



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

## CITY COUNCIL AGENDA October 28, 2024

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

<https://zoom.us/j/92231361250>

*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: 922 3136 1250*

**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 1300 or 1303, or by sending an email to [cityclerk@milford-de.gov](mailto: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.

Investment Report<sup>1</sup>

FY23 Audit Update<sup>2</sup>

PNC BAN Update<sup>3</sup>

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.**

102124

<sup>1,2,3</sup> 102224 Items added

CITY OF MILFORD  
FINANCE & AUDIT COMMITTEE MINUTES  
July 22, 2024

The Finance and Audit Committee of the Milford City Council met on Monday, July 22, 2024 in the Joseph Ronnie Rogers Council Chambers at Milford City Hall, 201 South Walnut Street, Milford, Delaware.

PRESIDING: Chairman Jason James Sr.

IN ATTENDANCE: Committee Members:  
Councilpersons Daniel Marabello, Nirmala Samaroo, and Lori Connor

STAFF: City Manager Mark Whitfield, Finance Director Lou Vitola and City Clerk Katrina White

*Public Comment Period Prior to Official Meeting*

No one was signed up to speak and the floor was closed to public comments.

*Call to Order*

Chairman James called the Committee Meeting to order at 5:04 p.m. followed by a review of the agenda items.

*Investment Update*

Finance Director Lou Vitola reported that the investments are turning out returns and performance better than expectations, and PFM, as a partner was instrumental in helping put forth the expected interest income for Fiscal 25. They were started as conservatively as possible, but they are stronger than ever. He then introduced Zach O'Grady from PFM Asset Management.

Mr. O'Grady reported that it's a good quarter for each investment portfolio. Rates gravitated slightly higher over the quarter. The average purchase yield of the portfolio is 5.2 4%. The 2-year treasury has gravitated lower since purchasing the portfolio.

He then reviewed the Quarterly Market Summary that was included in the packet. The quarter ended just over \$34 million. When all of the investments are summed up there is an average maturity of about 1.3 years. A 0–5-year Treasury Benchmark is being used and has a duration of 2 years so as rates rise the portfolio is performing better than that of the benchmark, because it has less interest rate sensitivity. The portfolio is intentionally short of that benchmark because it is designed to meet the city's distinct cash flow needs.

He explained that safety is the utmost priority with the investments for the city, liquidity, making sure you have funds available to pay the bills and not selling securities unnecessarily early. These are highly liquid securities and they can be sold if needed. But to in an effort to, in the current rate environment, preserve the income amidst the backdrop of a Federal Reserve that might have been easing rates over the past couple of years or will over the next couple of years, it's important to keep frequent dialogue going such that if you can deploy funds with the first two priorities met, we do so.

Mr. O'Grady reported that performance for the first quarter of the calendar year and the second quarter is just over 1%. The quarter versus the benchmark was at .93% as rates rose ever so slightly over the quarter. The intentional, shorter duration posture versus the benchmark helped from a performance perspective. What also helped was some spread tightening. Holding those corporate investments and holding commercial paper as spreads tighten, those investments exhibit outperformance versus an all Treasury Benchmark. That was additive over the quarter. In closing, he stated that they will be showing on future reports, since inception performance, and that will be annualized performance since investing this investment portfolio on behalf of the city.

With no further business, Chairman James moved to adjourn the Finance and Audit Committee meeting at 5:29 p.m.

Respectfully submitted,

Katrina L. White, MMC  
City Clerk/Recorder



# CITY OF MILFORD, DELAWARE

## Investment Performance Review For the Quarter Ended September 30, 2024

### Client Management Team

Zach O'Grady, Director  
Marty Hammond, Managing Director  
Kecia Vaughn, Key Account Manager

### PFM Asset Management LLC

200 Princeton South Corporate  
Center Suite 270A  
Ewing, NJ 08628  
609-452-0263

213 Market Street  
Harrisburg, PA 17101-2141  
717-232-2723

**NOT FDIC INSURED : NO BANK GUARANTEE : MAY LOSE VALUE**

*For Institutional Investor or Investment Professional Use Only - This material is not for inspection by, distribution to, or quotation to the general public*

---

# Agenda

- Market Summary
- Portfolio Review

---

# Market Summary

## Summary

- ▶ Economic performance in the third quarter of 2024 continued to support a soft-landing outlook for the U.S. economy, underpinned by historically low unemployment, resilient consumer spending, record household wealth and a supportive Federal Reserve (Fed). Inflation continued to make progress towards the Fed's 2% target, while the labor market cooled from its formerly overheated state. This prompted the Fed to acknowledge that the risks on both sides of its dual mandate – stable prices and full employment – were now “roughly in balance.”
- ▶ The Fed cut the overnight policy rate by 50 bps (0.50%) to a new target range of 4.75% to 5.00% at its September 18 meeting, marking the first rate cut in over four years. Furthermore, the Fed's updated “dot plot” implied an additional 50 bps of rate cuts through the balance of 2024 and 100 bps of cuts in 2025. The Fed expects to reach the longer run “neutral” policy rate of 2.875% by the end of 2026.
- ▶ While the bond market priced in much of the Fed's forecasted rate trajectory into lower long-term bond yields, the equity and credit markets remained priced for a soft landing as positive sentiment and investor confidence continued to buoy risk asset valuations. Equity markets surged ahead in Q3. The S&P 500 Index returned 5.9% in the quarter, bringing YTD returns to 22.1%. In a reversal of the first half of the year, market strength broadened out as the Russell 2000 small cap index outperformed the S&P 500, returning 9.3% for the quarter. The NASDAQ also lagged, returning just 2.8% for the quarter. U.S. Treasury yields plunged in Q3, embracing the Fed's expected rate cutting cycle, which supported strong bond market performance.

## Economic Snapshot

- ▶ U.S. inflation readings continued to make progress toward the Fed's 2% target as both headline CPI (2.5%) and Core CPI (3.2%) ended the quarter at their lowest levels in over three years. Housing costs remain elevated, however, as shelter inflation at 5.2% year-over-year is roughly double the 2.6% average in the decade preceding the pandemic.
- ▶ U.S. Real GDP growth ramped up in Q2, with the third and final estimate reporting growth of 3.0%, nearly double the rate of the previous quarter. The main contributors of the increase were a surge in private inventories and an acceleration in consumer spending that were partially offset by a downturn in residential housing and weaker net exports.
- ▶ The U.S. labor market added an average of 186,000 jobs per month in Q3, which was a rebound from Q2's relatively weak reading of 147,000 per month. Additionally, the unemployment rate ended the quarter at 4.1%, flat for the quarter but up from 3.7% at the beginning of the year. While the pace of expected hirings has gradually slowed, layoff rates have remained near multi-year lows and weekly jobless claims are firmly below their long-term averages indicating the labor market remains healthy.

## Interest Rates

- ▶ The market spent most of the quarter preparing for the first rate cut in September, after the Fed noted in July that the risks to jobs and prices have come into better balance. The Fed delivered the much-anticipated interest rate cut at its September meeting and reduced the overnight rate by 50 bps, which was on the high side of expectations.
- ▶ U.S. Treasury yields fell sharply throughout Q3, reflecting the imminent outset of the Fed's cutting cycle. The yield on the 2-, 5-, and 10-year U.S. Treasuries ended the quarter at 3.64%, 3.56%, and 3.78%, respectively. This represented decreases of 111 bps, 82 bps, and 62 bps, respectively.
- ▶ After spending a record amount of time inverted, the yield curve steepened (as measured by the yield difference between the 2- and 10-year U.S. Treasury notes) and dis-inverted for the first time since July 2022.
- ▶ As a result of lower yields, U.S. Treasury indices generated strong total returns for the quarter. The ICE BofA 2-Year and 5-Year U.S. Treasury indices returned 2.85% and 4.41% respectively, while the 10-Year U.S. Treasury index returned 5.73% for the quarter.

## Sector Performance

- ▶ Sustained investor appetite continued to pressure yield spreads toward near multi-year lows across most investment grade sectors throughout Q3, resulting in firmly positive excess returns on the corporate and mortgage-related sectors.
- ▶ Federal agency and supranational spreads remained low and rangebound throughout Q3. These sectors produced muted excess returns relative to other investment grade fixed income sectors as issuance remained quite light and the incremental income from the sectors was near zero.
- ▶ Investment-grade (IG) corporates posted a strong quarter as sustained high issuance carried over from Q1 and Q2 was well-absorbed by robust investor demand. As a result, spreads ended the quarter very near their two-year lows. From an excess return perspective, lower-quality and longer-duration issuers generally outperformed. Performance of financial and banking issuers once again led most other industries across most of the yield curve during the quarter.
- ▶ Most mortgage-related sectors were top of class performers during Q3 as spreads continued to test 12-month lows. Agency-backed mortgages rebounded soundly in Q3 following an underwhelming Q2. Declining mortgage rates and a somewhat more positive outlook in the housing market provided a tailwind for the sector during the quarter.
- ▶ Unlike corporates, AAA-rated asset-backed securities (ABS) generated muted excess returns for the quarter as spreads remained modestly elevated for both automobile and credit card collateral. Attractive incremental income from the sector helped offset modest price declines for the quarter.

Economic Snapshot

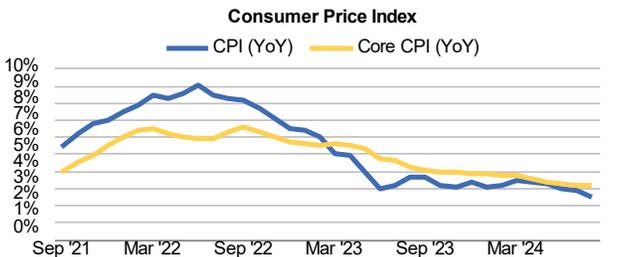
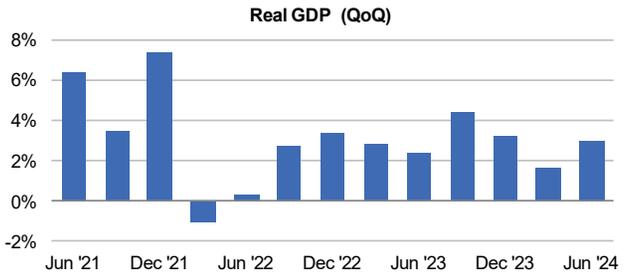
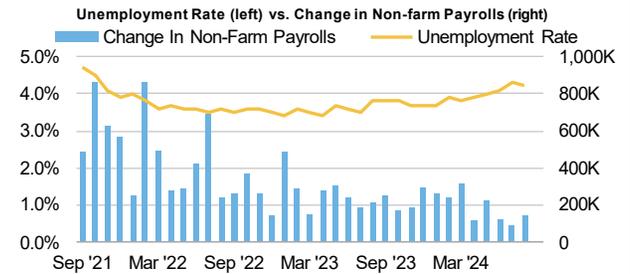
Labor Market	Latest	Jun '24	Sep '23	
Unemployment Rate	Aug '24	4.2%	4.1%	3.8%
Change In Non-Farm Payrolls	Aug '24	142,000	118,000	246,000
Average Hourly Earnings (YoY)	Aug '24	3.8%	3.8%	4.5%
Personal Income (YoY)	Aug '24	5.6%	5.8%	5.4%
Initial Jobless Claims (week)	9/28/24	225,000	239,000	216,000

Growth	Latest	Jun '24	Sep '23	
Real GDP (QoQ SAAR)	2024Q2	3.0%	1.6% <sup>1</sup>	2.4% <sup>2</sup>
GDP Personal Consumption (QoQ SAAR)	2024Q2	2.8%	1.9% <sup>1</sup>	1.0% <sup>2</sup>
Retail Sales (YoY)	Aug '24	2.1%	2.0%	4.2%
ISM Manufacturing Survey (month)	Sep '24	47.2	48.5	48.6
Existing Home Sales SAAR (month)	Aug '24	3.86 mil.	3.90 mil.	3.98 mil.

Inflation/Prices	Latest	Jun '24	Sep '23	
Personal Consumption Expenditures (YoY)	Aug '24	2.2%	2.4%	3.4%
Consumer Price Index (YoY)	Aug '24	2.5%	3.0%	3.7%
Consumer Price Index Core (YoY)	Aug '24	3.2%	3.3%	4.1%
Crude Oil Futures (WTI, per barrel)	Sep 30	\$68.17	\$81.54	\$90.79
Gold Futures (oz.)	Sep 30	\$2,636	\$2,340	\$1,848



1. Data as of First Quarter 2024.

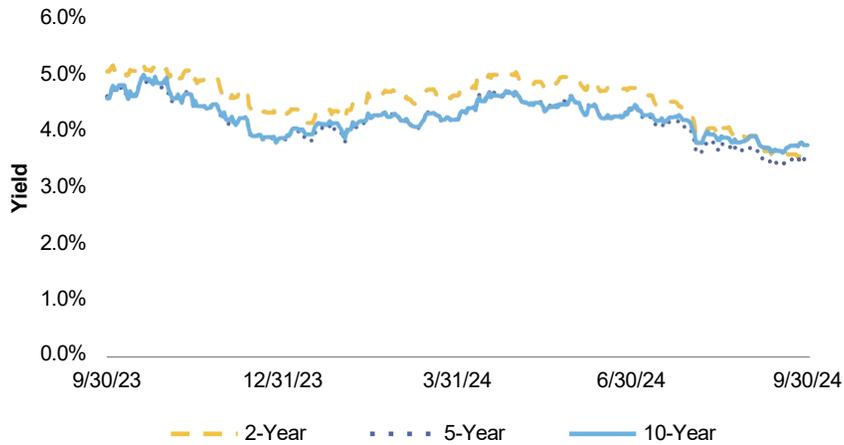
2. Data as of Second Quarter 2023.

Note: YoY = year-over-year, QoQ = quarter-over-quarter, SAAR = seasonally adjusted annual rate, WTI = West Texas Intermediate crude oil.

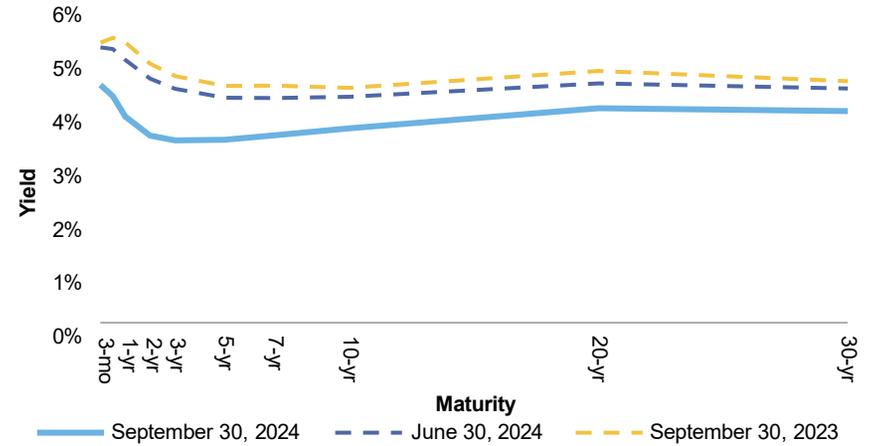
Source: Bloomberg.

### Interest Rate Overview

U.S. Treasury Note Yields



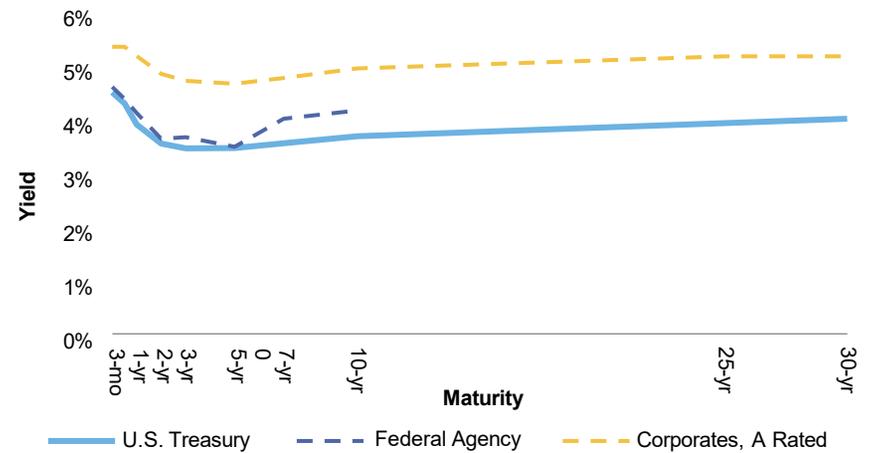
U.S. Treasury Yield Curve



U.S. Treasury Yields

Maturity	Sep '24	Jun '24	Change over Quarter	Sep '23	Change over Year
3-Month	4.63%	5.36%	(0.73%)	5.45%	(0.82%)
1-Year	4.01%	5.12%	(1.11%)	5.46%	(1.45%)
2-Year	3.64%	4.76%	(1.12%)	5.05%	(1.41%)
5-Year	3.56%	4.38%	(0.82%)	4.61%	(1.05%)
10-Year	3.78%	4.40%	(0.62%)	4.57%	(0.79%)
30-Year	4.12%	4.56%	(0.44%)	4.70%	(0.58%)

Yield Curves as of September 30, 2024



Source: Bloomberg.

**ICE BofAML Index Returns**

September 30, 2024	As of 09/30/2024		Returns for Periods ended 09/30/2024		
	Duration	Yield	3 Month	1 Year	3 Years
<b>1-3 Year Indices</b>					
U.S. Treasury	1.83	3.70%	2.87%	6.74%	1.33%
Federal Agency	1.46	3.80%	2.52%	6.68%	1.42%
U.S. Corporates, A-AAA rated	1.86	4.27%	3.18%	8.16%	2.00%
Agency MBS (0 to 3 years)	1.41	4.63%	2.70%	7.77%	1.06%
Taxable Municipals	2.01	4.09%	2.78%	7.18%	1.81%
<b>1-5 Year Indices</b>					
U.S. Treasury	2.59	3.65%	3.39%	7.44%	0.76%
Federal Agency	1.91	3.72%	2.77%	7.04%	0.85%
U.S. Corporates, A-AAA rated	2.54	5.13%	0.97%	5.75%	0.26%
Agency MBS (0 to 5 years)	2.33	4.61%	3.72%	9.89%	0.43%
Taxable Municipals	2.51	4.09%	3.23%	7.63%	1.17%
<b>Master Indices (Maturities 1 Year or Greater)</b>					
U.S. Treasury	6.38	3.78%	4.84%	9.93%	(1.89%)
Federal Agency	3.38	3.79%	3.51%	8.49%	0.07%
U.S. Corporates, A-AAA rated	7.00	4.58%	5.73%	13.38%	(1.22%)
Agency MBS (0 to 30 years)	5.12	4.50%	5.54%	12.37%	(1.21%)
Taxable Municipals	9.13	4.76%	5.66%	13.63%	(3.04%)

Returns for periods greater than one year are annualized.

Source: ICE BofAML Indices.

## Disclosures

*The views expressed within this material constitute the perspective and judgment of U.S. Bancorp Asset Management, Inc. at the time of distribution and are subject to change. Any forecast, projection, or prediction of the market, the economy, economic trends, and equity or fixed-income markets are based upon current opinion as of the date of issue and are also subject to change. Opinions and data presented are not necessarily indicative of future events or expected performance. Information contained herein is based on data obtained from recognized statistical services, issuer reports or communications, or other sources, believed to be reliable. No representation is made as to its accuracy or completeness.*

*PFM Asset Management serves clients in the public sector and is a division of U.S. Bancorp Asset Management, Inc., which is the legal entity providing investment advisory services. U.S. Bancorp Asset Management, Inc. is a registered investment adviser, a direct subsidiary of U.S. Bank N.A. and an indirect subsidiary of U.S. Bancorp. U.S. Bank N.A. is not responsible for and does not guarantee the products, services, or performance of U.S. Bancorp Asset Management, Inc.*

*NOT FDIC INSURED : NO BANK GUARANTEE : MAY LOSE VALUE*

*Further distribution is not permitted without prior written consent.*

---

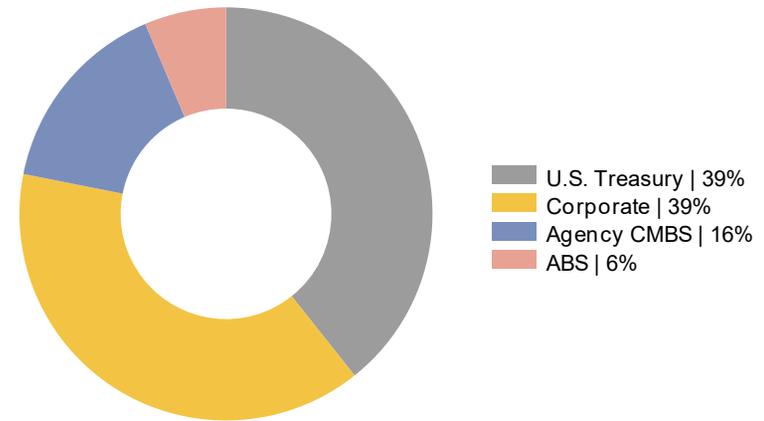
Portfolio Review:  
CITY OF MILFORD, DELAWARE

## Portfolio Snapshot - CITY OF MILFORD, DELAWARE<sup>1</sup>

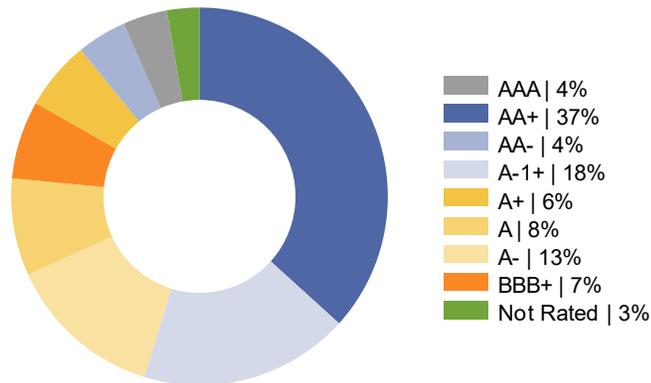
### Portfolio Statistics

<b>Total Market Value</b>	\$34,946,844.94
<i>Securities Sub-Total</i>	\$34,700,975.28
<i>Accrued Interest</i>	\$215,402.42
<i>Cash</i>	\$30,467.24
<b>Portfolio Effective Duration</b>	1.56 years
<b>Benchmark Effective Duration</b>	2.06 years
<b>Yield At Cost</b>	4.92%
<b>Yield At Market</b>	4.48%
<b>Portfolio Credit Quality</b>	AA

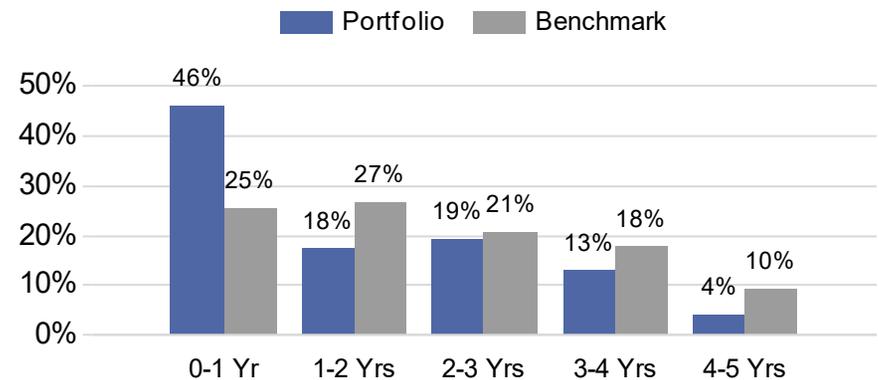
### Sector Allocation



### Credit Quality - S&P



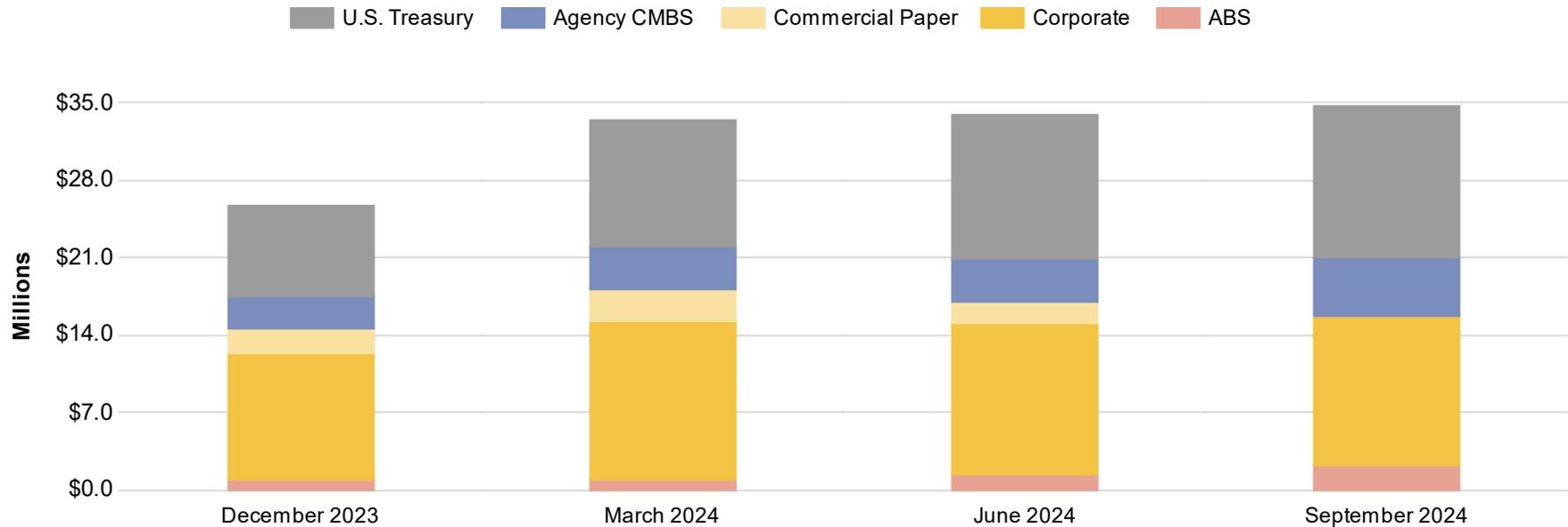
### Duration Distribution



1. Yield and duration calculations exclude cash and cash equivalents. Sector allocation includes market values and accrued interest. The portfolio's benchmark is the ICE BofA 0-5 Year U.S. Treasury Index. Source: Bloomberg Financial LP. An average of each security's credit rating was assigned a numeric value and adjusted for its relative weighting in the portfolio.

### Sector Allocation Review - CITY OF MILFORD, DELAWARE

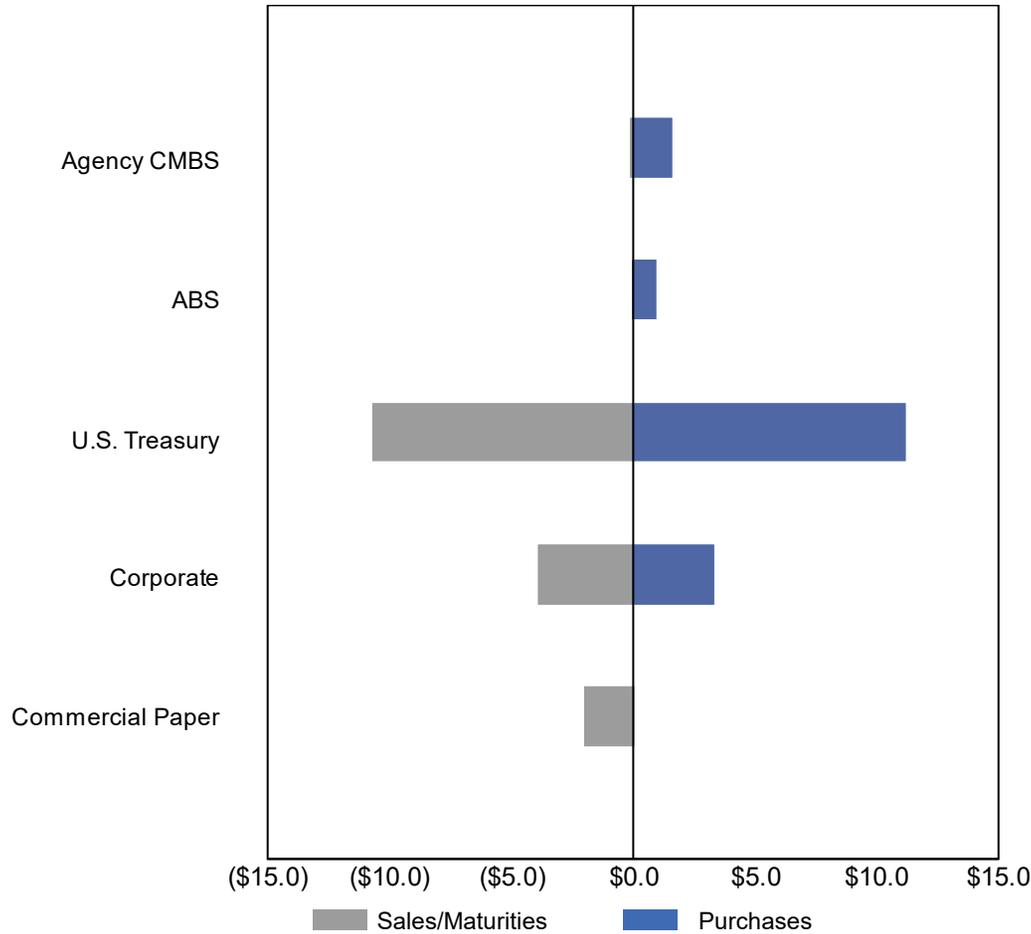
Security Type	Dec-23	% of Total	Mar-24	% of Total	Jun-24	% of Total	Sep-24	% of Total
U.S. Treasury	\$8.2	31.9%	\$11.4	34.2%	\$13.0	38.3%	\$13.6	39.3%
Agency CMBS	\$2.9	11.3%	\$3.9	11.5%	\$3.8	11.3%	\$5.4	15.5%
Commercial Paper	\$2.3	9.0%	\$2.9	8.5%	\$2.0	5.9%	\$0.0	0.0%
Corporate	\$11.3	44.0%	\$14.3	42.9%	\$13.7	40.6%	\$13.5	38.8%
ABS	\$1.0	3.8%	\$1.0	2.9%	\$1.3	3.9%	\$2.2	6.4%
<b>Total</b>	<b>\$25.8</b>	<b>100.0%</b>	<b>\$33.4</b>	<b>100.0%</b>	<b>\$33.8</b>	<b>100.0%</b>	<b>\$34.7</b>	<b>100.0%</b>



Market values, excluding accrued interest. Only includes fixed-income securities held within the separately managed account(s) and LGIPs managed by PFMAM. Detail may not add to total due to rounding.

## Portfolio Activity - CITY OF MILFORD, DELAWARE

**Net Activity by Sector**  
(\$ millions)

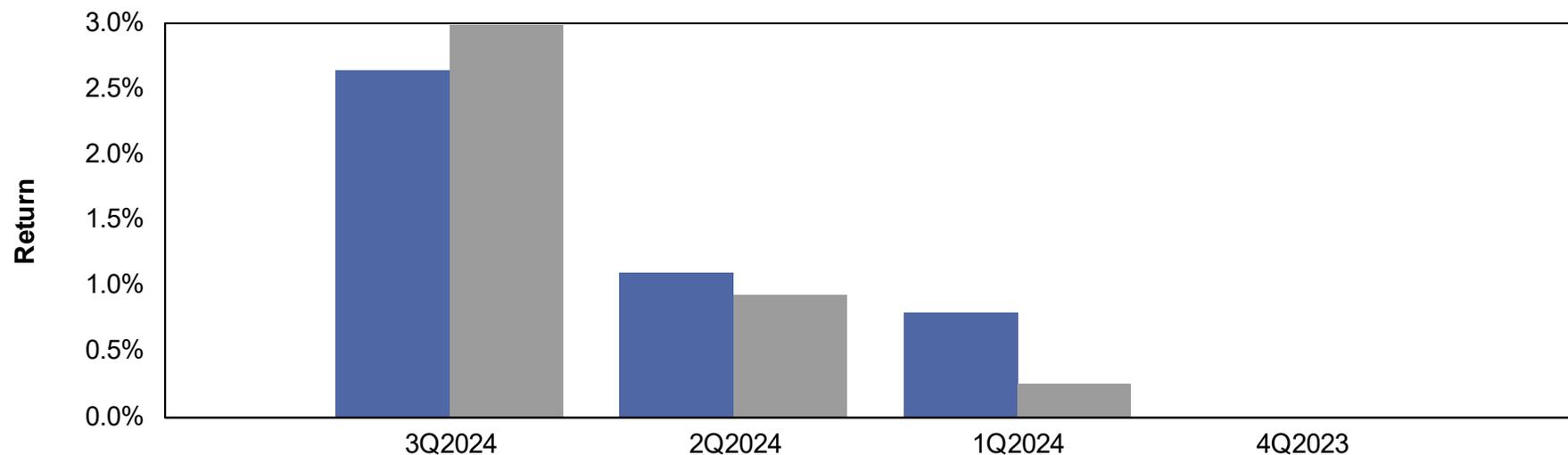


Sector	Net Activity
Agency CMBS	\$1,450,553
ABS	\$885,015
U.S. Treasury	\$470,402
Corporate	(\$567,869)
Commercial Paper	(\$2,000,000)
<b>Total Net Activity</b>	<b>\$238,101</b>

Based on total proceeds (principal and accrued interest) of buys, sells, maturities, and principal paydowns. Detail may not add to total due to rounding.

## Portfolio Performance

■ Portfolio ■ Benchmark



Market Value Basis Earnings	3Q2024	2Q2024	1Q2024	4Q2023
Interest Earned <sup>1</sup>	\$245,793	\$218,441	\$212,243	-
Change in Market Value	\$637,303	\$150,073	\$33,831	-
<b>Total Dollar Return</b>	<b>\$883,096</b>	<b>\$368,514</b>	<b>\$246,074</b>	<b>-</b>
<b>Total Return<sup>2</sup></b>				
Portfolio	2.64%	1.09%	0.81%	-
Benchmark <sup>3</sup>	2.99%	0.93%	0.25%	-
<b>Difference</b>	<b>-0.34%</b>	<b>0.16%</b>	<b>0.55%</b>	<b>-</b>

1. Interest earned calculated as the ending accrued interest less beginning accrued interest, plus net interest activity.

2. Returns are presented on a periodic basis.

3. The portfolio's benchmark is the ICE BofA 0-5 Year U.S. Treasury Index. Source: Bloomberg Financial LP.

---

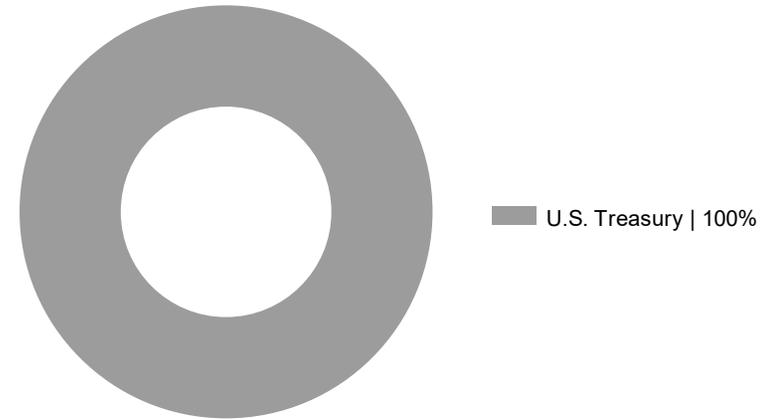
Portfolio Review:  
CITY OF MILFORD CASHFLOW ACCOUNT

## Portfolio Snapshot - CITY OF MILFORD CASHFLOW ACCOUNT<sup>1</sup>

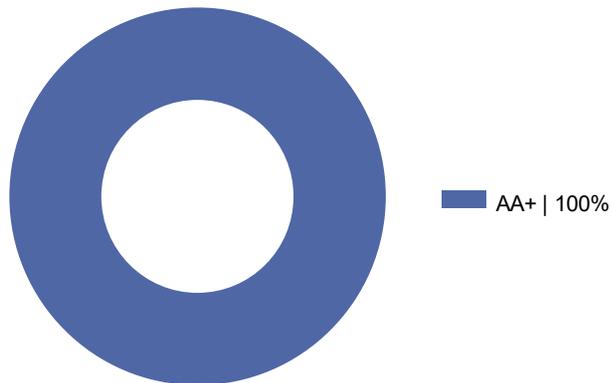
### Portfolio Statistics

<b>Total Market Value</b>	\$5,082,728.92
<i>Securities Sub-Total</i>	\$5,066,582.50
<i>Accrued Interest</i>	\$16,146.42
<i>Cash</i>	\$0.00
<b>Portfolio Effective Duration</b>	3.30 years
<b>Yield At Cost</b>	4.74%
<b>Yield At Market</b>	3.81%
<b>Portfolio Credit Quality</b>	AA

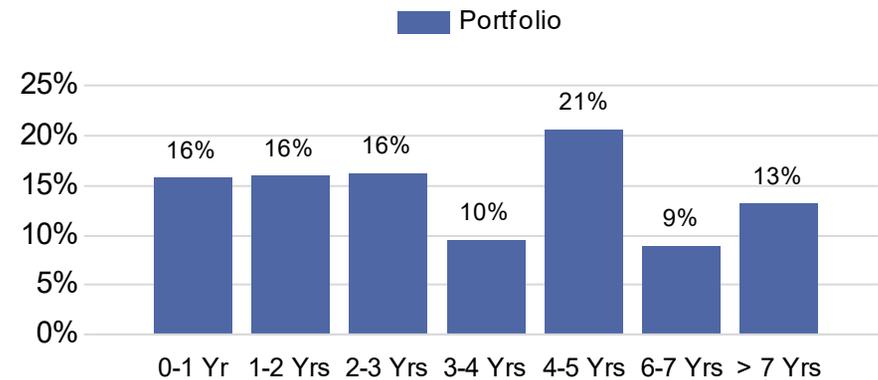
### Sector Allocation



### Credit Quality - S&P



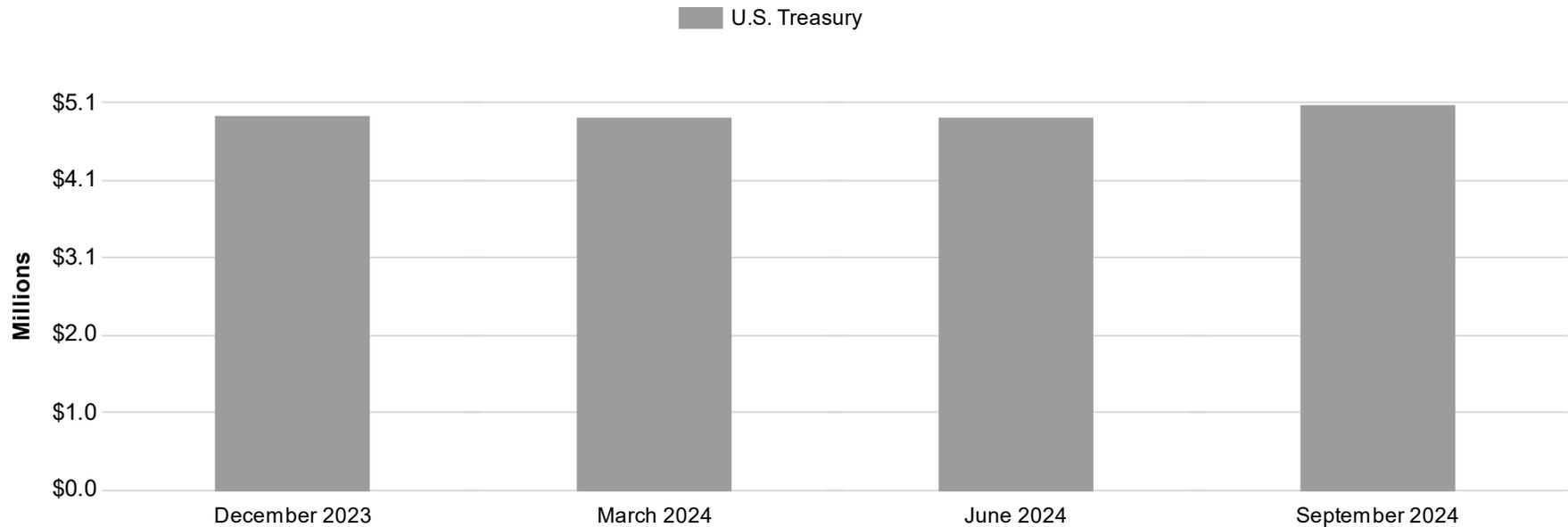
### Duration Distribution



1. Yield and duration calculations exclude cash and cash equivalents. Sector allocation includes market values and accrued interest. An average of each security's credit rating was assigned a numeric value and adjusted for its relative weighting in the portfolio.

### Sector Allocation Review - CITY OF MILFORD CASHFLOW ACCOUNT

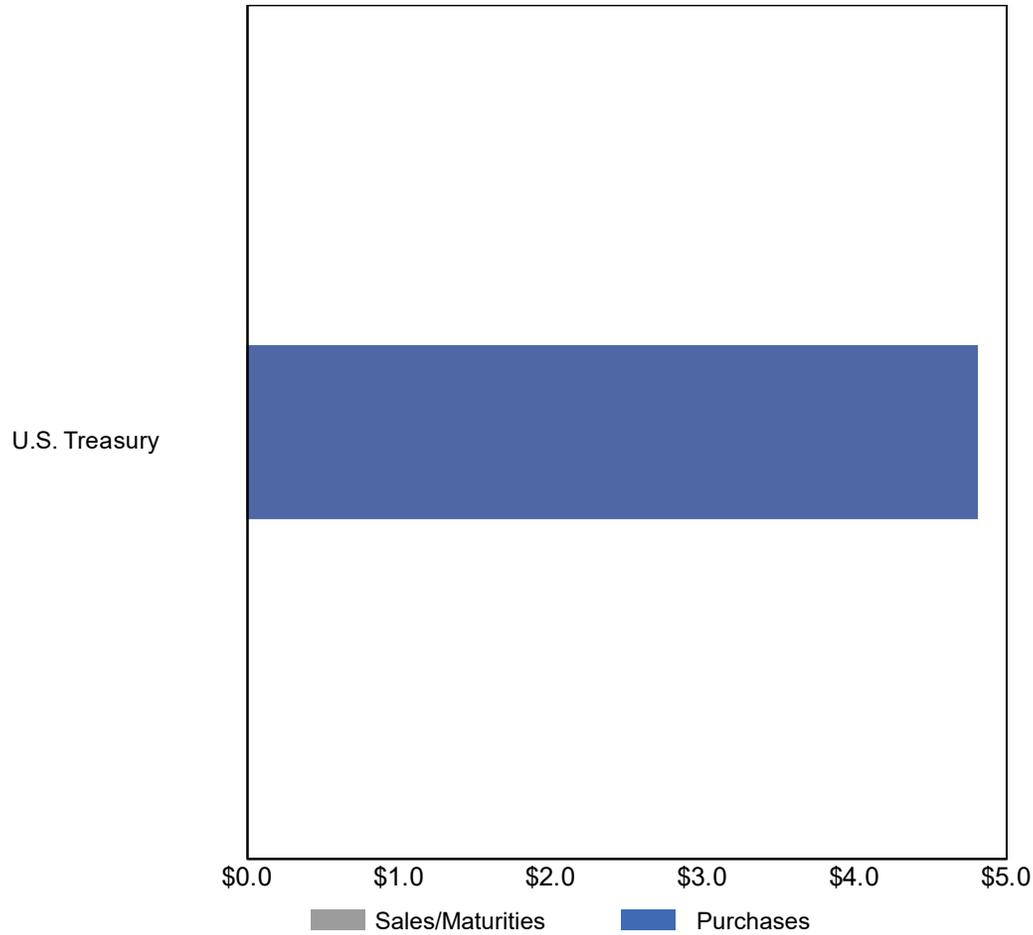
Security Type	Dec-23	% of Total	Mar-24	% of Total	Jun-24	% of Total	Sep-24	% of Total
U.S. Treasury	\$4.9	100.0%	\$4.9	100.0%	\$4.9	100.0%	\$5.1	100.0%
<b>Total</b>	<b>\$4.9</b>	<b>100.0%</b>	<b>\$4.9</b>	<b>100.0%</b>	<b>\$4.9</b>	<b>100.0%</b>	<b>\$5.1</b>	<b>100.0%</b>



Market values, excluding accrued interest. Only includes fixed-income securities held within the separately managed account(s) and LGIPs managed by PFMAM. Detail may not add to total due to rounding.

## Portfolio Activity (12 Months) - CITY OF MILFORD CASHFLOW ACCOUNT

**Net Activity by Sector**  
(\$ millions)



Sector	Net Activity
U.S. Treasury	\$4,802,275
<b>Total Net Activity</b>	<b>\$4,802,275</b>

Based on total proceeds (principal and accrued interest) of buys, sells, maturities, and principal paydowns. Detail may not add to total due to rounding.

## Important Disclosures

This material is for general information purposes only and is not intended to provide specific advice or a specific recommendation, as it was prepared without regard to any specific objectives or financial circumstances.

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.

PFMAM professionals have exercised reasonable professional care in the preparation of this performance report. Information in this report is obtained from sources external to PFMAM and is generally believed to be reliable and available to the public; however, we cannot guarantee its accuracy, completeness or suitability. We rely on the client's custodian for security holdings and market values. Transaction dates reported by the custodian may differ from money manager statements. While efforts are made to ensure the data contained herein is accurate and complete, we disclaim all responsibility for any errors that may occur. References to particular issuers are for illustrative purposes only and are not intended to be recommendations or advice regarding such issuers. Fixed income manager and index characteristics are gathered from external sources. When average credit quality is not available, it is estimated by taking the market value weights of individual credit tiers on the portion of the strategy rated by a NRSRO.

It is not possible to invest directly in an index. The index returns shown throughout this material do not represent the results of actual trading of investor assets. Third-party providers maintain the indices shown and calculate the index levels and performance shown or discussed. Index returns do not reflect payment of any sales charges or fees an investor would pay to purchase the securities they represent. The imposition of these fees and charges would cause investment performance to be lower than the performance shown.

The views expressed within this material constitute the perspective and judgment of PFMAM at the time of distribution and are subject to change. Any forecast, projection, or prediction of the market, the economy, economic trends, and equity or fixed-income markets are based upon certain assumptions and current opinion as of the date of issue and are also subject to change. Some, but not all assumptions are noted in the report. Assumptions may or may not be proven correct as actual events occur, and results may depend on events outside of your or our control. Changes in assumptions may have a material effect on results. Opinions and data presented are not necessarily indicative of future events or expected performance.

For more information regarding PFMAM's services or entities, please visit [www.pfmam.com](http://www.pfmam.com).

© 2023 PFM Asset Management LLC. Further distribution is not permitted without prior written consent.

## Important Disclosures

- Market values that include accrued interest are derived from closing bid prices as of the last business day of the month as supplied by Refinitiv, Bloomberg, or Telerate. Where prices are not available from generally recognized sources, the securities are priced using a yield-based matrix system to arrive at an estimated market value.
- In accordance with generally accepted accounting principles, information is presented on a trade date basis; forward settling purchases are included in the monthly balances, and forward settling sales are excluded.
- Performance is presented in accordance with the CFA Institute's Global Investment Performance Standards (GIPS). Unless otherwise noted, performance is shown gross of fees. Quarterly returns are presented on an unannualized basis. Returns for periods greater than one year are presented on an annualized basis. **Past performance is not indicative of future returns.**
- ICE Bank of America Indices provided by Bloomberg Financial Markets.
- Money market fund/cash balances are included in performance and duration computations.
- Standard & Poor's is the source of the credit ratings. Distribution of credit rating is exclusive of money market fund/LGIP holdings.
- Callable securities in the portfolio are included in the maturity distribution analysis to their stated maturity date, although, they may be called prior to maturity.
- MBS maturities are represented by expected average life.

## Glossary

- **Accrued Interest:** Interest that is due on a bond or other fixed income security since the last interest payment was made.
- **Agencies:** Federal agency securities and/or Government-sponsored enterprises.
- **Amortized Cost:** The original cost of the principal of the security is adjusted for the amount of the periodic reduction of any discount or premium from the purchase date until the date of the report. Discount or premium with respect to short-term securities (those with less than one year to maturity at time of issuance) is amortized on a straight line basis. Such discount or premium with respect to longer-term securities is amortized using the constant yield basis.
- **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.
- **Bankers' Acceptance:** A draft or bill of exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill as well as the insurer.
- **Commercial Paper:** An unsecured obligation issued by a corporation or bank to finance its short-term credit needs, such as accounts receivable and inventory.
- **Contribution to Total Return:** The weight of each individual security multiplied by its return, then summed for each sector to determine how much each sector added or subtracted from the overall portfolio performance.
- **Effective Duration:** A measure of the sensitivity of a security's price to a change in interest rates, stated in years.
- **Effective Yield:** The total yield an investor receives in relation to the nominal yield or coupon of a bond. Effective yield takes into account the power of compounding on investment returns, while nominal yield does not.
- **FDIC:** Federal Deposit Insurance Corporation. A federal agency that insures bank deposits to a specified amount.
- **Interest Rate:** Interest per year divided by principal amount and expressed as a percentage.
- **Market Value:** The value that would be received or paid for an investment in an orderly transaction between market participants at the measurement date.
- **Maturity:** The date upon which the principal or stated value of an investment becomes due and payable.
- **Negotiable Certificates of Deposit:** A CD with a very large denomination, usually \$1 million or more, that can be traded in secondary markets.
- **Par Value:** The nominal dollar face amount of a security.
- **Pass-through Security:** A security representing pooled debt obligations that passes income from debtors to its shareholders. The most common type is the mortgage-backed security.

## Glossary

- **Repurchase Agreements:** A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date.
- **Settle Date:** The date on which the transaction is settled and monies/securities are exchanged. If the settle date of the transaction (i.e., coupon payments and maturity proceeds) occurs on a non-business day, the funds are exchanged on the next business day.
- **Supranational:** A multinational union or association in which member countries cede authority and sovereignty on at least some internal matters to the group, whose decisions are binding on its members.
- **Trade Date:** The date on which the transaction occurred; however, the final consummation of the security transaction and payment has not yet taken place.
- **Unsettled Trade:** A trade which has been executed; however, the final consummation of the security transaction and payment has not yet taken place.
- **U.S. Treasury:** The department of the U.S. government that issues Treasury securities.
- **Yield:** The rate of return based on the current market value, the annual interest receipts, maturity value, and the time period remaining until maturity, stated as a percentage on an annualized basis.
- **YTM at Cost:** The yield to maturity at cost is the expected rate of return based on the original cost, the annual interest receipts, maturity value, and the time period from purchase date to maturity, stated as a percentage on an annualized basis.
- **YTM at Market:** The yield to maturity at market is the rate of return based on the current market value, the annual interest receipts, maturity value, and the time period remaining until maturity, stated as a percentage on an annualized basis.



# The City of Milford, Delaware

## Annual Financial Statements

Including Independent Auditor's Report

As of and for the Year Ended June 30, 2023

---

The City of Milford, Delaware  
Table of Contents

---

<b>TRANSMITTAL LETTER .....</b>	<b>i</b>
<b>INDEPENDENT AUDITOR’S REPORT.....</b>	<b>1</b>
<b>MANAGEMENT’S DISCUSSION AND ANALYSIS .....</b>	<b>3</b>
<b>BASIC FINANCIAL STATEMENTS .....</b>	<b>4</b>
<b>Government-Wide Financial Statements</b>	
Statement of Net Position .....	15
Statement of Activities .....	16
<b>Fund Financial Statements</b>	
<b>Governmental Funds</b>	
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
<b>Proprietary Funds</b>	
Statement of Net Position .....	21
Statement of Revenues, Expenses and Changes in Net Position .....	22
Statement of Cash Flows .....	23
<b>NOTES TO THE BASIC FINANCIAL STATEMENTS .....</b>	<b>24</b>
<b>REQUIRED SUPPLEMENTARY INFORMATION .....</b>	<b>55</b>
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
<b>ADDITIONAL INFORMATION AND REPORTS .....</b>	<b>60</b>

---

The City of Milford, Delaware  
Table of Contents

---

DRAFT

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* ..... 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

October 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, 2023.

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, 2023. 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 fifth largest city in population in the State of Delaware, serving more than 13,000 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. We especially appreciate the active interest and open 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]

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, 2023. 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](http://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 \$115,109,690 million (net position). This number must be viewed in the context that a significant portion of the City's net position (\$68.2 million, or 59%) 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 \$7.7 million (6.7%). The remaining \$24.9 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 decreased by \$11.3 million (31.4%) during fiscal year 2023 (FY23).

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 \$33.8 million combined ending net position. Within this total, \$28.1 million (17.0%) is invested in capital assets, net of related debt, \$7.7 million is restricted by specific legal requirements and **(\$1.9)** 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 \$4.4 million increase in net position to \$81.3 million, \$40.0 million of which is invested in capital assets, net of related debt and \$9.3 million of which is restricted by specific legal requirements. The remaining \$32.0 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 waste 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 management, billing services, shared technical services, public works, 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.

**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, 2023, including comparative tools as of June 30, 2022.

*MDA Schedule 1*

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

	Governmental Activities		Business-Type Activities		Total	
	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>
Current and other assets	\$ 18,417	\$ 9,927	\$ 42,923	\$ 46,637	\$ 61,340	\$ 56,564
Capital assets, net	<u>23,548</u>	<u>30,042</u>	<u>54,424</u>	<u>54,641</u>	<u>77,972</u>	<u>84,683</u>
Total Assets	<u>41,965</u>	<u>39,969</u>	<u>97,347</u>	<u>101,279</u>	<u>139,312</u>	<u>141,248</u>
Deferred outflows of resources	<u>1,432</u>	<u>2,842</u>	<u>266</u>	<u>256</u>	<u>1,698</u>	<u>3,097</u>
Long term liabilities	1,399	2,866	14,729	13,824	16,128	16,690
Other liabilities	<u>5,491</u>	<u>4,460</u>	<u>5,959</u>	<u>6,423</u>	<u>11,450</u>	<u>10,882</u>
Total Liabilities	<u>6,890</u>	<u>7,326</u>	<u>20,688</u>	<u>20,246</u>	<u>27,578</u>	<u>27,572</u>
Deferred inflows of resources	<u>5,726</u>	<u>1,663</u>	<u>-</u>	<u>-</u>	<u>5,726</u>	<u>1,663</u>
Net Position						
Net investment in capital assets	18,283	28,059	39,369	40,006	57,652	68,064
Restricted	5,173	7,686	8,683	9,303	13,856	16,990
Unrestricted	<u>7,325</u>	<u>(1,923)</u>	<u>28,873</u>	<u>31,979</u>	<u>36,198</u>	<u>30,056</u>
Total Net Position	<u>\$ 30,781</u>	<u>\$ 33,822</u>	<u>\$ 76,925</u>	<u>\$ 81,288</u>	<u>\$107,706</u>	<u>\$115,110</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 \$7.4 million (6.9%) improvement in Milford’s total net position from \$107.7 million as of June 30, 2022 to \$115.1 million as of June 30, 2023 reflects positive financial performance (See *MDA Schedule 1*). The City’s net position in FY23 was influenced by strong investment in ongoing capital projects, many of which were funded through the application of federal and state grants. ARPA funding and Delaware CRRF grants collected before and during FY23 were consumed in the pursuit of investments in the City’s parks & recreation system, utility infrastructure, and capital equipment. Net position increased in total and within the governmental and business-type activities alike. However, the consumption of current resources in favor of investment in fixed assets contributed to an overall reduction in unrestricted net position. Though more than offset by increases in capital assets and restricted net position, the change in the composition of the City’s net position signals reduced flexibility with respect to capital programming in the short-term. The proportion of unrestricted net position will recover with the development of the City’s Milford Corporate Center project and various recreational, traffic and road infrastructure improvements.

**CITY OF MILFORD, DELAWARE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023 (UNAUDITED)**

**DRAFT**

The largest portion of the City's net position, **\$68.1 million (59.1%)** 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 capital assets themselves cannot be used to liquidate these liabilities. In addition to the capital assets, **another \$17.0 million (14.8%)** 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, 2023 and 2022.

*MDA Schedule 2*

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

	Governmental Activities		Business-Type Activities		Total	
	2022	2023	2022	2023	2022	2023
<b>Revenues</b>						
Program Revenues:						
Fees, fines and charges for services	\$ 157	\$ 103	\$ 35,651	\$ 38,794	\$ 35,808	\$ 38,897
Operating grants and contributions	4,169	3,570	-	-	4,169	3,570
General Revenues:						
Property taxes	4,750	5,020	-	-	4,750	5,020
Real estate transfer taxes	1,413	1,295	-	-	1,413	1,295
Franchise taxes	1,160	1,852	-	-	1,160	1,852
Impact fees	-	-	362	693	362	693
Capital grant	-	1,088	53	-	53	1,088
Gain on sale of property	410	142	-	-	410	142
Investment earnings	54	292	50	758	104	1,050
Miscellaneous	416	239	(341)	(49)	75	190
<b>Total revenues</b>	<b>\$ 12,528</b>	<b>\$ 13,601</b>	<b>\$ 35,775</b>	<b>\$ 40,196</b>	<b>\$ 48,304</b>	<b>\$ 53,796</b>
<b>Expenses</b>						
General government	1,860	2,931	-	-	1,860	2,931
Public safety	6,411	6,365	-	-	6,411	6,365
Public works	1,001	1,138	-	-	1,001	1,138
Culture and recreation	1,760	1,331	-	-	1,760	1,331
Interest on long-term debt	-	-	325	298	325	298
Electric	-	-	22,854	25,763	22,854	25,763
Water	-	-	2,525	2,371	2,525	2,371
Sewer	-	-	4,601	4,452	4,601	4,452
Trash	-	-	1,392	1,744	1,392	1,744
<b>Total expenses</b>	<b>\$ 11,032</b>	<b>\$ 11,765</b>	<b>\$ 31,697</b>	<b>\$ 34,628</b>	<b>\$ 42,729</b>	<b>\$ 46,393</b>
Increase (decrease) in net assets before transfers and special items	1,496	1,836	4,078	5,568	5,574	7,403
Transfers	1,307	1,205	(1,307)	(1,205)	-	-
<b>Change in net position</b>	<b>2,803</b>	<b>3,040</b>	<b>2,771</b>	<b>4,363</b>	<b>5,574</b>	<b>7,403</b>
Net position, July 1	27,978	30,781	74,154	76,925	102,132	107,706
<b>Net position, June 30</b>	<b>\$ 30,781</b>	<b>\$ 33,821</b>	<b>\$ 76,925</b>	<b>\$ 81,288</b>	<b>\$ 107,706</b>	<b>\$ 115,109</b>

Total net position increased by **\$7.4 million (6.9%)** during fiscal year 2023 (See *MDA Schedule 2*), which compares well to the City's **6%** 10-year compound annual growth rate in total net position. This year's improvement **[vs FY22 marks: ](\$8 million, or 8.5%)** set in FY22, 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 \$3.0 million increase in governmental activities net position (9.9%) and a \$4.4 million increase in business-type activities net position (5.7%), 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 FY23. 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 9% 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 FY23 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 FY23 by \$0.3 million (6%). 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 \$0.48275 to \$0.49275 per \$100 of assessed value effective for the fiscal year 2023 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 2024 and 2025 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.

Governmental expenditures increased by \$3.0 million in FY23, 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 \$4.3 million, or 5.7% from \$76.3 million to \$81.3 million during fiscal year 2023 (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 2023, the City's combined governmental funds reported ending balances of \$4.8 million (See Governmental Funds Balance Sheet on [page 17](#)). Within this total, \$0.1 million is categorized as “nonspendable” (prepaid expenses), \$7.7 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 \$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 \$31.6 million, made up of the electric fund (\$20.2 million), water fund (\$4.5 million), sewer fund (\$6.5 million) and solid waste fund (\$0.5 million). The total net position across all enterprise funds at the end of the fiscal year was \$81.3 million, representing an increase of \$4.4 million versus fiscal year 2023 as a result of positive increases in net position in the electric, water, sewer, and solid waste funds of \$0.3 million, \$3.0 million, \$1.0 million, and \$0.1 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 \$3.5 million, net of offsetting increases in anticipated revenues of \$0.2 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, 2023, the City's bonded indebtedness and outstanding note obligations (See *MDA Schedule 3*) totaled \$16.2 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	
	2022	2023	2022	2023	2022	2023
General Obligation Bonds	\$ 41	\$ 1,669	\$ 6,260	5,825	\$ 6,301	\$ 7,494
DE Revolving fund Loans			2,426	2,210	2,426	2,210
USDA Loans			5,543	5,410	5,543	5,410
Kent County Note			1,070	1,042.00	1,070	1,042
<b>Total</b>	<b>\$ 41</b>	<b>\$ 1,669</b>	<b>\$ 15,299</b>	<b>\$ 14,487</b>	<b>\$ 15,340</b>	<b>\$ 16,156</b>

During fiscal year 2023, the City's outstanding debt increased by \$0.82 million as a result of scheduled payments of debt obligations totaling \$0.81 million and additional bond anticipation note (BAN) \$1.63 million 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, 2023 amounts to \$84.4 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 \$11.6 million representing an increase of 16.0% versus fiscal year 2022. 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]

Major capital asset purchases and projects completed or in process during fiscal year 2023 included the following:

General Fund

- \$10 million toward the construction of the City's new Police Headquarters
- \$1.2 million in building and street improvements, technology, vehicles and equipment
- \$1.1 million in additions to parkland and open space improvements

Internal Service Funds

- \$20,434 for building improvements
- \$29,552 for equipment

Electric Fund

- \$130 thousand for grant-funded electric vehicle (EV) charging stations
- \$164 thousand for traffic light improvements and LED streetlight upgrades
- \$186 thousand for physical security and data security upgrades
- \$122 thousand for machinery and equipment replacement

Water Fund

- \$415 thousand in engineering and design costs related to the Milford Corporate Center
- \$577 thousand in ongoing water line upgrades and system improvement projects
- \$82 thousand in other water system infrastructure
- \$57 thousand in equipment and data security upgrades

Sewer Fund

- \$131 thousand for sewer line CCTV equipment
- \$95 thousand in improvements to sewer mains, laterals and other infrastructure
- \$57 thousand in equipment and data security upgrades
- \$52 thousand for pump station bypass and other improvements

### ECONOMIC FACTORS AND FUTURE BUDGETS

The fiscal year 2024 and 2025 budgets for general fund activity are **0.4% and 18.7% higher**, respectively, than fiscal year 2023. The balance between cost control and the delivery of broad services demanded by Milford residents was struck well during the 2024 and 2025 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 full staffing levels added pressure to the operating budget. Most recently, health insurance premium growth further fueled personnel cost increases in the FY25 budget. The higher general fund costs will be offset with economic development initiatives, organic growth in the City's tax base, years three and four 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

enhancements to utility transfers 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 RECENT 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 and FY23 audit processes. Internal staffing rebounded during FY22, while additional staff and resources were allocated in FY23, putting the department in position to return to the City's normal reporting cycle beginning with FY24. The City's FY24 and FY25 budgets include provisions to maintain staffing and contractual services levels to augment financial reporting and audit requirements. The City's financial and operating results remained strong throughout the last several fiscal years, as increases in revenue outpaced well-managed costs in an inflationary environment to improve the City's balance sheet for at least the eleventh consecutive year. The City's financial position remained healthy throughout FY24 and into FY25. 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](mailto: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, 2023**

**DRAFT**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Current Assets			
Cash and Equivalents	\$ 10,295,572	\$ 28,964,735	\$ 39,260,307
Restricted Cash	1,426,220	9,303,453	10,729,673
Tax & Utility Receivables, net of allowances	241,175	3,049,871	3,291,046
Leases Receivable	449,075	-	449,075
Other Receivables	576,907	125,940	702,847
Internal Balances, net	(3,054,926)	3,054,926	-
Inventories	42,525	2,138,407	2,180,932
Prepaid Expenses	50,702	-	50,702
Total Current Assets	10,027,250	46,637,333	56,664,582
Non-Current Assets			
Capital Assets			
Assets Not Depreciated			
Land	8,577,885	8,961,039	17,538,924
Construction in Progress	12,192,617	623,780	12,816,397
Utility System & Infrastructure	11,282,401	71,000,445	82,282,846
Buildings and Improvements	5,663,852	7,348,799	13,012,651
Equipment and Vehicles	7,970,399	10,449,110	18,419,509
Leased Assets	89,725	-	89,725
SBITA	1,031,816	-	1,031,816
Less: Accumulated Depreciation & Amortization	(16,156,202)	(44,072,567)	(60,228,769)
Net Capital Assets	30,652,493	54,310,606	84,963,099
Net Pension Asset	316,194	-	316,194
<b>Total Assets</b>	40,995,937	100,947,939	141,943,875
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	2,185,143	255,667	2,440,810
<b>LIABILITIES</b>			
Current Liabilities			
Accounts Payable and Accrued Expenses	2,163,787	4,776,297	6,940,084
Customer Deposits	179,158	801,890	981,048
Unearned Revenue	2,199,781	-	2,199,781
Bonds and Notes Payable	-	821,362	821,362
Compensated Absences	126,732	22,011	148,743
Total Current Liabilities	4,669,458	6,421,560	11,091,018
Noncurrent Liabilities			
SBITA Payable	623,325	-	623,325
Leases Payable	63,973	-	63,973
Bonds and Notes Payable	1,669,226	13,687,685	15,356,911
Compensated Absences	1,197,036	137,203	1,334,239
Total Noncurrent Liabilities	3,553,560	13,824,888	17,378,448
<b>Total Liabilities</b>	8,223,018	20,246,448	28,469,466
<b>DEFERRED INFLOWS OF RESOURCES</b>	975,698	-	975,698
<b>NET POSITION</b>			
Net Investment in Capital Assets	27,927,706	39,674,767	67,602,473
Restricted for Capital Improvements:	8,579,566	9,303,453	17,883,019
Unrestricted:			
Assigned by City Council	859,859	6,366,919	7,226,778
Unassigned	(3,384,770)	25,612,010	22,227,240
<b>Total Net Position</b>	\$ 33,982,361	\$ 80,957,149	\$ 114,939,510

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

**CITY OF MILFORD, DE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2023**

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
<b>Primary Government</b>							
Governmental Activities							
General Government	\$ 2,915,641	\$ 20,880	\$ 82,500	\$ -	\$ (2,812,261)		\$ (2,812,261)
Public Safety	6,365,439	-	1,054,378	199,092	(5,111,969)		(5,111,969)
Public Works	1,113,417	-	2,329,430	881,149	2,097,162		2,097,162
Culture and Recreation	1,330,924	82,139	86,543	8,400	(1,153,842)		(1,153,842)
<b>Total Governmental Activities</b>	<b>11,725,421</b>	<b>103,019</b>	<b>3,552,851</b>	<b>1,088,641</b>	<b>(6,980,910)</b>		<b>(6,980,910)</b>
Business-Type Activities							
Electric Fund	25,775,055	28,120,115	-	-		2,345,060	2,345,060
Water Fund	2,407,703	3,491,997	-	-		1,084,294	1,084,294
Sewer Fund	4,549,080	5,181,252	-	-		632,172	632,172
Trash Fund	1,575,740	1,639,794	-	-		64,054	64,054
<b>Total Business-Type Activities</b>	<b>34,307,578</b>	<b>38,433,158</b>	<b>-</b>	<b>-</b>	<b>4,125,580</b>	<b>4,125,580</b>	<b>4,125,580</b>
<b>Total Primary Government</b>	<b>\$ 46,032,999</b>	<b>\$ 38,536,177</b>	<b>\$ 3,552,851</b>	<b>\$ 1,088,641</b>	<b>(6,980,910)</b>	<b>4,125,580</b>	<b>(2,855,330)</b>
<b>General Revenues:</b>							
Taxes:							
Property Taxes, Levied for General Purposes					5,020,216		5,020,216
Real Estate Transfer Taxes					1,295,111		1,295,111
Franchise Taxes & Fees					1,851,679		1,851,679
Gain on Disposal of Capital Assets					278,648		278,648
SBITA and Lease Proceeds					-		-
Impact Fees					-	693,087	693,087
Unrestricted Investment Earnings					292,116	758,183	1,050,299
Miscellaneous					250,315	(49,394)	200,921
Change in Net Position in Internal Service Fund					(10,901)	-	(10,901)
Transfers					1,204,738	(1,495,238)	(290,500)
<b>Total General Revenues, Special Items, and Transfers</b>					<b>10,181,922</b>	<b>(93,362)</b>	<b>10,088,560</b>
Change in Net Position					3,201,012	4,032,218	7,233,230
Net Position- Beginning of Year					30,781,349	76,924,931	107,706,280
Net Position - End of Year					\$ 33,982,361	\$ 80,957,149	\$ 114,939,510

DRAFT

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

**CITY OF MILFORD, DE  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2023**

**DRAFT**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Non-Major Governmental Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 5,661,216	\$ 3,271,451	\$ 899,399	\$ 9,832,066
Restricted Cash	436,060	990,160	-	1,426,220
Investments - Unrestricted	-	-	-	-
Taxes Receivable, net of allowance for doubtful accounts	88,550	152,625	-	241,175
Lease Receivable	449,075	-	-	449,075
Other Receivables	256,058	301,387	-	557,445
Due From Other Funds	218,235	5,000,000	-	5,218,235
Prepaid Expenses	50,702	-	-	50,702
<b>Total Assets</b>	<b>\$ 7,159,896</b>	<b>\$ 9,715,623</b>	<b>\$ 899,399</b>	<b>\$ 17,774,918</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts Payable	1,345,502	-	1,430	1,346,932
Salaries and Wages Payable	279,945	358	-	280,303
Bonds and Notes Payable	-	-	-	-
Compensated Absences - Current	104,354	-	-	104,354
Other Accrued Liabilities	13,469	2,186,312	-	2,199,781
Due to Other Funds	7,994,926	278,235	-	8,273,161
Other Payables	394,648	-	5,184	399,832
<b>Total Liabilities</b>	<b>10,132,844</b>	<b>2,464,905</b>	<b>6,614</b>	<b>12,604,363</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>449,075</b>	<b>-</b>	<b>-</b>	<b>449,075</b>
<b>Fund Balances:</b>				
Nonspendable	50,702	-	-	50,702
Restricted	436,060	7,250,720	892,786	8,579,566
Committed for:				
Veh. & Equip. Replacement	350,167	-	-	350,167
Street Repair Projects	320,000	-	-	320,000
Parkland, Trails & Recreation	118,192	-	-	118,192
Information Technology Projects	71,500	-	-	71,500
Assigned for:				
Street Repair Projects	576,000	-	-	576,000
Parkland, Trails & Recreation	243,537	-	-	243,537
Information Technology Projects	98,200	-	-	98,200
Public Safety & General Operations	837,986	-	-	837,986
Unassigned	(6,524,370)	-	-	(6,524,370)
<b>Total Fund Balances</b>	<b>(3,422,026)</b>	<b>\$ 7,250,720</b>	<b>892,786</b>	<b>4,721,480</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 7,159,893</b>	<b>\$ 9,715,625</b>	<b>\$ 899,400</b>	<b>\$ 17,774,918</b>

*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, 2023**

DRAFT

Total Fund Balance, Governmental Funds	\$	4,721,480
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>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.</p>		29,526,831
<p>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.</p>		203,061
<p>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.</p>		
Compensated absences		(1,077,889)
Deferred financing inflows - retirement		(526,623)
Deferred financing outflows - retirement		2,185,143
Net Pension Asset		316,194
Bond Payable		(1,669,226)
Lease Liability		7,807
SBITA liability		295,583
Net Position of Governmental Activities	\$	33,982,361

*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, 2023**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Non-Major Governmental Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Property Taxes	\$ 5,020,216	\$ -	\$ -	\$ 5,020,216
Real Estate Transfer Taxes	-	1,295,111	-	1,295,111
Fees and Fines	177,804	13,450	-	191,254
Licenses and Permits	1,242,042	-	207,492	1,449,534
Franchise and Lease Revenue	418,383	-	-	418,383
Intergovernmental	405,002	4,028,998	-	4,434,000
Charges for Services	20,880	-	82,139	103,019
Investment Earnings	112,904	179,212	-	292,116
Miscellaneous	211,320	38,995	-	250,315
	<u>7,608,551</u>	<u>\$ 5,555,766</u>	<u>289,631</u>	<u>\$ 13,453,948</u>
<b>EXPENDITURES</b>				
Current:				
General Government	2,402,711	-	55,000	2,457,711
Public Safety	6,229,175	136,264	-	6,365,439
Public Works	1,128,994	(15,577)	-	1,113,417
Culture and Recreation	1,272,385	-	58,539	1,330,924
Debt Service:				
Principal	7,125,395	-	-	7,125,395
Interest	47,545	-	-	47,545
Capital Outlay	12,425,054	8,230	-	12,433,284
	<u>30,631,259</u>	<u>128,917</u>	<u>113,539</u>	<u>30,873,715</u>
(Deficiency) Excess of Revenues Over Expenditures	<u>(23,022,708)</u>	<u>5,426,849</u>	<u>176,092</u>	<u>(17,419,767)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	5,528,655	-	-	5,528,655
Transfers Out	(339,071)	(4,045,781)	-	(4,384,852)
Bond Anticipation Note	8,627,781	-	-	8,627,781
Proceeds from Asset Sales	278,648	-	-	278,648
Proceeds from Interfund Loans	-	-	-	-
	<u>14,096,013</u>	<u>(4,045,781)</u>	<u>-</u>	<u>10,050,232</u>
Net Change in Fund Balances	(8,926,695)	1,381,068	176,092	(7,369,535)
<b>Fund Balances - Beginning</b>	<u>5,504,669</u>	<u>5,869,652</u>	<u>716,694</u>	<u>12,091,015</u>
<b>Fund Balances - Ending</b>	<u>\$ (3,422,026)</u>	<u>\$ 7,250,720</u>	<u>\$ 892,786</u>	<u>\$ 4,721,480</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, 2023**

DRAFT

Net change in fund balances - total governmental funds: \$ (7,369,535)

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

Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences expense	341,341
SBTIA amortization	303,390
Pension expense	162,037
Change in contingent liabilities	25,000

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	50,034
--	--------

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.	(1,627,781)
---	-------------

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 \$12,654,038 exceeded depreciation expense of \$873,492 in the current period.	11,316,526
---	------------

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.	-
---	---

Change in net position of governmental activities	<span style="border-top: 1px solid black; border-bottom: 3px double black;">\$ 3,201,012</span>
---	---

*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, 2023**

DRAFT

	<b>Business Type Activities - Enterprise Funds</b>					<i>Governmental Activities - Internal Service Fund</i>
	<b>Electric</b>	<b>Water</b>	<b>Sewer</b>	<b>Solid Waste</b>	<b>Total</b>	
<b>REVENUES</b>						
Charges for Services	\$ 27,620,356	\$ 3,426,825	\$ 5,173,043	\$ 1,551,828	\$ 37,772,052	\$ 3,141,776
Miscellaneous	499,759	65,172	8,209	87,966	661,106	-
<b>Total Operating Revenues</b>	<b>28,120,115</b>	<b>3,491,997</b>	<b>5,181,252</b>	<b>1,639,794</b>	<b>38,433,158</b>	<b>3,141,776</b>
<b>OPERATING EXPENSES</b>						
Personnel Services	2,769,054	346,481	338,327	323,082	3,776,944	1,956,382
Contractual Services	20,237,546	35,240	2,513,477	387,444	23,173,707	257,324
Utilities	7,046	229,113	986	484	237,629	42,619
Repairs and Maintenance	571,478	124,426	20,553	191,072	907,529	551,252
Other Supplies and Expenses	665,053	912,894	889,218	525,402	2,992,567	309,644
Insurance Claims and Expenses	135,420	29,408	13,865	13,552	192,245	9,741
Bad Debt Expense	36,443	1,318.00	156.00	5,770.00	43,687	-
Depreciation	1,255,595	625,841	674,634	128,934	2,685,004	29,448
<b>Total Operating Expenses</b>	<b>25,677,635</b>	<b>2,304,722</b>	<b>4,451,216</b>	<b>1,575,740</b>	<b>34,009,313</b>	<b>3,156,410</b>
<b>Operating Income (Loss)</b>	<b>2,442,480</b>	<b>1,187,275</b>	<b>730,036</b>	<b>64,054</b>	<b>4,423,846</b>	<b>(14,634)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>						
Interest and Investment Revenue	390,508	220,577	135,958	11,140	758,183	-
Impact Fees	110,250	382,477	200,360	-	693,087	-
Capital Grant	-	-	-	-	-	-
Miscellaneous	(54,811)	4,417	-	1,000	(49,394)	3,733
Interest Expense	(97,420)	(102,981)	(97,864)	-	(298,265)	-
<b>Total Non-Operating Revenues (Expenses)</b>	<b>348,527</b>	<b>504,490</b>	<b>238,454</b>	<b>12,140</b>	<b>1,103,611</b>	<b>3,733</b>
<b>Income Before Transfers</b>	<b>2,791,007</b>	<b>1,691,765</b>	<b>968,490</b>	<b>76,194</b>	<b>5,527,457</b>	<b>(10,901)</b>
Transfers In	-	1,600,673	53,492	-	1,654,165	60,935
Transfers Out	(2,651,709)	(383,465)	(78,215)	(36,014)	(3,149,403)	-
<b>Change in Net Position</b>	<b>139,298</b>	<b>2,908,973</b>	<b>943,767</b>	<b>40,180</b>	<b>4,032,219</b>	<b>50,034</b>
<b>Net Position - Beginning of Year</b>	<b>31,790,321</b>	<b>26,220,570</b>	<b>17,555,729</b>	<b>1,358,311</b>	<b>76,924,931</b>	<b>153,027</b>
<b>Net Position - End of Year</b>	<b>\$ 31,929,619</b>	<b>\$ 29,129,543</b>	<b>\$ 18,499,496</b>	<b>\$ 1,398,491</b>	<b>\$ 80,957,150</b>	<b>\$ 203,061</b>

*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, 2023. 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, 2023, 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.

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.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

General capital asset acquisitions, including entering into contracts giving the City of Milford the right to use leased assets, are reported as expenditures in governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

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.

***Cash and Cash Equivalents***

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

*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 (except for intangible right-to-use lease assets, the measurement of which is discussed in note 17 below) 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. SBITAs are intangible assets and are amortized by the present value of their annual payments.

*Subscription-Based IT Arrangements*

The City implemented GASB Statement No. 96, *Accounting for Subscription-Based IT Arrangements*, for the period ended June 30, 2023. Subscription-Based IT Arrangement (SBITA) is an arrangement in which the City of Milford contracts with a third party for the right-to-use their cloud-based solution for the City's information technology needs. The City recognizes a SBITA liability and an SBITA asset in the government-wide financial statements. The City only

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

recognizes SBITA agreements with annual payments greater than \$5,000, noncancelable by both parties, and for longer than one year are recorded.

At the commencement of a lease, the City of Milford initially measures the SBITA liability at the present value of payments expected to be made during the SBITA term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The SBITA asset is initially measured at the initial amount of the SBITA liability, adjusted for lease payments made at or before the commencement date, plus certain initial direct costs. Subsequently, the SBITA asset is amortized over its useful life.

Key estimates and judgements related to SBITA include how the City of Milford determines (1) the discount rate it uses to discount the expected SBITA payments to present value, (2) SBITA term, and (3) SBITA payments.

- The City of Milford uses the interest rate charged by the third party as the discount rate. When the interest rate charged by the third party is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The SBITA term includes the noncancellable period of the agreement. SBITA payments included in the measurement of the SBITA liability are composed of fixed payments and purchase option price that the City of Milford is reasonably certain to exercise.

The City of Milford monitors changes in circumstance that would require a remeasurement of its SBITA and will remeasure the SIBITA asset and liability if certain changes occur that are expected to significantly affect the amount of the SBITA liability.

SBITA assets are reported with other capital assets and SBITA liabilities are reported with long-term debt on the statement of net position.

*Leases*

The City of Milford is a lessee for a noncancellable leases of equipment. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The City recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the City of Milford initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured at the initial amount of the lease liability, adjusted for lease payments made at or before the commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized over its useful life.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

Key estimates and judgements related to leases include how the City of Milford determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City of Milford uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City of Milford is reasonably certain to exercise.

The City of Milford monitors changes in circumstance that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

*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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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.

*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 approval and submission of application 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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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.

Lease-related amounts are recognized at the inception of the lease. The deferred inflow of resources is recorded in amount equal to the corresponding lease receivable plus certain additional amounts received from the lessee at or before commencement of the lease term that relate to future periods, less any incentives paid to, or on behalf of the lessee at or before commencement of the lease term. The inflow of resources is recognized in a systematic and rational manner over the term of the lease.

*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 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.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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.

**NOTE 2: 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, 2023 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 3: 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, 2023 was 4.9275 mills (\$4.9275 per \$1,000 of assessed valuation, or “AV”), and is commonly expressed as \$0.49275 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 2023 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 4: 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, 2023 were \$3,323 and \$1,756 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, 2023 attributable to cumulative impact fee collections is \$9,302,199.

**NOTE 5: 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, 2023, 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 6: 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 7: 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.

**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, 2023, the City of Milford’s bank balances, including deposits and money market funds, totaled \$49,987,129. FDIC insurance applied to \$501,566 of the deposits, while the remainder of \$49,485,563 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, 2023 was \$49,987,129, and is reported in the financial statements as follows:

Government-wide Statement of Net Position

Governmental Activities	\$11,718,941
Business-type Activities	<u>38,268,188</u>
Total carrying amount of deposits	<u><u>\$49,987,129</u></u>

[The remainder of this page was intentionally left blank]

**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, 2023					
Asset Categories by Function	Balances 6/30/22	Additions	Reductions	Adjustments & Transfers	Balances 6/30/23
<u>Total Governmental</u>					
Capital Assets:					
Land	\$ 8,601,885	\$ -	\$ (24,000)	\$ -	\$ 8,577,885
Street Improvements	11,148,458	-	-	133,943	11,282,401
Buildings and Improvements	5,742,973	40,320	(119,441)	-	5,663,852
Vehicles and Equipment	6,845,267	1,175,251	(50,118)	-	7,970,400
Construction in Progress	1,245,785	11,167,874	-	(133,943)	12,279,717
<b>Total Governmental Capital Assets</b>	<b>33,584,368</b>	<b>12,383,446</b>	<b>(193,559)</b>	<b>-</b>	<b>45,774,255</b>
Accumulated Depreciation	(15,259,627)	(902,940)	50,119	-	(16,112,448)
<b>Total Governmental Capital Assets, Net</b>	<b>\$ 18,324,741</b>	<b>\$ 11,480,506</b>	<b>\$ (143,440)</b>	<b>\$ -</b>	<b>\$ 29,661,807</b>

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

FOR THE YEAR ENDED JUNE 30, 2023					
Asset Categories by Function	Balances 6/30/22	Additions	Reductions	Adjustments & Transfers	Balances 6/30/23
<u>Governmental, excluding Internal Service Funds</u>					
Capital Assets:					
Land	\$ 8,601,885	\$ -	\$ (24,000)	\$ -	\$ 8,577,885
Street Improvements	11,148,458	-	-	133,943	11,282,401
Buildings and Improvements	5,704,941	19,886	(119,441)	-	5,605,386
Vehicles and Equipment	6,605,339	1,145,699	(50,118)	-	7,700,920
Construction in Progress	1,245,785	11,167,874	-	(133,943)	12,279,717
<b>Total Governmental Capital Assets</b>	<b>33,306,408</b>	<b>12,333,460</b>	<b>(193,559)</b>	<b>-</b>	<b>45,446,308</b>
Accumulated Depreciation	(15,096,103)	(873,492)	50,119	-	(15,919,476)
<b>Total Governmental Capital Assets, Net</b>	<b>\$ 18,210,305</b>	<b>\$ 11,459,968</b>	<b>\$ (143,440)</b>	<b>\$ -</b>	<b>\$ 29,526,833</b>

**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, 2023

Asset Categories by Function	Balances 6/30/22	Additions	Reductions	Adjustments & Transfers	Balances 6/30/23
<u>Electric Fund:</u>					
Land	\$ 2,460,507	\$ -	\$ -	\$ -	2,460,507
Construction in Progress	-	377,344	-	-	377,344
Buildings and Improvements	7,056,015	-	-	-	7,056,015
Electric System	20,262,504	297,087	-	-	20,559,591
Vehicles and Equipment	4,463,840	224,687	-	-	4,688,527
Total Capital Assets	34,242,866	899,117	-	-	35,141,983
Accumulated Depreciation	(19,487,438)	(1,255,595)	-	-	(20,743,033)
Net Book Value	<u>14,755,429</u>	<u>(356,477)</u>	<u>0</u>	<u>-</u>	<u>14,398,951</u>
<u>Water Fund:</u>					
Land	6,471,894	-	-	-	6,471,894
Construction in Progress	2,559,631	-	-	(2,067,720)	491,911
Buildings and Improvements	123,078	-	-	-	123,078
Water System	23,640,867	1,130,862	-	2,067,720	26,839,449
Vehicles and Equipment	2,015,792	243	-	(247)	2,015,789
Total Capital Assets	34,811,262	1,131,106	-	(247)	35,942,121
Accumulated Depreciation	(10,069,314)	(625,840)	-	-	(10,695,154)
Net Book Value	<u>24,741,948</u>	<u>505,265</u>	<u>0</u>	<u>(247)</u>	<u>25,246,967</u>
<u>Sewer Fund:</u>					
Land	28,638	-	-	-	28,638
Construction in Progress	-	56,374	-	-	56,374
Buildings and Improvements	164,057	-	-	-	164,057
Waste Water System	23,601,407	-	-	-	23,601,407
Vehicles and Equipment	1,650,927	279,180	(28,651)	(247)	1,901,209
Total Capital Assets	25,445,029	335,553	(28,651)	(247)	25,751,685
Accumulated Depreciation	(11,074,114)	(674,633)	28,651	-	(11,720,096)
Net Book Value	<u>14,370,915</u>	<u>(339,080)</u>	<u>0</u>	<u>(247)</u>	<u>14,031,589</u>
<u>Solid Waste Fund:</u>					
Construction in Progress	9,176	19,746	-	-	28,922
Buildings and Improvements	5,650	-	-	-	5,650
Vehicles and Equipment	1,448,503	552,413	(157,203)	(127)	1,843,586
Total Capital Assets	1,463,329	572,159	(157,203)	(127)	1,878,158
Accumulated Depreciation	(907,182)	(128,934)	121,833	-	(914,284)
Net Book Value	<u>\$ 556,147</u>	<u>\$ 443,225</u>	<u>(35,370)</u>	<u>\$ (127)</u>	<u>\$ 963,875</u>

**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, 2023					
Asset Categories by Function	Balances 6/30/22	Additions	Reductions	Adjustments & Transfers	Balances 6/30/23
<b><u>Total Enterprise Funds</u></b>					
Land	\$ 8,961,039	\$ -	\$ -	\$ -	\$ 8,961,039
Construction in Progress	2,568,807	453,463	-	(2,067,720)	954,550
Buildings and Improvements	7,348,800	-	-	-	7,348,800
Electric System	20,262,504	297,087	-	-	20,559,591
Water System	23,640,867	1,130,862	-	2,067,720	26,839,449
Waste Water System	23,601,407	-	-	-	23,601,407
Vehicles and Equipment	9,579,062	1,056,523	(185,854)	(620)	10,449,111
<b>Total Fixed Assets</b>	<b>95,962,486</b>	<b>2,937,935</b>	<b>(185,854)</b>	<b>(620)</b>	<b>98,713,947</b>
Accumulated Depreciation	(41,538,048)	(2,685,002)	150,484	-	(44,072,567)
<b>Net Book Value</b>	<b>\$ 54,424,438</b>	<b>\$ 252,932</b>	<b>\$ (35,370)</b>	<b>\$ (620)</b>	<b>\$ 54,641,381</b>

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

FOR THE YEAR ENDED JUNE 30, 2023					
Asset Categories by Function	Balances 6/30/22	Additions	Reductions	Adjustments & Transfers	Balances 6/30/23
<b><u>Internal Service Funds:</u></b>					
Land	\$ -	\$ -	\$ -	\$ -	\$ -
Buildings and Improvements	38,032	20,434	-	-	58,466
Vehicles and Equipment	239,928	29,552	-	-	269,480
Construction in Progress	-	-	-	-	-
<b>Total Internal Service Funds</b>	<b>277,960</b>	<b>49,986</b>	<b>-</b>	<b>-</b>	<b>327,946</b>
Accumulated Depreciation	(163,523)	(29,449)	-	-	(192,972)
<b>Total Internal Service Funds, Net</b>	<b>\$ 114,437</b>	<b>\$ 20,538</b>	<b>\$ 1</b>	<b>\$ -</b>	<b>\$ 134,975</b>

Depreciation expense for governmental activities, which amounted to \$902,940 for the year ended June 30, 2023, was charged to the general government function of the primary government. Depreciation expense of \$2,685,002 for the business-type activities was charged to the funds as noted above.

**NOTE 10: LONG-TERM DEBT OBLIGATIONS**

Long-Term liability activity for the year ended June 30, 2023 is summarized as follows:

	FOR THE YEAR ENDED JUNE 30, 2023				
	Balances 06/30/22	Additions	Reductions	Balances 06/30/23	Current Portion
<b>Governmental Activities:</b>					
General Obligation Bonds	\$ 41,445	\$ 8,627,781	\$ (7,000,000)	\$ 1,669,226	\$ -
Net Pension Liability (Asset)	(5,223,050)	-	4,906,853	(316,197)	-
Compensated Absences	1,315,693		(133,450)	1,182,243	104,354
<b>Governmental Activities</b>					
<b>Total Debt Obligations:</b>	<b>\$ (3,865,912)</b>	<b>\$ 8,627,781</b>	<b>\$ (2,226,597)</b>	<b>\$ 2,535,272</b>	<b>\$ 104,354</b>
<b>Business-Type Activities:</b>					
<b>General Obligation Bonds</b>					
Series 2016	\$ 6,260,000	\$ -	\$ (435,000)	\$ 5,825,000	\$ 440,000
Bond Premium	22,850	-	(1,856)	20,994	-
<b>Total General Obligation Bonds</b>	<b>6,282,850</b>	<b>-</b>	<b>(436,856)</b>	<b>5,845,994</b>	<b>440,000</b>
<b>State of Delaware</b>					
DNREC WPC RF, 2010	483,502	-	(56,313)	427,189	56,876
Water SRF, 2012A	1,942,939	-	(160,244)	1,782,695	161,850
Note Payable, Kent County	1,069,575	-	(27,103)	1,042,472	27,718
<b>USDA Notes Payable</b>					
Water Facilities, 2013	3,999,282	-	(102,049)	3,897,233	103,772
Sewer Facilities, 2019	574,319	-	(10,940)	563,379	11,132
Sewer Facilities, 2020	969,883	-	(19,798)	950,085	20,014
<b>Total Bonds and Notes Payable</b>	<b>15,322,350</b>	<b>-</b>	<b>(813,303)</b>	<b>14,509,047</b>	<b>821,363</b>
<b>Other Liabilities</b>					
Leases	-	89,725	(25,752)	63,973	19,683
Compensated Absences	265,013	557,401	(8,663)	813,751	44,390
<b>Business-Type Activities</b>					
<b>Total Debt Obligations:</b>	<b>\$ 15,587,363</b>	<b>\$ 647,126</b>	<b>\$ (847,718)</b>	<b>\$ 15,386,771</b>	<b>\$ 885,436</b>

**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, 2023. 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, 2023, \$1,669,226 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, 2023 is \$3,897,233, 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, 2023 is \$563,379, representing the balance attributable to phase one project financing. The balance of the 2020 facilities loan as of June 30, 2023 is \$950,085, 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, 2023 is \$427,189. 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

**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, 2023 is \$1,782,695. 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, 2023 is \$1,042,472 and is scheduled to mature November 10, 2050.

The annual requirements to amortize all debt outstanding as of June 30, 2023 follow:

Year Ending June 30	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$1,669,226	35,950.28	\$1,705,176	\$821,363	\$273,801	\$1,095,163
2025			-	837,686	258,787	1,096,472
2026			-	853,864	243,497	1,097,360
2027			-	870,150	227,896	1,098,046
2028			-	881,321	212,064	1,093,385
2029-2033			-	4,226,726	813,795	5,040,522
2034-2038			-	2,366,415	474,434	2,840,849
2039-2043			-	1,147,536	300,619	1,448,155
2044-2047			-	1,269,803	178,026	1,447,829
2048-2052			-	859,558	54,517	914,075
2053-2057			-	246,799	16,921	263,720
2058-2062			-	106,826	2,623	109,450
<b>Total</b>	<b>\$1,669,226</b>	<b>\$35,950</b>	<b>\$1,705,176</b>	<b>\$14,488,048</b>	<b>\$3,056,979</b>	<b>\$17,545,027</b>

In Table Error

\$0

**NOTE 10: LONG-TERM DEBT OBLIGATIONS, CONTINUED**

Long-Term Debt outstanding as of June 30, 2023 is summarized as follows:

Obligation	Interest Rate (%)	Issue Date	Maturity Date	Amounts Outstanding as of June 30, 2023 (in thousands)				Total
				General Fund	Electric Fund	Water Fund	Sewer Fund	
<b>General Obligation Bonds</b>								
Series of 2016	2.00-2.55	12/6/16	1/1/37	\$ -	\$ 3,825	\$ -	\$ 2,000	\$ 5,825
Series of 2021	1.80-5.00	11/30/21	11/30/24	1,669	-	-	-	1,669
<b>USDA</b>								
Note Payable, 2013	2.125	6/28/13	6/28/53	-	-	3,897	-	3,897
Note Payable, 2019	1.750	12/31/19	12/31/59	-	-	-	563	563
Note Payable, 2020	1.250	12/31/20	12/31/60	-	-	-	950	950
<b>State of Delaware</b>								
DNREC WPC RF, 2010	2.00	12/22/09	7/1/30	-	-	-	427	427
Drinking Water SRF, 2012A	1.00	3/15/12	9/1/33	-	-	1,783	-	1,783
Kent County, 2012	2.25	11/12/12	11/10/50	-	-	-	1,042	1,042
<b>Total Long-Term Debt Obligations</b>				<b>\$ 1,669</b>	<b>\$ 3,825</b>	<b>\$ 5,680</b>	<b>\$ 4,983</b>	<b>\$ 16,157</b>

**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, 2023. 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, 2023, \$9.1 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. \$3.6 million of the contract commitment remained outstanding as of June 30, 2023.

***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, CONTINUED**

***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 \$314,309 for the year ended June 30, 2023.

**NOTE 13: ADOPTION OF GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS**

The City adopted the provisions of GASB Statement No. 96 Subscription-Based Information Technology Arrangements, which resulted in the recognition of right-to-use assets and subscription liabilities as well as additional disclosures (see Note 17). The City also adopted GASB Statement No. 91 Conduit Debt Obligations, GASB Statement No. 94 Public-Private and Public-Public Partnerships and Availability Payment Arrangements, and the required 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. 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)*
- Statement No. 103, *Financial Reporting Model Improvements (effective for 2026)*
- Statement No. 104, *Disclosure of Certain Capital Assets (effective for 2026)*

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 2023 was 11.34% of payroll. In addition, employees are required to contribute 7.00% of compensation.

**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 1/60<sup>th</sup> 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 2023 was 5.55% 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, 2023 measurement date were as follows:

	Police & Firefighters	Other Employees
Total pension liability	\$ 538,482,000	\$ 86,080,000
Plan fiduciary net position	548,996,000	86,758,000
Employer net pension liability (asset)	(10,514,000)	(678,000)
Plan fiduciary net position as percentage of total pension liability	101.95%	100.79%
Proportionate share of net pension liability (asset)	\$ (254,855)	\$ (61,339)

**NOTE 15: POST-RETIREMENT BENEFITS, CONTINUED**

The net pension liability was measured as of June 30, 2023, 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, 2022 to June 30, 2023. 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, 2023 and 2022, the City’s proportion for each plan is as follows:

	June 30, 2022	June 30, 2021	Increase (Decrease)
Police & Firefighters	2.4240%	2.4627%	-0.0387%
Other Employees	9.0386%	8.7574%	0.2812%

For the year ended June 30, 2023, the City recognized pension expenses (credits) for the plans as follows:

Police & Firefighters	\$ 488,838
Other Employees	544,138
Total	\$ 1,032,976

As of June 30, 2023, 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	\$ 433,470	\$ 105,962	\$ 236,152	\$ 98,983
Change of assumptions	91,694	206,920	63,751	48,903
Net difference between projected and actual investment earnings	422,262	-	276,020	-
Change in proportion	32,939	27,129	914	38,726
Contributions subsequent to the measurement date	280,739	-	347,202	
Total	\$ 1,261,104	\$ 340,011	\$ 924,039	\$ 186,612

**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
2023	\$ (20,509)	\$ 9,551	\$ (10,959)
2024	(60,021)	(11,961)	(71,982)
2025	(4,608)	(10,244)	(14,852)
2026	679,930	375,975	1,055,905
2027	38,709	8,014	46,723
Thereafter	6,853	18,890	25,743
Total	\$ 640,354	\$ 390,225	\$ 1,030,579

***Actuarial Assumptions***

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

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.

**NOTE 15: POST-RETIREMENT BENEFITS, CONTINUED**

Best estimates of geometric real rates of return for each major asset class as of June 30, 2023 are summarized in the following table:

Asset Class	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	31.8%	5.7%
International Equity	15.0%	5.7%
Fixed Income	23.6%	2.0%
Alternative Investments	21.5%	7.8%
Cash & Equivalents	8.1%	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>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Increase (Decrease)</u>
Police & Firefighters	2.4240%	2.4627%	-0.0387%
Other Employees	9.0386%	8.7574%	0.2812%

***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**

Pertinent information regarding leases is presented below.

***Leases Payable***

Date of Issue	Initial Liability	Purpose	Outstanding Liability Balance 6/30/2023	Asset Value 6/30/2023	Accumulated Amortization 6/30/2023
Various	\$ 63,099	During 2023, the City of Milford had 2 active lease agreements for acquisition and use of copier machines ending in 2027. The city of Milford is required to make various monthly principal and interest payments between \$274 and \$989. The leases have no specified interest rates.	\$ 55,897	\$ 63,099	\$ 7,202
Various	\$ 26,626	During 2023, the City of Milford had 2 active lease agreements for acquisition and use of postage machines ending in various year between 2024-2025. The city of Milford is required to make various monthly principal and interest payments between \$56 and \$406. The leases have no specified interest rates.	\$ 8,076	\$ 26,626	\$ 18,549
			\$ 63,973	\$ 89,725	\$ 25,751

The future principal and interest lease payments as of December 31, 2023, were as follows:

Year Ending	Principal	Interest	Total
2024	\$19,683	\$ 3,098	\$ 22,781
2025	13,562	2,205	15,767
2026	13,760	1,394	15,154
2027	14,048	558	14,606
2028	2,920	14	2,934
	\$63,973	\$ 7,269	\$ 71,242

**NOTE 16: LEASES, CONTINUED**

***Leases Receivable***

***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, 2023, the value of the lease receivable is \$236,309 and the related deferred inflow for future payments expected to be collected on the lease is \$236,309. 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 \$143,035 and \$17,623, 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, Bayhealth Dickinson, and DHSS. An initial lease receivable was recorded in the amount of \$235,490. No additional revenue was recorded for variable and other payments not included in the measurement of the lease receivable. As of June 30, 2023, the value of the lease receivable is \$178,154 and the related deferred inflow for future payments expected to be collected on the lease is \$202,918. 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 \$28,505 and \$10,084, respectively, for the fiscal year.

***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, 2023, the value of the lease receivable is \$34,612 and the related deferred inflow for future payments expected to be collected on the lease is \$35,250. 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 \$22,041 and \$1,959, respectively, for the fiscal year.

**NOTE 16: LEASES, CONTINUED**

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

***City of Milford as Lessee***

The City of Milford has entered into a property lease agreement with an external party for a property. This agreement does not meet the City's criteria of a lease under GASB Statement No. 87 as the annual payment is under the City's threshold for reporting. Due to the amount 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.

***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: SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITAs)**

Pertinent information regarding SBITAs is presented below.

Date of Issue	Initial Liability	Purpose	Outstanding Liability Balance 6/30/2023	Asset Value 6/30/2023	Accumulated Amortization 6/30/2023
7/1/2022	\$ 593,927	During FY 2023, the City of Milford had an active SBITA agreement with Tyler Technologies ending in FY 2027. The city of Milford is required to make various quarterly principal and interest payments between \$30,680 and \$39,054. The SBITA have no specified interest rates.	\$ 494,284	\$494,284	\$ 48,645
Various	\$ 129,041	During FY 2023, the City of Milford entered into SBITA agreements with Axon Enterprises ending in various year between FY 2023-2026. The city of Milford is required to make various annual principal and interest payments between \$24,673 and \$35,212. The SBITAs have no specified interest rates.	\$ 129,041	\$129,041	\$ -
			\$ 623,325	\$623,325	\$ 48,645

The future principal and interest lease payments as of December 31, 2023, were as follows:

Year Ending	Principal	Interest	Total
2024	\$154,972	\$27,953	\$ 182,925
2025	160,204	18,824	179,028
2026	170,783	9,157	179,940
2027	101,212	569	101,781
	\$587,171	\$56,503	\$ 643,674

**NOTE 18: 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 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, 2023, the City had drawn \$1,669,226 on the BAN. As of the issue date, the City incurred design, construction management and construction expenses totaling \$16,895,888 on the project, of which \$43,614 was withheld as retainage, \$362,219 is payable, \$886,693 was met through the City reserve funds targeted for the project, and \$14,517.698 was satisfied through draws against the BAN.

# The City of Milford

## Required Supplementary Information

As of and for the Year Ended June 30, 2023

**CITY OF MILFORD, DE**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2023**

**DRAFT**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts,</u> <u>Budgetary</u> <u>Basis</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
<b>REVENUES</b>				
Property Taxes	\$ 4,941,100	\$ 4,941,100	\$ 5,020,216	\$ 79,116
Fees and Fines	95,000	95,000	177,804	82,804
Licenses and Permits	477,100	571,300	1,242,042	670,742
Franchise & Lease Revenue	428,351	428,351	418,383	(9,968)
Charges for Services	88,000	5,000	20,880	15,880
Intergovernmental	387,000	387,885	405,002	17,117
Investment Earnings	9,500	9,500	112,904	103,404
Miscellaneous	12,250	16,250	211,320	195,070
<b>Total Revenues</b>	<u>6,438,301</u>	<u>6,454,386</u>	<u>7,608,551</u>	<u>1,154,164</u>
<b>EXPENDITURES</b>				
Current:				
General Government	4,822,717	5,318,609	2,402,711	2,915,898
Public Safety	6,185,274	6,211,159	6,229,175	(18,016)
Public Works	2,298,142	1,678,142	1,128,994	549,148
Culture and Recreation	1,482,240	1,391,197	1,272,385	118,812
Capital Outlay	4,041,280	17,164,915	12,425,054	4,739,861
<b>Total Expenditures</b>	<u>18,829,653</u>	<u>31,764,022</u>	<u>30,631,259</u>	<u>1,132,763</u>
Deficiency of Revenues Over Expenditures	<u>(12,391,352)</u>	<u>(25,309,636)</u>	<u>(23,022,708)</u>	<u>2,286,927</u>
<b>OTHER FINANCING SOURCES</b>				
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	-
Transfers In From Special Revenue Fund	586,411	588,475	1,128,479	540,004
Proceeds from Sale of Assets	2,000	5,507	278,648	273,141
Bond Anticipation Note	-	-	8,627,781	-
Other Transfers In	1,130,257	3,428,898	1,200,176	(2,228,722)
Transfers Out	(500,000)	(500,000)	(339,071)	160,929
<b>Net Change in Fund Balance</b>	<u>(8,559,095)</u>	<u>(19,175,231)</u>	<u>(8,926,695)</u>	<u>1,032,279</u>
<b>DEFICIENCY FUNDED BY (SURPLUS DIRECTED TO)</b>				
General Fund Balance and Reserves	<u>8,559,095</u>	<u>19,175,231</u>	<u>8,926,695</u>	<u>(1,032,279)</u>
<b>Net Revenues, Other Financing Sources, Prior Fund Balances and Expenditures</b>	<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
<b><u>County &amp; Municipal Police and Firefighters' Pension Plan</u></b>							
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%
<b><u>County &amp; Municipal Other Employees' Pension Plan</u></b>							
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.*

DRAFT

**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
<b><u>County &amp; Municipal Police and Firefighters' Pension Plan</u></b>							
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%
<b><u>County &amp; Municipal Other Employees' Pension Plan</u></b>							
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.*

DRAFT

**CITY OF MILFORD, DELAWARE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY SCHEDULES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

**DRAFT**

**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, 2023

**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.

<b>Ratable Classification</b>	<b>2023 Assessed Value (AV)</b>	<b>2023 Market Value (MV)*</b>	<b>AV ÷ MV</b>
Public Utilities	\$5,508,755	\$10,393,877	
Agriculture	878,100	\$1,656,792	
Residential	645,791,700	\$1,218,474,906	
Multi-Family	43,996,300	\$83,011,887	
Commercial	336,522,359	\$634,947,847	
Industrial	11,315,900	\$21,350,755	
Exempt	344,779,000	\$650,526,415	
<b>TOTAL</b>	<b>\$1,388,792,114</b>	<b>\$2,620,362,479</b>	<b>53%</b>

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

**Tax Assessments**

<b>Year</b>	<b>Assessment*</b>	<b>Ratio, Assessed to</b>	<b>Market Value</b>
		<b>Market Value</b>	
2023	\$ 1,388,792,114	53%	\$ 2,620,362,479
2022	1,370,587,152	60%	2,284,311,920
2021	1,322,462,352	69%	1,911,072,763
2020	1,304,217,652	74%	1,762,456,286
2019	1,108,131,359	78%	1,420,681,230
2018	1,076,761,765	75%	1,435,213,740
2017	1,064,336,304	81%	1,319,777,017
2016	1,049,526,712	89%	1,175,823,786
2015	1,038,988,192	91%	1,141,745,266
2014	1,030,515,982	95%	1,084,753,665

*\*Last Reassessment Completed in September 2012*

The City's property tax rate was \$0.49275 per \$100 of assessed value throughout the FY23 reporting period. City Council approved the rate of \$0.54600 per \$100 of assessed value effective FY24. A portion of the increase in FY24 is attributable to a referendum-approved initiative in support of the City's new Police Headquarters Facility. 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.

**Top 20 Taxpayers**

2023 Assessed Value	Land Use	Parcel Owner	2023 Tax Levy
\$ 27,687,259	Commercial	Clark Avenue Realty	\$ 151,172
19,401,400	Commercial	Milford Plaza	105,932
17,007,800	Multi-Family	Windward on the River	92,863
16,426,800	Commercial	Wal-Mart Stores	89,690
11,628,900	Multi-Family	Watergate At Milford	63,494
9,447,900	Multi-Family	Reserve at Saw Mill	51,586
8,514,300	Multi-Family	Key Properties Group	46,488
8,369,100	Commercial	Milford Center	45,695
6,869,500	Commercial	Cypress Capital	37,507
6,780,100	Commercial	Helmick Milford	37,019
6,734,300	Multi-Family	Cascades	36,769
6,558,100	Commercial	Baltimore Aircoil Company	35,807
6,547,100	Commercial	US Cold Storage	35,747
5,302,800	Multi-Family	Case Edwards Management	28,953
5,158,300	Industrial	Purdue RE Holdings	28,164
4,899,500	Multi-Family	Tran Con Builders	26,751
4,799,800	Commercial	SW Acquisitions	26,207
4,770,900	Multi-Family	Mispillion Realty	26,049
4,763,300	Commercial	Riverwalk Center At Milford	26,008
4,698,800	Commercial	Milford Microtel	25,655

**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
2023	\$ 4,912,100	\$ 5,178,348	105%	\$ 154,361
2022	4,741,043	4,745,519	100%	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	101%	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

**Selected Demographic Data and Corresponding Debt Ratios**

	Direct Debt <sup>1</sup>	Population <sup>2</sup>	Assessed Valuation (AV) <sup>1</sup>
	\$ 7,488,781	13,289	\$ 1,388,792,114
Direct Debt per Capita		\$ 564	
Direct Debt as % of AV			0.54%

<sup>1</sup> Debt and AV measured as of and for the period ended June 30, 2023, respectively

<sup>2</sup> Based on most current US Census Bureau Population Estimate as of July 1, 2023

Direct Debt as of June 30, 2022 consisted entirely of the City’s General Obligation Bond Series 2016 outstanding balance of \$6.26 million. As of June 30, 2023, Direct Debt increased to \$7.5 million, driven by \$1.67 million in new construction financing related to the City’s referendum-approved Police Headquarters Facility Project, net of \$0.44 million in principal repayments against the General Obligation Bond Series 2016. Milford’s organic growth in population and assessments serve to maintain stability in the debt ratios, while debt service requirements are scheduled into tax and utility rate structures.

**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	578
Dentsply Sirona	Dental Equipment	525
Walmart Stores	Retail	349
Sea Watch International	Seafood Processing	250
City of Milford	Municipal Government	135
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*

[The remainder of this page was intentionally left blank]

**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***

**DRAFT**

Page 1 of 2

[TO BE PREPARED BY AUDIT FIRM]

[TO BE PREPARED BY AUDIT FIRM]

# The City of Milford

## Other Supplemental Information Single Audit

For Year Ended June 30, 2023

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, 2023**

**DRAFT**

<b>Federal Grantor/Pass-through Grantor/Program</b>	<b>Federal CFDA Number</b>	<b>Pass Through Entity Identifying Number</b>	<b>Passed Through to Subrecipients</b>	<b>Total Federal Expenditures</b>
US Department of the Treasury American Rescue Plan Act	21.027	n/a	-	2,208,432
US Department of Justice Bulletproof Vest Partnership	16.607	n/a	-	5,229
US Department of Justice Edward Byrne Memorial Justice Assistance	16.738	n/a	-	17,215
Total expenditures of federal awards			\$ -	\$ 2,230,876

**CITY OF MILFORD, DE**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

**DRAFT**

**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, 2023. 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.

**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
21.027	American Rescue Plan Act

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

Auditee qualified as low-risk auditee?



Financial Reporting Package  
As of and For the Period Ended September 30, 2024

Net Cash and Funding Availability Summary (*in thousands*)

Cash & Investment Balance Rollforward

Restricted Cash Reserves Report

Enterprise Funds YTD Revenue & Expenditure Report

General Fund YTD Revenue & Expenditure Report

Appendix: ARPA Funding Plan versus Actual Expenses

---

*Legacy* Revenue Report with MTD & YTD vs Annual Budget  
*Legacy* Expenditure Report with MTD & YTD vs Annual Budget  
*Legacy* Interservice Department Cost Allocation

City of Milford, Delaware  
 Net Cash and Funding Availability Summary (in thousands)<sup>1</sup>  
 For the Period Ended September 30, 2024

Operating Cash Balances <span style="float: right;">▼ Marks Ref Closing Bal<sup>4</sup></span>							
Description	Opening Balance (Aug 31, 2024)	Closing Balance (Sep 30, 2024)	Projected Cashflows	Commitments & Restrictions	Minimum Cash Requirement/ERR	Uncommitted / Unrestricted	
General Fund <sup>3</sup>	\$ 1,105	↑ \$ 3,073	\$ 1,244	\$ (648)	\$ (1,765)	\$ 1,904	
Electric Fund	3,275	→ 3,326	45	(970)	(1,187)	1,214	
Water Fund	3,121	→ 3,349	32	(643)	(330)	2,407	
Sewer Fund	1,967	↑ 2,226	26	(301)	(236)	1,715	
Solid Waste Fund	845	↓ 453	8	(123)	(201)	137	
<b>Operating Cash Totals<sup>4</sup></b>	<b>\$ 10,313</b>	<b>\$ 12,427</b>	<b>\$ 1,355</b>	<b>\$ (2,685)</b>	<b>\$ (3,719)</b>	<b>\$ 7,378</b>	
Federal, State and Other Special Purpose Cash Balances							
Description	Opening Balance (Aug 31, 2024)	Closing Balance (Sep 30, 2024)	Projected Cashflows	Commitments & Restrictions	Minimum Cash Requirement/ERR	Uncommitted / Unrestricted	
General Improvement	\$ 1,291	→ \$ 1,295	\$ -	\$ (1,295)	\$ -	\$ -	
Municipal Street Aid (MSA)	726	↑ 802	210	(1,012)	-	-	
Realty Transfer Tax (RTT)	2,070	→ 2,084	5,563	(5,683)	(1,373)	591	
Economic Development	515	→ 515	89	-	-	604	
Lodging Tax Fund	768	→ 792	99	(891)	-	-	
ARPA Grant Fund	274	→ 260	-	(260)	-	-	
<b>Special Purpose Cash Totals<sup>4</sup></b>	<b>\$ 5,644</b>	<b>\$ 5,749</b>	<b>\$ 5,962</b>	<b>\$ (9,142)</b>	<b>\$ (1,373)</b>	<b>\$ 1,195</b>	
Reserve Fund Cash Balances <sup>1</sup>							
Description	Opening Balance (Aug 31, 2024)	Closing Balance (Sep 30, 2024)	Projected Cashflows	Commitments & Restrictions	Minimum Cash Requirement/ERR	Uncommitted / Unrestricted	
General Fund Capital Reserves	\$ 2,253	→ \$ 2,211	\$ 2,648	\$ (4,353)	\$ (329)	\$ 178	
Water Fund Capital Reserves	3,689	→ 3,711	643	(2,064)	(2,229)	60	
Sewer Fund Capital Reserves	4,385	→ 4,295	301	(1,103)	(3,472)	22	
Solid Waste Fund Capital Reserves	116	↓ 84	123	(71)	(126)	10	
Electric Fund Capital Reserves <sup>2</sup>	13,009	→ 13,090	3,470	(7,034)	(7,045)	2,481	
<b>Operating Cash Totals<sup>4</sup></b>	<b>\$ 23,453</b>	<b>\$ 23,391</b>	<b>\$ 7,185</b>	<b>\$ (14,626)</b>	<b>\$ (13,200)</b>	<b>\$ 2,751</b>	
Impact Fees and Police/General Facilities Cash Balances							
Description	Opening Balance (Aug 31, 2024)	Closing Balance (Sep 30, 2024)	Projected Cashflows	Commitments & Restrictions	Minimum Cash Requirement/ERR	Uncommitted / Unrestricted	
Police & General Gov't Facilities	\$ 672	→ \$ 676	\$ 106	\$ (782)	\$ -	\$ -	
Carlisle Fire Co Permit Fund	320	→ 324	35	(359)	-	-	
Parks & Recreation Facilities	160	→ 160	-	(160)	-	-	
Water Impact Fee Reserves	6,113	→ 6,179	589	(1,265)	-	5,503	
Sewer Impact Fee Reserves	3,575	→ 3,608	294	(550)	-	3,352	
Electric Impact Fee Reserves	1,439	→ 1,447	76	(1,523)	-	-	
<b>Impact Fees &amp; Police/GF Totals<sup>4</sup></b>	<b>\$ 12,278</b>	<b>\$ 12,393</b>	<b>\$ 1,100</b>	<b>\$ (4,638)</b>	<b>\$ -</b>	<b>\$ 8,854</b>	
<b>Grand Totals<sup>4</sup></b>	<b>\$ 51,689</b>	<b>\$ 53,959</b>	<b>\$ 15,602</b>	<b>\$ (31,092)</b>	<b>\$ (18,291)</b>	<b>\$ 20,178</b>	

<sup>1</sup>New report merges Cash Roll (p.2) and Restricted Reserves (p.3) into one single reference for net funds available after commitments & restrictions.  
<sup>2</sup>Realty Transfer Taxes (RTT) and Electric Fund Reserves totaling \$7.5mm are being temporarily consumed to offset interest costs associated with the PD Facility construction. The recovery of the funds through project financing is reflected in the Projected Cashflows columns for RTT & Electric.  
<sup>3</sup>The General Fund Unrestricted operating cash balance reported last month was a function of dynamic reserve targets against the expanding budget (organic growth + inflation) timed with the lowest operating cash period of the FY; the sub-zero condition naturally reverse in September as expected.  
<sup>4</sup>Closing Balance Indicator sets **Red**, **Yellow** and **Green** signify month-to-month cash variance as follows:



-10% ≤ Variance ≤ 10%



-5% ≤ Variance ≤ 5%



-2.5% ≤ Variance ≤ 2.5%

City of Milford, Delaware  
Cash and Investment Balance<sup>1</sup> Rollforward  
For the Period Ended September 30, 2024

Operating Cash Balances

▼ Marks Ref Closing Bal<sup>4</sup>

Description	Opening Balance (Aug 31, 2024)	Receipts	Interest Earned	Disbursements	Closing Balance (Sep 30, 2024)
General Fund	\$ 1,105,027	\$ 4,484,385	\$ 2,117	\$ (2,518,807) ↑	\$ 3,072,722
Electric Fund	3,274,701	4,408,807	6,273	(4,363,644) →	3,326,137
Water Fund	3,120,501	426,310	5,977	(204,244) →	3,348,543
Sewer Fund	1,967,311	668,386	3,768	(413,131) ↑	2,226,334
Solid Waste Fund	845,330	147,478	1,619	(541,317) ↓	453,111
<b>Operating Cash Totals<sup>4</sup></b>	<b>\$ 10,312,870</b>	<b>\$ 10,135,365</b>	<b>\$ 19,754</b>	<b>\$ (8,041,142) □</b>	<b>\$ 12,426,848</b>

Federal, State and Other Special Purpose Cash Balances

Description	Opening Balance (Aug 31, 2024)	Receipts	Interest Earned	Disbursements <sup>2</sup>	Closing Balance (Sep 30, 2024)
General Improvement	\$ 1,290,610	\$ -	\$ 9,084	\$ (4,387) →	\$ 1,295,306
Municipal Street Aid (MSA)	725,919	70,163	5,703	- ↑	801,786
Realty Transfer Tax (RTT)	2,070,161	10,521	11,755	(8,333) →	2,084,103
Economic Development	515,247	-	-	- →	515,247
Lodging Tax Fund	768,365	23,819	-	- →	792,184
ARPA Grant Fund	273,890	-	-	(13,391) →	260,499
<b>Special Purpose Cash Totals<sup>3,4</sup></b>	<b>\$ 5,644,192</b>	<b>\$ 104,504</b>	<b>\$ 26,542</b>	<b>\$ (26,111) □</b>	<b>\$ 5,749,126</b>

Reserve Fund Cash Balances

Description	Opening Balance (Aug 31, 2024)	Receipts	Interest Earned	Disbursements <sup>2</sup>	Closing Balance (Sep 30, 2024)
General Fund Capital Reserves	\$ 2,252,842	\$ 190,792	\$ 15,873	\$ (248,496) →	\$ 2,211,010
Water Fund Capital Reserves	3,689,357	-	25,994	(4,785) →	3,710,566
Sewer Fund Capital Reserves	4,385,368	-	30,898	(121,227) →	4,295,039
Solid Waste Fund Capital Reserves	116,147	390,500	818	(423,385) ↓	84,080
Electric Fund Capital Reserves	13,009,270	-	91,660	(10,833) →	13,090,097
<b>Reserve Fund Cash Totals<sup>3,4</sup></b>	<b>\$ 23,452,985</b>	<b>\$ 581,292</b>	<b>\$ 165,243</b>	<b>\$ (808,727) □</b>	<b>\$ 23,390,793</b>

Impact Fees and Police/General Facilities Cash Balances

Description	Opening Balance (Aug 31, 2024)	Receipts	Interest Earned	Disbursements <sup>2</sup>	Closing Balance (Sep 30, 2024)
Police & General Gov't Facilities	\$ 671,865	11,817	\$ -	\$ (8,105) →	\$ 675,577
Carlisle Fire Co Permit Fund	319,679	3,939	-	- →	323,618
Parks & Recreation Facilities	159,575	-	-	- →	159,575
Water Impact Fee Reserves	6,113,469	65,411	-	- →	6,178,880
Sewer Impact Fee Reserves	3,574,993	32,663	-	- →	3,607,656
Electric Impact Fee Reserves	1,438,890	8,400	-	- →	1,447,290
<b>Impact Fees &amp; Police/GF Totals<sup>3,4</sup></b>	<b>\$ 12,278,473</b>	<b>\$ 122,230</b>	<b>\$ -</b>	<b>\$ (8,105) □</b>	<b>\$ 12,392,597</b>

<b>Grand Totals<sup>4</sup></b>	<b>\$ 51,688,519</b>	<b>\$ 10,943,391</b>	<b>\$ 211,539</b>	<b>\$ (8,884,085) ✓</b>	<b>\$ 53,959,364</b>
---------------------------------	----------------------	----------------------	-------------------	-------------------------	----------------------

<sup>1</sup>Balances are not indicative of funding availability; see enclosed Restricted Cash Reserves and Net Cash & Funding Availability Reports for detail.

<sup>2</sup>\$0.8 million disbursed from reserves (lines 20-24) includes the \$422k solid waste vehicle, \$210k in PD projects & vehicle replacements, the ongoing ERP upgrade, parks & rec projects and other budgeted utility projects.

<sup>3</sup>Investments with PFM exceed \$39 million and consist of total reserves (line 25), impact fees (lines 31-33), special purpose funds (lines 13-15), and on a short-term basis, a portion of the operating cash (line 8).

<sup>4</sup>Closing Balance Indicator sets Red, Yellow and Green signify month-to-month cash variance as follows:



-10% ≤ Variance ≤ 10%



-5% ≤ Variance ≤ 5%



-2.5% ≤ Variance ≤ 2.5%

City of Milford, Delaware  
Restricted Cash Reserves Report  
As of September 30, 2024

General Fund Capital Reserves		Amount
Cash/Investment Balance (9/30/24)	\$	2,211,010
Expected Contributions & Interest		648,225
Restricted Funds:		
Vehicle & Equipment Replacement		(224,494)
Street Repair		(2,084,347)
Parking Enhancements		(620,000)
Parkland, Trails & Recreation		(1,263,177)
PD Projects		(160,489)
Support Policy with RTT <sup>1</sup>		2,000,000
Reserve (MCR) Policy <sup>6,8</sup>		-
Equipment Replacement Reserve <sup>2</sup>		(329,000)
<b>Uncommitted Reserve Balance</b>	<b>\$</b>	<b>177,728</b>

Electric Fund Capital Reserves		Amount
Cash/Investment Balance (9/30/24)	\$	13,090,097
Expected Contributions & Interest		3,469,861
Restricted Funds:		
Electric Vehicles & Equipment		(135,000)
Substation Upgrades & Security		(479,944)
Traffic Signal Upgrades		(374,840)
Citywide Projects		(1,984,593)
Investment Policy/Rate Stability <sup>7</sup>		(4,060,000)
Reserve (MCR) Policy <sup>3,6</sup>		(6,836,775)
Equipment Replacement Reserve <sup>3</sup>		(208,000)
<b>Uncommitted Reserve Balance</b>	<b>\$</b>	<b>2,480,806</b>

Water Fund Capital Reserves		Amount
Cash/Investment Balance (9/30/24)	\$	3,710,566
Expected Contributions & Interest		642,767
Restricted Funds:		
Vehicle & Equipment Replacement		(218,393)
Reserve-Funded Projects		
Water System Improvements		(1,515,586)
Water Plant Upgrades		(238,376)
4th St Project 9/9/24		(91,996)
Reserve (MCR) Policy <sup>3,6</sup>		(2,182,680)
Equipment Replacement Reserve <sup>3</sup>		(46,250)
<b>Uncommitted Reserve Balance</b>	<b>\$</b>	<b>60,052</b>

Solid Waste Reserves		Amount
Cash/Investment Balance (9/30/24)	\$	84,080
Expected Contributions & Interest		123,150
Restricted Funds:		
Solid Waste Vehicles & Equipment <sup>4</sup>		(15,500)
Solid Waste Alloc of Citywide Projects		(55,744)
Reserve (MCR) Policy <sup>4</sup>		-
Equipment Replacement Reserve <sup>4</sup>		(125,500)
<b>Uncommitted Reserve Balance</b>	<b>\$</b>	<b>10,486</b>

Sewer Fund Capital Reserves		Amount
Cash/Investment Balance (9/30/24)	\$	4,295,039
Expected Contributions & Interest		301,250
Restricted Funds:		
Sewer Vehicles & Equipment		(125,424)
Reserve-Funded Projects		
Sewer System Improvements		(912,700)
8" Bypass Pump		(65,000)
Reserve (MCR) Policy <sup>3,6</sup>		(3,373,571)
Equipment Replacement Reserve <sup>3</sup>		(98,000)
<b>Uncommitted Reserve Balance</b>	<b>\$</b>	<b>21,594</b>

MSA & RTT Reserves		Amount
RTT Balance (9/30/24)		2,084,103
MSA Balance (9/30/24)		801,786
MSA & RTT Est Receipts thru FY25:		5,773,911
MSA: Street & Bridge Improvements		(1,169,501)
RTT: Transfer to Police Dept		(75,000)
RTT: Sidewalk Project Funding		(150,000)
MSA & RTT: Combined St-Util		(3,301,000)
RTT: 4th St Project 9/9/24		(263,757)
RTT: Support GF Policies <sup>1</sup>		(2,000,000)
RTT: Reserve Policy <sup>5</sup>		(1,373,000)
<b>Uncommitted Reserve Balance</b>	<b>\$</b>	<b>327,542</b>

<sup>1</sup>Approved GF Reserve Policies permit support from an eligible funding source; portion of RTT balance pledged to support GF Reserves for foreseeable future

<sup>2</sup>Approved GF Reserve Policies recommend MCR of 45 days OpEx & Equip Repl Res minimum of 110% of upcoming CIP budget

<sup>3</sup>Approved Reserve Policies split Minimum Cash Req'd from COS study into new MCR & Equip Repl Reserve (20% of CIP)

<sup>4</sup>Solid Waste Reserves initiated in FY22 with seed funding from interfund loan forgiveness. Funds accumulated through FY23 used for collection equipment; 100% being reserved in FY24+.

<sup>5</sup>Approved Reserve Policies recommend dynamic MCR based on average of trailing-three-year RTT receipts; FY24 increase related to strong FY23 vs FY20, which fell out of T3 Avg

<sup>6</sup>The Days Operating Expenditures (Days OpEx) piece of MCRs reclassified from Reserve balances here to Operating Cash; the Total MCR has not changed

<sup>7</sup>This funding has been deployed pursuant to the City's Investment Policy to achieve rate stability and structured returns. Interest rate increases and land investments prompted a revised strategy to benefit both the electric and sewer funds over a 13-year investment horizon.

<sup>8</sup>The portion of the GF Reserve balance supporting GF OCF requirement due to seasonal cash consumption was returned from the investment program in August

City of Milford, Delaware  
Enterprise Funds: Statement of Revenues & Expenditures  
For the YTD Period Ended September 30, 2024 vs Prior FYTD & Current Budget (in thousands)

Enterprise Funds Profit & Loss (P&L) Statement	Electric		Water		Sewer		Solid Waste		Total	FY25 Total (as % of Rev)	FY24 Total (as % of Rev)	
Operating Revenue	\$	10,087	\$	1,103	\$	1,706	\$	510	\$	13,406	100.0%	100.0%
Cost of Revenue <sup>1</sup>		(6,688)		(134)		(833)		(91)		(7,746)	-57.8%	-67.9%
Gross Margin		3,400		969		873		419		5,660	42.2%	32.1%
Operating Expenses												
Operations & Maintenance		(934)		(330)		(250)		(267)		(1,781)	-13.3%	-13.8%
Personnel		(488)		(111)		(109)		(126)		(834)	-6.2%	-6.0%
Total Operating Expenses		(1,422)		(440)		(359)		(393)		(2,614)	-19.5%	-19.8%
Operating Income	\$	1,977	\$	528	\$	514	\$	26	\$	3,046	22.7%	12.3%
Non-Operating Revenue (Expense)		-		-		-		-		-	0.0%	0.2%
Surplus (Deficit) for debt service & capital		1,977		528		514		26		3,046	22.7%	12.5%
Debt Service - Principal & Interest		-		(90)		(13)		-		(102)	-0.8%	-0.1%
Capital Spending / Contributions from (to) Reserves		(20)		(126)		(128)		(423)		(698)	-5.2%	-1.7%
Surplus (deficit) available for transfers		1,957		313		373		(397)		2,246	16.8%	10.6%
Transfers Out		(986)		(79)		(79)		-		(1,143)	-8.5%	-9.7%
<b>Net Surplus (Deficit) - FYTD through Sep 2024</b>	\$	<b>972</b>	\$	<b>234</b>	\$	<b>294</b>	\$	<b>(397)</b>	\$	<b>1,103</b>	<b>8.2%</b>	<b>0.9%</b>
<b>Net Surplus (Deficit) - FYTD through Sep 2023</b>	\$	<b>(297)</b>	\$	<b>345</b>	\$	<b>95</b>	\$	<b>(49)</b>	\$	<b>95</b>	<b>0.9%</b>	
<b>Current vs Prior - Favorable (Unfavorable)<sup>2</sup></b>	↑	\$ 1,269	↓	\$ (111)	↑	\$ 199	↓	\$ (349)	↑	\$ 1,008	↑	7.3%
<b>Net Surplus (Deficit) - Current FYTD Budget</b>	\$	<b>(428)</b>	\$	<b>113</b>	\$	<b>61</b>	\$	<b>(146)</b>	\$	<b>(400)</b>	<b>-3.6%</b>	
<b>Current vs Budget - Favorable (Unfavorable)<sup>2</sup></b>	↑	\$ 1,399	↑	\$ 121	↑	\$ 233	↓	\$ (251)	↑	\$ 1,503	↑	11.8%

<sup>1</sup>Cost of Revenue reported in the electric fund reflects wholesale cost of power and serves as an ideal revenue offset to arrive at gross margin. Cost of revenue in the water, sewer and solid waste funds are estimated based on a limited set of known, direct inputs to the cost of providing the utility services billed. Aside from Kent County sewer treatment charges, costs of revenue in the water, sewer and solid waste funds are likely understated.

<sup>2</sup>Comparative Indicators **Green**, **Yellow** and **Red** signify favorable variance greater than 5%, marginal variance within ±5%, and unfavorable variance below -5%, respectively, for departmental comparisons. Total variance carries tighter bounds of >2.5%, ±2.5% and <2.5%, while the percentage variance uses >1.0%, ±1.0% and <1.0%, respectively.

City of Milford, Delaware  
 General Fund: Statement of Revenues & Expenditures<sup>1</sup>  
 For the YTD Period Ended September 30, 2024 vs Prior FYTD & Current Budget (in thousands)

General Fund Sources and Uses of Funding	Admin & Council	Public Safety	Parks & Rec	Planning & All Other	Total	FY25 Total <i>(as % of Rev)</i>	FY24 Total <sup>2</sup> <i>(as % of Rev)</i>
<b>Sources of Funding:</b>							
Real Estate (Property) Taxes	\$ 6,292	\$ -	\$ -	\$ -	\$ 6,292	72.0%	78.0%
Permits, Licensing & Franchise Fees	38	-	-	233	271	3.1%	2.1%
Fines, Fees & Misc Revenue	21	260	-	-	280	3.2%	3.2%
<b>General Revenue Subtotal</b>	<b>6,351</b>	<b>260</b>	<b>-</b>	<b>233</b>	<b>6,843</b>	<b>78.4%</b>	<b>83.3%</b>
Utility Transfers & Cost Allocation	1,647	-	-	-	1,647	18.9%	13.2%
Grant Revenue	6	-	-	-	6	0.1%	0.0%
Application of Reserve Balances	211	25	-	-	236	2.7%	3.5%
<b>General Fund Operating Support</b>	<b>1,865</b>	<b>25</b>	<b>-</b>	<b>-</b>	<b>1,890</b>	<b>21.6%</b>	<b>16.7%</b>
<b>Total Sources of Funding</b>	<b>\$ 8,215</b>	<b>\$ 285</b>	<b>\$ -</b>	<b>\$ 233</b>	<b>\$ 8,733</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Uses of Funding:</b>							
Operations & Maintenance	166	276	130	288	861	9.9%	8.3%
Personnel	192	1,649	207	615	2,664	30.5%	27.8%
<b>Total Operating Expenses</b>	<b>359</b>	<b>1,924</b>	<b>338</b>	<b>904</b>	<b>3,524</b>	<b>40.4%</b>	<b>36.1%</b>
<b>Surplus (Deficit) for Debt Svc &amp; Capital</b>	<b>\$ 7,857</b>	<b>\$ (1,640)</b>	<b>\$ (338)</b>	<b>\$ (671)</b>	<b>\$ 5,208</b>	<b>59.6%</b>	<b>63.9%</b>
Debt Service - Principal & Interest	-	-	-	-	-	0.0%	0.0%
Capital Spending / Transfers from (to) Reserves	18	58	34	70	181	2.1%	15.2%
<b>Net Surplus (Deficit) - FYTD through Sep 2024</b>	<b>\$ 7,839</b>	<b>\$ (1,698)</b>	<b>\$ (372)</b>	<b>\$ (741)</b>	<b>\$ 5,028</b>	<b>57.6%</b>	<b>48.7%</b>
<b>Net Surplus (Deficit) - FYTD through Sep 2023</b>	<b>\$ 6,551</b>	<b>\$ (1,871)</b>	<b>\$ (540)</b>	<b>\$ (599)</b>	<b>\$ 3,541</b>	<b>48.7%</b>	
<b>Current vs Prior - Favorable (Unfavorable)<sup>2</sup></b>	<b>↑ \$ 1,287</b>	<b>↑ \$ 173</b>	<b>↑ \$ 169</b>	<b>↓ \$ (142)</b>	<b>↑ \$ 1,487</b>	<b>↑ 8.9%</b>	
<b>Net Surplus (Deficit) - Current FYTD Budget</b>	<b>\$ 7,982</b>	<b>\$ (2,912)</b>	<b>\$ (448)</b>	<b>\$ (1,134)</b>	<b>\$ 3,487</b>	<b>39.9%</b>	
<b>Current vs Budget - Favorable (Unfavorable)<sup>3</sup></b>	<b>→ \$ (143)</b>	<b>↑ \$ 1,213</b>	<b>↑ \$ 77</b>	<b>↑ \$ 394</b>	<b>↑ \$ 1,540</b>	<b>↑ 17.7%</b>	

<sup>1</sup>This Statement presents the same general fund financial performance available in the legacy Revenue and Expenditure Reports in a one-page consolidated executive summary. The common size reporting (two rightmost columns) benefits readers in two ways; first, each line is scaled with total revenue to add context, and second, the common size format is comparable across fiscal years and budgets. This report should be considered a working draft that will be improved over time to improve its usefulness to readers.

<sup>2</sup>This format presents expenditures in the context of funding sources while comparing subtotals (rightmost column) and the net surplus (deficit) to the prior YTD period (rows 19 & 20)

<sup>3</sup>Comparative Indicators **Green**, **Yellow** and **Red** signify favorable variance greater than 5%, marginal variance within ±5%, and unfavorable variance below -5%, respectively, for departmental comparisons. Total variance carries tighter bounds of >2.5%, ±2.5% and <2.5%, while the percentage variance uses >1.0%, ±1.0% and <1.0%, respectively.

Appendix: Planned Use of Funding vs Spending by Category  
American Rescue Plan Act of 2021 ("ARPA")

<i>Actual Spending by Category vs Plan, as Amended</i>						
ARPA Eligibility Categories	Plan (3/25/24) <sup>1</sup>	Actual (6/30/24)	Actual (9/30/24)	Q4 FY24 Activity <sup>2</sup>	Remaining	Notes
<b>COVID-19 Health Impact</b>	\$ 1,131,396	\$ 1,059,706	\$ 1,072,548	\$ 12,842	\$ 58,849	
Operational Facilities	778,000	778,000	778,000	-	-	PD Vehicles, City Hall/IT Upgrades
Administering COVID-19 Response	43,779	25,988	25,988	-	17,791	Pro Rata portion of DE Treasury ARPA Attorney
Behavioral Health Care	180,000	180,000	180,000	-	-	Primarily Personnel Costs
Air Quality & Ventilation	129,020	75,120	87,962	12,842	41,058	HVAC Repair in Finc & P&R Offices; PW Areas
COVID-19 Mitigation	598	598	598	-	-	Vaccination Incentive; COVID test kits
<b>COVID-19 Economic Impact</b>	\$ 858,164	\$ 857,615	\$ 858,164	\$ 549	\$ -	
Assistance to Community (Annual)	322,114	322,114	322,114	-	-	DMI, Armory, Museum, CFC, MACC, Library
Assistance to Community & Households	255,394	255,394	255,394	-	-	MHDC, ECDC, CFC, FBOD, MAH, MCG, MPL, FPCM, CP, MAL, FOMM <sup>3</sup>
Critical Ops Staffing / Retention	236,476	236,476	236,476	-	-	Dec-21
Aid Tourism Recovery	26,880	26,332	26,880	549	-	Signage / Banner Upgrade, Parks & Planning Rev
Operational Facilities	14,674	14,674	14,674	-	-	City Hall Access Panel Upgrades
Parks & Rec Programming	2,625	2,625	2,625	-	-	Signage cost share with DMI
<b>Infrastructure</b>	\$ 4,329,459	\$ 4,114,798	\$ 4,114,798	\$ -	\$ 214,661	
Water Quality	3,127,074	3,095,722	3,095,722	-	31,352	<b>2024 Utilities / Streets Proj;</b> Misp St Proj; NE Front St Water Line; 2020 Utilities / Streets Proj
Flood/Pollution Control	224,527	224,527	224,527	-	-	4th St Drainage & Mispillion St Project
Improve Resilience to Disasters	435,000	435,000	435,000	-	-	Pump Station Upgrades, Spare Pumps & IT Initiatives
Improve Wastewater Treatment	542,858	359,549	359,549	-	183,309	<b>2024 Utilities / Streets Proj;</b> Misp St Proj; NW Front St
<b>Revenue Recovery</b>	\$ 14,874	\$ 14,874	\$ 14,874	\$ -	\$ -	
Parks & Rec Programming	7,112	7,112	7,112	-	-	
Economic Development	7,762	7,762	7,762	-	-	
Public Safety Operations	-	-	-	-	-	Public Safety Revenue Recovery diverted to Vehicles
<b>Grand Total</b>	\$ 6,333,893	\$ 6,046,992	\$ 6,060,383	\$ 13,391	\$ 273,509	

<sup>1</sup>Adjusted to reflect funding available through the CARES act, Sussex County RTT funds and Council approval of additional vehicle funding; Adjusted for 2024 Streets Package

<sup>2</sup>This ARPA Spending Update is being generated quarterly following the September 2023 (Q1-FY24) Financial Report

<sup>3</sup>Housing Devel Corp, Elevated Community Development Corp, Carlisle Fire Co, Food Bank of DE, Advocacy for the Homeless, Community Garden, Public Library, First Presbyterian, Code Purple, Art League, Friends of the Museum

City of Milford, Delaware  
 Legacy Revenue Report: MTD and YTD Actual vs Annual Budget  
 For the YTD Period Ended September 30, 2024

*25.0% of Year Elapsed*

Account / Function	FY25 Budget, as Approved	MTD Actual	YTD Actual	YTD Actual as % of Annual Budget
<b>General Fund:</b>				
Economic Development Fund	\$ 287,801	\$ 23,983	\$ 71,950	25.0%
General Fund Reserves	1,809,271	46,338	139,015	7.7%
Interest Income	35,269	3,042	6,410	18.2%
Realty Transfer Tax - Police	100,000	8,333	25,000	25.0%
Real Estate Tax	6,321,516	2,603	6,291,830	99.5%
Business License	67,000	550	16,330	24.4%
Rental License	120,000	550	15,190	12.7%
Building Permits	250,000	6,865	173,679	69.5%
Planning & Zoning	9,000	40	21,679	240.9%
Leases and Franchise Fees	441,814	-	38,383	8.7%
Grasscutting Revenue	24,000	2,000	6,000	25.0%
Police Revenues	570,285	20,575	259,535	45.5%
Misc. Revenues	12,000	(4,820)	20,565	171.4%
Transfers In	6,588,923	549,078	1,647,231	25.0%
<b>Total General Fund Revenue</b>	<b>\$ 16,636,879</b>	<b>\$ 659,138</b>	<b>\$ 8,732,796</b>	<b>52.5%</b>
<b>Enterprise Funds:</b>				
Water Fund Revenues	3,707,513	318,502	1,103,212	29.8%
Sewer Fund Revenues	3,308,391	289,934	970,391	29.3%
Kent County Sewer	2,332,578	242,212	736,095	31.6%
Solid Waste Fund Revenues	1,859,923	166,552	509,563	27.4%
Electric Fund Revenues	33,710,810	2,885,485	10,087,161	29.9%
<b>Total Enterprise Fund Revenue</b>	<b>\$ 44,919,215</b>	<b>\$ 3,902,684</b>	<b>\$ 13,406,422</b>	<b>29.8%</b>
Application of Enterprise Reserves	3,432,345	-	124,753	3.6%
Other Enterprise Revenue	83,000	5,110	18,620	22.4%
Other Enterprise Expense	(83,000)	(5,250)	(21,770)	26.2%
<b>Total General &amp; Enterprise Fund Revenue</b>	<b>\$ 64,988,439</b>	<b>\$ 4,561,683</b>	<b>\$ 22,136,068</b>	<b>34.1%</b>

City of Milford, Delaware  
 Legacy Expenditure Report: MTD and YTD Actual vs Annual Budget  
 For the YTD Period Ended September 30, 2024

*25.0% of Year Elapsed*

Fund / Account / Divisional Groupings	FY25 Budget, as Approved	MTD Actual	YTD Actual	YTD Actual as % of Annual Budget	Unexpended Balance
<b>General Fund</b>					
<b>City Administration</b>					
Personnel	\$ 642,713	\$ 33,457	\$ 138,316	21.5%	\$ 504,397
Operation & Maintenance (O&M)	188,916	16,965	53,703	28.4%	135,213
Capital	48,800	1,150	1,150	2.4%	47,650
<b>Subtotal: City Administration</b>	<b>880,429</b>	<b>51,572</b>	<b>193,169</b>	<b>21.9%</b>	<b>687,260</b>
<b>City Clerks</b>					
Personnel	285,163	4,202	41,786	14.7%	243,377
O&M	86,846	2,351	22,675	26.1%	64,171
Capital	-	-	-	-	-
<b>Subtotal: City Clerks</b>	<b>372,009</b>	<b>6,553</b>	<b>64,461</b>	<b>17.3%</b>	<b>307,548</b>
<b>Planning &amp; Zoning</b>					
Personnel	764,390	53,909	185,488	24.3%	578,902
O&M	165,112	17,049	22,290	13.5%	142,822
Capital	-	-	-	-	-
<b>Subtotal: Planning &amp; Zoning</b>	<b>929,502</b>	<b>70,958</b>	<b>207,778</b>	<b>22.4%</b>	<b>721,724</b>
<b>Council</b>					
Personnel	54,990	8,305	12,374	22.5%	42,616
Legal	35,150	4,031	11,465	32.6%	23,685
City Hall Building Expense	35,462	8,866	8,866	25.0%	26,596
Insurance	18,290	298	8,644	47.3%	9,646
Council Expense	40,000	367	13,314	33.3%	26,686
Codification	18,000	5,267	5,267	29.3%	12,733
Carlisle Fire Company	205,000	-	-	0.0%	205,000
Museum	40,000	-	-	0.0%	40,000
Downtown Milford, Inc.	50,000	-	-	0.0%	50,000
Milford Public Library	28,000	-	-	0.0%	28,000
Armory Expenses	20,000	-	7,170	35.8%	12,830
Community Festivals	65,000	-	35,000	53.8%	30,000
Election Expense	13,930	-	-	0.0%	13,930
Other O&M	79,890	-	-	0.0%	79,890
Resident Survey	25,000	-	-	0.0%	25,000
<b>Subtotal: Council</b>	<b>728,712</b>	<b>27,132</b>	<b>102,098</b>	<b>14.0%</b>	<b>626,614</b>

City of Milford, Delaware  
 Legacy Expenditure Report: MTD and YTD Actual vs Annual Budget  
 For the YTD Period Ended September 30, 2024

*25.0% of Year Elapsed*

Fund / Account / Divisional Groupings	FY25 Budget, as Approved	MTD Actual	YTD Actual	YTD Actual as % of Annual Budget	Unexpended Balance
<b>Finance</b>					
Personnel	721,260	52,585	182,152	25.3%	539,108
O&M	57,705	484	12,366	21.4%	45,339
Capital	-	-	-		-
<b>Subtotal: Finance</b>	<b>778,965</b>	<b>53,068</b>	<b>194,517</b>	<b>25.0%</b>	<b>584,448</b>
<b>Information Technology</b>					
Personnel	536,570	40,388	139,413	26.0%	397,157
O&M	405,476	24,901	150,128	37.0%	255,348
Capital	-	1,339	16,929		(16,929)
<b>Subtotal: Information Technology</b>	<b>942,046</b>	<b>66,628</b>	<b>306,470</b>	<b>32.5%</b>	<b>635,576</b>
<b>Police Department</b>					
Personnel	6,733,520	500,601	1,648,609	24.5%	5,084,911
O&M	1,301,310	144,590	275,861	21.2%	1,025,449
Capital	97,260	31,196	31,391	32.3%	65,869
Debt Service	640,048	28,954	58,499	9.1%	581,549
<b>Subtotal: Police Department</b>	<b>8,772,138</b>	<b>705,341</b>	<b>2,014,360</b>	<b>23.0%</b>	<b>6,757,778</b>
<b>Streets &amp; Grounds Division</b>					
Personnel	441,620	29,787	108,139	24.5%	333,481
O&M	585,177	65,020	103,598	17.7%	481,579
Capital	275,000	-	69,924	25.4%	205,076
<b>Subtotal: Streets &amp; Grounds Division</b>	<b>1,301,797</b>	<b>94,807</b>	<b>281,661</b>	<b>21.6%</b>	<b>1,020,136</b>
<b>Parks &amp; Recreation</b>					
Personnel	775,360	59,421	207,394	26.7%	567,966
O&M	709,070	78,785	130,473	18.4%	578,597
Capital	446,851	34,273	34,273	7.7%	412,578
<b>Subtotal: Parks &amp; Recreation</b>	<b>1,931,281</b>	<b>172,480</b>	<b>372,140</b>	<b>19.3%</b>	<b>1,559,141</b>
<b>Total General Fund Expenditures</b>	<b>\$ 16,636,879</b>	<b>\$ 1,248,540</b>	<b>\$ 3,736,654</b>	<b>22.5%</b>	<b>\$ 12,900,225</b>

City of Milford, Delaware  
 Legacy Expenditure Report: MTD and YTD Actual vs Annual Budget  
 For the YTD Period Ended September 30, 2024

*25.0% of Year Elapsed*

Fund / Account / Divisional Groupings	FY25 Budget, as Approved	MTD Actual	YTD Actual	YTD Actual as % of Annual Budget	Unexpended Balance
<b>Enterprise Funds:</b>					
<b>Water Division</b>					
Personnel	\$ 467,340	\$ 35,462	\$ 110,779	23.7%	\$ 356,561
O&M	1,893,512	175,612	329,647	17.4%	1,563,865
Transfer to General Fund	315,000	26,250	78,750	25.0%	236,250
Capital	666,386	4,785	126,097	18.9%	540,289
Debt Service	365,275	89,637	89,637	24.5%	275,638
<b>Subtotal: Water Division</b>	<b>3,707,513</b>	<b>331,745</b>	<b>734,910</b>	<b>19.8%</b>	<b>2,972,603</b>
<b>Sewer Division</b>					
Personnel	457,370	34,791	108,819	23.8%	348,551
O&M	1,511,092	24,015	250,070	16.5%	1,261,022
Transfer to General Fund	315,000	26,250	78,750	25.0%	236,250
Capital	2,504,373	121,228	128,255	5.1%	2,376,118
Debt Service	416,977	12,735	12,735	3.1%	404,242
<b>Subtotal: Sewer Division (excl. Kent County)</b>	<b>5,204,812</b>	<b>219,019</b>	<b>578,630</b>	<b>11.1%</b>	<b>4,626,183</b>
Kent County Sewer	2,863,851	433,754	834,050	29.1%	2,029,801
<b>Subtotal: Sewer Division (Comprehensive)</b>	<b>8,068,663</b>	<b>652,772</b>	<b>1,412,679</b>	<b>17.5%</b>	<b>6,655,984</b>
<b>Solid Waste Division</b>					
Personnel	440,130	37,772	125,874	28.6%	314,256
O&M	1,419,793	27,939	266,746	18.8%	1,153,047
Capital	595,311	423,385	423,385	71.1%	171,926
<b>Subtotal: Solid Waste Division</b>	<b>2,455,234</b>	<b>489,096</b>	<b>816,005</b>	<b>33.2%</b>	<b>1,639,229</b>
<b>Subtotal: Water, Sewer &amp; Solid Waste</b>	<b>14,231,410</b>	<b>1,473,614</b>	<b>2,963,594</b>	<b>20.8%</b>	<b>11,267,816</b>
<b>Electric Division</b>					
Personnel	1,931,680	141,458	488,296	25.3%	1,443,384
O&M	3,379,183	435,124	934,161	27.6%	2,445,022
Transfer to General Fund	3,942,000	328,500	985,500	25.0%	2,956,500
Capital	409,340	10,834	20,129	4.9%	389,211
Debt Service	320,315	-	-	0.0%	320,315
<b>Subtotal: Electric Division (excl. Power)</b>	<b>9,982,518</b>	<b>915,916</b>	<b>2,428,086</b>	<b>24.3%</b>	<b>7,554,432</b>
Power Purchased	24,137,632	1,881,543	6,687,528	27.7%	17,450,104
<b>Subtotal: Electric Division (Comprehensive)</b>	<b>34,120,150</b>	<b>2,797,459</b>	<b>9,115,614</b>	<b>26.7%</b>	<b>25,004,536</b>
<b>Total Enterprise Fund Expenditures</b>	<b>\$ 48,351,560</b>	<b>\$ 4,271,072</b>	<b>\$ 12,079,208</b>	<b>25.0%</b>	<b>\$ 36,272,353</b>
<b>Grand Total Operating Budget</b>	<b>\$ 64,988,439</b>	<b>\$ 5,519,612</b>	<b>\$ 15,815,861</b>	<b>24.3%</b>	<b>\$ 49,172,578</b>

City of Milford, Delaware  
 Legacy Interservice Department Expenditures: MTD and YTD Actual vs Annual Budget  
 For the YTD Period Ended September 30, 2024

*25.0% of Year Elapsed*

Account / Divisional Groupings	FY25 Budget, as Approved	MTD Actual	YTD Actual	YTD Actual as % of Annual Budget	Unexpended Balance
<b>Interservice Departments</b>					
<b>Garage</b>					
Personnel	\$ 194,220	\$ 21,721	\$ 50,080	25.8%	\$ 144,140
Operation & Maintenance (O&M)	126,444	22,114	46,635	36.9%	79,809
Capital	-	-	-		-
<b>Subtotal: Garage</b>	<b>320,664</b>	<b>43,835</b>	<b>96,715</b>	<b>30.2%</b>	<b>223,949</b>
<b>Public Works</b>					
Personnel	877,190	99,398	228,611	26.1%	648,579
O&M	296,460	66,656	89,525	30.2%	206,935
Capital	-	-	-		-
<b>Subtotal: Public Works</b>	<b>1,173,650</b>	<b>166,054</b>	<b>318,136</b>	<b>27.1%</b>	<b>855,514</b>
<b>Tech Services</b>					
Personnel	336,620	39,140	87,047	25.9%	249,573
O&M	501,615	68,822	128,480	25.6%	373,135
Capital	-	-	-		-
<b>Subtotal: Tech Services</b>	<b>838,235</b>	<b>107,963</b>	<b>215,527</b>	<b>25.7%</b>	<b>622,708</b>
<b>Billing &amp; Collections</b>					
Personnel	917,260	107,416	225,873	24.6%	691,387
O&M	423,510	58,007	99,518	23.5%	323,992
Capital	-	-	-		-
<b>Subtotal: Billing &amp; Collections</b>	<b>1,340,770</b>	<b>165,423</b>	<b>325,391</b>	<b>24.3%</b>	<b>1,015,379</b>
<b>City Hall Cost Allocation</b>					
O&M	83,440	4,983	33,047	39.6%	50,393
Capital	-	-	-		-
<b>Subtotal: City Hall Cost Allocation</b>	<b>83,440</b>	<b>4,983</b>	<b>33,047</b>	<b>39.6%</b>	<b>50,393</b>
<b>Interdepartmental Cost Allocation</b>	<b>\$ (3,756,759)</b>	<b>\$ (488,259)</b>	<b>\$ (988,816)</b>	<b>26.3%</b>	<b>\$ (2,767,943)</b>
<b>Net Interdepartmental Costs<sup>1</sup></b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		<b>\$ -</b>

<sup>1</sup>All costs reported here are allocated to and entirely funded by the various departments that use the services provided internally by these shared departments.



FINANCE DEPARTMENT  
10 SE Second Street  
Milford, DE 19963

PHONE 302.424.5140  
FAX 302.424.5932  
www.cityofmilford.com

To: Finance and Audit Committee  
Through: Mark A. Whitfield, City Manager  
From: Louis C. Vitola, Finance Director  
Date: October 25, 2024  
Re: PNC Bank – Extension of Bond Anticipation Note (BAN)

### EXECUTIVE SUMMARY

Staff recommend extending the Bond Anticipation Note (BAN) issued to PNC Bank through May 31, 2025 to facilitate the closing process for the permanent financing through the USDA Community Facilities Program. The recommendation will be presented to City Council on November 12, 2024.

### DETAIL

The BAN was issued in 2022 to finance the construction of the new PD Facility ahead of the implementation of the permanent financing procured through the USDA Community Facilities Program. The USDA requires the underlying project expenditures to be completely spent through in order to close the transaction and execute the financing. Vendor invoices for construction activity can be delayed for 30-60 days or more, and invoices for change orders, retainage, and other end-of-project activity can lag even longer. The vast majority of invoices have been presented and funded. As we work through the USDA process with project manager RYJ and gather closing documentation, we recommend the extension of the BAN as proposed in the enclosed resolution, which was drafted by the City's Bond Counsel and reviewed by PNC's Bank Counsel. All other terms of the BAN remain in force.

### ACTION REQUESTED

Staff recommend the Finance and Audit Committee express support for the extension of the Bond Anticipation Note (BAN) issued to PNC Bank through May 31, 2025 pursuant to the enclosed draft resolution.

enc

CITY OF MILFORD, DELAWARE  
RESOLUTION NO. 2024-XX

A RESOLUTION AUTHORIZING AN AMENDMENT TO THE GENERAL OBLIGATION BOND ANTICIPATION NOTE, SERIES 2021 OF THE CITY OF MILFORD, DELAWARE ISSUED TO FINANCE ON AN INTERIM BASIS A PORTION OF THE DESIGN, CONSTRUCTION AND EQUIPPING OF A POLICE STATION AND TO COMPLETE OTHER NECESSARY INFRASTRUCTURE IMPROVEMENTS IN CONNECTION THEREWITH AS WELL AS OTHER MISCELLANEOUS CAPITAL PROJECTS; AND AUTHORIZING ALL NECESSARY ACTION IN CONNECTION THEREWITH

WHEREAS, the City of Milford, Delaware (the "City") is granted the power by its charter, as adopted by the Delaware General Assembly, as amended (the "Charter"), to incur indebtedness and to issue bonds or notes within certain limitations and for certain specified purposes, and in connection with capital projects, may do so by obtaining the approval of qualified voters in the City for the issuance of any such bonds or notes, and in connection with a refunding for the purposes of achieving present value debt service savings and for certain short term borrowings, may do so without obtaining the approval of the qualified voters of the City for the issuance of any such bonds; and

WHEREAS, the City Council of the City of Milford, Delaware ("Council") undertook a capital project, including the design, construction and equipping of a police station and to complete other necessary infrastructure improvements in connection therewith as well as other miscellaneous capital projects (the "Capital Project"); and

WHEREAS, the City is granted the power by its Charter to borrow money, and to secure the payment of the same by pledging the full faith and credit of the City for purposes of financing the Capital Project; and

WHEREAS, the City may borrow money through the incurrence of debt and issue bonds or notes within certain limitations for the Capital Project; and

WHEREAS, on October 12, 2020, the City adopted a resolution (the "Resolution") proposing the approval of up to \$20,000,000 in the aggregate principal amount of its general obligation bonds or notes (the "Bonds") to finance the Capital Project, and subsequently held a duly advertised public hearing on December 14, 2020, after which the City adopted a second resolution establishing the date of obtaining the approval of the qualified voters of the City for the issuance of any such Bonds, and such approval was obtained on January 26, 2021.

WHEREAS, the City authorized the issuance of and issued a Bond Anticipation Note, Series 2021, in the amount of \$20,000,000 (the "Bond Anticipation Note") on November 30, 2021, to provide interim funds to finance a portion of the Capital Project (the "BAN Project") in anticipation of the issuance of the Bonds which shall repay the Bond Anticipation Note and now desires to amend the maturity date of that Bond Anticipation Note, as set forth below.

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

Section 1. Amendment to the Maturity Date of the 2021 Bond Anticipation Note.

The maturity date of the City of Milford, Bond Anticipation Note, Series 2021, originally issued in the principal amount of \$20,000,000, on November 30, 2021, bearing a maturity date of November 30, 2024, is hereby amended to establish a maturity date of [May 31, 2025], as set forth in the Form of Amendment to Bond Anticipation Note presented at this meeting and included herein by reference. All other provisions of the Bond Anticipation Note remain in full force and effect, including provisions relating to security for repayment.

Section 2. Further Action.

The President of the Mayor, the City Manager, the Finance Director, and the City Clerk are authorized and directed to take such other action on behalf of the City, as maybe necessary or desirable to effect the adoption of this Resolution and the amendment to the Bond Anticipation Note, and to carry out the intent of this Resolution, including the execution and delivery of any customary closing documents and certificates.

Section 3. Effective Date. This Resolution shall become effective immediately upon its passage.

CERTIFICATE OF APPROVAL

I DO HEREBY CERTIFY THAT THE FOREGOING IS A TRUE AND CORRECT COPY OF THE RESOLUTION ADOPTED BY THE CITY COUNCIL OF THE CITY OF MILFORD, DELAWARE ON THE \_\_\_\_\_ DAY OF NOVEMBER, 2024.

\_\_\_\_\_  
Clerk of the City Council

To: Mayor F. Todd Culotta  
Katrina White, City Clerk  
Through: Mark A. Whitfield, City Manager  
From: Louis C. Vitola, Finance Director   
Date: October 2, 2024  
Re: PNC Bank – Amendment to Bond Anticipation Note (BAN)

### EXECUTIVE SUMMARY

Please execute each of the two hard copies of the above-referenced BAN amendment to accommodate lender PNC Bank’s requirement that the reference rate underlying the variable rate of the BAN be changed from the expiring “BSBY” index to the “SOFR” index.

### DETAIL

You may recall that the variable interest rate of the above-referenced BAN is tied to a reference rate or “index” known as “BSBY” – the Bloomberg Short-Term Bank Yield Index – which replaced the long-established LIBOR (London Interbank Offer Rate) Index following the United Kingdom’s withdrawal from the European Union. Bloomberg recently announced that the BSBY index will be discontinued by November 15, 2024. While Bloomberg is giving parties to contracts that reference BSBY another year from that date to adjust contractual reference rates, PNC is requiring its counterparties to amend contracts and notes as soon as administratively possible. We agree with the change and its timing; there is no advantage (but disadvantages could certainly arise) to maintaining the use of BSBY while it is being wound down. Further, there is a slight interest cost savings based on the current index for BSBY’s replacement – the “SOFR” (Secured Overnight Financing Rate).

Though contractually permitted in the BAN as well as the enclosed amendment, PNC will not charge the City any Bank Counsel fees incurred in the development of the amendment.

The City’s Bond Counsel, Tim Anderson of Taylor English Duma LLP, has reviewed the amendment and the documents authorizing the BAN to determine that no Council action is required. Correspondence with Mr. Anderson is also enclosed for reference. I will include this memo in September’s Finance Report ahead of the October 14, 2024 meeting of Council.

### ACTION REQUESTED

Mayor Culotta, please execute each of the two printed hard copies of the amendment at your convenience; PNC requires “wet ink” signatures for this amendment. Katrina, please attest to Mayor’s signature and apply the raised seal to each copy. As always, thank you for your support.

enc

cc: Finance & Audit Committee Packet – October 28, 2024

## WAIVER AND AMENDMENT TO BOND DOCUMENTS

**THIS WAIVER AND AMENDMENT TO BOND DOCUMENTS** (this “**Amendment**”) is made as of October 3, 2024, by and between **CITY OF MILFORD, KENT AND SUSSEX COUNTIES, STATE OF DELAWARE** (the “**Issuer**”), and **PNC BANK, NATIONAL ASSOCIATION** (the “**Bank**”).

### BACKGROUND

A. The Issuer authorized and issued a certain \$20,000,000 City of Milford Bond Anticipation Note, Series of 2021 dated November 30, 2021 which is held by the Bank, as the Registered Owner (the “**Note**”). Any initially capitalized terms used in this Amendment without definition shall have the meanings assigned to those terms in the Note.

B. The parties hereto desire to amend certain provisions of the Note, and to waive certain defaults thereunder, as provided for in this Amendment.

NOW, THEREFORE, the parties hereto, intending to be legally bound hereby, agree as follows:

1. Waiver. The Issuer has acknowledged and agreed with the Bank that the Issuer failed to comply with the covenant set forth in clause (g) of the Note (late submission of annual audited financial statements) for the period ending June 30, 2023. The Issuer’s failure to comply with the foregoing covenant constitutes one or more Events of Default under the Note and the instruments and documents executed in connection therewith (the “**Bond Documents**”). The Issuer has requested that the Bank waive the Events of Default resulting from such non-compliance. In reliance upon the Issuer’s representations and warranties and subject to the terms and conditions set forth herein, the Bank agrees to grant a waiver of the Issuer’s non-compliance with the foregoing covenant and of the Events of Default resulting from such violation solely for the above-referenced period. The Issuer agrees that it will hereafter comply fully with this covenant and all other provisions of the Bond Documents, which remain in full force and effect. This waiver shall not relieve or release the Issuer in any way from any of its respective duties, obligations, covenants or agreements under the Bond Documents or from the consequences of any Event of Default thereunder, except as expressly described above. This waiver shall not obligate the Bank, or be construed to require the Bank, to waive any other Events of Default or defaults, whether now existing or which may occur after the date of this waiver.

2. Amendments. The Bond Documents are hereby amended as follows:

(a) Effective as of October 3, 2024, the Interest Rate as specified in the introduction of the Note is hereby amended and restated in its entirety to read “79% of Daily SOFR plus 0.88%”.

(b) The definition section of the Note after the words “As used herein” is hereby amended and restated in its entirety to read as follows:

“**Alternate Rate**” means the Base Rate.

“**Base Rate**” means the higher of (A) the Prime Rate, and (B) the sum of the Overnight Bank Funding Rate plus 50 basis points (0.50%); provided, however, if the Base Rate as determined above would be less than zero, then such rate shall be deemed to be zero. If and when the Base Rate as determined above changes, the rate of interest with respect to any amounts hereunder to which the Base Rate applies will change automatically without notice to the Issuer, effective on the date of any such change.

“**Business Day**” means any day other than (A) a Saturday or Sunday or (B) a legal holiday on which commercial banks are authorized or required by law to be closed for business in Pittsburgh, Pennsylvania; provided that, when used in connection with an amount that bears interest at a rate based on SOFR or any direct or indirect calculation or determination involving SOFR, the term “Business Day” means any such day that is also a U.S. Government Securities Business Day.

**“Daily Simple SOFR”** means, for any day (a **“SOFR Rate Day”**), the interest rate per annum determined by the Bank by dividing (the resulting quotient rounded upwards, at the Bank’s discretion, to the nearest 1/100th of 1%) (A) SOFR for the day (the **“SOFR Determination Date”**) that is 2 Business Days prior to (i) such SOFR Rate Day if such SOFR Rate Day is a Business Day or (ii) the Business Day immediately preceding such SOFR Rate Day if such SOFR Rate Day is not a Business Day, by (B) a number equal to 1.00 minus the SOFR Reserve Percentage, in each case, as such SOFR is published by the NYFRB (or a successor administrator of the secured overnight financing rate) on the website of the NYFRB, currently at <http://www.newyorkfed.org>, or any successor source identified by the NYFRB or its successor administrator for the secured overnight financing rate from time to time. If Daily Simple SOFR as determined above would be less than the Floor, then Daily Simple SOFR shall be deemed to be the Floor. If SOFR for any SOFR Determination Date has not been published or replaced with a Benchmark Replacement by 5:00 p.m. (Pittsburgh, Pennsylvania time) on the second Business Day immediately following such SOFR Determination Date, then SOFR for such SOFR Determination Date will be SOFR for the first Business Day preceding such SOFR Determination Date for which SOFR was published in accordance with the definition of **“SOFR”**; provided that SOFR determined pursuant to this sentence shall be used for purposes of calculating Daily Simple SOFR for no more than 3 consecutive SOFR Rate Days. If and when Daily Simple SOFR as determined above changes, any applicable rate of interest based on Daily Simple SOFR will change automatically without notice to the Issuer, effective on the date of any such change.

**“Daily SOFR”** means Daily Simple SOFR.

**“Determination of Taxability”** means a determination by a federal taxing authority that, for any reason whatsoever, interest payable on this Note is not exempt from federal income tax.

**“Floor”** means a rate of interest per annum equal to twenty-five (25) zero basis points (.25%).

**“Interest Rate”** means (i) so long as the interest on the Note is excluded from gross income of the owner of this Note for federal tax purposes, 79% of Daily SOFR plus 0.88%, and (ii) upon the occurrence of a Determination of Taxability, Daily SOFR plus 1.00%. ”

**“Law”** shall mean any law (including common law), constitution, statute, treaty, regulation, rule, ordinance, opinion, release, ruling, order, injunction, writ, decree, bond, judgment, authorization or approval, lien or award by or settlement agreement entered into by the Issuer.

**“Maximum Rate”** means the maximum rate of interest allowed by applicable law.

**“NYFRB”** means the Federal Reserve Bank of New York.

**“Overnight Bank Funding Rate”** means, for any day, the rate comprised of both overnight federal funds and overnight Eurocurrency borrowings by U.S.-managed banking offices of depository institutions, as such composite rate shall be determined by the NYFRB, as set forth on its public website from time to time, and as published on the next succeeding Business Day as the overnight bank funding rate by the NYFRB (or by such other recognized electronic source (such as Bloomberg) selected by the Bank for the purpose of displaying such rate); provided, that if such day is not a Business Day, the Overnight Bank Funding Rate for such day shall be such rate on the immediately preceding Business Day; provided, further, that if such rate shall at any

time, for any reason, no longer exist, a comparable replacement rate determined by the Bank at such time (which determination shall be conclusive absent manifest error). If the Overnight Bank Funding Rate determined as above would be less than zero, then such rate shall be deemed to be zero. The rate of interest charged shall be adjusted as of each Business Day based on changes in the Overnight Bank Funding Rate without notice to the Issuer.

**“Prime Rate”** means the rate publicly announced by the Bank from time to time as its prime rate. The Prime Rate is determined from time to time by the Bank as a means of pricing some loans to its borrowers. The Prime Rate is not tied to any external rate of interest or index and does not necessarily reflect the lowest rate of interest actually charged by the Bank to any particular class or category of customers.

**“SOFR”** means a rate equal to the secured overnight financing rate as administered by the NYFRB (or a successor administrator of the secured overnight financing rate).

**“SOFR Reserve Percentage”** means, for any day, the maximum effective percentage in effect on such day, if any, as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the reserve requirements (including, without limitation, supplemental, marginal and emergency reserve requirements) with respect to SOFR funding.

**“Term SOFR Administrator”** means CME Group Benchmark Administration Limited (CBA) (or a successor administrator of the Term SOFR Reference Rate selected by the Bank in its reasonable discretion).

**“Term SOFR Reference Rate”** means the forward-looking term rate based on SOFR.

**“U.S. Government Securities Business Day”** means any day except for (A) a Saturday or Sunday or (B) a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in United States government securities.

(c) The Note are further amended by the addition of the following section:

**“Benchmark Replacement Provisions.** If the applicable interest rate is based on a Benchmark (as defined below) and the Bank determines (which determination shall be final and conclusive) that (A) such Benchmark cannot be determined pursuant to its definition other than as a result of a Benchmark Transition Event (as defined below), or (B) any enactment, promulgation or adoption of or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by a governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by the Bank with any guideline, request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency shall make it unlawful or impossible for the Bank to make or maintain or fund loans based on such Benchmark, then the Bank shall give notice thereof to the Issuer. Thereafter, until the Bank notifies the Issuer that the circumstances giving rise to such determination no longer exist, the interest rate for all amounts outstanding under this Note that otherwise would bear interest based on such Benchmark shall be equal to the Alternate Rate.

Notwithstanding anything to the contrary herein or in any other Loan Document, if the Bank determines (which determination shall be final and conclusive) that a Benchmark Transition Event has occurred with respect to a Benchmark, the Bank may amend this Note to replace such Benchmark with a Benchmark Replacement (as defined below);

and any such amendment shall be in writing, shall specify the date that the Benchmark Replacement is effective and will not require any further action or consent of the Issuer. Until the Benchmark Replacement is effective, amounts bearing interest with reference to a Benchmark will continue to bear interest with reference to such Benchmark as long as such Benchmark is available, and otherwise such amounts automatically will bear interest at the Alternate Rate. In connection with the implementation and administration of a Benchmark Replacement, the Bank will have the right to make technical, administrative or operational changes from time to time that the Bank decides may be appropriate to reflect the adoption and implementation of such Benchmark Replacement and to permit the administration thereof by the Bank in a manner substantially consistent with market practice or as reasonably necessary as determined by the Bank (which determination shall be final and conclusive) and, notwithstanding anything to the contrary herein or in any other Loan Document, any amendments implementing such technical, administrative or operational changes will become effective without any further action or consent of the Issuer. The Bank will promptly notify the Issuer of any such technical, administrative or operational changes.

For purposes of this Section, the following terms have the meanings set forth below:

“**Benchmark**” means, at any time, any interest rate index then used in the determination of an interest rate under the terms of this Note. Once a Benchmark Replacement becomes effective under this Note, it is a Benchmark. The initial Benchmark under this Note is Daily SOFR.

“**Benchmark Replacement**” means, for any Benchmark, the sum of (a) an alternate benchmark rate and (b) an adjustment (which may be a positive or negative value or zero), in each case that has been selected by the Bank as the replacement for such Benchmark giving due consideration to any evolving or then-prevailing market convention, including any applicable recommendations made by the official sector or any official sector-sponsored committee or working group, for U.S. dollar-denominated credit facilities at such time; provided that, if the Benchmark Replacement as determined pursuant to the foregoing would be less than the Floor, the Benchmark Replacement will be deemed to be the Floor for the purposes of this Note and the other Loan Documents.

“**Benchmark Transition Event**” shall mean a public statement or publication by or on behalf of the administrator of a Benchmark, the regulatory supervisor of such administrator, the Board of Governors of the Federal Reserve System, NYFRB, an insolvency official or resolution authority with jurisdiction over the administrator for such Benchmark or a court or an entity with similar insolvency or resolution authority over the administrator for such Benchmark, announcing or stating that (a) such administrator has ceased or will cease to provide such Benchmark permanently or indefinitely, provided that at the time of such statement or publication there is no successor administrator that will continue to provide such Benchmark or (b) such Benchmark is or will no longer be representative.”

3. Ratification and Confirmation. Except as amended hereby, all of the terms and provisions of the Note shall remain in full force and effect and, except as expressly amended hereby, are hereby ratified and confirmed.

4. Fees. Upon execution of this Amendment the Issuer shall pay the fees and expenses of the Bank’s outside counsel in connection with this Amendment.

5. Miscellaneous.

(a) The Issuer and the Bank agree to do such further acts and to execute and deliver to each other such additional agreements, instruments and documents as may be reasonably required to carry out the purpose of this Amendment.

(b) This Amendment may be executed in any number of counterparts and each such counterpart shall be deemed an original, but all such counterparts shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Amendment electronically or by facsimile transmission shall be effective as delivery of a manually executed counterpart.

(c) This Amendment shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania.

(d) This Amendment shall be binding upon the Issuer and its successors and assigns and shall inure to the benefit of the Bank and its successors and assigns.

SIGNATURE PAGE FOLLOWS

IN WITNESS WHEREOF, the undersigned have caused this Amendment to be executed by their duly authorized officers on the date first above written.

ATTEST:

CITY OF MILFORD, DELAWARE

By: Katrina L. White (SEAL)  
Print Name: Katrina White  
Title: City Clerk

By: F. Todd Culotta (SEAL)  
Print Name: F. Todd Culotta  
Title: Mayor

PNC BANK, NATIONAL ASSOCIATION

By: Jeffrey R. Buckworth (SEAL)  
Print Name: Jeffrey R. Buckworth  
Title: Vice President

**From:** [Timothy B. Anderson](#)  
**To:** [Vitola, Louis](#)  
**Cc:** [Timothy B. Anderson](#)  
**Subject:** FW: City of Milford  
**Date:** Tuesday, September 24, 2024 11:39:41 AM  
**Attachments:** [image004.png](#)  
[image005.png](#)  
[image006.png](#)  
[image007.png](#)  
[image008.png](#)  
[image002.png](#)

CAUTION: This email originated from outside of the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Hello Lou – below is an excerpt from the original 2021 Resolution. I believe this would authorize the signing of the SOFR change under the “carrying out the intent” of the Resolution; this would allow the Mayor, City Manager, Finance Director and Clerk to sign as necessary. In 2021, the Mayor signed the Note and I would recommend getting that signature. I am happy to discuss, Tim

*Section 9. **Further Action.** The Mayor, the City Manager, the Finance Director, and the City Clerk are authorized and directed to take such other action on behalf of the City, as may be necessary or desirable to affect the adoption of this Resolution and the issuance and sale of the Bond Anticipation Note, including any commitment letter relating to the Bond Anticipation Note, and to provide for their security and to carry out the intent of this Resolution, including the publication of any notices and advertisements and the execution and delivery of customary closing certificates.*



**Timothy B. Anderson**

**Taylor English Duma LLP** | One Liberty Place, 1650 Market Street, Suite 3600, Philadelphia, PA 19103

P: 484.861.3377 | M: 484.432.9100 | [tanderson@taylorenghish.com](mailto:tanderson@taylorenghish.com)

[Website](#)

This communication (together with all attachments) may contain privileged or confidential information, and its sender reserves and asserts all rights that may apply to it. If you are not the intended recipient or believe that you have received this communication in error, please do not print, copy, retransmit, disseminate or otherwise use the information. Also, please indicate to the sender that you have received this communication in error and delete the copy you received. If you have not executed an engagement letter with this firm, we do not represent you as your attorney and no duties are intended or created by this communication. Most legal rights have time limits, and this e-mail does not constitute advice on the application of limitation periods unless otherwise so expressly stated.

**From:** Buckworth, Jeffrey R <[jeffrey.buckworth@pnc.com](mailto:jeffrey.buckworth@pnc.com)>  
**Sent:** Tuesday, September 24, 2024 11:34 AM  
**To:** Vitola, Louis <[lvitola@milford-de.gov](mailto:lvitola@milford-de.gov)>; Timothy B. Anderson <[tanderson@taylorenghish.com](mailto:tanderson@taylorenghish.com)>  
**Cc:** Alexander, Alan J <[alan.alexander@pnc.com](mailto:alan.alexander@pnc.com)>; DeCock, Mitchell J <[mitchell.decock@pnc.com](mailto:mitchell.decock@pnc.com)>  
**Subject:** City of Milford

Lou:

I will defer to Tim as to who should sign and if Council Approval is needed.

Thanks for your consideration.

Jeff

Jeffrey R. Buckworth, VP.  
PNC Bank, NA.  
3 the Plaza