

TOWN OF MILTON, DELAWARE

FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

TOWN OF MILTON, DELAWARE

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INDEPENDENT AUDITORS' REPORT

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ALLNIAL GLOBAL

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, 2023, 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, 2023, 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the 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 is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate

Required Supplementary Information (continued)

operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2024, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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
February 5, 2024

TOWN OF MILTON, DELAWARE
MANAGEMENT’S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023

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, 2023. 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, 2023

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 \$13.3 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, leased equipment and software, 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, ARPA grant, and law enforcement grants received and restricted to certain expenditures.

TOWN OF MILTON, DELAWARE
MANAGEMENT’S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023

Net Position

As of September 30, 2023, the Town’s net position was \$13,330,000. Of this amount, \$5,675,000 was the net investment in capital assets, \$3,954,000 was restricted, and \$3,701,000 was unrestricted.

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

Table 1
Town of Milton's Net Position
(in thousands of dollars)

	2023			2022		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Assets						
Current and other assets	\$ 7,985	\$ 1,818	\$ 9,803	\$ 9,251	\$ 2,009	\$ 11,260
Capital assets, net	4,023	4,039	8,062	2,061	4,086	6,147
Total assets	12,008	5,857	17,865	11,312	6,095	17,407
Deferred outflows of resources	353	43	396	197	27	224
Liabilities						
Current and other liabilities	570	233	803	483	668	1,151
Long term liabilities	86	2,267	2,353	45	1,960	2,005
Total liabilities	656	2,500	3,156	528	2,628	3,156
Deferred inflows of resources	1,767	8	1,775	2,920	91	3,011
Net position						
Net investment in capital assets	3,944	1,731	5,675	2,047	2,047	4,094
Restricted	3,100	854	3,954	3,265	745	4,010
Unrestricted	2,894	807	3,701	2,749	611	3,360
Total net position	\$ 9,938	\$ 3,392	\$ 13,330	\$ 8,061	\$ 3,403	\$ 11,464

Change in Net Position

Net position for the period ending September 30, 2023 increased by \$1,866,000. This is a result of governmental activity net position increasing by \$1,877,000 and business-type net position decreasing by \$11,000.

TOWN OF MILTON, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023

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)

	2023			2022		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenues						
Program revenues						
Charges for services	\$ 821	\$ 1,224	\$ 2,045	\$ 636	\$ 1,179	\$ 1,815
Operating grants and contributions	395	84	479	1,097	68	1,165
Capital grants and contributions	1,367	104	1,471	461	68	529
General revenues						
Property and transfer taxes	2,167		2,167	2,011		2,011
Community impact fees	78		78	63		63
Miscellaneous revenues	89		89	100		100
Unrestricted investment earnings (losses)	61	6	67	(18)		(18)
Total revenues	4,978	1,418	6,396	4,350	1,315	5,665
Expenses						
General government	626		626	596		596
Public safety	1,371		1,371	1,830		1,830
Public works	611		611	320		320
Code enforcement	349		349	326		326
Parks and recreation	144		144	122		122
Utilities		1,429	1,429		1,140	1,140
Total expenses	3,101	1,429	4,530	3,194	1,140	4,334
Change in net position	\$ 1,877	\$ (11)	\$ 1,866	\$ 1,156	\$ 175	\$ 1,331

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

General fund

For the fiscal year ended September 30, 2023, the Town had an decrease in the general fund balance of \$143,000 compared to an increase of \$355,000 in the prior year. The general fund balance as of September 30, 2023 was \$5,680,000. Of this amount, \$3,481,000 is restricted, committed, assigned, or non-spendable leaving an unassigned balance of \$2,199,000. A detailed comparison with the prior two years is shown on page 45.

TOWN OF MILTON, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023

General fund (Continued)

Total revenues were \$4,961,000 which is an increase of \$586,000 or 13% over the prior year. Significant changes from the prior year include:

- Real estate taxes increased \$230,000 due to an increase in the approved tax rate and assessable base.
- Licenses and permits increased \$146,000 due to a increase in construction permits issued during the year compared to prior year.
- The Town had a gain on investments of \$61,000 during the year. This is a \$79,000 increase compared to a prior year loss of \$18,000.

Total expenditures were \$5,164,000 which is an increase of \$1,144,000 or 28% over the prior year. Significant changes include:

- Capital outlay expenditures increased by \$1,367,000 due to the Magnolia Drainage Project, two police vehicles, Chestnut Crossing Infrastructure Project, ADA Compliance Project, a snowplow, and a mini excavator.
- Public works expenditures increased by \$252,000 due to the Stormwater Management Study and paving and signage.

Utilities Fund

The utilities fund had an operating loss of \$140,000 and a decrease in net position of \$11,000 for the year ended September 30, 2023 compared to operating income of \$72,000 and an increase in net position of \$175,000 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 \$60,000 due to an increase in trash charges and sales of meters.
- Operating expenses increased \$272,000 due to increases in repairs and maintenance, operating supplies, and professional fees.
- Impact fees of \$104,000 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 \$356,000 to \$840,000. The Town used the budgeted reserves to cover this deficit.

TOWN OF MILTON, DELAWARE
MANAGEMENT’S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023

BUDGETARY HIGHLIGHTS (Continued)

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 \$231,000 due to favorable variances in transfer taxes and licenses and permits.
- Total general fund expenditures were under the final budget by \$405,000 due to a favorable variance in capital outlay.

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, 2023 was \$8,062,000 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, furniture and fixtures, leased equipment and software, vehicles and water systems.

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

Governmental Activities:

- Mini Excavator for \$60,000,
- Wharton Street/Chestnut Street, Broad Street/Union Street, and Mulberry Street/Federal Street ADA Compliance Project for \$294,000,
- 2022 Ford F-250 with a snowplow for \$41,000,
- Chestnut Crossing Infrastructure Maintenance Project for \$324,000, and
- Magnolia Street Drainage Project for \$1,829,000.

Business-type Activities:

- Atlantic Avenue and a portion of Chestnut Street and Atlantic Street Water System Improvements for \$1,632,000.
- Federal Street Well & Water Improvements Project for \$39,000,
- Vacuum Excavator for \$56,000, and
- Water Main Improvement Project for \$160,000.

TOWN OF MILTON, DELAWARE
MANAGEMENT’S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023

Capital Assets (Continued)

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

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 467	\$ 467	\$	\$	\$ 467	\$ 467
Construction in progress		580	39	1,721	39	2,301
Buildings and improvements	435	476	3,861	2,269	4,296	2,745
Machinery and equipment	106	49	108	66	214	115
Leased equipment and software	90	13			90	13
Streets and sidewalks	2,734	353			2,734	353
Vehicles	191	123	31	30	222	153
Total net capital assets	\$ 4,023	\$ 2,061	\$ 4,039	\$ 4,086	\$ 8,062	\$ 6,147

CAPITAL ASSETS AND LONG-TERM DEBT

Long-Term Debt

At year-end, the Town had \$2,309,000 in notes payable in the enterprise fund. The Town drew down \$359,000 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.

CURRENTLY KNOWN FACTS, DECISION, OR CONDITIONS

The Town awarded a contract for the Federal Street Well Project to A.C. Shultes in the amount of \$106,875. This award is for the purpose of providing funds to install a new well on Federal Street. The contract is funded by ARPA money.

The Town has approved a resolution to borrow up to \$6,214,000 for water infrastructure projects through the Delaware Drinking Water State Revolving Fund. The referendum is scheduled to be held on January 27, 2024.

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, 2023

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash	\$ 2,622,446	\$ 489,759	\$ 3,112,205
Investments, at fair value	302,042		302,042
Taxes receivable	26,251		26,251
Accounts receivable, net of allowance	49,132	346,773	395,905
Grants receivable	141,880	16,355	158,235
Internal balances	(22,296)	22,296	
Inventory		76,251	76,251
Prepaid expenses	44,724	8,954	53,678
Restricted cash	4,765,262	854,597	5,619,859
Total current assets	7,929,441	1,814,985	9,744,426
Noncurrent assets			
Capital assets, net of accumulated depreciation	4,022,569	4,039,601	8,062,170
Net pension asset	55,716	2,725	58,441
Total noncurrent assets	4,078,285	4,042,326	8,120,611
Total assets	12,007,726	5,857,311	17,865,037
DEFERRED OUTFLOWS OF RESOURCES			
Deferred financing outflows - retirement	352,600	43,023	395,623
LIABILITIES			
Current liabilities			
Current portion of notes and leases payable	23,109	42,802	65,911
Current portion of accrued compensated absences	85,607	20,315	105,922
Accounts payable	407,891	123,550	531,441
Accrued wages and payroll taxes	53,233	12,451	65,684
Accrued interest payable		17,720	17,720
Prepaid service charges		16,406	16,406
Total current liabilities	569,840	233,244	803,084
Noncurrent liabilities			
Notes and leases payable, less current portion	55,842	2,265,843	2,321,685
Accrued compensated absences, less current portion	30,268	1,177	31,445
Total noncurrent liabilities	86,110	2,267,020	2,353,130
Total liabilities	655,950	2,500,264	3,156,214
DEFERRED INFLOWS OF RESOURCES			
Deferred grants	1,665,703		1,665,703
Deferred financing inflows - retirement	101,264	7,740	109,004
Total deferred inflows of resources	1,766,967	7,740	1,774,707
NET POSITION			
Net investment in capital assets	3,943,618	1,730,956	5,674,574
Restricted	3,099,556	854,597	3,954,153
Unrestricted	2,894,235	806,777	3,701,012
Total net position	\$ 9,937,409	\$ 3,392,330	\$ 13,329,739

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

TOWN OF MILTON, DELAWARE

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2023

FUNCTIONS/PROGRAMS GOVERNMENTAL ACTIVITIES	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
General government	\$ 626,032	\$ 15,514	\$	\$ (610,518)	\$	\$ (610,518)
Public safety	1,371,315	101,607	130,000	(999,074)		(999,074)
Public works	610,717	93,864	1,236,726	951,413		951,413
Code enforcement	349,456	596,859		247,403		247,403
Parks and recreation	143,816	13,025		(107,505)		(107,505)
Total governmental activities	3,101,336	820,869	1,366,726	(518,281)		(518,281)
BUSINESS-TYPE ACTIVITIES						
Utilities	1,429,356	1,224,234	104,000		(16,872)	(16,872)
Total	4,530,692	2,045,103	1,470,726	(518,281)	(16,872)	(535,153)
GENERAL REVENUES						
Real estate taxes	1,508,632					1,508,632
Transfer taxes	658,735					658,735
Franchise fees	85,429					85,429
Community impact fees	771,768					771,768
Unrestricted investment earnings	60,818				5,962	66,780
Gain on sale of assets	1,070					1,070
Miscellaneous	2,495					2,495
Total general revenues	2,394,947				5,962	2,400,909
Change in net position	1,876,666				(10,910)	1,865,756
NET POSITION, BEGINNING OF YEAR						
	8,060,743				3,403,240	11,463,983
NET POSITION, END OF YEAR						
	\$ 9,937,409				\$ 3,392,330	\$ 13,329,739

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

TOWN OF MILTON, DELAWARE

**BALANCE SHEET
GOVERNMENTAL FUND**

SEPTEMBER 30, 2023

ASSETS

	<u>General Fund</u>
Cash	\$ 2,622,446
Investments, at fair value	302,042
Taxes receivable	26,251
Accounts receivable, net of allowance	49,132
Grants receivable	141,880
Prepaid insurance	44,724
Restricted cash	<u>4,765,262</u>
Total assets	<u><u>\$ 7,951,737</u></u>

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

LIABILITIES

Accounts payable	\$ 407,891
Accrued wages and payroll taxes	53,233
Accrued compensated absences	85,607
Due to other funds	<u>22,296</u>
Total liabilities	<u>569,027</u>

DEFERRED INFLOWS OF RESOURCES

Deferred property taxes and grants	<u>1,702,721</u>
------------------------------------	------------------

FUND BALANCE

Non-spendable	44,724
Restricted	3,099,556
Committed	112,359
Assigned	224,326
Unassigned	<u>2,199,024</u>
Total fund balance	<u>5,679,989</u>

Total liabilities, deferred inflows of resources, and fund balance \$ 7,951,737

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, 2023

Total fund balance, governmental fund	\$ 5,679,989
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.	4,022,569
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	352,600
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	(30,268)
Deferred financing inflows - retirement	(101,264)
Leases payable	(78,951)
Net pension asset	55,716
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>37,018</u>
Net position, governmental activities	<u><u>\$ 9,937,409</u></u>

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, 2023

	General Fund
REVENUES	
Real estate taxes	\$ 1,492,500
Transfer taxes	658,735
Licenses and permits	529,164
Community impact fees	77,768
Intergovernmental revenues	1,661,447
Charges for services	289,118
Fines and forfeitures	72,422
Earnings on investments	60,818
Miscellaneous	118,832
Total revenues	<u>4,960,804</u>
EXPENDITURES	
Current	
General government	626,514
Public safety	1,344,875
Public works	535,923
Parks and recreation	123,187
Code enforcement	377,255
Debt service	27,043
Capital outlay	2,129,412
Total expenditures	<u>5,164,209</u>
Excess of revenues under expenditures	<u>(203,405)</u>
OTHER FINANCING SOURCES	
Proceeds from sale of assets	1,070
Proceeds from long-term debt	59,529
Total other financing sources	<u>60,599</u>
Change in fund balance	(142,806)
FUND BALANCE, BEGINNING OF YEAR	<u>5,822,795</u>
FUND BALANCE, END OF YEAR	<u>\$ 5,679,989</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, 2023

Change in fund balance, governmental fund \$ (142,806)

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	2,129,412	
Depreciation expense	<u>(199,420)</u>	
		1,929,992

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	5,543
Change in deferred financing outflows - retirement	155,530
Change in net pension asset	(684,031)

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	25,357
------------------------------	--------

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 and grants	16,131
Change in deferred financing inflows - retirement	630,479

Governmental funds report loan proceeds as a revenue. In contrast, the Statement of Activities treats such proceeds as an increase in long-term liabilities.

	<u>(59,529)</u>
Change in net position, governmental activities	<u><u>\$ 1,876,666</u></u>

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

TOWN OF MILTON, DELAWARE

**STATEMENT OF NET POSITION
PROPRIETARY FUND**

SEPTEMBER 30, 2023

	<u>Utilities Fund</u>
ASSETS	
Current assets	
Cash	\$ 489,759
Accounts receivable, net of allowance	346,773
Grants receivable	16,355
Due from other funds	22,296
Inventory	76,251
Prepaid expenses	8,954
Restricted cash	854,597
Total current assets	<u>1,814,985</u>
Noncurrent assets	
Capital assets, net of accumulated depreciation	4,039,601
Net pension asset	2,725
Total noncurrent assets	<u>4,042,326</u>
Total assets	<u>5,857,311</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred financing outflows - retirement	<u>43,023</u>
LIABILITIES	
Current liabilities	
Current portion of notes payable	42,802
Current portion of accrued compensated absences	20,315
Accounts payable	123,550
Accrued wages and payroll taxes	12,451
Accrued interest payable	17,720
Prepaid service charges	16,406
Total current liabilities	<u>233,244</u>
Noncurrent liabilities	
Notes payable, less current portion	2,265,843
Accrued compensated absences, less current portion	1,177
Total noncurrent liabilities	<u>2,267,020</u>
Total liabilities	<u>2,500,264</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred financing inflows - retirement	<u>7,740</u>
NET POSITION	
Net investment in capital assets	1,730,956
Restricted	854,597
Unrestricted	806,777
Total net position	<u>\$ 3,392,330</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, 2023

	<u>Utilities Fund</u>
OPERATING REVENUES	
Water service charges	\$ 659,151
Trash service charges	412,720
Tapping fees	30,500
Sales of meters	92,359
Operating grants	18,137
Penalties	10,259
Other	19,245
Total operating revenues	1,242,371
OPERATING EXPENSES	
Salaries and labor	303,464
Payroll taxes	22,116
Pension	7,538
Employee benefits	37,547
Uniforms	6,069
Utilities	44,078
Trash removal services	357,318
Telephone	5,937
Gas and oil	11,862
Repairs and maintenance	218,719
Operating supplies	123,074
Professional fees	57,031
Insurance	19,521
Miscellaneous	21,220
Depreciation	146,830
Total operating expenses	1,382,324
Operating loss	(139,953)
NON-OPERATING REVENUES (EXPENSES)	
Interest income	5,962
Debt service fees	66,113
Interest expense	(47,032)
Net non-operating revenues	25,043
Loss before contributions	(114,910)
Capital contributions - impact fees	104,000
Change in net position	(10,910)
NET POSITION, BEGINNING OF YEAR	3,403,240
NET POSITION, END OF YEAR	\$ 3,392,330

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, 2023

	Utilities Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 1,249,350
Payments to suppliers	(1,283,021)
Payments to employees	(387,647)
	(421,318)
Net cash used by operating activities	(421,318)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(100,112)
Debt service fees	66,113
Proceeds on notes payable	358,693
Principal paid on notes payable	(89,445)
Interest paid on notes payable	(41,117)
Capital contributions - impact fees	104,000
	298,132
Net cash provided by capital and related financing activities	298,132
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Interfund borrowings	(161,587)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	5,962
Net decrease in cash	(278,811)
CASH, BEGINNING OF YEAR	1,623,167
CASH, END OF YEAR	\$ 1,344,356
RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	\$ (139,953)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation	146,830
Change in deferred outflows and inflows	(98,962)
(Increase) decrease in assets	
Accounts receivable	3,907
Grants receivable	(13,334)
Inventory	(9,340)
Prepaid expenses	2,199
Net pension asset (liability)	91,002
Increase (decrease) in liabilities	
Accounts payable and accrued expenses	(420,073)
Prepaid service charges	16,406
	(421,318)
Net cash used by operating activities	\$ (421,318)
RECONCILIATION OF CASH TO THE STATEMENT OF NET POSITION	
Cash - unrestricted	\$ 489,759
Cash - restricted	854,597
Total cash on the Statement of Cash Flows	\$ 1,344,356

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

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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, 2023

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, 2023

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, 2023

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, 2023 are as follows:

	Cost	Fair Value	Unrealized Loss
Corporate bonds	\$ 319,574	\$ 302,042	\$ (17,532)

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, 2023 were \$12,043 and \$265, respectively.

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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, 2023

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
Subscription assets	Life of agreement

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, 2023

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. 96, *Subscription Based Information Technology Arrangements*

Effective October 1, 2022, the Town adopted the new lease accounting guidance in GASB Statement No. 96, *Subscription Based Information Technology Arrangements*. The new guidance requires recognition of a subscription asset and corresponding liability to be recognized for any subscription-based information technology arrangements with software vendors with a term longer than 12 months. As a result of the adoption of the new guidance, the Town recognized the following as of October 1, 2022:

- a) Subscription leases payable of \$31,527, which represents the present value of the remaining lease payments.
- b) Subscription assets which represent the original lease payable of \$45,897 less accumulated amortization of \$14,370.

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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, 2023, \$8,443,444 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, 2023

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	579,510	1,543,282	2,122,792	
Total capital assets not being depreciated	<u>1,045,994</u>	<u>1,543,282</u>	<u>2,122,792</u>	<u>466,484</u>
<i>Capital assets being depreciated</i>				
Building	818,691			818,691
Other improvements	1,148,857	6,706		1,155,563
Machinery and equipment	571,981	71,251	88,672	554,560
Leased equipment and software	65,643	59,529		125,172
Street and sidewalks	537,114	2,446,818		2,983,932
Vehicles	406,415	124,619	26,868	504,166
Total capital assets being depreciated	<u>3,548,701</u>	<u>2,708,923</u>	<u>115,540</u>	<u>6,142,084</u>
Less accumulated depreciation for:				
Building	468,420	24,976		493,396
Other improvements	1,022,094	23,459		1,045,553
Machinery and equipment	522,566	14,995	88,672	448,889
Leased equipment and software	21,051	14,120		35,171
Street and sidewalks	184,590	65,175		249,765
Vehicles	283,398	56,695	26,868	313,225
Total accumulated depreciation	<u>2,502,119</u>	<u>199,420</u>	<u>115,540</u>	<u>2,585,999</u>
Total capital assets being depreciated, net	<u>1,046,582</u>	<u>2,509,503</u>		<u>3,556,085</u>
Capital assets, net	<u>\$ 2,092,576</u>	<u>\$ 4,052,785</u>	<u>\$ 2,122,792</u>	<u>\$ 4,022,569</u>

*The beginning balances have been updated for the implementation of GASB Statement No. 96, *Subscription Based Information Technology Arrangements*.

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

CAPITAL ASSETS (Continued)

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

Governmental activities:	
General government	\$ 28,496
Public safety	65,520
Public works	80,112
Code enforcement	4,184
Parks and recreation	<u>21,108</u>
Total governmental activities	<u>\$ 199,420</u>

Business-type activities:	Beginning Balance	Increases	Decreases	Ending Balance
<i>Capital assets not being depreciated</i>				
Construction in progress	\$ 1,720,913	\$ 40,620	\$ 1,722,675	\$ 38,858
Total capital assets not being depreciated	<u>1,720,913</u>	<u>40,620</u>	<u>1,722,675</u>	<u>38,858</u>
<i>Capital assets being depreciated</i>				
Improvements	3,766,741	1,719,648		5,486,389
Machinery and equipment	569,918	56,000		625,918
Vehicles	235,501	6,519		242,020
Total capital assets being depreciated	<u>4,572,160</u>	<u>1,782,167</u>		<u>6,354,327</u>
Less accumulated depreciation for:				
Improvements	1,497,498	127,671		1,625,169
Machinery and equipment	503,379	13,956		517,335
Vehicles	205,877	5,203		211,080
Total accumulated depreciation	<u>2,206,754</u>	<u>146,830</u>		<u>2,353,584</u>
Total capital assets being depreciated, net	<u>2,365,406</u>	<u>1,635,337</u>		<u>4,000,743</u>
Capital assets, net	<u>\$ 4,086,319</u>	<u>\$ 1,675,957</u>	<u>\$ 1,722,675</u>	<u>\$ 4,039,601</u>

Construction in progress in the Utility Fund includes \$38,858 for the well and water improvement project at Federal Street.

INTEREST COST – UTILITIES FUND

During the year ended September 30, 2023, total interest incurred in the Utilities fund was \$47,032 including accrued interest of \$17,720.

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

LONG-TERM DEBT

Changes in long-term obligations for the year ended September 30, 2023 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Leases payable	\$ 44,779	\$ 59,529	\$ 25,357	\$ 78,951
Business-type activities				
Notes payable	\$ 2,039,397	\$ 358,693	\$ 89,445	\$ 2,308,645

*The beginning balances have been updated for the implementation of GASB Statement No. 96, *Subscription Based IT Arrangements*.

The following is a summary of the Town’s long-term debt as of September 30, 2023:

Governmental activities

The Town is leasing two copiers under non-cancellable lease agreements expiring in 2026. The asset and liability are recorded at the present value of the future lease payments of \$9,344. 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.

The Town entered into four equipment and software leases under non-cancellable lease agreements expiring in 2026 and 2027. The asset and liability are recorded at the present value of the future lease payments of \$69,607. 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 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.

334,909

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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%.

463,633

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.

1,510,103
\$ 2,308,645

Maturities of long-term debt as of September 30, 2023 are as follows:

Year Ending	Governmental Activities		
	Principal	Interest	Totals
2024	23,109	3,503	26,612
2025	24,140	2,447	26,587
2026	19,274	1,421	20,695
2027	12,428	572	13,000
	\$ 78,951	\$ 7,943	\$ 86,894
Business-Type Activities			
Year Ending	Principal	Interest	Totals
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	46,348	12,218	58,566
2029 - 2033	246,095	46,735	292,830
2034 - 2038	271,842	20,988	292,830
2039	57,818	503	58,321
	\$ 798,542	\$ 138,269	\$ 936,811

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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 and the Department of Treasury.

Committed fund balances consist of:

- a) \$77,074 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) \$35,285 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 2023 for which the goods or services were not received until 2024 and funds budgeted in fiscal year 2024 for the use of prior year surplus.

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, 2023. 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 \$104,000.

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, 2023

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, 2022. 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 75% 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, 2023

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 50% 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 \$62,951.

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

At September 30, 2023, the Town reported an asset in the government-wide activities of \$58,441 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2022, was determined by an actuarial valuation as of June 30, 2021. Update procedures were used to roll forward the total pension liability/asset to June 30, 2022. The actuarial assumptions were based on the most recent experience study completed during the fiscal year ended June 30, 2022. The Town's proportion of the net pension asset was based on the percentage of actual employee contributions. At June 30, 2022, the Town's proportion for the Police Plan was .4848% and for the General Plan was 1.1011%.

For the year ended September 30, 2023, the Town recognized pension expense of \$29,853. At September 30, 2023, 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, 2023

RETIREMENT AND PENSION PLANS (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 9,829	\$ 28,414
Net difference between projected and actual earnings on pension plan investments	118,074	
Differences between expected and actual experience	115,458	33,250
Changes of assumptions	26,104	47,340
Contributions subsequent to measurement date	126,158	
	\$ 395,623	\$ 109,004

The Town's contribution subsequent to the measurement date of \$126,158, reported as deferred outflows of resources, will be recognized as a reduction of the net pension asset in the year ended September 30, 2024.

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 8 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	
2024	\$ (2,507)
2025	(13,030)
2026	(1,738)
2027	182,219
2028	9,149
Thereafter	4,953
	\$ 179,046

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 2022 amounts for the General Plan and the Police Plan.

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

RETIREMENT AND PENSION PLANS (Continued)

Actuarial assumptions. The collective total pension asset for the June 30, 2022 measurement date was determined by an actuarial valuation as of June 30, 2021, and update procedures were used to roll forward the total pension asset to June 30, 2022. 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, 2022, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	31.8%	5.7%
International equity	15.0%	5.7%
Fixed income	23.6%	2.0%
Alternative investments	21.5%	7.8%
Cash and equivalents	8.1%	
Total	100%	

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

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%)	\$ 480,301
Current discount rate (7.0%)	\$ (58,441)
1% Increase (8.0%)	\$ (497,786)

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, 2023

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, 2023 is as follows:

	Fair value using:		
	Level 1	Level 2	Level 3
Corporate bonds	\$	\$ 302,042	\$

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, 2023

SUBSEQUENT EVENTS

The Town has approved a resolution to borrow up to \$6,214,000 for water infrastructure projects through the Delaware Drinking Water State Revolving Fund. The referendum is scheduled to be held on January 27, 2024.

NEW GASB PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the year ended September 30, 2023, 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. 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, 2023

	Budget		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		(Unfavorable)
REVENUES				
Real estate taxes	\$ 1,493,380	\$ 1,515,000	\$ 1,492,500	\$ (22,500)
Transfer taxes	250,000	321,000	658,735	337,735
Licenses and permits	456,250	456,250	529,164	72,914
Community impact fees	60,000	60,000	77,768	17,768
Intergovernmental revenues	1,809,494	1,974,407	1,661,447	(312,960)
Charges for services	253,390	255,280	289,118	33,838
Fines and forfeitures	48,000	48,000	72,422	24,422
Earnings on investments	5,000	10,000	60,818	50,818
Miscellaneous	16,500	89,375	118,832	29,457
Total revenues	<u>4,392,014</u>	<u>4,729,312</u>	<u>4,960,804</u>	<u>231,492</u>
EXPENDITURES				
Current				
General government	534,010	561,240	626,514	(65,274)
Public safety	1,298,195	1,341,896	1,344,875	(2,979)
Public works	400,980	567,070	535,923	31,147
Parks and recreation	99,517	162,215	123,187	39,028
Code enforcement	388,346	396,084	377,255	18,829
Debt service			27,043	(27,043)
Capital outlay	2,026,686	2,540,636	2,129,412	411,224
Total expenditures	<u>4,747,734</u>	<u>5,569,141</u>	<u>5,164,209</u>	<u>404,932</u>
Excess of revenues over (under) expenditures	<u>(355,720)</u>	<u>(839,829)</u>	<u>(203,405)</u>	<u>636,424</u>
OTHER FINANCING SOURCES				
Proceeds from sale of assets			1,070	1,070
Proceeds from long-term debt			59,529	59,529
Use of transfer tax reserve*	210,043	210,043	268,680	58,637
Use of prior year surplus*	206,900	630,000		(630,000)
Total other financing sources	<u>416,943</u>	<u>840,043</u>	<u>329,279</u>	<u>(510,764)</u>
Net change in fund balance	<u>\$ 61,223</u>	<u>\$ 214</u>	<u>\$ 125,874</u>	<u>\$ 125,660</u>

*These numbers are presented for the purposes of budget presentation.

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 proportion of the net pension liability	Town's share of the net pension liability (asset)	Town's covered employee payroll	Town's		Plan fiduciary as a percentage of total pension liability
				proportionate percentage of covered payroll	proportionate percentage of covered payroll	
<u>County & Municipal Police and Firefighters' Pension Plan</u>						
2015/2014	0.521600%	\$ (56,430)	\$ 392,497	-14%		104.5%
2016/2015	0.436000%	(22,978)	383,128	-6%		102.0%
2017/2016	0.424300%	67,438	472,936	14%		94.7%
2018/2017	0.459300%	46,307	495,567	9%		97.0%
2019/2018	0.479000%	110,315	498,486	22%		94.1%
2020/2019	0.467500%	134,289	489,826	27%		93.3%
2021/2020	0.367900%	56,545	547,222	10%		96.7%
2022/2021	0.433800%	(596,903)	671,711	-89%		128.2%
2023/2022	0.484800%	(50,968)	821,335	-6%		102.0%
<u>County and Municipal Other Employees' Pension Plan</u>						
2015/2014	1.3250%	\$ (4,878)	\$ 378,200	-1%		101.8%
2016/2015	1.3600%	580	363,868	0%		99.9%
2017/2016	1.1416%	70,728	415,983	17%		86.4%
2018/2017	1.0762%	69,731	506,268	14%		87.6%
2019/2018	1.2417%	39,076	511,887	8%		94.4%
2020/2019	1.2374%	56,685	553,218	10%		92.7%
2021/2020	1.1116%	23,604	616,567	4%		96.9%
2022/2021	1.1295%	(236,571)	713,963	-33%		127.6%
2022/2023	1.1011%	(7,473)	796,465	-1%		100.8%

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%
2023	80,884	(80,884)		821,335	-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%
2023	45,274	(45,274)		796,465	-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, 2023

Changes in benefit terms:

There were no benefit changes during the year.

Changes in assumptions:

There were no changes in assumptions during the year.

Method and assumptions used in calculations of actuarially determined contributions for the plan years ended June 30, 2022 and 2021:

Actuarial	Entry age normal.	
Remaining amortization period	Open 10-year level percent of payroll; 7 years remaining	
Asset valuation model	Five year smoothed market.	
Inflation	2022	2.50%
	2021	2.50%
Salary increases	2022	2.5% plus merit
	2021	2.5% plus merit
Investment rate of return	2022	7.0%
	2021	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	Pub-2010 mortality tables with gender adjustments for healthy annuitants and disabled retirees and an adjusted version on MP-2020 mortality improvement scale on a fully generational basis.	

SUPPLEMENTARY INFORMATION

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*MARYLAND ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS*

*DELAWARE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS*

ALLINIAL GLOBAL

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Mayor and Council
Town of Milton, Delaware

Report on Supplementary Information

Our report on our audit of the financial statements that collectively comprise the Town of Milton, Delaware's basic financial statements appears on pages one 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 2022 and 2021 financial statements and, in our reports dated January 8, 2023 and January 28, 2022 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
February 5, 2024

TOWN OF MILTON, DELAWARE
SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022 AND 2021)

	<u>2023</u>	<u>2022</u>	<u>2021</u>
REVENUES			
Real estate taxes	\$ 1,492,500	\$ 1,262,676	\$ 1,217,667
Transfer taxes	658,735	774,115	699,719
Licenses and permits	529,164	383,614	447,439
Community impact fees	77,768	63,372	
Intergovernmental revenues	1,661,447	1,544,360	235,594
Charges for services	289,118	267,542	343,067
Fines and forfeitures	72,422	52,191	57,713
Earnings (losses) on investments	60,818	(18,032)	611
Miscellaneous	118,832	45,450	18,057
Total revenues	<u>4,960,804</u>	<u>4,375,288</u>	<u>3,019,867</u>
EXPENDITURES			
Current			
General government	626,514	585,734	538,437
Public safety	1,344,875	1,942,224	952,714
Public works	535,923	284,402	375,248
Parks and recreation	123,187	109,242	93,442
Code enforcement	377,255	331,760	286,356
Debt service	27,043	4,337	
Capital outlay	2,129,412	762,692	164,011
Total expenditures	<u>5,164,209</u>	<u>4,020,391</u>	<u>2,410,208</u>
Excess revenues over (under) expenditures	<u>(203,405)</u>	<u>354,897</u>	<u>609,659</u>
OTHER FINANCING SOURCES			
Proceeds from sale of assets	1,070	400	
Proceeds from long-term debt	59,529		
Total other financing sources	<u>60,599</u>	<u>400</u>	
Net change in fund balance	<u>\$ (142,806)</u>	<u>\$ 355,297</u>	<u>\$ 609,659</u>

TOWN OF MILTON, DELAWARE
SCHEDULE OF REVENUES AND EXPENSES
UTILITIES FUND
YEAR ENDED SEPTEMBER 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022 AND 2021)

	<u>2023</u>	<u>2022</u>	<u>2021</u>
OPERATING REVENUES			
Water service charges	\$ 659,151	\$ 690,276	\$ 656,675
Trash service charges	412,720	377,040	352,397
Tapping fees	30,500	21,000	24,000
Sales of meters	92,359	56,480	74,358
Operating grants	18,137	3,021	15,842
Penalties	10,259	11,954	10,546
Other	19,245	22,243	37,676
Total operating revenues	<u>1,242,371</u>	<u>1,182,014</u>	<u>1,171,494</u>
OPERATING EXPENSES			
Salaries and labor	303,464	289,864	242,281
Payroll taxes	22,116	18,544	15,810
Pension	7,538	(9,788)	15,330
Employee benefits	37,547	50,791	48,595
Uniforms	6,069	3,896	2,399
Utilities	44,078	38,276	28,821
Trash removal	357,318	346,736	325,613
Telephone	5,937	6,133	5,126
Gas and oil	11,862	14,459	8,129
Repairs and maintenance	218,719	86,683	110,140
Operating supplies	123,074	74,476	65,021
Professional fees	57,031	38,946	10,095
Insurance	19,521	19,989	18,087
Miscellaneous	21,220	17,185	17,181
Depreciation	146,830	114,029	100,207
Total operating expenses	<u>1,382,324</u>	<u>1,110,219</u>	<u>1,012,835</u>
Operating income (loss)	<u>(139,953)</u>	<u>71,795</u>	<u>158,659</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest income	5,962	73	269
Debt service fees	66,113	64,838	63,223
Interest expense	(47,032)	(29,153)	(16,005)
Net non-operating revenues	<u>25,043</u>	<u>35,758</u>	<u>47,487</u>
Income (loss) before contributions	(114,910)	107,553	206,146
Capital contributions - impact fees	<u>104,000</u>	<u>68,000</u>	<u>104,000</u>
Change in net position	<u>\$ (10,910)</u>	<u>\$ 175,553</u>	<u>\$ 310,146</u>

GOVERNMENT AUDITING STANDARDS REPORT

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ALLINIAL GLOBAL

**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, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated February 5, 2024.

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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town'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
February 5, 2024