

TOWN OF MILTON, DELAWARE

FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2024

TOWN OF MILTON, DELAWARE

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INDEPENDENT AUDITORS' REPORT

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ALLINIAL 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, 2024, 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, 2024, 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 the 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 11 and pages 42 through 45 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 3, 2025, 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 3, 2025

TOWN OF MILTON, DELAWARE
MANAGEMENT’S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2024

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, 2024. Please read it in conjunction with the Town’s basic financial statements, which begin on page 12.

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, 2024

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 14 through 17. 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 42.

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 18 through 20 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 21 through 41 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 \$16.5 million at the close of the current fiscal year. The Town’s net position is divided into three categories – net investment in capital assets, restricted, and unrestricted net position.

The largest portion of the Town’s net position reflects its net investment in capital assets (e.g., land, improvements, buildings, machinery, equipment, vehicles, 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, 2024

Net Position

As of September 30, 2024, the Town’s net position was \$16,484,000. Of this amount, \$7,508,000 was the net investment in capital assets, \$4,321,000 was restricted, and \$4,655,000 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)

| | 2024 | | | 2023 | | |
|---------------------------------------|----------------------------|-----------------------------|-----------|----------------------------|-----------------------------|-----------|
| | Governmental Activities | Business-Type Activities | Total | Governmental Activities | Business-Type Activities | Total |
| Assets | | | | | | |
| Current and other assets | \$ 8,479 | \$ 2,104 | \$ 10,583 | \$ 7,985 | \$ 1,818 | \$ 9,803 |
| Capital assets, net | 4,168 | 4,152 | 8,320 | 4,023 | 3,960 | 7,983 |
| Total assets | 12,647 | 6,256 | 18,903 | 12,008 | 5,778 | 17,786 |
| Deferred outflows of resources | 723 | 46 | 769 | 353 | 43 | 396 |
| Liabilities | | | | | | |
| Current and other liabilities | 300 | 187 | 487 | 509 | 152 | 661 |
| Long term liabilities | 226 | 725 | 951 | 86 | 2,267 | 2,353 |
| Total liabilities | 526 | 912 | 1,438 | 595 | 2,419 | 3,014 |
| Deferred inflows of resources | 1,744 | 6 | 1,750 | 1,767 | 8 | 1,775 |
| Net position | | | | | | |
| Net investment in capital assets | 4,112 | 3,396 | 7,508 | 3,944 | 1,652 | 5,596 |
| Restricted | 3,293 | 1,028 | 4,321 | 3,100 | 854 | 3,954 |
| Unrestricted | 3,695 | 960 | 4,655 | 2,955 | 888 | 3,843 |
| Total net position | \$ 11,100 | \$ 5,384 | \$ 16,484 | \$ 9,999 | \$ 3,394 | \$ 13,393 |

Change in Net Position

Net position for the year ended September 30, 2024 increased by \$3,091,000. This is a result of governmental activity net position increasing by \$1,101,000 and business-type net position increasing by \$1,990,000.

TOWN OF MILTON, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2024

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)

| | 2024 | | | 2023 | | |
|--|-------------------------|--------------------------|------------------|-------------------------|--------------------------|------------------|
| | Governmental Activities | Business-Type Activities | Total | Governmental Activities | Business-Type Activities | Total |
| Revenues | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$ 1,146 | \$ 1,562 | \$ 2,708 | \$ 821 | \$ 1,224 | \$ 2,045 |
| Operating grants and contributions | 396 | 168 | 564 | 395 | 84 | 479 |
| Capital grants and contributions | 193 | 394 | 587 | 1,367 | 104 | 1,471 |
| General revenues | | | | | | |
| Property and transfer taxes | 2,627 | | 2,627 | 2,167 | | 2,167 |
| Community impact fees | 281 | | 281 | 78 | | 78 |
| Miscellaneous revenues | 85 | (8) | 77 | 89 | | 89 |
| Investment earnings (losses) | 71 | 12 | 83 | 61 | 6 | 67 |
| Total revenues | <u>4,799</u> | <u>2,128</u> | <u>6,927</u> | <u>4,978</u> | <u>1,418</u> | <u>6,396</u> |
| Expenses | | | | | | |
| General government | 648 | | 648 | 626 | | 626 |
| Public safety | 1,674 | | 1,674 | 1,371 | | 1,371 |
| Public works | 716 | | 716 | 611 | | 611 |
| Code enforcement | 474 | | 474 | 349 | | 349 |
| Parks and recreation | 186 | | 186 | 144 | | 144 |
| Utilities | | 1,675 | 1,675 | | 1,429 | 1,429 |
| Total expenses | <u>3,698</u> | <u>1,675</u> | <u>5,373</u> | <u>3,101</u> | <u>1,429</u> | <u>4,530</u> |
| Special item - gain on forgiveness of debt | | 1,537 | 1,537 | | | |
| Change in net position | 1,101 | 1,990 | 3,091 | 1,877 | (11) | 1,866 |
| Beginning of the year, net position | 9,999 | 3,394 | 13,393 | 8,060 | 3,404 | 11,464 |
| Prior period adjustment | | | | 62 | 1 | 63 |
| End of the year, net position | <u>\$ 11,100</u> | <u>\$ 5,384</u> | <u>\$ 16,484</u> | <u>\$ 9,999</u> | <u>\$ 3,394</u> | <u>\$ 13,393</u> |

See **PRIOR PERIOD ADJUSTMENT** footnote on page 41 of the financial statements.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

General fund

For the fiscal year ended September 30, 2024, the Town had an increase in the general fund balance of \$1,000,000 compared to an decrease of \$143,000 in the prior year. The general fund balance as of September 30, 2024 was \$6,715,000. Of this amount, \$3,812,000 is restricted, committed, assigned, or non-spendable leaving an unassigned balance of \$2,903,000. A detailed comparison with the prior two years is shown on page 47.

TOWN OF MILTON, DELAWARE
MANAGEMENT’S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2024

General fund (Continued)

Total revenues were \$4,836,000 which is a decrease of \$125,000 or 3% from the prior year. Significant changes from the prior year include:

- Real estate taxes increased by \$409,000 due to an increase in the approved tax rate and assessable base.
- Community impact fees increased by \$203,000 due to an increase in construction permits issued during the year compared to the prior year.
- Intergovernmental revenues decreased by \$1,102,000 due to less grants received in the current year mainly attributed to the Magnolia Drainage Project that was completed in the prior year.
- Charges for services increased by \$156,000 due to increased development in the Town during the current year.
- Licenses and permits increased \$175,000 mainly due to an increase in building permits issued.

Total expenditures were \$3,836,000 which is a decrease of \$1,328,000 or 26% over the prior year. Significant changes include:

- Capital outlay expenditures decreased by \$1,722,000 due to the Magnolia Drainage Project, Chestnut Crossing Infrastructure Project, and ADA Compliance Project that were completed during the prior year.
- Public safety expenditures increased by \$251,000 due to additional police officers hired and an increase in pay rates.
- Code enforcement expenditures increased by \$97,000 due to increased growth of building and projects in the Town.

Utilities Fund

The utilities fund had operating income of \$19,000 and an increase in net position of \$1,990,000 for the year ended September 30, 2024 compared to an operating loss of \$140,000 and a decrease in net position of \$11,000 in the prior year. A detailed comparison with the prior two years is shown on page 48.

Significant changes were as follows:

- Operating revenues increased by \$418,000 largely due to water service charges and operating grants.
- Operating expenses increased by \$259,000 due to increases in salaries, trash removal, operating supplies, professional fees, and depreciation.
- Impact fees increased by \$72,000 during the year. These fees are restricted for capital and debt service expenses.
- Nonoperating revenues increased \$1,770,000 due to an increase in capital grants of \$218,000 and loan forgiveness of the State Revolving Funds loan for \$1,536,000.

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 \$39,000 to \$45,000. The Town used the budgeted prior year surplus of \$106,000 to cover this deficit.

TOWN OF MILTON, DELAWARE
MANAGEMENT’S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2024

BUDGETARY HIGHLIGHTS (Continued)

A budget and actual comparison schedule is provided in the required supplementary information for the General Fund on page 42. The budget and actual comparison schedules show the original adopted budget, the final revised budget, actual results, and the variance between the final budget and actual results. Major variances between the final budget and actual results are as follows:

- Total general fund revenues exceeded the final budget by \$1,381,000 due to favorable variances in real estate taxes, transfer taxes, licenses and permits, community impact fees, intergovernmental revenues, and charges for services.
- Total general fund expenditures exceeded the final budget by \$337,000 due to unfavorable variance in code enforcement, public works, and 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, 2024 was \$8,320,000 (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:

- Memorial Park Gazebo for \$23,000.
- Kubota Vehicle for \$24,000.
- Two 2024 F-150 Lightning 4WD Super Police Vehicles for \$72,000 each.
- 2023 Dodge Durango Police Vehicle for \$44,000.
- Two Dodge Durangos for \$48,000 each.
- HD Silverado LWB 4WD for \$84,000.

Business-type Activities:

- 2022 Ford F-550 for \$90,000.
- LMX Portable System for \$18,000.
- Federal Street Well & Water Improvements Project for \$181,000 (construction in progress).
- Water Main Replacement Project for \$36,000 (construction in progress).
- Tilney Street Water Main Project for \$28,000 (construction in progress).

TOWN OF MILTON, DELAWARE
MANAGEMENT’S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2024

Capital Assets (Continued)

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

| | Governmental Activities | | Business-type Activities | | Total | |
|-------------------------------|-------------------------|-----------------|--------------------------|-----------------|-----------------|-----------------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| Land | \$ 467 | \$ 467 | \$ | \$ | \$ 467 | \$ 467 |
| Construction in progress | 12 | 83 | 292 | 39 | 304 | 122 |
| Buildings and improvements | 438 | 435 | 3,642 | 3,783 | 4,080 | 4,218 |
| Machinery and equipment | 137 | 106 | 120 | 108 | 257 | 214 |
| Leased equipment and software | 65 | 90 | | | 65 | 90 |
| Streets and sidewalks | 2,639 | 2,760 | | | 2,639 | 2,760 |
| Vehicles | 410 | 107 | 98 | 31 | 508 | 138 |
| Net capital assets | \$ 4,168 | \$ 4,048 | \$ 4,152 | \$ 3,961 | \$ 8,320 | \$ 8,009 |

CAPITAL ASSETS AND LONG-TERM DEBT

Long-Term Debt

At year-end, the Town had \$756,000 in notes payable in the enterprise fund. The Town drew down the remaining \$27,000 on the State Revolving Funds loan during the year for the water infrastructure project. This loan was 100% forgiven at the completion of the project in 2024.

Additional information on the Town’s debt can be found on pages 31 and 32 of this report.

CURRENTLY KNOWN FACTS, DECISION, OR CONDITIONS

The Town approved a 29% increase in the property tax rate for the fiscal year 2025 budget. The rate increased from \$0.324 per \$100 to \$0.42 per \$100 of assessed fair value. The budgeted revenue increased \$838,000 from \$1,686,000 in fiscal year 2024 to \$2,524,000 in fiscal year 2025 due to the rate increase as well as expected growth within the Town.

The Town approved a contract at the October 2024 council meeting from Bearing Construction in the amount of \$2,228,000 for the Federal Street Treatment Facility Project. The Town will use the \$1,600,000 of ARPA funds for the project and the remaining cost of the project will be funded from transfer taxes or water impact fees.

The Town approved a new land lease agreement with Milton Historical Society at the November 2024 council meeting for a parking lot. The agreement calls for the Town to make annual payments of \$36,000 for 10 years with a 5-year renewal option with the first payment due June 10, 2025. The improvements will be covered by a \$120,000 state grant and the remaining cost of the project will be paid out of transfer taxes or the Community Enhancement Funds.

TOWN OF MILTON, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2024

CURRENTLY KNOWN FACTS, DECISION, OR CONDITIONS (CONTINUED)

The Town Council approved the issuance of the Special Obligation Bonds not to exceed \$42,000,000. The Town will receive bond proceeds of up to \$5,000,000 split into three different bonds. The first bond will be \$500,000 for town-wide water meter upgrades. The second bond will be for \$2,500,000 and the third bond will be \$1,500,000. Projects have not been selected for these bonds yet. The Town is obligated to provide a 60% match for each bond issued for improvements made outside the district. For improvements made within the district, there is no Town match required. The special development district tax will begin in January 2026. Reference pages 32 and 33 for more information.

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, 2024

| | Governmental Activities | Business-type Activities | Total |
|--|----------------------------|-----------------------------|----------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash | \$ 2,889,537 | \$ 480,880 | \$ 3,370,417 |
| Investments, at fair value | 326,125 | | 326,125 |
| Taxes receivable | 120,120 | | 120,120 |
| Accounts receivable, net of allowance | 73,350 | 416,630 | 489,980 |
| Grants receivable | 104,387 | | 104,387 |
| Internal balances | (83,478) | 83,478 | |
| Inventory | | 82,280 | 82,280 |
| Prepaid expenses | 56,138 | 12,688 | 68,826 |
| Restricted cash | 4,993,102 | 1,027,510 | 6,020,612 |
| Total current assets | <u>8,479,281</u> | <u>2,103,466</u> | <u>10,582,747</u> |
| Noncurrent assets | | | |
| Capital assets, net of accumulated depreciation | 4,167,726 | 4,152,172 | 8,319,898 |
| Total assets | <u>12,647,007</u> | <u>6,255,638</u> | <u>18,902,645</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred financing outflows - retirement | 722,451 | 46,182 | 768,633 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Current portion of notes and leases payable | 24,140 | 43,662 | 67,802 |
| Current portion of accrued compensated absences | 76,579 | 40,190 | 116,769 |
| Accounts payable | 118,104 | 65,888 | 183,992 |
| Accrued wages and payroll taxes | 80,699 | 19,675 | 100,374 |
| Accrued interest payable | | 3,975 | 3,975 |
| Prepaid service charges | | 13,383 | 13,383 |
| Total current liabilities | <u>299,522</u> | <u>186,773</u> | <u>486,295</u> |
| Noncurrent liabilities | | | |
| Notes and leases payable, less current portion | 31,702 | 712,066 | 743,768 |
| Accrued compensated absences, less current portion | 51,103 | 5,206 | 56,309 |
| Net pension liability | 143,456 | 8,083 | 151,539 |
| Total noncurrent liabilities | <u>226,261</u> | <u>725,355</u> | <u>951,616</u> |
| Total liabilities | <u>525,783</u> | <u>912,128</u> | <u>1,437,911</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred grants | 1,488,490 | | 1,488,490 |
| Deferred financing inflows - retirement | 255,078 | 6,174 | 261,252 |
| Total deferred inflows of resources | <u>1,743,568</u> | <u>6,174</u> | <u>1,749,742</u> |
| NET POSITION | | | |
| Net investment in capital assets | 4,111,884 | 3,396,444 | 7,508,328 |
| Restricted | 3,293,449 | 1,027,510 | 4,320,959 |
| Unrestricted | 3,694,774 | 959,564 | 4,654,338 |
| Total net position | <u>\$ 11,100,107</u> | <u>\$ 5,383,518</u> | <u>\$ 16,483,625</u> |

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

TOWN OF MILTON, DELAWARE

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2024

| FUNCTIONS/PROGRAMS | Expenses | 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 |
| GOVERNMENTAL ACTIVITIES | | | | | | | |
| General government | \$ 648,031 | \$ 21,454 | \$ | \$ | \$ (626,577) | \$ | \$ (626,577) |
| Public safety | 1,674,299 | 121,236 | 143,147 | 179,070 | (1,230,846) | | (1,230,846) |
| Public works | 715,542 | 157,338 | 222,766 | 6,037 | (329,401) | | (329,401) |
| Code enforcement | 473,951 | 836,384 | | | 362,433 | | 362,433 |
| Parks and recreation | 185,908 | 9,795 | 30,259 | 8,192 | (137,662) | | (137,662) |
| Total governmental activities | 3,697,731 | 1,146,207 | 396,172 | 193,299 | (1,962,053) | | (1,962,053) |
| BUSINESS-TYPE ACTIVITIES | | | | | | | |
| Utilities | 1,674,983 | 1,562,101 | 167,886 | 394,495 | | 449,499 | 449,499 |
| Total | \$ 5,372,714 | \$ 2,708,308 | \$ 564,058 | \$ 587,794 | (1,962,053) | 449,499 | (1,512,554) |
| GENERAL REVENUES | | | | | | | |
| | | | | | 1,864,119 | | 1,864,119 |
| | | | | | 762,943 | | 762,943 |
| | | | | | 82,534 | | 82,534 |
| | | | | | 281,240 | | 281,240 |
| | | | | | 34,905 | 11,814 | 46,719 |
| | | | | | 34,725 | | 34,725 |
| | | | | | | (8,088) | (8,088) |
| | | | | | 2,500 | | 2,500 |
| | | | | | | 1,536,632 | 1,536,632 |
| | | | | | 3,062,966 | 1,540,358 | 4,603,324 |
| | | | | | 1,100,913 | 1,989,857 | 3,090,770 |
| | | | | | 9,999,194 | 3,393,661 | 13,392,855 |
| | | | | | \$ 11,100,107 | \$ 5,383,518 | \$ 16,483,625 |

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

TOWN OF MILTON, DELAWARE

**BALANCE SHEET
GOVERNMENTAL FUND**

SEPTEMBER 30, 2024

ASSETS

| | <u>General Fund</u> |
|---------------------------------------|----------------------------|
| Cash | \$ 2,889,537 |
| Investments, at fair value | 326,125 |
| Taxes receivable | 120,120 |
| Accounts receivable, net of allowance | 73,350 |
| Grants receivable | 104,387 |
| Prepaid insurance | 56,138 |
| Restricted cash | <u>4,993,102</u> |
| Total assets | <u><u>\$ 8,562,759</u></u> |

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

LIABILITIES

| | |
|---------------------------------|----------------|
| Accounts payable | \$ 118,104 |
| Accrued wages and payroll taxes | 80,699 |
| Accrued compensated absences | 76,579 |
| Due to other funds | <u>83,478</u> |
| Total liabilities | <u>358,860</u> |

DEFERRED INFLOWS OF RESOURCES

| | |
|-----------------|------------------|
| Deferred grants | <u>1,488,490</u> |
|-----------------|------------------|

FUND BALANCE

| | |
|--------------------|------------------|
| Non-spendable | 56,138 |
| Restricted | 3,293,449 |
| Committed | 422,380 |
| Assigned | 40,512 |
| Unassigned | <u>2,902,930</u> |
| Total fund balance | <u>6,715,409</u> |

Total liabilities, deferred inflows of resources, and fund balance \$ 8,562,759

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, 2024

| | |
|---|----------------------|
| Total fund balance, governmental fund | \$ 6,715,409 |
| 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. | 4,167,726 |
| 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 | 722,451 |
| 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 | (51,103) |
| Deferred financing inflows - retirement | (255,078) |
| Leases payable | (55,842) |
| Net pension liability | <u>(143,456)</u> |
| Net position, governmental activities | <u>\$ 11,100,107</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, 2024

| | General Fund |
|--|----------------------------|
| REVENUES | |
| Real estate taxes | \$ 1,901,137 |
| Transfer taxes | 762,943 |
| Licenses and permits | 761,386 |
| Community impact fees | 281,240 |
| Intergovernmental revenues | 559,161 |
| Charges for services | 387,409 |
| Fines and forfeitures | 76,076 |
| Earnings on investments | 69,630 |
| Miscellaneous | 36,680 |
| Total revenues | <u>4,835,662</u> |
| EXPENDITURES | |
| Current | |
| General government | 618,663 |
| Public safety | 1,595,736 |
| Public works | 549,936 |
| Parks and recreation | 163,533 |
| Code enforcement | 474,505 |
| Debt service | 26,592 |
| Capital outlay | 407,052 |
| Total expenditures | <u>3,836,017</u> |
| Change in fund balance | 999,645 |
| FUND BALANCE, BEGINNING OF YEAR, RESTATED | <u>5,715,764</u> |
| FUND BALANCE, END OF YEAR | <u><u>\$ 6,715,409</u></u> |

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

TOWN OF MILTON, DELAWARE

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

YEAR ENDED SEPTEMBER 30, 2024

| | | |
|---|----|---------|
| Change in fund balance, governmental fund | \$ | 999,645 |
|---|----|---------|

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 | 407,052 | |
| Depreciation expense | <u>(287,905)</u> | |
| | | 119,147 |

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 | | (20,835) |
| Change in deferred financing outflows - retirement | | 369,851 |
| Change in net pension liability | | (199,172) |

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 | | 23,109 |
|------------------------------|--|--------|

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 | | (37,018) |
| Change in deferred financing inflows - retirement | | <u>(153,814)</u> |

| | | |
|---|----|-------------------------|
| Change in net position, governmental activities | \$ | <u><u>1,100,913</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, 2024

| | <u>Utilities Fund</u> |
|--|-----------------------|
| ASSETS | |
| Current assets | |
| Cash | \$ 480,880 |
| Accounts receivable, net of allowance | 416,630 |
| Due from other funds | 83,478 |
| Inventory | 82,280 |
| Prepaid expenses | 12,688 |
| Restricted cash | 1,027,510 |
| Total current assets | 2,103,466 |
| Noncurrent assets | |
| Capital assets, net of accumulated depreciation | 4,152,172 |
| Total assets | 6,255,638 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred financing outflows - retirement | 46,182 |
| LIABILITIES | |
| Current liabilities | |
| Current portion of notes payable | 43,662 |
| Current portion of accrued compensated absences | 40,190 |
| Accounts payable | 65,888 |
| Accrued wages and payroll taxes | 19,675 |
| Accrued interest payable | 3,975 |
| Prepaid service charges | 13,383 |
| Total current liabilities | 186,773 |
| Noncurrent liabilities | |
| Notes payable, less current portion | 712,066 |
| Accrued compensated absences, less current portion | 5,206 |
| Net pension liability | 8,083 |
| Total noncurrent liabilities | 725,355 |
| Total liabilities | 912,128 |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred financing inflows - retirement | 6,174 |
| NET POSITION | |
| Net investment in capital assets | 3,396,444 |
| Restricted | 1,027,510 |
| Unrestricted | 959,564 |
| Total net position | \$ 5,383,518 |

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, 2024

| | <u>Utilities Fund</u> |
|--|-----------------------|
| OPERATING REVENUES | |
| Water service charges | \$ 828,019 |
| Trash service charges | 475,487 |
| Tapping fees | 44,400 |
| Sales of meters | 160,146 |
| Operating grants | 98,526 |
| Penalties | 12,007 |
| Other | 42,042 |
| Total operating revenues | 1,660,627 |
| OPERATING EXPENSES | |
| Salaries and labor | 355,243 |
| Payroll taxes | 23,288 |
| Pension | 24,130 |
| Employee benefits | 39,512 |
| Uniforms | 6,284 |
| Utilities | 45,009 |
| Trash removal | 406,629 |
| Telephone | 7,641 |
| Gas and oil | 8,749 |
| Repairs and maintenance | 211,694 |
| Operating supplies | 210,926 |
| Professional fees | 85,740 |
| Insurance | 22,314 |
| Miscellaneous | 16,857 |
| Depreciation | 177,669 |
| Total operating expenses | 1,641,685 |
| Operating income | 18,942 |
| NON-OPERATING REVENUES (EXPENSES) | |
| Capital grants | 218,395 |
| Interest income | 11,814 |
| Debt service fees | 69,360 |
| Interest expense | (33,298) |
| Loss on sale of assets | (8,088) |
| Net non-operating revenues | 258,183 |
| Income before contributions and special item | 277,125 |
| Capital contributions - impact fees | 176,100 |
| Special item - gain on forgiveness of debt | 1,536,632 |
| Change in net position | 1,989,857 |
| NET POSITION, BEGINNING OF YEAR, RESTATED | 3,393,661 |
| NET POSITION, END OF YEAR | \$ 5,383,518 |

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, 2024

| | Utilities Fund |
|--|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Receipts from customers | \$ 1,604,102 |
| Payments to suppliers | (974,852) |
| Payments to employees | (404,962) |
| | 224,288 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Purchase of capital assets | (411,414) |
| Debt service fees | 69,360 |
| Proceeds from notes payable | 26,530 |
| ARPA grant transferred from general fund | 218,395 |
| Principal paid on notes payable | (42,814) |
| Interest paid on notes payable | (47,043) |
| Capital contributions - impact fees | 176,100 |
| | (10,886) |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | |
| Interfund borrowings | (61,182) |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Interest income | 11,814 |
| Net increase in cash | 164,034 |
| CASH, BEGINNING OF YEAR | 1,344,356 |
| CASH, END OF YEAR | \$ 1,508,390 |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES | |
| Operating income | \$ 18,942 |
| Adjustments to reconcile operating income to net cash provided by operating activities | |
| Depreciation | 177,669 |
| Loss on disposal of assets | |
| Change in deferred outflows and inflows | (4,725) |
| (Increase) decrease in assets | |
| Accounts receivable | (69,857) |
| Operating grants receivable | 16,355 |
| Inventory | (6,029) |
| Prepaid expenses | (3,734) |
| Net pension asset (liability) | 10,808 |
| Increase (decrease) in liabilities | |
| Accounts payable and accrued expenses | 87,882 |
| Prepaid service charges | (3,023) |
| | \$ 224,288 |
| RECONCILIATION OF CASH TO THE STATEMENT OF NET POSITION | |
| Cash - unrestricted | \$ 480,880 |
| Cash - restricted | 1,027,510 |
| Total cash on the Statement of Cash Flows | \$ 1,508,390 |
| NONCASH FINANCING ACTIVITIES | |
| Gain on forgiveness of debt | \$ 1,536,632 |

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

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

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, 2024

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, 2024

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 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, 2024

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, 2024 are as follows:

| | Cost | Fair Value | Unrealized Loss |
|-----------------|------------|------------|--------------------|
| Corporate bonds | \$ 335,472 | \$ 326,125 | \$ (9,347) |

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, 2024 were \$12,043 and \$265, respectively.

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

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, 2024

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:

| Asset Class | Estimated Useful Lives |
|---------------------------------|------------------------|
| 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 – consists 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, 2024

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).

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

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, 2024, \$8,852,294 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, 2024

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 | 83,298 | 23,739 | 95,123 | 11,914 |
| Total capital assets not being depreciated | <u>549,782</u> | <u>23,739</u> | <u>95,123</u> | <u>478,398</u> |
| <i>Capital assets being depreciated</i> | | | | |
| Building | 818,691 | | | 818,691 |
| Other improvements | 1,155,563 | 48,770 | | 1,204,333 |
| Machinery and equipment | 554,560 | 62,609 | 7,195 | 609,974 |
| Leased equipment and software | 125,172 | | | 125,172 |
| Street and sidewalks* | 3,009,942 | | | 3,009,942 |
| Vehicles | 420,868 | 367,057 | | 787,925 |
| Total capital assets being depreciated | <u>6,084,796</u> | <u>478,436</u> | <u>7,195</u> | <u>6,556,037</u> |
| Less accumulated depreciation for: | | | | |
| Building | 493,396 | 24,679 | | 518,075 |
| Other improvements | 1,045,553 | 20,583 | | 1,066,136 |
| Machinery and equipment | 448,889 | 31,140 | 7,195 | 472,834 |
| Leased equipment and software | 35,171 | 25,033 | | 60,204 |
| Street and sidewalks | 249,765 | 121,417 | | 371,182 |
| Vehicles | 313,225 | 65,053 | | 378,278 |
| Total accumulated depreciation | <u>2,585,999</u> | <u>287,905</u> | <u>7,195</u> | <u>2,866,709</u> |
| Total capital assets being depreciated, net | <u>3,498,797</u> | <u>190,531</u> | | <u>3,689,328</u> |
| Capital assets, net | <u>\$ 4,048,579</u> | <u>\$ 214,270</u> | <u>\$ 95,123</u> | <u>\$ 4,167,726</u> |

*The beginning balances have been updated for a prior period adjustment.

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

CAPITAL ASSETS (Continued)

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

| | |
|-------------------------------|-------------------|
| Governmental activities: | |
| General government | \$ 27,742 |
| Public safety | 69,820 |
| Public works | 166,277 |
| Code enforcement | 744 |
| Parks and recreation | <u>23,322</u> |
| Total governmental activities | <u>\$ 287,905</u> |

| Business-type activities: | Beginning Balance | Increases | Decreases | Ending Balance |
|---|----------------------|-------------------|-----------------|---------------------|
| <i>Capital assets not being depreciated</i> | | | | |
| Construction in progress | \$ 38,858 | \$ 252,913 | \$ | \$ 291,771 |
| <i>Capital assets being depreciated</i> | | | | |
| Improvements* | 5,406,910 | | | 5,406,910 |
| Machinery and equipment | 625,918 | 34,894 | 132,717 | 528,095 |
| Vehicles | 242,020 | 90,000 | | 332,020 |
| Total capital assets being depreciated | <u>6,274,848</u> | <u>124,894</u> | <u>132,717</u> | <u>6,267,025</u> |
| Less accumulated depreciation for: | | | | |
| Improvements | 1,625,169 | 139,723 | | 1,764,892 |
| Machinery and equipment | 517,335 | 15,698 | 124,629 | 408,404 |
| Vehicles | 211,080 | 22,248 | | 233,328 |
| Total accumulated depreciation | <u>2,353,584</u> | <u>177,669</u> | <u>124,629</u> | <u>2,406,624</u> |
| Total capital assets being depreciated, net | <u>3,921,264</u> | <u>(52,775)</u> | <u>8,088</u> | <u>3,860,401</u> |
| Capital assets, net | <u>\$ 3,960,122</u> | <u>\$ 200,138</u> | <u>\$ 8,088</u> | <u>\$ 4,152,172</u> |

*The beginning balances have been updated for a prior period adjustment.

Construction in progress in the Utility Fund includes \$219,908 for the well and water improvement project at Federal Street, \$35,766 for the water main replacement, \$27,961 for the water main project at Tilney Street, \$5,409 for the water meter replacement, and \$2,727 for the water treatment plant project at Chandler Street.

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

INTEREST COST – UTILITIES FUND

During the year ended September 30, 2024, total interest incurred in the Utilities fund was \$33,298 including accrued interest of \$3,975.

LONG-TERM DEBT

Changes in long-term obligations for the year ended September 30, 2024 are as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--------------------------|----------------------|-----------|--------------|-------------------|
| Governmental activities | | | | |
| Leases payable | \$ 78,951 | | \$ 23,109 | \$ 55,842 |
| Business-type activities | | | | |
| Notes payable | \$ 2,308,645 | \$ 26,530 | \$ 1,579,447 | \$ 755,728 |

Decreases in the business-type activities notes payable consists of principal payments of \$42,815 and loan forgiveness of \$1,536,632 for the loan with the Delaware Drinking Water State Revolving Fund for the construction of Water Main replacements. Under the terms of the agreement, the loan was 100% forgivable at the completion of the project.

The following is a summary of the Town’s long-term debt as of September 30, 2024:

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 \$5,288. 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 \$50,554. 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.

316,949

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

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%.

| | |
|--|------------|
| | 438,779 |
| | \$ 755,728 |

Maturities of long-term debt as of September 30, 2024 are as follows:

| Governmental Activities | | | |
|-------------------------|-----------|----------|-----------|
| Year Ending | Principal | Interest | Totals |
| 2025 | \$ 24,140 | \$ 2,447 | \$ 26,587 |
| 2026 | 19,274 | 1,421 | 20,695 |
| 2027 | 12,428 | 572 | 13,000 |
| | \$ 55,842 | \$ 4,440 | \$ 60,282 |

| Business-Type Activities | | | |
|--------------------------|------------|------------|------------|
| Year Ending | Principal | Interest | Totals |
| 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 | 47,280 | 11,286 | 58,566 |
| 2030 - 2034 | 251,042 | 41,789 | 292,831 |
| 2035 - 2039 | 277,421 | 15,152 | 292,573 |
| | \$ 755,728 | \$ 122,506 | \$ 878,234 |

SPECIAL DEVELOPMENT DISTRICT AND SPECIAL OBLIGATION BONDS

In September 2022, the Town created the “Granary at Draper Farm Special Development District” (“District”) for the purpose of financing infrastructure improvements within the District.

In order to finance the improvements, the Town Council approved the issuance of its Special Obligation Bonds (“Bonds”) from time to time, in one or more series, in the aggregate principal amount outstanding at any one time not to exceed \$42,000,000.

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

SPECIAL DEVELOPMENT DISTRICT AND SPECIAL OBLIGATION BONDS (Continued)

In order to provide for the payment of the principal, interest, and premium, if any, on the bonds, the Town Council levied a special tax, to be designated the Granary at Draper Farm Special Tax, upon all property within the District. The first special tax billing will be assessed in the year ended September 30, 2026.

In October 2023, the Town created the Granary at Draper Farm Special Development District Special Fund (“Special Fund”). Proceeds of the bonds and the special tax revenues are pledged to the Special fund for the purpose of financing the cost of infrastructure improvements for the benefit of the property within the District.

In the Trust Indentures related to the bond issuance, the Granary at Draper Farm developer agreed that up to \$5 million of the bond proceeds could be requested by the Town for eligible Town improvements. The aggregate costs of the Town’s Facilities will be financed as follows: (i) \$500,000 to be funded with the proceeds of the Series 2024 Bonds, (ii) \$2,000,000 to be funded with the proceeds of a Series of Additional Bonds (the “First Additional Bonds Issue”), and (iii) \$2,500,000 to be funded with the proceeds of another Series of Additional Bonds. The aggregate costs of the Town’s Facilities funded by proceeds of the Bonds shall not exceed \$5,000,000. The exact timing of each issue of Additional Bonds will be dependent upon various factors, including, without limitation, the sales pace of the development located in the District.

Beginning in the year 2024, the Town has moved forward with the Water Meter Replacement project approved to be funded from the Facilities Fund.

In the opinion of bond counsel, the bonds are not subject to the debt limit imposed by the Delaware Code for the Town, but are payable solely from the special tax billing and proceeds of the bonds. The Town does not have the responsibility to pay the bonds other than from such sources; therefore, such amounts have not been included in the financial statements.

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) Community Enhancement Fund fees of \$316,785 have been collected to provide funding for capital equipment and facilities in support of the Parks and Recreation, Municipal facilities and Street and Roadway facilities; and
- b) Emergency Services Fund fees of \$105,595 have been collected to provide funding for capital equipment in support of police, fire, and Town.

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

FUND BALANCE – GOVERNMENTAL FUND (Continued)

Assigned fund balances consist of open purchase orders for which the goods or services were not received until 2025.

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 \$1,500 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, 2024. 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 \$102,000.

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).

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, 2023. 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.

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

RETIREMENT AND PENSION PLANS (Continued)

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.

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.

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

RETIREMENT AND PENSION PLANS (Continued)

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 \$73,606.

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

At September 30, 2024, the Town reported a liability in the government-wide activities of \$151,539 for its proportionate share of the net pension asset. The net pension asset was determined by an actuarial valuation as of June 30, 2022 with update procedures to roll forward the total pension liability/asset to June 30, 2023. The actuarial assumptions were based on the most recent experience study completed during the fiscal year ended June 30, 2023. The Town’s proportion of the net pension asset was based on the percentage of actual employee contributions. At June 30, 2023, the Town’s proportion for the Police Plan was .8916% and for the General Plan was 1.1299%.

For the year ended September 30, 2024, the Town recognized pension expense of \$179,456. At September 30, 2024, the Town reported deferred outflows of resources or deferred inflows of resources related to pensions from the following sources.

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Changes in proportion | \$ 8,062 | \$ 154,070 |
| Net difference between projected and actual earnings on pension plan investments | 305,175 | |
| Differences between expected and actual experience | 267,015 | 39,213 |
| Changes of assumptions | 30,183 | 67,969 |
| Contributions subsequent to measurement date | 158,198 | |
| | \$ 768,633 | \$ 261,252 |

The Town’s contribution subsequent to the measurement date of \$158,198, reported as deferred outflows of resources, will be recognized as an addition to the net pension liability in the year ended September 30, 2025.

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

RETIREMENT AND PENSION PLANS (Continued)

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:

| <u>Year Ending September 30</u> | | |
|-------------------------------------|-----------|----------------|
| 2025 | \$ | 15,235 |
| 2026 | | 35,852 |
| 2027 | | 335,909 |
| 2028 | | 54,067 |
| 2029 | | 13,807 |
| Thereafter | | 40,321 |
| | <u>\$</u> | <u>495,191</u> |

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts are amortized over the average of the expected remaining service lives of all plan members which is 8 years for the 2023 amounts for the General Plan and the Police Plan.

Actuarial assumptions. The collective total pension asset for the June 30, 2023 measurement date was determined by an actuarial valuation as of June 30, 2022, and update procedures were used to roll forward the total pension asset to June 30, 2023. 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 Pub-2010 mortality tables with gender adjustments for employees, healthy annuitants, and disabled retirees and an adjusted version on MP-2020 mortality improvement scale on a fully generational basis.

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2024

RETIREMENT AND PENSION PLANS (Continued)

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, 2023, these best estimates are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|-------------------------|----------------------|--|
| Domestic equity | 33.8% | 5.7% |
| International equity | 15.9% | 5.7% |
| Fixed income | 25.2% | 2.0% |
| Alternative investments | 19.3% | 7.8% |
| Cash and equivalents | 5.8% | |
| Total | 100% | |

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%) | \$ 1,105,121 |
| Current discount rate (7.0%) | \$ 151,539 |
| 1% Increase (8.0%) | \$ (628,154) |

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

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

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.

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, 2024 is as follows:

| | Fair value using: | | |
|-----------------|-------------------|------------|---------|
| | Level 1 | Level 2 | Level 3 |
| Corporate bonds | \$ | \$ 326,125 | \$ |

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:

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

FAIR VALUE MEASUREMENTS (Continued)

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.

SUBSEQUENT EVENTS

The Town accepted and approved a bid at the October 2024 council meeting from Bearing Construction in the amount of \$2,228,000 for the Federal Street Treatment Facility Project. The Town will use \$1,600,000 of ARPA funds for the project and the remaining cost of the project will be funded from transfer taxes or water impact fees.

The Town approved a new land lease agreement with Milton Historical Society at the November 2024 council meeting for a parking lot. The agreement calls for the Town to make annual payments of \$36,000 for 10 years with a 5-year renewal option with the first payment due June 10, 2025. The improvements will be covered by a \$120,000 state grant and the remaining cost of the project will be paid out of transfer taxes or the Community Enhancement Funds.

NEW GASB PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the year ended September 30, 2024, 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 Town beginning with the year ending September 30, 2025. This statement updates the recognition and measurement guidance for compensated absences.

GASB Statement No. 103, *Financial Reporting Model Improvements*, will be effective for the Town beginning with the year ending June 30, 2026. This statement improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential in decision making and assessing a governments accountability.

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2024

NEW GASB PRONOUNCEMENTS (Continued)

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, will be effective for the Town beginning with the year ending June 30, 2026. This statement requires certain information regarding capital assets to be presented by major class.

PRIOR PERIOD ADJUSTMENT

The respective net position and fund balance in the general fund, business-type activities, and utilities fund, at September 30, 2023 have been restated to reflect a reduction in capital assets. In addition, the general fund, governmental activities, business-type activities, and utilities fund have been restated to reflect a decrease in accounts payable in a prior year as follows:

| | |
|--|---------------------|
| General fund | |
| Fund balance at September 30, 2023, as originally reported | \$ 5,679,989 |
| Remove accounts payable | 61,785 |
| Record accounts payable for capital outlay | (26,010) |
| Fund balance at September 30, 2023, as restated | <u>\$ 5,715,764</u> |
| Governmental activities | |
| Net position at September 30, 2023, as originally reported | \$ 9,937,409 |
| Remove accounts payable | 61,785 |
| Record accounts payable for capital asset | (26,010) |
| Record capital asset | 26,010 |
| Net position at September 30, 2023, as restated | <u>\$ 9,999,194</u> |
| Utilities fund | |
| Net position at September 30, 2023, as originally reported | \$ 3,392,330 |
| Restate accounts payable | 80,810 |
| Restate capital assets | (79,479) |
| Net position at September 30, 2023, as restated | <u>\$ 3,393,661</u> |
| Business-type activities | |
| Net position at September 30, 2023, as originally reported | \$ 3,392,330 |
| Restate accounts payable | 80,810 |
| Restate capital assets | (79,479) |
| Net position at September 30, 2023, as restated | <u>\$ 3,393,661</u> |

REQUIRED SUPPLEMENTARY INFORMATION

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

YEAR ENDED SEPTEMBER 30, 2024

| | Budget | | Actual | Variance with Final Budget Favorable (Unfavorable) |
|---|------------------|------------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Real estate taxes | \$ 1,682,100 | \$ 1,692,100 | \$ 1,901,137 | \$ 209,037 |
| Transfer taxes | 620,000 | 620,000 | 762,943 | 142,943 |
| Licenses and permits | 540,000 | 540,000 | 761,386 | 221,386 |
| Community impact fees | 60,750 | 60,750 | 281,240 | 220,490 |
| Intergovernmental revenues | 221,410 | 221,410 | 559,161 | 337,751 |
| Charges for services | 201,660 | 201,660 | 387,409 | 185,749 |
| Fines and forfeitures | 73,000 | 73,000 | 76,076 | 3,076 |
| Earnings on investments | 30,000 | 30,000 | 69,630 | 39,630 |
| Miscellaneous | 15,500 | 15,500 | 36,680 | 21,180 |
| Total revenues | <u>3,444,420</u> | <u>3,454,420</u> | <u>4,835,662</u> | <u>1,381,242</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| General government | 625,410 | 640,410 | 618,663 | 21,747 |
| Public safety | 1,666,120 | 1,666,120 | 1,595,736 | 70,384 |
| Public works | 488,970 | 490,470 | 549,936 | (59,466) |
| Parks and recreation | 163,025 | 164,525 | 163,533 | 992 |
| Code enforcement | 387,045 | 384,545 | 474,505 | (89,960) |
| Debt service | | | 26,592 | (26,592) |
| Capital outlay | 153,100 | 153,100 | 407,052 | (253,952) |
| Total expenditures | <u>3,483,670</u> | <u>3,499,170</u> | <u>3,836,017</u> | <u>(336,847)</u> |
| Excess of revenues over (under) expenditures | <u>(39,250)</u> | <u>(44,750)</u> | <u>999,645</u> | <u>1,044,395</u> |
| OTHER FINANCING SOURCES | | | | |
| Use of transfer tax reserve* | | | (177,668) | (177,668) |
| Use of prior year surplus* | 106,000 | 106,000 | | (106,000) |
| Total other financing sources | <u>106,000</u> | <u>106,000</u> | <u>(177,668)</u> | <u>(283,668)</u> |
| Net change in fund balance | <u>\$ 66,750</u> | <u>\$ 61,250</u> | <u>\$ 821,977</u> | <u>\$ 760,727</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 proportionate percentage of covered payroll | Plan fiduciary as a percentage of total pension liability |
|---|---|--|---------------------------------------|--|--|
| <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% |
| 2024/2023 | 0.891600% | 128,179 | 960,617 | 13% | 97.6% |
| <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% |
| 2023/2022 | 1.1011% | (7,473) | 796,465 | -1% | 100.8% |
| 2024/2023 | 1.1299% | 23,360 | 969,616 | 2% | 97.8% |

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% |
| 2024 | 116,154 | (116,154) | | 960,617 | -12% |
| <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% |
| 2024 | 42,044 | (42,044) | | 969,616 | -4% |

TOWN OF MILTON, DELAWARE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

SEPTEMBER 30, 2024

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, 2023 and 2022:

| | | |
|-------------------------------|---|-----------------|
| Actuarial | Entry age normal. | |
| Remaining amortization period | Open 10-year level percent of payroll; 6 years remaining | |
| Asset valuation model | Five year smoothed market. | |
| Inflation | 2023 | 2.50% |
| | 2022 | 2.50% |
| Salary increases | 2023 | 2.5% plus merit |
| | 2022 | 2.5% plus merit |
| Investment rate of return | 2023 | 7.0% |
| | 2022 | 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. | |

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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Mayor and Council
Town of Milton, Delaware

Report on Supplementary Information

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

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 2023 and 2022 financial statements and, in our reports dated February 5, 2024 and January 8, 2023 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 3, 2025

TOWN OF MILTON, DELAWARE
SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2024
(WITH COMPARATIVE TOTALS FOR 2023 AND 2022)

| | 2024 | 2023 | 2022 |
|---|--------------|--------------|--------------|
| REVENUES | | | |
| Real estate taxes | \$ 1,901,137 | \$ 1,492,500 | \$ 1,262,676 |
| Transfer taxes | 762,943 | 658,735 | 774,115 |
| Licenses and permits | 761,386 | 586,489 | 431,914 |
| Community impact fees | 281,240 | 77,768 | 63,372 |
| Intergovernmental revenues | 559,161 | 1,661,447 | 1,544,360 |
| Charges for services | 387,409 | 231,793 | 219,242 |
| Fines and forfeitures | 76,076 | 72,422 | 52,191 |
| Earnings (losses) on investments | 69,630 | 60,818 | (18,032) |
| Miscellaneous | 36,680 | 118,832 | 45,450 |
| Total revenues | 4,835,662 | 4,960,804 | 4,375,288 |
| EXPENDITURES | | | |
| Current | | | |
| General government | 618,663 | 626,514 | 585,734 |
| Public safety | 1,595,736 | 1,344,875 | 1,942,224 |
| Public works | 549,936 | 535,923 | 284,402 |
| Parks and recreation | 163,533 | 123,187 | 109,242 |
| Code enforcement | 474,505 | 377,255 | 331,760 |
| Debt service | 26,592 | 27,043 | 4,337 |
| Capital outlay | 407,052 | 2,129,412 | 762,692 |
| Total expenditures | 3,836,017 | 5,164,209 | 4,020,391 |
| Excess revenues over (under) expenditures | 999,645 | (203,405) | 354,897 |
| OTHER FINANCING SOURCES | | | |
| Proceeds from sale of assets | | 1,070 | 400 |
| Proceeds from long-term debt | | 59,529 | |
| Total other financing sources | | 60,599 | 400 |
| Net change in fund balance | \$ 999,645 | \$ (142,806) | \$ 355,297 |

*Prior years were not restated to reflect the prior period adjustment.

TOWN OF MILTON, DELAWARE

**SCHEDULE OF REVENUES AND EXPENSES
UTILITIES FUND**

**YEAR ENDED SEPTEMBER 30, 2024
(WITH COMPARATIVE TOTALS FOR 2023 AND 2022)**

| | 2024 | 2023 | 2022 |
|---|--------------|-------------|------------|
| OPERATING REVENUES | | | |
| Water service charges | \$ 828,019 | \$ 659,151 | \$ 690,276 |
| Trash service charges | 475,487 | 412,720 | 377,040 |
| Tapping fees | 44,400 | 30,500 | 21,000 |
| Sales of meters | 160,146 | 92,359 | 56,480 |
| Operating grants | 98,526 | 18,137 | 3,021 |
| Penalties | 12,007 | 10,259 | 11,954 |
| Other | 42,042 | 19,245 | 22,243 |
| Total operating revenues | 1,660,627 | 1,242,371 | 1,182,014 |
| OPERATING EXPENSES | | | |
| Salaries and labor | 355,243 | 303,464 | 289,864 |
| Payroll taxes | 23,288 | 22,116 | 18,544 |
| Pension | 24,130 | 7,538 | (9,788) |
| Employee benefits | 39,512 | 37,547 | 50,791 |
| Uniforms | 6,284 | 6,069 | 3,896 |
| Utilities | 45,009 | 44,078 | 38,276 |
| Trash removal | 406,629 | 357,318 | 346,736 |
| Telephone | 7,641 | 5,937 | 6,133 |
| Gas and oil | 8,749 | 11,862 | 14,459 |
| Repairs and maintenance | 211,694 | 218,719 | 86,683 |
| Operating supplies | 210,926 | 123,074 | 74,476 |
| Professional fees | 85,740 | 57,031 | 38,946 |
| Insurance | 22,314 | 19,521 | 19,989 |
| Miscellaneous | 16,857 | 21,220 | 17,185 |
| Depreciation | 177,669 | 146,830 | 114,029 |
| Total operating expenses | 1,641,685 | 1,382,324 | 1,110,219 |
| Operating income (loss) | 18,942 | (139,953) | 71,795 |
| NON-OPERATING REVENUES (EXPENSES) | | | |
| Capital grants | 218,395 | | |
| Interest income | 11,814 | 5,962 | 73 |
| Debt service fees | 69,360 | 66,113 | 64,838 |
| Interest expense | (33,298) | (47,032) | (29,153) |
| Loss on sale of assets | (8,088) | | |
| Net non-operating revenues | 258,183 | 25,043 | 35,758 |
| Income (loss) before contributions and special item | 277,125 | (114,910) | 107,553 |
| Capital contributions - impact fees | 176,100 | 104,000 | 68,000 |
| Special item - gain on forgiveness of debt | 1,536,632 | | |
| Change in net position | \$ 1,989,857 | \$ (10,910) | \$ 175,553 |

*Prior years were not restated to reflect the prior period adjustment.

GOVERNMENT AUDITING STANDARDS REPORT

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

To the Mayor and Council
 Town of Milton, Delaware

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund of the Town of Milton, Delaware as of and for the year ended September 30, 2024, 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 3, 2025.

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 3, 2025