

TOWN OF MILTON, DELAWARE
FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2022

TOWN OF MILTON, DELAWARE

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To the Mayor and Council
Town of Milton, Delaware

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities and each major fund of the Town of Milton, Delaware as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Milton, Delaware's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Town of Milton, Delaware, as of September 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Milton, Delaware 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

Town of Milton, Delaware's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of Management for the Financial Statements (continued)

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 Milton, Delaware'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.

Auditors' 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 auditors' 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement 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 Town of Milton, Delaware'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Town of Milton, Delaware'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 our audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the required supplementary information on pages 4 through 10 and pages 40 through 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with

Required Supplementary Information (continued)

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 8, 2023, on our consideration of the Town of Milton, Delaware's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Milton, Delaware's internal control over financial reporting and compliance.

PKS & Company, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
January 8, 2023

TOWN OF MILTON, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022

This section of the Town of Milton's (the Town) annual report presents our discussion and analysis of the Town's financial performance during the fiscal year that ended on September 30, 2022. Please read it in conjunction with the Town's basic financial statements, which begin on page 11.

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-Wide Financial Statements

The *Statement of Activities* presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, public safety, public works, code enforcement and parks and recreation. The business-type activities of the Town include water and trash services.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Fund Balance Sheet and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

TOWN OF MILTON, DELAWARE
MANAGEMENT’S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022

Governmental Funds (Continued)

The Town maintains one major governmental fund: the General Fund. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances.

The Town adopts an annual appropriated budget for its General Fund. The basic governmental fund financial statements can be found on pages 13 through 16. Included in required supplementary information is a budgetary comparison statement for the General Fund to demonstrate compliance with this budget. The budgetary comparison can be found on page 40.

Proprietary Funds

The Town maintains one proprietary-type fund: an enterprise fund. *Enterprise* funds are used to report the same functions presented *as business-type activities* in the government-wide financial statements. The Town uses an enterprise fund to account for its water and trash activities. The basic proprietary fund financial statements can be found on pages 17 through 19 of this report.

Summary of Significant Accounting Policies and Notes to the Financial Statements

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. Notes to the financial statements are part of the basic financial statements and can be found on pages 20 through 39 of this report.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

As noted earlier, net position may serve over time as a useful indicator of a government’s overall financial condition and position. In the case of the Town, assets exceeded liabilities by \$11.5 million at the close of the current fiscal year. The Town’s net position is divided into three categories – net investment in capital assets, restricted, and unrestricted net position.

The largest portion of the Town’s net position reflects its net investment in capital assets (e.g., land, improvements, buildings, machinery, equipment, vehicles and water system), less accumulated depreciation and any unmatured debt used to acquire those assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net position on the Statement of Net Position represents impact fees, transfer taxes, municipal street aid, and law enforcement grants received and restricted to certain expenditures.

TOWN OF MILTON, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022

Net Position

As of September 30, 2022, the Town's net position was \$11,464,000. Of this amount, \$4,094,000 was the net investment in capital assets, \$4,010,000 was restricted, and \$3,360,000 was unrestricted.

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

<p style="text-align: center;">Table 1 Town of Milton's Net Position <i>(in thousands of dollars)</i></p>						
	2022			2021		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Assets						
Current and other assets	\$ 9,251	\$ 2,009	\$ 11,260	\$ 6,645	\$ 1,865	\$ 8,510
Capital assets, net	2,061	4,086	6,147	1,425	2,502	3,927
Total assets	11,312	6,095	17,407	8,070	4,367	12,437
Deferred outflows of resources	197	27	224	179	28	207
Liabilities						
Current and other liabilities	483	668	1,151	240	238	478
Long term liabilities	45	1,960	2,005	100	913	1,013
Total liabilities	528	2,628	3,156	340	1,151	1,491
Deferred inflows of resources	2,920	91	3,011	1,004	16	1,020
Net position						
Net investment in capital assets	2,047	2,047	4,094	1,425	1,539	2,964
Restricted	3,265	745	4,010	2,466	781	3,247
Unrestricted	2,749	611	3,360	3,014	908	3,922
Total net position	<u>\$ 8,061</u>	<u>\$ 3,403</u>	<u>\$ 11,464</u>	<u>\$ 6,905</u>	<u>\$ 3,228</u>	<u>\$ 10,133</u>

Change in Net Position

Net position for the period ending September 30, 2022 increased by \$1,331,000. This is a result of governmental activity net position increasing by \$1,156,000 and business-type net position increasing by \$175,000.

TOWN OF MILTON, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022

Change in Net Position (Continued)

The following table indicates the changes in net position for governmental and business-type activities in a condensed format.

Table 2
Town of Milton's Change in Net Position
(in thousands of dollars)

	2022			2021		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenues						
Program revenues						
Charges for services	\$ 636	\$ 1,179	\$ 1,815	\$ 735	\$ 1,156	\$ 1,891
Operating grants and contributions	1,097	68	1,165	214	79	293
Capital grants and contributions	461	68	529	35	104	139
General revenues						
Property and transfer taxes	2,011		2,011	1,906		1,906
Community impact fees	63		63			
Miscellaneous revenues	100		100	118		118
Unrestricted investment earnings (losses)	(18)		(18)	1		1
Total revenues	<u>4,350</u>	<u>1,315</u>	<u>5,665</u>	<u>3,009</u>	<u>1,339</u>	<u>4,348</u>
Expenses						
General government	596		596	565		565
Public safety	1,830		1,830	987		987
Public works (streets)	320		320	415		415
Code enforcement	326		326	295		295
Parks and recreation	122		122	106		106
Utilities		1,140	1,140		1,029	1,029
Total expenses	<u>3,194</u>	<u>1,140</u>	<u>4,334</u>	<u>2,368</u>	<u>1,029</u>	<u>3,397</u>
Change in net position	<u>\$ 1,156</u>	<u>\$ 175</u>	<u>\$ 1,331</u>	<u>\$ 641</u>	<u>\$ 310</u>	<u>\$ 951</u>

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

General fund

For the fiscal year ended September 30, 2022, the Town had an increase in the general fund balance of \$355,000 compared to an increase of \$610,000 in the prior year. The general fund balance as of September 30, 2022 was \$5,823,000. Of this amount, \$3,917,000 is restricted, committed, assigned, or non-spendable leaving an unassigned balance of \$1,906,000. A detailed comparison with the prior two years is shown on page 45.

TOWN OF MILTON, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022

General fund (Continued)

Total revenues were \$4,375,000 which is an increase of \$1,355,000 or 45% over the prior year. Significant changes from the prior year include:

- Intergovernmental revenues increased \$1,307,000 due to grants received for Magnolia Street and \$800,000 of State monies passed through to the fire department.
- The Town approved new community impact fees during 2022 for community enhancement and emergency services fund. Total fees collected were \$63,000.
- Transfer taxes increased \$74,000.

Total expenditures were \$4,020,000 which is an increase of \$1,610,000 from last year. Significant changes include:

- Capital outlay expenditures increased by \$599,000 due to the Magnolia Drainage Project and various street maintenance.
- Public safety expenditures increased by \$990,000 due to the pass-through grant to the Fire Department for \$800,000 and increases in payroll, repairs and maintenance, and recruitment costs.

Utilities Fund

The utilities fund had operating income of \$72,000 and an increase in net position of \$175,000 for the year ended September 30, 2022 compared to operating income of \$159,000 and an increase in net position of \$310,000 in the prior year. A detailed comparison with the prior two years is shown on page 46.

Significant changes were as follows:

- Operating revenues increased \$11,000 due to an increase in water and trash charges.
- Operating expenses increased \$97,000 due to increases in salaries, trash removal, and professional fees.
- Impact fees of \$68,000 were collected during the year. These fees are restricted for capital and debt service expenses.

BUDGETARY HIGHLIGHTS

The general fund budget was amended during the fiscal year for anticipated changes in revenues and expenditures. As a result of the amendments, the general fund budgeted deficit changed from \$378,000 to \$339,000. The Town used the budgeted reserves to cover this deficit.

A budget and actual comparison schedule is provided in the required supplementary information for the General Fund on page 40. The budget and actual comparison schedules show the original adopted budget, the final revised budget, actual results, and the variance between the final budget and actual results. Major variances between the final budget and actual results are as follows:

- Total general fund revenues exceeded the final budget by \$1,200,000 due to favorable variances in transfer taxes and intergovernmental revenues.
- Total general fund expenditures were over the final budget by \$507,000 due to an unfavorable variance in public safety.

TOWN OF MILTON, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The Town's investment in capital assets for its governmental (government-wide) and business-type activities as of September 30, 2022 was \$6,147,000 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, furniture and fixtures, right-of-use assets, vehicles and water systems.

This year's major capital assets, including construction in progress additions are as follows:

Governmental Activities:

- Front Street and Coulter St ADA ramps and resurfacing for \$69,000,
- Rails to Trails Phase II Lighting for \$76,000,
- 2022 Dodge Durango for \$36,000,
- 2021 Dodge Durango for \$38,000, and
- Magnolia Street Drainage Project for \$518,000.

Business-type Activities:

- Shipbuilders Well and Treatment Facility for \$788,000, and
- Atlantic Avenue/Chestnut Street Water System Improvements for \$1,692,000.

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

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 467	\$ 467	\$	\$	\$ 467	\$ 467
Construction in progress	580	53	1,721	812	2,301	865
Buildings and improvements	476	523	2,269	1,583	2,745	2,106
Machinery and equipment	49	58	66	74	115	132
Right-to-use assets	13				13	
Streets and sidewalks	353	227			353	227
Vehicles	123	97	30	33	153	130
Total net capital assets	\$ 2,061	\$ 1,425	\$ 4,086	\$ 2,502	\$ 6,147	\$ 3,927

Long-Term Debt

At year-end, the Town had \$2,039,000 in notes payable in the enterprise fund. The Town drew down \$1,151,000 on the State Revolving Funds loan during the year for the water infrastructure project. This loan is expected to be 100% forgiven at the completion of the project.

Additional information on the Town's debt can be found on pages 30 and 31 of this report.

TOWN OF MILTON, DELAWARE
MANAGEMENT’S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022

CURRENTLY KNOWN FACTS, DECISION, OR CONDITIONS

The Town is working on improving the drainage on Magnolia Street. The project is being funded with two State Bond Bills of \$300,000 and \$575,000, Department of Natural Resources RC&D funds of \$135,000, and Department of Natural Resources ORPT grants of \$100,000 and \$150,000. The project has begun and two reimbursement requests for \$423,500 have been submitted and are awaiting approval.

The Town was awarded a grant of \$1,626,130 under the American Rescue Plan Act of 2021 Coronavirus Local Fiscal Recovery Funds (CLFRF). The Town received the second and final installment of \$813,065 in June 2022. The only funds spent to date is for legal fees of \$6,343 for assistance with reporting requirements. The grant is required to be encumbered by December 31, 2024 and spent by December 31, 2026.

The Town was awarded a \$310,043 Sussex County Realty Transfer Tax grant. The Town match is \$210,043. This grant is to provide the citizens with safe and accessible transportation. Projects will be related to Americans with Disabilities Act (ADA) improvements to ramps and crosswalks, pedestrian connectivity enhancements, and street resurfacing or rehabilitation. The grant must be spent by June 30, 2023.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Milton’s finances for all those with an interest in the Town’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the Town Manager, Town of Milton, 115 Federal Street, Milton, Delaware 19968.

BASIC FINANCIAL STATEMENTS

TOWN OF MILTON, DELAWARE

STATEMENT OF NET POSITION

SEPTEMBER 30, 2022

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash	\$ 2,488,147	\$ 878,533	\$ 3,366,680
Investments, at fair value	289,749		289,749
Taxes receivable	25,710		25,710
Accounts receivable, net of allowance	50,023	350,680	400,703
Grants receivable	502,266	3,021	505,287
Internal balances	139,291	(139,291)	
Inventory		66,911	66,911
Prepaid expenses	50,298	11,153	61,451
Restricted cash	4,966,254	744,634	5,710,888
Total current assets	<u>8,511,738</u>	<u>1,915,641</u>	<u>10,427,379</u>
Noncurrent assets			
Capital assets, net of accumulated depreciation	2,061,049	4,086,319	6,147,368
Net pension asset	739,747	93,727	833,474
Total noncurrent assets	<u>2,800,796</u>	<u>4,180,046</u>	<u>6,980,842</u>
Total assets	<u>11,312,534</u>	<u>6,095,687</u>	<u>17,408,221</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred financing outflows - retirement	<u>197,070</u>	<u>27,494</u>	<u>224,564</u>
LIABILITIES			
Current liabilities			
Current portion of notes and leases payable	3,907	89,445	93,352
Current portion of accrued compensated absences	58,928	22,255	81,183
Accounts payable	372,727	534,601	907,328
Accrued wages and payroll taxes	47,647	10,504	58,151
Accrued interest payable		11,805	11,805
Total current liabilities	<u>483,209</u>	<u>668,610</u>	<u>1,151,819</u>
Noncurrent liabilities			
Notes and leases payable, less current portion	9,344	1,949,952	1,959,296
Accrued compensated absences, less current portion	35,811	10,206	46,017
Total noncurrent liabilities	<u>45,155</u>	<u>1,960,158</u>	<u>2,005,313</u>
Total liabilities	<u>528,364</u>	<u>2,628,768</u>	<u>3,157,132</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred grants	2,188,754		2,188,754
Deferred financing inflows - retirement	731,743	91,173	822,916
Total deferred inflows of resources	<u>2,920,497</u>	<u>91,173</u>	<u>3,011,670</u>
NET POSITION			
Net investment in capital assets	2,047,798	2,046,922	4,094,720
Restricted	3,265,275	744,634	4,009,909
Unrestricted	2,747,670	611,684	3,359,354
Total net position	<u>\$ 8,060,743</u>	<u>\$ 3,403,240</u>	<u>\$ 11,463,983</u>

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

TOWN OF MILTON, DELAWARE

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2022

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
FUNCTIONS/PROGRAMS							
GOVERNMENTAL ACTIVITIES							
General government	\$ 595,327	\$ 37,159	\$ 6,343	\$ 30,000	\$ (551,825)	\$	\$ (551,825)
Public safety	1,830,443	61,090	908,113	30,000	(831,240)		(831,240)
Public works (streets)	320,105	92,295	122,340	431,093	325,623		325,623
Code enforcement	326,453	438,087			111,634		111,634
Parks and recreation	121,533	7,395	60,184		(53,954)		(53,954)
Total governmental activities	3,193,861	636,026	1,096,980	461,093	(999,762)		(999,762)
BUSINESS-TYPE ACTIVITIES							
Utilities	1,139,372	1,178,993	67,859	68,000		175,480	175,480
Total	\$ 4,333,233	\$ 1,815,019	\$ 1,164,839	\$ 529,093	(999,762)	175,480	(824,282)
GENERAL REVENUES							
Real estate taxes					1,236,729		1,236,729
Transfer taxes					774,115		774,115
Franchise fees					94,608		94,608
Community impact fees					63,372		63,372
Unrestricted investment earnings (losses)					(18,032)	73	(17,959)
Gain on sale of assets					400		400
Miscellaneous					4,451		4,451
Total general revenues					2,155,643	73	2,155,716
Change in net position					1,155,881	175,553	1,331,434
NET POSITION, BEGINNING OF YEAR							
					6,904,862	3,227,687	10,132,549
NET POSITION, END OF YEAR							
					\$ 8,060,743	\$ 3,403,240	\$ 11,463,983

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

TOWN OF MILTON, DELAWARE

**BALANCE SHEET
GOVERNMENTAL FUND**

SEPTEMBER 30, 2022

ASSETS

	<u>General Fund</u>
Cash	\$ 2,488,147
Investments, at fair value	289,749
Taxes receivable	25,710
Accounts receivable, net of allowance	50,023
Grants receivable	502,266
Prepaid insurance	50,297
Due from other funds	139,291
Restricted cash	<u>4,966,254</u>
Total assets	<u><u>\$ 8,511,737</u></u>

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

LIABILITIES

Accounts payable	\$ 372,727
Accrued wages and payroll taxes	47,647
Accrued compensated absences	58,928
Total liabilities	<u>479,302</u>

DEFERRED INFLOWS OF RESOURCES

Deferred property taxes and grants	<u>2,209,640</u>
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FUND BALANCE

Non-spendable	50,297
Restricted	3,265,275
Committed	63,372
Assigned	537,358
Unassigned	<u>1,906,493</u>
Total fund balance	<u>5,822,795</u>

Total liabilities, deferred inflows of resources, and fund balance	<u><u>\$ 8,511,737</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWN OF MILTON, DELAWARE

**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

SEPTEMBER 30, 2022

Total fund balance, governmental fund	\$ 5,822,795
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Amounts reported for governmental activities in the Statement of
Net Position are different because:

Capital assets used in governmental activities are not financial resources and are therefore not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position.	2,061,049
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Some expenditures reported in the governmental funds require the use of current financial resources and these are not reported as expenses in the Statement of Activities.

Deferred financing outflows - retirement	197,070
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Some liabilities are not due and payable in the current period and are not included in the fund financial statements, but are included in the governmental activities of the Statement of Net Position.

Accrued compensated absences	(35,811)
Deferred financing inflows - retirement	(731,743)
Leases payable	(13,251)
Net pension asset	739,747

Certain revenues that do not provide current financial resources are reported as deferred income in the fund financial statements, but are reported as revenue in the governmental activities of the Statement of Net Position.

Deferred taxes	<u>20,887</u>
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Net position, governmental activities	<u><u>\$ 8,060,743</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWN OF MILTON, DELAWARE

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCE - GOVERNMENTAL FUND**

YEAR ENDED SEPTEMBER 30, 2022

	General Fund
REVENUES	
Real estate taxes	\$ 1,262,676
Transfer taxes	774,115
Licenses and permits	383,614
Community impact fees	63,372
Intergovernmental revenues	1,542,410
Charges for services	267,542
Fines and forfeitures	52,191
Loss on investments	(18,032)
Miscellaneous	47,400
Total revenues	<u>4,375,288</u>
EXPENDITURES	
Current	
General government	585,734
Public safety	1,942,224
Public works (streets)	284,402
Parks and recreation	109,242
Code enforcement	331,760
Debt service	4,337
Capital outlay	762,692
Total expenditures	<u>4,020,391</u>
Change in fund balance	355,297
FUND BALANCE, BEGINNING OF YEAR	<u>5,467,498</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 5,822,795</u></u>

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

TOWN OF MILTON, DELAWARE

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT
OF ACTIVITIES**

YEAR ENDED SEPTEMBER 30, 2022

Change in fund balance, governmental fund	\$ 355,297
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Amounts reported for Governmental Funds in the Statement of
Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. However, in the Statement of Activities, the cost of these assets is allocated over their estimated lives and reported as depreciation expense.

Capital outlay	762,692	
Depreciation expense	<u>(143,862)</u>	
		618,830

Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds.

Change in long-term compensated absences	(6,915)
Change in deferred financing outflows - retirement	17,472
Change in net pension asset (liability)	810,804

Governmental funds report repayment of debt principal as an expenditure. On the other hand, principal payments on debt are not expenditures in the Statement of Activities, but rather constitute long-term liabilities in the Statement of Net Position.

Principal payments on leases	3,763
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Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.

Change in deferred taxes	(25,947)
Change in deferred financing inflows - retirement	<u>(617,423)</u>

Change in net position, governmental activities	<u><u>\$ 1,155,881</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWN OF MILTON, DELAWARE

**STATEMENT OF NET POSITION
PROPRIETARY FUND**

SEPTEMBER 30, 2022

	<u>Utilities Fund</u>
ASSETS	
Current assets	
Cash	\$ 878,533
Accounts receivable, net of allowance	350,680
Grants receivable	3,021
Inventory	66,911
Prepaid expenses	11,153
Restricted cash	744,634
Total current assets	<u>2,054,932</u>
Noncurrent assets	
Capital assets, net of accumulated depreciation	4,086,319
Net pension asset	93,727
Total noncurrent assets	<u>4,180,046</u>
Total assets	<u>6,234,978</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred financing outflows - retirement	<u>27,494</u>
LIABILITIES	
Current liabilities	
Current portion of notes payable	89,445
Current portion of accrued compensated absences	22,255
Accounts payable	534,601
Accrued wages and payroll taxes	10,504
Accrued interest payable	11,805
Due to other funds	139,291
Total current liabilities	<u>807,901</u>
Noncurrent liabilities	
Notes payable, less current portion	1,949,952
Accrued compensated absences, less current portion	10,206
Total noncurrent liabilities	<u>1,960,158</u>
Total liabilities	<u>2,768,059</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred financing inflows - retirement	<u>91,173</u>
NET POSITION	
Net investment in capital assets	2,046,922
Restricted	744,634
Unrestricted	611,684
Total net position	<u>\$ 3,403,240</u>

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

TOWN OF MILTON, DELAWARE

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

YEAR ENDED SEPTEMBER 30, 2022

	<u>Utilities Fund</u>
OPERATING REVENUES	
Water service charges	\$ 690,276
Trash service charges	377,040
Tapping fees	21,000
Sales of meters	56,480
Operating grants	3,021
Penalties	11,954
Other	22,243
Total operating revenues	<u>1,182,014</u>
OPERATING EXPENSES	
Salaries and labor	289,864
Payroll taxes	18,544
Pension	(9,788)
Employee benefits	50,791
Uniforms	3,896
Utilities	38,276
Trash removal services	346,736
Telephone	6,133
Gas and oil	14,459
Repairs and maintenance	86,683
Operating supplies	74,476
Professional fees	38,946
Insurance	19,989
Miscellaneous	17,185
Depreciation	114,029
Total operating expenses	<u>1,110,219</u>
Operating income	<u>71,795</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest income	73
Debt service fees	64,838
Interest expense	(29,153)
Net non-operating revenues	<u>35,758</u>
Income before contributions	107,553
Capital contributions - impact fees	<u>68,000</u>
Change in net position	175,553
NET POSITION, BEGINNING OF YEAR	<u>3,227,687</u>
NET POSITION, END OF YEAR	<u><u>\$ 3,403,240</u></u>

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

TOWN OF MILTON, DELAWARE

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND**

YEAR ENDED SEPTEMBER 30, 2022

	<u>Utilities Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 1,137,780
Payments to suppliers	(275,032)
Payments to employees	(359,296)
Net cash provided by operating activities	<u>503,452</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(1,698,072)
Debt service fees	64,838
Proceeds on notes payable	1,151,410
Principal paid on notes payable	(75,276)
Interest paid on notes payable	(19,571)
Capital contributions - impact fees	68,000
Net cash used by capital and related financing activities	<u>(508,671)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Interfund borrowings	<u>138,791</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>73</u>
Net increase in cash	133,645
CASH, BEGINNING OF YEAR	<u>1,489,522</u>
CASH, END OF YEAR	<u><u>\$ 1,623,167</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 71,795
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	114,029
Change in allowance for bad debts	(7,560)
Change in deferred outflows and inflows	76,106
(Increase) decrease in assets	
Accounts receivable	(33,653)
Grants receivable	(3,021)
Inventory	(7,278)
Prepaid expenses	(4,498)
Net pension asset (liability)	(102,819)
Increase (decrease) in liabilities	
Accounts payable and accrued expenses	400,351
Net cash provided by operating activities	<u><u>\$ 503,452</u></u>
RECONCILIATION OF CASH TO THE STATEMENT OF NET POSITION	
Cash - unrestricted	\$ 878,533
Cash - restricted	744,634
Total cash on the Statement of Cash Flows	<u><u>\$ 1,623,167</u></u>

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

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Milton, Delaware (the "Town"), was incorporated in 1807. The Town operates under a Town Council form of government and provides the following services as authorized by its charter: public safety (police), public works, trash removal, water, parks and recreation, code enforcement, and general administrative services.

The Town's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Town are discussed below.

Reporting entity

The basic criteria for including component units in the Town's financial statements are the exercise of oversight responsibility over such units by the Town's elected officials. In evaluating how to define the Town for financial purposes, management has considered all potential component units. Based on criteria set forth by the GASB, the Town of Milton has no component units.

Basis of presentation

Government-wide statements: The statement of net position and the statement of activities display information about the Town. These statements include the financial activities of the overall government. These statements distinguish between the governmental and business-type activities of the Town. For the most part, the effect on interfund activity has been removed from these statements. Governmental activities are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to those receiving services.

The statement of activities presents a comparison between direct expenses and revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of presentation (continued)

Fund Financial Statements: The fund financial statements provide information about the Town's funds. Separate statements for each fund category – governmental and proprietary - are presented. The emphasis of fund financial statements is on major governmental and proprietary funds, each displayed in a separate column. Any remaining governmental and proprietary funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as grants and investment earnings, result from non-exchange transactions.

Governmental Funds: The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The Town reports the following major governmental fund:

General Fund – This is the main operating fund of the Town. It is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Proprietary Funds: The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The Town has presented the following proprietary fund:

Utilities Fund (Enterprise fund) – This fund is used to account for the provision of water and trash services to the residents of the Town. Activities of the fund include administration, operations and maintenance, and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water debt. Trash services are subcontracted out to a trash company.

Measurement focus, basis of accounting

Measurement focus refers to what is being measured. Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement focus, basis of accounting (continued)

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all the eligibility requirements have been satisfied.

The governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Town considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year end. Property taxes, charges for services, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Budgetary data

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

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

The budget for the utilities fund is prepared on a basis (budgetary basis) that differs from generally accepted accounting principles for proprietary funds (GAAP basis). The major differences between the budgetary basis and the GAAP basis are:

- Loans and transfers from other funds are reported as funding sources.
- Principal payments on long-term debt and capital outlay expenses are reported as funding uses.
- No budget is recorded for depreciation expense.

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash equivalents

Cash equivalents include highly liquid investments with original maturities, when purchased, of less than three months.

Investments

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

The fair values and original costs of the Town's investments as of September 30, 2022 are as follows:

	Cost	Fair Value	Unrealized Loss
Corporate bonds	<u>\$ 310,476</u>	<u>\$ 289,749</u>	<u>\$ (20,727)</u>

Prepaid expenses

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

Inventory

Inventory consists of water meters, hydrants, and other supplies used in the water department and are recorded at cost using the first-in, first-out method. Inventory is charged to expense when consumed, rather than when purchased or donated.

Allowance for uncollectible accounts

Provision is made for estimated uncollectible water and trash collection charges and other receivables based upon the Town's determination of individual accounts not likely to be collected. The allowance for uncollectible accounts in the general fund and utilities fund as of September 30, 2022 were \$12,043 and \$265, respectively.

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred inflows of resources

The Town may report a separate section for deferred inflows of resources. This separate financial element reflects an increase in net position that applies to a future period. The Town has three types of items that qualify for reporting in this category: deferred property taxes, which are not recognized until available (collected not later than 60 days after the end of the Town's fiscal year), deferred financing inflows for retirement contributions, and deferred grants, which are not recognized until a future event occurs.

Deferred outflows of resources

The Town may report decreases in net position that relate to a future period as deferred outflows of resources in a separate section of its government-wide and proprietary statements of net position or the governmental funds balance sheet. The Town has one item that qualifies for reporting in this category: deferred outflows for retirement contributions.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Delaware Public Employees' Retirement System (DPERS), and additions to/deductions from DPERS's fiduciary net position have been determined on the same basis as they are reported by DPERS.

Accounting for compensated absences

The Town has accrued a liability for vacation pay which has been earned but not taken by Town employees. The liability for the Water Department is reported in the Proprietary Fund. For departments included in the General Fund, the current liability is reported in the General Fund and the long-term portion, if any, is recorded in the governmental activities of the government-wide statements.

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

Property taxes

Property taxes are levied on or around January 15th and are due and payable by March 31. Taxes unpaid by April 1 of the same year become delinquent. Property taxes may attach as an enforceable lien after being two years delinquent.

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. Capital assets are defined by the Town as assets with an initial, individual cost of \$5,000 or more and an estimated useful life exceeding one year. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated capital assets are recorded at acquisition value. Repairs and maintenance that do not add to the value of the asset or materially extend the asset's life are not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	10 – 40 years
Other improvements	10 – 40 years
Streets and sidewalks	10 – 25 years
Machinery and equipment	3 – 20 years
Vehicles	3 – 5 years
Leased Equipment (Right-to-use)	Life of lease

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Town to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

Government-wide and enterprise fund net position

Government-wide and enterprise fund net position are divided into three components:

Net investment in capital assets – consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.

Restricted net position – consist of assets that are restricted by the Town's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.

Unrestricted – all other net position is reported in this category.

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and enterprise fund net position (continued)

When an expense is incurred that can be paid using either restricted or unrestricted net position, the Town's policy is to first apply the expense for budgeted items toward unrestricted resources and then toward restricted resources.

Governmental fund balances

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable fund balance – amounts that cannot be spent either because they are in a nonspendable form (such as inventories and prepaid amounts) or they are legally or contractually required to be maintained intact.

Restricted fund balance – amounts that can be spent only for specific purposes because of the Town charter, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed fund balance – amounts that can be spent only for specific purposes determined by a formal action of the Mayor and Council through ordinance or resolution.

Assigned fund balance – amounts that are designated by the Mayor and Council for a particular purpose but are not spendable until a budget ordinance is passed or a majority vote approval by the Town Council.

Unassigned fund balance – all amounts not included in other spendable classifications.

In governmental funds, the Town's policy is to first apply the expenditure for budgeted items toward unassigned fund balances and then to other, more restrictive classifications (assigned, committed, and then restricted fund balances).

Adoption of GASB Statement No. 87, *Leases*

Effective October 1, 2021, the Town adopted the new lease accounting guidance in GASB Statement No. 87, *Leases*. The new guidance requires recognition of certain lease assets and liabilities that were previously classified as operating leases. As a result of the adoption of the new guidance, the Town recognized the following as of October 1, 2021:

- a) Leases payable of \$17,014 which represents the present value of the remaining lease payments discounted using the Town's incremental borrowing rate.
- b) Right-to-use assets which represent the original lease payable of \$19,745 less accumulated amortization of \$2,731.

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

CASH AND EQUIVALENTS

Cash

The Town is permitted to invest funds in U.S. treasury bills, short-term obligations of the United States Government or its agencies or instrumentalities, obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, the State of Delaware or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision, certificates of deposit, corporate debt instruments, secured purchase agreements, authorized investment trust companies, and time or share accounts of institutions insured or secured by the FDIC to the extent such certificates are insured by a proper bond or collateral.

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. As of September 30, 2022, \$8,691,541 of the Town's deposits were exposed to custodial credit risk. These amounts were not covered by the Federal Deposit Insurance Corporation (FDIC) but were collateralized with securities held by the pledging financial institution's trust department, not in the Town's name.

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Town was not exposed to foreign currency risk for the fiscal year.

Restricted cash

Restricted cash in the general fund consists of:

- Cash collected for transfer taxes which by state law must be segregated from the Town's general cash and can be expended solely for the capital and operating costs of public safety services, economic development programs, public works services, infrastructure projects and improvements, and debt reduction.
- Cash received from the State of Delaware restricted for municipal street improvements.
- Cash received from the State of Delaware restricted for local law enforcement activities.
- Cash received under the American Rescue Plan Act of 2021. Eligible uses of these funds include lost revenue replacement, COVID-19 expenditures or negative economic impact programs, premium pay for essential workers, and investments in certain infrastructures.

Restricted cash in the utilities fund consists of cash accumulated from water impact fees which are restricted for future capital improvements.

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

CAPITAL ASSETS

The changes in the Town's capital assets are as follows:

Governmental activities	Beginning Balance	Increases	Decreases	Ending Balance
<i>Capital assets not being depreciated</i>				
Land	\$ 466,484	\$	\$	\$ 466,484
Construction in progress	53,441	526,069		579,510
Total capital assets not being depreciated	519,925	526,069		1,045,994
<i>Capital assets being depreciated</i>				
Building	818,691			818,691
Other improvements	1,137,473	11,384		1,148,857
Machinery and equipment	565,099	6,882		571,981
Right-to-use assets	19,745			19,745
Street and sidewalks	392,622	144,492		537,114
Vehicles	373,064	73,865	40,514	406,415
Total capital assets being depreciated	3,306,694	236,623	40,514	3,502,803
Less accumulated depreciation for:				
Building	443,446	24,974		468,420
Other improvements	989,973	32,121		1,022,094
Machinery and equipment	506,717	15,849		522,566
Right-to-use assets	2,731	3,949		6,680
Street and sidewalks	165,398	19,192		184,590
Vehicles	276,135	47,777	40,514	283,398
Total accumulated depreciation	2,384,400	143,862	40,514	2,487,748
Total capital assets being depreciated, net	922,294	92,761		1,015,055
Capital assets, net	\$ 1,442,219	\$ 618,830	\$	\$ 2,061,049

Construction in progress in the General Fund includes \$571,937 for the Magnolia Street Drainage project and \$7,573 for the ADA compliance project at Wharton & Chestnut Street.

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

CAPITAL ASSETS (Continued)

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

Governmental activities:	
General government	\$ 29,633
Public safety	50,402
Public works	39,191
Code enforcement	7,680
Parks and recreation	16,956
Total governmental activities	<u>\$ 143,862</u>

Business-type activities:	Beginning Balance	Increases	Decreases	Ending Balance
<i>Capital assets not being depreciated</i>				
Construction in progress	\$ 811,199	\$ 1,698,073	\$ 788,359	\$ 1,720,913
Total capital assets not being depreciated	<u>811,199</u>	<u>1,698,073</u>	<u>788,359</u>	<u>1,720,913</u>
<i>Capital assets being depreciated</i>				
Improvements	2,978,382	788,359		3,766,741
Machinery and equipment	569,918			569,918
Vehicles	235,501			235,501
Total capital assets being depreciated	<u>3,783,801</u>	<u>788,359</u>		<u>4,572,160</u>
Less accumulated depreciation for:				
Improvements	1,402,562	94,936		1,497,498
Machinery and equipment	488,729	14,650		503,379
Vehicles	201,434	4,443		205,877
Total accumulated depreciation	<u>2,092,725</u>	<u>114,029</u>		<u>2,206,754</u>
Total capital assets being depreciated, net	<u>1,691,076</u>	<u>674,330</u>		<u>2,365,406</u>
Capital assets, net	<u>\$ 2,502,275</u>	<u>\$ 2,372,403</u>	<u>\$ 788,359</u>	<u>\$ 4,086,319</u>

Construction in progress in the Utility Fund includes \$1,720,913 for the water system improvement project at Atlantic Ave and Chestnut Street.

INTEREST COST – UTILITIES FUND

During the year ended September 30, 2022, total interest incurred in the Utilities fund was \$29,153 including accrued interest of \$11,805.

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

LONG-TERM DEBT

Changes in long-term obligations for the year ended September 30, 2022 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Short-term Portion
Governmental activities					
Operating lease payable	\$ 17,014	\$	\$ 3,763	\$ 13,251	\$ 3,907
Business-type activities					
Notes payable	\$ 963,263	\$ 1,151,410	\$ 75,276	\$ 2,039,397	\$ 89,445

The following is a summary of the Town's long-term debt as of September 30, 2022:

Governmental activities

The Town is leasing two copiers under non-cancellable operating lease agreements expiring in 2026. The asset and liability are recorded at the present value of the future lease payments of \$13,251. The assets are amortized over the life of the lease using the straight-line method. Amortization of the assets under operating leases is included in depreciation expense.

Business-type activities

State Revolving Fund Loan Monies (SRF). On June 8, 2001, the Town entered into a loan agreement with the Delaware Drinking Water State Revolving Fund to fund upgrades to the Town's drinking water treatment and delivery system. The original obligation was \$635,621. The loan is payable in thirty-four semi-annual payments of \$24,307 including interest at 3.16% and matures July 6, 2023.

\$ 47,486

State Revolving Fund Loan Monies (SRF). On December 14, 2018, the Town entered a loan agreement with the Delaware Drinking Water State Revolving Fund to fund construction of the Wagamon water main. The original obligation was \$395,000. Interest payments are due quarterly until the completion of the project at which point the loan is payable in forty semi-annual payments of principal and interest accruing at 2.00%. Principal payments began in May 2020. Matures June 2039.

352,503

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

LONG-TERM DEBT (Continued)

Business-type activities (continued)

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

487,998

State Revolving Fund Loan Monies (SRF). On April 29, 2021, the Town entered a loan agreement with the Delaware Drinking Water State Revolving Fund to fund construction of the Water Main Replacement Project. The original obligation was \$1,670,000. Interest payments are due semi-annually pending 100% loan forgiveness at the completion of the project. The term of the loan is an interest note of 2% and a 20-year term.

1,151,410
\$ 2,039,397

Maturities of long-term debt as of September 30, 2022 are as follows:

Year Ending	Governmental Activities		
	Principal	Interest	Totals
2023	\$ 3,907	\$ 430	\$ 4,337
2024	4,056	281	4,337
2025	4,211	126	4,337
2026	1,077	7	1,084
	<u>\$ 13,251</u>	<u>\$ 844</u>	<u>\$ 14,095</u>

Year Ending	Buiness-Type Activites		
	Principal	Interest	Totals
2023	\$ 89,445	\$ 17,736	\$ 107,181
2024	42,802	15,764	58,566
2025	43,662	14,904	58,566
2026	44,540	14,026	58,566
2027	45,435	13,131	58,566
2028 - 2032	241,246	51,584	292,830
2033 - 2037	266,486	26,345	292,831
2038 - 2039	114,372	2,516	116,888
	<u>\$ 887,988</u>	<u>\$ 156,006</u>	<u>\$ 1,043,994</u>

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

FUND BALANCE – GOVERNMENTAL FUND

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

Committed fund balances consist of:

- a) \$47,528 of fees collected in the Community Enhancement Fund to provide funding for capital equipment and facilities in support of the Parks and Recreation, Municipal facilities and Street and Roadway facilities; and
- b) \$15,844 of fees collected for the Emergency Services Fund to provide funding for capital equipment in support of police, fire, and Town.

Assigned fund balances consist of expenses budgeted in 2022 for which the goods or services were not received until 2023 and funds budgeted in fiscal year 2023 for the use of prior year surplus and transfer taxes.

IMPACT FEES – WASTEWATER TREATMENT PLANT

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

The Town is scheduled to collect the \$3,900,000, but it has not been recorded as a receivable as of September 30, 2022. This income will be recorded as received, or when it becomes absolutely certain that the money will be received. Impact fees collected during the year were \$68,000.

RETIREMENT AND PENSION PLANS

General information about the pension plans

Plan descriptions: The Town participates in two plans of the Delaware Public Employees' Retirement System (DPERS): the County Municipal Police/Firefighters Pension Plan (Police Plan) and the County Municipal Other Employees' Pension Plan (General Plan).

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

RETIREMENT AND PENSION PLANS (Continued)

Both plans are cost sharing multiple-employer defined-benefit pension plan established in the Delaware Code. The General Assembly is responsible for setting benefits and contributions and amending plan provisions; administrative rules and regulations are adopted and maintained by the Board of Pension Trustees (the Board). The management of the Plan is the responsibility of the Board. The Board is comprised of five members appointed by the Governor and confirmed by the State Senate, plus two ex officio members. The daily operation is the responsibility of the Office of Pensions. Although most of the assets of the Plans are commingled with other Plans for investment purposes, the Plans' assets may be used for the payment of benefits to the members of the Plans in accordance with the terms of the Plans.

The following are brief descriptions of the Plans in effect as of June 30, 2021. For a more complete description, please refer to the DPERS CAFR for each plan. Separately issued financial statements for DPERS are available from the pension office at: McArdle Building, Suite 1, 860 Silver Lake Blvd, Dover, DE 19904.

Benefits provided. The DPERS provide retirement, disability and death benefits. Eligibility and benefits vary depending on which plan the employee is enrolled in.

Police Plan covers police officers and firefighters employed by a county or municipality of the state that have joined the Plan. Service benefits are based on 2.5% of final average monthly compensation multiplied by years of credited service up to 20 years, plus 3.5% of final average monthly compensation multiplied by years of service in excess of 20 years. For this plan, final average monthly compensation is the monthly average of the highest three consecutive years of compensation. Employees in the plan may retire after age 62 with 5 years of service; age plus credited service (but not less than 10 years) equals 75; or 20 years of credited service. Benefits are vested after five years of credited service.

Total disability benefits for duty officers are based on 75% of final average compensation plus 10% for each dependent but not to exceed 25% for all dependents. Partial disability benefits for duty officers are calculated the same as service benefits, subject to minimum of 50% of final average compensation. Disability benefits for non-duty officers are calculated the same as service benefits, total disability subject to a minimum of 50% of final average monthly compensation plus 5% of each dependent not to exceed 20% for all dependents with partial disability benefits subject to a minimum of 30% of final average monthly compensation.

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

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

RETIREMENT AND PENSION PLANS (Continued)

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

Disability benefits are the same as service benefits. Employee must have 5 years of credited service. For survivor benefits, if the employee is receiving a pension, then the eligible survivor receives 75% of pension, if the employee is active, the eligible survivor receives 50% of pension the employee would have received at age 62.

Contributions: Active members of the Police Plan are required to contribute to the Plan at the rate of 7% of their covered salary. Active members of the General Plan are required to contribute to the plan at the rate of 3% of earnings in excess of \$6,000. Employer contributions are determined by the Board of Pension Trustees.

The Police Department receives grant monies from the State of Delaware through a special tax on gross premiums for the benefit of police. During the fiscal year, the Town received \$47,056.

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

At September 30, 2022, the Town reported an asset in the government-wide activities of \$833,474 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2021, was determined by an actuarial valuation as of June 30, 2020. Update procedures were used to roll forward the total pension liability/asset to June 30, 2021. The actuarial assumptions were based on the most recent experience study completed during the fiscal year ended June 30, 2021. The Town's proportion of the net pension asset was based on the percentage of actual employee contributions. At June 30, 2021, the Town's proportion for the Police Plan was .4338% and for the General Plan was 1.1295%.

For the year ended September 30, 2022, the Town recognized pension expense of (\$108,701). At September 30, 2022, the Town reported deferred outflows of resources or deferred inflows of resources related to pensions from the following sources.

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

RETIREMENT AND PENSION PLANS (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 10,803	\$ 22,998
Net difference between projected and actual earnings on pension plan investments		709,424
Differences between expected and actual experience	69,705	39,893
Changes of assumptions	31,560	50,601
Contributions subsequent to measurement date	112,496	
	<u>\$ 224,564</u>	<u>\$ 822,916</u>

The Town's contribution subsequent to the measurement date of \$112,496, reported as deferred outflows of resources, will be recognized as a reduction of the net pension asset in the year ended September 30, 2023.

Deferred inflows and outflows are made up of changes in proportion, net difference between projected and actual earnings on pension plan investments, differences between expected and actual experience, and changes of assumptions. The deferred outflows and inflows related to non-investment activity are being amortized over the remaining service life ranging from 9 to 10 years. The net difference in investment earnings are being amortized over a five-year period.

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

Year Ending September 30	
2023	\$ (181,284)
2024	(167,156)
2025	(176,908)
2026	(166,761)
2027	3,996
Thereafter	(10,540)
	<u>\$ (698,653)</u>

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts are amortized over the average of the expected remaining service lives of all plan members which is 9 years for the 2021 amounts for the General Plan and the Police Plan.

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

RETIREMENT AND PENSION PLANS (Continued)

Actuarial assumptions. The collective total pension asset for the June 30, 2021 measurement date was determined by an actuarial valuation as of June 30, 2020, and update procedures were used to roll forward the total pension asset to June 30, 2021. These actuarial valuations used the following actuarial assumptions:

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

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

Investments. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage, which is based on the nature and mix of current and expected plan investments and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the Board of Trustees after considering input from DPERS investment consultants and actuaries. For each major class that is included in the DPERS target asset allocation as of June 30, 2021, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	32.3%	5.7%
International equity	18.1%	5.7%
Fixed income	20.6%	2.0%
Alternative investments	24.2%	7.8%
Cash and equivalents	4.8%	
Total	100%	

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

RETIREMENT AND PENSION PLANS (Continued)

Discount rate: The discount rate for all plans used to measure the total pension asset (liability) was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at rates determined by the Board of Pension Trustees, actuarially determined. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investment was applied to all periods of projected benefit payments to determine the total pension asset (liability).

Sensitivity of the net pension liability to changes in the discount rate: The following presents the collective net pension liability (asset) of the Plan, calculated using the discount rate of 7.0%, as well as what the Plan's net pension liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

1% Decrease (6.0%)	\$ (377,902)
Current discount rate (7.0%)	\$ (833,474)
1% Increase (8.0%)	\$ (1,229,981)

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

LAND LEASE AGREEMENT

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

RISK MANAGEMENT

Due to the nature of activities in which Town employees are involved, from time to time, legal matters may arise. The Town maintains insurance coverage for such potential liabilities. Management believes such coverage is sufficient to preclude any uninsured losses to the Town.

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

CONTINGENT LIABILITIES

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

FAIR VALUE MEASUREMENTS

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

The fair value hierarchy for assets measured at fair value on a recurring basis as of September 30, 2022 is as follows:

	Fair value using:		
	Level 1	Level 2	Level 3
Corporate bonds	\$	\$ 289,749	\$

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

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

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

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

SUBSEQUENT EVENTS

The Town is working on improving the drainage on Magnolia Street. The project is being funded with State Bond Bills of \$300,000 and \$575,000, Department of Natural Resources RC&D funds of \$135,000, and Department of Natural Resources ORPT grants of \$100,000 and \$150,000. The project has begun and two reimbursement requests for \$423,500 have been submitted and one is awaiting approval.

The Town was awarded a grant of \$1,626,130 under the American Rescue Plan Act of 2021 Coronavirus Local Fiscal Recovery Funds (CLFRF). The Town received the second installment of \$813,065 in June 2022. Eligible uses of these funds include lost revenue replacement, COVID-19 expenditures or negative economic impact programs, premium pay for essential workers, and investments in certain infrastructure. The only funds spent to date are for legal fees of \$6,343 for assistance with reporting requirements.

The Town was awarded a \$310,043 Sussex County Realty Transfer Tax grant. The Town match required is \$210,043. This grant is to provide the citizens with safe and accessible transportation. Projects will be related to Americans with Disabilities Act (ADA) improvements to ramps and crosswalks, pedestrian connectivity enhancements, and street resurfacing or rehabilitation. The grant must be spent by June 30, 2023.

NEW GASB PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the year ended September 30, 2022, that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the new standards may have on the financial statements.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for the year ending September 30, 2023. This statement changes the reporting and accounting for software subscription payments.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, will be effective for the City beginning with the year ending September 30, 2023. This statement changes the reporting and accounting of component units.

GASB Statement No. 101, *Compensated Absences*, will be effective for the City beginning with the year ending September 30, 2025. This statement updates the recognition and measurement guidance for compensated absences.

REQUIRED SUPPLEMENTARY INFORMATION

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

YEAR ENDED SEPTEMBER 30, 2022

	Budget		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Real estate taxes	\$ 1,226,000	\$ 1,226,000	\$ 1,262,676	\$ 36,676
Transfer taxes	315,000	417,500	774,115	356,615
Licenses and permits	412,000	412,000	383,614	(28,386)
Community impact fees			63,372	63,372
Intergovernmental revenues	718,200	734,896	1,542,410	807,514
Charges for services	312,615	312,815	267,542	(45,273)
Fines and forfeitures	46,500	46,500	52,191	5,691
Earnings (losses) on investments	8,500	8,500	(18,032)	(26,532)
Miscellaneous	16,500	16,900	47,400	30,500
Total revenues	<u>3,055,315</u>	<u>3,175,111</u>	<u>4,375,288</u>	<u>1,200,177</u>
EXPENDITURES				
Current				
General government	571,485	639,530	585,734	53,796
Public safety	1,159,405	1,197,239	1,942,224	(744,985)
Public works	253,425	266,555	284,402	(17,847)
Parks and recreation	96,035	105,565	109,242	(3,677)
Code enforcement	372,385	360,450	331,760	28,690
Debt service			4,337	(4,337)
Capital outlay	981,050	944,465	762,692	181,773
Total expenditures	<u>3,433,785</u>	<u>3,513,804</u>	<u>4,020,391</u>	<u>(506,587)</u>
Excess of revenues over (under) expenditures	<u>(378,470)</u>	<u>(338,693)</u>	<u>354,897</u>	<u>693,590</u>
OTHER FINANCING SOURCES				
Proceeds from sale of assets			400	400
Transfer tax reserve	279,150	279,150		(279,150)
Prior year surplus	100,000	60,000		(60,000)
Total other financing sources	<u>379,150</u>	<u>339,150</u>	<u>400</u>	<u>(338,750)</u>
Net change in fund balance	<u>\$ 680</u>	<u>\$ 457</u>	<u>\$ 355,297</u>	<u>\$ 354,840</u>

TOWN OF MILTON, DELAWARE

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE TOWN'S PROPORTIONATE
SHARE OF THE NET PENSION (ASSET) LIABILITY**

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

Fiscal Year/ Measurement Date	Town's	Town's	Town's	Town's	Plan fiduciary as a percentage of total pension liability
	proportion of the net pension liability	share of the net pension liability (asset)	covered employee payroll	proportionate percentage of covered payroll	
County & Municipal Police and Firefighters' Pension Plan					
2015/2014	0.521600%	\$ (56,430)	\$ 392,497	-14%	104.5%
2016/2015	0.436000%	(22,978)	383,128	-6%	102.0%
2017/2016	0.424300%	67,438	472,936	14%	94.7%
2018/2017	0.459300%	46,307	495,567	9%	97.0%
2019/2018	0.479000%	110,315	498,486	22%	94.1%
2020/2019	0.467500%	134,289	489,826	27%	93.3%
2021/2020	0.367900%	56,545	547,222	10%	96.7%
2022/2021	0.433800%	(596,903)	671,711	-89%	128.2%
County and Municipal Other Employees' Pension Plan					
2015/2014	1.3250%	\$ (4,878)	\$ 378,200	-1%	101.8%
2016/2015	1.3600%	580	363,868	0%	99.9%
2017/2016	1.1416%	70,728	415,983	17%	86.4%
2018/2017	1.0762%	69,731	506,268	14%	87.6%
2019/2018	1.2417%	39,076	511,887	8%	94.4%
2020/2019	1.2374%	56,685	553,218	10%	92.7%
2021/2020	1.1116%	23,604	616,567	4%	96.9%
2022/2021	1.1295%	(236,571)	713,963	-33%	127.6%

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

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

DELAWARE PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(UNAUDITED)

Fiscal Year	Contractually required contribution	Actual contribution	Contribution deficiency (excess)	Town's covered payroll	Actual contribution as a percentage of covered payroll
<u>County & Municipal Police and Firefighters' Pension Plan</u>					
2015	\$ 53,639	\$ (53,639)	\$	\$ 392,497	-14%
2016	43,892	(43,892)		383,128	-11%
2017	42,809	(42,809)		472,936	-9%
2018	51,968	(51,968)		495,567	-10%
2019	45,428	(45,428)		498,486	-9%
2020	68,939	(68,939)		489,826	-14%
2021	56,495	(56,495)		547,222	-10%
2022	69,788	(69,788)		671,711	-10%
<u>County and Municipal Other Employees' Pension Plan</u>					
2015	\$ 26,756	\$ (26,756)	\$	\$ 378,200	-7%
2016	26,133	(26,133)		363,868	-7%
2017	23,714	(23,714)		415,983	-6%
2018	27,057	(27,057)		506,268	-5%
2019	35,088	(35,088)		511,887	-7%
2020	40,070	(40,070)		553,218	-7%
2021	39,662	(39,662)		616,567	-6%
2022	42,708	(42,708)		713,963	-6%

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

TOWN OF MILTON, DELAWARE

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

SEPTEMBER 30, 2022

Changes in benefit terms:

There were no benefit changes during the year.

Changes in assumptions:

Discount rates remained unchanged at 7.0%.

Method and assumptions used in calculations of actuarially determined contributions for the plan years ended June 30, 2021 and 2020:

Actuarial	Entry age normal.	
Remaining amortization period	Open 10-year level percent of payroll; 8 years remaining	
Asset valuation model	Five year smoothed market.	
Inflation	2021	2.50%
	2020	2.50%
Salary increases	2021	2.5% plus merit
	2020	2.5% plus merit
Investment rate of return	2021	7.0%
	2020	7.0%
Retirement age	<i>Police and Firefighters Plan</i> : Age 62 with 5 years of service; age plus credited service (but not less than 10 years) equals 75; or 20 years of credited service. <i>County and Municipal Other Employees Plan</i> : Age 62 with five years of credited service; age 60 with 15 years of credited service; or after 30 years of credited service.	
Mortality	RP-2014 mortality tables with gender adjustments for healthy annuitants and disabled retirees and an adjusted version on MP-2015 mortality improvement scale on a fully generational basis.	

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MARYLAND ASSOCIATION OF
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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Mayor and Council
 Town of Milton, Delaware

Report on Supplementary Information

Our report on our audit of the financial statements that collectively comprise the Town of Milton, Delaware's basic financial statements appears on pages one through three. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Milton, Delaware's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Matter

The prior year summarized comparative information has been derived from the Town's 2021 and 2020 financial statements and, in our reports dated January 28, 2022 and February 19, 2021 we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities and each major fund.

PKS & Company, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
 January 8, 2023

TOWN OF MILTON, DELAWARE
SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021 AND 2020)

	<u>2022</u>	<u>2021</u>	<u>2020</u>
REVENUES			
Real estate taxes	\$ 1,262,676	\$ 1,217,667	\$ 1,116,240
Transfer taxes	774,115	699,719	474,018
Licenses and permits	383,614	447,439	428,634
Community impact fees	63,372		
Intergovernmental revenues	1,542,410	235,594	311,783
Charges for services	267,542	343,067	268,680
Fines and forfeitures	52,191	57,713	29,608
Earnings (losses) on investments	(18,032)	611	19,728
Miscellaneous	47,400	18,057	11,306
Total revenues	<u>4,375,288</u>	<u>3,019,867</u>	<u>2,659,997</u>
EXPENDITURES			
Current			
General government	585,734	538,437	439,955
Public safety	1,942,224	952,714	844,340
Public works (streets)	284,402	375,248	237,641
Parks and recreation	109,242	93,442	170,885
Code enforcement	331,760	286,356	291,595
Debt service	4,337		
Capital outlay	762,692	164,011	519,720
Total expenditures	<u>4,020,391</u>	<u>2,410,208</u>	<u>2,504,136</u>
Excess revenues over expenditures	354,897	609,659	155,861
OTHER FINANCING SOURCES			
Proceeds from sale of assets	<u>400</u>		<u>28,429</u>
Net change in fund balance	<u>\$ 355,297</u>	<u>\$ 609,659</u>	<u>\$ 184,290</u>

TOWN OF MILTON, DELAWARE
SCHEDULE OF REVENUES AND EXPENSES
UTILITIES FUND
YEAR ENDED SEPTEMBER 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021 AND 2020)

	2022	2021	2020
OPERATING REVENUES			
Water service charges	\$ 690,276	\$ 656,675	\$ 601,018
Trash service charges	377,040	352,397	335,818
Tapping fees	21,000	24,000	22,500
Sales of meters	56,480	74,358	55,524
Operating grants	3,021	15,842	19,124
Penalties	11,954	10,546	4,105
Other	22,243	37,676	20,299
Total operating revenues	<u>1,182,014</u>	<u>1,171,494</u>	<u>1,058,388</u>
OPERATING EXPENSES			
Salaries and labor	289,864	242,281	215,319
Payroll taxes	18,544	15,810	14,060
Pension	(9,788)	15,330	14,646
Employee benefits	50,791	48,595	41,425
Uniforms	3,896	2,399	2,526
Utilities	38,276	28,821	25,264
Trash removal	346,736	325,613	321,162
Telephone	6,133	5,126	4,354
Gas and oil	14,459	8,129	7,185
Repairs and maintenance	86,683	110,140	99,438
Operating supplies	74,476	65,021	106,621
Professional fees	38,946	10,095	49,340
Insurance	19,989	18,087	19,085
Miscellaneous	17,185	17,181	21,063
Depreciation	114,029	100,207	105,892
Total operating expenses	<u>1,110,219</u>	<u>1,012,835</u>	<u>1,047,380</u>
Operating income	<u>71,795</u>	<u>158,659</u>	<u>11,008</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest income	73	269	733
Debt service fees	64,838	63,223	62,016
Interest expense	(29,153)	(16,005)	(14,986)
Net non-operating revenues	<u>35,758</u>	<u>47,487</u>	<u>47,763</u>
Income before contributions	107,553	206,146	58,771
Capital contributions - impact fees	<u>68,000</u>	<u>104,000</u>	<u>90,000</u>
Change in net position	<u>\$ 175,553</u>	<u>\$ 310,146</u>	<u>\$ 148,771</u>

***GOVERNMENT AUDITING STANDARDS* REPORT**

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

To the Mayor and Council
 Town of Milton, Delaware

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund of the Town of Milton, Delaware as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated January 8, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town'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.

Report on Internal Control over Financial Reporting (continued)

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PKS & Company, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
January 8, 2023

UNIFORM GUIDENCE REPORTS



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INDEPENDENT AUDITORS' REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the Mayor and Council and Town Manager
Town of Milton, Delaware

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund, of the Town of Milton, Delaware as of and for the year ended September 30, 2022, and the related notes to the financial statements that collectively comprise the Town of Milton, Delaware's basic financial statements. We have issued our report thereon dated January 8, 2023 which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

PKS & Company, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
January 8, 2023

TOWN OF MILTON, DELAWARE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2022

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Total Award	Federal Expenditures	Cluster Name	Cluster Total
U.S. Environmental Protection Agency						
Pass through Delaware Department of Health and Social Services, Division of Public Health						
Capitalization Grants for Drinking Water State Revolving Funds	66.468	210.97	\$ 1,670,000	\$ 1,670,000	Drinking Water State Revolving Fund	\$ 1,670,000
U.S. Department of the Treasury						
Coronavirus State and Local Fiscal Recovery Funds	COVID-19 21.027	direct	1,626,130	6,343		
U.S. Department of Justice						
Pass through Delaware Criminal Justice Center						
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.738		15,651	15,651		
Total expenditures of federal awards			\$ 3,311,781	\$ 1,691,994		

See accompanying notes to schedule of expenditures of federal awards.

TOWN OF MILTON, DELAWARE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SEPTEMBER 30, 2022

BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Town of Milton, Delaware under programs of the federal government for the year ended September 30, 2022. The information presented in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes in assets, or cash flows of the Town.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.

The Town provided no federal funds to subrecipients during the year.

The Town has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

LOANS

For purposes of the schedule of expenditures of Federal awards, the value of Federal expenditures in the form of loans is calculated as the sum of the balance of loans from previous years for which the Federal Government imposes continuing compliance requirements plus the value of new loans received during the fiscal year.

The amount of Federal loans with continuing compliance requirements that were outstanding at September 30, 2022 was \$1,151,410.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

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To the Mayor and Council and Town Manager
Town of Milton, Delaware

Report on Compliance for Each Major Federal Program

Opinion on Each Major Program

We have audited the Town of Milton, Delaware's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of Milton, Delaware's major federal programs for the year ended September 30, 2022. The Town of Milton, Delaware's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town of Milton, Delaware complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Town of Milton, Delaware and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Town of Milton, Delaware's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Town of Milton, Delaware's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Town of Milton, Delaware's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Town of Milton, Delaware's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Town of Milton, Delaware's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Town of Milton, Delaware's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Town of Milton, Delaware's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

PKS & Company, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
January 8, 2023

TOWN OF MILTON, DELAWARE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2022

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	<u>Unmodified</u>	
Internal control over financial reporting:		
• Material weakness(es) identified?	<u> </u> Yes	<u> x </u> No
• Significant deficiency(ies) identified?	<u> </u> Yes	<u> x </u> None reported
Noncompliance material to the financial statements noted?		
	<u> </u> Yes	<u> x </u> No

Federal Awards

Internal control over major federal programs:		
• Material weakness(es) identified?	<u> </u> Yes	<u> x </u> No
• Significant deficiency(ies) identified?	<u> </u> Yes	<u> x </u> None reported
Type of auditors' reported issued on compliance for major federal programs		
	<u>Unmodified</u>	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?		
	<u> </u> Yes	<u> x </u> No

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
66.468	Capitalization Grants for Drinking Water State Revolving Funds

Dollar threshold used to distinguish between type A and type B Programs	\$750,000
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Auditee qualified as a low-risk auditee?	<u> </u> Yes	<u> x </u> No
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B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR AWARD PROGRAMS AUDIT

None

TOWN OF MILTON, DELAWARE
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2022

FINDINGS – FINANCIAL STATEMENTS AUDIT

There were no audit findings for the Town of Milton, Delaware for the year ended September 30, 2021.

FINDINGS AND QUESTIONED COSTS – MAJOR AWARDS PROGRAMS AUDIT

An audit in accordance with Uniform Guidance was not required for the year ended September 30, 2021. Therefore, there are no prior year findings to report.