

# FY ANNUAL FINANCIAL 20 REPORT

& independent auditors' report



CITY HALL



THE CITY of

*Milford*  
DELAWARE

[Inside Front Cover]



# The City of Milford, Delaware

## Annual Financial Statements

Including Independent Auditors' Report  
As of and for the Year Ended June 30, 2020

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The City of Milford, Delaware  
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## TRANSMITTAL LETTER

March 17, 2021

The Honorable Mayor  
and Members of the City Council  
City of Milford  
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, 2020.

This report is published to provide the City Council, City staff, our citizens, our 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 presented data 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 prepared sufficiently inform that data presented 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 additional information and reports, as well as the independent auditor's report on the basic financial statements. Gold Gerstein Group LLC, Certified Public Accountants, has issued an unmodified ("clean") opinion on the City's financial statements for the year ended June 30, 2020. 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 Accounting Standards Board (GASB) and other professional associations, as applicable.

## **CITY PROFILE**

### **Location & Demographics**

The City of Milford is the sixth largest city in population in the State of Delaware, serving more than 10,000 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 comprised of the Mayor and eight Council members, who enact local laws, determine policies and adopt the annual budget. The City Manager is appointed by 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 judgments 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 that 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 leveled 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.

### Acknowledgments

The preparation of this report on a timely basis 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, especially those employees who were instrumental in the successful completion of this report.

We would like to sincerely thank the members of City Council as well as the Finance and Public Works Committee for their earnest, responsible oversight of the City's independent audit process, but most important, the keen interest and enthusiastic support of our progressive improvements to the transparency and comprehensiveness 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

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Milford, DE, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Milford, DE's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Milford, DE, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis; General fund-schedule of revenues, expenditures, and changes in fund balance-budget and actual; and the schedules of changes in net pension liability, related ratios for the police pension

plan and the general employee pension plan, schedule of employer contributions for the police pension plan and the general employee pension plan, the schedule of the City of Milford, DE's proportionate share of the net pension liability for the county and municipal police and firefighters pension plan, the schedule of the City of Milford, DE's contributions for the county and municipal police and firefighters pension plan, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Milford, DE's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2021, on our consideration of the City of Milford, DE's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Milford, DE's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Milford, DE's internal control over financial reporting and compliance.

*Gold Gerstein Group LLC*

Gold Gerstein Group LLC  
Voorhees, NJ

March 17, 2021

**CITY OF MILFORD, DELAWARE**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020 (UNAUDITED)

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Administrative and Financial Management of the City of Milford, Delaware are pleased to offer readers of the City's financial statements this narrative overview and analysis of the financial activities and financial position of the City for the fiscal year ended June 30, 2020. In the broadest context, the financial well-being of a government lies in the underlying wealth and willingness of its citizens and property owners to pay adequate taxes combined with the vision of the government's elected and appointed leadership to spend those taxes strategically so that 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? Have net assets (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 the Independent Auditor's Report describes the auditor's association with the various sections of this report and that all of the additional information from the website and other City sources is unaudited and has not been updated for events that may have occurred subsequent to the issuance of the respective report.

**IN BRIEF**

The assets of the City on a "government wide" or consolidated basis exceeded its liabilities at the close of the most recent fiscal year by approximately \$93.9 million (net position). This number must be viewed in the context that a significant portion of the City's net position, \$46.4 million (49.4%) 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 assets restricted for specific purposes total \$11.8 million (12.6%). The remaining \$35.7 million represents unrestricted net assets and may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies. Unrestricted net position increased by approximately 2%, or \$0.7 million in fiscal year 2020.

As of the close of this past fiscal year, the City's governmental activities (a subset of the government-wide information reported in the preceding paragraph) reported \$25.9 million combined ending net position. Within this total, \$17.2 million (66%) is invested in capital assets, net of related debt, \$1.9 million is restricted by specific legal requirements and \$6.8 million represents unrestricted fund balance.

The City's business-type activities include water, sewer, electric and trash operations and, combined with the governmental activities, constitute the balance of the activity measured on a government-wide basis. Business-type activities closed the year with a \$3.8 million increase in net position to \$68 million, \$29.2 million of which is invested in capital assets, net of related debt and \$9.9 million of which is restricted by specific legal requirements. The remaining \$28.9 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.

**CITY OF MILFORD, DELAWARE**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020 (UNAUDITED)

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis serves to introduce the City's basic financial statements, which are comprised 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 and liabilities, with the difference between the two reported as net assets (similar to a private-sector balance sheet). Over time, increases or decreases in net assets 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 assets changed during the fiscal year. All changes in net assets 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).

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 cultural and recreation. The business-type activities of the City include water and sewer, electric and sanitation (refuse, or trash fund) operations. The government-wide financial statements can be found on pages 12 and 13 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 of the funds of the City 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. 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

**CITY OF MILFORD, DELAWARE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020 (UNAUDITED)**

governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**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 sanitation operations.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses its internal service funds to account for its fleet services, billing services and City Hall building maintenance cost allocation programs. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water, Sewer, Electric, and Sanitation 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 18 to 20 of this report.

**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 22 through 48.

**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, 2020, including comparative totals as of June 30, 2019.

*MDA Schedule 1*

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

	Governmental Activities		Business-Type Activities		Total	
	2019	2020	2019	2020	2019	2020
Current and other assets	\$ 10,303	\$ 10,314	\$ 39,056	\$ 41,959	\$ 49,359	\$ 52,272
Capital assets, net	17,239	17,233	44,382	45,548	61,621	62,781
Total Assets	<u>27,542</u>	<u>27,547</u>	<u>83,438</u>	<u>87,507</u>	<u>110,980</u>	<u>115,054</u>
Deferred outflows of resources	1,537	1,583	334	311	1,871	1,894
Long term liabilities	1,766	2,127	15,473	15,260	17,239	17,387
Other liabilities	728	642	4,107	4,559	4,835	5,201
Total Liabilities	<u>2,494</u>	<u>2,769</u>	<u>19,580</u>	<u>19,819</u>	<u>22,074</u>	<u>22,588</u>
Deferred inflows of resources	612	423	-	-	612	423
Net Position						
Net investment in capital assets	17,239	17,233	28,344	29,157	45,583	46,390
Restricted	2,325	1,893	7,247	9,923	9,572	11,817
Unrestricted	6,409	6,811	28,602	28,918	35,011	35,729
Total Net Position	<u>\$ 25,973</u>	<u>\$ 25,937</u>	<u>\$ 64,193</u>	<u>\$ 67,999</u>	<u>\$ 90,166</u>	<u>\$ 93,936</u>

**CITY OF MILFORD, DELAWARE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020 (UNAUDITED)**

The following table ("*MDA Schedule 2*") provides a summary of the City's operations for the year ended June 30, 2020 with comparative totals for the year ended June 30, 2019.

*MDA Schedule 2*

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

	Governmental Activities		Business-Type Activities		Total	
	2019	2020	2019	2020	2019	2020
<b>Revenues</b>						
Program Revenues:						
Fees, fines and charges for services	\$ 76	\$ 111	\$ 35,086	\$ 33,434	\$ 35,162	\$ 33,545
Operating grants and contributions	1,065	812	-	83	1,065	895
General Revenues:						
Property taxes	4,005	4,196	-	-	4,005	4,196
Real estate transfer taxes	1,063	954	-	-	1,063	954
Franchise taxes	683	1,012	-	-	683	1,012
Impact fees	-	-	702	885	702	885
Capital grant	-	-	482	517	482	517
Sale of property	(7)	(214)	-	-	(7)	(214)
Investment earnings	198	156	608	584	806	740
Forgiveness of debt	-	-	-	-	-	-
Miscellaneous	541	689	-	126	541	815
Total revenues	7,624	7,715	36,878	35,630	44,502	43,345
<b>Expenses</b>						
General government	2,208	2,682	-	-	2,208	2,682
Public safety	5,386	5,994	-	-	5,386	5,994
Public works	719	678	-	-	719	678
Culture and recreation	1,055	953	-	-	1,055	953
Interest on long term debt	-	-	346	336	346	336
Electric	-	-	21,630	21,083	21,630	21,083
Water	-	-	2,118	2,198	2,118	2,198
Sewer	-	-	4,024	4,322	4,024	4,322
Trash	-	-	1,274	1,327	1,274	1,327
Total expenses	9,368	10,307	29,392	29,268	38,760	39,575
Increase (decrease) in net assets before transfers and special items	(1,744)	(2,592)	7,486	6,362	5,742	3,770
Transfers	2,776	2,556	(2,776)	(2,556)	-	-
Change in net position	1,032	(36)	4,710	3,806	5,742	3,770
Net position, July 1	24,941	25,973	59,483	64,193	84,424	90,166
Net position, June 30	\$ 25,973	\$ 25,937	\$ 64,193	\$ 67,999	\$ 90,166	\$ 93,936

As noted earlier, net position and especially net position by category may serve over time as a useful indicator of a government's financial position. In the case of the City, total net position was \$93.9 million as of June 30, 2020 (See *MDA Schedule 1*).

The largest portion of the City's net position, \$46.4 million (49.4%) reflects its investments in capital assets (e.g., land, building, equipment, improvements and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens;

**CITY OF MILFORD, DELAWARE**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020 (UNAUDITED)

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 represent, however, 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, because the capital assets themselves cannot be used to liquidate these liabilities.

In addition to the capital assets, another \$11.8 million (12.6%) of the City's net position is subject to legal and local restrictions on use; the vast 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 government's ongoing obligations to citizens and creditors.

Total net position increased by \$3.8 million (4.2%) during fiscal year 2020, lagging the more robust increase of \$5.7 million (6.8%) achieved during the prior fiscal year (See *MDA Schedule 2*). This year's increase, while positive, falls short of last year's increase by nearly \$2 million, which is spread relatively evenly between governmental activities (\$1.1 million) and business-type activities (\$0.9 million), the former of which is driven by increases in 2020 expenses versus 2019 and the latter of which is attributable to decreases in 2020 revenue versus 2019. The increased expenses in governmental activity and the reduced revenue among business-type activities are discussed individually in the two following sections.

In terms of the composition of the 2020 increase in net position, the 2020 increase of \$3.8 million is composed of growth in current assets (about \$3 million) offset by less than \$0.2 million increases in current liabilities, netting about \$2.9 million in positive growth in liquid net assets. However, \$2.2 million of the increase is legally restricted for certain uses. Nonetheless, the remainder of \$0.7 million represents growth in unrestricted net position, which is relatively balanced across governmental activities (\$0.4 million growth in unrestricted net assets) and business-type activities (\$0.3 million growth in unrestricted net assets). The remaining \$0.8 million increase in net position reflects a nearly \$1.2 million increase in capital assets, net of related debt.

**Governmental Activities** – The \$0.4 million increase in unrestricted net position mentioned in the preceding paragraph was offset by decreases in net capital assets and restricted net position, such that total net position in the governmental activities actually decreased marginally (See *MDA Schedule 2*).

Excluding transfers from business-type activities and special items, total revenues for governmental activities were somewhat flat versus the prior year, increasing by 1%, or less than \$0.1 million. The increase was primarily attributable to increases in property tax revenue, franchise tax receipts and miscellaneous revenue. However, the increases were almost completely offset by decreases in operating grants, realty transfer taxes and one-time sales of property that boosted prior year revenue. The increase in property tax revenue of \$0.2 million resulted from the combination of parcel growth (count) and growth in assessed value (new construction, not reassessment-driven). The City's property tax rate has not increased since 2007 and the last city-wide reassessment was conducted in 2012, so the property tax growth is driven entirely by new development in Milford, which is a positive sign.

Governmental expenditures increased by \$0.9 million in fiscal year 2020 versus 2019, approximately \$0.6 million of which is attributable to personnel expenses, \$0.2 million of which is related to claims and contingencies and \$0.1 million of which is directly related to operating and safety initiatives in response to the coronavirus pandemic.

**CITY OF MILFORD, DELAWARE**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020 (UNAUDITED)**

**Business-Type Activities** – Net position from business-type activities increased by \$3.8 million, or 5.9% from \$64.2 million to \$68.0 million during fiscal year 2020 (See *MDA Schedule 2*). Almost all of the aforementioned growth in current assets is attributable to business-type activities, with the most liquid assets – cash and investments – up \$3.4 million over the prior period, partially offset by reductions in accounts receivable and inventories totaling \$0.5 million. Cash and investment balances in the electric fund increased by \$2.9 million since last year, driving substantially all of the \$3.0 million increase in business-type net position, \$2.7 million of which is legally restricted, and \$0.3 million of which is unrestricted. The electric fund’s strong generation of cash and investments is largely a function of the sufficiency of the electric rate base to meet all capital expenditures in the current year, whereas the water, sewer and trash funds rely on the consumption of reserves and interfund transfers to supplement capital spending. Cost of service studies and rate studies were recently conducted for all business-type activities, and while the rates were recently updated for electric system users and for refuse collection services, water and sewer rate action has been delayed twice in an effort to reduce the burden on rate payers during the pandemic. The Net position invested in capital assets, net of related debt, increased by \$0.8 million during fiscal year 2020 on the investment in and development of capital assets and projects totaling almost \$3.4 million. \$2.2 million of the fiscal year 2020 capital was directed toward utility system infrastructure in the water and sewer funds, both of which are critical for the life, health and safety of Milford’s residents.

Total revenue generated by business-type activities was \$1.6 million less than the prior fiscal year, \$1.3 million of which is accounted for by reduced electric fund revenue. Electric rates were relatively flat from fiscal year 2019 to 2020; 100% of the revenue variance is attributable to reduced consumption, which is due in part due to warmer fall weather in 2019 versus 2020 and in part due to significantly reduced consumption in the March through June period of 2020 versus 2019, which may be explained by a combination of weather and the impact of COVID-19.

**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 reallocated its investment balances to more heavily weight money market funds in response to changes in the market to capture additional yield without being exposed to any incremental risk. Additional information about the City’s investments can be found in Note 8 on page 33. *MDA Schedule 3* exhibits a breakdown of the City’s investments by broad asset type as of June 30, 2020 and 2019.

*MDA Schedule 3*

Description	Category	Carrying Values as of June 30,	
		2020	2019
Money Market Funds			
PFM Asset Management, LLC	1	\$ 15,729,139	\$ 9,009,826
<i>As % of Total Investments</i>		55%	33%
Certificates of Deposit			
PFM Asset Management, LLC	1	12,671,000	18,616,000
<i>As % of Total Investments</i>		45%	67%
Total Investments		<u>\$ 28,400,139</u>	<u>\$ 27,625,826</u>

**CITY OF MILFORD, DELAWARE**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2020 (UNAUDITED)**

**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 current fiscal year, the City’s governmental funds reported combined ending fund balances of \$9.1 million (See Governmental Funds Balance Sheet on page 14). Within this total, a small amount is categorized as “nonspendable” (prepaid expenses), \$1.9 million is restricted by specific legal requirements, primarily for street improvements, and \$3.7 million has been committed and assigned to specific types of expenditures. The remaining \$3.3 million represents unassigned fund balance in the general fund and can be used for any lawful purpose. In the general fund, the City budgeted (as amended) a fund balance decrease in the current year of \$2.1 million prior to the use of prior balances and reserves, although the actual general fund balance decreased by just \$0.2 million (2% of the total budget). Actual general fund expenditures were nearly 10% below total budgeted expenses due to cost control measures as uncertainty regarding the potential impact of the COVID-19 pandemic necessitated caution.

**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 18-19). Unrestricted net position in the enterprise funds totaled \$28.9 million, made up of the electric fund (\$15.9 million), water fund (\$8.4 million), sewer fund (\$4.2 million) and trash fund (\$0.3 million). The total of all enterprise funds’ net position at the end of the fiscal year was \$68.0 million, representing an increase of \$3.8 million versus fiscal year 2019 as a result of positive increases in net position in the electric, water and sewer funds of \$1.8 million, \$1.3 million and \$0.7 million, respectively, partially offset by a minor reduction in the trash fund net position versus the prior period.

**General Fund Budgetary Highlights** - The City made revisions to the original appropriations approved by the City Council. Overall, these changes resulted in an increase in budgeted expenditures from the original budget of \$0.1 million, which was primarily driven by public safety and recreation expenditures that are added to the budget controls when grant revenue is received and spent through the ordinary requisition, purchase order and accounts payable processes (See page 50 for a detailed schedule).

**DEBT ADMINISTRATION**

As of June 30, 2019, the City’s bonded indebtedness and outstanding note obligations (See *MDA Schedule 4*) totaled \$15.9 million, all of which is backed by the full faith and credit of the City of Milford taxing authority.

*MDA Schedule 4*

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

	Government Activities		Business-Type Activities		Total	
	2019	2020	2019	2020	2019	2020
General Obligation Bonds	\$ -	\$ -	\$ 7,505	\$ 7,100	\$ 7,505	\$ 7,100
DE Revolving Fund Loans	-	-	3,060	2,851	3,060	2,851
USDA Loans	-	-	4,292	4,791	4,292	4,791
Kent County Note	-	-	1,147	1,122	1,147	1,122
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 16,004</b>	<b>\$ 15,865</b>	<b>\$ 16,004</b>	<b>\$ 15,865</b>

**CITY OF MILFORD, DELAWARE**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020 (UNAUDITED)

During fiscal year 2020, the City's outstanding debt decreased by \$139 thousand as a result of scheduled payments of debt obligations totaling \$736 thousand offset by \$600 thousand in new USDA loans issued.

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 rollforward of long-term liabilities can be found in Note 10 on pages 37 to 40 of this report.

**CAPITAL ASSETS**

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2020 amounts to \$62.8 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 \$1.16 million representing an increase of 1.9% versus fiscal year 2019. Additional information on the City's capital assets can be found in Note 9 on pages 34 to 36 of this report. Major capital asset purchases and projects initiated during fiscal year 2020 included the following:

General Fund

- \$38 thousand for information technology equipment
- \$148 thousand for streets, planning and public safety vehicles and equipment

Interservice Funds

- \$123 thousand for truck lifts and other vehicle and equipment replacement
- \$429 thousand for public works building improvements and billing department repairs

Electric Fund

- \$241 thousand for a trencher and other vehicle and equipment replacement

Water Fund

- \$210 thousand for a C70 dump truck and other vehicle and equipment replacement
- \$319 thousand to replace SE 2nd Street service lines

Sewer Fund

- \$83 thousand for sewer camera equipment and vehicle replacement.

Trash Fund

- \$354 thousand to replace a multi-collection vehicle

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The fiscal year 2021 budget for general fund activity is 1.1% higher than fiscal year 2020. The balance between cost control and the delivery of a wide variety of services demanded by Milford residents was struck well during the 2021 budget process. Personnel costs in support of our valuable employees represent the largest contribution to general fund costs. However, despite labor and other personnel costs that often increase in excess of 5% year-over-year, the City capped the fiscal year 2021 budget growth at 1.1% as compared to the 6% increase from 2019 to 2020. Cost control efforts have been largely successful halfway through the current fiscal year on a cash basis. While the COVID-19 pandemic is persistent in its obtrusiveness as it redirects our efforts and redefines our current economic reality, the City of Milford has been resilient. Our employees are engaged and active, our operations are lean, our hierarchy is flat, and our infrastructure investments are targeted and prudent. Milford's residential and business communities are growing rapidly, and we have welcomed the growth with the same passion and poise with which we face adversity.

**CITY OF MILFORD, DELAWARE**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020 (UNAUDITED)

**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).

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**CITY OF MILFORD, DE**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2020**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current Assets			
Cash and Equivalents	\$ 7,247,798	\$ 12,433,534	\$ 19,681,332
Investments	2,511,000	25,889,139	28,400,139
Receivables	488,885	2,367,807	2,856,692
Inventories	19,802	1,268,024	1,287,826
Prepaid Expenses	46,440	-	46,440
<b>Total Current Assets</b>	<u>10,313,925</u>	<u>41,958,504</u>	<u>52,272,429</u>
Non-Current Assets			
Capital Assets			
Assets Not Depreciated			
Land	8,144,967	2,516,514	10,661,481
Construction in Progress	522,603	-	522,603
Utility System & Infrastructure	10,367,446	64,255,147	74,622,593
Buildings and Improvements	5,155,254	7,339,145	12,494,399
Equipment and Vehicles	6,557,847	8,868,079	15,425,926
Less: Accumulated Depreciation	<u>(13,515,191)</u>	<u>(37,430,555)</u>	<u>(50,945,746)</u>
<b>Net Capital Assets</b>	<u>17,232,926</u>	<u>45,548,330</u>	<u>62,781,256</u>
<b>Total Assets</b>	<u>27,546,851</u>	<u>87,506,834</u>	<u>115,053,685</u>
<b>Deferred Outflows of Resources</b>	<u>1,582,682</u>	<u>311,163</u>	<u>1,893,845</u>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts Payable and Accrued Expenses	392,908	3,030,777	3,423,685
Customer Deposits	-	731,490	731,490
Bonds and Notes Payable	-	763,803	763,803
Compensated Absences	248,890	33,103	281,993
<b>Total Current Liabilities</b>	<u>641,798</u>	<u>4,559,173</u>	<u>5,200,971</u>
Noncurrent Liabilities			
Net Pension Liability	1,131,610	-	1,131,610
Bonds and Notes Payable	-	15,127,577	15,127,577
Compensated Absences	995,558	132,414	1,127,972
<b>Total Noncurrent Liabilities</b>	<u>2,127,168</u>	<u>15,259,991</u>	<u>17,387,159</u>
<b>Total Liabilities</b>	<u>2,768,966</u>	<u>19,819,164</u>	<u>22,588,130</u>
<b>Deferred Inflows of Resources</b>	<u>423,152</u>	<u>-</u>	<u>423,152</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	17,232,926	29,156,950	46,389,876
Restricted for Capital Improvements:			
Budgeted by City Council	1,893,465	4,226,039	6,119,504
Impact Fees	-	5,697,452	5,697,452
Unrestricted	<u>6,811,024</u>	<u>28,918,392</u>	<u>35,729,416</u>
<b>Total Net Position</b>	<u>\$ 25,937,415</u>	<u>\$ 67,998,833</u>	<u>\$ 93,936,248</u>

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

**CITY OF MILFORD, DE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020**

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
<b>Primary Government</b>							
Governmental Activities							
General Government	\$ 2,682,404	\$ 2,200	\$ 379,111	\$ -	\$ (2,301,093)		\$ (2,301,093)
Public Safety	5,993,886	-	410,771	-	(5,583,115)		(5,583,115)
Public Works	678,138	-	-	-	(678,138)		(678,138)
Culture and Recreation	952,614	40,885	21,631	-	(890,098)		(890,098)
Total Governmental Activities	10,307,042	43,085	811,513	-	(9,452,444)		(9,452,444)
Business-Type Activities							
Electric Fund	21,195,131	24,990,432	-	-		3,795,301	3,795,301
Water Fund	2,312,569	2,905,746	-	-		593,177	593,177
Sewer Fund	4,432,398	4,300,690	-	517,467		385,759	385,759
Trash Fund	1,327,409	1,236,813	83,221	-		(7,375)	(7,375)
Total Business-Type Activities	29,267,507	33,433,681	83,221	517,467		4,766,862	4,766,862
Total Primary Government	\$ 39,574,549	\$ 33,476,766	\$ 894,734	\$ 517,467	(9,452,444)	4,766,862	(4,685,582)
<b>General Revenues:</b>							
Taxes:							
Property Taxes, Levied for General Purposes					4,195,984	-	4,195,984
Real Estate Transfer Taxes					953,731	-	953,731
Franchise Taxes					1,012,020	-	1,012,020
Gain(Loss) on Disposal of Capital Assets					(214,369)	-	(214,369)
Impact Fees					-	885,016	885,016
Unrestricted Investment Earnings					156,218	584,075	740,293
Miscellaneous					688,882	126,193	815,075
Change in Net Position in Internal Service Fund					67,963	-	67,963
Transfers					2,556,246	(2,556,246)	-
Total General Revenues, Special Items, and Transfers					9,416,675	(960,962)	8,455,713
Change in Net Position					(35,769)	3,805,900	3,770,131
Net Position- Beginning of Year					25,973,184	64,192,933	90,166,117
Net Position - End of Year					\$ 25,937,415	\$ 67,998,833	\$ 93,936,248

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



MILFORD

**CITY OF MILFORD, DE  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2020**

	<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	\$ 2,699,230	\$ 4,146,529	\$ 129,561	\$ 6,975,320
Investments	2,511,000	-		2,511,000
Taxes Receivable, net of allowance for doubtful accounts	159,173	125,508		284,681
Other Receivables	185,408	10,374		195,782
Prepaid Expenses	46,440	-		46,440
<b>Total Assets</b>	<u>\$ 5,601,251</u>	<u>\$ 4,282,411</u>	<u>\$ 129,561</u>	<u>\$ 10,013,223</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts Payable	\$ 93,605	\$ 151,505	\$ 52	\$ 245,162
Compensated Absences - Current	224,756	-		224,756
Other Accrued Expenses	161,713	-		161,713
Other Payables	295,996	-	-	295,996
<b>Total Liabilities</b>	<u>776,070</u>	<u>151,505</u>	<u>52</u>	<u>927,627</u>
<b>Fund Balances:</b>				
Restricted	1,497,762	395,703		1,893,465
Nonspendable	46,440	-		46,440
Assigned	-	3,735,203		3,735,203
Unassigned	3,280,979	-		3,280,979
<b>Total Fund Balances</b>	<u>4,825,181</u>	<u>4,130,906</u>	<u>129,509</u>	<u>9,085,596</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 5,601,251</u>	<u>\$ 4,282,411</u>	<u>\$ 129,561</u>	<u>\$ 10,013,223</u>

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

**CITY OF MILFORD, DE  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET  
FOR THE YEAR ENDED JUNE 30, 2020**

Total Fund Balance, Governmental Funds	\$	9,085,596
<p>Amounts reported for governmental activities in the Statement of Net Assets are</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>		17,232,926
<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.</p>		205,316
<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. These items include deferred outflows and inflows of resources related to its state pension plan, its net pension liability, and its long-term compensated absences.</p>		(586,423)
Net Position of Governmental Activities	\$	25,937,415

*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, 2020**

	<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	\$ 4,195,984	\$ -	\$ -	\$ 4,195,984
Real Estate Transfer Taxes	-	953,731		953,731
Fees and Fines	191,146	-		191,146
Licenses and Permits	820,874	-		820,874
Sale of Property and Equipment	-			-
Intergovernmental	379,111	432,402		811,513
Charges for Services	2,200	-	40,885	43,085
Investment Earnings	99,913	56,305		156,218
Miscellaneous	637,962	50,920		688,882
	<u>6,327,190</u>	<u>1,493,358</u>	<u>40,885</u>	<u>7,861,433</u>
<b>EXPENDITURES</b>				
Current:				
General Government	2,010,853			2,010,853
Public Safety	5,545,709	214,983		5,760,692
Public Works	678,138			678,138
Culture and Recreation	899,828		52,786	952,614
Debt Service:				
Principal	-			-
Interest	-			-
Capital Outlay	704,537	666,894		1,371,431
	<u>9,839,065</u>	<u>881,877</u>	<u>52,786</u>	<u>10,773,728</u>
Total Expenditures				
(Deficiency) Excess of Revenues				
Over Expenditures	<u>(3,511,875)</u>	<u>611,481</u>	<u>(11,901)</u>	<u>(2,912,295)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	3,295,246	-		3,295,246
Transfers Out	-	(739,000)		(739,000)
	<u>3,295,246</u>	<u>(739,000)</u>	<u>-</u>	<u>2,556,246</u>
Total Other Financing Sources (Uses)				
Net Change in Fund Balances	(216,629)	(127,519)	(11,901)	(356,049)
<b>Fund Balances - Beginning</b>	<u>5,041,810</u>	<u>4,258,425</u>	<u>141,410</u>	<u>9,441,645</u>
<b>Fund Balances - Ending</b>	<u>\$ 4,825,181</u>	<u>\$ 4,130,906</u>	<u>\$ 129,509</u>	<u>\$ 9,085,596</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, 2020**

Net change in fund balances - total governmental funds:	\$ (356,049)
<p>Amounts reported for Governmental Activities in the Statement of Activities are different because:</p>	
Some items reported in the statement of activities, including changes in deferred outflows and inflows of resources, pension liability, and compensated absences do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(156,131)
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 net change in the Internal Service Net Position.	67,963
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. This is the amount by which capital outlays of \$1,371,431 exceeded depreciation expense of \$748,614 in the current period.	622,817
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.	<u>(214,369)</u>
Change in net position of governmental activities	<u><u>\$ (35,769)</u></u>

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

**CITY OF MILFORD, DE  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2020**

	<b>Business Type Activities - Enterprise Funds</b>					<i>Governmental Activities - Internal Service Fund</i>
	<b>Electric</b>	<b>Water</b>	<b>Sewer</b>	<b>Trash</b>	<b>Total</b>	
<b>ASSETS</b>						
Current Assets						
Cash and Cash Equivalents	\$ 6,274,880	\$ 3,589,468	\$ 2,204,433	\$ 364,753	\$ 12,433,534	\$ 272,478
Investments	11,604,602	9,920,924	4,363,613	-	25,889,139	-
Accounts Receivable, net of allowance for doubtful accounts	1,709,229	219,027	327,425	89,862	2,345,543	8,422
Other Receivables	11,858	750	9,156	500	22,264	-
Inventories	1,253,028	14,996	-	-	1,268,024	19,802
<b>Total Current Assets</b>	<b>20,853,597</b>	<b>13,745,165</b>	<b>6,904,627</b>	<b>455,115</b>	<b>41,958,504</b>	<b>300,702</b>
Non-Current Assets						
Capital Assets						
Land and Improvements	2,460,507	27,369	28,638	-	2,516,514	-
Utility System	19,400,654	22,468,335	22,386,158	-	64,255,147	-
Buildings and Improvements	7,056,015	118,251	159,229	5,650	7,339,145	21,340
Equipment and Vehicles	4,084,171	1,878,608	1,432,172	1,473,128	8,868,079	208,292
Less Accumulated Depreciation	(17,582,301)	(9,017,428)	(10,062,924)	(767,902)	(37,430,555)	(126,619)
Net Capital Assets	15,419,046	15,475,135	13,943,273	710,876	45,548,330	103,013
Interfund Receivable		500,000			500,000	
<b>Total Non-Current Assets</b>	<b>15,419,046</b>	<b>15,975,135</b>	<b>13,943,273</b>	<b>710,876</b>	<b>46,048,330</b>	<b>103,013</b>
<b>Total Assets</b>	<b>36,272,643</b>	<b>29,720,300</b>	<b>20,847,900</b>	<b>1,165,991</b>	<b>88,006,834</b>	<b>403,715</b>
<b>Deferred Outflows of Resources</b>						
Deferred Charges on Refundings	177,638	-	133,525	-	311,163	-
<b>LIABILITIES</b>						
Current Liabilities:						
Accounts Payable	1,572,119	392,072	502,507	43,479	2,510,177	39,649
Salaries and Wages Payable	27,290	6,890	6,865	6,254	47,299	38,082
Other Accrued Expenses	473,301	-	-	-	473,301	-
Customer and Other Deposits	680,090	-	-	51,400	731,490	-
Compensated Absences	22,591	4,702	4,702	1,108	33,103	24,134
Bonds, Notes and Loans Payable	226,964	254,669	282,170	-	763,803	-
<b>Total Current Liabilities</b>	<b>3,002,355</b>	<b>658,333</b>	<b>796,244</b>	<b>102,241</b>	<b>4,559,173</b>	<b>101,865</b>
Non-Current Liabilities:						
Compensated Absences	90,365	18,809	18,809	4,431	132,414	96,534
Interfund Payable	-	-	-	500,000	500,000	-
Bonds, Notes and Loans Payable	4,305,438	6,200,566	4,621,573	-	15,127,577	-
<b>Total Non-Current Liabilities</b>	<b>4,395,803</b>	<b>6,219,375</b>	<b>4,640,382</b>	<b>504,431</b>	<b>15,759,991</b>	<b>96,534</b>
<b>Total Liabilities</b>	<b>7,398,158</b>	<b>6,877,708</b>	<b>5,436,626</b>	<b>606,672</b>	<b>20,319,164</b>	<b>198,399</b>
<b>NET POSITION</b>						
Net Investment in Capital Assets	10,886,644	9,019,900	9,039,530	210,876	29,156,950	103,013
Restricted for Capital Improvements:						
Budgeted by City Council	1,372,679	2,352,585	500,775	-	4,226,039	-
Impact Fees	844,140	3,035,015	1,818,297	-	5,697,452	-
Unrestricted	15,948,660	8,435,092	4,186,197	348,443	28,918,392	102,303
<b>Total Net Position</b>	<b>\$ 29,052,123</b>	<b>\$ 22,842,592</b>	<b>\$ 15,544,799</b>	<b>\$ 559,319</b>	<b>\$ 67,998,833</b>	<b>\$ 205,316</b>

*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, 2020**

	<b>Business Type Activities - Enterprise Funds</b>					<i>Governmental Activities - Internal Service Fund</i>
	<b>Electric</b>	<b>Water</b>	<b>Sewer</b>	<b>Trash</b>	<b>Total</b>	
<b>REVENUES</b>						
Charges for Services	\$ 24,609,563	\$ 2,843,818	\$ 4,296,412	\$ 1,233,498	\$ 32,983,291	\$ 2,530,521
Miscellaneous	380,869	61,928	4,278	86,536	533,611	-
<b>Total Operating Revenues</b>	<b>24,990,432</b>	<b>2,905,746</b>	<b>4,300,690</b>	<b>1,320,034</b>	<b>33,516,902</b>	<b>2,530,521</b>
<b>OPERATING EXPENSES</b>						
Personnel Services	2,602,568	291,571	472,503	442,440	3,809,082	1,701,726
Contractual Services	16,523,547	86,778	2,609,396	305,261	19,524,982	142,906
Utilities	5,096	229,434	279	-	234,809	3,577
Repairs and Maintenance	593,251	98,631	24,081	123,379	839,342	560,239
Other Supplies and Expenses	64,096	924,646	656,794	280,203	1,925,739	172,883
Insurance Claims and Expenses	73,803	14,373	7,817	6,882	102,875	3,728
Bad Debt Expense	43,528	1,646	994	59,525	105,693	-
Amortization	-	-	-	-	-	-
Depreciation	1,177,120	551,285	550,431	109,719	2,388,555	17,640
<b>Total Operating Expenses</b>	<b>21,083,009</b>	<b>2,198,364</b>	<b>4,322,295</b>	<b>1,327,409</b>	<b>28,931,077</b>	<b>2,602,699</b>
<b>Operating Income (Loss)</b>	<b>3,907,423</b>	<b>707,382</b>	<b>(21,605)</b>	<b>(7,375)</b>	<b>4,585,825</b>	<b>(72,178)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>						
Interest and Investment Revenues	275,683	211,741	92,991	3,660	584,075	-
Impact Fees	111,200	505,156	268,660	-	885,016	-
Capital Grant	-	-	517,467	-	517,467	-
Miscellaneous	126,193	-	-	-	126,193	-
Interest Expense	(112,122)	(114,205)	(110,103)	-	(336,430)	-
<b>Total Non-Operating Revenues (Expenses)</b>	<b>400,954</b>	<b>602,692</b>	<b>769,015</b>	<b>3,660</b>	<b>1,776,321</b>	<b>-</b>
<b>Income (Loss) Before Transfers</b>	<b>4,308,377</b>	<b>1,310,074</b>	<b>747,410</b>	<b>(3,715)</b>	<b>6,362,146</b>	<b>(72,178)</b>
<b>Transfers (Out) In</b>	<b>(2,556,246)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,556,246)</b>	<b>140,141</b>
<b>Change in Net Position</b>	<b>1,752,131</b>	<b>1,310,074</b>	<b>747,410</b>	<b>(3,715)</b>	<b>3,805,900</b>	<b>67,963</b>
<b>Net Position - Beginning of Year</b>	<b>27,299,992</b>	<b>21,532,518</b>	<b>14,797,389</b>	<b>563,034</b>	<b>64,192,933</b>	<b>137,353</b>
<b>Net Position - End of Year</b>	<b>\$ 29,052,123</b>	<b>\$ 22,842,592</b>	<b>\$ 15,544,799</b>	<b>\$ 559,319</b>	<b>\$ 67,998,833</b>	<b>\$ 205,316</b>

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

**CITY OF MILFORD, DE**  
**STATEMENT OF CASH FLOWS**  
**ALL PROPRIETARY FUND TYPES**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	<b>ENTERPRISE FUNDS</b>					<i>Governmental Activities - Internal Service Fund</i>
	<b>Electric</b>	<b>Water</b>	<b>Sewer</b>	<b>Trash</b>	<b>Total</b>	
<b>Cash Flows from Operations:</b>						
Receipts from Customers	\$ 24,926,280	\$ 2,848,286	\$ 4,286,951	\$ 1,223,562	\$ 33,285,079	\$ 2,601,346
Other Operating Receipts	428,937	61,928	46,916	86,536	624,317	-
Payments to Suppliers	(17,079,350)	(1,311,245)	(3,046,207)	(699,879)	(22,136,681)	(869,385)
Payments to Employees	(2,629,504)	(287,658)	(468,386)	(457,628)	(3,843,176)	(1,625,963)
Insurance Premiums Paid	(73,803)	(14,373)	(7,817)	(6,882)	(102,875)	(3,728)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>5,572,560</b>	<b>1,296,938</b>	<b>811,457</b>	<b>145,709</b>	<b>7,826,664</b>	<b>102,270</b>
<b>Cash Flows from Non-Capital Financing Activities</b>						
Operating Transfers In (Out)	(2,556,246)	-	-	-	(2,556,246)	140,141
<b>Net Cash Flows Used in Non-Capital Financing Activities</b>	<b>(2,556,246)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,556,246)</b>	<b>140,141</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>						
Net cash for additions to						
Property, Plant and Equipment	(356,573)	(1,031,761)	(1,238,092)	(354,221)	(2,980,647)	(50,558)
Principal Paid on Debt	(220,000)	(250,820)	(268,616)	-	(739,436)	-
Interest Paid on Debt	(112,122)	(114,205)	(110,103)	-	(336,430)	-
Net cash from interfund loan activity	-	(500,000)	-	500,000	-	-
Capital Grant	-	-	517,467	-	517,467	-
Impact Fees and Other Development Fees	237,393	505,156	268,660	-	1,011,209	-
<b>Net Cash Flows Provided by (Used in) Capital and Related Financing Activities</b>	<b>(451,302)</b>	<b>(1,391,630)</b>	<b>(830,684)</b>	<b>145,779</b>	<b>(2,527,837)</b>	<b>(50,558)</b>
<b>Cash Flows from Investing Activities</b>						
Net Proceeds/(Purchases) from Sales and Maturities of Short-Term Investments	(1,071,179)	(208,149)	(226,860)	-	(1,506,188)	-
Income on Investments	275,683	211,741	92,991	3,660	584,075	-
<b>Net Cash Flows Provided by (Used in) Investing Activities</b>	<b>(795,496)</b>	<b>3,592</b>	<b>(133,869)</b>	<b>3,660</b>	<b>(922,113)</b>	<b>-</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>1,769,516</b>	<b>(91,100)</b>	<b>(153,096)</b>	<b>295,148</b>	<b>1,820,468</b>	<b>191,853</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>4,505,364</b>	<b>3,680,568</b>	<b>2,357,529</b>	<b>69,605</b>	<b>10,613,066</b>	<b>80,625</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 6,274,880</b>	<b>\$ 3,589,468</b>	<b>\$ 2,204,433</b>	<b>\$ 364,753</b>	<b>\$ 12,433,534</b>	<b>\$ 272,478</b>
<b>Cash Flows from Operating Activities</b>						
Operating Income	\$ 3,907,423	\$ 707,382	\$ (21,605)	\$ (7,375)	\$ 4,585,825	\$ (72,178)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:						
Depreciation and Amortization	1,177,120	551,285	550,431	109,719	2,388,555	17,640
Effect of Changes in Operating Assets & Liabilities:						
Accounts Receivable, net	360,685	6,114	34,171	41,939	442,909	70,825
Inventory	19,156	3,951	-	-	23,107	6,491
Accounts Payable & Accrued Expenses	87,484	24,293	244,343	8,964	365,084	3,729
Salaries Payable	5,727	1,897	2,101	1,195	10,920	38,082
Customer Deposits	47,628	-	-	7,650	55,278	-
Liability for Compensated Absences	(32,663)	2,016	2,016	(16,383)	(45,014)	37,681
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 5,572,560</b>	<b>\$ 1,296,938</b>	<b>\$ 811,457</b>	<b>\$ 145,709</b>	<b>\$ 7,826,664</b>	<b>\$ 102,270</b>

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

**CITY OF MILFORD, DE**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**JUNE 30, 2020**

<b>ASSETS</b>	<u><b>AGENCY</b></u>
Cash and Cash Equivalents	\$ 784,497
Total Assets	<u>\$ 784,497</u>
<b>LIABILITIES</b>	
Due to Other Government Agencies	<u>\$ 784,497</u>
Total Liabilities	<u>\$ 784,497</u>

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

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**CITY OF MILFORD, DELAWARE**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020

**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. Generally accepted accounting principles 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, 2020.

***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 generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results may differ from those estimates.

**CITY OF MILFORD, DELAWARE**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020

**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 integration 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 subsequent year. As of the end of the period, 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.

Separate financial statements are provided by governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns 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.

Parks and Recreation Fund – The parks and recreation fund accounts for revenues derived from activities provided by the City's parks and recreation department, which include youth and adult sports leagues, summer camps and clinics, special events and festivals as well as fund raising activities.

**CITY OF MILFORD, DELAWARE**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020

**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.

*The City reports the following fiduciary funds:*

Agency Fund – The agency fund accounts for assets held by the City in a trustee capacity for fees collected on behalf of Kent County and the Carlisle Fire Company. In addition, a trust fund was established by an individual during fiscal 2013 to benefit Kent County residents by offsetting individual tax bills in the future. The balance of the fund as of June 30, 2019 was \$3,611 and was depleted to \$0 as of June 30, 2020.

**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.

**CITY OF MILFORD, DELAWARE**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

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

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

**Budgets and Budgetary Accounting**

***Budgetary Process***

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

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

**CITY OF MILFORD, DELAWARE**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

***Cash and Cash Equivalents***

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

***Receivables***

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

***Interfund Receivables/Payables***

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

***Inventories***

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

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

***Capital Assets***

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

**CITY OF MILFORD, DELAWARE**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

***Compensated Absences***

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

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

In accordance with the above criteria, the City has accrued a liability for vacation and sick pay which has been earned but not taken by City employees. For governmental funds, the liability for compensated absences is reported as a long-term liability in the government-wide financial statements because it is anticipated that none of the liability will be liquidated with expendable available financial resources. The liability for compensated absences is recorded in proprietary fund types as an accrued liability in accordance with GASBS No. 16 (GASB Cod. Sec. C60), *Accounting for Compensated Absences*.

***Pensions***

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Delaware Public Employees' Retirement System (DPERS) and additions to/deductions from DPERS fiduciary net position have been determined on the same basis as they are reported by DPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

***Long-Term Liabilities***

In the government-wide financial statements, and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business type activities, or proprietary fund type statement 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, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**CITY OF MILFORD, DELAWARE**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

***Subsequent Events***

Subsequent events were evaluated through March 17, 2021, which is the date the financial statements were available to be issued. Management of the City have disclosed (1) the settlement of a loan with the United States Department of Agriculture (USDA) as previously authorized by City Council on December 14, 2020 and (2) the results of a city-wide referendum authorizing approval of the issuance of debt for the construction of buildings and related equipment in support of Milford's Police Department and public safety initiatives in Note 14: Subsequent Events. 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 assets that related 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 are generally reported in the City's statement of net position for pension contributions made subsequent to the measurement date. 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 assets that apply to future periods are recorded as deferred inflows of resources in a separate section of its government-wide statement of net position. Deferred inflows of resources are reported in the City's statement of net position for actual pension plan investment earnings in excess of projected amounts included in determining pension expense. Deferred inflows of resources are attributed to pension expense over a total of 5 years, including the current year.

***Government-Wide and Proprietary Fund Net Position***

Net position represents the difference between assets and liabilities. 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.

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**CITY OF MILFORD, DELAWARE**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):**

***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 because of the City Charter, the 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.

***Interfund Transactions***

During the course of normal operations, 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 to be expended. Interfund loans having repayment terms beyond one year are reported separately as noncurrent assets (lending fund) and noncurrent liabilities (borrowing fund) in the statements of net position.

***Interest Capitalization***

Interest costs incurred for the acquisition and/or construction of capital assets are capitalized based on the guidelines established by GASBS No. 62, Capitalization of Interest Cost.

The interest capitalization period begins when the following conditions are present:

- Expenditures for the capital asset have been made.
- Activities that are necessary to get the capital asset ready for its intended use are in progress.
- Interest expense is being incurred.

The amount of interest expense to be capitalized is based on the weighted-average amount of accumulated expenditures for the period multiplied by the interest rate for the obligation incurred specifically to finance the construction of capital assets. No capitalizable interest was incurred during the year ended June 30, 2020.

**CITY OF MILFORD, DELAWARE**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020

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

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

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

***Capital Asset Differences***

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

Land	\$ 8,144,967
Utility Systems & Infrastructure	10,367,446
Building and Improvements	5,155,254
Equipment and Vehicles	6,557,847
Construction in Progress	522,603
Less: Accumulated Depreciation	<u>(13,515,191)</u>
Net Difference in Capital Assets	<u><u>\$ 17,232,926</u></u>

***Noncurrent Liability Differences***

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

Noncurrent Portion of Compensated Absences	\$ (995,558)
Deferred Outflow of Resources - Pension	1,582,682
Deferred Inflow of Resources - Pension	(423,152)
Net Pension Liability	(1,131,610)
Contingencies and Interfund Liabilities	<u>381,215</u>
Total Current and Long-Term Liability Differences	<u><u>\$ (586,423)</u></u>

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**CITY OF MILFORD, DELAWARE**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020

**NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED):**

**Explanation of certain differences between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities.**

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

***Capital Outlay Differences***

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

Capital Outlay	\$ 1,371,431
Depreciation and Amortization	(748,614)
Net Difference	\$ 622,817

***Other Differences***

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

Noncurrent Portion of Compensated Absences	\$ 74,493
Deferred Outflow of Resources - Pension	45,336
Deferred Inflow of Resources - Pension	189,232
Net Pension Liability	(286,676)
Contingencies	(178,516)
Total Current and Long-Term Liability Differences	\$ (156,131)

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**CITY OF MILFORD, DELAWARE**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020

**NOTE 3: FINANCIAL INSTRUMENTS:**

The City invests its eligible reserves in a variety of financial instruments pursuant to its investment policy and records investments at adjusted cost. The City estimates that the fair value of all financial instruments as of June 30, 2020 does not differ materially from the aggregate carrying values of its financial instruments as reported in the accompanying balance sheet and statement of net assets.

**NOTE 4: REAL ESTATE TAXES**

The millage rate levied by City Council on all non-exempt real estate in the City of Milford for the fiscal year ended June 30, 2020 was 4.6 mills (\$4.60 per \$1,000 of assessed valuation, or "AV"), and is commonly expressed as \$0.46 per \$100 of AV. The City bills and collects its own real estate taxes. Delinquent taxes are subject to lien by the City. The schedules of real estate taxes levied for the fiscal year 2020 are:

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

**NOTE 5: IMPACT FEES:**

All applications for new service connections to water, sewage, and electric systems within the City of Milford's utility service territories are required to contribute a one-time impact fee. The purpose of the fee is to compensate for the impact of new users to the existing water and sewage systems, in order to provide for future expansion. All impact fees collected are restricted for the construction, maintenance and expansion of the City's utility infrastructure systems resulting from the growth demands of new development. The commercial impact fees for the year ended June 30, 2020 were \$3,072 (\$2,840 in fiscal year 2019) and \$1,623 (\$1,501 in fiscal year 2019) 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 Assets and in the government-wide Statement of Activities the impact fee monies, as required by GASB No. 33. Restricted net assets as of June 30, 2020 attributable to cumulative impact fee collections is \$5,697,452.

**NOTE 6: INTERFUND TRANSACTIONS:**

During the course of normal operations, the City has numerous transactions between funds including expenditures and transfers of resources primarily to provide services. The financial statements of the governmental and proprietary fund types generally reflect such transactions as transfers. Transfers that are not considered operating or residual equity transfers give rise to interfund receivables and payables within individual funds. As of June 30, 2020, one interfund loan of \$500,000 extended to the trash fund from the water fund is outstanding as reported in the statement of net position, and one interfund transaction among subsidiary funds related to funding of capital expenditures nets to \$0 in the governmental funds.

**CITY OF MILFORD, DELAWARE**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020

**NOTE 7: INTERGOVERNMENTAL RECEIVABLES:**

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

**NOTE 8: CASH AND INVESTMENTS:**

Custodial credit risk is the risk of loss of City deposits in the event of financial institution failure. The City does not have a formal deposit policy for custodial credit risk. Deposits are classified as Category 1 if fully insured, registered or held by the City’s agent in the City’s name. Deposits are classified as Category 2 if collateralized with securities held by the pledging financial institution’s trust department agent(s) in the City’s name, or Category 3 if not collateralized, including bank balances that are collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the City’s name. As of June 30, 2020, all of the City’s bank balances constituted Category 1 deposits, and the financial institution balances were equal to the carrying amounts reported.

The City’s investments are categorized according to the level of credit risk assumed as of the balance sheet date. Category 1 includes investments that are insured, registered or held by the City’s agent in the City’s name. Category 2 includes uninsured and unregistered investments held by the counterparty’s trust department or agent in the city’s name. Category 3 includes uninsured and unregistered investments held by the counterparty, its trust department or its agent but not in the City’s name.

As of June 30, 2020, the City’s investments consist of the following:

Description	Category	Market Value	Carrying Value
Money Market Funds			
PFM Asset Management, LLC	1	15,729,139	15,729,139
Certificates of Deposit			
PFM Asset Management, LLC	1	12,671,000	12,671,000
Total Investments		28,400,139	28,400,139

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**CITY OF MILFORD, DELAWARE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 9: CAPITAL ASSETS:**

The following schedule presents the capital activity of governmental activities for the fiscal year:

Asset Categories by Function	Year Ended June 30, 2020				Balances 06/30/20
	Balances 06/30/19	Additions	Reductions	Adjustments & Transfers	
<b>City Department:</b>					
Land	8,211,212	-	-	(66,245)	8,144,967
Buildings and Improvements	4,563,414	45,644	4,860	66,244	4,670,442
Vehicles and Equipment	5,306,050	219,377	352,517	(320,460)	4,852,450
Construction in Progress	127,546	395,057	-	-	522,603
<b>Total City Department</b>	<b>18,208,222</b>	<b>660,078</b>	<b>357,377</b>	<b>(320,461)</b>	<b>18,190,462</b>
Accumulated Depreciation	(6,690,565)	(330,009)	(353,847)	103,089	(6,563,638)
<b>Total City Department, Net</b>	<b>11,517,657</b>	<b>330,069</b>	<b>3,530</b>	<b>(217,372)</b>	<b>11,626,824</b>
<b>Street Department:</b>					
Land	10,367,447	-	-	(10,367,447)	-
Street Improvements	-	-	-	10,367,446	10,367,446
Buildings and Improvements	192,916	295,520	3,626	2	484,812
Vehicles and Equipment	1,567,083	32,223	-	106,091	1,705,397
<b>Total Street Department</b>	<b>12,127,446</b>	<b>327,743</b>	<b>3,626</b>	<b>106,092</b>	<b>12,557,655</b>
Accumulated Depreciation	(6,406,029)	(444,032)	(1,597)	(103,089)	(6,951,553)
<b>Total Street Department, Net</b>	<b>5,721,417</b>	<b>(116,289)</b>	<b>2,029</b>	<b>3,003</b>	<b>5,606,102</b>
<b>Year Ended June 30, 2020</b>					
Asset Categories by Function	Balances 06/30/19	Additions	Reductions	Adjustments & Transfers	Balances 06/30/20
<b>Total Governmental</b>					
<b>Capital Assets:</b>					
Land	18,578,659	-	-	(10,433,692)	8,144,967
Street Improvements	-	-	-	10,367,446	10,367,446
Buildings and Improvements	4,756,330	341,164	8,486	66,246	5,155,254
Vehicles and Equipment	6,873,133	251,600	352,517	(214,369)	6,557,847
Construction in Progress	127,546	395,057	-	-	522,603
<b>Total Governmental</b>	<b>30,335,668</b>	<b>987,821</b>	<b>361,003</b>	<b>(214,369)</b>	<b>30,748,117</b>
Accumulated Depreciation	(13,096,594)	(774,041)	(355,444)	-	(13,515,191)
<b>Total Governmental</b>	<b>17,239,074</b>	<b>213,780</b>	<b>5,559</b>	<b>(214,369)</b>	<b>17,232,926</b>

**CITY OF MILFORD, DELAWARE**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020

**NOTE 9: CAPITAL ASSETS (CONTINUED):**

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

Year Ended June 30, 2020

Asset Categories by Function	Balances 06/30/19	Additions	Reductions	Adjustments & Transfers	Balances 06/30/20
<b>Electric Fund:</b>					
Land	2,460,507	-	-	-	2,460,507
Buildings and Improvements	7,005,480	60,067	9,532	-	7,056,015
Electric System	19,433,098	-	32,444	-	19,400,654
Vehicles and Equipment	3,813,692	296,506	26,027	-	4,084,171
<b>Total Capital Assets</b>	<b>32,712,777</b>	<b>356,573</b>	<b>68,003</b>	<b>-</b>	<b>33,001,347</b>
Accumulated Depreciation	(16,463,782)	(1,177,121)	(58,602)	-	(17,582,301)
<b>Net Book Value</b>	<b>16,248,995</b>	<b>(820,548)</b>	<b>9,401</b>	<b>-</b>	<b>15,419,046</b>
<b>Water Fund:</b>					
Land	27,369	-	-	-	27,369
Buildings and Improvements	10,853	110,898	3,500	-	118,251
Water System	21,841,981	699,043	72,689	-	22,468,335
Vehicles and Equipment	1,708,867	221,820	52,079	-	1,878,608
<b>Total Capital Assets</b>	<b>23,589,070</b>	<b>1,031,761</b>	<b>128,268</b>	<b>-</b>	<b>24,492,563</b>
Accumulated Depreciation	(8,583,395)	(551,286)	(117,253)	-	(9,017,428)
<b>Net Book Value</b>	<b>15,005,675</b>	<b>480,475</b>	<b>11,015</b>	<b>-</b>	<b>15,475,135</b>
<b>Waste Water Fund:</b>					
Land	28,638	-	-	-	28,638
Buildings and Improvements	50,691	110,898	2,360	-	159,229
Waste Water System	20,788,327	1,628,819	30,988	-	22,386,158
Vehicles and Equipment	1,333,797	98,375	-	-	1,432,172
<b>Total Capital Assets</b>	<b>22,201,453</b>	<b>1,838,092</b>	<b>33,348</b>	<b>-</b>	<b>24,006,197</b>
Accumulated Depreciation	(9,540,066)	(550,432)	(27,374)	200	(10,062,924)
<b>Net Book Value</b>	<b>12,661,387</b>	<b>1,287,660</b>	<b>5,974</b>	<b>200</b>	<b>13,943,273</b>
<b>Trash Fund:</b>					
Buildings and Improvements	5,650	-	-	-	5,650
Vehicles and Equipment	1,143,105	354,221	24,198	-	1,478,128
<b>Total Capital Assets</b>	<b>1,148,755</b>	<b>354,221</b>	<b>24,198</b>	<b>-</b>	<b>1,478,778</b>
Accumulated Depreciation	(682,381)	(109,719)	(24,198)	-	(767,902)
<b>Net Book Value</b>	<b>466,374</b>	<b>244,502</b>	<b>-</b>	<b>-</b>	<b>710,876</b>

**CITY OF MILFORD, DELAWARE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 9: CAPITAL ASSETS (CONTINUED):**

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

Asset Categories by Function	Year Ended June 30, 2020				Balances 06/30/20
	Balances 06/30/19	Additions	Reductions	Adjustments & Transfers	
Total Enterprise Funds					
Land	2,516,514	-	-	-	2,516,514
Buildings and Improvements	7,072,674	281,863	15,392	-	7,339,145
Electric System	19,433,098	-	32,444	-	19,400,654
Water System	21,841,981	699,043	72,689	-	22,468,335
Waste Water System	20,788,327	1,628,819	30,988	-	22,386,158
Vehicles and Equipment	7,999,461	970,922	102,304	-	8,868,079
Total Fixed Assets	79,652,055	3,580,647	253,817	-	82,978,885
Accumulated Depreciation	(35,269,624)	(2,388,558)	(227,427)	200	(37,430,555)
Net Book Value	44,382,431	1,192,089	26,390	200	45,548,330

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**CITY OF MILFORD, DELAWARE**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020

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

Long-Term liability activity for the year ended June 30, 2020 is summarized as follows:

	Year Ended June 30, 2020				
	Balances 06/30/19	Additions	Reductions	Balances 06/30/20	Current Portion
Governmental Activities:					
General Obligation Bonds	-	-	-	-	-
Other Liabilities					
Net Pension Liability	845,080	951,431	(664,901)	1,131,610	-
Compensated Absences	1,151,331	93,117	-	1,244,448	248,890
Governmental Activities					
Total Debt Obligations:	<u>1,996,411</u>	<u>1,044,548</u>	<u>(664,901)</u>	<u>2,376,058</u>	<u>248,890</u>
Business-Type Activities:					
General Obligation Bonds					
Series 2016	7,505,000	-	(405,000)	7,100,000	415,000
Bond Premium	29,937	-	(3,375)	26,562	3,555
Total General Obligation Bonds	<u>7,534,937</u>	<u>-</u>	<u>(408,375)</u>	<u>7,126,562</u>	<u>418,555</u>
State of Delaware					
DNREC WPC RF, 2010	645,868	-	(53,048)	592,820	54,115
Water SRF, 2012A	2,414,189	-	(155,519)	2,258,670	157,079
Note Payable, Kent County	1,147,329	-	(25,338)	1,121,991	25,914
USDA Notes Payable					
Water Facilities, 2013	4,293,580	-	(97,015)	4,196,565	97,591
Sewer Facilities, 2019	-	600,000	(5,228)	594,772	10,550
Total Bonds and Notes Payable	<u>16,035,903</u>	<u>600,000</u>	<u>(744,523)</u>	<u>15,891,380</u>	<u>763,804</u>
Other Liabilities					
Compensated Absences	<u>210,531</u>	<u>-</u>	<u>(45,014)</u>	<u>165,517</u>	<u>33,103</u>
Business-Type Activities					
Total Debt Obligations:	<u>16,246,434</u>	<u>600,000</u>	<u>(789,537)</u>	<u>16,056,897</u>	<u>796,907</u>

**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.

**CITY OF MILFORD, DELAWARE**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020

**NOTE 10: LONG-TERM DEBT OBLIGATIONS (CONTINUED):**

**General Obligation Bonds, Series 2016**

On December 6, 2016, the City issued General Obligation Bonds, Series of 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, 2020. 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.

**United States Department of Agriculture (USDA)**

***Water Utility 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, 2020 is \$4,196,565, 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% on the outstanding balance, with the remainder of each payment applied to the principal balance. The note is scheduled to mature June 28, 2053.

***Sewer Utility Loan***

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 relate 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%. Pursuant to program terms, the City is eligible for distributions of loan proceeds only after incurring project expenditures. Certain project components were completed during fiscal year 2020, and the City expended a cumulative total of \$0.6 million through June 30, 2020 under phase one of the loan program. The balance of the loan as of June 30, 2020 is \$594,772, which represents total project expenditures under phase one of the program less principal payments made. Under the terms of the note, the City is required to make quarterly payments in the amount of \$5,226, which include interest calculated at the fixed annual rate of 1.75% on the outstanding balance, with the remainder of each payment applied to the principal balance. The note is scheduled to mature December 31, 2059. Phase two of the loan program is discussed in greater detail in Note 14: Subsequent Events.

**CITY OF MILFORD, DELAWARE**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020

**NOTE 10: LONG-TERM DEBT OBLIGATIONS (CONTINUED):**

**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, 2020 is \$592,820. Semi-annual payments of \$32,852 include interest calculated at an annual rate of 2.0%. The note is scheduled to mature 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 Fund 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 balance 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 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, 2020 is \$2,258,670. 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, 2020 is \$1,121,991 and is scheduled to mature November 10, 2050.

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**CITY OF MILFORD, DELAWARE**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020

**NOTE 10: LONG-TERM DEBT OBLIGATIONS (CONTINUED):**

Long-Term Debt outstanding as of June 30, 2020 is summarized as follows:

Obligation	Interest Rate (%)	Issue Date	Maturity Date	Amounts Outstanding as of June 30, 2020 (in thousands)			Total
				Electric Fund	Water Fund	Sewer Fund	
General Obligation Bonds							
Series of 2016	2.00-2.55	12/6/16	1/1/37	4,515	-	2,585	7,100
USDA							
Note Payable, 2013	2.125	6/28/13	6/28/53	-	4,197	-	4,197
Note Payable, 2019	1.750	12/31/19	12/31/59	-	-	595	595
State of Delaware							
DNREC WPC RF, 2009	2.00	12/22/09	7/1/30	-	-	593	593
Drinking Water SRF, 2012A	1.00	3/15/12	9/1/33	-	2,259	-	2,259
Kent County, 2012	2.25	11/12/12	11/10/50	-	-	1,122	1,122
Total Long-Term Debt Obligations				<u>4,515</u>	<u>6,455</u>	<u>4,895</u>	<u>15,865</u>

The annual requirements to amortize all debt outstanding as of June 30, 2020 follow:

Year Ending June 30	Principal	Interest	Total
2021	\$760,268	\$304,695	\$1,064,964
2022	775,796	290,684	1,066,481
2023	791,423	276,451	1,067,874
2024	802,148	261,975	1,064,124
2025	817,980	247,245	1,065,224
2026-2030	4,321,092	1,004,704	5,325,796
2031-2035	3,389,522	615,840	4,005,362
2036-2040	1,595,897	344,505	1,940,402
2041-2045	1,068,168	221,055	1,289,223
2046-2050	1,187,423	101,472	1,288,895
2051-2055	265,607	14,025	279,633
2056-2060	89,461	4,597	94,058
Total	<u>\$15,864,786</u>	<u>\$3,687,248</u>	<u>\$19,552,035</u>

**CITY OF MILFORD, DELAWARE**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020

**NOTE 11: COMMITMENTS AND CONTINGENCIES:**

***Open Claims/Judgments***

In the ordinary course of the City's municipal and public utility operations, various commitments and contingent liabilities arise in addition to the normal encumbrances for the purchase of goods and services. The City does not anticipate material losses as a result of these transactions over and above the amounts reported in the statement of activities, which includes a provision for claims incurred during the current period but that remained open and unadjudicated as of June 30, 2020.

***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, if any, of expenditures, not already disclosed, 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 \$289,139 for the year ended June 30, 2020.

**NOTE 13: PENSION PLANS:**

***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.

**CITY OF MILFORD, DELAWARE**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020

**NOTE 13: PENSION PLANS (CONTINUED):**

***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/Firefighter and the General Employees Retirement Funds. In connection with this election, the City agreed to fund prior service cost up to a maximum of fifteen (15) years of service for all eligible employees. Such funding was provided for from the City's reserves in its Water and Sewer Funds, as well as from assets of its existing retirement funds. Descriptions of each of the State of Delaware Plans and 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 its Board of Pension Trustees (the Board). 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 comprised 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 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 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 2020 was 14.85% of payroll. In addition, employees are required to contribute 7% of compensation.

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**CITY OF MILFORD, DELAWARE**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020

**NOTE 13: PENSION PLANS (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 its Board of Pension Trustees (the Board). 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 comprised of five members appointed by the Governor and confirmed by the State Senate, plus two ex-officio members.

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

Employer contributions to the plan are determined annually by the 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 2020 was 7.47% 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 of each plan as of the June 30, 2019 measurement date were as follows:

	Police & Firefighters	Other Employees
Total pension liability	\$ 425,552,000	\$ 63,117,000
Plan fiduciary net position	396,829,000	58,536,000
Employer net pension liability	28,723,000	4,581,000
Plan fiduciary net position as percentage of total pension liability	93.25%	92.74%
Proportionate share of net pension liability	697,659	433,951

**CITY OF MILFORD, DELAWARE**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020

**NOTE 13: PENSION PLANS (CONTINUED):**

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued):***

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by rolling forward the System's total pension liability as of June 30, 2018 to June 30, 2019. The City's proportionate share of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. As of June 30, 2019 and 2018, the City's proportion for each plan is as follows:

	June 30, 2019	June 30, 2018	Increase (Decrease)
Police & Firefighters	2.4289%	2.2946%	0.1343%
Other Employees	9.4728%	10.0609%	-0.5881%

For the year ended June 30, 2020, the City recognized pension expense for the plans as follows:

Police & Firefighters	\$460,814
Other Employees	337,347
Total	\$798,161

At June 30, 2020, 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	426,552	136,435	170,092	143,081
Change of assumptions	160,794	67,671	144,345	-
Net difference between projected and actual investment earnings	6,711	-	7,192	-
Changes in proportions	10,069	21,021	-	54,944
Contributions subsequent to the measurement date	317,010	-	339,917	-
Total	921,136	225,127	661,546	198,025

Amounts reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date were recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense over five years.

**CITY OF MILFORD, DELAWARE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 13: PENSION PLANS (CONTINUED):**

***Actuarial Assumptions***

The total pension liability was determined by an actuarial valuation as of June 30, 2019, and update procedures were used to roll forward the total pension liability to June 30, 2020. The following actuarial assumptions were used and applied to all periods included in the measurement:

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

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

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

***Investments***

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by an asset allocation percentage which is based on the nature and mix of current and expected plan investments, and by adding expected inflation.

Best estimates of geometric real rates of return for each major asset class as of June 30, 2019 are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	29.5%	5.7%
International Equity	13.5%	5.7%
Fixed Income	27.1%	2.0%
Alternate Investments	22.4%	7.8%
Cash & Equivalent	7.5%	0.0%

**CITY OF MILFORD, DELAWARE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 13: PENSION PLANS (CONTINUED):**

***Discount Rate***

The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution 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***

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:

	1% Decrease 6.0%	Current Discount Rate 7.0%	1% Increase 8.0%
Police and Firefighters	\$94,353,000	\$28,723,000	(\$24,811,000)
Other Employees	\$14,364,000	\$4,581,000	(\$ 3,453,000)

***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>.

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**CITY OF MILFORD, DELAWARE**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020

**NOTE 14: SUBSEQUENT EVENTS:**

***USDA Sewer Utility Loan – Phase Two***

The City closed on the second phase of a loan with the USDA in the amount of \$1 million on December 17, 2020. The loan bears a fixed rate of interest of 2.125% and is payable in quarterly installments of principal and interest. The loan matures on December 17, 2060. Details regarding the City's 2015 authorizing resolution, the USDA rural utility loan program, the sewer projects financed with the loan proceeds and phase one of the loan are provided in Note 10: Long-Term Debt Obligations.

***Referendum – Police Facility***

On January 26, 2021, the City held a referendum proposing unto the electors of the City of Milford that an amount of money not to exceed \$20 million be borrowed at a rate of interest not to exceed 5.0% to pay for the costs required to design, construct and equip a police station and to complete other necessary infrastructure improvements and related capital projects (the "Facility"). The resulting debt service shall be met with an increase in the City's property tax rate. The results of the city-wide election favored the financing proposal with 390 voters for and 187 against. The City expects to complete the design process and break ground by early 2022 and open the Facility in 2023. The timing of the required increase in the tax rate is expected to coincide with the completion of the Facility; project construction costs are expected to be met with internal funding sources supplemented with interim financing. As of the release date of these financial statements, no debt has been incurred in connection with the Facility.

**NOTE 15: 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 that became effective January 1, 2004 and 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 and 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 deregulated energy markets.

**CITY OF MILFORD, DELAWARE**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020

**NOTE 16: IMPACT OF CORONAVIRUS (COVID-19):**

The World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities, including the City of Milford. Specific to the City of Milford, COVID-19 may impact various 2021 operations and financial results, including but not limited to the City's utility and real estate tax collections, water and sewer revenue in the form of deferred rate increases, lodging tax revenue due to travel restrictions, Parks and Recreation Department activity due to safety and distancing requirements, and other events, as well as increases in expenditures for emergency preparedness initiatives and personnel costs. City Management is taking appropriate actions to mitigate any negative impact, including the delay or deferral of non-critical spending and the solicitation of federal and state grant proceeds to offset incremental emergency preparedness costs and employee safety initiatives. The full impact of COVID-19 on the City's financial condition is unknown, as events continue to develop into the subsequent fiscal year. However, no events occurring during the reporting period and no events occurring during the period from July 1, 2020 through March 17, 2021 resulted in the need to recognize any additional expense or record any additional liabilities. Management's expectation is that the impact of the COVID-19 pandemic on the City's financial position will not reach the level of significant materiality, though Management and Council remain diligent in efforts to operate efficiently, avoid unnecessary spending, work safely, and maximize services to the community during the pandemic.

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# The City of Milford, Delaware

## Required Supplementary Information

As of and for the Year Ended June 30, 2020

**CITY OF MILFORD, DE  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Property Taxes	\$ 4,148,385	\$ 4,154,960	\$ 4,195,984	\$ 41,024
Fees and Fines	100,000	100,000	191,146	91,146
Licenses and Permits	380,000	440,000	820,874	380,874
Sale of Business Park Land	-	-	-	-
Intergovernmental	362,950	448,137	379,111	(69,026)
Investment Earnings	60,000	60,000	99,913	39,913
Miscellaneous	368,199	368,199	637,962	269,763
	<u>5,419,534</u>	<u>5,571,296</u>	<u>6,324,990</u>	<u>753,694</u>
<b>EXPENDITURES</b>				
Current:				
General Government	2,918,637	3,027,522	2,010,853	1,016,669
Public Safety	5,591,133	5,728,320	5,545,709	182,611
Public Works	779,745	754,745	678,138	76,607
Culture and Recreation	982,810	1,017,810	899,828	117,982
Debt Service:				
Principal	-	-	-	-
Interest and Other Charges	-	-	-	-
Capital Outlay	498,185	358,185	704,537	(346,352)
	<u>10,770,510</u>	<u>10,886,582</u>	<u>9,839,065</u>	<u>1,047,517</u>
Deficiency of Revenues Over Expenditures	(5,350,976)	(5,315,286)	(3,514,075)	1,801,211
<b>OTHER FINANCING SOURCES</b>				
Real Estate Transfer Tax (from Special Revenue Fund)	723,000	723,000	500,000	(223,000)
Transfers In From Electric Fund	2,500,000	2,500,000	2,500,000	-
Other Transfers In/Out	16,000	16,000	295,246	279,246
	<u>(2,127,976)</u>	<u>(2,076,286)</u>	<u>(218,829)</u>	<u>1,857,457</u>
<b>DEFICIENCY FUNDED BY</b>				
General Fund Prior Balance and Reserves	2,127,976	2,076,286	218,829	(1,857,457)
<b>Net Revenues, Other Financing Sources, Prior Fund Balances and Expenditures</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*See accompanying notes to required supplementary information.*

**CITY OF MILFORD, DELAWARE**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**FOR THE LAST FIVE FISCAL YEARS**

<b><u>County &amp; Municipal Police and Firefighters' Pension Plan</u></b>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Proportion of the net pension liability (asset)	2.4289%	2.2946%	2.3779%	2.3824%	2.4964%
Proportionate share of the net pension liability (asset)	\$ 697,659	\$ 528,464	\$ 239,714	\$ 378,701	\$ (131,558)
Covered-employee payroll	\$ 2,412,111	\$ 2,147,178	\$ 1,905,658	\$ 1,944,111	\$ 1,735,698
Proportionate share of the net pension liability as a percentage of covered-employee payroll	28.9%	24.6%	12.6%	19.5%	-7.6%
Plan's fiduciary net position	\$ 396,829,000	\$ 367,470,000	\$ 325,867,000	\$ 284,298,000	\$ 273,109,000
Plan fiduciary net position as a percentage of the total pension liability (asset)	93.3%	94.1%	97.0%	94.7%	-102.0%
<b><u>County &amp; Municipal Other Employees' Pension Plan</u></b>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Proportion of the net pension liability (asset)	9.4728%	10.0609%	10.3165%	10.8530%	12.1628%
Proportionate share of the net pension liability (asset)	\$ 433,951	\$ 316,616	\$ 668,405	\$ 672,454	\$ 5,230
Covered-employee payroll	\$ 4,106,578	\$ 4,205,852	\$ 3,476,349	\$ 3,628,008	\$ 3,630,778
Proportionate share of the net pension liability as a percentage of covered-employee payroll	10.6%	7.5%	19.2%	18.5%	0.1%
Plan's fiduciary net position	\$ 58,536,000	\$ 53,122,000	\$ 45,874,000	\$ 39,292,000	\$ 37,840,000
Plan fiduciary net position as a percentage of the total pension liability	92.7%	94.4%	87.6%	86.4%	99.9%

*See accompanying notes to required supplementary information.*

**CITY OF MILFORD, DELAWARE  
SCHEDULE OF EMPLOYER CONTRIBUTIONS - PENSION PLAN  
FOR THE LAST FIVE FISCAL YEARS**

<b><u>County &amp; Municipal Police and Firefighters' Pension Plan</u></b>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 358,149	\$ 217,625	\$ 269,023	\$ 240,395	\$ 251,302
Contributions in relation to the contractually determined contribution	<u>358,149</u>	<u>217,625</u>	<u>269,023</u>	<u>240,395</u>	<u>251,302</u>
Contribution (excess) deficiency	<u>\$ -</u>				
Covered-employee payroll	<u>\$ 2,412,111</u>	<u>\$ 2,147,178</u>	<u>\$ 1,905,658</u>	<u>\$ 1,944,111</u>	<u>\$ 1,735,698</u>
Contributions as a percentage of covered-employee payroll	<u>14.85%</u>	<u>10.14%</u>	<u>14.12%</u>	<u>12.37%</u>	<u>14.48%</u>
<b><u>County &amp; Municipal Other Employees' Pension Plan</u></b>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 306,752	\$ 284,307	\$ 259,355	\$ 225,472	\$ 235,458
Contributions in relation to the contractually determined contribution	<u>306,752</u>	<u>284,307</u>	<u>259,355</u>	<u>225,472</u>	<u>235,458</u>
Contribution (excess) deficiency	<u>\$ -</u>				
Covered-employee payroll	<u>\$ 4,106,578</u>	<u>\$ 4,205,852</u>	<u>\$ 3,476,349</u>	<u>\$ 3,628,008</u>	<u>\$ 3,630,778</u>
Contributions as a percentage of covered-employee payroll	<u>7.47%</u>	<u>6.76%</u>	<u>7.46%</u>	<u>6.21%</u>	<u>6.49%</u>

*See accompanying notes to required supplementary information.*

**CITY OF MILFORD, DELAWARE**  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2020

**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 13 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 2017 can be found in the June 30, 2015 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 3.0%
  - 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.



MAJOR GENERAL  
ALFRED A. TORBERT

# The City of Milford, Delaware

## Additional Information

As of and for the Year Ended June 30, 2020

**CITY OF MILFORD, DELAWARE**  
**ADDITIONAL INFORMATION**  
**JUNE 30, 2020**

**Taxation**

The City annually adapts an assessment listing based on its own assessments of real property. Real Property was last reassessed in the City of Milford in 2012. The assessment reflected actual sale histories available in 2012. Assessments are based on 100% of the 2012 appraised value. Appraisals for all classifications of property are equal to estimated replacement cost less depreciation.

<b>Ratable Classification</b>	<b>2020 Assessed Value (AV)</b>	<b>2020 Market Value (MV)*</b>	<b>AV ÷ MV</b>
Public Utilities	\$5,401,952	\$7,299,935	
Agriculture	878,100	\$1,186,622	
Residential	598,040,800	\$808,163,243	
Multi-Family	43,996,300	\$59,454,459	
Commercial	318,244,300	\$430,059,865	
Industrial	11,488,400	\$15,524,865	
Exempt	326,167,800	\$440,767,297	
<b>TOTAL</b>	<b>\$1,304,217,652</b>	<b>\$1,762,456,286</b>	<b>74%</b>

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

*Source: City of Milford*

The City's property tax rate is \$0.46 per \$100 of assessed value. Milford also collects a Realty Transfer Tax (RTT) of 1.50% 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.

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**CITY OF MILFORD, DELAWARE**  
**ADDITIONAL INFORMATION**  
**JUNE 30, 2020**

**Largest Taxpayers – 2020**

2020 Assessed		Land Use	Parcel Owner	2020	
Value				Tax Levy	
\$	29,293,600	COMMERCIAL	CLARKE AVENUE REALTY LLC	\$	134,751
	18,827,600	COMMERCIAL	MILFORD PLAZA SPE LLC		86,607
	16,426,800	COMMERCIAL	WAL-MART PROPERTY TAX DEPARTMENT		75,563
	157,862,700	COMMERCIAL	BAYHEALTH MEDICAL CENTER INC		60,464
	9,447,900	MULTI-FAMILY	RESERVE AT SAW MILL LLC		43,460
	9,203,100	MULTI-FAMILY	WATERGATE AT MILFORD RENTALS LLC		42,334
	11,708,900	RESIDENTIAL	KEY PROPERTIES GROUP, LLC		39,666
	8,252,800	COMMERCIAL	MILFORD CENTER LLC		37,963
	6,869,500	COMMERCIAL	CYPRESSCAP LLC		31,600
	6,734,300	MULTI-FAMILY	CASCADES LLC		30,978
	6,558,100	COMMERCIAL	BALTIMORE AIRCOIL COMPANY INC		30,167
	6,547,100	COMMERCIAL	U S COLD STORAGE		30,117
	5,302,800	MULTI-FAMILY	CASE EDWARDS MANAGEMENT INC		24,393
	5,162,300	INDUSTRIAL	PERDUE REAL ESTATE HOLDINGS INC		23,747
	5,003,300	RESIDENTIAL	KEY PROPERTIES LLC		23,015
	4,899,500	MULTI-FAMILY	TRAN CON BUILDERS		22,538
	4,799,800	COMMERCIAL	S W AQUISITIONS INC		22,079
	4,763,300	COMMERCIAL	RIVERWALK CENTER AT MILFORD LLC		21,911
	4,530,600	COMMERCIAL	SHAWNEE FARM, LLC		20,841
	4,431,600	COMMERCIAL	MILFORD AID II PROPCO LLC		20,385

*Source: City of Milford*

**Tax Assessments**

Year	Assessment	Ratio, Assessed to	
		Market Value	Market Value
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
2013	1,012,236,303	96%	1,054,412,816
2012*	1,005,583,223	96%	1,047,482,524
2011	774,400,918	75%	1,033,841,696

*\*Reassessment completed in September 2012*

*Source: City of Milford*

**CITY OF MILFORD, DELAWARE**  
**ADDITIONAL INFORMATION**  
**JUNE 30, 2020**

**Tax Collections and Delinquent Taxes**

<b>Year Ended June 30</b>	<b>Tax Collections</b>			<b>Past Due</b>
	<b>Taxes Budgeted</b>	<b>Cash Collections</b>	<b>Collections as % of Budget</b>	<b>Outstanding as of June 30</b>
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	105%	178,337
2017	3,732,970	3,817,534	102%	344,177
2016	3,701,000	3,720,159	101%	307,883
2015	3,746,000	3,660,900	98%	359,772
2014	3,556,965	3,518,917	99%	358,545
2013	3,483,380	3,433,254	99%	281,371
2012	2,989,155	2,974,203	99%	231,245
2011	2,947,377	2,906,359	99%	193,509

*Source: City of Milford*

**Selected Debt Ratios**

Total Population (2020)	11,732
Assessed Valuation (2020)	\$1,304,217,652

**Direct Debt**

City of Milford-Bonded Debt	\$ 7,100,000
Total Direct Debt as a Percent of Assessed Value	0.544%
Total Direct Debt per capita	\$ 605

**Largest Employers\***

The eight largest employers in and around Milford, as of December 31, 2020, are listed below:

<b>Name</b>	<b>Description</b>
Bayhealth, Inc.	Healthcare
City of Milford	Government
Dentsply Sirona, Inc.	Dental Supplies
First State Manufacturing, Inc.	Industrial Sewing
Kent-Sussex Industries, Inc.	Agricultural Products
Milford School District	Education
Perdue Farms, Inc.	Poultry Processing
Sea Watch International, Inc.	Seafood Processing

*Source: City of Milford*

*\*Pursuant to 20 CFR (Code of Federal Regulations) Part 603, the specific employment data is confidential and may not be disclosed to the public.*

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Milford, DE, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise City of Milford, DE's basic financial statements, and have issued our report thereon dated March 17, 2021.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with

**GOLD GERSTEIN GROUP LLC**

*Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Gold Gerstein Group LLC*

Gold Gerstein Group LLC  
Voorhees, NJ

March 17, 2021

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

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

**Report on Compliance for Each Major Federal Program**

We have audited City of Milford, DE's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Milford, DE's major federal programs for the year ended June 30, 2020. City of Milford, DE's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of City of Milford, DE's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Milford, DE's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Milford, DE's compliance.

***Opinion on Each Major Federal Program***

In our opinion, City of Milford, DE complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

**Report on Internal Control over Compliance**

Management of City of Milford, DE is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Milford, DE's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the

effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Milford, DE's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

*Gold Gerstein Group LLC*

Gold Gerstein Group LLC  
Voorhees, NJ

March 17, 2021

**CITY OF MILFORD, DE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

<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 Agriculture				
Community Facilities Loans and Grants	10.766	n/a		
Loan			\$ -	\$ 1,545,764
Grant			-	517,467
US Department of Justice				
Coronavirus Emergency Supplemental Funding	16.034	n/a	-	43,532
US Department of Justice				
Bulletproof Vest Partnership	16.607	n/a	-	11,792
US Department of Justice				
Edward Byrne Memorial Justice Assistance	16.738	n/a	-	27,866
Total expenditures of federal awards			<u>\$ -</u>	<u>\$ 2,146,421</u>

See accompanying notes to schedule of expenditures of federal awards.

**CITY OF MILFORD, DE**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**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, 2017. 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 has elected to use the 10% de minimis indirect cost rate allowed by the Uniform Guidance.

**NOTE 4 – USDA COMMUNITY FACILITIES LOANS AND GRANTS**

The objective of the USDA Community Facilities Program is to provide loans or grant funds for the development of essential community facilities. The City received funds in the form of both loan draws and grants for its ongoing sewer improvements project. Loans outstanding at the beginning of the year of \$600,000 and loans made during the year of \$945,764 are included in the federal expenditures presented in the Schedule. The balance of the loan outstanding at June 30, 2020 was \$1,545,764.

**CITY OF MILFORD, DE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2020**

**SUMMARY OF AUDITOR'S RESULTS**

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified? No

Significant deficiencies identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weaknesses identified? No

Significant deficiencies identified? None reported

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

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

Major program:

CFDA Number

Name of Federal Program

10766

Community Facilities Loans and Grants

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

Auditee qualified as low-risk auditee? No

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THE CITY of

# Milford

DELAWARE



small town feel - big time opportunities