



Milford City Hall Council Chambers 201 South Walnut Street Milford DE 19963

CITY COUNCIL AGENDA March 11, 2024

This meeting is also available for viewing by the public by accessing the following link:

<https://zoom.us/j/94513235909>

or

<http://www.cityofmilford.com/553/Watch-Public-Meetings>

Members of the public may also dial in by phone using the following number:

Call 301 715 8592 Webinar ID: 945 1323 5909

5:00 P.M.

15-Minute Public Comment Period*

Virtual attendees must register prior to start time of meeting by calling 302-422-1111 Extension 1142 or 1303, or by sending an email to cityclerk@milford-de.gov and providing your name, address, phone number, and item name and/or description you wish to comment on. Persons in attendance wishing to speak must sign up prior to the start of the Council Meeting.

FINANCE & AUDIT COMMITTEE

Call to Order – Chair Jason James Sr.

FY22 Audit Draft

Review/RFP 2025-2027 Audit Proposals

Update/Investment Policy

Old Holiday Bank Accrual ¹

Adjournment

All items on the Meeting Agenda are subject to a potential vote.

**SUPPORTING DOCUMENTS MUST BE SUBMITTED TO THE CITY CLERK IN ELECTRONIC FORMAT
NO LATER THAN ONE WEEK PRIOR TO MEETING; NO PAPER DOCUMENTS WILL BE ACCEPTED OR DISTRIBUTED
AFTER PACKET HAS BEEN POSTED ON THE CITY OF MILFORD WEBSITE.**

030424

¹ 030724 Late Addition by Police Chief/Time Sensitive/Budgetary Matter

030824 Agenda Item Clarification (Audit Proposals)



The City of Milford, Delaware

Annual Financial Statements

FINAL DRAFT

As of and for the Year Ended June 30, 2022

The City of Milford, Delaware
Table of Contents

TRANSMITTAL LETTER	i
INDEPENDENT AUDITOR’S REPORT.....	1
MANAGEMENT’S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	4
Government-Wide Financial Statements	
Statement of Net Position	15
Statement of Activities	16
Fund Financial Statements	
Governmental Funds	
Balance Sheet	17
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	18
Statement of Revenues, Expenditures and Changes in Fund Balances	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Proprietary Funds	
Statement of Net Position	21
Statement of Revenues, Expenses and Changes in Net Position	22
Statement of Cash Flows	23
NOTES TO THE BASIC FINANCIAL STATEMENTS	24
REQUIRED SUPPLEMENTARY INFORMATION	55
Budgetary Comparison Schedule – General Fund	56
Schedule of Proportionate Share of Net Pension Liability	57
Schedule of Employer Contributions – Pension Plan	58
Notes to Required Supplementary Information	59
ADDITIONAL INFORMATION AND REPORTS	60

The City of Milford, Delaware

Table of Contents

Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements performed in Accordance with <i>Government Auditing Standards</i>	64
OTHER SUPPLEMENTAL INFORMATION – Single Audit	66
Independent Auditor’s Report on Compliance for each Major Program and on internal control over compliance required by the uniform guidance	67
Schedule of Expenditures of Federal Awards	68
Notes to Schedule of Expenditures of Federal Awards	69
Schedule of Findings and Questioned Costs	70



TRANSMITTAL LETTER

March 31, 2024

The Honorable Mayor and Members of the City Council
City of Milford, Delaware

The Finance Department and City Manager's Office are pleased to submit the Annual Financial Report for the City of Milford, Delaware, for the fiscal year ended June 30, 2022.

This report is published to provide the City Council, City staff, our citizens, bondholders and other interested parties with detailed information concerning the financial condition and activities of the City government. Responsibility for both the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the City.

To the best of our knowledge and belief, the enclosed data is accurate in all material respects, and is organized in a manner designed to fairly present the financial position and results of operations of the City as measured by the financial activity of its various funds. We also believe that all disclosures sufficiently inform that data to enable the reader to gain a complete understanding of the City's financial condition and performance.

REPORT STRUCTURE

The accompanying financial section includes a Management's Discussion and Analysis (MD&A), basic financial statements and combining and individual fund statements, required supplementary information and schedules, and addition information and reports, as well as the independent auditor's report on the basic financial statements. Zelenkofske Axelrod LLC has issued an unmodified opinion on the City's financial statements for the year ended June 30, 2022. The independent auditor's report is located at the front of the financial section of this report.

The MD&A is a narrative introduction, overview, and analysis to accompany the basic financial statements. This letter of transmittal is designed to complement and should be read in conjunction with the MD&A. The City of Milford's MD&A can be found immediately following the report of the independent auditors.

The Financial Section described above is prepared in accordance with generally accepted accounting principles for governments as prescribed by the Governmental Account Standards Board (GASB) and other professional associations, as applicable.

CITY PROFILE

Location & Demographics

The City of Milford is the sixth largest city in population in the State of Delaware, serving more than 12,000 residents within a rapidly growing corridor along U.S. Route 113/DE Route 1 in Kent and Sussex Counties. Located on the Mispillion River, within both Kent and Sussex Counties, the City is approximately 95 miles from Philadelphia, Pennsylvania, 85 miles from Baltimore, Maryland, and 100 miles from Washington, D.C. Locally, the City is 19 miles south of Dover, the State Capital.

Form of Government

The City is a home rule city operating under the Council-Manager form of government. The City Council is composed of the Mayor and eight Council members, who enact local laws, determine policies and adopt the annual budget. The City Manager is appointed by the City Council and is responsible for the daily management of the City. The Basic Financial Statements of the City include all government activities, organizations and functions for which the City is financially accountable as defined by the GASB. Based on these criteria, no other governmental organizations are included in this report.

OPERATIONS AND FINANCIAL MANAGEMENT

Services Provided

The City of Milford provides critical public services and utilities in the most efficient and cost-effective manner possible for the benefit of its citizens, the business community and non-resident utility customers. Major services provided under general government and enterprise functions include police protection, water and sewer services, electric services, sanitation services, park and recreational facilities, street improvements and general administrative services.

Accounting System and Budgetary Control

The City's accounting records for general governmental operations are maintained on a modified accrual basis with revenues recognized when available and measurable, and expenditures recorded when goods or services are received and associated liabilities are incurred. Accounting records for the City's utilities and other proprietary activities are maintained on the accrual basis.

In developing and maintaining the City's accounting system, consideration is given to the adequacy of the internal control structure. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the evaluation of costs and benefits requires estimates and judgements by management.

All internal control evaluations occur within the aforementioned framework. We believe that the City's formal and informal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The City Charter provides the City Council shall adopt the annual budget prepared by City Management. This budget is reviewed by the City Council and is formally adopted by the passage of a budget ordinance. The City Manager is authorized to transfer budgeted amounts between the items and departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.

Budgetary control has been established at the major fund levels. Financial reports are produced showing current cash and investment balances, restricted and committed funding detail and actual expenditures by line item versus budget. Revenue performance versus levelized budgetary expectations is incorporated into the monthly financial report. The reporting package is published for public consumption and distributed monthly to City departmental and divisional management and presented to City Council in an open meeting for review and approval.

Internally, line-item detail is reviewed and analyzed for budgetary compliance at the purchase order level before discretionary spending is authorized. Personnel expenditures are monitored and controlled at the departmental level on a position-by-position basis, and capital expenditures are monitored to ensure compliance with budgetary approvals and funding methods.

OTHER INFORMATION

Independent Audit

The City Charter requires an annual audit of the accounts, financial records and transactions of the City by independent certified public accountants selected by the City Council. This requirement has been complied with, and the independent auditor's report has been included in this report. Additionally, the City of Milford's Director of Finance hears and reviews all recommendations made by the independent auditors.

Acknowledgements

The preparation of this report could not have been accomplished without the efficient and dedicated service of the City's Finance Department staff. We sincerely appreciate the efforts made by the Finance team as well as dedicated employees throughout the City.

We sincerely thank the Mayor, Milford City Council and the Finance & Audit Committee for their responsible oversight of the City's independent audit process. Further, we appreciate the active interest and enthusiastic support of our continued pursuit of improvements to the transparency, relevance and timeliness of the City's financial planning and reporting processes.

Respectfully submitted,



Mark A. Whitfield
City Manager



Louis C. Vitola
Finance Director

INDEPENDENT AUDITOR'S REPORT

p.1

[To be submitted by Independent Audit Firm]

INDEPENDENT AUDITOR'S REPORT

p.2

[To be submitted by Independent Audit Firm]

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Administrative and Financial Management of the City of Milford, Delaware are pleased to offer readers of the City's financial statements this narrative overview and analysis of the financial activities and financial position of the City for the fiscal year ended June 30, 2022. In the broadest context, the financial well-being of a government lies in the underlying means and willingness of its citizens and property owners to fund their pro rata allocation of taxes to support the vision of the government's elected and appointed leadership to deploy tax receipts strategically to ensure the City's tax base, service levels, City assets and the City's desirability will be maintained not just for the current year but well into the future. Financial reporting is limited in its ability to provide this "big picture" but rather focuses on financial position and the net changes in financial position from year to year. In other words, are revenues and expenses higher or lower than the previous year? Has net position (containing both short- and long-term assets and liabilities) or fund balances (the current "spendable" assets less current liabilities) of the City been maintained? We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal (pages i-iii of this report) as well as information contained in the City's annual budget and other community information that can be found by visiting the City's website at www.cityofmilford.com. It should be noted that small differences across different financial statements and tables may differ due to rounding. In addition, the Independent Auditor's Report describes the auditor's association with the various sections of this report and that all additional information from the website and other City sources is unaudited and has not been updated for events that may have occurred following the issuance of the respective report.

IN BRIEF

The assets (and deferred outflows of resources) of the City on a "government wide" or consolidated basis exceeded its liabilities (and deferred inflows of resources) at the close of the most recent fiscal year by approximately \$107.6 million (net position). This number must be viewed in the context that a significant portion of the City's net position (\$57.7 million, or 53.6%) is invested in capital assets, net of related debt, and that most capital assets in government do not directly generate revenue nor can they be sold to generate liquid capital. Additionally, net position restricted for specific purposes total \$8.7 million (8.1%). The remaining \$41.2 million represents unrestricted net position and may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies. Unrestricted net position increased by \$5.4 million (5.3%) during fiscal year 2022 (FY22).

As of the close of the past fiscal year, the City's governmental activities (a subset of the government-wide information reported in the preceding paragraph) reported \$31.2 million combined ending net position. Within this total, \$18.3 million (58.6%) is invested in capital assets, net of related debt, \$5.2 million is restricted by specific legal requirements and \$7.8 million represents unrestricted fund balance.

The City's business-type activities include water, sewer, electric and trash operations and, combined with the governmental activities, constitute the balance of the activity measured on a government-wide basis. Business-type activities closed the year with a \$2.2 million increase in

net position to \$76.3 million, \$39.4 million of which is invested in capital assets, net of related debt and \$8.9 million of which is restricted by specific legal requirements. The remaining \$28.3 million is unrestricted.

Additional details regarding the structure of the City's financial reporting segments and the performance of the City's various funds and departments can be found in the sections that follow.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves to introduce the City's basic financial statements, which are composed of four components: 1) government wide financial statements, 2) fund financial statements, 3) notes to the financial statements, and 4) required supplementary information, which includes this discussion and analysis. This report also contains other supplementary information as listed in the Table of Contents.

Government Wide Financial Statements – The government wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. The Statement of Net Position presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between them reported as net position (similar to a private sector balance sheet). Net position can be divided into restricted and unrestricted net position, with the former representing balances that are legally or contractually reserved for a particular purpose. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The Statement of Activities presents information showing how the City's net position changed during the fiscal year. All changes in net position are reported when 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 and earned but unused compensated absences). When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the City's policy is to apply restricted net position first.

The government-wide financial statements distinguish between functions of the City that are principally supported by (1) taxes and intergovernmental revenues (governmental activities) versus (2) 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 City include general government and administration, public safety, public works, and culture and recreation. The business-type activities of the City include water, sewer, electric and solid operations. The government-wide financial statements can be found on pages 15 and 16 of this report.

Fund Financial Statements – A fund is a self-balancing set of accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All City funds 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 current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Governmental fund balance can be divided into restricted, committed, assigned, and unassigned fund balance categories. In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended by fund balance class follows: restricted, followed by committed, assigned and lastly unassigned. Non-financial assets such as governmental buildings, roads, drainage ways, park land and long-term liabilities such as bonds payable or long-term liabilities that will not be paid with current assets are excluded. 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 funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The governmental financial statements can be found on pages 17 and 19 of this report.

Proprietary Funds – The City maintains two types of proprietary funds. Enterprise funds are presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, electric and solid waste operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses its internal service funds to account for its fleet services, billing services and City Hall building maintenance cost allocation programs.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sewer, electric, and solid waste funds, because all are considered to be major funds of the City. All internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements. The basic proprietary fund financial statements can be found on pages 21 to 23.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government wide and fund financial statements. The notes to the financial statements can be found on pages 24 through 54.

Other information – In addition to the basic financial statements and accompanying notes, the basic financial statements contain required supplementary information including this discussion and analysis.

CITY OF MILFORD, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2022 (UNAUDITED)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following table (“*MDA Schedule 1*”) summarizes the City’s net position resulting from both the governmental activities and business-type activities reported in Milford’s government-wide financial statements as of June 30, 2022, including comparative tools as of June 30, 2021.

MDA Schedule 1

CITY OF MILFORD NET POSITION (Unaudited)
(Amounts in Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2021	2022	2021	2022	2021	2022
Current and other assets	\$ 15,872	\$ 19,066	\$ 48,529	\$ 42,340	\$ 64,401	\$ 61,406
Capital assets, net	17,438	23,548	46,176	54,424	63,614	77,972
Total Assets	<u>33,310</u>	<u>42,614</u>	<u>94,705</u>	<u>96,765</u>	<u>128,015</u>	<u>139,379</u>
Deferred outflows of resources	<u>1,593</u>	<u>1,432</u>	<u>289</u>	<u>266</u>	<u>1,882</u>	<u>1,698</u>
Long term liabilities	1,799	1,609	15,474	14,727	17,273	16,336
Other liabilities	4,297	5,491	5,366	5,961	9,663	11,452
Total Liabilities	<u>6,096</u>	<u>7,100</u>	<u>20,840</u>	<u>20,688</u>	<u>26,936</u>	<u>27,788</u>
Deferred inflows of resources	<u>829</u>	<u>5,726</u>	<u>-</u>	<u>-</u>	<u>829</u>	<u>5,726</u>
Net Position						
Net investment in capital assets	17,438	18,283	29,958	39,369	47,396	57,652
Restricted	5,868	5,173	8,688	8,683	14,556	13,856
Unrestricted	<u>4,672</u>	<u>7,764</u>	<u>35,508</u>	<u>28,291</u>	<u>40,180</u>	<u>36,055</u>
Total Net Position	<u>\$ 27,978</u>	<u>\$ 31,221</u>	<u>\$ 74,154</u>	<u>\$ 76,343</u>	<u>\$ 102,132</u>	<u>\$ 107,564</u>

Over time, a government’s net position (especially *changes in* net position by *category*) may serve as a useful indicator of the organization’s financial condition. The City of Milford is no different; the \$5.4 million (5.3%) improvement in Milford’s total net position from \$102.1 million as of June 30, 2021 to \$107.6 million as of June 30, 2022 reflects positive financial performance (See *MDA Schedule 1*). The City’s net position in FY22 was influenced by an improvement in the composition of the City’s pension assets and liabilities, driving a \$1.4 million reduction in pension expense recognized in fiscal year 2022. This positive improvement was partially offset by the implementation of GASB Statement No. 87, *Leases*, which reduced the recognition of lease revenue by \$0.2 million in FY22 as compared to what would have been reported prior to the implementation of the new lease standard.

The largest portion of the City's net position, \$57.7 million (53.6%) reflects investments in capital assets (e.g., land, building, equipment, improvements and infrastructure), less any outstanding debt used to acquire those assets. The City uses its capital assets and equipment to provide services to citizens; consequently, these assets are not available for future spending, and with the exception of business type assets, do not generate direct revenue for the City. They do, however, represent an obligation on the part of the City to maintain these assets into the future.

Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources required to repay this debt must be provided from other sources, as the

CITY OF MILFORD, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2022 (UNAUDITED)

capital assets themselves cannot be used to liquidate these liabilities. In addition to the capital assets, another \$13.9 million (12.9%) of the City's net position is subject to legal and local restrictions; the majority of the restricted funds are intended for investment in the repair, maintenance and replacement of the capital assets. The remaining balance of unrestricted net position may be used to meet the City's ongoing obligations to citizens, employees and creditors.

The following table ("MDA Schedule 2") provides a summary of the City's operations for the fiscal years ended June 30, 2022 and 2021.

MDA Schedule 2

CITY OF MILFORD CHANGES IN NET POSITION (Unaudited)
(Amounts in Thousands)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>
Revenues						
Program Revenues:						
Fees, fines and charges for services	\$ 154	\$ 157	\$ 34,242	\$ 35,138	\$ 34,396	\$ 35,295
Operating grants and contributions	1,507	4,169	-	-	1,507	4,169
General Revenues:						
Property taxes	4,340	4,750	-	-	4,340	4,750
Real estate transfer taxes	1,243	1,413	-	-	1,243	1,413
Franchise taxes	1,647	1,151	-	-	1,647	1,151
Impact fees	-	-	2,555	362	2,555	362
Capital grant	177	8	1,405	53	1,582	61
Gain on sale of property	138	560	-	-	138	560
Investment earnings	43	54	284	50	327	104
Miscellaneous	234	388	25	(368)	259	20
Total revenues	<u>\$ 9,483</u>	<u>\$ 12,651</u>	<u>\$ 38,511</u>	<u>\$ 35,235</u>	<u>\$ 47,996</u>	<u>\$ 47,885</u>
Expenses						
General government	2,640	2,549	-	-	2,640	2,549
Public safety	5,790	5,633	-	-	5,790	5,633
Public works	750	817	-	-	750	817
Culture and recreation	956	1,716	-	-	956	1,716
Interest on long-term debt	-	-	340	325	340	325
Electric	-	-	21,275	22,897	21,275	22,897
Water	-	-	2,130	2,525	2,130	2,525
Sewer	-	-	4,828	4,601	4,828	4,601
Trash	-	-	1,284	1,392	1,284	1,392
Total expenses	<u>\$ 10,135</u>	<u>\$ 10,716</u>	<u>\$ 29,856</u>	<u>\$ 31,739</u>	<u>\$ 39,991</u>	<u>\$ 42,454</u>
Increase (decrease) in net assets before transfers and special items	(652)	1,935	8,656	3,496	8,004	5,431
Transfers	2,500	1,307	(2,500)	(1,307)	-	-
Change in net position	<u>1,848</u>	<u>3,242</u>	<u>6,156</u>	<u>2,189</u>	<u>8,004</u>	<u>5,431</u>
Net position, July 1	26,130	27,978	67,999	74,154	94,129	102,132
Net position, June 30	<u>\$ 27,978</u>	<u>\$ 31,220</u>	<u>\$ 74,154</u>	<u>\$ 76,343</u>	<u>\$ 102,132</u>	<u>\$ 107,563</u>

CITY OF MILFORD, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2022 (UNAUDITED)

Total net position increased by \$5.4 million (5.3%) during fiscal year 2022 (See *MDA Schedule 2*), which compares well to the City's 5.4% 10-year compound annual growth rate in total net position. This year's improvement could not top the robust pace of improvement (\$8 million, or 8.5%) set in FY21, but nonetheless demonstrates a successful year amid a string of increasingly positive performances year over year for the City's government-wide net position over the last decade. The overall increase in net position consists of a \$3.2 million increase in governmental activities net position (+11.6%) and a \$2.2 million increase in business-type activities net position (+3.0%), the former of which is boosted by higher one-time and potentially unsustainable revenue sources, such as realty transfer taxes, grant revenue, and gains on property sales. Most notable among such revenue sources is ARPA grant revenue, which drove the \$2.5 million increase in grant revenue across governmental activities during FY22. The improvement in business-type activities is attributable to utility revenue growth through a combination of organic growth in volume/consumption as well as rate adjustments prescribed by multi-year utility rate studies. Additional detail is provided for the governmental and business-type activities in the next two sections.

Government Activities – The two leftmost columns in *MDA Schedule 2* summarize the City's governmental revenues, expenses, transfers and changes in net position, which ties from *MDA Schedule 2* back to *MDA Schedule 1*.

Revenues generated by governmental activities increased 33% versus the prior year, excluding transfers from business-type activities and special items. While revenue increases are nearly always positive, the governmental revenue increase in FY22 must be couched with the reality that the increases were driven primarily by operating grants, gains on property sales, and realty transfer taxes, neither of which are guaranteed sources of recurring revenue. While franchise fees and other lease revenues are more reliable and stable income sources, they are also subject to long- and mid-term market pressures, regulatory risk and technological obsolescence, and are not guaranteed to recur at the level of previous years. Property tax revenue, perhaps the City's most reliable and sustainable revenue source, increased in FY22 by \$0.4 million (9%). The increase in property tax revenue expanded on smaller year over year increases of approximately 3% from fiscal year 2019 to 2020 and from 2020 to 2021. This year's increase was driven by a three-part combination of a modest rate increase, parcel growth (count) and growth in assessed value (new construction, not reassessment-driven). The City's property tax rate did not change from 2007-2021, so property tax growth through fiscal year 2021 had been driven entirely by new development in Milford, which is a positive sign. The City increased the property tax rate from \$0.46 to \$0.48275 per \$100 of assessed value effective for the fiscal year 2022 property tax levy, establishing an important step in a series of strategic efforts aimed at improving structural balance and revenue diversity. Other efforts include additional increases in the property tax rate of \$0.01 per \$100 of assessed value effective in fiscal years 2023 and 2024 as approved by City Council, divert nonrecurring and less reliable revenue sources from the operating budget to capital reserves, investments in tax base growth, and intergovernmental coordination to reduce duplicative services. Management expects these initiatives coupled with property tax revenue growth will further stabilize revenue in the event we face volatility in other revenue sources.

CITY OF MILFORD, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2022 (UNAUDITED)

Governmental expenditures increased by \$0.6 million in FY22, representing somewhat of a rebound toward operational stability following the \$0.7 million reduction in governmental expenditures from FY20 to FY21. The increase was mixed, as recreation and public works expenditures increased by nearly \$0.8 million and \$0.1 million, respectively, were offset by reductions in general governmental and public safety decreases totaling \$0.3 million, or about 3% for each operating department.

Business-Type Activities – Net position from business-type activities increased by \$2.2 million, or 3.0% from \$74.2 million to \$76.3 million during fiscal year 2022 (See *MDA Schedule 2*). For the second year in a row, all four major utilities contributed to the positive change in net position across business activities, with the water fund's \$1.25 million (5.0%) increase in net position pacing the sewer and electric funds' increases of 0.4 million (2.4%) and \$0.3 million (1.0%), respectively, followed by the solid waste fund's increase of \$0.2 million. The positive changes started with top-line revenue as all four utilities posted revenue increases over FY21. The City's revenue growth was balanced and healthy, comprised of steady, organic growth in rate base and controlled, phased increases in usage rates determined through cost-of-service studies conducted for all business-type activities. Further, aside from the water fund's 15.6% increase in operating expenses, the utilities otherwise controlled operating expenses well, posting a year-over-year increase of \$1.5 million, or 5.5% (excluding water) and \$1.9 million, or 6.0% overall. \$1.3 million of the operating expense increase is related to personnel and contractual services, as the recovery toward a normal operating environment resulted in fewer vacancies and accelerated resurrection of field activity, both of which drove costs higher. As a result, business-type activities combined to close the year with positive operating income of \$3.7 million. In FY21, operating income totaled \$4.9 million across the four major utilities, representing an operating margin of 13.8% versus the 10.6% operating margin posted in FY22, reflecting the degree to which operating expense growth exceeded top-line revenue growth. The sewer fund, which individually posted an operating loss in FY21 resulting from infiltration and inflow (I&I) costs far in excess of historical observations, rebounded to post operating income of \$0.2 million. The improvement is attributable almost entirely to a return to normal I&I experience, which validates management's expectations that the prior year activity was a one-time anomaly that would not recur. Finally, adjusted for non-operating items, all four utilities, including the sewer fund, generated positive income before transfers.

Investment Policies – The City's accumulated cash surplus and reserves attributable to governmental and business-type activities are combined and invested pursuant to the City's investment policies, as amended. During the year, the City completed the initiative started in fiscal year 2021 to reallocate investment balances to more heavily weight money market funds in response to changes in the market to capture additional yield without being exposed to incremental risk. By the end of fiscal year 2022, 100% of the City's investable cash was consolidated into money market funds, which are combined with bank deposits and reported as cash and cash equivalents. Additional information about the City's cash and investments can be found in Note 8 on page 35.

FUND FINANCIAL STATEMENT ANALYSIS

Governmental Funds – The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balances may serve as a useful measure of a government's net resources available for spending in the next fiscal year. At the end of the fiscal year 2022, the City's combined governmental funds reported ending balances of \$12.7 million (See Governmental Funds Balance Sheet on page 17). Within this total, \$0.1 million is categorized as "nonspendable" (prepaid expenses), \$5.2 million is restricted by specific legal requirements, primarily for (a) capital investments in infrastructure and other eligible expenditures pursuant to the US Treasury's Final Rule governing the use of \$2.9 million in funding advanced through the American Rescue Plan Act of 2021 ("ARPA") and (b) street improvements, and \$0.2 million has been committed and assigned to specific types of expenditures. The remaining \$5.0 million represents unassigned fund balance in the general fund and can be used for any lawful purpose. In the general fund, the City budgeted a fund balance decrease in the current year of \$4.8 million prior to the use of cash and reserves, although the actual general fund activity exceeded budget expectations to the extent that the use of reserves was limited to \$0.1 million. Actual general fund expenditures were significantly below total budgeted expenses due to cost control measures and project timing, while revenue exceeded budget expectations by 8.5%.

Proprietary Funds – The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail (See pages 21-23). Unrestricted net position in the enterprise funds totaled \$28.3 million, made up of the electric fund (\$19.3 million), water fund (\$2.6 million), sewer fund (\$5.5 million) and solid waste fund (\$0.8 million). The total net position across all enterprise funds at the end of the fiscal year was \$76.3 million, representing an increase of \$2.2 million versus fiscal year 2021 as a result of positive increases in net position in the electric, water, sewer, and solid waste funds of \$0.3 million, \$1.25 million, \$0.4 million, and \$0.2 million, respectively versus the prior period.

General Fund Budgetary Highlights – City Council made revisions to the original appropriations approved by the Council before the start of the fiscal year. Overall, these changes resulted in an increase in budgeted operating expenditures of \$1.0 million, net of offsetting increases in anticipated revenues of \$0.1 million. The changes were primarily driven by grant-funded projects, and general administration and public safety expenditures that are added to budget controls when grant revenue is received and spent through the ordinary requisition, purchase order and accounts payable processes.

DEBT ADMINISTRATION

As of June 30, 2022, the City's bonded indebtedness and outstanding note obligations (See *MDA Schedule 3*) totaled \$15.3 million, all of which is backed by the full faith and credit of the City of Milford taxing authority.

MDA Schedule 3

**Outstanding Debt at Year End
Bonds and Notes Payable**

	Government Activities		Business-Type Activities		Total	
	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>
General Obligation Bonds	\$ -	\$ 41	\$ 6,710	\$ 6,260	\$ 6,710	\$ 6,301
DE Revolving Fund Loans	-	-	2,667	2,426	2,667	2,426
USDA Loans	-	-	5,673	5,543	5,673	5,543
Kent County Note	-	-	1,096	1,070	1,096	1,070
Total	<u>\$ -</u>	<u>\$ 41</u>	<u>\$ 16,147</u>	<u>\$ 15,299</u>	<u>\$ 16,147</u>	<u>\$ 15,341</u>

During fiscal year 2022, the City's outstanding debt decreased by \$0.80 million as a result of scheduled payments of debt obligations totaling \$0.85 million, which was partially offset by the \$0.04 million bond anticipation note (BAN) issued during the fiscal year to finance the construction of the City's new police headquarters facility.

The City's General Obligation Bond Rating is AA- as rated by S&P Global Credit. Additional information about the City's long-term debt obligations and a detailed roll-forward of long-term liabilities can be found in Note 10 on pages 40 to 44 of this report.

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2022 amounts to \$72.7 million (net of accumulated depreciation). This investment in capital assets includes land, building, equipment, improvements, and infrastructure assets. The total increase in the City's investment in capital assets, net of accumulated depreciation, for the current fiscal year was \$9.1 million representing an increase of 14.4% versus fiscal year 2021. Additional information on the City's capital assets can be found in Note 9 on pages 37 to 39 of this report.

[The remainder of this page was intentionally left blank]

CITY OF MILFORD, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
FOR THE FISCAL YEAR ENDED JUNE 30, 2022 (UNAUDITED)

Major capital asset purchases and projects completed or initiated during fiscal year 2022 included the following:

General Fund

- \$556 thousand in additions to parkland and open space improvements
- \$394 thousand in building and street improvements, technology, vehicles and equipment

Internal Service Funds

- \$17 thousand for HVAC improvements to the public works facility
- \$139 thousand to complete building improvements at City Hall

Electric Fund

- \$193 thousand for a trencher, a vehicle replacement and other equipment
- \$175 thousand in electric distribution infrastructure
- \$166 thousand for physical security and data security upgrades
- \$133 thousand for ongoing LED streetlight replacement and ERP software projects

Water Fund

- \$6.4 million in land targeted for the Milford Corporate Center development
- \$2.6 million in ongoing water line upgrades and system improvement projects
- \$748 thousand in other water system infrastructure
- \$122 thousand in equipment, physical security and data security upgrades

Sewer Fund

- \$164 thousand in sewer pump station improvements and related equipment
- \$26 thousand in physical security and data security upgrades

Solid Waste Fund

- \$109 thousand for a leaf vacuum attachment
- \$14 thousand in physical security and data security upgrades

ECONOMIC FACTORS AND FUTURE BUDGETS

The fiscal year 2023 and 2024 budgets for general fund activity are 0.4% and 18.7% higher, respectively, than fiscal year 2022. The balance between cost control and the delivery of broad services demanded by Milford residents was struck well during the 2023 and 2024 budget processes. Personnel costs in support of our diverse mix of valued employees represent the largest contribution to general fund costs, particularly in 2024 as scheduled contractual rate increases, personnel additions and expectations to return to full staffing levels add pressure to the operating budget. In addition to personnel costs, capital expenditures and nonrecurring expenditures, such as strategic planning initiatives and utility rate studies, contributed to the budget increases in FY24. The higher general fund costs will be offset with proceeds received through the American Rescue Plan Act of 2021 (ARPA), economic development initiatives, organic

growth in the City's tax base, years one and two of a five-year plan to offset \$0.1 million realty transfer tax reductions from O&M support for police operations with property taxes, and the inaugural sewer fund transfer to the general fund. Staff remain steadfast in their dedication to service excellence, fiscal responsibility and efficiency. Moreover, City leadership and staff are aligned in efforts to uphold and improve the quality of life in Milford through citywide accessibility to high-quality services, infrastructure, public safety, parks and recreation, backed by strategic investments in property, capital projects and infrastructure to support the City's growing population and thriving business community.

TIMING OF FY22 FINANCIAL STATEMENTS AND INDEPENDENT AUDIT REPORT

Staffing shortages in the City's Finance Department, exacerbated by a 42% reduction in third-party contract support, contributed to delayed financial statement production and audit processes in FY21, which in turn protracted the FY22 process. Internal staffing rebounded during FY22, coinciding with the implementation of the City's new enterprise resource management (ERP) software upgrade. Further, staff was augmented with an additional accounting position, putting the department in position to return to the City's normal reporting cycle beginning with FY24. The City's FY23 and FY24 budgets include provisions to maintain current and increased staffing levels, while increasing contractual services to augment financial reporting and audit requirements. The lessons learned during the 'great resignation' combined with the meaningful changes instituted by City leadership will significantly reduce the risk of delayed reporting going forward. The City's financial and operating results were strong in FY22, as increases in revenue outpaced well-managed costs in an inflationary environment to improve the City's balance sheet for at least the tenth consecutive year. The City's financial position remained healthy throughout FY23 and into FY24. Monthly, unaudited financial reports, the City's audits, budgets, capital improvement plans and other documents are reported regularly on the City's website for the benefit of Milford citizens and City stakeholders.

REQUEST FOR INFORMATION

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's financial structure and past performance. If you have questions about this report or if you would like to request additional information, please contact the Department of Finance, Attention: Finance Director, 10 SE 2nd Street, Milford, DE 19963, call 302-424-5141 or email the finance team at finance@milford-de.gov.

[The remainder of this page was intentionally left blank]

BASIC FINANCIAL STATEMENTS

CITY OF MILFORD, DE
STATEMENT OF NET POSITION
JUNE 30, 2022

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets			
Cash and Equivalents	\$ 12,266,145	\$ 28,232,975	\$ 40,499,120
Restricted Cash	5,173,166	8,683,235	13,856,401
Tax & Utility Receivables, net of allowances	227,638	3,052,236	3,279,874
Leases Receivable	640,346	-	640,346
Other Receivables	588,260	936,876	1,525,136
Inventories	48,654	1,434,907	1,483,561
Prepaid Expenses	121,882	-	121,882
Total Current Assets	19,066,091	42,340,230	61,406,320
Non-Current Assets			
Capital Assets			
Assets Not Depreciated			
Land	8,601,885	8,961,039	17,562,925
Construction in Progress	1,245,785	2,623,095	3,868,881
Utility System & Infrastructure	11,148,458	67,450,490	78,598,948
Buildings and Improvements	5,742,973	7,348,799	13,091,772
Equipment and Vehicles	6,845,267	9,579,061	16,424,328
Less: Accumulated Depreciation	(15,259,627)	(41,538,048)	(56,797,674)
Net Capital Assets	18,324,741	54,424,437	72,749,179
Net Pension Asset	5,223,050	-	5,223,050
Total Assets	42,613,882	96,764,667	139,378,549
DEFERRED OUTFLOWS OF RESOURCES	1,431,908	266,425	1,698,333
LIABILITIES			
Current Liabilities			
Accounts Payable and Accrued Expenses	1,096,211	4,351,885	5,448,096
Customer Deposits	125,916	749,235	875,151
Unearned Revenue	4,106,951	-	4,106,951
Bonds and Notes Payable	-	813,070	813,070
Compensated Absences	161,699	46,827	208,526
Total Current Liabilities	5,490,778	5,961,017	11,451,795
Noncurrent Liabilities			
Bonds and Notes Payable	41,445	14,509,279	14,550,724
Contingent Liabilities	203,516	-	203,516
Other Payables	209,923	-	209,923
Compensated Absences	1,153,994	218,185	1,372,179
Total Noncurrent Liabilities	1,608,878	14,727,464	16,336,342
Total Liabilities	7,099,656	20,688,481	27,788,137
DEFERRED INFLOWS OF RESOURCES	5,725,622	-	5,725,622
NET POSITION			
Net Investment in Capital Assets	18,283,296	39,368,514	57,651,810
Restricted for Capital Improvements:	5,173,166	8,683,235	13,856,401
Unrestricted:			
Assigned by City Council	204,855	6,606,631	6,811,486
Unassigned	7,559,193	21,684,231	29,243,425
Total Net Position	\$ 31,220,510	\$ 76,342,611	\$ 107,563,121

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

**CITY OF MILFORD, DE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental Activities							
General Government	\$ 2,549,414	\$ 89,635	\$ -	\$ -	\$ (2,459,779)		\$ (2,459,779)
Public Safety	5,633,106	-	-	-	(5,633,106)		(5,633,106)
Public Works	817,115	-	-	-	(817,115)		(817,115)
Culture and Recreation	1,716,017	67,015	4,168,918	8,400	2,528,316		2,528,316
Total Governmental Activities	10,715,652	156,650	4,168,918	8,400	(6,381,684)		(6,381,684)
Business-Type Activities							
Electric Fund	22,998,851	25,714,552	-	-	2,715,702		2,715,702
Water Fund	2,631,823	3,136,913	-	-	505,089		505,089
Sewer Fund	4,716,384	4,817,499	-	52,963	154,077		154,077
Trash Fund	1,391,562	1,469,242	-	-	77,680		77,680
Total Business-Type Activities	31,738,621	35,138,206	-	52,963	3,452,548		3,452,548
Total Primary Government	\$ 42,454,273	\$ 35,294,856	\$ 4,168,918	\$ 61,363	(6,381,684)	3,452,548	(2,929,136)
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes					4,749,699	-	4,749,699
Real Estate Transfer Taxes					1,413,301	-	1,413,301
Franchise Taxes & Fees					1,151,019	-	1,151,019
Gain on Disposal of Capital Assets					560,445	-	560,445
Impact Fees					-	362,051	362,051
Unrestricted Investment Earnings					54,130	49,635	103,766
Miscellaneous					445,509	(368,327)	77,182
Change in Net Position in Internal Service Fund Transfers					(57,199)	-	(57,199)
					1,307,298	(1,307,298)	-
Total General Revenues, Special Items, and Transfers					9,624,202	(1,263,938)	8,360,264
Change in Net Position					3,242,518	2,188,610	5,431,128
Net Position- Beginning of Year					27,977,992	74,154,002	102,131,994
Net Position - End of Year					\$ 31,220,510	\$ 76,342,612	\$ 107,563,122

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

**CITY OF MILFORD, DE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Non-Major Governmental Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and Cash Equivalents	\$ 6,460,717	\$ 5,388,659	\$ 35,211	\$ 11,884,586
Restricted Cash	12,529	4,465,402	695,235	5,173,166
Investments - Unrestricted	-	-	-	-
Taxes Receivable, net of allowance for doubtful accounts	54,304	173,333	-	227,638
Lease Receivable	640,346	-	-	640,346
Other Receivables	278,350	266,573	1,275	546,198
Prepaid Expenses	121,882	-	-	121,882
Total Assets	<u>\$ 7,568,128</u>	<u>\$ 10,293,967</u>	<u>\$ 731,720</u>	<u>\$ 18,593,815</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	350,244	50,979	3,737	404,960
Salaries and Wages Payable	241,608	1,659	-	243,268
Compensated Absences - Current	157,692	-	-	157,692
Unearned Revenue	514,237	3,584,314	8,400	4,106,951
Other Payables	297,610	-	2,890	300,500
Total Liabilities	<u>1,561,392</u>	<u>3,636,952</u>	<u>15,027</u>	<u>5,213,371</u>
DEFERRED INFLOWS OF RESOURCES	640,346	-	-	640,346
Fund Balances:				
Restricted	12,529	4,465,402	695,235	5,173,166
Nonspendable	121,882	-	-	121,882
Assigned	204,855	-	-	204,855
Unassigned	5,027,124	-	-	5,027,124
Total Fund Balances	<u>5,366,389</u>	<u>6,657,015</u>	<u>716,694</u>	<u>12,740,098</u>
Total Liabilities and Fund Balances	<u>\$ 7,568,127</u>	<u>\$ 10,293,967</u>	<u>\$ 731,721</u>	<u>\$ 18,593,816</u>

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

CITY OF MILFORD, DE
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2022

Total Fund Balance, Governmental Funds	\$	12,740,098
--	----	------------

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position.		18,210,305
---	--	------------

Internal service funds are used by management to charge the costs of centrally managed services to the funds and departments that consume the services. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position. The increase is equal to the Internal Service Net Position, including Capital Assets net of accumulated depreciation.		153,025
--	--	---------

Governmental funds report proceeds from bond issuance as a financing source. In contrast, the Statement of Activities treats such proceeds as an increase in long-term liabilities.		(41,445)
---	--	----------

Some liabilities and other items 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. These items include deferred outflows and inflows of resources related to its state pension plan, its net pension liability, long-term interfund payables, and its long-term compensated absences and contingent liabilities.		158,526
---	--	---------

Net Position of Governmental Activities	\$	31,220,510
---	----	------------

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

CITY OF MILFORD, DE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Non-Major Governmental Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Property Taxes	\$ 4,749,699	\$ -	\$ -	\$ 4,749,699
Real Estate Transfer Taxes	-	1,413,301	-	1,413,301
Fees and Fines	165,276	41,164	-	206,440
Licenses and Permits	565,203	-	-	565,203
Franchise and Lease Revenue	387,777	-	-	387,777
Intergovernmental	357,531	3,811,388	-	4,168,918
Charges for Services	89,635	-	67,015	156,650
Investment Earnings	44,842	9,289	-	54,130
Miscellaneous	421,612	23,897	-	445,509
	<u>6,781,574</u>	<u>5,299,037</u>	<u>67,015</u>	<u>12,147,626</u>
Total Revenues				
EXPENDITURES				
Current:				
General Government	2,041,346	21,105	-	2,062,451
Public Safety	6,089,437	256,201	156,647	6,502,285
Public Works	763,705	53,410	-	817,115
Culture and Recreation	1,651,779	-	64,237	1,716,017
Capital Outlay	1,760,505	22,376	-	1,782,881
	<u>12,306,773</u>	<u>353,091</u>	<u>220,884</u>	<u>12,880,748</u>
Total Expenditures				
(Deficiency) Excess of Revenues Over Expenditures	<u>(5,525,199)</u>	<u>4,945,946</u>	<u>(153,869)</u>	<u>(733,122)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	4,730,338	-	113,000	4,843,338
Transfers Out	-	(3,536,040)	-	(3,536,040)
Bond Anticipation Note	41,445	-	-	41,445
Proceeds from Asset Sales	660,445	-	-	660,445
	<u>5,432,228</u>	<u>(3,536,040)</u>	<u>113,000</u>	<u>2,009,188</u>
Total Other Financing Sources (Uses)				
Net Change in Fund Balances	(92,971)	1,409,906	(40,869)	1,276,065
Fund Balances - Beginning	<u>5,459,360</u>	<u>5,247,109</u>	<u>757,563</u>	<u>11,464,032</u>
Fund Balances - Ending	<u>\$ 5,366,389</u>	<u>\$ 6,657,015</u>	<u>\$ 716,694</u>	<u>\$ 12,740,097</u>

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

CITY OF MILFORD, DE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

Net change in fund balances - total governmental funds: \$ 1,276,065

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

Some items reported in the statement of activities, including changes in deferred outflows and inflows of resources, pension liability, compensated absences and other differences in noncurrent items do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 1,414,035

Internal Service funds are used by management to charge the costs of centrally managed services to using funds and departments. The increase is equal to the change in the Internal Service Net Position (57,200)

Governmental funds report proceeds from bond issuance as a financing source. In contrast, the Statement of Activities treats such proceeds as an increase in long-term liabilities. (41,445)

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period in the Statement of Activities. This is the amount by which capital outlays of \$1,782,881 exceeded depreciation expense of \$1,031,819 in the current period. 751,062

Government funds report the proceeds from the sale of assets as revenue. In contrast, the Statement of Activities reports the difference between the amount of the proceeds and the net book value of the related assets as a gain or loss. (100,000)

Change in net position of governmental activities \$ 3,242,518

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

**CITY OF MILFORD, DE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2022**

	Business Type Activities - Enterprise Funds					<i>Governmental Activities - Internal Service Fund</i>
	Electric	Water	Sewer	Solid Waste	Total	
ASSETS						
Current Assets						
Cash and Cash Equivalents	\$18,760,816	\$ 3,876,098	\$ 4,805,194	\$ 790,866	\$28,232,975	\$ 381,559
Restricted Cash	1,100,210	4,778,939	2,804,085	-	8,683,235	-
Accounts Receivable, net of allowance for doubtful accounts	2,201,974	287,201	453,896	109,165	3,052,236	42,063
Other Receivables	63,270	66,759	795,852	10,994	936,876	-
Inventories	1,428,821	6,085	-	-	1,434,907	48,654
Total Current Assets	23,555,092	9,015,083	8,859,028	911,026	42,340,229	472,275
Non-Current Assets						
Capital Assets						
Land and Improvements	2,460,507	6,471,894	28,638	-	8,961,039	-
Construction in Progress	34,609	2,521,747	57,564	9,176	2,623,095	-
Utility System	20,227,895	23,678,752	23,543,843	-	67,450,490	-
Buildings and Improvements	7,056,014	123,078	164,057	5,650	7,348,799	38,032
Vehicles and Equipment	4,463,840	2,015,792	1,650,927	1,448,503	9,579,061	239,928
Less Accumulated Depreciation	(19,487,438)	(10,069,314)	(11,074,114)	(907,182)	(41,538,048)	(163,524)
Net Capital Assets	14,755,427	24,741,949	14,370,915	556,148	54,424,437	114,436
Total Non-Current Assets	14,755,427	24,741,949	14,370,915	556,148	54,424,437	114,436
Total Assets	38,310,519	33,757,031	23,229,943	1,467,173	96,764,667	586,711
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Charges On Refundings	156,122	-	110,303	-	266,425	-
LIABILITIES						
Current Liabilities:						
Accounts Payable	1,657,243	1,528,201	336,329	41,026	3,562,799	96,823
Salaries and Wages Payable	47,878	11,279	11,101	7,017	77,274	50,660
Other Accrued Expenses	596,972	4,759	109,211	870	711,812	-
Customer and Other Deposits	691,585	-	-	57,650	749,235	125,916
Compensated Absences	40,678	2,500	2,500	1,149	46,827	4,007
Bonds and Notes Payable	236,024	262,060	314,986	-	813,070	-
Total Current Liabilities	3,270,380	1,808,799	774,127	107,711	5,961,017	277,407
Non-Current Liabilities:						
Compensated Absences	122,035	47,501	47,501	1,149	218,185	156,279
Bonds and Notes Payable	3,839,331	5,680,161	4,989,787	-	14,509,279	-
Total Non-Current Liabilities	3,961,366	5,727,662	5,037,288	1,149	14,727,464	156,279
Total Liabilities	7,231,746	7,536,460	5,811,415	108,860	20,688,481	433,686
NET POSITION						
Net Investment in Capital Assets	10,836,194	18,799,728	9,176,445	556,148	39,368,514	114,436
Restricted for Capital Improvements	1,100,210	4,778,939	2,804,085	-	8,683,235	-
Unrestricted:						
Assigned by City Council	5,708,440	427,469	19,284	451,438	6,606,631	-
Unassigned	13,590,051	2,214,435	5,529,018	350,728	21,684,231	38,589
Total Net Position	\$ 31,234,895	\$ 26,220,571	\$ 17,528,832	\$ 1,358,314	\$ 76,342,612	\$ 153,025

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

CITY OF MILFORD, DE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Business Type Activities - Enterprise Funds					<i>Governmental Activities - Internal Service Fund</i>
	Electric	Water	Sewer	Solid Waste	Total	
REVENUES						
Charges for Services	\$ 25,491,618	\$ 3,106,330	\$ 4,817,212	\$ 1,465,353	\$ 34,880,513	\$ 3,150,761
Miscellaneous	222,934	30,583	287	3,889	257,693	-
Total Operating Revenues	25,714,552	3,136,913	4,817,499	1,469,242	35,138,206	3,150,761
OPERATING EXPENSES						
Personnel Services	2,985,517	372,663	600,702	371,044	4,329,926	1,838,365
Contractual Services	17,889,002	55,644	2,699,518	380,324	21,024,488	291,302
Utilities	4,874	213,712	262	-	218,848	11,624
Repairs and Maintenance	428,818	103,859	17,117	176,747	726,542	874,516
Other Supplies and Expenses	199,922	1,145,100	652,895	308,990	2,306,906	203,128
Insurance Claims and Expenses	119,628	27,380	13,253	11,574	171,835	9,194
Bad Debt Expense	31,867	-	-	-	31,867	-
Depreciation	1,237,180	606,531	617,066	142,883	2,603,660	27,355
Total Operating Expenses	22,896,806	2,524,889	4,600,814	1,391,562	31,414,071	3,255,484
Operating Income (Loss)	2,817,746	612,023	216,685	77,680	3,724,135	(104,722)
NON-OPERATING REVENUES (EXPENSES)						
Interest and Investment Revenue	25,025	17,669	6,073	869	49,635	-
Impact Fees	51,350	204,357	106,344	-	362,051	-
Capital Grant	-	-	52,963	-	52,963	45,707
Miscellaneous	18,349	(406,227)	4,392	15,158	(368,327)	1,816
Interest Expense	(102,045)	(106,934)	(115,571)	-	(324,549)	-
Total Non-Operating Revenues (Expenses)	(7,320)	(291,135)	54,201	16,027	(228,227)	47,523
Income Before Transfers	2,810,426	320,889	270,886	93,707	3,495,908	(57,199)
Transfers In	1,716	1,229,911	146,401	114,673	1,492,702	-
Transfers Out	(2,500,000)	(300,000)	-	-	(2,800,000)	-
Change in Net Position	312,142	1,250,800	417,287	208,381	2,188,611	(57,199)
Net Position - Beginning of Year	30,922,753	24,969,771	17,111,545	1,149,933	74,154,002	210,224
Net Position - End of Year	\$ 31,234,895	\$ 26,220,571	\$ 17,528,832	\$ 1,358,314	\$ 76,342,613	\$ 153,025

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

CITY OF MILFORD, DE
STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2022

	ENTERPRISE FUNDS					<i>Governmental Activities - Internal Service Fund</i>
	Electric	Water	Sewer	Solid Waste	Total	
Cash Flows from Operations:						
Receipts from Customers	\$ 25,284,111	\$ 3,086,407	\$ 4,795,400	\$ 1,453,698	\$ 34,619,616	\$ 3,097,138
Other Operating Receipts	181,572	139,281	171,617	(4,641)	487,830	-
Payments to Suppliers	(18,636,158)	(212,613)	(4,146,781)	(861,463)	(23,857,015)	(1,403,517)
Payments to Employees	(2,888,538)	(345,435)	(573,385)	(378,462)	(4,185,820)	(1,765,354)
Insurance Premiums Paid	(119,628)	(27,380)	(13,253)	(11,574)	(171,835)	(9,194)
Net Cash Provided by Operating Activities	3,821,358	2,640,260	233,598	197,559	6,892,775	(80,927)
Cash Flows from Non-Capital Financing Activities						
Operating Transfers In (Out)	(2,498,284)	929,911	146,401	114,673	(1,307,298)	-
Net Cash Flows Provided by (Used in) Non-Capital Financing Activities	(2,498,284)	929,911	146,401	114,673	(1,307,298)	-
Cash Flows Provided by (Used in) Capital and Related Financing Activities:						
Net cash for additions to Capital Assets	(630,851)	(9,743,495)	(355,367)	(122,308)	(10,852,022)	71,220
Debt Borrowings	-	-	-	-	-	-
Principal Paid on Debt	(231,024)	(258,339)	(335,034)	-	(824,397)	-
Interest Paid on Debt	(102,045)	(106,934)	(115,571)	-	(324,549)	-
Net Interfund Transfers	18,349	(406,227)	4,392	15,158	(368,327)	1,816
Capital Grant	-	-	52,963	-	52,963	45,707
Impact Fees and Other Development Fees	51,350	204,357	106,344	-	362,051	-
Net Cash Flows Provided by (Used in) Capital and Related Financing Activities	(894,220)	(10,310,638)	(642,273)	(107,150)	(11,954,281)	118,743
Cash Flows from Investing Activities						
Net Proceeds/(Purchases) from Sales and Maturities of Short-Term Investments	14,220,312	9,357,413	3,953,792	71,430	27,602,946	-
Income on Investments	25,025	17,669	6,073	869	49,635	-
Net Cash Flows Provided by (Used in) Investing Activities	14,245,337	9,375,081	3,959,864	72,299	27,652,582	-
Net Increase (Decrease) in Cash and Cash Equivalents	14,674,192	2,634,614	3,697,591	277,381	21,283,778	37,817
Cash and Cash Equivalents - Beginning of Year	5,186,835	6,020,424	3,911,689	513,485	15,632,433	343,742
Cash and Cash Equivalents - End of Year	\$ 19,861,027	\$ 8,655,038	\$ 7,609,280	\$ 790,866	\$ 36,916,210	\$ 381,559
Cash Flows from Operating Activities						
Operating Income (Loss)	\$ 2,817,746	\$ 612,023	\$ 216,685	\$ 77,680	\$ 3,724,134	\$ (104,722)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:						
Deferred Charges On Refundings	10,758	-	11,611	-	22,369	-
Depreciation and Amortization	1,237,180	606,531	617,066	142,883	2,603,660	27,355
Effect of Changes in Operating Assets & Liabilities:						
Accounts Receivable, net	(251,303)	88,775	137,908	(22,885)	(47,505)	71,239
Inventory	(95,736)	12,792	-	-	(82,944)	(15,625)
Accounts Payable & Accrued Expenses	(17,808)	1,292,911	(776,988)	4,598	502,713	(7,322)
Salaries Payable	27,092	1,981	2,071	1,224	32,369	27,522
Customer Deposits	23,542	-	-	2,700	26,242	(124,862)
Liability for Compensated Absences	69,887	25,246	25,246	(8,643)	111,737	45,489
Net Cash Provided by Operating Activities	\$ 3,821,358	\$ 2,640,260	\$ 233,598	\$ 197,559	\$ 6,892,775	\$ (80,927)

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

The City of Milford, Delaware (the "City"), operates under a Council-Manager form of government and provides the following services as authorized by its charter adopted on May 24, 1977, as amended: public safety (police), highways and streets, sanitation, health and social services, electric, water, parks and recreation, public improvements, planning and zoning, and administrative services.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America (GAAP) applicable to state and local governments. GAAP for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB).

The accounting and reporting framework and the more significant accounting policies and practices are discussed in subsequent sections of this Note. The remainder of the notes are organized to provide explanations, including required disclosures, of the City's financial activities for the year ended June 30, 2022. Please note that slight differences may exist due to rounding.

Financial Reporting Entity

The City's basic financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City

Based on the aforementioned criteria, the City has no component units.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results may differ from those estimates.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control in governmental funds. Encumbrances as of the end of the fiscal year are reported as reservations of fund balance because they do not constitute expenditures or liabilities, but rather serve as authorization for expenditures in the following year. As of June 30, 2022, the City had no such encumbrances.

Government-Wide and Fund Financial Statements

The government-wide financial statements (statement of net position and statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and inter-governmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include (a) charges to customers who directly benefit from goods or services provided by a given function or activity and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported as general revenues.

The City uses Fund Accounting to provide separate financial statements for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements, while non-major funds are consolidated and reported in a single column in the fund financial statements.

The City reports the following governmental funds:

General Fund – The general fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund – The special revenue fund accounts for revenues derived from earmarked revenue sources. Separate self-balancing funds are established to account for each restricted special revenue source.

Non-Major Governmental Fund – This fund accounts for revenues derived from activities provided by the City's parks and recreation department, which include primarily youth and adult sports leagues, summer camps and clinics. In addition, the fund accounts for building permit revenue levied for specific recreational and public safety initiatives, the latter of which are restricted for local fire and ambulance companies.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Government-Wide and Fund Financial Statements (continued)

The City reports the following proprietary funds:

Enterprise Funds – The Enterprise Funds of the City include the electric, water, wastewater (“sewer”) and sanitation (“solid waste” or “trash”) funds. Enterprise funds are used to account for operations (a) which are financed and operated in a manner similar to private business enterprises; where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body had decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, or accountability.

Internal Service Fund – Consists of five internal funds which are used to account for the financing of goods and services provided by one department to other departments of the City on a cost-recovery basis.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Financial resources used to acquire capital assets are capitalized in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as a source of financing. Amounts paid to reduce long-term debt of the City are reported as a reduction of the related liability, rather than as an expenditure in the government-wide financial statements.

[The remainder of this page was intentionally left blank]

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter (within 60 days) to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due. Similarly, accrued compensated absences are recorded as expenditures only when paid.

Permits and fees, recreation fees, fines and court fees, franchise fees and taxes, other miscellaneous revenues and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are measurable as of the date levied (assessed) and are recognized as revenues when they become available, which means when due, or past due, and received within the current period or collected soon enough thereafter to be used to pay liabilities of the current period. All other revenues are considered to be measurable and therefore only available and recordable upon receipt of cash.

Budgets and Budgetary Accounting

Budgetary Process

The City Council follows these procedures in establishing the budgetary data reflected within the financial statements:

- 1) In accordance with the City Charter, prior to June 1 each year, the City Manager submits to City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year.
- 2) Public hearings are conducted to solicit comment from taxpayers and ratepayers.
- 3) Prior to June 30, the budget is legally enacted through passage of an ordinance.
- 4) The City Manager is required by the City Charter to present a monthly report to City Council explaining any variances from the approved budget.
- 5) Formal budgetary integration is employed as a management control device during the year for the general fund.
- 6) The budget for the general fund is adopted on a basis consistent with GAAP as applicable to governments.
- 7) The budgets for the special revenue fund are approved on a program-by-program basis by the funding agencies.
- 8) Budgetary amendments are approved by City Council as required throughout the year. If revenues in excess of those estimated in the budget become available, the Council, by ordinance, may make supplemental appropriations for the year up to the amount of such excess.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Cash and Cash Equivalents

Cash and cash equivalents consist of cash, checking and money market accounts generally maturing within three months.

Receivables

Receivables are shown net of the allowances for estimated uncollectible accounts. The allowance for uncollectible accounts is based upon historical data established according to experience and other factors which in the judgment of City officials should be recognized in estimating possible losses. Management believes that they have adequately provided for future probable losses.

Interfund Receivables/Payables

Advances between funds are accounted within the appropriate interfund receivable and payable accounts. These advances (reported as "due from/to other funds") are considered "available spendable resources."

Inventories

Inventory in the internal service fund consists of garage supplies, meter parts and fittings, gasoline and diesel fuel held for consumption. The inventory acquisitions are recorded in the inventory accounts initially and charged to expenditures when used. The inventory is reported at cost and is presented on an average cost basis.

Inventories in the water and electric funds consist primarily of meters and other equipment and appurtenances required for service connection and revenue billing. The electric fund also carries certain system infrastructure components and replacement parts that serve the dual purpose of internal consumption for repair and maintenance as well as for sale to third party developers required to share in the cost of new connections to the electric system. Inventories in the water and electric funds are reported at cost and presented on an average cost basis.

Capital Assets

Capital assets which include land, buildings, improvements, equipment, vehicles and infrastructure assets, consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage and lighting systems, are reported on the applicable governmental or business-type activities columns in the government-wide financial statements and the proprietary fund financial statements. Capital assets are recorded at historical cost if purchased, and at fair market value if donated. The capitalization threshold for all capital assets is \$5,000. No dollar threshold is set for land. Capital asset depreciation is recognized using the straight-line method over the estimated lives of the respective assets.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Compensated Absences

A maximum of 30 days of vacation and 130 days of sick leave may be accumulated by each employee except for those hired before 1992, for whom carry-over is unlimited. The City accrues a liability for compensated absences which meet the following criteria:

- The City's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered.
- The obligation relates to rights that vest or accumulate.
- Payment of the compensation is probable.
- The amount can be reasonably estimated.

In accordance with the above criteria, the City has accrued a liability for vacation and sick pay which has been earned but not taken by City employees. For governmental activities, the liability for compensated absences is split between current and non-current liabilities in the government-wide financial statements. Only the current portion of compensated absences is reported on the governmental funds balance sheet. The liability for compensated absences is recorded in proprietary fund types as an accrued liability in accordance with GASBS No. 16 (GASB Cod. Sec. C60), *Accounting for Compensated Absences*.

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 fiduciary net position have been determined on the same basis as they are reported by DPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Long-Term Liabilities

In the government-wide financial statements, and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business type activities, or proprietary fund type statements of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are recorded net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and are amortized over the life of the related debt. In the fund financial statements, governmental fund types recognize bond premium and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Subsequent Events

Subsequent events were evaluated through the opinion date, which is the date the financial statements were available to be issued. Management of the City have disclosed the formal commitment to apply for permanent financing through the United States Department of Agriculture (USDA) Community Facilities Program for the construction of the new Police Headquarters Facility. Please see Note 19: Subsequent Events for additional detail. Management of the City have determined that no events, including the disclosed events, resulted in any adjustment to the accounts reported in these financial statements.

Deferred Outflows of Resources

Decreases in net position that relate to future periods are recorded as deferred outflows of resources in a separate section of the City's government-wide statement of net position. Deferred outflows of resources generally include pension contributions made subsequent to the measurement date but may also include differences in pension plan actuarial data between measurement dates, such as differences between expected and actual plan experience, the effect of actuarial assumption changes, actual investment earnings below expected earnings on plan assets, and changes in the City's proportion of the broader plan. Deferred outflows of resources also include the difference in the carrying value of refunded debt and its reacquisition price, which is then amortized over the shorter of the life of the refunded or refunding bond.

Deferred Inflows of Resources

Increases in net position that apply to future periods are recorded as deferred inflows of resources in a separate section of the City's government-wide statement of net position. Deferred inflows of resources may include differences in pension plan actuarial data between measurement dates, such as differences between expected and actual plan experience, the effect of actuarial assumption changes, actual pension plan investment earnings in excess of projected amounts, and changes in the City's proportion of the broader plan. Following the adoption of GASB Statement No. 87, *Leases*, effective June 30, 2022, the City, as lessor, will also report the value of future lease payments receivable in deferred inflows of resources.

Deferred outflows and inflows of resources related to pensions, excluding employer-specific amounts, will be recognized as pension expense over five years, including the current year.

Government-Wide and Proprietary Fund Net Positions

Net position represents the extent to which the sum of assets and deferred outflows of resources differ from the sum of liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets net of accumulated depreciation and the outstanding balances of

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

any borrowing spent for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the City's policy is to apply restricted net position first.

Governmental Fund Balances

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

- Non-spendable - Amounts that cannot be spent either because they are in a non-spendable form or because they are legally or contractually required to be maintained intact.
- Restricted - Amounts that can be spent only for specific purposes due to the City Charter, City code, state or federal laws, or externally imposed conditions by grantor or creditors.
- Committed - Amounts that can be used only for specific purposes determined by a formal action by City Council ordinance or resolution. This includes the Budget Reserve Account.
- Assigned - Amounts that are designated by the Mayor for a particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote approval (for capital projects or debt service) by City Council.
- Unassigned - All amounts not included in other spendable classifications.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended by fund balance class follows: restricted, followed by committed, assigned and lastly unassigned.

Interfund Transactions

The City records transactions between funds to support operations in certain funds, to return a risk premium to certain funds, to allocate administrative and overhead costs among funds, to construct assets, to distribute grant proceeds and to coordinate other activities that impact more than one fund. These transactions are generally reflected as operating transfers, which are transfers from a fund authorized to receive certain revenues to the fund through which the resources are expended. Interfund loans having repayment terms beyond one year are reported separately as noncurrent assets (lending fund) and noncurrent liabilities (borrowing fund) in the statements of net position.

Interest Capitalization

The City adopted GASB Statement No. 89, *Accounting for Interest Costs Incurred before the End of a Construction Period* effective for the fiscal year ended June 30, 2022. No capitalizable interest was incurred prior to or during the current fiscal year. As such, the adoption of this Statement had no effect on previously reported amounts.

CITY OF MILFORD, DELAWARE
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 2: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net position of governmental activities in the government-wide statement of net position. The difference results from the long-term economic focus on the statement of net position versus the current financial resources focus of the governmental fund balance sheets.

Capital Asset Differences

When capital assets (land, building, improvements and equipment) are purchased or constructed for use in governmental fund activities, the costs of those assets are reported as expenditures in the governmental funds. However, these costs are reported as capital assets in the statement of net position. The details of these differences are presented below:

	All Governmental	Internal Service Funds	Governmental, excluding Internal Service Funds
Land	\$ 8,601,885	\$ -	\$ 8,601,885
Construction in Progress	1,245,785	-	1,245,785
Utility System & Infrastructure	11,148,458	-	11,148,458
Buildings and Improvements	5,742,973	38,032	5,704,941
Equipment and Vehicles	6,845,267	239,928	6,605,339
Less: Accumulated Depreciation	(15,259,627)	(163,524)	(15,096,103)
Net Difference in Capital Assets	<u>\$ 18,324,741</u>	<u>\$ 114,436</u>	<u>\$ 18,210,305</u>

Noncurrent Liability Differences

Noncurrent liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund balance sheet. All liabilities (both current and long-term) are reported in the statement of net position. The details of these noncurrent liability differences are presented below:

Noncurrent Portion of Compensated Absences	\$ (1,153,994)
Deferred Outflow of Resources - Pension	1,431,908
Deferred Inflow of Resources - Pension & Leases	(5,085,275)
Net Pension Liability	5,223,050
Contingencies and Other Changes in Liabilities	(257,162)
Total Current and Long-Term Liability Differences	<u>\$ 158,526</u>

Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities.

The governmental fund financial statements include a reconciliation between changes in fund balances in the governmental funds and changes in net position in the government-wide statement of activities. The differences primarily result from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental fund financial statements.

CITY OF MILFORD, DELAWARE
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 2: RECONCILIATION OF GOV'T-WIDE AND FUND FINANCIAL STATEMENTS, CONTINUED

Capital Outlay Differences

Capital Outlays are reported as expenditures in the statement of revenues, expenditures and changes in fund balances. They are reported as capital assets, with the costs allocated over the useful lives of the assets, as depreciation, in the statement of activities. The details of these differences are reported below:

	All Governmental	Internal Service Funds	Governmental, excluding Internal Service Funds
Capital Outlay	\$ 1,938,238	\$ 155,357	\$ 1,782,881
Depreciation and Amortization	(1,059,174)	(27,355)	(1,031,819)
Net Difference	\$ 879,064	\$ 128,002	\$ 751,062

Other Differences

Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds as expenditures. These items include the net changes during the year in the following accounts:

Net Change in Pension Liability and Pension Deferred Inflows/Outflows	\$ 1,414,035
Net Change in Internal Service Funds Net Position	(57,200)
Net Retirements (Advancements) of Bond Anticipation Notes	(41,445)
Difference in Asset Sale Proceeds and Gain on Asset Sales	(100,000)
Total Current and Long-Term Liability Differences	\$ 1,215,390

NOTE 3: FINANCIAL INSTRUMENTS

The City invests its eligible reserves in a variety of financial instruments pursuant to its investment policy and records investments at adjusted cost. The City estimates that the fair value of all financial instruments as of June 30, 2022 does not differ materially from the aggregate carrying values of its financial instruments as reported in the accompanying balance sheet and statement of net position.

NOTE 4: REAL ESTATE TAXES

The millage rate levied by City Council on all non-exempt real estate in the City of Milford for the fiscal year ended June 30, 2022 was 4.8275 mills (\$4.8275 per \$1,000 of assessed valuation, or "AV"), and is commonly expressed as \$0.48275 per \$100 of AV. The City executes the annual tax billing, periodic supplemental billing and all real estate tax payment collection internally, though property assessment is conducted by a professional firm through a contractual arrangement. Delinquent taxes are subject to lien by the City. The schedules of real estate taxes levied for the fiscal year 2022 follow:

July 1:	Levy Date (effective date of enforceable lien)
August 1 - September 30:	Face Payment Period
October 1:	Penalty of 1% of cumulative past due balance each month

NOTE 5: IMPACT FEES

All applications for new service connections to water, sewage, and electric systems within the City of Milford’s utility service territories are required to contribute a one-time impact fee. The purpose of the fee is to compensate for the impact of new users to the existing water and sewage systems, in order to provide for future expansion. All impact fees collected are restricted for the construction, maintenance and expansion of the City’s utility infrastructure systems resulting from the growth demands of new development. The commercial impact fees for the year ended June 30, 2022 were \$3,195 and \$1,688 per Equivalent Dwelling Unit (EDU) for water and sewage, respectively, and \$600 and \$1,200 for electric connections of 200 amps and 400 amps, respectively.

The City has recorded as revenue in the proprietary funds Statement of Revenues, Expenses and Changes in Net Position and in the government-wide Statement of Activities the impact fee monies, as required by GASB No. 33. Restricted net position as of June 30, 2022 attributable to cumulative impact fee collections is \$8,614,362.

NOTE 6: INTERFUND TRANSACTIONS

During the course of normal operations, the City has numerous transactions between funds including expenditures and transfers of resources primarily to provide services. The financial statements of the governmental and proprietary fund types generally reflect such transactions as transfers. Transfers that are not considered operating or residual equity transfers give rise to interfund receivables and payables within individual funds. As of June 30, 2022, no transfers qualified as interfund loans, and two interfund transactions among subsidiary funds related to funding of capital expenditures nets to \$0 in the governmental funds.

NOTE 7: INTERGOVERNMENTAL RECEIVABLES

Amounts due from other governmental units represent receivables for revenues earned by the City or collections made by another governmental unit on behalf of the City.

NOTE 8: CASH AND EQUIVALENTS

It is the policy of the City of Milford to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the City, while conforming to all state and local statutes governing the investment of public funds, using the “prudent person” standard for managing the overall portfolio. The primary objective of the policy is safety (preservation of capital), followed by liquidity, and lastly yield.

The City of Milford utilizes a pooled cash and investment concept for all funds to maximize transactional efficiency and the effectiveness of its investment management program. Investment income from this internal pooling is allocated to the respective funds based upon the sources of funds invested. The deposits and investments associated with the City’s participation in the State of Delaware Police and Firefighters’ Pension Fund and the State of Delaware County and Municipal Pension Plans are held and managed separately.

CITY OF MILFORD, DELAWARE
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 8: CASH AND EQUIVALENTS, CONTINUED

Custodial Credit Risk

Custodial credit risk is the risk of loss of City deposits in the event of financial institution failure. The City maintains a formal deposit policy within its broader Investment Policy Statement to manage custodial credit risk. As of June 30, 2022, the City of Milford's bank balances, including deposits and money market funds, totaled \$55,056,816. FDIC insurance applied to \$251,513 of the deposits, while the remainder of \$54,805,303 was hedged against custodial credit risk because it was collateralized with securities pledged by the City's financial institution and held by its custodian in the name of the City of Milford. Deposits are classified as Category 1 if fully insured, registered or held by the agent in the City's name. The carrying amount of the deposits as of June 30, 2022 was \$54,355,521 and is reported in the financial statements as follows:

Government-wide Statement of Net Position

Governmental Activities	\$17,437,161
Business-type Activities	<u>36,915,910</u>
Total carrying amount of deposits	<u><u>\$54,353,071</u></u>

[The remainder of this page was intentionally left blank]

CITY OF MILFORD, DELAWARE
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 9: CAPITAL ASSETS

The following schedule presents the capital activity of governmental activities for the fiscal year, including Internal Service Funds:

FOR THE YEAR ENDED JUNE 30, 2022					
Asset Categories by Function	Balances 6/30/2021	Additions	Reductions	Adjustments & Transfers	Balances 6/30/2022
<u>Total Governmental</u>					
Capital Assets:					
Land	\$ 8,145,959	\$ -	\$ (100,000)	\$ 555,926	\$ 8,601,885
Street Improvements	10,467,446	106,888	-	574,124	11,148,458
Buildings and Improvements	5,263,295	92,518	-	387,160	5,742,973
Vehicles and Equipment	6,781,340	211,749	(147,822)	-	6,845,267
Construction in Progress	986,118	1,388,417	-	(1,128,750)	1,245,785
<hr/>					
Total Governmental	31,644,158	1,799,573	(247,822)	388,459	33,584,368
Capital Assets	31,644,158	1,799,573	(247,822)	388,459	33,584,368
Accumulated Depreciation	(14,205,952)	(1,059,174)	147,822	(142,322)	(15,259,627)
<hr/>					
Total Governmental	\$ 17,438,206	\$ 740,399	\$ (100,000)	\$ 246,137	\$ 18,324,742
Capital Assets, Net	<u>\$ 17,438,206</u>	<u>\$ 740,399</u>	<u>\$ (100,000)</u>	<u>\$ 246,137</u>	<u>\$ 18,324,742</u>

The following schedule presents the capital activity of governmental activities for the fiscal year, excluding Internal Service Funds:

FOR THE YEAR ENDED JUNE 30, 2022					
Asset Categories by Function	Balances 6/30/2021	Additions	Reductions	Adjustments & Transfers	Balances 6/30/2022
<u>Governmental, excluding Internal Service Funds</u>					
Capital Assets:					
Land	\$ 8,145,959	\$ -	\$ (100,000)	\$ 555,926	\$ 8,601,885
Street Improvements	10,467,446	106,888	-	574,124	11,148,458
Buildings and Improvements	5,241,955	75,826	-	387,160	5,704,941
Vehicles and Equipment	6,527,936	211,749	(134,346)	-	6,605,339
Construction in Progress	898,206	1,249,753	-	(902,174)	1,245,785
<hr/>					
Total Governmental	31,281,502	1,644,216	(234,346)	615,036	33,306,408
Capital Assets	31,281,502	1,644,216	(234,346)	615,036	33,306,408
Accumulated Depreciation	(14,056,308)	(1,031,819)	134,346	(142,322)	(15,096,103)
<hr/>					
Total Governmental	\$ 17,225,194	\$ 612,398	\$ (100,000)	\$ 472,713	\$ 18,210,305
Capital Assets, Net	<u>\$ 17,225,194</u>	<u>\$ 612,398</u>	<u>\$ (100,000)</u>	<u>\$ 472,713</u>	<u>\$ 18,210,305</u>

CITY OF MILFORD, DELAWARE
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 9: CAPITAL ASSETS, CONTINUED

The following schedule presents the capital activity of business-type activities for the fiscal year:

FOR THE YEAR ENDED JUNE 30, 2022

Asset Categories by Function	Balances 6/30/2021	Additions	Reductions	Adjustments & Transfers	Balances 6/30/2022
Electric Fund:					
Land	\$ 2,460,507	\$ -	\$ -	\$ -	2,460,507
Construction in Progress	100,008	34,609	-	(100,008)	34,609
Buildings and Improvements	7,056,015	-	-	-	7,056,015
Electric System	19,952,164	175,723	-	100,008	20,227,895
Vehicles and Equipment	4,043,045	491,943	(64,518)	(6,630)	4,463,840
Total Capital Assets	33,611,738	702,275	(64,518)	(6,630)	34,242,865
Accumulated Depreciation	(18,249,980)	(1,237,458)	-	-	(19,487,438)
Net Book Value	15,361,758	(535,183)	(64,518)	(6,630)	14,755,427
Water Fund:					
Land	33,254	6,438,640	-	-	6,471,894
Construction in Progress	175,456	2,559,631	-	(213,341)	2,521,747
Buildings and Improvements	123,078	-	-	-	123,078
Water System	22,842,223	748,428	(125,240)	213,341	23,678,752
Vehicles and Equipment	1,893,756	122,036	-	-	2,015,792
Total Capital Assets	25,067,767	9,868,735	(125,240)	-	34,811,262
Accumulated Depreciation	(9,462,783)	(606,531)	-	-	(10,069,314)
Net Book Value	15,604,984	9,262,204	(125,240)	-	24,741,948
Sewer Fund:					
Land	28,638	-	-	-	28,638
Construction in Progress	8,429	58,058	-	(8,923)	57,564
Buildings and Improvements	164,057	-	-	-	164,057
Waste Water System	23,428,144	106,776	-	8,923	23,543,843
Vehicles and Equipment	1,443,371	190,533	-	17,023	1,650,927
Total Capital Assets	25,072,639	355,367	-	17,023	25,445,029
Accumulated Depreciation	(10,440,025)	(617,066)	-	(17,023)	(11,074,114)
Net Book Value	14,632,614	(261,699)	-	-	14,370,915
Solid Waste Fund:					
Construction in Progress	-	9,176	-	-	9,176
Buildings and Improvements	5,650	-	-	-	5,650
Vehicles and Equipment	1,335,371	113,132	-	-	1,448,503
Total Capital Assets	1,341,021	122,308	-	-	1,463,329
Accumulated Depreciation	(764,299)	(142,883)	-	-	(907,182)
Net Book Value	\$ 576,723	\$ (20,575)	-	\$ -	\$ 556,148

CITY OF MILFORD, DELAWARE
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 9: CAPITAL ASSETS, CONTINUED

The following schedule summarizes the capital activity of business-type activities for the fiscal year:

	FOR THE YEAR ENDED JUNE 30, 2022				
Asset Categories by Function	Balances 6/30/2021	Additions	Reductions	Adjustments & Transfers	Balances 6/30/2022
<u>Total Enterprise Funds</u>					
Land	\$ 2,522,399	\$ 6,438,640	\$ -	\$ -	\$ 8,961,039
Construction in Progress	283,893	2,661,474	-	(322,272)	2,623,095
Buildings and Improvements	7,348,800	-	-	-	7,348,800
Electric System	19,952,164	175,723	-	100,008	20,227,895
Water System	22,842,223	748,428	(125,240)	213,341	23,678,752
Waste Water System	23,428,144	106,776	-	8,923	23,543,843
Vehicles and Equipment	8,715,542	917,644	(64,518)	10,393	9,579,061
Total Fixed Assets	85,093,164	11,048,685	(189,758)	10,393	95,962,484
Accumulated Depreciation	(38,917,088)	(2,603,938)	-	(17,023)	(41,538,049)
Net Book Value	\$ 46,176,076	\$ 8,444,747	\$ (189,758)	\$ (6,630)	\$ 54,424,436

The following schedule summarizes the activity of internal service fund activities for the fiscal year:

	FOR THE YEAR ENDED JUNE 30, 2022				
Asset Categories by Function	Balances 6/30/2021	Additions	Reductions	Adjustments & Transfers	Balances 6/30/2022
<u>Internal Service Funds:</u>					
Land	\$ -	\$ -	\$ -	\$ -	\$ -
Buildings and Improvements	21,340	16,692	-	-	38,032
Vehicles and Equipment	253,404	-	(13,476)	-	239,928
Construction in Progress	87,912	138,665	-	(226,577)	-
Total Internal Service Funds	362,656	155,357	(13,476)	(226,577)	277,960
Accumulated Depreciation	(149,644)	(27,355)	13,476	-	(163,524)
Total Internal Service Funds, Net	\$ 213,012	\$ 128,001	\$ (0)	\$ (226,577)	\$ 114,436

Depreciation expense for governmental activities, which amounted to \$1,059,174 for the year ended June 30, 2022, was charged to the general government function of the primary government. Depreciation expense of \$2,603,660 for the business-type activities was charged to the funds as noted above.

CITY OF MILFORD, DELAWARE
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 10: LONG-TERM DEBT OBLIGATIONS

Long-Term liability activity for the year ended June 30, 2022 is summarized as follows:

	FOR THE YEAR ENDED JUNE 30, 2022				
	Balances 06/30/21	Additions	Reductions	Balances 06/30/22	Current Portion
Governmental Activities:					
General Obligation Bonds	\$ -	\$ 41,445	\$ -	\$ 41,445	\$ -
Net Pension Liability (Asset)	608,858	-	(5,831,908)	(5,223,050)	-
Compensated Absences	1,094,885	441,175	(220,367)	1,315,693	161,699
Governmental Activities					
Total Debt Obligations:	\$ 1,703,743	\$ 482,620	\$ (6,052,275)	\$ (3,865,912)	\$ 161,699
Business-Type Activities:					
General Obligation Bonds					
Series 2016	\$ 6,685,000	\$ -	\$ (425,000)	\$ 6,260,000	\$ 435,000
State of Delaware					
DNREC WPC RF, 2010	565,896	-	(82,394)	483,502	56,313
Water SRF, 2012A	2,101,592	-	(158,653)	1,942,939	160,244
Note Payable, Kent County	1,096,077	-	(26,502)	1,069,575	27,103
USDA Notes Payable					
Water Facilities, 2013	4,098,968	-	(99,686)	3,999,282	101,816
Sewer Facilities, 2019	585,070	-	(10,750)	574,319	10,940
Sewer Facilities, 2020	989,436	-	(19,553)	969,883	19,798
Total Bonds and Notes Payable	16,122,038	-	(822,538)	15,299,500	811,214
Other Liabilities					
Compensated Absences	153,276	111,737	-	265,013	46,827
Business-Type Activities					
Total Debt Obligations:	\$ 16,275,314	\$ 111,737	\$ (822,538)	\$ 15,564,513	\$ 858,041

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. Annually, the City is required to compute the rate of property tax required to provide a fund to pay interest and principal at maturity. The City is in compliance with this requirement.

NOTE 10: LONG-TERM DEBT OBLIGATIONS, CONTINUED

General Obligation Bonds, Series 2016

On December 6, 2016, the City issued General Obligation Bonds, Series 2016 in the aggregate principal amount of \$8,065,000, with interest rates ranging from 2.0% to 2.55%. The proceeds of the 2016 bond issuance were utilized to currently refund the outstanding principal balance of \$7,850,000 related to the General Obligation Bonds, Series 2011 A. The 2016 bonds are scheduled to mature January 1, 2037. Semi-annual interest payments commenced July 1, 2017, while annual principal payments commenced January 1, 2018. The bonds had an original issue premium of \$37,171, the unamortized portion of which is included in the balance reflected in the financial statements as of June 30, 2022. The current refunding resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$1.3 million.

General Obligation Bond Anticipation Notes, Series 2021

The City closed on a general obligation bond anticipation note (BAN), series 2021 with PNC Bank, N.A. in an amount not to exceed \$20 million on November 30, 2021 as authorized by Council on December 14, 2020 and approved by referendum on January 26, 2021. The temporary, construction-period loan bears a variable rate of interest calculated daily based on the tax-exempt equivalent of the Bloomberg Short Term Bank Yield Index or “BSBY” plus a fixed margin, subject to a floor of 1.08%, billed monthly as applied only to outstanding principal balances drawn. The loan matures on November 30, 2024, at which point the entire principal balance is due and payable in full. The City anticipates satisfying the BAN in full on or before the maturity date with a permanent issuance of long-term, tax-exempt general obligation bonds at a fixed rate of interest. As of June 30, 2022, \$41,445 was drawn on the BAN, all of which is reported in noncurrent liabilities in the government-wide statement of net position.

United States Department of Agriculture (USDA)

Water Facility Loan

In June 2013, the City issued bonds in an amount not to exceed \$5 million in connection with its Southeast Water Expansion project. The funding for the project was provided by the USDA under the federal direct loan for rural water and waste disposal systems program. Pursuant to program terms, the City was eligible for distributions of loan proceeds only after incurring project expenditures. The project was completed and the City expended a cumulative total of \$5 million through fiscal year 2017. The balance of the loan as of June 30, 2022 is \$3,999,282, which represents total project expenditures under the program less principal payments made. Under the terms of the note, the City is required to make quarterly payments in the amount of \$46,500, which include interest calculated at the fixed annual rate of 2.125% on the outstanding balance, with the remainder of each payment applied to the principal balance. The note is scheduled to mature June 28, 2053.

NOTE 10: LONG-TERM DEBT OBLIGATIONS, CONTINUED

Sewer Facility Loans

In September 2015, Milford City Council approved a resolution to borrow an amount not to exceed \$1.6 million to finance various sewer infrastructure projects, including a supervisory control and data acquisition (SCADA) system, pump station upgrades, inflow and infiltration remediation, and related projects; collectively the “sewer project.” A financing agreement was reached with the USDA under the federal direct loan for rural water and waste disposal systems program in two phases. The borrowing limit in phase one is \$0.6 million subject to an annual rate of interest not to exceed 2.375%; the actual rate as determined at final loan closing in December 2019 was 1.75%. The borrowing limit in phase two is \$1 million subject to an annual rate of interest not to exceed 2.125%; the actual rate as determined at final loan closing in December 2020 was 1.25%. Pursuant to program terms, the City was eligible for distributions of loan proceeds only after incurring project expenditures, which occurred during fiscal years 2020 and 2021 for phases one and two, respectively.

The balance of the 2019 facilities loan as of June 30, 2022 is \$574,319, representing the balance attributable to phase one project financing. The balance of the 2020 facilities loan as of June 30, 2022 is \$969,883, representing the balance attributable to phase two project financing. Under terms of the notes, the City is required to make quarterly payments in the amount of \$5,226 and \$7,960, which include interest calculated at the fixed annual rate of 1.75% and 1.25% on the outstanding balance of the phase one and two loans, respectively, with the remainder of each payment applied to the corresponding principal balance. The notes underlying loans phase one and two are scheduled to mature on December 31, 2059 and 2060, respectively.

State of Delaware Revolving Funds

Water Pollution Control Revolving Fund (WPC RF)

The City received funds in connection with its Wastewater Collection System Expansion project through financing agreements with the Delaware Water Pollution Control Revolving Fund. Funds received for the first part of the project were repaid in full during the fiscal year ended June 30, 2017. Additional funds were received for the second part of the project under a separate financing agreement. The balance of this obligation as of June 30, 2022 is \$483,502. Semi-annual payments of \$32,852 include interest calculated at an annual rate of 2.0%. The note is scheduled to mature of July 1, 2030.

Drinking Water State Revolving Fund (SRF)

The City has also received funds from the State of Delaware in connection with its Washington Street Water Treatment Facility Replacement Project. The funds were provided by the Delaware Drinking Water State Revolving Funding only as expenditures were incurred by the City and approved by the State, subject to a maximum funding commitment of \$4 million. Interest only payments commenced September 1, 2012 and were due semi-annually at 1% per annum on the balancing outstanding as the project progressed. The project was completed during the fiscal year ended June 30, 2018 at a total cost of \$3,832,876. In accordance with the agreement, upon

CITY OF MILFORD, DELAWARE
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 10: LONG-TERM DEBT OBLIGATIONS, CONTINUED

completion of the project, thirty-five percent of the amounts advanced were forgiven, resulting in forgiveness of debt in the amount of \$1,341,507 in fiscal year 2018. The remaining balance of \$2,491,369 is being amortized over a twenty-year period from the original advance date with interest at 1% per annum. The balance of this obligation as of June 30, 2022 is \$1,942,939. The note is scheduled to mature September 1, 2033.

Kent County Levy Court

Sewer Infrastructure Improvement Loan

Kent County constructed a new southern transmission bypass sewer line and related facilities (the “bypass”) to remediate failing components of its sewer infrastructure. The County issued bonds to finance the cost of the improvements, a significant portion of which run through the City of Milford and benefit the users of Milford’s sewer system. Pursuant to the Agreement for Services, as amended, between the City and Kent County, the City is responsible for the pro rata portion of the debt service attributable to the costs of the bypass installed in the City’s sewer service territory. The City is required to remit payments in quarterly installments of \$12,735, which include interest at the fixed rate of 2.25% per annum. The balance of the obligation as of June 30, 2022 is \$1,069,575 and is scheduled to mature November 10, 2050.

The annual requirements to amortize all debt outstanding as of June 30, 2022 follow:

Year Ending June 30	Principal	Interest	Total
2023	\$811,214	\$1,101,445	\$1,912,659
2024	821,363	1,097,285	1,918,648
2025	879,131	1,138,802	2,017,932
2026	853,864	1,097,360	1,951,224
2027	870,150	1,098,046	1,968,197
2028-2032	4,445,781	5,340,856	9,786,637
2033-2037	2,812,745	3,344,244	6,156,989
2038-2042	1,124,560	1,448,161	2,572,721
2043-2047	1,244,374	1,447,869	2,692,243
2048-2052	1,076,874	1,151,174	2,228,049
2053-2057	243,260	263,720	506,980
2058-2062	157,629	162,199	319,828
Total	<u>\$15,340,945</u>	<u>\$18,691,161</u>	<u>\$34,032,106</u>

CITY OF MILFORD, DELAWARE
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 10: LONG-TERM DEBT OBLIGATIONS, CONTINUED

Long-Term Debt outstanding as of June 30, 2022 is summarized as follows:

Obligation	Interest Rate (%)	Issue Date	Maturity Date	Amounts Outstanding as of June 30, 2022 (in thousands)				Total
				General Fund	Electric Fund	Water Fund	Sewer Fund	
General Obligation Bonds								
Series of 2016	2.00-2.55	12/6/16	1/1/37	-	\$ 4,060	\$ -	\$ 2,200	\$ 6,260
Series of 2021	1.80-5.00	11/30/21	11/30/24	41	-	-	-	41
USDA								
Note Payable, 2013	2.125	6/28/13	6/28/53	-	-	3,999	-	3,999
Note Payable, 2019	1.750	12/31/19	12/31/59	-	-	-	574	574
Note Payable, 2020	1.250	12/31/20	12/31/60	-	-	-	970	970
State of Delaware								
DNREC WPC RF, 2010	2.00	12/22/09	7/1/30	-	-	-	484	484
Drinking Water SRF, 2012A	1.00	3/15/12	9/1/33	-	-	1,943	-	1,943
Kent County, 2012	2.25	11/12/12	11/10/50	-	-	-	1,070	1,070
Total Long-Term Debt Obligations				\$ 41	\$ 4,060	\$ 5,942	\$ 5,297	\$ 15,341

NOTE 11: COMMITMENTS AND CONTINGENCIES

In the ordinary course of the City’s municipal and public utility operations, various commitments and contingent liabilities arise in addition to routine purchases of goods and services.

Commitments

City Council awarded a contract to Richard Y. Johnson & Son, Inc. (“RYJ”) for the project management, construction and inspection activities for the City of Milford’s new Police Headquarters Facility totaling \$0.6 million, all of which remained outstanding as of June 30, 2022. The firm executed a construction bid process on behalf of the City pursuant to USDA and City of Milford procurement requirements, resulting in City Council approval of contracts with 16 individual vendors totaling \$13.7 million for the construction of the Facility, net of construction management costs. As of June 30, 2022, \$0.1 million was incurred pursuant to the contracts, which is reported as construction in process and recognized in current liabilities in Governmental Activities on the Government Wide Statement of Net Position. \$13.6 million of the contract commitment remained outstanding as of June 30, 2022.

Contingencies

The City does not anticipate material losses as a result of any claims arising in the ordinary course of municipal operations over and above the amounts reported in the statement of activities, which includes a provision for claims incurred.

NOTE 11: COMMITMENTS AND CONTINGENCIES

Government Grant/Award Programs

The City participates in a number of federal and state-assisted programs. These programs are subject to program compliance audits by the grantors or their representatives. Accordingly, the City's compliance with applicable program requirements will be established at some future date. The amount of expenditures not already disclosed, if any, which may be disallowed by the granting agencies, cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

NOTE 12: DEFERRED COMPENSATION PLAN

The City's employee benefits program includes a deferred compensation plan under Internal Revenue Code (IRC) 457(b) which is available to substantially all full-time City employees. Participants may elect contributions through base salary deferral to the Plan not to exceed the lesser of the allowable calendar year maximum under IRC 457(b)(2) and 100% of net compensation. The City matches 100% of employee contributions up to a maximum of 6.0% of the base salary. The City made contributions into the Plan totaling \$292,268 for the year ended June 30, 2022.

NOTE 13: ADOPTION OF GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS

The City adopted the provisions of GASB Statement No. 87, *Leases* which is further described in Note 16.

The City also adopted GASB Statement No. 93, *Replacement of Interbank Offered Rates*, GASB Statement No. 89, *Accounting for Interest Costs Incurred before the End of a Construction Period*, GASB Statement No. 92, *Omnibus 2020*, and components of the provisions of GASB Statement No. 99, *Omnibus 2022*. The adoption of these Statements had no effect on previously reported amounts.

NOTE 14: PENDING CHANGES IN ACCOUNTING PRINCIPLES

The GASB has approved the following:

- Statement No. 91, *Conduit Debt Obligations (effective for 2023)*
- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements (effective for 2023)*
- Statement No. 96, *Subscription-Based Information Technology Arrangements (effective for 2023)*
- Statement No. 99, *Omnibus 2022 (effective for 2023 and 2024)*
- Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62 (effective for 2024)*
- Statement No. 101, *Compensated Absences (effective for 2025)*
- Statement No. 102, *Certain Risk Disclosures (effective for 2025)*

The City has not yet completed the various analysis required to estimate the financial impact, if any, of these new pronouncements.

NOTE 15: POST-RETIREMENT BENEFITS

Defined Contribution Plan

The City has a defined contribution plan under IRC 401(a) which was available to substantially all full-time City employees through December 31, 2004 (the “legacy plan”). For plan years beginning January 1, 2005, the City no longer makes contributions to the legacy plan, coinciding with the effective date of the City’s election to participate in the State of Delaware’s County and Municipal Pension Plans. All participants in the legacy plan will remain in the legacy plan until separation of employment from the City and may continue to invest funds in their respective accounts. The legacy plan is administered by VOYA Financial and was last amended and restated January 25, 2016 in order to comply with applicable IRS rules and regulations.

State of Delaware County and Municipal Pension Plans

Effective January 1, 2005, City Council elected, under provisions of the Delaware Code, to participate in the County and Municipal Police and Firefighter and the General Employees Retirement Funds. In connection with this election, the City agreed to fund prior service costs up to the maximum of 15 years of service for all eligible employees. Funding was provided from the City’s Water and Sewer reserves and from assets of its existing retirement funds. Descriptions of the State of Delaware Plans, important disclosures and information follow.

Police and Firefighters’ Pension Plan

The City contributes to a governmental cost-sharing multiple-employer defined benefit pension plan administered by the Delaware Public Employees’ Retirement System (DPERS) and managed by the State Board of Pension Trustees. The plan, which is the State of Delaware County and Municipal Police and Firefighter Pension Plan, covers the City of Milford’s sworn police officers.

The State of Delaware General Assembly is responsible for setting benefits and amending plan provisions. The State Board of Pension Trustees determines the contributions required. The board is composed of five members appointed by the Governor and confirmed by the State Senate, plus two ex-officio members. Service benefits under the plan include 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. The final monthly compensation is the monthly average of the highest three consecutive years of compensation. There are also disability benefits as well as survivor benefits provided by the plan. An employee is vested upon five years of credited service.

Employer contributions to the plan are determined annually by the State Board of Pension Trustees. The employer contribution policy is set by State law and required contributions by active members and by participating employers. The contributions required by participating employers are based on an actuarial valuation and are expressed as a percentage of annual covered payrolls during the period for which the amount is determined. The employer contribution rate in fiscal year 2022 was 15.70% of payroll. In addition, employees are required to contribute 7% of compensation.

CITY OF MILFORD, DELAWARE
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 15: POST-RETIREMENT BENEFITS, CONTINUED

Other Employees' Pension Plan

The City contributes to a governmental cost-sharing multiple-employer defined benefit pension plan administered by the Delaware Public Employees Retirement System and managed by the State Board of Pension Trustees. The plan, which is the State of Delaware County and Municipal Other Employees Pension Plan, covers all full-time non-uniformed City employees as well as elected officials. The State of Delaware General Assembly is responsible for setting benefits and amending plan provisions. The State Board of Pension Trustees determines the contributions required. The board is composed of five members appointed by the Governor and confirmed by the State Senate, plus two ex-officio members.

Service benefits include 1/60th of final average monthly compensation multiplied by years of credited service, subject to maximum limitations. For this plan, the final average monthly compensation is the monthly average of the highest five years of compensation. There are also disability benefits as well as survivor benefits provided by the plan. An employee is vested upon five years of credited service.

Employer contributions to the plan are determined annually by the State Board of Pension Trustees. The employer contribution policy is set by State law and required contribution by active members and by participating employers. The contributions required by participating employers are based on actuarial valuation and are expressed as a percentage of annual covered payrolls during the period for which the amount is determined. The employer contribution rate in fiscal year 2022 was 6.04% of pension-creditable payroll. In addition, employees are required to contribute 3.0% of compensation in excess of \$6,000.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The components of the total net pension liability (asset) of each plan as of the June 30, 2021 measurement date were as follows:

	<u>Police & Firefighters</u>	<u>Other Employees</u>
Total pension liability	\$ 488,188,000	\$ 75,987,000
Plan fiduciary net position	625,792,000	96,932,000
Employer net pension liability (asset)	<u>(137,604,000)</u>	<u>(20,945,000)</u>
Plan fiduciary net position as percentage of total pension liability (asset)	<u>128.19%</u>	<u>127.56%</u>
Proportionate share of net pension liability (asset)	<u>\$ (3,388,803)</u>	<u>\$ (1,834,244)</u>

CITY OF MILFORD, DELAWARE
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 15: POST-RETIREMENT BENEFITS, CONTINUED

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate net pension liability was determined by rolling forward the DPERs total pension liability as of June 30, 2020 to June 30, 2021. The City's proportionate share of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it related to the total one-year reported covered payroll. As of June 30, 2021 and 2020, the City's proportion for each plan is as follows:

	June 30, 2021	June 30, 2020	Increase (Decrease)
Police & Firefighters	2.4627%	2.6455%	-0.1828%
Other Employees	8.7574%	9.5271%	-0.7696%

For the year ended June 30, 2022, the City recognized pension expenses (credits) for the plans as follows:

Police & Firefighters	\$	(480,538)
Other Employees		(173,153)
Total	\$	(653,691)

As of June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Police & Fire		Other Employees	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	\$ 320,649	\$ 132,027	\$ 102,545	\$ 129,237
Change of assumptions	116,450	246,796	85,658	55,280
Net difference between projected and actual investment earnings	-	2,879,507	-	1,567,970
Change in proportion	29,165	33,529	1,097	40,930
Contributions subsequent to the measurement date	404,641	-	371,703	-
Total	\$ 870,905	\$ 3,291,859	\$ 561,003	\$ 1,793,417

CITY OF MILFORD, DELAWARE
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 15: POST-RETIREMENT BENEFITS, CONTINUED

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year	Police & Fire	Other Employees	Total
2022	\$ (736,569)	\$ (399,602)	\$ (1,136,171)
2023	(681,946)	(364,659)	(1,046,606)
2024	(722,113)	(385,415)	(1,107,527)
2025	(665,791)	(383,663)	(1,049,454)
2026	29,676	(9,546)	20,130
Thereafter	(48,851)	(61,233)	(110,084)
Total	<u>\$ (2,825,595)</u>	<u>\$ (1,604,117)</u>	<u>\$ (4,429,712)</u>

Actuarial Assumptions

The total pension liability (asset) was determined by an actuarial valuation as of June 30, 2020, and update procedures were used to roll forward the total pension liability to June 30, 2021. The following actuarial assumptions were used and applied to all periods included in the measurement:

- Investment return – 7.0%, includes inflation at 2.50%
- Salary increases – Effective average of 2.50%, which reflects an allowance for inflation of 2.50%, plus merit.

The discount rate assumption of 7.0% is unchanged from the prior year. Mortality rates were based on the RP-2014 tables with gender adjustments for healthy annuitants and disabled retirees and an adjusted version on MP-2015 mortality improvement scale on a fully generational basis.

The total pension liabilities are measured based on assumptions pertaining to interest rates, inflation rates and employee demographics in future years. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates the larger the impact on the future financial statements.

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 weighting the expected future real rates of return by an asset allocation percentage which is based on the nature and mix of current and expected plan investments, and by adding expected inflation.

CITY OF MILFORD, DELAWARE
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 15: POST-RETIREMENT BENEFITS, CONTINUED

Best estimates of geometric real rates of return for each major asset class as of June 30, 2021 are summarized in the following table:

Asset Class	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	32.3%	5.7%
International Equity	18.1%	5.7%
Fixed Income	20.6%	2.0%
Alternative Investments	24.2%	7.8%
Cash & Equivalents	4.8%	0.0%

Discount Rate

The discount rate used to measure the total pension liability (asset) 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 rate 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 plan’s 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 investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City’s Proportionate Share of the Net Pension Liability (Asset)

The following presents the City’s net pension liability, calculated using the discount rate of 7.0% as well as what the resulting net pension liability if calculated using a discount rate one percentage point lower (6.0%) or higher (8.0%) than the current rate:

	<u>1% Decrease 6.00%</u>	<u>Current Discount Rate 7.00%</u>	<u>1% Increase 8.00%</u>
Police and Firefighters	\$ (1,564,479)	\$ (3,388,774)	\$ (4,877,328)
Other Employees	\$ (793,336)	\$ (1,834,244)	\$ (2,875,327)

Pension Plan Fiduciary Net Position

Detailed information about DPERS’ fiduciary net position is available in DPERS Comprehensive Annual Financial Report which can be found on the System’s website at <https://open.omb.delaware.gov>.

NOTE 16: LEASES

The City implemented GASB Statement No. 87, *Leases*, for the period ended June 30, 2022. Under this Statement, the City, when engaged in a long-term lease agreement as a lessee granted the right to use an asset owned by a third party, will recognize a lease liability and an intangible right-to-use asset. When engaged in a long-term lease agreement as a lessor granting a counterparty the right to use a City-owned asset, the City recognizes a lease receivable and a deferred inflow of resources in the Government-wide Statement of Net Position pursuant to the Statement. The adoption of this Standard enhances the City's financial reporting transparency and improves both the relevance and consistency of information the City reports with respect to its leasing activities. Financial summaries, disclosures, details and other terms associated with Milford's leasing activities are described below in accordance with GASB Statement No. 87.

Water Towers

The City of Milford, as the lessor, has entered into lease agreements permitting access to City property and the use of water tower space with Cellco Partnership (three individual agreements), New Cingular Wireless PCS, AT&T, and Sprint Spectrum Realty Company. An initial lease receivable was recorded in the amount of \$500,344. No additional revenue was recorded for variable and other payments not included in the measurement of the lease receivable. As of June 30, 2022, the value of the lease receivable is \$379,343 and the related deferred inflow for future payments expected to be collected on the lease is \$379,343. The lessees are required to make monthly expiring fixed payments of \$10,961 to \$2,000 through September 2026. The leases have no interest rate; therefore, the City uses its incremental borrowing rate of approximately 6.0% to discount future payments. The City of Milford recognized lease revenue and interest of \$121,001 and \$25,423, respectively, for the fiscal year.

Fiber-Optic Cable Network

The City of Milford, as the lessor, has entered into three lease agreements extending the availability of capacity on the City's fiber optic network to lessees Dentsply Sirona, Bayhealth Imaging MMH-DI, and Bayhealth Dickinson. An initial lease receivable was recorded in the amount of \$230,185. No additional revenue was recorded for variable and other payments not included in the measurement of the lease receivable. As of June 30, 2022, the value of the lease receivable is \$204,350 and the related deferred inflow for future payments expected to be collected on the lease is \$204,350. The lessees are required to make monthly expiring fixed payments of \$3,215 to \$2,487 through April 2029. The leases have no interest rate; therefore, the City uses its incremental borrowing rate of approximately 6.0% to discount future payments. The City of Milford recognized lease revenue and interest of \$25,835 and \$11,567, respectively, for the fiscal year.

NOTE 16: LEASES, CONTINUED

Land & Agricultural

The City of Milford, as the lessor, has entered into a lease agreement for the agricultural use of City-owned land with Fry Farms, Inc. An initial lease receivable was recorded in the amount of \$77,446. No additional revenue was recorded for variable and other payments not included in the measurement of the lease receivable. As of June 30, 2022, the value of the lease receivable is \$56,652 and the related deferred inflow for future payments expected to be collected on the lease is \$56,652. While the lease is subject to annual renewals, the lessee is expected to make annual payments equal to the maximum of \$24,000 in fiscal year 2023 to an estimate of \$12,000 by fiscal year 2025. The lease has no interest rate; therefore, the City uses its incremental borrowing rate of approximately 6.0% to discount future payments. The City of Milford recognized lease revenue and interest of \$20,793 and \$3,207, respectively, for the fiscal year.

Disclosure of Agreements for which GASB Statement No. 87 does not Apply

City of Milford as Lessor

The City of Milford has entered into a fiber optic agreement with an external party to provide capacity on the City's fiber optic network. This agreement does not meet the criteria of a lease under GASB Statement No. 87 as the terms and conditions specify the agreement expires within one year. Due to the short-term nature of the agreement, the City of Milford has not recorded a receivable in the financial statements for this agreement in accordance with GASB Statement No. 87.

The City of Milford has entered into three agreements permitting counterparties to access and attach equipment to City-owned utility infrastructure, such as utility poles, buildings and other fixtures. These agreements do not meet the criteria of a lease under GASB Statement No. 87 as the terms and conditions specify each agreement will expire within one year. Due to the short-term nature of the agreement, the City of Milford has not recorded a receivable in the financial statements for this agreement in accordance with GASB Statement No. 87.

[The remainder of this page was intentionally left blank]

NOTE 17: THE DELAWARE MUNICIPAL ELECTRIC CORPORATION:

The City is a member of the Delaware Municipal Electric Corporation (DEMEC). DEMEC is a public corporation constituted as Joint Action Agency and a wholesale electric utility. DEMEC was established in 1979 and represents eight municipal electric distribution utilities located in the State of Delaware and provides full requirements wholesale electric power supply service to all eight members, including the City of Milford, through the operation of owned generation assets and various wholesale supply contracts with external parties. The City purchases 100% of its electric supply requirements from DEMEC under a long-term full requirements service contract dated January 1, 2004 (the "Agreement"), which will remain in effect unless terminated upon one year's written notice by either party. The obligation of the City to purchase and pay for full requirements service, including its allocated costs under any then current forward contract for capacity and energy between DEMEC and a third party in effect as of the date of notice of termination, shall survive the termination of the Agreement. On May 1, 2001, the City entered into separate power sales agreements to purchase an interest in the capacity produced by Unit 1 of the Warren F. "Sam" Beasley Power Station located in Smyrna, Delaware (the "Facilities"). On May 1, 2011, the City entered into separate power sales agreements to purchase an interest in the capacity produced by Unit 2 of the Facilities. The City is entitled to 20.3 percent of all power supply and ancillary benefits produced from the existing nominal 45 MW and 50 MW natural gas-fired combustion turbine generators installed in connection with Units 1 & 2, respectively, for the useful life of the Facilities. Under the terms of the various agreements, DEMEC is authorized to act as agent for the City in all matters relating to the acquisition and delivery of its wholesale power supply and management of energy cost risk on behalf of the City in the energy markets.

NOTE 18: IMPACT OF CORONAVIRUS (COVID-19):

The World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The aftereffects of the pandemic continue to affect global markets, supply chains, labor, and communities, including the City of Milford. Specific to the City of Milford, COVID-19 may impact various 2023 operations and financial results, including but not limited to the City's utility and real estate tax collections, utility revenue, lodging tax revenue due to travel restrictions, Parks and Recreation activity due to safety and distancing requirements, and other events, as well as increases in expenditures for emergency preparedness. City Management has taken every appropriate action to mitigate any negative impact, including the delay or deferral of non-critical spending and the solicitation of federal and state grant proceeds to offset emergency preparedness costs and employee safety initiatives. The full impact of COVID-19 on the City's financial condition is unknown, as events continue to develop into 2024. However, no events occurring during the reporting period and no events occurring during the period from July 1, 2022 through the opinion date resulted in the need to recognize any additional expense or record any additional liabilities. Management's expectation is that the impact of the COVID-19 pandemic on the City's financial position will not reach the level of significant materiality, though Management and Council remain diligent in efforts to operate efficiently, avoid unnecessary spending, work safely, and maximize services to the community during the pandemic. Further, the City of Milford was a recipient of funding through the American Rescue Plan Act of 2021

NOTE 18: IMPACT OF CORONAVIRUS (COVID-19), CONTINUED:

("ARPA"), which provided a significant level of support to defray any emergency expenditures, meet infrastructure needs and replace revenue shortfalls. Specifically, the City of Milford is categorized as a Non-entitlement Unit of Local Government in the US Department of the Treasury Final Rule governing Coronavirus State and Local Fiscal Recovery Funds. As such, the City's ARPA funding allocation of \$6,333,892, paid in two equal, annual tranches, was population-driven. The first tranche in the amount of \$3,166,946 was received in June 2021 and utilized for revenue replacement by June 30, 2022. The second tranche payment of \$3,166,946 was received on June 26, 2022. The second tranche balance of \$3,166,946 is reported as restricted cash and unearned revenue in the special revenue fund in the governmental funds balance sheet on page 17.

NOTE 19: SUBSEQUENT EVENTS:

Police Facility Contract Awards, Financing and Construction Activity

United States Department of Agriculture (USDA) Community Facilities Loan, Series 2024 A&B

The City anticipates satisfying the general obligation BAN in full on or before the maturity date with a permanent issuance of long-term, tax-exempt general obligation bonds at a fixed rate of interest placed directly with the USDA in connection with its Community Facilities Loan Program. The City expects to close on USDA loans in successive bond series 2024 A in the amount of \$8.5 million and series 2024 B in the amount of \$8.0 million. City Council awarded architectural contracts totaling \$1.0 million during the planning phases of the project, a construction management contract for \$0.6 million in advance of the construction procurement process, and construction contracts totaling \$13.7 million in April 2022 to build the Facility. Along with technology equipment, furniture, fixtures and other equipment, contingencies, and related roadwork and other improvements, the entire project is expected to cost \$17.5 million, \$16.5 million of which will be financed through USDA programs. As of June 30, 2022, the City had drawn \$41,445 on the BAN. As of the issue date, the City incurred design, construction management and construction expenses totaling \$16,203,583 on the project, of which \$380,527 was withheld as retainage, \$748,751 is payable, \$775,546 was met through the City reserve funds targeted for the project, and \$14,298,759 was satisfied through draws against the BAN.

[The remainder of this page was intentionally left blank]

The City of Milford

Required Supplementary Information

As of and for the Year Ended June 30, 2022

**CITY OF MILFORD, DE
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property Taxes	\$ 4,770,043	\$ 4,770,043	\$ 4,749,699	\$ (20,344)
Fees and Fines	74,000	74,000	165,276	91,276
Licenses and Permits	543,500	631,236	565,203	(66,033)
Franchise & Lease Revenue	397,612	397,612	387,777	(9,835)
Charges for Services	28,500	3,500	89,635	86,135
Intergovernmental	350,000	352,850	357,531	4,681
Investment Earnings	6,520	6,520	44,842	38,322
Miscellaneous	12,000	14,815	421,612	406,797
	<u>6,182,175</u>	<u>6,250,576</u>	<u>6,781,574</u>	<u>530,997</u>
EXPENDITURES				
Current:				
General Government	4,503,778	4,663,715	2,041,346	2,622,369
Public Safety	6,103,711	6,247,653	6,089,437	158,216
Public Works	891,519	904,547	763,705	140,842
Culture and Recreation	1,293,595	1,625,486	1,651,779	(26,293)
Capital Outlay	1,470,500	6,347,277	1,760,505	4,586,772
	<u>14,263,103</u>	<u>19,788,678</u>	<u>12,306,773</u>	<u>7,481,905</u>
Deficiency of Revenues Over Expenditures	<u>(8,080,928)</u>	<u>(13,538,102)</u>	<u>(5,525,199)</u>	<u>8,012,902</u>
OTHER FINANCING SOURCES				
Real Estate Transfer Tax (from Special Revenue Fund)	400,000	400,000	400,000	-
Transfers In From Utilities	2,800,000	2,800,000	2,800,000	-
Proceeds from Sale of Assets	2,000	2,000	660,445	658,445
Other Transfers In	463,471	1,071,546	1,530,338	458,792
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(4,415,457)	(9,264,556)	(134,416)	9,130,139
DEFICIENCY FUNDED BY (SURPLUS DIRECTED TO)				
General Fund Balance and Reserves	<u>4,415,457</u>	<u>9,264,556</u>	<u>134,416</u>	<u>(9,130,139)</u>
Net Revenues, Other Financing Sources, Prior Fund Balances and Expenditures	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

CITY OF MILFORD, DELAWARE
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE LAST SEVEN FISCAL YEARS (DOLLAR AMOUNTS IN THOUSANDS)

	2022	2021	2020	2019	2018	2017	2016
<u>County & Municipal Police and Firefighters' Pension Plan</u>							
Proportion of the net pension liability (asset)	2.4627%	2.6455%	2.4289%	2.2946%	2.3779%	2.3824%	2.4964%
Proportionate share of the net pension liability (asset)	\$ (3,389)	\$ 407	\$ 698	\$ 528	\$ 240	\$ 379	\$ (132)
Covered-employee payroll	\$ 2,485	\$ 2,412	\$ 2,147	\$ 1,906	\$ 1,944	\$ 1,736	N/A
Proportionate share of the net pension liability (asset) as a percentage of covered-employee payroll	136.4%	16.9%	32.5%	24.6%	12.6%	21.8%	N/A
Plan's fiduciary net position	\$ 625,792	\$ 446,384	\$ 396,829	\$ 367,470	\$ 325,867	\$ 284,298	\$ 273,109
Plan fiduciary net position as a percentage of the total pension liability (asset)	128.2%	96.7%	93.3%	94.1%	97.0%	94.7%	102.0%
<u>County & Municipal Other Employees' Pension Plan</u>							
Proportion of the net pension liability (asset)	8.7574%	9.5271%	9.4728%	10.0609%	10.3165%	10.8530%	12.1628%
Proportionate share of the net pension liability (asset)	\$ (1,834)	\$ 202	\$ 434	\$ 317	\$ 668	\$ 672	\$ 5
57 Covered-employee payroll	\$ 4,687	\$ 4,107	\$ 4,206	\$ 3,476	\$ 3,628	\$ 3,631	N/A
Proportionate share of the net pension liability (asset) as a percentage of covered-employee payroll	39.1%	4.9%	10.3%	9.1%	18.4%	18.5%	N/A
Plan's fiduciary net position	\$ 96,932	\$ 67,470	\$ 58,536	\$ 53,122	\$ 45,874	\$ 39,292	\$ 37,840
Plan fiduciary net position as a percentage of the total pension liability	127.6%	96.9%	92.7%	94.4%	87.6%	86.4%	99.9%

The accompanying notes are an integral part of this schedule.

**CITY OF MILFORD, DELAWARE
SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSION PLAN
FOR THE LAST SEVEN FISCAL YEARS (DOLLAR AMOUNTS IN THOUSANDS)**

	2022	2021	2020	2019	2018	2017	2016
<u>County & Municipal Police and Firefighters' Pension Plan</u>							
Contractually required contribution	\$ 405	\$ 406	\$ 358	\$ 218	\$ 269	\$ 240	\$ 251
Contributions in relation to the contractually determined contribution	405	406	358	218	269	240	251
Contribution (excess) deficiency	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Covered-employee payroll	\$ 2,524	\$ 2,485	\$ 2,412	\$ 2,147	\$ 1,906	\$ 1,944	\$ 1,736
Contributions as a percentage of covered-employee payroll	16.03%	16.35%	14.85%	10.14%	14.12%	12.37%	14.48%
<u>County & Municipal Other Employees' Pension Plan</u>							
Contractually required contribution	\$ 372	\$ 340	\$ 307	\$ 284	\$ 259	\$ 225	\$ 235
Contributions in relation to the contractually determined contribution	372	340	307	284	259	225	235
Contribution (excess) deficiency	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Covered-employee payroll	\$ 5,485	\$ 4,687	\$ 4,107	\$ 4,206	\$ 3,476	\$ 3,628	\$ 3,631
Contributions as a percentage of covered-employee payroll	6.78%	7.25%	7.47%	6.76%	7.46%	6.21%	6.49%

The accompanying notes are an integral part of this schedule.

CITY OF MILFORD, DELAWARE
NOTES TO THE REQUIRED SUPPLEMENTARY SCHEDULES
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

NOTE 1 – GENERAL

Required supplementary information includes financial information and disclosures that are required by the Governmental Accounting Standards Board but are not considered part of the basic financial statements.

NOTE 2 – BUDGETARY BASIS

The budgetary comparison schedule is prepared on a basis that is consistent with generally accepted accounting principles (GAAP).

NOTE 3 – PENSION PLANS

The following notes pertain to both the County and Municipal Police and Firefighters Pension Plan and the County and Municipal Other Employees' Pension Plan.

Changes in Benefit Terms

None

Changes in Assumptions

The changes in assumptions used to determine total pension liability are described in Note 15 to the basic financial statements.

Method and Assumptions used in calculations of actuarially determined contributions

The actuarially determined contribution rates in the Schedule of Employers' Contributions are calculated as of the June 30 two years prior to the end of the fiscal year in which the contributions are reported. Complete descriptions of the methods and assumptions used to determine the contribution rates for Fiscal Year 2022 can be found in the June 30, 2021 actuarial valuation reports. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

- Actuarial Cost Method – Entry Age Normal
- Amortization Method – Open 10 Year Level Percent of Payroll
- Remaining Amortization Period – 10 Years
- Asset Valuation Method: 5 Year Smoothed Market
- Actuarial Assumptions
 - Discount Rate – 7.0%
 - Amortization Growth Rate 2.5%
 - Price Inflation – 2.5%

10-year Reporting Requirements

The preceding required supplementary schedules, as related to pensions, are intended to show information for 10 years. Additional years will be displayed as they become available.

The City of Milford

Additional Information

As of and for the Year Ended June 30, 2022

CITY OF MILFORD, DELAWARE
 ADDITIONAL INFORMATION, CONTINUED
 JUNE 30, 2022

Taxation

The City annually adopts an assessment listing based on its own assessments of real property, with the option to adopt the assessed values as determined by either or both of Kent or Sussex Counties. Real Property was last reassessed in the City of Milford in 2012. The assessment reflected actual property sale data available in 2012. Assessments are based on a level of 100% of the 2012 values as appraised by the City of Milford. Appraisals for all classifications of property are equal to estimated replacement cost less depreciation.

Tax Assessments

The City's property tax rate was \$0.48275 per \$100 of assessed value throughout the FY22 reporting period. City Council approved the rate of \$0.48275 per \$100 of assessed value effective FY22. Milford also collects a Realty Transfer Tax (RTT) of 1.50% of the consideration of all property transfers within City limits effective July 1, 2001.

Tax Appeals

Milford City Council serves in the capacity of Board of Appeals to review assessments when appealed by property owners. There are generally few appeals of assessments each year.

Ratable Classification	2022 Assessed Value (AV)	2022 Market Value (MV)*	AV ÷ MV
Public Utilities	\$5,401,952	\$9,003,253	
Agriculture	878,100	\$1,463,500	
Residential	633,608,900	\$1,056,014,833	
Multi-Family	43,996,300	\$73,327,167	
Commercial	330,290,400	\$550,484,000	
Industrial	11,315,900	\$18,859,833	
Exempt	345,095,600	\$575,159,333	
TOTAL	\$1,370,587,152	\$2,284,311,920	60%

**Estimated based on City of Milford market sales data sampling*

CITY OF MILFORD, DELAWARE
ADDITIONAL INFORMATION, CONTINUED
JUNE 30, 2022

Top 20 Taxpayers

2022 Assessed Value	Land Use	Parcel Owner	2022 Tax Levy
\$ 33,585,000	COMMERCIAL	CLARK AVENUE REALTY	\$ 162,132
18,827,600	COMMERCIAL	MILFORD PLAZA	90,890
16,426,800	COMMERCIAL	WAL-MART STORES	79,300
11,053,600	MULTI-FAMILY	WINDWARD ON THE RIVER	53,361
10,548,700	MULTI-FAMILY	WATERGATE AT MILFORD	50,924
9,447,900	MULTI-FAMILY	RESERVE AT SAW MILL	45,610
11,600,200	MULTI-FAMILY	KEY PROPERTIES GROUP	41,954
8,252,800	COMMERCIAL	MILFORD CENTER	39,840
6,869,500	COMMERCIAL	CYPRESS CAPITAL	33,163
6,780,100	COMMERCIAL	HELMICK MILFORD	32,731
6,734,300	MULTI-FAMILY	CASCADES	32,510
6,558,100	COMMERCIAL	BALTIMORE AIRCOIL COMPANY	31,659
6,547,100	COMMERCIAL	US COLD STORAGE	31,606
5,302,800	MULTI-FAMILY	CASE EDWARDS MANAGEMENT	25,599
5,158,300	INDUSTRIAL	PURDUE RE HOLDINGS	24,902
4,899,500	MULTI-FAMILY	TRAN CON BUILDERS	23,652
4,799,800	COMMERCIAL	SW ACQUISITIONS	23,171
4,763,300	COMMERCIAL	RIVERWALK CENTER AT MILFORD	22,995
4,702,200	MULTI-FAMILY	MISPILLION REALTY	22,700
4,698,800	COMMERCIAL	MILFORD MICROTEL	22,683

Tax Collections and Delinquent Taxes

Year Ended June 30	Tax Collections			Past Due
	Taxes Budgeted	Cash Collections	Collections as % of Budget	Outstanding as of June 30
2022	\$ 4,741,043	\$ 4,745,519	101%	\$ 184,552
2021	4,296,000	4,322,838	101%	180,783
2020	4,126,385	4,074,644	99%	241,673
2019	3,902,716	3,943,184	105%	210,077
2018	3,820,560	4,038,010	106%	178,337
2017	3,732,970	3,817,534	102%	344,177
2016	3,701,000	3,720,159	101%	307,883
2015	3,746,000	3,660,900	98%	359,772
2014	3,556,965	3,518,917	99%	358,545
2013	3,483,380	3,433,254	99%	281,371

CITY OF MILFORD, DELAWARE
 ADDITIONAL INFORMATION, CONTINUED
 JUNE 30, 2022

Selected Demographic Data and Corresponding Debt Ratios

	Direct Debt ¹	Population ²	Assessed Valuation (AV) ¹
	\$ 6,260,000	12,272	\$ 1,370,587,152
Direct Debt per Capita		\$ 510	
Direct Debt as % of AV			0.46%

¹ Debt and AV measured as of and for the period ended June 30, 2022, respectively

² Based on most current US Census Bureau Population Estimate as of July 1, 2021

Largest Employers

The largest employers in and around the City of Milford follow:

Employer	Description	Employee Count
Perdue Farms	Poultry Processing	1,485
Bayhealth - Sussex Campus	Healthcare	900
Milford School District	Education	558
Dentsply Sirona	Dental Equipment	525
Walmart Stores	Retail	349
Sea Watch International	Seafood Processing	210
City of Milford	Municipal Government	133
Burriss Logistics	Supply Chain Logistics	110
Kent-Sussex Industries	Vocational Services	85
First State Manufacturing	Industrial Sewing	50

Employee counts based on employer-reported data and City of Milford survey data

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

Honorable Mayor and Members of the City Council

City of Milford, Delaware

Page 1 of 2

[TO BE PREPARED BY AUDIT FIRM]

Page 2 of 2

[TO BE PREPARED BY AUDIT FIRM]

The City of Milford

Other Supplemental Information Single Audit

For Year Ended June 30, 2022

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Honorable Mayor and Members of the City Council
City of Milford, Delaware

Page 1 of 1

[TO BE PREPARED BY AUDIT FIRM]

**CITY OF MILFORD, DE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

Federal Grantor/Pass-through Grantor/Program	Assistance Listing No. ALN (Formerly CFDA No.)	Pass Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
US Department of Agriculture Community Facilities Loans and Grants RUS Grant 10	10.766	n/a	\$ -	\$ 116,532
US Department of the Treasury American Rescue Plan Act	21.027	n/a	-	2,942,196
US Department of Justice Bulletproof Vest Partnership	16.607	n/a	-	3,180
US Department of Justice Edward Byrne Memorial Justice Assistance	16.738	n/a	-	29,548
Total expenditures of federal awards			<u>\$ -</u>	<u>\$ 3,091,456</u>

CITY OF MILFORD, DE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Milford, Delaware under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only the selected portion of the operations of the City of Milford, Delaware, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Milford.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 – INDIRECT COST RATE

The City of Milford did not use the 10% de minimis indirect cost rate allowed by the Uniform Guidance.

NOTE 4 – USDA COMMUNITY FACILITIES LOANS AND GRANTS

The objective of the USDA Community Facilities Program is to provide loans or grant funds for the development of essential community facilities. The City received funds in the form of both loan draws and grants for its ongoing sewer improvements project. Federal expenditures presented in the Schedule were incurred pursuant to grant 10 in the amount of \$116,532.

**CITY OF MILFORD, DE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

SUMMARY OF AUDITOR'S RESULTS [TO BE PREPARED BY AUDIT FIRM]

Financial Statements

Type of auditor's report issued:

Internal control over financial report

Material weaknesses identified?

Significant deficiencies identified?

Noncompliance material to financial statements noted?

Federal Awards

Internal control over major programs

Material weaknesses identified?

Significant deficiencies identified?

Type of auditor's report issued on compliance for major program:

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?

Major Program:

CFDA Number	Name of Federal Program
10766	Community Facilities Loans and Grants

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?

City of Milford
201 S. Walnut Street
Milford, DE 19963



Request for Proposal
Audit Services

RELEASE: January 12, 2024

City of Milford
Request for Proposal
Auditing Services

PUBLIC NOTICE IS HEREBY GIVEN that the City of Milford will accept Proposals from consulting firms for the purpose of conducting **Auditing Services** until **3:30 PM** local time on **March 1, 2024**, at which time sealed proposals will be publicly opened and read.

Interested firms shall submit three (3) copies of their submittals to:

City Clerk's Office
Attn: Terri Hudson
City Hall
201 S. Walnut Street
Milford, DE 19963

Envelopes shall be marked "RFP: AUDIT SERVICES". Any submittals received after the stated time will be returned unopened.

Following receipt of the proposals, the City Council will select the firm it deems most qualified to address the needs and conditions of this project and whose proposal is most advantageous to the City. The City reserves the right to request an interview prior to the selection of the firm. The City reserves the right to award a contract/agreement that is in the best interest of the City and may award to multiple firms or none. The award will be made by the City Council at a Council meeting open to the public. The City Council may accept or reject any or all proposals or hold all proposals for a period of ninety (90) days from the date of proposal opening prior to making a decision.

For a complete copy of the Request for Proposal, please see the City website at www.cityofmilford.com.

Teresa K. Hudson, MMC
City Clerk

City of Milford
Request for Proposal
Auditing Services

1. General Overview

The City of Milford, Delaware requests proposals from qualified certified public accounting firms for the provision of auditing services *for each of the three (3) fiscal years ending June 30, 2024, 2025 & 2026, with the potential for no greater than two (2) annual extensions of one year each*¹.

The audit shall be performed in accordance with generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and Part 200-Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance).

2. Background

The City of Milford is a full-service municipal government located in both Kent and Sussex counties in the State of Delaware. The current population is estimated to be approximately 12,981. The City provides utilities (water, wastewater, solid waste collection, and electric), public services (street maintenance, public works utility and tax billing), police protection, and operates and maintains parks and recreation programming and facilities.

3. Scope of Services

- A. The audit services provided shall be for the purpose of expressing an opinion on the City of Milford's basic financial statements taken as a whole, in accordance with generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and Uniform Guidance.
- B. Audit Services shall include examination of and reporting on the City's internal control structure, including recommendations on findings, if any.
- C. Following the completion of the audit for the fiscal year financial statements, the auditor shall issue:
 - a. A report on the fair presentation of the financial statements in conformity with generally accepted accounting principles.
 - b. A report on compliance and internal control over financial reporting based on an audit of the financial statements.
 - c. A report on compliance and internal control over compliance applicable to each major federal program in accordance with Uniform Guidance if required.
 - d. The Schedule of Expenditures of Federal Awards and related auditor's reports as well as the reports on compliance and internal controls, if applicable.
- D. In addition to the audit services described above, the City is requesting the following additional assistance or services:

¹ Description of Auditing Services updated in connection with Addendum #1.

City of Milford
Request for Proposal
Auditing Services

- a. Development of all required communications by the auditor to those charged with governance not enumerated in paragraph C
- b. Review and communication of current and pending guidance and standards issued by the Governmental Accounting Standards Board (GASB)
 - i. Include sample calculations for current and pending standards
 - ii. Include template for footnote narrative requirements, if any
 - iii. Include samples from other public clients
- c. Annual meeting with City Council to present the annual audit results and Independent Auditors' Report
- d. Development and communication of a detailed audit plan, including
 - i. An audit calendar for distribution to City of Milford management and staff, including proposed dates for preliminary and final fieldwork dates
 - ii. A list of all schedules and documents to be prepared by City of Milford staff no later than thirty calendar days prior to the first day of preliminary fieldwork during the fiscal year being audited
 - iii. A list of all schedules and documents to be prepared by City of Milford staff no later than thirty calendar days prior to June 30 of the fiscal year being audited
- e. Beyond the scope of the independent financial statement audit, prepare a review of all content produced in support of the City's Annual Comprehensive Financial Report (ACFR) or equivalent annual reporting package and communicate any inconsistencies or disagreements between audited and unaudited data, including, but not limited to
 - i. Tables and schedules reported in Management's Discussion & Analysis
 - ii. Tables and schedules reported in the Footnotes to the Financial Statements
 - iii. Tables and schedules reported in any Supplementary Data sections of the ACFR or annual reporting package
- f. The firm shall deliver one (1) high-resolution, word-searchable portable document formatted (.pdf) document containing cover materials and graphics generated by the City of Milford, the Independent Auditors' Report, Management's Discussion and Analysis, all financial statements, and all related narratives and footnotes in the ACFR or equivalent annual reporting package, along with one (1) loose, unbound hard copy and twenty (20) professionally bound hard copies by the dates outlined in Section 4, Audit Completion.
- g. The firm shall deliver ten (10) copies of its report(s) on the internal control and compliance in accordance with the audit guide and standards for compliance with the Single Audit Act, as may be required.
- h. The firm shall deliver a letter to City of Milford Management containing appropriate suggestions for improvement of accounting procedures and internal controls for the City's consideration. This letter should contain comments and recommendations for controlling any internal weaknesses discovered and shall be discussed with appropriate personnel before finalizing.

City of Milford
Request for Proposal
Auditing Services

4. Audit Completion

A. Draft Report

The auditor shall transmit a draft audit report and discuss findings and recommendations with the City Manager, Finance and Accounting staff and the Mayor or the Mayor's designated Council representative no later than three (3) months after June 30 of the fiscal year being audited, or at a date mutually agreed upon between the firm and City management.

B. Final Report

The auditor shall transmit a completed audit report to the City Manager and Finance Director no later than two (2) weeks prior to the Council Presentation, or at a date mutually agreed upon between the firm and City management.

C. Council Presentation

The auditor shall present the Final Audit Report to the Mayor and City Council no later than five (5) months after June 30 the fiscal year being audited.

5. Major Funds

Below are the names of the City of Milford's Major Funds, along with the operating budget for each for FY 2023-24:

- General Fund: \$ 16.5 million
- Water Fund: \$ 4.0 million
- Sewer Fund: \$ 6.9 million
- Solid Waste Fund: \$ 1.7 million
- Electric Fund: \$ 30.4 million

Additional information on the City's Funds can be found at:

<https://www.cityofmilford.com/26/Finance>

6. Content and Format

A. A signed cover letter including an executive summary and statement of understanding.

B. License to Practice—The audit firm and all assigned key professional staff must be certified public accountants and licensed to practice in the State of Delaware. If the firm is the successful candidate, they will need to obtain a license to practice in the City of Milford as well.

C. Project Team—Identify the key individuals from your firm and describe each person's role on the project team and include an organizational chart.

D. Experience—Discuss the firm's qualifications, experience, and history in performing Auditing Services. Please provide additional detail to describe the delivery of any auditing

City of Milford
Request for Proposal
Auditing Services

or consulting services to municipal, county or state governments or agencies operating public utilities.

- E. Please provide a list of three current or previous municipal clients as references, including names, titles, affiliations, telephone numbers, and type of consulting work performed.
- F. Please explain the data gathering and analysis method(s) to be used to accomplish the requirements of this RFP.
- G. Provide a description of how reports will be produced, communicated/transmitted, and the type of any special software, etc. to be utilized in the performance of the agreement.
- H. Approach—Include your approach in scoping and conducting the project. Include any additional efforts that may be needed in order to ensure a successful project. Please make note of any issues you think are critical to the success of the project.
- I. Project Timetable—Submit a detailed timetable and work plan indicating tasks and time needed to complete the scope of services, including commencement date and completion date for the project. The successful firm must be prepared to undertake commencement of the project immediately upon award of the contract.
- J. Independence—The firm should provide an affirmative statement that is independent of the entity as defined by generally accepted standards/the U.S. General Accounting Office's Government Auditing Standards.
- K. **Required Supplemental Documents:**
 - 1) Resumes of key personnel who will be working on the project
 - 2) Cost Proposal (including administrative fees or surcharges)
 - 3) A copy of the firm's most recent peer review report, the related letter of comments, and the firm's response to the letter of comments. Additionally, a statement whether the peer review included specific governmental engagements.

7. Selection Process and Evaluation Criteria

- A. The City of Milford is using a qualification-based selection process to comply with Delaware Code and City of Milford procurement policies. This procedure provides for an orderly process of solicitation of professional qualifications; evaluation and ranking of qualifications; establishment of a ranked list of service providers; interview selected service providers if required; and negotiation of the scope of services and fees.
- B. Firms/individuals submitting proposals, references, and supplemental documents in response to this RFP will be evaluated by the City of Milford based on the following:
 - 1) Experience working with government organizations or similar projects
 - 2) Relationships with prior clients, as demonstrated with listed references
 - 3) Examples of previous work (i.e., relevant portfolio)

City of Milford
Request for Proposal
Auditing Services

- 4) Ability to provide the project deliverables
- 5) Cost Proposal (including any administrative fees or surcharges)
 - a) The price presented in the cost proposal must be good for 90 days to give the City enough time to review submissions. All responses to this RFP will be reviewed by the City of Milford. Three firms/individuals will be selected for interviews. The City reserves the right to reject all applications and discontinue the process if it determines that such course of action is in the best interests of the City.

C. Scoring Procedure:

- 1) Each of the criteria outlined above will count towards an applicant's score. If all things are equal, the top two or three proposals that score the highest may be selected for interviews. Interviews, if needed, will be done via teleconference. The scoring is based on a total of 100 points. The weight of each component in the City's overall scoring matrix is outlined below:
 - a. 30 Points Experience working with similar government organizations; experience with municipal public power systems and other public utility systems preferred
 - b. 20 Points Relationships with clients, as demonstrated with References
 - c. 25 Points Ability to meet the project deliverables and deadlines
 - d. 25 Points Cost Proposal
- 2) The City of Milford expects to evaluate proposals and provide written notification of the short-listed firms within twenty-one (21) days of receipt of submittals. The City of Milford will seek to negotiate a contract/agreement, a detailed scope of work, fee schedule, etc. with the highest ranked firm.
- 3) Written questions about the project shall be directed to the City of Milford Finance Department at Finance@milford-de.gov with a copy to Kevin Gaboriault at KGaboriault@milford-de.gov by February 15, 2024. Responses to written questions will be posted by February 23, 2024.

8. Insurance

- A. As a condition of the contract, the awarded firm shall be required to provide proof that they are fully licensed, bonded and insured with the following minimum coverages:
 - General Liability, \$1 million per occurrence, \$3 million aggregate. City of Milford shall be included as a Named Insured for on-going operations and completed operations. The firm's general liability insurance shall be primary and non-contributory.
 - Auto Liability, \$1 million per occurrence. City of Milford shall be included as a Named Insured.

City of Milford
Request for Proposal
Auditing Services

- Workers Compensation, with Employers Liability limits of \$1 million/\$1 million/\$1 million. Policy should include a Waiver of Subrogation.
- Professional Liability, \$1 million per claim or per occurrence.

All insurance companies shall have an A.M. Best financial rating of A or better.

The selected firm shall provide an acceptable Certificate of Insurance to the City of Milford consistent with these requirements on an annual basis prior to June 30 of the fiscal year being audited.

9. Submittal Guidelines

- A. All submittals must be received by **3:30 PM** local time on **March 1, 2024** to:
City Clerk's Office
Attn: Terri Hudson
City Hall
201 S. Walnut Street
Milford, DE 19963

Envelopes shall be marked "RFP: AUDIT SERVICES". Any submittals received after the stated time will be returned unopened.

- B. The City will not be liable for any costs incurred in the preparation and production of a submittal, proposal, or any work performed to the execution of a contract. All submittals, proposals and other materials will become the property of the City of Milford.
- C. All communications with the City of Milford in the preparation of the RFP will be done either in writing (letter or email) or via telephone/videoconferencing utilizing Microsoft Teams. Face-to-face meetings will not be facilitated.
- D. All information contained in this Request for Proposals and acceptable provisions of the selected firm's response will be made part of the executed agreement for services.
- E. Upon request, the submitting firm shall submit additional information as requested by the City of Milford.
- F. The City reserves the right to waive any informalities or irregularities and/or reject all proposals received as a result of this Request for Proposal; negotiate changes in the scope of work or services to be provided; conduct investigations required to determine the submitting firm's performance record and ability to perform the assignments specified as a part of this Request for Proposal; negotiate separately with any source in a manner deemed to be in the best interest of the City.

City of Milford
Request for Proposal
Auditing Services

- G. If, through any cause, the contracted firm shall fail to fulfill in a timely and proper manner its obligations under this agreement, or if the firm shall violate any covenants, terms, or conditions of the agreement, then the City of Milford can cancel the contract without prejudice by giving at least five (5) days prior written notice to the firm of such termination.

City of Milford, DE
ADDENDUM #1
RFP for Audit Services Released January 12, 2023
January 26, 2024

1. The City of Milford would like to restate the first Paragraph on page 3 under “1. General Overview”

The paragraph should state:

“The City of Milford requests proposals from qualified certified public accounting firms for the provision of auditing services for each of the three (3) fiscal years ended June 30, 2024, 2025 & 2026, with the potential for no greater than two (2) annual extensions of one year each.”

pPLEASE SEE REQUIRED ACKNOWLEDGEMENT ON THE FOLLOWING PAGE****

2. Any bid received after stated closing time will be returned unopened. If bids are sent by mail to the purchasing manager, the bidder shall be responsible for actual delivery of the bid to the purchasing manager before the advertised date and hour for opening of bids. If mail is delayed either in the postal service or in the internal mail system of the City beyond the date and hour set for the bid opening, bids thus delayed will not be considered and will be returned unopened.

*****THIS ADDENDUM MUST BE RETURNED WITH THE ORIGINAL BID *****

PLEASE COMPLETE THE INFORMATION BELOW:

SIGNATURE DATE

PRINTED NAME TITLE

COMPANY

MAILING ADDRESS

PHONE NUMBER FAX NUMBER E-MAIL ADDRESS

City of Milford, DE
ADDENDUM #2
RFP for Audit Services Released January 12, 2023
January 26, 2024

Responses to the following questions received from interested firms are being provided to supplement the original Request for Proposals.

1. **Question:** “Can you please clarify the year-end and if this is for a single or multi-year contract?”

Response: The City of Milford requests proposals from qualified certified public accounting firms for the provision of auditing services for each of the three (3) fiscal years ended June 30, 2024, 2025 and 2026, with the potential for no greater than two (2) annual extensions of one year each.

2. **Question:** “When we responded to your bid for FY21-23, included were options for FY24 and FY25. Are those options not being considered with the existing auditor who was the successful bidder in FY21?”

Response: Pursuant to Paragraph 7(B)(5) in the RFP, the City reserves the right to reject all applications and discontinue the process if it determines that such course of action is in the best interests of the City.

****PLEASE SEE REQUIRED ACKNOWLEDGEMENT ON THE FOLLOWING PAGE****

- Any bid received after stated closing time will be returned unopened. If bids are sent by mail to the purchasing manager, the bidder shall be responsible for actual delivery of the bid to the purchasing manager before the advertised date and hour for opening of bids. If mail is delayed either in the postal service or in the internal mail system of the City beyond the date and hour set for the bid opening, bids thus delayed will not be considered and will be returned unopened.

*****THIS ADDENDUM MUST BE RETURNED WITH THE ORIGINAL BID *****

PLEASE COMPLETE THE INFORMATION BELOW:

SIGNATURE _____ DATE _____

PRINTED NAME _____ TITLE _____

COMPANY _____

MAILING ADDRESS _____

PHONE NUMBER _____ FAX NUMBER _____ E-MAIL ADDRESS _____



FINANCE DEPARTMENT
10 SE Second Street
Milford, DE 19963

PHONE 302.424.5140
FAX 302.424.5932
www.cityofmilford.com

To: Mayor and City Council
Finance and Audit Committee
Mark Whitfield, City Manager
From: Louis C. Vitola, Finance Director
Date: March 11, 2024
Re: FY24-26 Audit Engagement Proposals and Review Process

EXECUTIVE SUMMARY

The Finance and Audit Committee requested the scoring criteria established to evaluate responses to the City’s January 2024 Request for Proposals (RFP) for Independent Audit Services for fiscal years 2024 through 2026. A sample score calculator is excerpted below, and the full scoring rubric is enclosed.

BACKGROUND

Finance and Administration staff issued the RFP for Independent Audit Services for FY24-26 on January 12, 2024. Two proposals were received by the 3:30 p.m. deadline on March 1, 2024, both of which met the submission criteria and both of which represent viable candidates that will be reviewed and scored.

STAFF-LEVEL EVALUATION

Accountant Kevin Gaboriault and I will serve on the two-member staff scoring committee, with Accountant Sandra Peck standing by as a passive scorer in the event of a tie. We will independently review the proposals, confirm references, and score the proposals pursuant to the enclosed Scoring Rubric and shown in the summary table below for the qualitative categories (a) through (d) by March 20, 2024. Thereafter, a recommendation will be delivered to the Finance and Audit Committee with a copy to City Council. In addition to the respondents, the City also has the option to continue with the current auditors, ZA (Zelenkofske Axelrod LLC), for 2024 and 2025 pursuant to the engagement awarded following the RFP issued in January 2021 for FY21-23.

NEXT STEPS

Staff requests input on the evaluation process. We will be prepared to present a recommendation at the March 25, 2024 Council meeting, but we want to ensure the Finance and Audit Committee members have the opportunity to review the proposals and, if necessary, meet again on or before March 25, 2024 to publicly form a recommendation to the full Council body.

RFP for Auditor Services - March 1, 2024 - Score Calculator

Ref	Abbrev	Description	Max Score	Score
a.	Exp: Like Organizations	Experience working with similar government organizations; experience with municipal public power distribution systems and other public utility systems	30.00	
b.	References	Relationships with prior clients, as demonstrated with listed References	20.00	
c.	Abilities	Ability to meet the project deliverables and deadlines	25.00	
d.	Cost Proposal	Cost proposal	25.00	
Total			100.00	-

City of Milford, DE
RFP for Auditor Services - March 1, 2024 - Scoring Rubric

Ref	Abbrev	Description	Max	[0%-10%]	(10%-20%)	(20%-50%)	(50%-85%)	(85%-100%)
a.	Exp: Like Organizations	Experience working with similar government organizations; experience with municipal public power distribution systems and other public utility systems preferred	30	No governmental, municipal or public sector experience; no non-profit experience	Public sector experience limited to non-profit organizations and other government types, i.e. states, counties, territories, but no municipal experience and no meaningful utility experience	Limited public sector experience, but experience includes some municipalities having utility operations, or a combination of municipal experience and private sector utility experience	Substantial municipal experience, including those with varied utilities; overweight if experience includes municipalities with more than two of water, sewer, electric, trash and/or stormwater	Relevant, comparable municipal experience, including cities and towns of similar size, revenue characteristics, and comparable mix of utilities; overweight if experience includes municipalities with more than three of water, sewer, electric, trash and/or stormwater
Scoring Ranges for this Category				[0 to 3.0]	(3.0 to 6.0)	(6.0 to 15.0)	(15.0 to 25.5)	(25.5 to 30.0)
b.	References	Relationships with prior clients, as demonstrated with listed References	20	References do not include any governmental, municipal or public sector or non-profit clients, or references returned include at least one remarkable negative	References of public sector clients are limited to non-profit organizations and other government types without municipal or meaningful utility experience, or references returned include at least two for which commentary was neutral or noncommittal	References include municipalities having utility operations or a combination of municipal experience and private sector utility experience, and references returned are supportive	References consist primarily of municipal clients with varied utility experience and references returned are supportive, or the references include clients listed in the 20-50% category and references returned are overwhelmingly positive	References consist almost entirely of municipal clients with similar revenue and demographic characteristics as Milford, including a comparable mix of utilities, and references returned are supportive; or the references include clients listed in the 50-85% category and references returned are overwhelmingly positive
Scoring Ranges for this Category				[0 to 2.0]	(2.0 to 4.0)	(4.0 to 10.0)	(10.0 to 17.0)	(17.0 to 20.0)
c.	Abilities	Ability to meet the project deliverables and deadlines	25	Firm was unable to demonstrate the licensing and certification requirements outlined in the RFP or was not responsive in that area of the RFP; Firm was organized within the last 12 months or was unable to produce any relevant or positive references, or was unresponsive in multiple significant areas of the RFP	Firm's demonstration of licensing and certification requirements outlined in the RFP was inaccurate, errant, or unable to be confirmed; Firm was unresponsive to at least one significant area of the RFP	Firm demonstrated minimum licensing and certification requirements outlined in the RFP, but profiles of support staff, members / CPAs, partners and/or principals lacked the level of education, experience, certification, and other credentials judged to be critical to the successful completion of the City's audit requirements, or the firm was unresponsive to resume/bio requirements outlined in the RFP	Firm demonstrated minimum licensing and certification requirements outlined in the RFP; profiles of support staff, members / CPAs, partners and/or principals seemed to convey the level of education, experience, certification, and other credentials judged to be critical to the successful completion of the City's audit requirements	Firm demonstrated minimum licensing and certification requirements outlined in the RFP; profiles of support staff, members / CPAs, partners and/or principals clearly demonstrated the levels of education, experience, certification, and other credentials judged to be critical to the successful completion of the City's audit requirements; Bonus if Firm personnel are involved in regional or national municipal accounting / finance / utility groups such as the GFOA, APPA, ICMA, APWA, or other similar groups
Scoring Ranges for this Category				[0 to 2.5]	(2.5 to 5.0)	(5.0 to 12.5)	(12.5 to 21.3)	(21.3 to 25.0)
d.	Cost Proposal	Cost proposal	25	Lowest cost RFP will receive 100% of the 25% Cost Proposal Category. All others RFPs scoring will be lowered by the % they are greater than the lowest RFP.				
Scoring Ranges for this Category				[0 to 2.5]	(2.5 to 5.0)	(5.0 to 12.5)	(12.5 to 21.3)	(21.3 to 25.0)
Total			100	[0 to 10.0]	(10.0 to 20.0)	(20.0 to 50.0)	(50.0 to 85.0)	(85.0 to 100.0)

To: Mayor and City Council
Finance and Audit Committee
From: Louis C. Vitola, Finance Director
Date: March 11, 2024
Re: Investment Policy Update

EXECUTIVE SUMMARY

Staff request that the Finance and Audit Committee review the enclosed edit to the City's Investment Policy Statement (IPS) proposed by PFM Asset Management. Staff is in support of the edit and ask that the Committee make a recommendation to City Council to approve the change to clarify investment class limitations for the benefit of traders acting pursuant to the City's IPS.

DETAIL

The City's Investment Policy Statement was last updated March 13, 2023. The Policy was recently reviewed by Finance staff and the City's investment advisors, PFM Asset Management, pursuant to the requirement that the IPS be reviewed annually. The PFM team recommends only one minor change to the Policy – to clarify the portfolio percentage limit of asset-backed securities in paragraph 8.5.1.2 by striking the reference to mortgage-backed securities pointing to paragraph 8.8. While the separate, independent limitations for each asset class can be inferred in the context of the IPS, and indeed PFM traders are compliant with the intended policy limits, the change should be made to clarify and simplify the City's instructions to all readers of the IPS, now and into the future. Staff strongly recommend the change be supported by the Committee and approved by City Council at the March 25, 2024 meeting.

cc: Mark Whitfield, City Manager



THE CITY of

Milford
DELAWARE

Investment Policy Statement

As Approved March ~~13⁰⁰~~, 20232024

Finance & Audit Committee – Review and Discussion: March 11, 2024

Final Review; City Council Approval, Current: March 13, 2023

City Council Workshop – Review and Discussion: February 22, 2023
<https://www.cityofmilford.com/ArchiveCenter/ViewFile/Item/3833>

Finance Committee Final Review; Council Approval: November 8, 2021
<https://www.cityofmilford.com/ArchiveCenter/ViewFile/Item/3443>;
<https://www.cityofmilford.com/ArchiveCenter/ViewFile/Item/3440>

Finance Committee Review and Discussion: September 13, 2021
<https://www.cityofmilford.com/ArchiveCenter/ViewFile/Item/3416>

1.0 Governing Authority

It is the policy of the City of Milford to invest public funds under its control in a manner that will provide the highest investment return consistent with the maximum safety of principal, while meeting cash flow needs of the City. The investment program shall conform to all state and local statutes governing the investment of public funds. In the event of a conflict, state and local statutes will prevail.

2.0 Scope

This Investment Policy Statement (the "Policy") applies to all financial assets of the City of Milford for which the City retains direct or indirect daily control. Funds for which the City has retained outside investment advisory, fund management and/or brokerage services shall also be governed by this Policy. Bond proceeds shall be governed by the Trust Indenture and related obligation documented in connection with the debt issuance, subject to Internal Revenue Service (IRS) regulations. Police and Firefighter Pension assets, Municipal Employee / Civilian Pension assets, employee-directed post-retirement benefit funds and other pension assets beyond the City's control are not subject to the provisions of this Policy.

The City's investable funds may be segregated into three distinct categories:

2.1 Liquidity

The City's operating cash balances, Equipment Replacement Reserves (ERR) for assets being replaced in the current budget year, reserves restricted for capital projects being undertaken in the current budget year, and any component of the City's Minimum Cash Requirement (MCR) related to operating cash are included in the City's Liquidity investment group. The Liquidity investment group is limited to commercial checking and savings deposit accounts (subject to collateral considerations) and those investments specified in sections 8.1, 8.2, 8.3, 8.6, 8.7 and 8.10 provided that the investments are convertible to cash within one (1) business day.

2.2 Intermediate

The City's ERR and MCR restricted for asset replacement and capital projects scheduled at least one year in advance constitute the City's Intermediate investment group. The Intermediate investment group is eligible for investment in investments specified in all sections of paragraph 8.0, provided that the average duration is no longer than three (3) years and investments are convertible to cash within three (3) business days. Commercial checking and savings deposit accounts (subject to collateral considerations) are also permissible for this investment group.

2.3 Growth

The City's unrestricted cash not required for operations or intermediate capital requirements, the non-operating component of any MCR, and any cash restricted for a purpose at least three (3) years into the future comprise the City's Growth investment group. The Growth investment group is eligible for investment in investments specified in all sections of paragraph 8.0, provided that the average duration is no longer than five (5) years and investments are convertible to cash within five (5) business days. Commercial checking and savings deposit accounts (subject to collateral considerations) are also permissible for this investment group.

3.0 Objectives

The primary objectives of the City of Milford's investment activities, in order of importance shall be:

3.1 Safety

Preservation of principal is the foremost objective of the investment program. To attain this objective, funds shall be diversified among securities of high credit quality and liquidity, so that risk of loss of principal is minimized.

3.2 Liquidity

The City's investments shall be made for such periods as to enable the City to meet all operating requirements that may be scheduled or reasonably anticipated.

3.3 Return on Investments

A goal of the investment program shall be to maximize investment return within the constraints of Sections 3.1 and 3.2.

4.0 Delegation of Authority

Authority to manage the City of Milford's investment program is derived from this Policy, which is approved by City Council. The Finance Director shall be the administrator of all City funds.

The Finance Director shall:

- 1) Review this Policy annually and recommend changes, if any, to City Council;
- 2) Be charged with implementing the Policy, and may delegate authority to act pursuant to this Policy to an investment advisor, fund manager, brokerage firm, or other third-party agent authorized to trade securities (the "advisor"). The Finance Director shall be responsible for all investment transactions and shall establish controls to oversee the activities of any investment advisors.
- 3) Ensure that records of the City's investment activities are retained for a minimum of ten years or the time required by an applicable regulatory authority.

5.0 Prudence, Ethics and Conflicts of Interest

Any official of the City or investment advisor empowered to make investments on behalf of the City of Milford shall comply with the following:

5.1 "Prudent Person" Rule

Investment decisions shall be made with the judgment and care which persons of reasonable intelligence, under circumstances prevailing at the time the investment is made, would exercise in the management of their own investments assuming that their objectives are those shown in Section 3.0 of this policy.

5.2 Ethics and Conflict of Interest

The delegate authorized to make City investments shall act at all times in an ethical manner, and shall not engage in activity that could impair or be perceived to impair their ability to make impartial investment decisions. They shall disclose to the Mayor and City Council any material interests in financial institutions with which the City has financial dealings, and which may be related to the performance of the investment program. Employees and

officers shall refrain from undertaking personal investment transactions with the same individual(s) with whom business is conducted on behalf of the City.

6.0 Authorized Institutions and Dealers

All broker/dealers that desire to become qualified for investment transactions with the City shall meet the following:

1. Primary dealers and regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule)
2. Capital of at least \$25,000,000 or capital of \$5,000,000 for firms incorporated in the State of Delaware
3. Registered as a dealer under the Securities Exchange Act of 1934
4. Member of the Financial Industry Regulatory Authority (FINRA)
5. Registered to sell securities in the State of Delaware
6. Engaged in the business of effecting transactions in U.S. government, federal agency, and corporate securities for at least five (5) consecutive years

To the extent the City utilizes the services of an outside Investment Advisor, it shall be the responsibility of the Investment Advisor to maintain an approved list of brokers.

7.0 Safekeeping and Custody

To ensure that securities are deposited in an eligible financial institution prior to the release of funds, all trades of marketable securities will be executed using the delivery vs. payment ("DVP") method.

Further, all securities will be held by an independent third-party custodian, in the name of the City of Milford, and evidenced by safekeeping receipts in the City's name. The custodian shall provide daily confirmation of securities held as well as a monthly transactions and holdings report. Fixed income securities must be reported at both the historical cost plus or minus accretion or amortization, respectively, and at market value quoted by an independent securities pricing service.

8.0 Authorized Investments and Trading of Securities

The Finance Director or authorized investment adviser may invest only in the types of securities listed below. The maximum stated maturity of any security shall be limited to 10 years at time of purchase, unless otherwise stated. For Agency mortgage-backed securities, the maximum maturity shall be defined as the weighted average life ("WAL"). WAL is a convention that estimates the expected weighted amount of time, in years, for the principal amount of an issue to be fully paid. For this sector, WAL shall be limited to 10 years, measured at the original purchase date, provided by Bloomberg Financial Markets or another independent pricing/research firm.

8.1 United States Government Securities

Marketable securities issued by the U.S. Government and supported by the full faith and credit of the U.S. Treasury either by statute or an opinion of the attorney general of the United States. Up to 100% of the portfolio may be invested in this sector.

8.2 Government Agency Securities

Debt securities issued by government-sponsored enterprises ("GSE"), federal agencies, and federal financing banks; the maximum stated maturity of any investment in this sector shall

be limited to 10 years at time of purchase. Up to 100% of the portfolio may be invested in this sector.

8.3 Certificates of Deposit and Time Deposits

8.3.1 Domestic Institutions: Issued or endorsed by a domestic bank, or a savings and loan association, organized and supervised under the laws of the United States and denominated in U.S. dollars; provided, however, that deposits are fully insured or guaranteed by the Federal Deposit Insurance Corporation ("FDIC").

If not insured by the FDIC:

- The banking institution must have assets of not less than \$5 billion; and Issuers must have a short-term rating of A-1 by Standard & Poor's and P1 by Moody's and a long-term rating of AA by Standard & Poor's or Aa by Moody's.

The maximum stated maturity of any investment in this sector shall be limited to 5 years at time of purchase. This sector shall not exceed 25% of the total portfolio. No single issuer shall exceed 5% of the City's portfolio.

8.3.2 Delaware-Domiciled Institutions: Issued by or endorsed by any bank or savings association domiciled in the State of Delaware and organized and supervised under federal or State of Delaware banking laws which does not meet the requirements of Section 8.3.1 hereto; provided, however, that:

- For each of the latest two years, the bank or association has had a return on total average assets of 0.50% or greater and an average capital ratio (defined as total equity capital to total assets) of at least 1 to 20, or the instrument is secured as set forth in Section 8, "Collateralization of City Deposits," hereto; and
- Not more than the lesser of \$10 million or 25% of an issuer's total equity capital may be invested in any one issuer. (Investments due to mature in one business day may be excluded from the computation of this percentage.)
- City Council affirms that, consistent with this Policy, Delaware banks and savings associations should be considered as an eligible source of investment.
- The maximum stated maturity of any investment in this sector shall be limited to 5 years at time of purchase. This sector shall not exceed 20% of the total portfolio. No single issuer shall exceed 5% of the City's portfolio.

8.4 Corporate Debt Instruments

Such instruments include commercial paper bankers' acceptances, and non-convertible senior debt securities (bonds and debentures).

8.4.1 Any such instrument must be denominated/issued in U.S. dollars. Many foreign corporations issue debt/securities in the U.S. market, in U.S. dollars.

8.4.2 No single issuer shall exceed 5% of the City's portfolio.

- 8.4.3 Commercial Paper shall be limited to a final stated maturity of 270 days. This sector shall not exceed 25% of the total portfolio. Issuers shall be rated at least A-1 by Standard & Poor's and P-1 by Moody's.
- 8.4.4 Bankers' Acceptances shall be limited to a final maturity of 365 days. This sector shall not exceed 20% of the City's Portfolio. Issuers shall be rated at least A-1 by Standard & Poor's and P1 by Moody's.
- 8.4.5 Corporate bonds and debentures shall be limited to a final stated maturity of 15 years. This sector shall not exceed 50% of the total portfolio. Issuers shall hold a long-term rating of at least BBB+ by S&P, Baa1 by Moody's or BBB+ by Fitch Ratings, though the dollar-weighted average credit rating of the securities invested pursuant to 8.4.5 must exceed the minimum rating at the time of purchase. Rebalancing shall not be automatically required if the dollar-weighted average credit rating of the securities invested pursuant to 8.4.5 fall below minimum rating.

8.5 Asset-Backed Securities

8.5.1 Definition: Securities collateralized by pools of auto loan receivables, credit card receivables, and equipment loans; provided that such securities have (i) the highest credit rating from at least two NRSROs and (ii) an average life not to exceed two years from the date of settlement (unless such securities are subject to periodic reset of coupon or interest rate, in which case the average life may not exceed three years from the date of settlement).

8.5.1.2 Percentage Limit: 10% in total, ~~including securities defined in subsection 8.8.~~

8.6 Repurchase Agreements

The underlying collateral shall consist of U.S. government and/or GSE securities provided, however, that:

- 8.6.1 All repurchase agreements must be governed by a written master repurchase agreement;
- 8.6.2 Agreements will be entered into only with respect to underlying securities in which the investment manager may otherwise invest as described above, and only with a recognized U.S. Government/broker or a bank which meets the requirements set out under paragraph Section 8.3.1 or 8.3.2 above;
- 8.6.3 In the case of repurchase collateral held in book-entry form in the Federal Reserve System, all deliveries of securities must be made, for the transfer thereof, through the Federal Reserve book-entry system to the account designated by the investment manager for such purpose. Securities held in certificated form must be delivered to the investment manager or a custodian as directed by the investment manager.
- 8.6.4 Any collateral employed under this paragraph shall be counted towards the applicable maximum limits set forth within these guidelines for such type of investment, and such collateral shall be valued at market at not less than 103 percent of the maturity value of the agreement and marked-to-the-market as requested by the investment manager.
- 8.6.5 Repurchase agreements shall be limited to a maximum maturity of 90 days from date of purchase. No single issuer shall exceed 25% of the City's portfolio.

8.7 Registered Investment Companies (Money Market Funds)

Money market funds shall not be permitted to invest in or hold securities other than those approved in this Policy. No single fund shall exceed 50% of the City's portfolio. Money market funds shall be rated AAAM by S&P, Aaa-mf by Moody's or AAAMmf by Fitch Ratings. A current prospectus must be obtained before investing in any money market fund, and current holdings reports must be maintained at least each month.

8.8 Mortgage-Backed Securities

Mortgage-backed securities issued by the following: Government National Mortgage Association (GNMA), Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Association (FHLMC). This sector shall not exceed 50% of the total portfolio.

8.9 Municipal Obligations

Taxable and tax-exempt securities issued by state and local governments and public authorities in the United States. The maximum stated maturity of any investment in this sector shall be limited to 15 years at time of purchase. This sector shall not exceed 40% of the City's portfolio. No single issuer shall exceed 5% of the City's portfolio. Issuers shall be rated at least BBB+ by S&P, Baa1 by Moody's or BBB+ by Fitch Ratings, though the dollar-weighted average credit rating of the securities invested pursuant to 8.4.5 must exceed the minimum rating at the time of purchase. Rebalancing shall not be automatically required if the dollar-weighted average credit rating of the securities invested pursuant to 8.4.5 fall below minimum rating.

8.10 State of Delaware Investment Pool

Delaware Local Government Investment Pool (DELGIP) (or equivalent): The investment in this pool or its equivalent is permitted in relation to the City's cash flow and the guidelines set forth by the State of Delaware. The investment in this pool will not exceed 75% of the total funds available and will be monitored by the City's Finance Department on a monthly basis.

8.11 Trading Securities

The Finance Director is hereby authorized to sell securities prior to their stated maturity date in the following circumstances:

1. A security with declining credit may be sold prior to its maturity to minimize loss of principal;
2. A security swap may be executed if it would improve the quality, yield, or target duration of the portfolio;
3. Securities may be sold to provide needed liquidity.

8.12 Internal Control on such transactions

8.12.1 An investment report will be made available to the Council on a quarterly basis.

8.12.2 All investment reporting documents will be provided to the independent auditors.

8.12.3 Investment records will be kept by the City for ten (10) years.

8.12.4 The trading shall not involve any hedge, derivatives and/or borrowing funds for trading purposes.

9.0 Collateralization of City Deposits

If the City deposits funds in any financial institution, those funds will be subject to the following collateralization requirements. The financial institution shall:

- 9.1** Collateralize the City's daily ledger balance(s) if, for any quarter during the most recent eight quarters the bank has not met both of the following two criteria:
- Return on total average assets of 0.50 percent or greater.
 - Average capital ratio (total equity to total assets) of 5.00 percent or greater.
- 9.2** If either criterion in paragraph 8.1 is not satisfied collateral must be pledged and shall consist of one or more of the following securities:
- U.S. Government securities
 - U.S. Government agency securities
 - Federal Home Loan Board letters of credit
 - State of Delaware securities
 - Securities of a political subdivision of the State of Delaware with a rating of A3 or better by Moody's, A- or better by S&P or A- or better by Fitch Ratings.
- 9.3** Ensure that the securities pledged as collateral (except for Federal Home Loan Board letters of credit) have a market value equal to or greater than 103 percent of the ledger balance(s) in the account(s) marked to market each day.
- 9.4** Ensure that securities pledged as collateral are housed at the Federal Reserve Bank or a mutually agreed upon third party depository. (The trust department of the winning vendor will not be acceptable.)
- 9.5** Provide reports on a monthly basis to the City Finance Department detailing the collateral pledged.
- 9.6** Provide a Call Report (Consolidated Report of Condition and Income, FFIEC 031) on a quarterly basis to the City Finance Department.

10.0 Policy Considerations

If securities owned by the City are downgraded by either of the three major credit ratings agencies to a level below the quality required by this Policy, it shall be the City's policy that the Finance Director shall promptly notify City Council and recommend a course of action. If the City has retained a professional investment advisor, in the event of a downgrade below the minimum credit standards, the investment advisor shall promptly notify the Finance Director and recommend a course of action.

11.0 Internal Controls

The Finance Director is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse. The Finance Director shall also establish a process for an annual independent review by an external auditor to assure compliance with policies and procedures. The internal controls shall address the following:

- Control of collusion
- Separation of transaction authority from accounting and recordkeeping
- Custodial safekeeping
- Prohibition of physical delivery securities
- Clear, written delegation of authority to subordinate staff members
- Written confirmation of transactions for investments and wire transfers

12.0 Performance Standards

The City of Milford's investment decisions shall be made with the objective of obtaining a rate of return commensurate with the investment risk constraints and the cash flow needs. On a quarterly basis, the Finance Director shall compare the City's portfolio against a benchmark(s) that shall be reflective of the actual securities being managed and risks undertaken, and the benchmark(s) shall have a similar weighted average maturity and credit profile.

13.0 Reporting

At the end of each calendar quarter, the Finance Director will make available a report of all quarter-ending investments to the Mayor and City Council. Reports shall include the following:

- Listing of individual securities held as of last day of reporting period, sorted by Sector
- Par, market, and amortized cost values of each security
- Coupon, current yield, and final stated maturity date of each security

14.0 Investment Policy Adoption

The City of Milford's investment policy will be adopted by the City Council after review and recommendation of the Finance Committee. The policy will be reviewed at least once every year by the Finance Committee, which is charged with considering the existing policy and any recommendations to modify the policy. Any modifications to the policy must be approved by the City Council.

ATTACHMENT A GLOSSARY

AGENCIES: Federal agency securities, otherwise known as "Government Sponsored Enterprises."

ASSET-BACKED SECURITY: A financial instrument collateralized by an underlying pool of assets – usually ones that generate a cash flow from debt, such as loans, leases, credit card balances, and receivables.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a certificate. Large denomination CD's are typically negotiable.

BANKERS ACCEPTANCE: A short-term credit investment which is created by a non-financial firm and whose payment is guaranteed by a bank.

COLLATERAL: Securities, evidence of deposit or other property which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

COMMERCIAL PAPER: An unsecured obligation issued by a corporation or bank to finance its short-term credit needs. Maturities typically range from one (1) to 270 days.

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR): The official annual report for the City of Milford. It includes five combined statements for each individual fund and account group prepared in conformity with GAAP. It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, extensive introductory material, and a detailed Statistical Section.

CORPORATE BONDS: A debt security issued by a corporation based in the United States of America. Such bonds usually have a par value of \$1,000, have a term maturity, and are traded on a major exchange.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns, in an attempt to limit risk.

FEDERAL CREDIT AGENCIES: Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, e.g., S&L's, small business firms, students, farmers, farm cooperatives, and exporters.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that insures bank deposits, currently up to \$250,000 per deposit.

FEDERAL FUNDS RATE: The rate of interest at which Fed funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

FEDERAL HOME LOAN BANKS (FHLB): The institutions that regulate and lend to savings and loan associations. The Federal Home Loan Banks play a role analogous to that played by the Federal Reserve Banks vis-a-vis member commercial banks.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA): FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted.

FEDERAL RESERVE SYSTEM: The central bank of the United States created by Congress and consisting of a seven-member Board of Governors in Washington, D.C., 12 regional banks and about 5,700 commercial banks that are members of the system.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA or Ginnie Mae): Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations, and other institutions. Security holder is protected by full faith and credit of the U.S. Government. Ginnie Mae securities are backed by the FHA, VA or FMHM mortgages. The term "passthroughs" is often used to describe Ginnie Mae's.

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

LOCAL GOVERNMENT INVESTMENT POOL (LGIP): The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold.

MATURITY: The date upon which the principal or stated value of an investment becomes due and payable.

MORTGAGE-BACKED SECURITIES (MBS): An investment instrument that represents ownership of, and is backed by, an individual interest in a pool of mortgages such as those issued by Ginnie Mae or Freddie Mac. Principal and interest from the individual mortgages is used to pay principal and interest on the MBS.

MUNICIPAL NOTES AND BONDS: Securities issued by a state, city, or local government to finance operations or special projects.

PRUDENT PERSON RULE: An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the custody state--the so-called legal list. In other states the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

QUALIFIED PUBLIC DEPOSITORIES: A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.

RATE OF RETURN: A measure of worth, either at security or aggregate portfolio level, over a period of time. There are many return conventions, including but not limited to yield to maturity at cost, yield to maturity at market, yield to worst, time weighted total return, dollar weighted total return.

REPURCHASE AGREEMENT (RP OR REPO): A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security "buyer" in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate him for this. Dealers use RP extensively to finance their positions. Exception: When the Fed is said to be doing RP, it is lending money, that is, increasing bank reserves.

REVERSE REPURCHASE AGREEMENT: The purchase of a security by a dealer with the agreement to sell it back to the seller at a fixed price at a later date. Typically used by owners of securities to finance short-term needs without having to liquidate the security.

SAFEKEEPING: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

TIME DEPOSITS: A savings account or CD held for a fixed term or with the understanding that the customer can withdraw only by giving advanced notice.

TREASURY BILLS: A short-term (less than one year) non-interest-bearing discount security issued by the U.S. Treasury department to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

TREASURY BOND: Long-term U.S. Treasury securities having initial maturities of more than 10 years.

TREASURY NOTES: A non-interest-bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months or one year.

UNIFORM NET CAPITAL RULE: Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1: also called net capital rule and net capital ratio.

Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

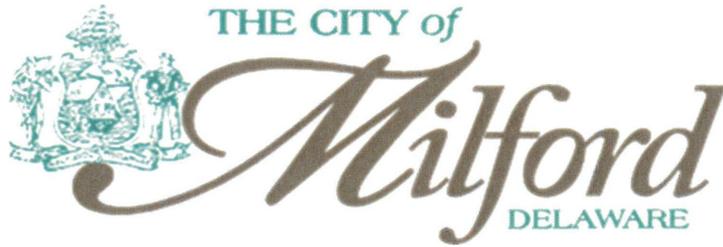
VARIABLE RATE MASTER DEMAND NOTES: A floating rate security with initial maturities and indexed rates chosen by the investor. The interest rate is adjusted periodically, usually off a standard such as that prevailing on a Treasury Bill or the prime interest rate.

YIELD: The rate of annual income return on an investment, expressed as a percentage.

INCOME YIELD is obtained by dividing the current dollar income by the current market price for the security.

NET YIELD or YIELD TO MATURITY is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

City Council Resolution 2023-04
Adoption of Investment Policy Update



RESOLUTION 2028 04

Adoption of the City of Milford Investment Policy Update

WHEREAS, it is the policy of the City of Milford to invest public funds under its control in a manner that will provide the highest investment return consistent with the maximum safety of principal, while meeting cash flow needs of the City; and

WHEREAS, the City investment program shall conform to all state and local statutes governing the investment of public funds; and

WHEREAS, the City investment policy was most recently updated on November 8, 2023 by City Council following the review and recommendation of the Finance Committee;

WHEREAS, the City Finance Committee or City Council will, no less than once a year, review the Investment Policy for any required updates and amendments; and

WHEREAS, the efforts in 2022 and 2023 to identify an investment management firm to advise the City on the investment policy resulted in this recommendation to update the City investment policy; and

WHEREAS, the City Council has determined that it is appropriate and necessary to update the "Investment Policy for the City of Milford" to bring the policies in line with current financial practices, procedures, and strategies of the City of Milford.

NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MILFORD, DELAWARE, AS FOLLOWS:

Section 1: The City Council hereby adopts and approves the Investment Policy as updated.

Section 2: The City Manager is authorized to take action, provide guidance, and create procedures with the input of the City Finance Director, to ensure the investment program authorized by this Resolution is implemented pursuant to the guidelines set forth in the Investment Policy.

IN WITNESS WHEREOF, I have hereunto set my hand and caused the Official Seal of the City of Milford to be affixed this 13th day of March 2023.




Mayor Arthur J. Campbell

Attest:

 W

Acting City Clerk Katrina L White

To: Finance and Audit Committee
From: Louis C. Vitola, Finance Director
Date: March 11, 2024
Re: Investment Performance Update

EXECUTIVE SUMMARY

The March 11, 2024 Finance and Audit Committee meeting agenda is full, but staff procured the enclosed investment update for your review. No action is required. However, feel free to review the report at your convenience and reach out to me with any questions, requests, or other feedback, responses to which will organize our discussion topics for the next investment presentation.

DETAIL

Staff procured an investment performance update from the City's investment management team at PFM Asset Management (PFMAM) to share passively with the Finance and Audit Committee ahead of the March 11, 2024 meeting. The agenda for the meeting on March 11th is full, but staff provided the report in the event that the March 11th meeting and/or a potential meeting on March 25th wind up serving in lieu of the second quarter meeting. No action is required other than to review the enclosed report at your convenience and share any questions, requests or other feedback, which will be used to inform the discussion topics related to the City's investment portfolio and PFMAM presentation at the next quarterly Finance and Audit Committee meeting. If the next meeting is scheduled for April or later, an updated portfolio report will be circulated prior to that meeting.

Enclosure
cc: Mark Whitfield, City Manager

City of Milford, Delaware

Portfolio Update

March 11, 2024

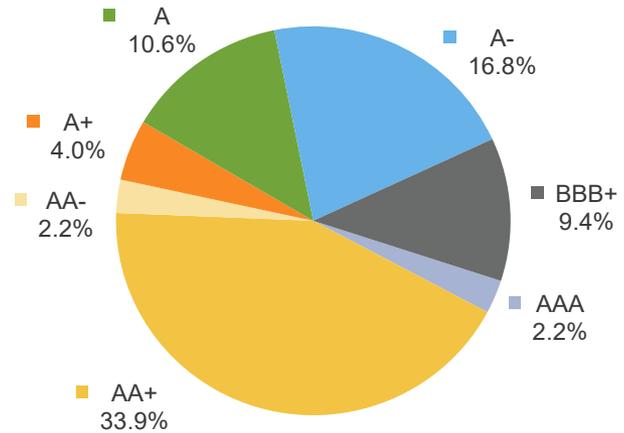
PFM Asset Management LLC

NOT FDIC INSURED : NO BANK GUARANTEE : MAY LOSE VALUE

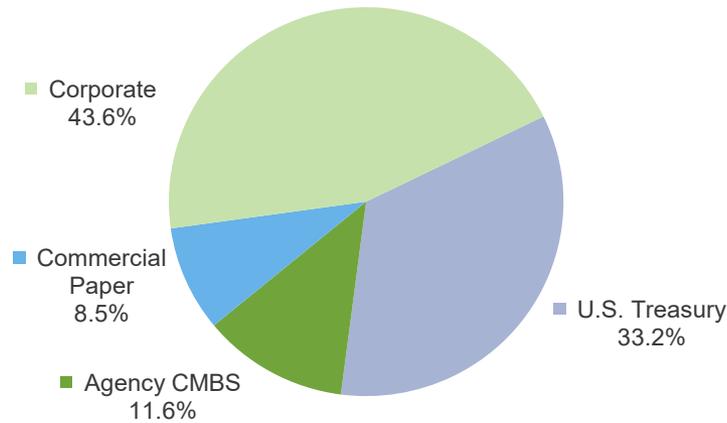
Portfolio Snapshot- City of Milford, Delaware

Portfolio Statistics	
Total Market Value¹	\$33,547,188
Accrued Interest	\$121,145
Cash	\$1,023,796
Effective Duration	1.55
Yield at Cost	5.27%
Yield at Market	5.11%

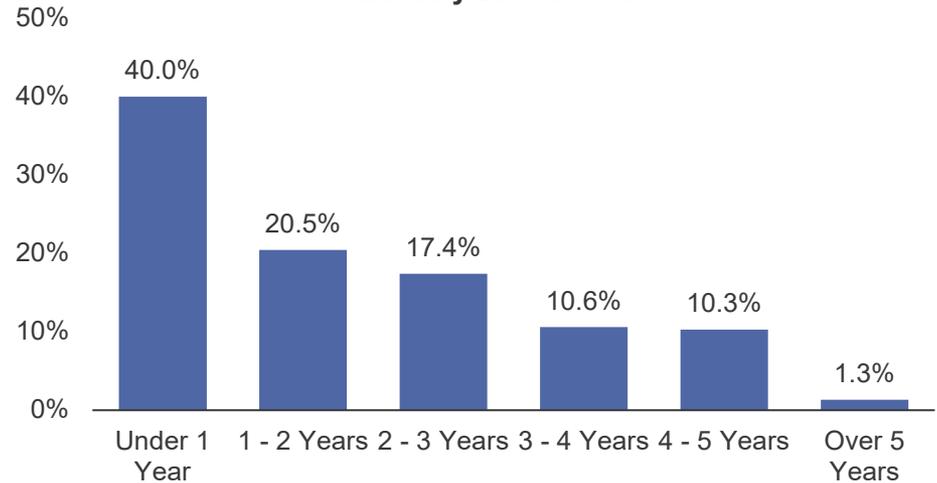
Credit Quality



Sector Allocation



Maturity Distribution



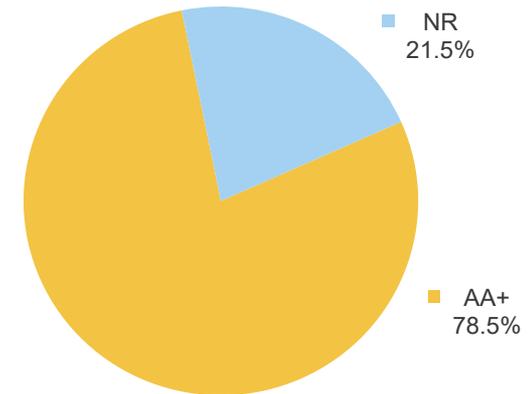
Data as of 02/29/2024

Market values are unreconciled and unofficial

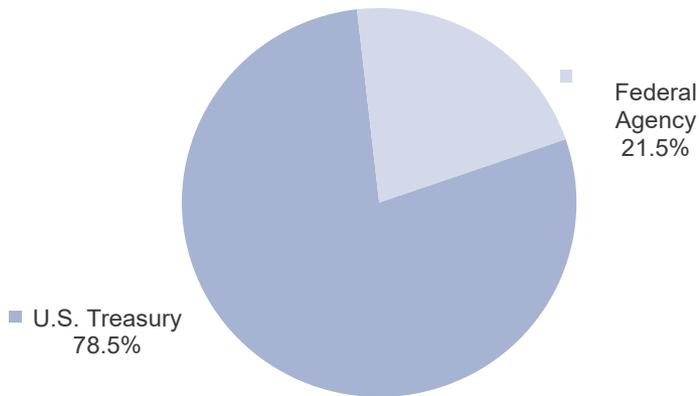
Portfolio Snapshot- Cashflow Account

Portfolio Statistics	
Total Market Value ¹	\$4,880,033
Accrued Interest	\$26,737
Cash	\$0
Effective Duration	3.49
Yield at Cost	4.93%
Yield at Market	4.69%

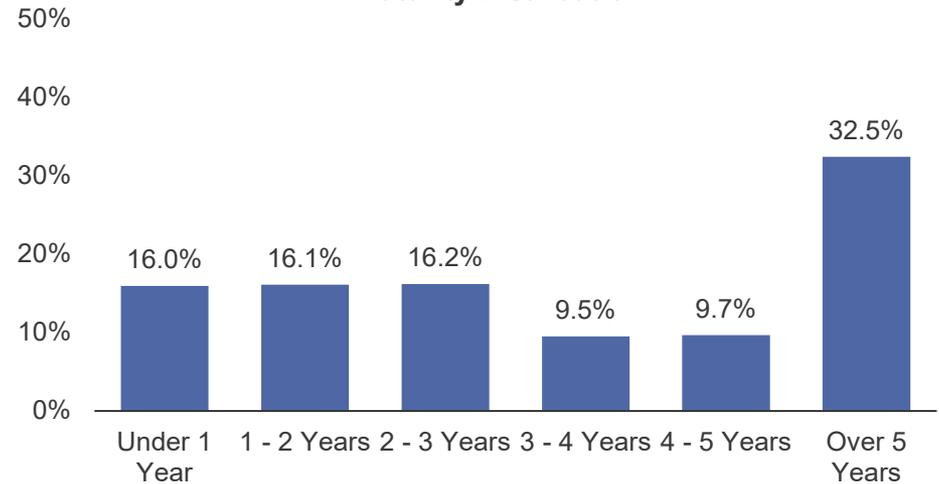
Credit Quality



Sector Allocation



Maturity Distribution



Data as of 02/29/2024

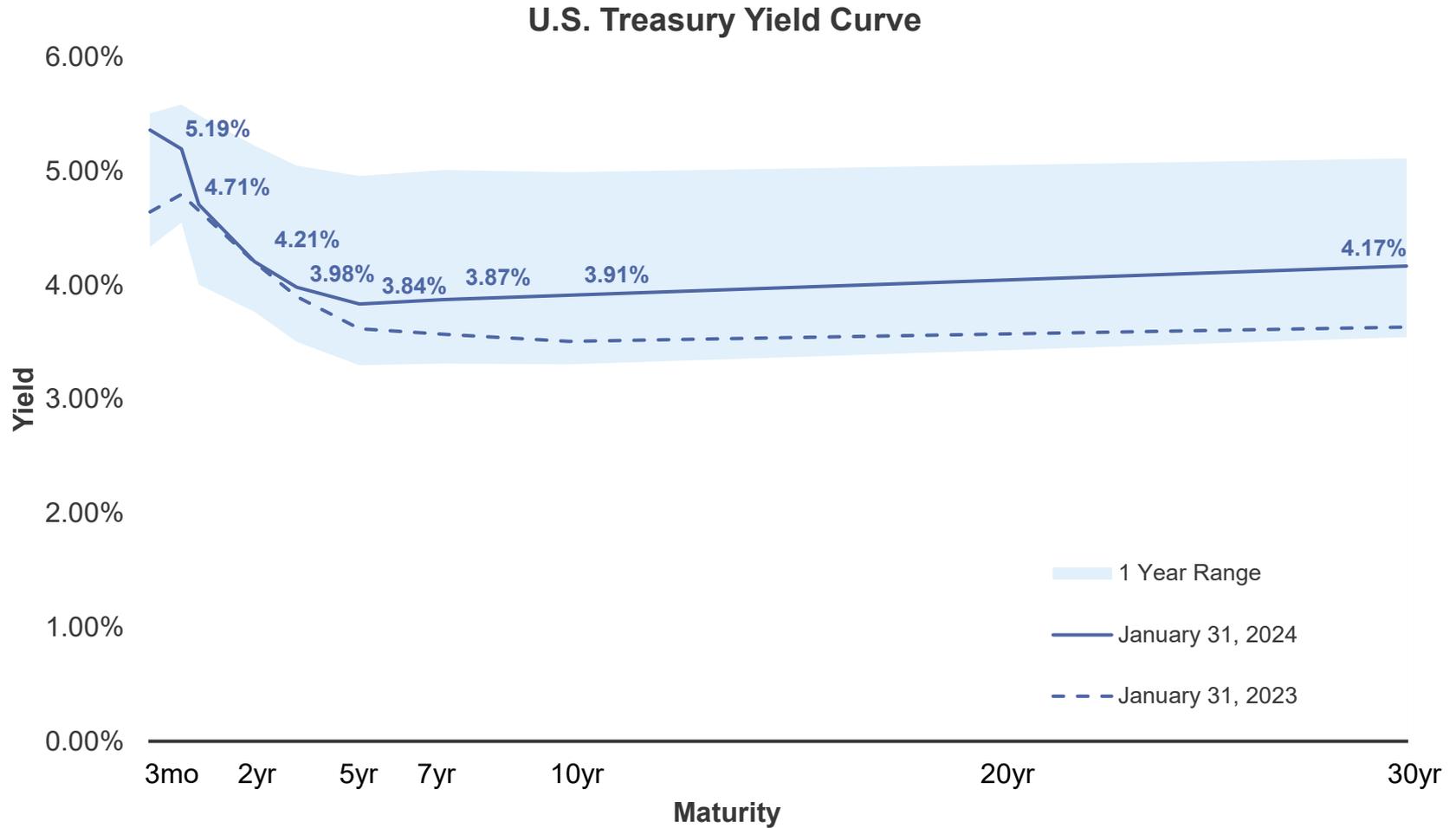
Market values are unreconciled and unofficial



Current Market Conditions



Treasury Curve



Source: Bloomberg, as of 1/31/2024.

Sector Yield Spreads

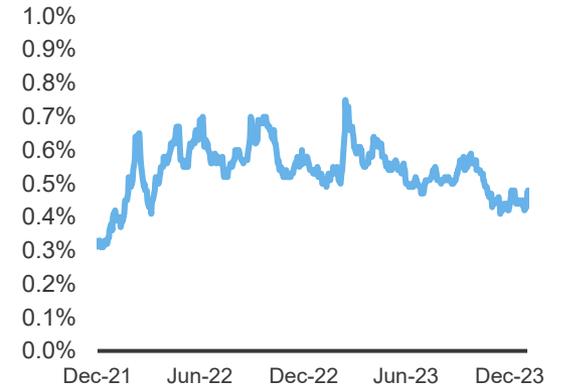
1-5 Yr. AAA-A Corp



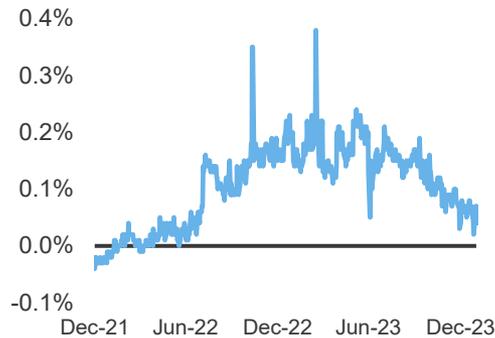
1-3 Yr. AAA-A Corp



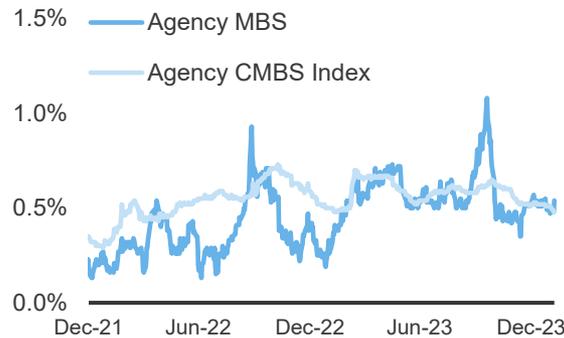
1-10 Yr. AAA-A Corporate



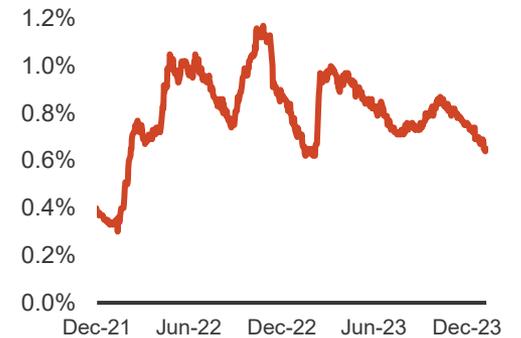
Federal Agency Yield Spread



Mortgage-Backed Securities Yield Spreads



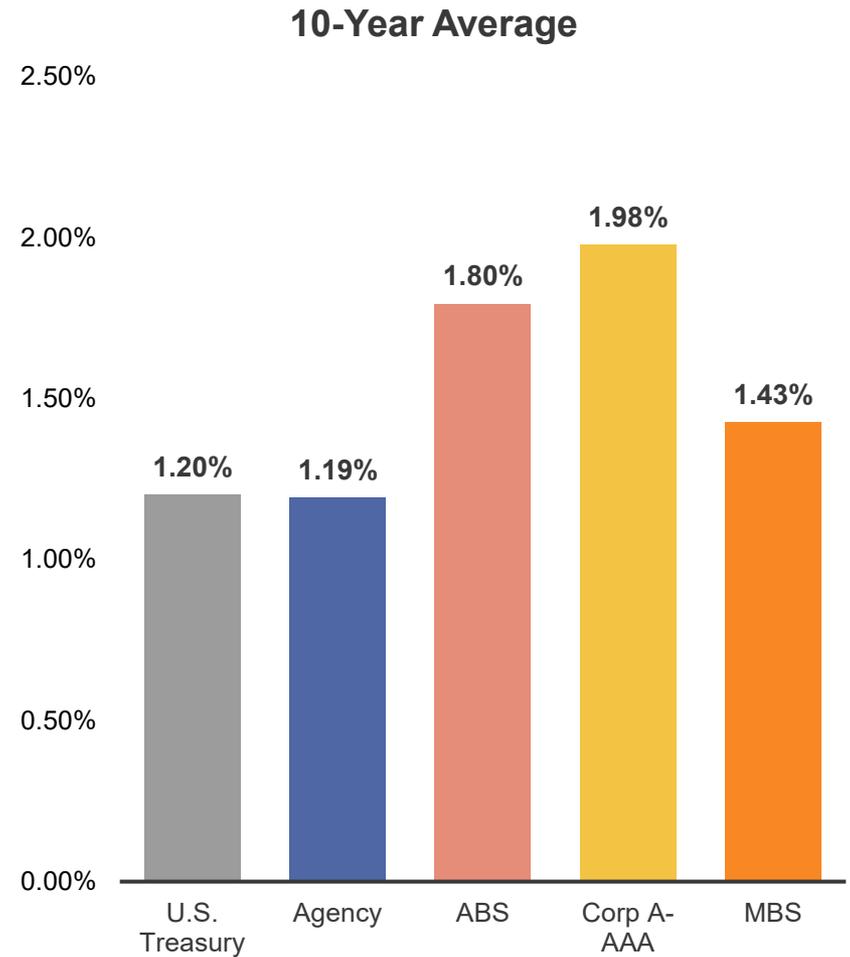
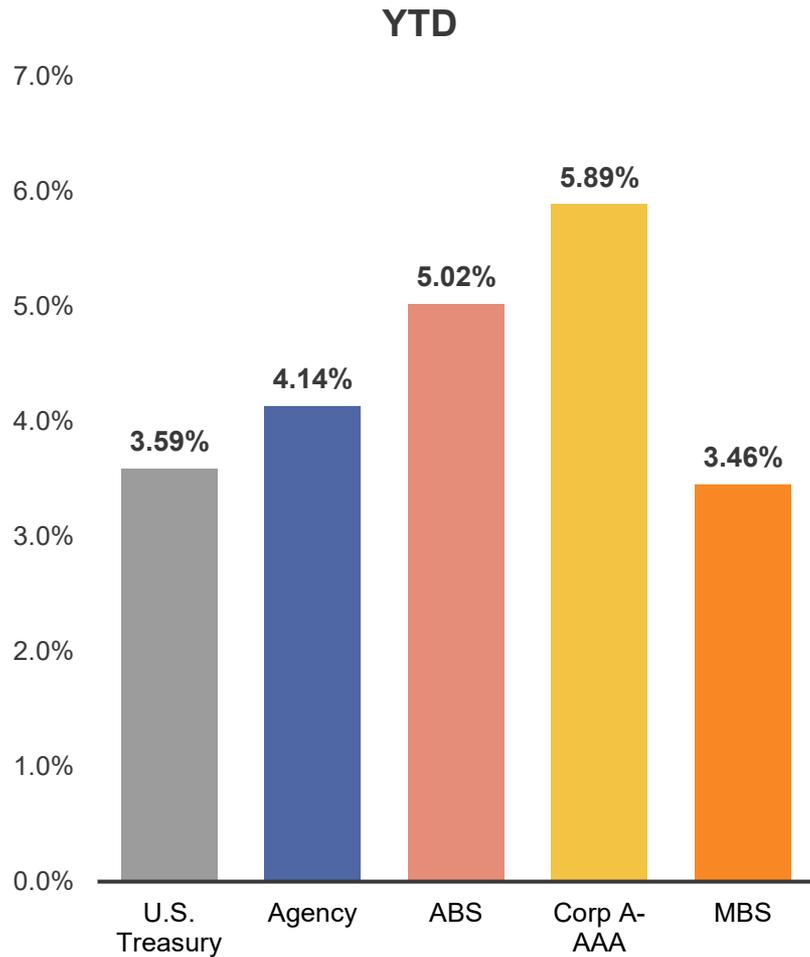
Asset-Backed Securities AAA Yield Spreads



Source: ICE BofA 1-5 year Indices via Bloomberg, MarketAxess and PFMAM as of 1/31/2024. Spreads on ABS and MBS are option-adjusted spreads of 0-5 year indices based on weighted average life; spreads on agencies are relative to comparable maturity Treasuries. CMBS is Commercial Mortgage-Backed Securities.

1-5 Year Indices Return

1-5 Year Indices



Source: ICE BofA Indices. ABS indices are 0-5 year, based on weighted average life. As of 1/31/2024.

PFMAM Fixed Income Composites



1-3 Year Composite



PFMAM 1-3 Year Fixed Income Composite

As of December 31, 2023

Year	PFMAM Composite Return (Gross of Fees)	PFMAM Composite Return (Net of Fees)	ICE BofA 1-3 Year Treasury Index	PFMAM Composite Dispersion (Gross of Fees)	Number of Accounts	Composite Assets (Millions)	Percentage of Firm Assets	Total Firm Assets (Millions)
2023 YTD	4.85%	4.33%	4.26%	0.16%	145	\$15,406	8.7%	\$176,883
2022	-3.15%	-3.63%	-3.65%	0.42%	147	\$13,426	8.7%	\$153,839
2021	-0.43%	-0.92%	-0.55%	0.09%	151	\$12,972	9.9%	\$130,407
2020	3.30%	2.79%	3.10%	0.28%	155	\$12,563	10.4%	\$121,169
2019	3.84%	3.32%	3.55%	0.25%	153	\$12,013	10.5%	\$114,275
2018	1.70%	1.19%	1.58%	0.09%	157	\$11,420	12.0%	\$95,311
2017	0.82%	0.31%	0.42%	0.17%	159	\$10,943	12.9%	\$84,652
2016	1.17%	0.67%	0.89%	0.11%	153	\$9,849	13.1%	\$74,979
2015	0.68%	0.18%	0.54%	0.13%	145	\$9,450	14.9%	\$63,625
2014	0.72%	0.21%	0.62%	0.14%	126	\$8,604	15.7%	\$54,889
2013	0.41%	-0.09%	0.36%	0.11%	118	\$7,975	15.4%	\$51,650

PFMAM 1-3 Year Fixed Income Composite

As of December 31, 2023

Periods Ended 12/31/23	Cumulative Annualized Return			Ex-Post Standard Deviation of Returns	
	PFMAM Composite (Gross of Fees)	PFMAM Composite (Net of Fees)	ICE BofA 1-3 Year Treasury Index	PFMAM Composite (Gross of Fees)	ICE BofA 1-3 Year Treasury Index
1 Year	4.85%	4.33%	4.26%	2.07%	2.37%
2 Year	0.77%	0.27%	0.23%	2.37%	2.53%
3 Year	0.37%	-0.13%	-0.04%	1.95%	2.07%
4 Year	1.09%	0.59%	0.74%	1.78%	1.98%
5 Year	1.64%	1.13%	1.30%	1.67%	1.85%
6 Year	1.65%	1.14%	1.34%	1.56%	1.74%
7 Year	1.53%	1.02%	1.21%	1.45%	1.62%
8 Year	1.48%	0.98%	1.17%	1.39%	1.55%
9 Year	1.39%	0.89%	1.10%	1.33%	1.48%
10 Year	1.33%	0.82%	1.05%	1.27%	1.42%

3-Year Periods Ending	3-Year Cumulative Return			3-Year Ex-Post Standard Deviation	
	PFMAM Composite (Gross of Fees)	PFMAM Composite (Net of Fees)	ICE BofA 1-3 Year Treasury Index	PFMAM Composite (Gross of Fees)	ICE BofA 1-3 Year Treasury Index
2023	0.37%	-0.13%	-0.04%	1.95%	2.07%
2022	-0.13%	-0.62%	-0.41%	1.54%	1.74%
2021	2.22%	1.71%	2.01%	0.96%	1.21%
2020	2.94%	2.43%	2.74%	0.91%	1.22%
2019	2.11%	1.60%	1.84%	0.84%	0.95%
2018	1.23%	0.72%	0.96%	0.73%	0.86%
2017	0.89%	0.39%	0.62%	0.67%	0.75%
2016	0.86%	0.35%	0.68%	0.68%	0.76%
2015	0.60%	0.10%	0.51%	0.52%	0.57%
2014	0.71%	0.20%	0.47%	0.43%	0.44%

PFMAM 1-3 Year Fixed Income Composite

As of December 31, 2023

Quarter Ended	Total Return		
	PFMAM Composite (Gross of Fees)	PFMAM Composite (Net of Fees)	ICE BofA 1-3 Year Treasury Index
12/31/2023	2.58%	2.46%	2.49%
9/30/2023	0.83%	0.70%	0.74%
6/30/2023	-0.16%	-0.28%	-0.57%
3/31/2023	1.52%	1.40%	1.55%
12/31/2022	0.81%	0.68%	0.74%
9/30/2022	-1.23%	-1.36%	-1.56%
6/30/2022	-0.52%	-0.65%	-0.50%
3/31/2022	-2.21%	-2.33%	-2.34%
12/31/2021	-0.52%	-0.65%	-0.53%
9/30/2021	0.07%	-0.05%	0.06%
6/30/2021	0.05%	-0.07%	-0.03%
3/31/2021	-0.03%	-0.15%	-0.05%
12/31/2020	0.17%	0.04%	0.05%
9/30/2020	0.22%	0.10%	0.10%
6/30/2020	1.05%	0.93%	0.13%
3/31/2020	1.83%	1.70%	2.81%
12/31/2019	0.53%	0.41%	0.51%
9/30/2019	0.69%	0.57%	0.58%
6/30/2019	1.41%	1.29%	1.44%
3/31/2019	1.15%	1.03%	0.98%

Quarter Ended	Total Return		
	PFMAM Composite (Gross of Fees)	PFMAM Composite (Net of Fees)	ICE BofA 1-3 Year Treasury Index
12/31/2018	1.08%	0.96%	1.29%
9/30/2018	0.39%	0.27%	0.19%
6/30/2018	0.36%	0.24%	0.22%
3/31/2018	-0.14%	-0.27%	-0.13%
12/31/2017	-0.16%	-0.28%	-0.25%
9/30/2017	0.32%	0.19%	0.24%
6/30/2017	0.31%	0.18%	0.17%
3/31/2017	0.35%	0.22%	0.26%
12/31/2016	-0.30%	-0.43%	-0.43%
9/30/2016	-0.01%	-0.13%	-0.11%
6/30/2016	0.53%	0.40%	0.53%
3/31/2016	0.95%	0.83%	0.90%
12/31/2015	-0.29%	-0.41%	-0.44%
9/30/2015	0.34%	0.22%	0.31%
6/30/2015	0.11%	-0.02%	0.15%
3/31/2015	0.52%	0.40%	0.52%
12/31/2014	0.20%	0.08%	0.17%
9/30/2014	0.03%	-0.09%	0.03%
6/30/2014	0.29%	0.17%	0.27%
3/31/2014	0.19%	0.06%	0.14%

PFMAM 1-3 Year Fixed Income Composite

As of December 31, 2023

IMPORTANT DISCLOSURES

PFM Asset Management LLC claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. PFM Asset Management LLC has been independently verified for the periods 2006 through 2021. The verification report is available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

FIRM DEFINITION

PFM Asset Management LLC is an investment adviser registered with the U.S. Securities and Exchange Commission and a subsidiary of U.S. Bancorp Asset Management, Inc. ("USBAM"). USBAM is a subsidiary of U.S. Bank National Association ("U.S. Bank"). U.S. Bank is a separate entity and subsidiary of U.S. Bancorp. U.S. Bank is not responsible for and does not guarantee the products, services or performance of PFMAM.

PFM Asset Management LLC was created in 2001; prior to 2001, PFMAM's investment advisory business was operated as part of Public Financial Management, Inc. utilizing the same personnel and investment process. Firm performance includes accounts managed by PFM Asset Management LLC, but which may have been previously managed by Public Financial Management, Inc. Stable value portfolios were managed by Fiduciary Capital Management, Inc. prior to December 15, 2017, when the assets of that firm were acquired by PFM Asset Management LLC. We manage short-term pools and money market funds, investment-grade fixed-income portfolios, stable value portfolios, and multi-asset class portfolios under a variety of individual client mandates. For important disclosure information please go to pfmam.com/disclosures.

COMPOSITE DESCRIPTION

PFMAM 1-3 Year Fixed Income Composite includes all institutional fixed-income portfolios with the majority of their assets in securities with maturities or effective durations between 1 and 3 years, and that are managed against the ICE BofA 1-3 Year US Treasury Index or an index with a similar effective duration. Accounts typically invest in US dollar denominated, investment-grade fixed-income securities, including US government securities, including bonds and notes of federal agencies, high quality money market, municipal and corporate debt instruments, generally limited to those rated A or better, and agency mortgage-backed securities. Accounts in this composite do not use leverage, complex derivatives, or short positions. Accounts in the composite will typically maintain an overall effective duration similar to that of the ICE BofA 1-3 Year US Treasury Index, but may vary by plus or minus 25%, or more. Individual accounts may have policies that are more or less restrictive than those described above, in some cases significantly so, and may use specific benchmarks that differ from the composite benchmark used in this presentation.

The composite creation date is September 2003; the composite inception date is January 1, 1998. The minimum portfolio size for inclusion in the composite is \$10 million. Only actual portfolios are included in the composites; the composite contains no simulated, model or non-fee paying portfolios.

PFMAM 1-3 Year Fixed Income Composite

As of December 31, 2023

BENCHMARK DESCRIPTION

Composite performance is compared to the ICE BofA 1-3 Year US Treasury Index. Benchmark returns are provided to represent the investment environment that existed during the time periods shown. The ICE BofA 1-3 Year US Treasury Index comprises all US Treasury securities (excluding TIPS and STRIPS) with maturities between 1 and 3 years, and is rebalanced monthly.

PERFORMANCE CALCULATIONS

Valuations are computed, and performance results and asset values are reported in US dollars. Gross-of-fees returns are presented before management fees, custodial fees and taxes, but after brokerage and other transaction fees, if any. The composite net-of-fees returns are calculated by deducting 1/12th of the model fee (0.50%) from the monthly gross composite return. Returns include the reinvestment of income. PFMAM's asset management standard investment advisory fee schedule is 0.25% per annum on first \$25 million and 0.15% per annum on assets over \$25 million, but actual fees may be higher or lower. Investment advisory fees are described in Part 2 of the firm's Form ADV. Fees have a compounding effect on the net return of a portfolio. As an example, the effect of investment advisory fees on the total value of a client's portfolio assuming (a) a \$1,000,000 initial investment, (b) portfolio return of 4% a year, and (c) 0.50% per annum fee charged monthly, is shown in the following table:

Period	Ending Portfolio Value	
	Without Fees (Gross)	After Fees (Net)
1 Year	\$1,040,742	\$1,035,567
5 Years	\$1,220,997	\$1,190,943
10 Years	\$1,490,833	\$1,418,345

Internal dispersion is calculated using the equal-weighted standard deviation of the annual gross returns of those portfolios that were included in the composite for the entire year; for years where there are five or fewer portfolios in the composite for the full annual period, dispersion is not presented, as it is deemed not meaningful. Benchmark returns are presented on a gross basis.

RISK DISCLOSURE

Actual performance results may differ from composite returns, depending on the size of the account, investment guidelines and restrictions, inception date and other factors. Past performance is not indicative of future results. As with any investment vehicle, there is always the potential for gains as well as the possibility of losses. There can be no assurance that a client portfolio will meet its performance objective.

ADDITIONAL INFORMATION

A list of composite descriptions and a list of broad distribution pooled funds are available upon request. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request. Requests should be made to Kenneth Schiebel, CFA, at schiebelk@pfmam.com.

1-5 Year Composite



PFMAM 1-5 Year Fixed Income Composite

As of December 31, 2023

Year	PFMAM Composite Return (Gross of Fees)	PFMAM Composite Return (Net of Fees)	ICE BofA 1-5 Year Treasury Index	ICE BofA 1-5 Year AAA-AA US Corporate & Government Index	PFMAM Composite Dispersion (Gross of Fees)	Number of Accounts	Composite Assets (Millions)	Percentage of Firm Assets	Total Firm Assets (Millions)
2023 YTD	4.81%	4.29%	4.30%	4.37%	0.22%	151	\$15,087	8.5%	\$176,883
2022	-4.77%	-5.25%	-5.25%	-5.27%	0.47%	151	\$14,758	9.6%	\$153,839
2021	-0.93%	-1.42%	-1.10%	-1.06%	0.14%	150	\$14,559	11.2%	\$130,407
2020	4.49%	3.97%	4.25%	4.25%	0.30%	140	\$12,110	10.0%	\$121,169
2019	4.54%	4.02%	4.20%	4.29%	0.33%	132	\$11,216	9.8%	\$114,275
2018	1.57%	1.07%	1.52%	1.55%	0.09%	129	\$9,692	10.2%	\$95,311
2017	1.09%	0.59%	0.65%	0.79%	0.20%	127	\$8,755	10.3%	\$84,652
2016	1.32%	0.81%	1.09%	1.14%	0.12%	106	\$6,504	8.7%	\$74,979
2015	1.13%	0.62%	0.98%	0.99%	0.13%	87	\$5,464	8.6%	\$63,625
2014	1.39%	0.89%	1.24%	1.30%	0.20%	71	\$4,560	8.3%	\$54,889
2013	0.02%	-0.48%	-0.19%	-0.08%	0.18%	62	\$4,394	8.5%	\$51,650

PFMAM 1-5 Year Fixed Income Composite

As of December 31, 2023

Periods Ended 12/31/23	Cumulative Annualized Return				Ex-Post Standard Deviation of Returns		
	PFMAM Composite (Gross of Fees)	PFMAM Composite (Net of Fees)	ICE BofA 1-5 Year Treasury Index	ICE BofA 1-5 Year AAA-AA US Corporate & Government Index	PFMAM Composite (Gross of Fees)	ICE BofA 1-5 Year Treasury Index	ICE BofA 1-5 Year AAA-AA US Corporate & Government Index
1 Year	4.81%	4.29%	4.30%	4.37%	3.11%	3.41%	3.39%
2 Year	-0.09%	-0.59%	-0.59%	-0.57%	3.35%	3.55%	3.55%
3 Year	-0.37%	-0.87%	-0.76%	-0.73%	2.76%	2.92%	2.91%
4 Year	0.82%	0.32%	0.47%	0.49%	2.53%	2.77%	2.73%
5 Year	1.55%	1.05%	1.21%	1.24%	2.38%	2.60%	2.57%
6 Year	1.55%	1.05%	1.26%	1.29%	2.24%	2.46%	2.42%
7 Year	1.49%	0.98%	1.17%	1.22%	2.09%	2.29%	2.26%
8 Year	1.47%	0.96%	1.16%	1.21%	2.03%	2.23%	2.20%
9 Year	1.43%	0.92%	1.14%	1.18%	1.95%	2.15%	2.12%
10 Year	1.42%	0.92%	1.15%	1.20%	1.87%	2.07%	2.03%

3-Year Periods Ending	3-Year Cumulative Return				3-Year Ex-Post Standard Deviation		
	PFMAM Composite (Gross of Fees)	PFMAM Composite (Net of Fees)	ICE BofA 1-5 Year Treasury Index	ICE BofA 1-5 Year AAA-AA US Corporate & Government Index	PFMAM Composite (Gross of Fees)	ICE BofA 1-5 Year Treasury Index	ICE BofA 1-5 Year AAA-AA US Corporate & Government Index
2023	-0.37%	-0.87%	-0.76%	-0.73%	2.76%	2.92%	2.91%
2022	-0.48%	-0.97%	-0.77%	-0.77%	2.23%	2.47%	2.42%
2021	2.66%	2.15%	2.42%	2.46%	1.40%	1.69%	1.61%
2020	3.52%	3.00%	3.31%	3.35%	1.39%	1.75%	1.65%
2019	2.39%	1.88%	2.11%	2.20%	1.28%	1.43%	1.39%
2018	1.32%	0.82%	1.08%	1.16%	1.27%	1.45%	1.40%
2017	1.18%	0.67%	0.90%	0.97%	1.23%	1.39%	1.34%
2016	1.28%	0.77%	1.10%	1.14%	1.27%	1.45%	1.40%
2015	0.84%	0.34%	0.67%	0.74%	1.09%	1.21%	1.19%
2014	1.06%	0.56%	0.65%	0.84%	0.98%	1.03%	1.01%

PFMAM 1-5 Year Fixed Income Composite

As of December 31, 2023

Quarter Ended	Total Return			
	PFMAM Composite (Gross of Fees)	PFMAM Composite (Net of Fees)	ICE BofA 1-5 Year Treasury Index	ICE BofA 1-5 Year AAA-AA US Corporate & Government Index
12/31/2023	3.17%	3.04%	3.10%	3.10%
9/30/2023	0.31%	0.18%	0.23%	0.24%
6/30/2023	-0.49%	-0.61%	-0.86%	-0.83%
3/31/2023	1.78%	1.65%	1.82%	1.82%
12/31/2022	0.95%	0.82%	0.95%	0.96%
9/30/2022	-1.93%	-2.05%	-2.28%	-2.28%
6/30/2022	-0.82%	-0.95%	-0.81%	-0.84%
3/31/2022	-3.01%	-3.13%	-3.16%	-3.17%
12/31/2021	-0.70%	-0.83%	-0.68%	-0.69%
9/30/2021	0.04%	-0.08%	0.00%	0.01%
6/30/2021	0.16%	0.04%	0.11%	0.13%
3/31/2021	-0.43%	-0.56%	-0.52%	-0.51%
12/31/2020	0.20%	0.07%	0.02%	0.05%
9/30/2020	0.28%	0.15%	0.13%	0.16%
6/30/2020	1.30%	1.18%	0.29%	0.47%
3/31/2020	2.65%	2.53%	3.80%	3.55%
12/31/2019	0.41%	0.29%	0.35%	0.37%
9/30/2019	0.87%	0.74%	0.75%	0.77%
6/30/2019	1.77%	1.64%	1.82%	1.82%
3/31/2019	1.42%	1.29%	1.22%	1.27%

Quarter Ended	Total Return			
	PFMAM Composite (Gross of Fees)	PFMAM Composite (Net of Fees)	ICE BofA 1-5 Year Treasury Index	ICE BofA 1-5 Year AAA-AA US Corporate & Government Index
12/31/2018	1.44%	1.31%	1.72%	1.67%
9/30/2018	0.30%	0.17%	0.05%	0.11%
6/30/2018	0.27%	0.15%	0.13%	0.15%
3/31/2018	-0.44%	-0.56%	-0.38%	-0.38%
12/31/2017	-0.29%	-0.41%	-0.38%	-0.36%
9/30/2017	0.38%	0.25%	0.29%	0.32%
6/30/2017	0.51%	0.38%	0.38%	0.42%
3/31/2017	0.49%	0.36%	0.37%	0.42%
12/31/2016	-0.96%	-1.08%	-1.09%	-1.07%
9/30/2016	-0.07%	-0.20%	-0.19%	-0.14%
6/30/2016	0.80%	0.67%	0.81%	0.82%
3/31/2016	1.56%	1.43%	1.57%	1.55%
12/31/2015	-0.45%	-0.58%	-0.66%	-0.63%
9/30/2015	0.68%	0.55%	0.70%	0.69%
6/30/2015	-0.02%	-0.14%	0.02%	0.02%
3/31/2015	0.92%	0.79%	0.92%	0.91%
12/31/2014	0.46%	0.33%	0.49%	0.48%
9/30/2014	-0.02%	-0.15%	-0.06%	-0.05%
6/30/2014	0.57%	0.45%	0.55%	0.57%
3/31/2014	0.38%	0.25%	0.26%	0.30%

PFMAM 1-5 Year Fixed Income Composite

As of December 31, 2023

IMPORTANT DISCLOSURES

PFM Asset Management LLC claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. PFM Asset Management LLC has been independently verified for the periods 2006 through 2021. The verification report is available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

FIRM DEFINITION

PFM Asset Management LLC is an investment adviser registered with the U.S. Securities and Exchange Commission and a subsidiary of U.S. Bancorp Asset Management, Inc. ("USBAM"). USBAM is a subsidiary of U.S. Bank National Association ("U.S. Bank"). U.S. Bank is a separate entity and subsidiary of U.S. Bancorp. U.S. Bank is not responsible for and does not guarantee the products, services or performance of PFMAM.

PFM Asset Management LLC was created in 2001; prior to 2001, PFMAM's investment advisory business was operated as part of Public Financial Management, Inc. utilizing the same personnel and investment process. Firm performance includes accounts managed by PFM Asset Management LLC, but which may have been previously managed by Public Financial Management, Inc. Stable value portfolios were managed by Fiduciary Capital Management, Inc. prior to December 15, 2017, when the assets of that firm were acquired by PFM Asset Management LLC. We manage short-term pools and money market funds, investment-grade fixed-income portfolios, stable value portfolios, and multi-asset class portfolios under a variety of individual client mandates. For important disclosure information please go to pfmam.com/disclosures.

COMPOSITE DESCRIPTION

PFMAM 1-5 Year Fixed Income Composite includes all institutional fixed-income portfolios with the majority of their assets in securities with maturities or effective durations between 1 and 5 years, and that are managed against the ICE BofA 1-5 Year US Treasury Index or an index with a similar effective duration. Accounts typically invest in US dollar denominated, investment-grade fixed-income securities, including US government securities, including bonds and notes of federal agencies, high quality money market, municipal and corporate debt instruments, generally limited to those rated A or better, and agency mortgage-backed securities. Accounts in this composite do not use leverage, complex derivatives, or short positions. Accounts in the composite will typically maintain an overall effective duration similar to that of the ICE BofA 1-5 Year US Treasury Index, but may vary by plus or minus 25%, or more. Individual accounts may have policies that are more or less restrictive than those described above, in some cases significantly so, and may use specific benchmarks that differ from those used as composite benchmarks in this presentation.

The composite creation date is September 2003; the composite inception date is January 1, 1998. The minimum portfolio size for inclusion in the composite is \$10 million. Only actual portfolios are included in the composites; the composite contains no simulated, model or non-fee paying portfolios.

PFMAM 1-5 Year Fixed Income Composite

As of December 31, 2023

BENCHMARK DESCRIPTION

Composite performance is compared to the ICE BofA 1-5 Year US Treasury Index and the ICE BofA 1-5 year AAA-AA US Corporate & Government Index. Benchmark returns are provided to represent the investment environment that existed during the time periods shown. The ICE BofA 1-5 Year US Treasury Index comprises all US Treasury securities (excluding TIPS and STRIPS) with maturities between 1 and 5 years, and is rebalanced monthly. The ICE BofA 1-5 year AAA-AA US Corporate & Government Index comprises US dollar denominated investment grade debt publicly issued in the US domestic market, including US Treasury, US agency, certain foreign government and supranational debt, and corporate securities; all that meet common index qualifications, are rated AA3 or better, and have maturities between 1 and 5 years. The index is rebalanced monthly. The ICE BofA 1-5 year AAA-AA US Corporate & Government Index was added as a second benchmark beginning 2012Q3 and is presented retroactively. The second benchmark was added to provide an additional comparison for those accounts with investment policies that permit a broader range of investments.

PERFORMANCE CALCULATIONS

Valuations are computed, and performance results and asset values are reported in US dollars. Gross-of-fees returns are presented before management fees, custodial fees and taxes, but after brokerage and other transaction fees, if any. The composite net-of-fees returns are calculated by deducting 1/12th of the model fee (0.50%) from the monthly gross composite return. Returns include the reinvestment of income. PFMAM's asset management standard investment advisory fee schedule is 0.25% per annum on first \$25 million and 0.15% per annum on assets over \$25 million, but actual fees may be higher or lower. Investment advisory fees are described in Part 2 of the firm's Form ADV. Fees have a compounding effect on the net return of a portfolio. As an example, the effect of investment advisory fees on the total value of a client's portfolio assuming (a) a \$1,000,000 initial investment, (b) portfolio return of 4% a year, and (c) 0.50% per annum fee charged monthly, is shown in the following table:

Period	Ending Portfolio Value	
	Without Fees (Gross)	After Fees (Net)
1 Year	\$1,040,742	\$1,035,567
5 Years	\$1,220,997	\$1,190,943
10 Years	\$1,490,833	\$1,418,345

Internal dispersion is calculated using the equal-weighted standard deviation of the annual gross returns of those portfolios that were included in the composite for the entire year; for years where there are five or fewer portfolios in the composite for the full annual period, dispersion is not presented, as it is deemed not meaningful. Benchmark returns are presented on a gross basis.

RISK DISCLOSURE

Actual performance results may differ from composite returns, depending on the size of the account, investment guidelines and restrictions, inception date and other factors. Past performance is not indicative of future results. As with any investment vehicle, there is always the potential for gains as well as the possibility of losses. There can be no assurance that a client portfolio will meet its performance objective.

ADDITIONAL INFORMATION

A list of composite descriptions and a list of broad distribution pooled funds are available upon request. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request. Requests should be made to Kenneth Schiebel, CFA, at schiebelk@pfmam.com.

Supplemental Custodian Information



Custody Information

- Utilizing U.S. Bank National Association (U.S. Bank) as custodian remains the sole choice of the City
- PFMAM will interface with U.S. Bank to settle all trades on behalf of the City

Role of PFMAM as Investment Advisor	Role of U.S. Bank as Custodian
<ul style="list-style-type: none">• Place trades on behalf of the City• Work with custodian to ensure proper settlement for all trades• Produce monthly statements reconciled to custodian bank using independent pricing source• Competitively bid all fixed income transactions	<ul style="list-style-type: none">• Hold securities in the City's name• Produce monthly statements that document holdings• Provide independent pricing for all securities held by the City• Process all transactions on behalf of the City (including collecting dividend and interest payments)• Keep assets completely separate from the bank's balance sheet

Disclaimer

Investment advisory services are provided by PFM Asset Management LLC (“PFMAM”), an investment adviser registered with the U.S. Securities and Exchange Commission and a subsidiary of U.S. Bancorp Asset Management, Inc. (“USBAM”). USBAM is a subsidiary of U.S. Bank National Association (“U.S. Bank”). U.S. Bank is a separate entity and subsidiary of U.S. Bancorp. U.S. Bank is not responsible for and does not guarantee the products, services or performance of PFMAM. The information contained is not an offer to purchase or sell any securities. Additional applicable regulatory information is available upon request.

For more information regarding PFMAM’s services or entities, please visit www.pfmam.com.