

TOWN OF MILTON, DELAWARE
FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2025

TOWN OF MILTON, DELAWARE

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INDEPENDENT AUDITORS' REPORT

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To the Mayor and Council
Town of Milton, Delaware

Opinions

We have audited the accompanying 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, 2025, 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Milton, Delaware, as of September 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Adoption of Accounting Standard

As discussed in the notes to the financial statements, the Town adopted GASB Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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

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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, 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 on pages 4 through 10 and the required supplementary information on pages 43 through 46 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 2, 2026, 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 2, 2026

TOWN OF MILTON, DELAWARE
MANAGEMENT’S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2025

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, 2025. Please read it in conjunction with the Town’s basic financial statements, which begin on page 11.

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

Governmental Funds

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

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

TOWN OF MILTON, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2025

Governmental Funds (Continued)

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

The Town adopts an annual appropriated budget for its General Fund. The basic governmental fund financial statements can be found on pages 13 through 16. Included in required supplementary information is a budgetary comparison statement for the General Fund to demonstrate compliance with this budget. The budgetary comparison can be found on page 43.

Proprietary Funds

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

Summary of Significant Accounting Policies and Notes to the Financial Statements

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. Notes to the financial statements are part of the basic financial statements and can be found on pages 20 through 42 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 \$21.2 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, impact fees, and law enforcement grants received and restricted to certain expenditures.

TOWN OF MILTON, DELAWARE
MANAGEMENT’S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2025

Net Position

As of September 30, 2025, the Town’s net position was \$21,242,000. Of this amount, \$12,521,000 was the net investment in capital assets, \$5,254,000 was restricted, and \$3,467,000 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)

	2025			2024		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Assets						
Current and other assets	\$ 8,403	\$ 2,046	\$ 10,449	\$ 8,479	\$ 2,104	\$ 10,583
Capital assets, net	5,621	8,141	13,762	4,168	4,152	8,320
Total assets	14,024	10,187	24,211	12,647	6,256	18,903
Deferred outflows of resources	449	28	477	723	46	769
Liabilities						
Current and other liabilities	385	714	1,099	300	187	487
Long term liabilities	577	854	1,431	226	725	951
Total liabilities	962	1,568	2,530	526	912	1,438
Deferred inflows of resources	772	144	916	1,744	6	1,750
Net position						
Net investment in capital assets	5,227	7,294	12,521	4,112	3,396	7,508
Restricted	4,207	1,047	5,254	3,293	1,028	4,321
Unrestricted	3,305	162	3,467	3,695	960	4,655
Total net position	\$ 12,739	\$ 8,503	\$ 21,242	\$ 11,100	\$ 5,384	\$ 16,484

The prior year was not restated to reflect the implementation of GASB 101, *Compensated Absences*

Change in Net Position

Net position for the year ended September 30, 2025 increased by \$4,843,000. This is a result of governmental activity net position increasing by \$1,717,000 and business-type net position increasing by \$3,126,000.

TOWN OF MILTON, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2025

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)

	2025			2024		
	Governmental		Business-Type Total	Governmental		Business-Type Total
	Activities	Activities		Activities	Activities	
Revenues						
Program revenues						
Charges for services	\$ 1,077	\$ 1,878	\$ 2,955	\$ 1,146	\$ 1,562	\$ 2,708
Operating grants and contributions	228	76	304	396	168	564
Capital grants and contributions	216	1,623	1,839	193	394	587
General revenues						
Property and transfer taxes	3,601		3,601	2,627		2,627
Community impact fees	607		607	281		281
Miscellaneous revenues	33		33	85	(8)	77
Investment earnings	68	10	78	71	12	83
Total revenues	<u>5,830</u>	<u>3,587</u>	<u>9,417</u>	<u>4,799</u>	<u>2,128</u>	<u>6,927</u>
Expenses						
General government	885		885	648		648
Public safety	1,917		1,917	1,674		1,674
Public works	644		644	716		716
Code enforcement	459		459	474		474
Parks and recreation	208		208	186		186
Utilities		1,792	1,792		1,675	1,675
Total expenses	<u>4,113</u>	<u>1,792</u>	<u>5,905</u>	<u>3,698</u>	<u>1,675</u>	<u>5,373</u>
Special item - gain on forgiveness of debt					1,537	1,537
Special item - PFAS settlement		293	293			
Special item - capital bond proceeds		1,037	1,037			
Change in net position	1,717	3,125	4,842	1,101	1,990	3,091
Beginning of the year, net position	11,022	5,378	16,400	9,999	3,394	13,393
Prior period adjustment				(78)	(6)	(84)
End of the year, net position	<u>\$ 12,739</u>	<u>\$ 8,503</u>	<u>\$ 21,242</u>	<u>\$ 11,022</u>	<u>\$ 5,378</u>	<u>\$ 16,400</u>

See GASB Statement No. 101, *Compensated Absences* on page 27 of the financial statements.

TOWN OF MILTON, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2025

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

General fund

For the fiscal year ended September 30, 2025, the Town had an increase in the general fund balance of \$728,000 compared to an increase of \$1,000,000 in the prior year. The general fund balance as of September 30, 2025 was \$7,444,000. Of this amount, \$4,300,000 is restricted, assigned, or non-spendable leaving an unassigned balance of \$3,144,000. A detailed comparison with the prior two years is shown on page 48.

Total revenues were \$5,859,000 which is an increase of \$1,023,000 or 21% from the prior year. Significant changes from the prior year include:

- Real estate taxes increased by \$636,000 due to an increase in the approved tax rate and assessable base.
- Transfer taxes increased by \$267,000 due to an increase in growth throughout the Town during the year.
- Community impact fees increased by \$326,000 due to an increase in construction permits issued during the year compared to the prior year and an increase in the rate charged for construction permits compared to the prior year.

Total expenditures were \$5,927,000 which is an increase of \$2,091,000 or 55% over the prior year. Significant changes include:

- Capital outlay expenditures increased by \$1,877,000 due to a large land purchase that occurred during the year.
- General government expenditures increased by \$181,000 due to an increase in pay rates, insurance premiums, capital planning, and legal activity.
- Public safety expenditures increased by \$127,000 due to additional police officers hired, an increase in pay rates, and an increase in insurance premiums compared to the prior year.

Utilities Fund

The utilities fund had operating income of \$101,000 and an increase in net position of \$3,125,000 for the year ended September 30, 2025 compared to operating income of \$19,000 and an increase in net position of \$1,990,000 in the prior year. A detailed comparison with the prior two years is shown on page 49.

Significant changes were as follows:

- Operating revenues increased by \$217,000 largely due to water service charges and other revenues.
- Operating expenses increased by \$135,000 due to increases in salaries, trash removal, operating supplies, professional fees, and employee benefits.
- Impact fees increased by \$13,000 during the year. These fees are restricted for capital and debt service expenses.
- Nonoperating revenues increased \$1,246,000 due to an increase in capital grants of \$1,216,000
- Capital bond proceeds related to the special development district for the Water Meter Replacement project was also recognized for \$1,037,000.

TOWN OF MILTON, DELAWARE

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2025

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 increase changed from \$588,000 to a deficit of \$1,127,000. The Town used the budgeted prior year surplus of \$1,711,000 to cover this deficit.

A budget and actual comparison schedule is provided in the required supplementary information for the General Fund on page 43. 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 \$1,216,000 due to favorable variances in transfer taxes, licenses and permits, community impact fees, earnings on investments, and miscellaneous revenues.
- Total general fund expenditures exceeded the final budget by \$157,000 due to unfavorable variance in general government, debt service, 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, 2025 was \$13,763,000 (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:

- Town Hall Roof Replacement for \$25,000.
- Five Park Benches for \$11,000.
- Property at Collins Street for \$164,000.
- Property to be used for the future police department and town management facility for \$1,183,000 (construction in progress).
- Town Hall Building Renovation for \$15,000 (construction in progress).
- Right-of-use asset for the parking lot lease at Milton Historical Society for \$390,856.

Business-type Activities:

- Asphalt Roller for \$20,000.
- 2025 Chevrolet Silverado for \$84,000
- Federal Street Well & Water Improvements Project for \$2,376,000 (construction in progress).
- Water Main Replacement Project for \$625,000 (construction in progress).
- Water Meter Replacement Project for \$1,038,000 (construction in progress).

TOWN OF MILTON, DELAWARE
MANAGEMENT’S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2025

CAPITAL ASSETS AND LONG-TERM DEBT (Continued)

Capital Assets (continued)

Business-type activities (continued):

- Chandler Street WTP Rehabilitation Project for \$35,000 (construction in progress).

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

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	\$ 630	\$ 467	\$	\$	\$ 630	\$ 467
Construction in progress	1,198	12	4,365	292	5,563	304
Buildings and improvements	425	438	3,501	3,642	3,926	4,080
Machinery and equipment	115	137	119	120	234	257
Leased equipment and software	412	65			412	65
Streets and sidewalks	2,522	2,639			2,522	2,639
Vehicles	320	410	156	98	476	508
Net capital assets	\$ 5,622	\$ 4,168	\$ 8,141	\$ 4,152	\$ 13,763	\$ 8,320

Long-Term Debt

At year-end, the Town had \$847,000 in notes payable in the enterprise fund.

Additional information on the Town’s debt can be found on pages 31 - 33 of this report.

CURRENTLY KNOWN FACTS, DECISION, OR CONDITIONS

The Town approved a transfer tax reserve for capital improvements for \$844,250 in the fiscal year 2026 budget due to expected growth within the Town.

The Town is in the planning stage of the Town Hall renovation as of September 30, 2025 and plans to begin the construction phase in fiscal year 2026. Costs related to this renovation are budgeted for \$550,000 in the fiscal year 2026 budget.

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, 2025

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash	\$ 3,026,621	\$ 356,955	\$ 3,383,576
Investments, at fair value	339,477		339,477
Taxes receivable	43,353		43,353
Accounts receivable, net of allowance	38,428	465,499	503,927
Receivable - PFAS settlement		32,875	32,875
Receivable - capital bond proceeds		129,670	129,670
Grants receivable	12,876		12,876
Leases receivable, current portion	4,533		4,533
Internal balances	85,170	(85,170)	
Inventory		82,280	82,280
Prepaid expenses	67,851	12,865	80,716
Restricted cash	4,262,590	1,047,428	5,310,018
Total current assets	<u>7,880,899</u>	<u>2,042,402</u>	<u>9,923,301</u>
Noncurrent assets			
Leases receivable, less current portion	521,867		521,867
Capital assets, net of accumulated depreciation	5,621,528	8,141,331	13,762,859
Net pension asset		3,333	3,333
Total noncurrent assets	<u>6,143,395</u>	<u>8,144,664</u>	<u>14,288,059</u>
Total assets	<u>14,024,294</u>	<u>10,187,066</u>	<u>24,211,360</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred financing outflows - retirement	448,972	27,644	476,616
LIABILITIES			
Current liabilities			
Current portion of notes and leases payable	38,161	44,540	82,701
Current portion of accrued compensated absences	92,792	24,899	117,691
Accounts payable	177,301	602,841	780,142
Accrued wages and payroll taxes	76,640	19,177	95,817
Accrued interest payable		4,838	4,838
Prepaid service charges		17,296	17,296
Total current liabilities	<u>384,894</u>	<u>713,591</u>	<u>1,098,485</u>
Noncurrent liabilities			
Notes and leases payable, less current portion	356,475	802,918	1,159,393
Accrued compensated absences, less current portion	168,999	51,045	220,044
Net pension liability	51,254		51,254
Total noncurrent liabilities	<u>576,728</u>	<u>853,963</u>	<u>1,430,691</u>
Total liabilities	<u>961,622</u>	<u>1,567,554</u>	<u>2,529,176</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred grants	55,690	120,000	175,690
Deferred financing inflows - retirement	193,652	24,143	217,795
Deferred financing inflows - leases	523,333		523,333
Total deferred inflows of resources	<u>772,675</u>	<u>144,143</u>	<u>916,818</u>
NET POSITION			
Net investment in capital assets	5,226,892	7,293,873	12,520,765
Restricted	4,206,730	1,047,428	5,254,158
Unrestricted	3,305,347	161,712	3,467,059
Total net position	<u>\$ 12,738,969</u>	<u>\$ 8,503,013</u>	<u>\$ 21,241,982</u>

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

TOWN OF MILTON, DELAWARE

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2025

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	\$ 884,969	\$ 40,020	\$	\$	\$ (844,949)	\$	\$ (844,949)
Public safety	1,917,385	78,685	106,326	65,529	(1,666,845)		(1,666,845)
Public works	643,732	120,054	101,896		(421,782)		(421,782)
Code enforcement	458,704	827,638			368,934		368,934
Parks and recreation	207,893	10,269	20,107	150,375	(27,142)		(27,142)
Total governmental activities	<u>4,112,683</u>	<u>1,076,666</u>	<u>228,329</u>	<u>215,904</u>	<u>(2,591,784)</u>		<u>(2,591,784)</u>
BUSINESS-TYPE ACTIVITIES							
Utilities	1,792,495	1,877,667	75,973	1,622,786		1,783,931	1,783,931
Total	<u>\$ 5,905,178</u>	<u>\$ 2,954,333</u>	<u>\$ 304,302</u>	<u>\$ 1,838,690</u>	<u>(2,591,784)</u>	<u>1,783,931</u>	<u>(807,853)</u>
GENERAL REVENUES							
Real estate taxes					2,570,489		2,570,489
Transfer taxes					1,030,379		1,030,379
Franchise fees					81,186		81,186
Community impact fees					606,808		606,808
Unrestricted investment earnings					41,080	10,086	51,166
Restricted investment earnings					26,742		26,742
Loss on sale of assets					(61,692)		(61,692)
Miscellaneous					14,266		14,266
Special item - PFAS settlement						293,870	293,870
Special item - capital bond proceeds						1,037,608	1,037,608
Total general revenues					<u>4,309,258</u>	<u>1,341,564</u>	<u>5,650,822</u>
Change in net position					1,717,474	3,125,495	4,842,969
NET POSITION, BEGINNING OF YEAR, RESTATED					<u>11,021,495</u>	<u>5,377,518</u>	<u>16,399,013</u>
NET POSITION, END OF YEAR					<u>\$ 12,738,969</u>	<u>\$ 8,503,013</u>	<u>\$ 21,241,982</u>

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

TOWN OF MILTON, DELAWARE

**BALANCE SHEET
GOVERNMENTAL FUND**

SEPTEMBER 30, 2025

ASSETS

	<u>General Fund</u>
Cash	\$ 3,026,621
Investments, at fair value	339,477
Taxes receivable	43,353
Accounts receivable, net of allowance	38,428
Grants receivable	12,876
Leases receivable	526,400
Prepaid insurance	67,851
Due from other funds	85,170
Restricted cash	<u>4,262,590</u>
Total assets	<u>\$ 8,402,766</u>

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

LIABILITIES

Accounts payable	\$ 177,301
Accrued wages and payroll taxes	76,640
Accrued compensated absences	92,792
Total liabilities	<u>346,733</u>

DEFERRED INFLOWS OF RESOURCES

Deferred grants	55,690
Deferred property taxes	33,083
Deferred financing inflows - leases	523,333
Total deferred inflows of resources	<u>612,106</u>

FUND BALANCE

Non-spendable	67,851
Restricted	
Capital reserves	2,868,099
Other	1,338,631
Committed	950,120
Unassigned	<u>2,219,226</u>
Total fund balance	<u>7,443,927</u>

Total liabilities, deferred inflows of resources, and fund balance \$ 8,402,766

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, 2025

Total fund balance, governmental fund	\$ 7,443,927
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.	5,621,528
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	448,972
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.	
Long-term accrued compensated absences	(168,999)
Deferred financing inflows - retirement	(193,652)
Leases payable	(394,636)
Net pension liability	(51,254)
Certain revenues that do not provide current financial resources are reported as deferred income in the fund financial statements, but are reported as revenue in the governmental activities of the Statement of Net Position.	
Deferred taxes	<u>33,083</u>
Net position, governmental activities	<u><u>\$ 12,738,969</u></u>

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

TOWN OF MILTON, DELAWARE

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

YEAR ENDED SEPTEMBER 30, 2025

	<u>General Fund</u>
REVENUES	
Real estate taxes	\$ 2,537,406
Transfer taxes	1,030,379
Licenses and permits	716,120
Community impact fees	606,805
Intergovernmental revenues	421,100
Charges for services	284,221
Franchise fees	81,186
Fines and forfeitures	68,203
Earnings on investments	67,822
Miscellaneous	45,523
Total revenues	<u>5,858,765</u>
EXPENDITURES	
Current	
General government	799,539
Public safety	1,722,612
Public works	456,820
Parks and recreation	175,541
Code enforcement	425,589
Debt service	62,592
Capital outlay	2,284,084
Total expenditures	<u>5,926,777</u>
Deficiency of revenues under expenditures	<u>(68,012)</u>
OTHER FINANCING SOURCES	
Proceeds from sale of assets	405,035
Proceeds from leased assets	390,856
Total other financing sources	<u>795,891</u>
Change in fund balance	727,879
FUND BALANCE, BEGINNING OF YEAR, RESTATED	<u>6,716,048</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 7,443,927</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, 2025

Change in fund balance, governmental fund \$ 727,879

Amounts reported for Governmental Funds in the Statement of
Activities are different because:

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

Capital outlay	2,284,084	
Loss on disposal of assets	(61,692)	
Scrapped construction projects	(11,914)	
Depreciation expense	<u>(351,640)</u>	
		1,858,838

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	(38,645)
Change in deferred financing outflows - retirement	(273,479)
Change in net pension liability	92,201

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 payable	52,062
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Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.

Change in deferred taxes	33,083
Change in deferred financing inflows - retirement	61,426

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

Proceeds from leased assets	(390,856)
Proceeds from sale of assets	<u>(405,035)</u>

Change in net position, governmental activities \$ 1,717,474

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

TOWN OF MILTON, DELAWARE

**STATEMENT OF NET POSITION
PROPRIETARY FUND**

SEPTEMBER 30, 2025

	<u>Utilities Fund</u>
ASSETS	
Current assets	
Cash	\$ 356,955
Accounts receivable, net of allowance	465,499
Receivable - PFAS settlement	32,875
Receivable - capital bond proceeds	129,670
Inventory	82,280
Prepaid expenses	12,865
Restricted cash	1,047,428
Total current assets	<u>2,127,572</u>
Noncurrent assets	
Capital assets, net of accumulated depreciation	8,141,331
Net pension asset	3,333
Total noncurrent assets	<u>8,144,664</u>
Total assets	<u>10,272,236</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred financing outflows - retirement	<u>27,644</u>
LIABILITIES	
Current liabilities	
Current portion of notes payable	44,540
Current portion of accrued compensated absences	24,899
Accounts payable	602,841
Accrued wages and payroll taxes	19,177
Accrued interest payable	4,838
Prepaid service charges	17,296
Due to other funds	85,170
Total current liabilities	<u>798,761</u>
Noncurrent liabilities	
Notes payable, less current portion	802,918
Accrued compensated absences, less current portion	51,045
Total noncurrent liabilities	<u>853,963</u>
Total liabilities	<u>1,652,724</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - retirement	24,143
Deferred inflows - grants	120,000
Total deferred inflows of resources	<u>144,143</u>
NET POSITION	
Net investment in capital assets	7,293,873
Restricted	1,047,428
Unrestricted	161,712
Total net position	<u>\$ 8,503,013</u>

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

TOWN OF MILTON, DELAWARE

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

YEAR ENDED SEPTEMBER 30, 2025

	<u>Utilities Fund</u>
OPERATING REVENUES	
Water service charges	\$ 944,618
Trash service charges	561,723
Tapping fees	47,600
Sales of meters	224,615
Penalties	12,436
Other	86,675
Total operating revenues	<u>1,877,667</u>
OPERATING EXPENSES	
Salaries and labor	428,362
Payroll taxes	31,351
Pension	47,336
Employee benefits	73,911
Uniforms	4,092
Utilities	32,765
Trash removal	443,247
Telephone	9,255
Gas and oil	6,971
Repairs and maintenance	67,883
Operating supplies	287,053
Professional fees	108,879
Insurance	23,479
Miscellaneous	24,328
Depreciation	187,823
Total operating expenses	<u>1,776,735</u>
Operating income	<u>100,932</u>
NON-OPERATING REVENUES (EXPENSES)	
Capital grants	1,434,186
Interest income	10,086
Debt service fees	75,973
Interest expense	(15,760)
Net non-operating revenues	<u>1,504,485</u>
Income before contributions and special item	1,605,417
Capital contributions - impact fees	188,600
Special item - PFAS settlement	293,870
Special item - capital bond proceeds	<u>1,037,608</u>
Change in net position	3,125,495
NET POSITION, BEGINNING OF YEAR, RESTATED	<u>5,377,518</u>
NET POSITION, END OF YEAR	<u>\$ 8,503,013</u>

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

TOWN OF MILTON, DELAWARE

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND**

YEAR ENDED SEPTEMBER 30, 2025

	<u>Utilities Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 1,832,710
Payments to suppliers	(1,037,009)
Payments to employees	(411,819)
Net cash provided by operating activities	383,882
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(2,176,962)
Debt service fees	75,973
Proceeds from capital bonds	907,938
Proceeds from PFAS settlement	260,995
Proceeds from long-term debt	135,399
Principal paid on long-term debt	(43,669)
Interest paid on long-term debt	(14,897)
Capital contributions - impact fees	188,600
Net cash used by capital and related financing activities	(666,623)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Interfund borrowings	168,648
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	10,086
Net decrease in cash	(104,007)
CASH, BEGINNING OF YEAR	1,508,390
CASH, END OF YEAR	\$ 1,404,383
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 100,932
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	187,823
Change in deferred outflows and inflows	156,507
(Increase) decrease in assets	
Accounts receivable	(48,869)
Prepaid expenses	(177)
Net pension asset (liability)	(11,416)
Increase (decrease) in liabilities	
Accounts payable and accrued expenses	(4,830)
Prepaid service charges	3,912
Net cash provided by operating activities	\$ 383,882
RECONCILIATION OF CASH TO THE STATEMENT OF NET POSITION	
Cash - unrestricted	\$ 356,955
Cash - restricted	1,047,428
Total cash on the Statement of Cash Flows	\$ 1,404,383

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

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

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, 2025

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, 2025

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, 2025

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, 2025 are as follows:

	Cost	Fair Value	Unrealized Loss
Corporate bonds	\$ 347,732	\$ 339,477	\$ (8,255)

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, 2025 were \$12,043 and \$265, respectively.

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

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 accrued based upon the assumption employees will stay until retirement.

Comp time is vested for the police, but not for all other departments. It is accrued according to policy.

When estimating the leave that is more likely than not to be used or otherwise paid or settled, the Town considered relevant factors such as employment policies related to leave and historical use about the use or payment of compensated absences.

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, 2025

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital assets

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

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

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

Use of estimates

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

Government-wide and enterprise fund net position

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

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

Restricted net position – 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, 2025

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).

Reclassifications

Certain prior year amounts in the supplementary information have been reclassified to conform to current year presentation.

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of GASB Statement No. 101, *Compensated Absences*

Effective October 1, 2024, the Town adopted the new compensated absences accounting guidance in GASB Statement No. 101, *Compensated Absences*. The new guidance requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences. As a result of this adoption, salaries and related expenses increased with a corresponding increase in compensated absences liability. The statement has been applied retrospectively to all prior periods presented.

Governmental Activities	
Net position at September 30, 2024, as previously reported	\$ 11,100,107
Adjustment to compensated absences under GASB 101	(78,612)
Net position at September 30, 2024, restated	<u>\$ 11,021,495</u>
Business-Type Activities	
Net position at September 30, 2024, as previously reported	\$ 5,383,518
Adjustment to compensated absences under GASB 101	(6,000)
Net position at September 30, 2024, restated	<u>\$ 5,377,518</u>
General fund	
Fund balance at September 30, 2024, as previously reported	\$ 6,715,409
Adjustment to compensated absences under GASB 101	639
Fund balance at September 30, 2024, restated	<u>\$ 6,716,048</u>
Utilities Fund	
Fund balance at September 30, 2024, as previously reported	\$ 5,383,518
Adjustment to compensated absences under GASB 101	(6,000)
Fund balance at September 30, 2024, restated	<u>\$ 5,377,518</u>

Adoption of GASB Statement No. 102, *Certain Risk Disclosures*

Effective October 1, 2024, the Town adopted the new certain risk disclosures accounting guidance in GASB Statement No. 102, *Certain Risk Disclosures*. The new guidance addresses how state and local governments should disclose vulnerabilities to risk that may negatively affect their ability to provide services either due to concentration or constraint.

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of GASB Statement No. 102, *Certain Risk Disclosures* (Continued)

Disclosure is required if (1) a concentration or constraint is known to the government prior to the issuance of the financial statements, (2) the concentration or constraint makes the government vulnerable to the risk of a substantial impact, and (3) events associated with the concentration or constraint either have occurred, begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The standard did not have an impact on the financial statements.

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, 2025, \$8,693,335 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. As of September 30, 2025, \$22,575 of the Town's investments were exposed to custodial credit risk. These amounts were not covered by FDIC and were uncollateralized and uninsured.

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.

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

CASH AND CASH EQUIVALENTS (Continued)

Restricted cash (Continued)

- Cash received from the State of Delaware restricted for local law enforcement activities.
- Cash collected for impact fees related to community enhancement and emergency services which by state law must be segregated from the Town’s general cash and can be expended solely for capital costs for community enhancement projects and emergency services that benefit the Town.

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

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	\$ 630,652	\$ 466,728	\$ 630,408
Construction in progress	11,914	1,197,685	11,914	1,197,685
Total capital assets not being depreciated	<u>478,398</u>	<u>1,828,337</u>	<u>478,642</u>	<u>1,828,093</u>
<i>Capital assets being depreciated</i>				
Building	818,691	24,512		843,203
Other improvements	1,204,333	11,067		1,215,400
Machinery and equipment	609,974	13,017		622,991
Leased equipment and software	125,172	390,856		516,028
Street and sidewalks	3,009,942	4,315	13,444	3,000,813
Vehicles	787,925	11,980	10,000	789,905
Total capital assets being depreciated	<u>6,556,037</u>	<u>455,747</u>	<u>23,444</u>	<u>6,988,340</u>
Less accumulated depreciation for:				
Building	518,075	27,130		545,205
Other improvements	1,066,136	22,624		1,088,760
Machinery and equipment	472,834	34,811		507,645
Leased equipment and software	60,204	43,484		103,688
Street and sidewalks	371,182	121,762	13,444	479,500
Vehicles	378,278	101,829	10,000	470,107
Total accumulated depreciation	<u>2,866,709</u>	<u>351,640</u>	<u>23,444</u>	<u>3,194,905</u>
Total capital assets being depreciated, net	<u>3,689,328</u>	<u>104,107</u>		<u>3,793,435</u>
Capital assets, net	<u>\$ 4,167,726</u>	<u>\$ 1,932,444</u>	<u>\$ 478,642</u>	<u>\$ 5,621,528</u>

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

CAPITAL ASSETS (Continued)

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

Governmental activities:	
General government	\$ 50,997
Public safety	108,194
Public works	167,660
Code enforcement	558
Parks and recreation	<u>24,231</u>
Total governmental activities	<u>\$ 351,640</u>

Business-type activities:	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<i>Capital assets not being depreciated</i>				
Construction in progress	\$ 291,771	\$ 4,073,564	\$	\$ 4,365,335
<i>Capital assets being depreciated</i>				
Improvements	5,406,910			5,406,910
Machinery and equipment	528,095	19,900	276,500	271,495
Vehicles	332,020	83,518		415,538
Total capital assets being depreciated	<u>6,267,025</u>	<u>103,418</u>	<u>276,500</u>	<u>6,093,943</u>
Less accumulated depreciation for:				
Improvements	1,764,892	141,214		1,906,106
Machinery and equipment	408,404	20,077	276,500	151,981
Vehicles	233,328	26,532		259,860
Total accumulated depreciation	<u>2,406,624</u>	<u>187,823</u>	<u>276,500</u>	<u>2,317,947</u>
Total capital assets being depreciated, net	<u>3,860,401</u>	<u>(84,405)</u>		<u>3,775,996</u>
Capital assets, net	<u>\$ 4,152,172</u>	<u>\$ 3,989,159</u>	<u>\$</u>	<u>\$ 8,141,331</u>

Construction in progress in the Utility Fund includes \$2,595,889 for the well and water improvement project at Federal Street, \$660,450 for the water main replacement, \$27,961 for the water main project at Tilney Street, \$1,043,017 for the water meter replacement, and \$38,018 for the water treatment plant project at Chandler Street.

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

INTEREST COST – UTILITIES FUND

During the year ended September 30, 2025, total interest incurred in the Utilities fund was \$15,760 including accrued interest of \$4,838.

LONG-TERM DEBT

Changes in long-term obligations for the year ended September 30, 2025 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Leases payable	\$ 55,842	\$ 390,856	\$ 52,062	\$ 394,636
Business-type activities				
Notes payable	\$ 755,728	\$ 135,399	\$ 43,669	\$ 847,458

The following is a summary of the Town’s long-term debt as of September 30, 2025:

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 \$1,078. 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 \$30,624. 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 a parking lot lease with Milton Historical Society under non-cancellable lease agreement expiring in 2039. The asset and liability are recorded at the present value of the future lease payments of \$362,934. 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.

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

LONG-TERM DEBT (Continued)

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. \$ 298,635

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%. 413,424

State Revolving Fund Loan Monies (SRF). On May 3, 2024, the Town entered a loan agreement with the Delaware Drinking Water State Revolving Fund to fund construction of the Federal Street Water Tower. The original obligation was \$3,850,000. 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%. Matures November 1, 2046. 38,612

State Revolving Fund Loan Monies (SRF). On May 3, 2024, the Town entered a loan agreement with the Delaware Drinking Water State Revolving Fund to fund construction of the Chandler Street Water Treatment Facility Improvements. The original obligation was \$579,000. 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%. Matures November 1, 2045. 32,864

State Revolving Fund Loan Monies (SRF). On May 3, 2024, the Town entered a loan agreement with the Delaware Drinking Water State Revolving Fund to fund construction of the Water Main Replacement. The original obligation was \$1,785,000. 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%. Matures November 1, 2045. 63,923

	847,458
Less amounts not currently due	(135,399)
	\$ 712,059

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

LONG-TERM DEBT (Continued)

Maturities of long-term debt as of September 30, 2025 are as follows:

Year Ending	Governmental Activities		
	Principal	Interest	Totals
2026	\$ 38,161	\$ 18,534	\$ 56,695
2027	32,207	16,794	49,001
2028	20,711	15,289	36,000
2029	21,687	14,313	36,000
2030	22,710	13,290	36,000
2031 - 2035	130,656	49,343	179,999
2036 - 2039	128,504	15,496	144,000
	\$ 394,636	\$ 143,059	\$ 537,695

Year Ending	Business-Type Activities		
	Principal	Interest	Totals
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	48,230	10,336	58,566
2031 - 2035	256,088	36,743	292,831
2036 - 2039	224,138	9,862	234,000
	\$ 712,059	\$ 107,602	\$ 819,661

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.

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.

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

SPECIAL DEVELOPMENT DISTRICT AND SPECIAL OBLIGATION BONDS (Continued)

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 2025, the Town has moved forward with the Water Meter Replacement project approved to be funded from the Facilities Fund. The costs for the Water Main Replacement project have been submitted for reimbursement for costs incurred to date of \$1,037,608.

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 consists of:

- a) Community Enhancement Fund fees of \$781,021 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;
- b) Emergency Services Fund fees of \$260,340 have been collected to provide funding for capital equipment in support of police, fire, and Town;
- c) Transfer taxes of \$2,868,099 that are restricted for specific uses by the State of Delaware; and
- d) Grants (net of deferred grant revenue) of \$297,270 that are restricted for specific uses by the State of Delaware.

Committed fund balance consists of 25% of the current year unrestricted general fund revenues (excludes transfer taxes, community impact fees, and intergovernmental revenues). These funds would be used to help mitigate any risk with the Special Development District (SDD) if revenues fall short of expectations.

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 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, 2025. 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 \$67,500.

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, 2024. For a more complete description, please refer to the DPERS CAFR for each plan. Separately issued financial statements for DPERS are available from the pension office at: McArdle Building, Suite 1, 860 Silver Lake Blvd, Dover, DE 19904.

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

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

RETIREMENT AND PENSION PLANS (Continued)

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.

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.

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2025

RETIREMENT AND PENSION PLANS (Continued)

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 \$77,788.

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

At September 30, 2025, the Town reported a net liability in the government-wide activities of \$47,921 (\$56,664 liability for the police plan and \$8,743 asset for non-police) for its proportionate share of the net pension. The net pension was determined by an actuarial valuation as of June 30, 2023 with update procedures to roll forward the total pension liability/asset to June 30, 2024. The actuarial assumptions were based on the most recent experience study completed during the fiscal year ended June 30, 2024. The Town's proportion of the net pension liability was based on the percentage of actual employee contributions. At June 30, 2024, the Town's proportion for the Police Plan was .3542% and for the General Plan was 1.291%.

For the year ended September 30, 2025, the Town recognized pension expense of \$113,521. At September 30, 2025, 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	\$ 167,811	\$ 127,529
Net difference between projected and actual earnings on pension plan investments	55,003	31,644
Differences between expected and actual experience	135,908	36,843
Changes of assumptions	11,357	21,779
Contributions subsequent to measurement date	106,537	
	\$ 476,616	\$ 217,795

The Town's contribution subsequent to the measurement date of \$106,537, reported as deferred outflows of resources, will be recognized as an addition to the net pension liability in the year ended September 30, 2026.

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 7 to 10 years. The net difference in investment earnings are being amortized over a five-year period.

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

RETIREMENT AND PENSION PLANS (Continued)

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

Year Ending September 30	
2026	\$ 9,770
2027	54,644
2028	13,488
2029	3,778
2030	7,658
Thereafter	22,664
	\$ 112,002

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 7 years for the 2024 amounts for the General Plan and the Police Plan.

Actuarial assumptions. The collective total pension liability for the June 30, 2024 measurement date was determined by an actuarial valuation as of June 30, 2023, and update procedures were used to roll forward the total pension asset to June 30, 2024. 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, 2025

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, 2024, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	33.6%	5.7%
International equity	13.9%	5.7%
Fixed income	25.3%	2.0%
Alternative investments	21.7%	7.8%
Cash and equivalents	5.5%	
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%)	\$ 390,760
Current discount rate (7.0%)	\$ 47,921
1% Increase (8.0%)	\$ (267,046)

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, 2025

LAND LEASE RECEIVABLE

Leases receivable and deferred inflows of resources are recorded at the present value of the lease payments discounted using the Town’s incremental borrowing rate of 4.885%. The deferred inflows are being amortized over the life of the lease. Amortization is included in lease of properties in the general fund.

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. The lease commenced in July 2025 upon completion of the site plan and required approvals and will expire in June 2050. Total lease payments for the year ended September 30, 2025 were \$7,500.

As of September 30, 2025, the balance of leases receivable is \$526,400.

A maturity analysis of all future lease payments for the term of the lease is as follows:

	Principal	Interest
Year ended September 30:		
2026	\$ 4,533	\$ 25,617
2027	5,376	25,377
2028	6,274	25,094
2029	7,228	24,767
2030	8,243	24,391
2031-2035	58,808	114,421
2036-2040	95,379	95,883
2041-2045	144,174	67,008
2046-2050	196,385	24,454
	\$ 526,400	\$ 427,012

RISK MANAGEMENT

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

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

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, 2025 is as follows:

	Fair value using:		
	Level 1	Level 2	Level 3
Corporate bonds	\$	\$ 339,477	\$

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

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

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

TOWN OF MILTON, DELAWARE
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NEW GASB PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the year ended September 30, 2025, 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. 103, *Financial Reporting Model Improvements*, will be effective for the Town beginning with the year ending September 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.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, will be effective for the Town beginning with the year ending September 30, 2026. The statement will provide guidance on how to disclose right-to-use assets resulting from leases, subscriptions and PPPs to promote consistency and comparability between governments. It also provides new disclosure requirements related to capital assets held for sale.

REQUIRED SUPPLEMENTARY INFORMATION

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

YEAR ENDED SEPTEMBER 30, 2025

	Budget		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Real estate taxes	\$ 2,531,020	\$ 2,556,020	\$ 2,537,406	\$ (18,614)
Transfer taxes			1,030,379	1,030,379
Licenses and permits	645,000	645,000	716,120	71,120
Community impact fees	583,200	583,200	606,805	23,605
Intergovernmental revenues	239,830	407,344	421,100	13,756
Charges for services	276,325	275,725	284,221	8,496
Franchise fees	82,000	82,000	81,186	(814)
Fines and forfeitures	75,000	75,000	68,203	(6,797)
Earnings on investments			67,822	67,822
Miscellaneous	18,500	18,832	45,523	26,691
Total revenues	<u>4,450,875</u>	<u>4,643,121</u>	<u>5,858,765</u>	<u>1,215,644</u>
EXPENDITURES				
Current				
General government	784,120	781,620	799,539	(17,919)
Public safety	1,835,190	1,835,190	1,722,612	112,578
Public works	549,445	763,043	456,820	306,223
Parks and recreation	193,150	214,150	175,541	38,609
Code enforcement	427,570	427,570	425,589	1,981
Debt service			62,592	(62,592)
Capital outlay	73,100	1,748,100	2,284,084	(535,984)
Total expenditures	<u>3,862,575</u>	<u>5,769,673</u>	<u>5,926,777</u>	<u>(157,104)</u>
Excess of revenues over (under) expenditures	<u>588,300</u>	<u>(1,126,552)</u>	<u>(68,012)</u>	<u>1,058,540</u>
OTHER FINANCING SOURCES				
Proceeds from sale of assets			405,035	405,035
Proceeds from leased assets			390,856	390,856
Use of transfer tax reserve*			249,094	249,094
Use of prior year surplus*		1,711,000		(1,711,000)
Total other financing sources		<u>1,711,000</u>	<u>1,044,985</u>	<u>(666,015)</u>
Net change in fund balance	<u>\$ 588,300</u>	<u>\$ 584,448</u>	<u>\$ 976,973</u>	<u>\$ 392,525</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>					
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%
2025/2024	0.354200%	56,664	935,806	6%	97.6%
<u>County and Municipal Other Employees' Pension Plan</u>					
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%
2025/2024	1.2910%	(8,743)	1,036,274	-1%	100.6%

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>					
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%
2025	54,207	(54,207)		935,806	-6%
<u>County and Municipal Other Employees' Pension Plan</u>					
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%
2025	52,330	(52,330)		1,036,274	-5%

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, 2024 and 2023:

Actuarial	Entry age normal.	
Remaining amortization period	Open 10-year level percent of payroll; 5 years remaining	
Asset valuation model	Five year smoothed market.	
Inflation	2024	2.50%
	2023	2.50%
Salary increases	2024	2.5% plus merit
	2023	2.5% plus merit
Investment rate of return	2024	7.0%
	2023	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 2024 and 2023 financial statements and, in our reports dated February 3, 2025 and February 5, 2024 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 2, 2026

TOWN OF MILTON, DELAWARE
SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2025
(WITH COMPARATIVE TOTALS FOR 2024 AND 2023)

	<u>2025</u>	<u>2024</u>	<u>2023</u>
REVENUES			
Real estate taxes	\$ 2,537,406	\$ 1,901,137	\$ 1,492,500
Transfer taxes	1,030,379	762,943	658,735
Licenses and permits	716,120	678,852	501,060
Community impact fees	606,805	281,240	77,768
Intergovernmental revenues	421,100	559,161	1,661,447
Charges for services	284,221	387,409	231,793
Franchise fees	81,186	82,534	85,429
Fines and forfeitures	68,203	76,076	72,422
Earnings on investments	67,822	69,630	60,818
Miscellaneous	45,523	36,680	118,832
Total revenues	<u>5,858,765</u>	<u>4,835,662</u>	<u>4,960,804</u>
EXPENDITURES			
Current			
General government	799,539	618,663	626,514
Public safety	1,722,612	1,595,736	1,344,875
Public works	456,820	549,936	535,923
Parks and recreation	175,541	163,533	123,187
Code enforcement	425,589	474,505	377,255
Debt service	62,592	26,592	27,043
Capital outlay	2,284,084	407,052	2,129,412
Total expenditures	<u>5,926,777</u>	<u>3,836,017</u>	<u>5,164,209</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(68,012)</u>	<u>999,645</u>	<u>(203,405)</u>
OTHER FINANCING SOURCES			
Proceeds from sale of assets	405,035		1,070
Proceeds from leased assets	390,856		59,529
Total other financing sources	<u>795,891</u>		<u>60,599</u>
Net change in fund balance	<u>\$ 727,879</u>	<u>\$ 999,645</u>	<u>\$ (142,806)</u>

*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, 2025
(WITH COMPARATIVE TOTALS FOR 2024 AND 2023)

	<u>2025</u>	<u>2024</u>	<u>2023</u>
OPERATING REVENUES			
Water service charges	\$ 944,618	\$ 828,019	\$ 659,151
Trash service charges	561,723	475,487	412,720
Tapping fees	47,600	44,400	30,500
Sales of meters	224,615	160,146	92,359
Operating grants		98,526	18,137
Penalties	12,436	12,007	10,259
Other	86,675	42,042	19,245
Total operating revenues	<u>1,877,667</u>	<u>1,660,627</u>	<u>1,242,371</u>
OPERATING EXPENSES			
Salaries and labor	428,362	355,243	303,464
Payroll taxes	31,351	23,288	22,116
Pension	47,336	24,130	7,538
Employee benefits	73,911	39,512	37,547
Uniforms	4,092	6,284	6,069
Utilities	32,765	45,009	44,078
Trash removal	443,247	406,629	357,318
Telephone	9,255	7,641	5,937
Gas and oil	6,971	8,749	11,862
Repairs and maintenance	67,883	211,694	218,719
Operating supplies	287,053	210,926	123,074
Professional fees	108,879	85,740	57,031
Insurance	23,479	22,314	19,521
Miscellaneous	24,328	16,857	21,220
Depreciation	187,823	177,669	146,830
Total operating expenses	<u>1,776,735</u>	<u>1,641,685</u>	<u>1,382,324</u>
Operating income (loss)	<u>100,932</u>	<u>18,942</u>	<u>(139,953)</u>
NON-OPERATING REVENUES (EXPENSES)			
Capital grants	1,434,186	218,395	
Interest income	10,086	11,814	5,962
Debt service fees	75,973	69,360	66,113
Interest expense	(15,760)	(33,298)	(47,032)
Loss on sale of assets		(8,088)	
Net non-operating revenues	<u>1,504,485</u>	<u>258,183</u>	<u>25,043</u>
Income (loss) before contributions and special item	1,605,417	277,125	(114,910)
Capital contributions - impact fees	188,600	176,100	104,000
Special item - gain on forgiveness of debt		1,536,632	
Special item - PFAS settlement	293,870		
Special item - capital bond proceeds	<u>1,037,608</u>		
Change in net position	<u>\$ 3,125,495</u>	<u>\$ 1,989,857</u>	<u>\$ (10,910)</u>

*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, 2025, 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 2, 2026.

Report on Internal Control over Financial Reporting

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

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

Report on Internal Control over Financial Reporting (continued)

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free 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 2, 2026

UNIFORM GUIDENCE REPORTS

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**INDEPENDENT AUDITORS' REPORT
 ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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

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

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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, 2025, and the related notes to the financial statements that collectively comprise the Town of Milton, Delaware's basic financial statements. We have issued our report thereon dated February 2, 2026 which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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PKS & Company, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
 February 2, 2026

TOWN OF MILTON, DELAWARE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Federal Grantor/Pass-through Grantor/ Program Title	Federal Assistance Listing Number	Pass-through Entity Identifying Number	Total Award	Federal Expenditures	Cluster Name	Cluster Total
U.S. Department of Justice						
Pass through Delaware Criminal Justice Center Edward Byrne Memorial Justice Assistance Grant Program	16.738	3332/3502	\$ 11,700	\$ 6,928		
U.S. Department of the Treasury						
COVID-19: Coronavirus State and Local Fiscal Recovery Funds	21.027		1,626,130	1,434,186		
National Endowment for the Arts						
Promotion of the Arts Partnership Agreement	45.025		168	168		
U.S. Environmental Protection Agency						
Pass through Delaware Department of Health and Social Services, Division of Public Health						
Drinking Water State Revolving Fund Loan	66.468		3,850,000	621,019	Drinking Water State Revolving Fund	\$ 1,280,993
Drinking Water State Revolving Fund Loan	66.468		579,000	35,290	Drinking Water State Revolving Fund	1,280,993
Drinking Water State Revolving Fund Loan	66.468		1,785,000	624,684	Drinking Water State Revolving Fund	1,280,993
Total U.S. Environmental Protection Agency			<u>6,214,000</u>	<u>1,280,993</u>		
U.S Department of Homeland Security						
Pass through Delaware Emergency Management Agency Hazard Mitigation Grant	97.039	FEMA-4627-DR-DE-0003	168,875	144,750		
Total expenditures of federal awards			<u>\$ 8,020,873</u>	<u>\$ 2,867,025</u>		

See accompanying notes to schedule of expenditures of federal awards.

TOWN OF MILTON, DELAWARE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SEPTEMBER 30, 2025

BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Town of Milton, Delaware under programs of the federal government for the year ended September 30, 2025. The information presented in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes in assets, or cash flows of the Town.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Pass-through entity identifying numbers are presented where available.

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

The Town has not elected to use the 15% de minimis indirect cost rate as allowed under the Uniform Guidance.

LOANS

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

The amount of Federal loans with continuing compliance requirements that were outstanding at September 30, 2025 was \$135,399.

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Program

We have audited the Town of Milton, Delaware's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of Milton, Delaware's major federal programs for the year ended September 30, 2025. The Town of Milton, Delaware's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town of Milton, Delaware complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2025.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the Town of Milton, Delaware and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Town of Milton, Delaware's compliance with the compliance requirements referred to above.

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CERTIFIED PUBLIC ACCOUNTANTS

ALLINIAL GLOBAL

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

Report on Internal Control Over Compliance

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

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

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

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

PKS & Company, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
February 2, 2026

TOWN OF MILTON, DELAWARE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2025

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes x No
- Significant deficiency(ies) identified? Yes x None reported

Noncompliance material to the financial statements noted? Yes x No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes x No
- Significant deficiency(ies) identified? Yes x None reported

Type of auditors' reported issued on compliance for major federal programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes x No

Identification of major federal programs:

<u>FAL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.027	COVID-19: Coronavirus State and Local Fiscal Recovery Funds
66.468	Drinking Water State Revolving Fund Loan

Dollar threshold used to distinguish between type A and type B Programs \$1,000,000

Auditee qualified as a low-risk auditee? Yes x No

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR AWARD PROGRAMS AUDIT

None

TOWN OF MILTON, DELAWARE
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2025

FINDINGS – FINANCIAL STATEMENTS AUDIT

There were no audit findings for the Town of Milton, Delaware for the year ended September 30, 2024.

FINDINGS AND QUESTIONED COSTS – MAJOR AWARDS PROGRAMS AUDIT

An audit in accordance with Uniform Guidance was not required for the year ended September 30, 2024. Therefore, there are no prior year findings to report.