
Miscellaneous		625,688
		<u>34,498</u>
Total Revenues		<u>934,171</u>
Expenditures:		
General Government		206,174
Public Safety		5,528
Public Works		90,595
Parks and Recreation		2,646
Capital Outlay		<u>647,506</u>
Total Expenditures		<u>952,449</u>
Net Change in Fund Balance		(18,278)
Fund Balance - Beginning		<u>452,335</u>
Fund Balance - Ending	\$	<u><u>434,057</u></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, 2025

EXHIBIT E

Net Change in Fund Balance - Total Governmental Funds	\$ (18,278)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
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.	647,506
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.	(42,549)
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>7,461</u>
Change in Net Position of Governmental Activities	<u><u>\$ 594,140</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, 2025

	Water System	Sewer System	Total	Prior Year 6/30/2024
Operating Revenues:				
Fees - Town Residents	\$ 154,926	\$ 155,101	\$ 310,027	\$ 262,041
Fees - Other Governments	48,957	61,600	110,557	126,333
Penalties and Interest	256	256	512	2,699
Total Operating Revenues	<u>204,139</u>	<u>216,957</u>	<u>421,096</u>	<u>391,073</u>
Operating Expenses:				
Payroll and Payroll Taxes	24,826	24,827	49,653	62,570
Operator Costs	45,444	45,444	90,888	91,822
Laboratory and Testing	1,164	10,193	11,357	11,110
Professional Fees	4,488	4,488	8,976	7,862
Insurance	4,460	11,730	16,190	12,503
Office Expenses	2,578	2,428	5,006	9,708
Miscellaneous	3,402	3,176	6,578	9,459
Utilities	21,039	45,216	66,255	51,635
Supplies and Materials	13,817	5,604	19,421	36,268
Repairs and Maintenance	64,813	34,203	99,016	123,311
Permit Fees	679	553	1,232	820
Depreciation	113,460	120,594	234,054	231,601
Total Operating Expenses	<u>300,170</u>	<u>308,456</u>	<u>608,626</u>	<u>648,669</u>
Net Operating Income (Loss)	<u>(96,031)</u>	<u>(91,499)</u>	<u>(187,530)</u>	<u>(257,596)</u>
Non-Operating Revenue (Expenses):				
ARPA Grant	-	-	-	31,051
Other Income	700	700	1,400	-
Interest Income	234	234	468	1,373
Interest Expense and Bond Administration Fees	(20,730)	(20,303)	(41,033)	(53,123)
Total Non-Operating Revenue (Expenses)	<u>(19,796)</u>	<u>(19,369)</u>	<u>(39,165)</u>	<u>(20,699)</u>
Net Change in Fund Net Position	<u>\$ (115,827)</u>	<u>\$ (110,868)</u>	<u>(226,695)</u>	<u>(278,295)</u>
Total Net Position - Beginning			<u>1,518,951</u>	<u>1,797,246</u>
Total Net Position - Ending			<u>\$ 1,292,256</u>	<u>\$ 1,518,951</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

EXHIBIT H

TOWN OF MILLINGTON, MARYLAND
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2025

		<u>Water and Sewer Fund</u>
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 423,294	
Cash Payments to Suppliers for Goods and Services	(316,611)	
Cash Payments to Employees	(49,653)	
		57,030
Net Cash Flows from Operating Activities		
Cash Flows from Non-Capital Financing Activities:		
Transfers from General Fund		3,500
Cash Flows from Capital and Related Financing Activities:		
Principal Payments on Bond	(30,347)	
Interest Payments and Administrative Fees	(41,033)	
		(71,380)
Net Cash Flows from Capital and Related Financing Activities		
Cash Flows from Investing Activities:		
Investment Income	1,868	
		(8,982)
Net Change in Cash		
Cash - Beginning	10,288	
Cash - Ending	\$ 1,306	1,306
Reconciliation of Net Operating Income (Loss) to Net Cash Flows from Operating Activities:		
Operating Income (Loss)	\$ (187,530)	
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:		
Depreciation	234,054	
Change in Accounts Receivable	2,198	
Change in Accounts Payable	8,308	
		57,030
Net Cash Flows from Operating Activities	\$	57,030

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

TOWN OF MILLINGTON, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

EXHIBIT I

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) and the American Institute of Certified Public Accountants in the publication entitled *State and Local Governments*.

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
EXHIBIT I
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

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 current net 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 basis 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 is 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 fund 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 as appropriate.

During the course of operations, numerous transactions occur between individual funds for resources 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." However, internal eliminations do not include water and sewage services provided to the Town Hall. Reimbursements are reported as reductions to expenses.

TOWN OF MILLINGTON, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

EXHIBIT I

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

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
FOR THE YEAR ENDED JUNE 30, 2025
EXHIBIT I

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.

I. Due from Other Governments

Receivables from other governments primarily consist of amounts arising from transfer tax payments and amounts due from grantors for specific programs, including highway user fees and income taxes collected and remitted to the Town by the State of Maryland, and Kent and Queen Anne's Counties.

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 for accrued 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.

TOWN OF MILLINGTON, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

EXHIBIT I

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

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 are recorded at acquisition value at the date of donation. 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 GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries," management reviews capital assets for impairment whenever events or changes in circumstances indicate that a significant, unexpected decline in service utility has occurred. If impairment is determined to exist, the impaired asset is written down to fair value or another appropriate measure. 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.

TOWN OF MILLINGTON, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025
EXHIBIT I

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

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. Significant estimates include the depreciable lives of fixed assets. 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.

TOWN OF MILLINGTON, MARYLAND
EXHIBIT I
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

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

- 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 Administrator 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 January 23, 2026, the date the report was available for issuance.

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 "Restricted Cash" 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 administration of the State Treasurer, is operated in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940. The Town's position in MLGIP is measured at net asset value per share, as permitted under GASB Statement No. 79. As of June 30, 2025, 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, 2025, which was adopted to mitigate credit risk for the Town.

TOWN OF MILLINGTON, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

EXHIBIT I

NOTE 2 - CASH AND INVESTMENTS (CONTINUED):

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 the 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 CD	\$ 5,529
Truist Money Market Account	2,520
Truist General Fund Checking	195,337
PNC MLGIP Savings - General Fund	<u>397</u>
<u>SUBTOTAL - GENERAL FUND</u>	<u>203,783</u>
Truist Enterprise Fund Checking	479
PNC MLGIP Investment - Enterprise Fund	727
PNC MLGIP Emergency Fund - Enterprise Fund	<u>100</u>
<u>SUBTOTAL - ENTERPRISE FUND</u>	<u>1,306</u>
<u>TOTAL CASH AND INVESTMENTS</u>	<u>\$ 205,089</u>

The balances of cash and investments are categorized as follows:

Amount insured by the FDIC or held in MLGIP

\$ 205,089

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 observable, either directly or indirectly. The Town’s certificate of deposit (CD) is valued at this level.

As of June 30, 2025, the Town held a certificate of deposit at The Peoples Bank totaling \$5,529. The certificate matures in July 2027.

TOWN OF MILLINGTON, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

EXHIBIT I

NOTE 3 - CAPITAL ASSETS:

Capital Assets of the Governmental Activities are summarized as follows:

Governmental Activities

	<u>Restated Beginning of Year</u>	<u>Additions</u>	<u>Adjustments</u>	<u>Balance End of Year</u>
Capital Assets not being Depreciated:				
Land	\$ 493,331	\$ -	\$ -	\$ 493,331
Construction in Progress	<u>187,098</u>	<u>616,106</u>	<u>-</u>	<u>803,204</u>
Total Capital Assets not being Depreciated	680,429	616,106	-	1,296,535
Capital Assets being Depreciated:				
Buildings, Equipment and Improvements	<u>1,035,592</u>	<u>31,400</u>	<u>-</u>	<u>1,066,992</u>
Total Capital Assets	1,716,021	647,506	-	2,363,527
Less: Accumulated Depreciation	<u>(586,062)</u>	<u>(42,549)</u>	<u>-</u>	<u>(628,611)</u>
Governmental Activities Capital Assets - Net	<u>\$ 1,129,959</u>	<u>\$ 604,957</u>	<u>\$ -</u>	<u>\$ 1,734,916</u>

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

Water and Sewer

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance End of Year</u>
Capital Assets being Depreciated:				
Buildings, Equipment and Improvements	\$ 7,588,703	\$ -	\$ -	\$ 7,588,703
Less: Accumulated Depreciation	<u>(4,600,553)</u>	<u>(234,054)</u>	<u>-</u>	<u>(4,834,607)</u>
Water and Sewer Capital Assets - Net	<u>\$ 2,988,150</u>	<u>\$ (234,054)</u>	<u>\$ -</u>	<u>\$ 2,754,096</u>

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

General Government	\$ 16,821
Public Works	3,823
Parks and Recreation	21,905
Business-Type Activities - Water and Sewer	<u>234,054</u>
Total Depreciation Expense	<u>\$ 276,603</u>

TOWN OF MILLINGTON, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

EXHIBIT I

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, 2025, outstanding general obligation bonds payable to USDA were \$975,651.

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>
2026	\$ -	\$ -	\$ 32,125	\$ 39,255
2027	-	-	33,476	37,904
2028	-	-	34,883	36,497
2029	-	-	36,350	35,031
2030	-	-	37,877	33,503
2031 - 2035	-	-	214,653	142,247
2036 - 2040	-	-	263,728	93,172
2041 - 2045	-	-	322,559	32,866
2046 - 2050	-	-	-	-
<u>Totals</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 975,651</u>	<u>\$ 450,475</u>

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

	<u>Balance</u>			<u>Balance</u>	
	<u>July 1</u>	<u>Additions</u>		<u>Reductions</u>	<u>June 30</u>
<u>Business-Type Activities:</u>					
Bonds Payable	\$ 1,005,998	-	\$ (30,347)	\$ 975,651	\$ 32,125

TOWN OF MILLINGTON, MARYLAND
EXHIBIT I
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

NOTE 5 - LEASE TERMINATION:

In prior years, the Town recognized a lease receivable and corresponding deferred inflow of resources related to a tower lease with Delmarva WiFi LLC. The lease commenced on May 9, 2017, and provided for monthly rent of \$350 with annual 5% increases for equipment installed on the Town's water tower to provide internet service.

During the fiscal year ended June 30, 2025, the Town wrote off the lease receivable and corresponding deferred inflow of resources due to lessee default. The Town's collection efforts determined that all of the lessee's related business entities have been forfeited or are not in good standing, and certified mail was returned unclaimed. Based on these circumstances, management determined the lease receivable was uncollectible and the lease was effectively terminated. The remaining lease receivable balance and corresponding deferred inflow of resources of \$78,681 were written off, resulting in no net effect on the Town's net position.

NOTE 6 - 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, 2025, 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 7 - COMMITMENTS AND CONTINGENCIES:

In the normal course of operations, the Town receives grant funds from various, mostly 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.

NOTE 8 - 172 SASSAFRAS STREET DEVELOPMENT:

In December 2022, the Town acquired 172 Sassafras Street (the former elementary school site) from Kent County for \$1.00. The Town subsequently subdivided the 25+ acre parcel to accommodate two distinct projects: Millington Senior Village, a 52-unit independent senior housing development, and Millington Village Common, a planned renovation of the former school building into a community and business center.

The Town is partnering with Home Partnership of Cecil County, Inc. for the development of Millington Senior Village. Under a 75-year ground lease at \$1 per year, Home Partnership will own and operate the finished housing complex. Due to the nominal lease payment, the present value of future lease receipts is immaterial and no lease receivable or deferred inflow of resources has been recognized under GASB 87. The Town secured \$1,600,000 in Community Development Block Grant funding through the Maryland Department of Housing and Community Development for site infrastructure to prepare the site for the developer, consisting of \$800,000 for Phase 1 horizontal infrastructure and \$800,000 for Phase 2 roads and sidewalks. These infrastructure costs have been classified under Public Works in the Statement of Activities.

TOWN OF MILLINGTON, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

EXHIBIT I

NOTE 8 - 172 SASSAFRAS STREET DEVELOPMENT (CONTINUED):

As of June 30, 2025, Phase 1 construction was substantially complete. Home Partnership secured additional project funding through various state and federal sources, and the Town contributed advertising, administration, land equity, and fee waivers. Construction of the housing units is expected to commence following settlement of State CDA funding, anticipated in late winter or early spring 2026.

The Town is separately developing Millington Village Common, which will be owned and operated by the Town. To date, only planning funds have been received, consisting of \$50,000 from Maryland Rural Development and \$100,000 from Upper Shore Regional Council for preliminary design and architectural review. These planning costs have been classified under Parks and Recreation in the Statement of Activities. Total project costs have not yet been determined as preliminary design work is ongoing.

NOTE 9 - PRIOR PERIOD ADJUSTMENT:

During the year ended June 30, 2025, the Town identified an error in the governmental activities financial statements. Accumulated depreciation was overstated by \$25,004, resulting in an understatement of net capital assets and net investment in capital assets. The correction reduces accumulated depreciation and increases net position by \$25,004. This adjustment has been reflected as a restatement of beginning net position for governmental activities. Corrections were made as follows:

	6/30/2024 As Previously Reported	Change in Accounting Principle (A)	Change to the Financial Reporting Entity (B)	Error Correction (C)	6/30/2024 As Restated
Government-Wide					
Governmental Activities	\$ 1,557,290	\$ -	\$ -	\$ 25,004	\$ 1,582,294
Business-Type Activities	1,518,951	-	-	-	1,518,951
Total Primary Government	<u>\$ 3,076,241</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,004</u>	<u>\$ 3,101,245</u>
Governmental Funds					
General Fund	<u>\$ 452,335</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 452,335</u>
Business-Type Funds					
Enterprise Fund	<u>\$ 1,518,951</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,518,951</u>

TOWN OF MILLINGTON, MARYLAND
SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED
JUNE 30, 2025

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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 Town 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, 2025, 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 January 23, 2026.

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 black ink that reads "Lank, Johnson & Tull".

Seaford, Delaware
January 23, 2026