

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 24, 2025

NEW ISSUE – BOOK ENTRY ONLY

Moody's "Aa2"
S&P "AA-"
See "RATINGS" herein

In the opinion of Pierson Ferdinand LLP, Bond Counsel, assuming the accuracy of certain certifications of the Town and continuing compliance by the Town with the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), interest on the Bonds is excludable from gross income for purposes of federal income taxation. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, such interest is taken into account in determining the adjusted financial statement income of applicable corporations for purposes of computing the alternative minimum tax imposed on such corporations. Bond Counsel is also of the opinion that interest on the Bonds is exempt from taxation by the State of Delaware, its agencies and political subdivisions. For a more complete discussion, see "TAX MATTERS" herein.

\$11,510,000*

**THE TOWN OF MIDDLETOWN
(NEW CASTLE COUNTY, DELAWARE)
GENERAL OBLIGATION BONDS, SERIES 2025**

Dated: Date of Delivery
Principal Due: May 1, as shown on inside cover
Form: Book-Entry Only

Interest Payable: May 1 and November 1
First Interest Payment: November 1, 2025
Denominations: Integral multiples of \$5,000

AUTHORIZATION AND USE OF FUNDS: The Town of Middletown, New Castle County, Delaware (the "Town") is issuing its General Obligation Bonds, Series 2025 in the principal amount of \$11,510,000* (the "Bonds") pursuant to the Town's Charter, 33 Delaware Laws, Chapter 128, as amended, as adopted by the Delaware General Assembly (the "Town Charter") and Resolution 25-05-01 of the Town Council of the Town (the "Resolution"). The proceeds derived by the Town from the issuance and sale of the Bonds will be used to provide the Town with the funds required to (i) redeem the Town's outstanding General Obligation Bond Anticipation Note, Series 2022, and (ii) pay all or a portion of the costs and expenses incurred by the Town in connection with the issuance and sale of the Bonds.

PAYMENT OF PRINCIPAL AND INTEREST: The Bonds are issuable only in fully registered form, without coupons and when issued, will be registered in the name of CEDE & CO., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Beneficial ownership interests in the Bonds will be recorded in book-entry only form in denominations of \$5,000, or any integral multiple thereof. Principal of and interest on the Bonds are payable directly to CEDE & CO. for redistribution to DTC Participants and in turn to Beneficial Owners as described herein. Interest will be payable on May 1 and November 1 of each year that the Bonds are outstanding, commencing on November 1, 2025. Purchasers will not receive physical delivery of certificates representing their ownership interests in the Bonds purchased. For so long as any purchaser is the Beneficial Owner of a Bond, such purchaser must maintain an account with a broker or dealer who is, or acts through, a DTC Participant to receive payment of the principal of and interest on such Bonds.

SECURITY FOR THE BONDS: The Bonds are direct, general and unlimited obligations of the Town. The full faith and credit of the Town is pledged for the prompt and full payment, when due, of the principal of and interest on the Bonds. Unless paid from other sources, the Town shall levy ad valorem taxes upon all taxable property in the Town for the payment of its obligations under the Bonds without limitation as to rate or amount. Reference is made to Appendix A attached hereto for information concerning the Town.

THE BONDS ARE SECURED BY A PLEDGE OF THE FULL FAITH AND CREDIT OF THE TOWN. THE BONDS ARE THE DIRECT AND UNLIMITED OBLIGATIONS OF THE TOWN, AND UNLESS PAID FROM OTHER SOURCES, THE TOWN SHALL LEVY AD VALOREM TAXES UPON ALL TAXABLE PROPERTY IN THE TOWN FOR THE PAYMENT OF THE BONDS WITHOUT LIMITATION AS TO RATE OR AMOUNT.

LEGAL APPROVALS: The Bonds are offered when, as and if issued and received by the successful bidder for the Bonds, subject to delivery of the legal opinion of Pierson Ferdinand LLP, Wilmington, Delaware, Bond Counsel. Certain legal matters will be passed upon for the Town by Schmittinger & Rodriguez, P.A., Dover, Delaware, Solicitor to the Town. It is expected that the Bonds in definitive form will be delivered through the facilities of The Depository Trust Company on or about May 20, 2025, in New York, New York.

The date of this Official Statement is _____, 2025.

* Preliminary, subject to change.

\$11,510,000*
THE TOWN OF MIDDLETOWN
(New Castle County, Delaware)
GENERAL OBLIGATION BONDS, SERIES 2025

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BOND MATURITY SCHEDULE

Year May 1	Principal Amount*	Interest Rate**	Price or Yield**	CUSIPs ***
2026	\$375,000			
2027	365,000			
2028	385,000			
2029	405,000			
2030	425,000			
2031	445,000			
2032	470,000			
2033	490,000			
2034	515,000			
2035	545,000			
2036	570,000			
2037	600,000			
2038	630,000			
2039	660,000			
2040	695,000			
2041	725,000			
2042	755,000			
2043	785,000			
2044	820,000			
2045	850,000			

* Preliminary, subject to change.

**The interest rates shown above are the interest rates payable by the Town resulting from the successful bid for the Bonds on May 6, 2025. Interest rates and prices or yields shown above were furnished by the successful bidder for the Bonds. All other information concerning the terms of reoffering of the Bonds, if any, should be obtained from the successful bidder and not from the Town (see "SALE BY COMPETITIVE BIDDING" herein).

***CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright(c) 2025 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the Town, the Bond Registrar and Paying Agent, the successful bidder for the Bonds or their agents or counsel assume responsibility for the accuracy of such numbers.

The Town has not agreed to, and there is no duty or obligation to, update this Official Statement to reflect any change or correction in the assigned CUSIP® numbers reflected herein.

SUMMARY STATEMENT

This Summary Statement is subject in all respects to more complete information contained in this Official Statement. No person is authorized to detach this **SUMMARY STATEMENT** from the Official Statement or otherwise use it without the entire Official Statement.

Issuer The Town of Middletown, New Castle County, Delaware.

The Bonds \$11,510,000* principal amount, General Obligation Bonds, Series 2025. The Bonds are initially dated as of their date of delivery and will mature as shown in the **BOND MATURITY SCHEDULE** that appears on the inside of the Cover Page of this Official Statement. Interest on the Bonds will begin to accrue on the date of delivery and is payable each May 1 and November 1 thereafter, commencing November 1, 2025.

Redemption Provisions The Bonds are subject to optional redemption prior to their stated maturity dates, as described herein.

Form of Bonds Book-Entry-Only.

Application of Proceeds The proceeds to be derived by the Town from the issuance and sale of the Bonds will be used to provide the Town with the funds required to (i) redeem the Town's outstanding General Obligation Bond Anticipation Note, Series 2022, and (ii) pay all or a portion of costs and expenses incurred by the Town in connection with the issuance and sale of the Bonds.

Security for the Bonds The Bonds are general obligations of the Town for which the Town has pledged its full faith and credit. See "**SECURITY AND SOURCES OF PAYMENT FOR THE BONDS**" herein.

Bond Rating Moody's Investors Service, Inc. ("Moody's") and S&P Global Ratings, a business unit of S&P Global Inc. ("S&P"), have assigned ratings of "Aa2" and "AA-" to the Bonds, respectively. See "**RATINGS**" herein.

Continuing Disclosure The Town has agreed to provide, or cause to be provided, in a timely manner, certain information in accordance with the requirements of Rule 15c2-12, as promulgated under the Securities Exchange Act of 1934, as amended and interpreted (the "Rule").

* Preliminary, subject to change.

THE TOWN OF MIDDLETOWN

19 W. Green Street
Middletown, DE 19709

MAYOR

Kenneth L. Branner, Jr.

TOWN COUNCIL

Aaron T. Blythe, Vice-Mayor

Andrew Chas

Bruce Orr

James D. Royston

Craig Sherman

David W. Thomas

CERTAIN APPOINTED OFFICIALS

J. Morris Deputy, Town Manager

Tyler Reynolds, Finance Director

TOWN SOLICITOR

Schmittinger & Rodriguez, P.A.
Dover, Delaware

INDEPENDENT AUDITOR

Maillie LLP
Wilmington, Delaware

BOND COUNSEL

Pierson Ferdinand LLP
Wilmington, Delaware

FINANCIAL ADVISOR

Davenport & Company LLC
Towson, Maryland

PAYING AGENT

Wilmington Trust, National Association
Wilmington, Delaware

No dealer, salesman or any other person has been authorized by The Town of Middletown, Delaware (the "Town") to give any information or to make any representations, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Town.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Neither the delivery of this Official Statement nor the sale of any of the Bonds implies that the information herein is correct as of any time subsequent to the date hereof. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create the implication that there has been no change in the matters described herein since the date hereof. This Official Statement is submitted in connection with the sale of securities referred to herein and may not be reproduced or be used, as a whole or in part, for any other purpose.

The information set forth herein has been obtained from the Town and other sources believed to be reliable. The information and expressions of opinions herein are subject to change without notice and neither delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Town since the date hereof. All summaries contained herein of documents are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions. All statements made herein are made as of the date of this document by the Town except statistical information or other statements where some other date is indicated in the text.

The quotations from and summaries and explanation of provisions of laws and documents contained herein, including the cover page, inside cover page and Appendices attached hereto, do not purport to be complete. Reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact.

THE ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES ATTACHED HERETO AND INFORMATION INCORPORATED HEREIN BY REFERENCE, ARE NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES HERETO AND INFORMATION INCORPORATED HEREIN BY REFERENCE, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

IN MAKING ANY INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE RESOLUTION BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS

AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE BONDS OR THE RESOLUTION IN ACCORDANCE WITH APPLICABLE PROVISIONS OF THE SECURITIES LAWS OF CERTAIN STATES, IF ANY, IN WHICH THE BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN CERTAIN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

The Town deems this Official Statement to be final for the purpose of SEC Rule 15c2-12(b)(1).

FORWARD-LOOKING STATEMENTS

Certain statements included or incorporated by reference in this Official Statement constitute forward-looking statements. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “budget,” “forecast,” “assume” and other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No assurance is given that actual results will meet the forecasts of the Town in any way, regardless of the level of optimism communicated in the information. The Town is not obligated to issue any updates or revisions to the forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based do or do not occur.

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This Table of Contents does not list all of the subjects in this Official Statement. In all instances, reference should be made to the complete Official Statement to determine the subjects set forth herein.

OFFICIAL STATEMENT

\$11,510,000*

THE TOWN OF MIDDLETOWN

(New Castle County, Delaware)

GENERAL OBLIGATION BONDS, SERIES 2025

INTRODUCTION

General

The purpose of this Official Statement, including the cover page and appendices, is to provide information for prospective purchasers and others regarding The Town of Middletown (the “Town”) and its \$11,510,000* General Obligation Bonds, Series 2025 (the “Bonds”).

All estimates and assumptions herein have been based upon information believed to be reliable and correct; however, statements made involving estimates and assumptions, whether or not expressly so stated, are intended merely as such and not as representations of facts. Figures herein relating to tax collection, assessed value of property and the financial position of the Town have been taken from official records of the Town.

All quotations from and summaries and explanations of provisions of the Constitution and laws of the State of Delaware, and the acts and proceedings of the Town contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof, and all references to the Bonds and the proceedings of the Town relating thereto are qualified in their entirety by reference to the form of the Bonds and such proceedings.

The material and information contained in this Official Statement have been provided by the Town and the execution and distribution of this Official Statement have been authorized by the Town.

Any questions concerning this Official Statement or the Bonds should be directed to the Finance Director of The Town of Middletown at (302) 378-2711 or by mail addressed to Finance Director, The Town of Middletown, 19 West Green Street, Middletown, Delaware.

The Town of Middletown, Delaware

The Town, located in the County of New Castle, was an early crossroads town in the State of Delaware, and takes its name from its location roughly halfway on the old cart road connecting Appoquinimink Creek in Odessa, Delaware and Bohemia Landing on the eastern branch of the Bohemia River in Maryland. The Town was incorporated on February 12, 1861 and is governed pursuant to The Charter of Middletown, 33 Delaware Laws, Chapter 128, as amended, as adopted by the Delaware General Assembly (the “Town Charter”).

* Preliminary, subject to change.

AUTHORIZATION AND PURPOSE

The Bonds are being issued pursuant to: (i) the Town Charter; (ii) Resolution 25-05-01 of the Town Council of the Town (the “Resolution”); and (iii) the Constitution and laws of the State of Delaware.

The proceeds derived by the Town from the issuance and sale of the Bonds will be used to provide the Town with the funds required to (i) redeem the Town’s outstanding General Obligation Bond Anticipation Note, Series 2022 (the “2022 BAN”) and (ii) pay all or a portion of the costs and expenses incurred by the Town in connection with the issuance and sale of the Bonds. The proceeds of the 2022 BAN were used to fund improvements to the Town’s wastewater treatment facilities.

The Bonds are payable in accordance with the Resolution and with a Paying Agent Agreement between the Town and Wilmington Trust, National Association (the “Paying Agent”), to be dated as of the date of issuance of the Bonds (the “Paying Agent Agreement”).

ESTIMATED SOURCES AND USES OF FUNDS*

Sources of Funds

Par Amount of Bonds

[Net] Original Issue [Premium/Discount]

TOTAL SOURCES OF FUNDS

Uses of Funds

Redemption of the 2022 BAN

Costs of Issuance ⁽¹⁾

TOTAL USES OF FUNDS

⁽¹⁾ Consisting of legal, paying agent, printing, rating fees, financial advisory, underwriter’s discount, CUSIP, and miscellaneous expenses.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

The Bonds are direct, general and unlimited obligations of the Town. The full faith and credit of the Town are pledged for the prompt and full payment, when due, of the principal of and interest on the Bonds. Unless paid from other sources, the Town shall levy ad valorem taxes upon all taxable property in the Town for the payment of its obligations under the Bonds without limitation as to rate or amount. Reference is made to Appendix A attached hereto for information concerning the Town.

THE BONDS ARE SECURED BY A PLEDGE OF THE FULL FAITH AND CREDIT OF THE TOWN. THE BONDS ARE THE DIRECT AND UNLIMITED OBLIGATIONS OF THE TOWN, AND UNLESS PAID FROM OTHER SOURCES, THE TOWN SHALL LEVY AD VALOREM TAXES UPON ALL TAXABLE PROPERTY IN THE TOWN FOR THE PAYMENT OF THE BONDS WITHOUT LIMITATION AS TO RATE OR AMOUNT.

* Preliminary, subject to change.

DESCRIPTION OF THE BONDS

General Description

The Bonds are general obligations of the Town. The Bonds shall be dated as of their date of issuance and will mature on May 1 as shown on the inside front cover hereof. Interest on the Bonds is payable initially on November 1, 2025 and semi-annually thereafter on each May 1 and November 1 (each, an “Interest Payment Date”) to the registered owners thereof as of each Regular Record Date, which shall be the fifteenth (15th) day of the calendar month preceding the Interest Payment Date. Interest shall be calculated on the basis of a 360-day year of twelve 30-day months until the principal amount is paid or has been provided for.

Any such interest not so timely paid or duly provided for shall cease to be payable to the person who is the registered owner thereof as of the Regular Record Date, and shall be payable to the person who is the registered owner thereof at the close of business on a special record date (the “Special Record Date”) for the payment of such defaulted interest. Such Special Record Date shall be fixed by the Paying Agent whenever moneys become available for payment of the defaulted interest, and notice of the Special Record Date shall be given to Bondholders not less than fifteen (15) days prior thereto. The notice setting forth the Special Record Date shall be mailed to the person in whose name the Bond is registered at the close of business on the fifth (5th) day next preceding the date of mailing of such notice.

The Bonds will be issued in denominations of \$5,000 or integral multiples thereof. The Bonds are issuable only in fully registered book-entry form, without coupons and when issued, will be registered in the name of CEDE & CO., as nominee for The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Bonds. Principal and interest payments on the Bonds will be paid to DTC or its nominee as record owner of the Bonds and the investors should look for payment to the institution from which their Bonds were purchased. Investors will not receive physical delivery of Bond certificates. See “BOOK-ENTRY-ONLY SYSTEM” for a more complete description of the operation of DTC.

Registration, Transfer and Exchange of Bonds

The Paying Agent is responsible for maintaining the books of the Town pertaining to the registration of ownership of each Bond. The ownership of Bonds may be transferred upon the registration books upon delivery to the Paying Agent or its designee, of a written instrument or instruments of transfer in form and with guarantee of signature satisfactory to the Paying Agent or its designee, duly executed by the registered holder of the Bonds to be transferred or his duly authorized attorney-in-fact or legal representative, subject to such reasonable regulations as the Town or the Paying Agent or its designee may prescribe, and upon payment of any taxes or other governmental charges incident to such transfer. No transfer of any Bond will be effective until entered on the registration books.

Neither the Town nor the Paying Agent or its designee shall be required (a) to register the transfer of or to exchange any Bonds then considered for redemption, during a period beginning at the close of business on the fifteenth day next preceding any date of selection of Bonds to be redeemed and ending at the close of business on the day on which the applicable notice of redemption is mailed, (b) to register the transfer of or to exchange any portion of any Bond selected for redemption in whole or in part until after the redemption date, or (c) to register the transfer of or to exchange any Bond during the period beginning at the close of business on the fifteenth day preceding the date of maturity on the Bond and ending at the close of business on the date of maturity.

Redemption Provisions

Optional Redemption. The Bonds stated to mature on or after May 1, 2036 are subject to redemption prior to maturity at the option of the Town, as a whole at any time or in part from time to time on or after May 1, 2035 in such order of maturity as the Town may direct at a redemption price equal to one hundred percent (100%) of the principal amount to be redeemed plus accrued interest thereon to the date fixed for redemption.

Notice and Effect of Redemption. If less than all of the Bonds of any maturity are to be redeemed, Bonds will be selected for redemption by lot or other reasonable method of selection.

When any Bonds are to be redeemed, the Town or the Paying Agent shall give notice of the redemption of the Bonds, at least twenty (20) but not more than sixty (60) days before the date fixed for redemption, by first class mail, postage prepaid, to the registered owners of any Bonds or portions thereof which are to be redeemed, at their respective addresses as they last appear on the registration books of the Town. Any failure to so mail any such notice to any of such registered owners shall not affect the validity of the proceedings for the redemption of the Bonds for which proper notice has been given.

Any redemption notice given with respect to the Bonds may state that redemption is conditioned upon the deposit on or before the redemption date of the funds necessary to pay the redemption price of the Bonds being redeemed and such notice shall be of no force and effect unless such funds are so deposited.

Notice of redemption having been given as aforesaid, the Bonds, or portions thereof so to be redeemed, shall, on the date fixed for redemption, become due and payable at the redemption price specified therein plus accrued interest to the redemption date and, upon presentation and surrender thereof at the place specified in such notice, such Bonds, or portions thereof, shall be paid at the redemption price, plus accrued interest to the redemption date. On and after the redemption date (unless the Town shall default in the payment of the redemption price and accrued interest), such Bonds shall no longer be considered outstanding. If moneys sufficient to pay the redemption price and accrued interest have not been made available by the Town on the redemption date, the Bonds called for redemption shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

During any period in which DTC (or any successor thereto) shall act as securities depository for the Bonds, the notices referred to above shall be given only to such depository and not to the beneficial owners of the Bonds. Any failure of such depository to advise any of its participants or any failure of any participant to notify any beneficial owner of any notice of redemption shall not affect the validity of the redemption proceedings

If only a portion of a Bond is selected for redemption, then at such time as said Bond is presented to the Paying Agent, the Paying Agent shall pay such portion and the Town promptly thereafter shall issue and cause to be authenticated a new Bond for the remaining outstanding principal amount of the Bond which was not called for redemption.

BOOK-ENTRY ONLY SYSTEM

The information included under this caption has been provided by The Depository Trust Company (“DTC”). The Town (referred to at times herein as the “Issuer”) makes no representation concerning the accuracy or completeness of such information.

Purchasers of the Bonds (the “Beneficial Owners”) will not receive certificates representing their interest in the Bonds. Purchases of beneficial interests in the Bonds will be made in book-entry only form in Authorized Denominations by credit to participating broker-dealers and other institutions on the books of DTC as described herein. Payments of principal of and interest on the Bonds will be made by the Paying Agent directly to DTC as the Registered Owner thereof. Disbursement of such payments to the Direct Participants (as hereinafter defined) is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of the Direct Participants and the Indirect Participants (as hereinafter defined), as more fully described herein. Any purchaser of beneficial interests in the Bonds must maintain an account with a broker or dealer who is, or acts through, a Direct Participant to receive payment of the principal of and interest on such Bonds.

DTC will act as securities depository for the Bonds (the “Bond Depository”). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC or held by the Paying Agent in accordance with DTC’s procedures.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (the “Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry only transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the “Indirect Participants”). DTC has a Standard & Poor’s rating of “AA+”. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (the “Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry only system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co., or such other DTC nominee, do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer or the Paying Agent as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption premium, if any, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium, if any, or interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Town or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered.

The Town may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Bondholders or Registered Owners of the Bonds (excluding all references thereto under the heading "TAX MATTERS" herein) means Cede & Co., not the Beneficial Owners of the Bonds.

SO LONG AS CEDE & CO., AS THE NOMINEE FOR DTC, IS THE REGISTERED OWNER OF THE BONDS, THE TOWN AND THE PAYING AGENT WILL TREAT CEDE & CO. AS THE ONLY REGISTERED OWNER OF THE BONDS FOR ALL PURPOSES, INCLUDING RECEIPT OF ALL PRINCIPAL OF AND INTEREST ON THE BONDS, RECEIPT OF NOTICES, AND VOTING.

THE TOWN AND THE PAYING AGENT CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC WILL DISTRIBUTE TO THE DIRECT PARTICIPANTS OR THAT THE DIRECT PARTICIPANTS OR THE INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE BONDS (i) PAYMENTS OF PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, OR INTEREST ON THE BONDS, (ii) CERTIFICATES REPRESENTING AN OWNERSHIP INTEREST OR OTHER CONFIRMATION OF BENEFICIAL OWNERSHIP INTERESTS IN THE BONDS OR (iii) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNER OF THE BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

NEITHER THE TOWN NOR THE PAYING AGENT HAS ANY RESPONSIBILITY OR OBLIGATIONS TO THE DIRECT OR INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (i) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT; (ii) THE PAYMENT BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OF AND INTEREST ON THE BONDS; (iii) THE DELIVERY OR TIMELINESS OF DELIVERY BY DTC OR ANY DIRECT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE GIVEN TO BONDHOLDERS; (iv) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENTS IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (v) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC, OR ITS NOMINEE, CEDE & CO., AS REGISTERED BONDHOLDER.

The information in this section concerning DTC and DTC's book-entry system has been obtained from DTC and the Town takes no responsibility for the accuracy thereof.

PAYING AGENT AND PAYING AGENT AGREEMENT

Under the Paying Agent Agreement, the Town shall deposit no later than the opening of business on the day before an Interest Payment Date, funds sufficient to pay the debt service payable on the Bonds on such Interest Payment Date. The Paying Agent shall pay the principal of and interest on the Bonds from the funds provided by the Town for such purpose. Reference is made to the Paying Agent Agreement for further information provided therein relating to the Bonds, the Paying Agent and provisions for amendment of such Paying Agent Agreement.

TAX MATTERS

Federal Tax Exemption - Opinion of Bond Counsel

In the opinion of Pierson Ferdinand LLP, Bond Counsel to the Town ("Bond Counsel"), based upon an analysis of existing law as enacted and construed on the date hereof and assuming the accuracy of the certifications of the Town being delivered in connection with the issuance of the Bonds and continuing compliance by the Town with all requirements of the Internal Revenue Code of 1986, as amended (the

“Code”) that must be satisfied subsequent to the issuance of the Bonds in order for interest thereon to be excluded from gross income for federal income tax purposes, interest on the Bonds is excludable from gross income for federal income tax purposes. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, such interest is taken into account in determining the “adjusted financial statement income” (as defined in Section 56A of the Code) of “applicable corporations” (as defined in Section 59 of the Code) for purposes of computing the alternative minimum tax imposed on such corporations.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The Town has made certain representations and certifications and has covenanted to comply with certain conditions and requirements designed to ensure that interest on the Bonds will be and remain excludable from federal gross income. Inaccuracy in these representations or the failure to comply with these covenants could result in a determination that interest on the Bonds is includible in gross income retroactive to the date of issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and certifications of the Town and assumes compliance by the Town with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel’s attention after the date of issuance of the Bonds may adversely affect the tax status of interest on the Bonds. Accordingly, the opinion of Bond Counsel is not intended to be relied upon in connection with any such future actions, events or matters.

Prospective purchasers of the Bonds should be aware that ownership of the Bonds may result in collateral tax consequences to certain taxpayers, including but not limited to, foreign corporations, financial institutions, property and casualty insurance companies and recipients of social security and railroad retirement benefits. The nature and extent of these other tax consequences depend upon the particular tax status of the beneficial owner of the Bond and/or the beneficial owner’s other items of income or deduction. Bond Counsel expresses no opinion regarding any such other federal tax consequences relating to the Bonds or the receipt of interest thereon.

A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix C hereto.

[Accounting Treatment of Original Issue Discount and Amortizable Bond Premium]

[The Bonds maturing on _____ are referred to herein as “Discount Bonds.” In the opinion of Bond Counsel, the difference between the initial public offering price of the Discount Bonds set forth on the inside cover page and the stated redemption price at maturity of each such Discount Bond constitutes “original issue discount,” all or a portion of which will, on the disposition or payment of such Discount Bonds, be treated as tax-exempt interest for federal income tax purposes. Original issue discount will be apportioned to an owner of a Discount Bond under a “constant interest method,” which utilizes a periodic compounding of accrued interest. If an owner of a Discount Bond who purchases it in the original offering at the initial public offering price owns that Discount Bond to maturity, that Bondholder will not realize taxable gain for federal income tax purposes upon payment of the Discount Bond at maturity. An owner of a Discount Bond who purchases it in the original offering at the initial public offering price and who later disposes of the Discount Bond prior to maturity will be deemed to have accrued tax-exempt income in a manner described above; amounts realized in excess of the sum of the original offering price of such Discount Bond and the amount of accrued original issue discount will be taxable gain.

Purchasers of any Discount Bonds, whether at the time of initial issuance or subsequent thereto, should consult their own tax advisors regarding the tax consequences of ownership of the Discount Bonds for federal, state and local tax purposes.]

[The Bonds maturing on _____ are referred to herein as the “Premium Bonds.” An amount equal to the excess of the initial public offering price of a Premium Bond set forth on the inside cover page hereof over its stated redemption price at maturity constitutes premium on such Premium Bond. A purchaser of a Premium Bond must amortize any premium over such Premium Bond’s term using constant yield principles, based on the purchaser’s yield to maturity. As premium is amortized, the purchaser’s basis in such Premium Bond is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser’s basis is reduced, no federal income tax deduction is allowed.

Purchasers of any Premium Bonds, whether at the time of initial issuance or subsequent thereto, should consult their own tax advisors regarding the tax consequences of ownership of the Premium Bonds for federal, state and local tax purposes.]

State Tax Exemption – Opinion of Bond Counsel

In the opinion of Bond Counsel, under existing Delaware law as enacted and construed on the date hereof, interest on the Bonds is exempt from taxation by the State of Delaware, its agencies and political subdivisions.

Changes in Federal and State Tax Law

From time to time, there are presidential and gubernatorial proposals, proposals by various federal and state committees and legislative proposals that, if enacted, could alter or amend the tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposals may be enacted or whether if enacted such proposals would apply to bonds issued prior to enactment. In addition, regulatory or other actions are from time to time announced or proposed which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory or other actions will be implemented or whether the Bonds would be impacted thereby.

Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulations or other potential changes in law. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulations or other potential changes in law.

LEGAL MATTERS

The validity of the Bonds will be passed upon by Pierson Ferdinand LLP, Wilmington, Delaware, Bond Counsel to the Town. The opinion of Bond Counsel is expected to be delivered in substantially the form appended hereto as Appendix C. Certain legal matters will be passed upon for the Town by Schmittinger & Rodriguez, P.A., Dover, Delaware, Solicitor to the Town.

The various legal opinions to be delivered concurrently with the issuance of the Bonds express the professional judgment of the attorney rendering the opinion as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression

of professional judgment, of the transaction opined upon, or the future performance of parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

LITIGATION

There is presently no litigation pending or threatened against the Town that, if determined adversely to the Town, would have a material adverse effect on the general affairs or financial condition of the Town or its ability to make the required debt service payments on the Bonds or that seeks to restrain or enjoin the issuance or delivery of the Bonds, or that questions the validity of the proceedings of the Town taken in connection therewith, or that contests the powers of the Town with respect to the foregoing.

INFECTIOUS DISEASE OUTBREAK – COVID-19

In response to the COVID-19 outbreak, the Town was granted and received \$12,363,574.14 through the American Rescue Plan Act (“ARPA”). According to the ARPA documents, all funds needed to be obligated by December 31, 2024 and spent by December 31, 2026. The Town plans to completely spend all funding on Wastewater Treatment Plant upgrades and other government services, as permitted by the State Fiscal Recovery Fund and Coronavirus Local Fiscal Recovery Fund (SLFRF) Standard Allowance guidelines.

CYBERSECURITY

The Town, like many other municipalities, relies on a technology environment to conduct its operations. As such, it may face multiple cybersecurity threats, including but not limited to hacking, viruses, malware, and other attacks on computer or other sensitive digital systems and networks. There can be no assurance that any security and operational control measures implemented by the Town will be completely successful in guarding against and preventing cyber threats and attacks. The result of any such attack could impact operations and/or digital networks, and the costs of remedying any such damage could be significant. To transfer and share these risks, the Town has purchased a cyber-liability insurance policy. The Town has three full-time employees dedicated to cybersecurity functions, such as incident response, employee awareness and training, system security updates, and system security audits/assessments. The Town has also adopted the U.S. Department of Commerce NIST (National Institute of Standards and Technology) Cybersecurity Framework for their security framework and follows a defense-in-depth strategy to enhance cybersecurity. The Town has partnered with MS-ISAC to contribute to the SLTT community by sharing threats and developing cyber information. Additionally, the Town partners with and regularly meets with other local municipalities to exchange information and develop risks. This group also provides mutual aid in the event of a DR/BC event.

SALE AT COMPETITIVE BIDDING

The Bonds will be offered by the Town on a competitive basis through an invited sale on May 6, 2025 in accordance with the official Notice of Sale (attached hereto as Appendix E). The Bonds were awarded to _____. The interest rates shown on the inside cover page of this Official Statement are the interest rates that resulted from the award of the Bonds at the competitive sale. The initial prices or yields shown on the inside cover page of this Official Statement are based on the information supplied to the Town by the successful bidder for the Bonds. Other information concerning the terms of the reoffering of the Bonds, if any, should be obtained from the successful bidder therefor and not from the Town.

FINANCIAL ADVISOR

Davenport & Company LLC (the “Financial Advisor”) has been retained by the Town to act as financial advisor to the Town in connection with the issuance of the Bonds and other matters related to the Town’s finances. The Financial Advisor has not been engaged, nor has it undertaken, to audit, authenticate or otherwise verify the information set forth in this Official Statement, or any other related information available to the Town, with respect to accuracy and completeness of disclosure of such information. The Financial Advisor makes no guaranty, warranty or other representation respecting the accuracy and completeness of this Official Statement or any other matter related to the Official Statement.

CONTINUING DISCLOSURE UNDERTAKING

In accordance with the requirements of Rule 15c2-12 (the “Rule”) promulgated by the Securities and Exchange Commission (the “SEC”), the Town will execute and deliver a written continuing disclosure agreement at the time of the issuance of the Bonds. The proposed form of the Continuing Disclosure Agreement (the “Agreement”) to be entered into by the Town is set forth in Appendix D to this Official Statement.

Under the terms of the Agreement, the Town will undertake to file with the Municipal Securities Rulemaking Board (“MSRB”) financial and other information concerning the Town, as described in the Agreement. The Town’s obligations with respect to continuing disclosure as it relates to the Bonds shall terminate upon the prior redemption or payment in full of all the Bonds.

The MSRB has been designated by the SEC to be the central and sole repository for continuing disclosure information filed by issuers of municipal securities since July 1, 2009. Information and notices filed by municipal issuers (and other issuers) are made available through the MSRB’s Electronic Municipal Market Access (EMMA) System, which may be accessed on the internet at <http://www.emma.msrb.org>.

There are no instances in the previous five years in which the Town failed to comply, in all material respects, with its previous continuing disclosure undertakings.

AUDITED FINANCIAL STATEMENTS

The financial statements of the Town for the fiscal year ended June 30, 2024 included in APPENDIX B to this Official Statement have been audited by Maillie LLP, independent certified public accountants, to the extent and for the period indicated in their report. Maillie LLP has not been engaged to perform and has not performed, since the date of its report included herein in APPENDIX B, any procedures on the financial statements addressed in that report or any procedures relating to the content of this offering document.

RATINGS

Moody’s Investors Service, Inc. (“Moody’s”) and S&P Global Ratings, a business unit of S&P Global Inc. (“S&P”), have assigned ratings of “Aa2” and “AA-” to the Bonds, respectively. Such ratings reflect only the views of Moody’s and S&P and any desired explanation of the significance of such ratings should be obtained from Moody’s and S&P. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by Moody’s or S&P, if in the judgment of Moody’s or S&P, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price on the Bonds.

MISCELLANEOUS

The execution and delivery of this Official Statement has been duly authorized by the Town. Concurrently with the delivery of the Bonds, the Town will furnish a certificate to the effect that nothing has come to the Town's attention that would lead the Town to believe that the Official Statement, in final form, contains any untrue statements of a material fact or omits to state any information required to be stated herein or necessary to make the statements herein in light of the circumstances under which they were made, not misleading. The information contained in this Official Statement that has been obtained from sources other than the Town is not guaranteed as to accuracy or completeness.

The references herein to the Bonds, the Resolution, the Paying Agent Agreement, the Continuing Disclosure Agreement and the other documents related to the issuance of the Bonds are brief outlines of certain provisions thereof and do not purport to be complete. For full and complete statements of the provisions thereof, reference is made to the documents themselves, copies of which are available by contacting the Town.

All estimates and assumptions herein have been made on the best information available and are believed to be reliable, but no representations whatsoever are made that such estimates or assumptions are correct or will be realized. So far as any statements herein involve matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact.

The cover page hereof and the Appendices hereto are integral parts of this Official Statement and must be read together with all of the foregoing statements.

The execution, delivery and use of this Official Statement has been duly authorized by the Town.

THE TOWN OF MIDDLETOWN

By _____
Mayor

APPENDIX A

Information Regarding The Town of Middletown

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TOWN OF MIDDLETOWN

Description of Area and Municipal Services

The Town of Middletown, Delaware (the “Town” or “Middletown”) is comprised of an area of 12 square miles within southern New Castle County. It lies twenty-four miles south of Wilmington close to the Maryland border. Several major transportation arteries lie close to or run through the Town. State Routes 299 and 301 join at the center of Middletown. Delaware Route 1 borders the Town on the east, while Delaware Route 896 and U.S. Route 13, two other major north-south routes in Delaware, are no more than five miles from the Town limits. U.S. Interstate I-95 is 17 miles north of Middletown providing for easy access to Washington, DC, Baltimore, Philadelphia and New York. Philadelphia and Baltimore are about an hour and half drive using the Interstate. Bus service by the Delaware Authority for Regional Transit (D.A.R.T.) links the Town to surrounding communities and to Wilmington. Norfolk-Southern, the principal north-south rail line on the Delmarva Peninsula, runs directly through Middletown. Middletown is located only minutes from the Chesapeake and Delaware Canal, the nearest navigable waterway. Summit Aviation, a private service airport, is located four miles north of Town. Commercial chartered air service is available at New Castle County Airport (20 miles north), Philadelphia International Airport (50 miles north) and Baltimore – Washington International Airport (50 miles west).

Middletown consists of a mix of open space, residential, commercial, and light industrial uses. The area surrounding Middletown is predominantly rural in nature. However, residential and commercial development has begun to increase in pace as developers actively work to fill a backlog of recorded, undeveloped property. A policy of controlled growth has been pursued by the Mayor and Council of Middletown so water, sewer and other services do not suffer from over-utilization and can be steadily expanded to accommodate the increased population.

Commercial and Light Industrial Areas

A full range of commercial establishments are located in Middletown, including local merchants and national chains. Restaurants, retail, grocery and food shops are located throughout the Town along main shopping streets and in shopping centers.

Major manufacturers located within the municipal boundaries include Amazon; Clarios (formerly Johnson Controls), an automobile battery producer; Berry Global (formerly Letica), a maker of consumer plastic containers; SWM (formerly Delstar), a manufacturer of thermoplastic nets and other extruded materials; Datwyler Pharma Packaging, a manufacturer of pharmaceutical products; East Jordan Iron Works; and Rinker Hydro Conduit.

Education

Middletown’s residents attend schools in the Appoquinimink School District, which also serves the Towns of Odessa and Townsend as well as the adjacent unincorporated areas. The following public schools are located within the Town’s boundaries: (i) the Appoquinimink Early Childhood Center, (ii) Silver Lake Elementary School, (iii) Brick Mill Elementary School, (iv) Bunker Hill Elementary School, (v) Louis L. Redding Middle School, (vi) Everett Meredith Middle School, (vii) Middletown High School and (viii) Appoquinimink High School. The MOT (Middletown - Odessa - Townsend) Charter School opened in 2002 offering a K-8 education in Middletown and grades 9-12 at its high school just outside the Town limits. St. Anne’s Episcopal School, a private Pre-K-8 school, also opened in 2002. St. Andrews School, a private academy affiliated with the Episcopal Church, is located adjacent to the Town.

Area higher education is provided by: (i) the University of Delaware, located 16 miles away in Newark, (ii) Delaware Technical and Community College (which recently opened a satellite campus in Middletown), (iii) Goldey-Beacom College and (iv) Wilmington University.

Healthcare

Medical services are provided by Bayhealth's Middletown Outpatient Center, ChristianaCare Health system's Middletown Emergency Department, and A.I. DuPont's Nemours Children's Health, Middletown. Additionally, ChristianaCare Christiana Hospital, in Christiana, Delaware, Bayhealth Hospital, Kent Campus in Dover, DE, and ChristianaCare Union Hospital in Elkton, Maryland provide more comprehensive medical services. Encompass Health, formerly HealthSouth, operates a rehabilitation center within Town limits.

Utilities

The Town provides electricity, drinking water and sanitary sewer service to all residents through utilities it owns and operates.

Electric Service. The Town provides electricity to all residential, commercial, and industrial users within Town limits. The Town, along with eight other Delaware municipal entities that operate electric distribution utilities, is a member of The Delaware Municipal Electric Corporation ("DEMEC"), a public corporation constituted as a joint action agency and wholesale electric utility. DEMEC supplies Middletown with 100% of its power requirements, as it does for each of its other full requirements members. In addition to power supply, DEMEC provides legal and technical consulting services to its members and allows its members to benefit from joint and combined buying power. About sixty percent of DEMEC's load obligation is sourced through self-supply assets consisting of a mix of natural gas generation, solar generation and wind generation. The remaining power is sourced through brokered transactions with power generators. The Town's electric infrastructure includes two power substations and a distribution system consisting of more than 200 miles of underground and overhead distribution lines, delivering more than 265,000 megawatt hours annually. The Town's electric grid is served by a single 138kV transmission line owned and maintained by Delmarva Power. Middletown is in the midst of an electric system reliability and capacity expansion project which ultimately envisions the addition of a second 138kV transmission line to serve as a redundant feed for the Town's electric system.

The Town is the exclusive provider of electric power to individuals and businesses within Town limits and is exempt under law from retail choice provisions. The Town has the authority to establish the electric rates for its customers and its rates are not subject to review or approval by any regulatory body, including the Delaware Public Service Commission.

Drinking Water. The Town provides drinking water to all residents. The water system consists of four parts: supply, treatment, distribution and storage. The Town's supply and treatment infrastructure consists of four wells, one reservoir, and two water treatment plants, which is sufficient to serve all current customers within municipal boundaries. The Town has also partnered with Artesian Resources Corporation to meet water demand for all parcels annexed after 1996, thereby diversifying access to water resources and limiting future growth-related capital expenditures. Water storage infrastructure consists of two above-ground storage tanks, while the Town maintains more than 85 miles of water distribution lines.

Wastewater. The wastewater system comprises four parts: collection and transmission, treatment, storage, and disposal. Collection and transmission infrastructure includes 29 pumping stations and more than 70 miles of wastewater gravity lines and force mains. The Town provides sewage treatment, storage, and disposal through its facilities on Industrial Drive and Snead Circle, which apply treated effluent onto agricultural parcels owned by third parties and lands owned by the Town. Middletown's Industrial Drive and

Frog Hollow treatment facilities can treat 3.75 million and 250,000 gallons per day, respectively. Each facility is owned by the Town and operated by Artesian Utility Development, Inc. (a subsidiary of Artesian Resources Corporation) a private wastewater system operation company. The Town distributes some wastewater to New Castle County's Water Farm #1 in Odessa, Delaware for treatment and disposal at contracted rates.

Public Safety

The Town contracted with New Castle County to provide full-time police protection and service within town limits from 1973 until July 2007, when it re-established a Middletown Police Department. The Department consists of 40 sworn officers and eight civilian staff employees operating in staggered shifts 24 hours a day, seven days per week. The Department features three detectives, a K-9 handler and dog, up to eight seasonal police aides and a fleet of 32 vehicles.

The Town is served by the Volunteer Hose Company, a company staffed with about 130 active volunteers. Ambulance service is provided by New Castle County.

Municipal Government

The Town has a Council-Town Manager form of government with a non-partisan elected mayor and six members of Council. The Council members are elected at-large for staggered two-year terms. The Town Council has responsibility for all legislative matters, including the enactment of all ordinances and resolutions.

Administrative responsibilities are vested in the Mayor and Council. Each member of Council has direct oversight responsibilities for one or more of the functional areas of government. The Town Manager is hired by the Mayor and Council and charged with overseeing the day-to-day administrative operations of the municipal government. Town offices provide the following services: public safety, electricity, sewer, water, trash collection, residential street repair, inspections and permits, meter service, and building maintenance. The Town also operates a parks department that maintains the Town's open space and active recreation areas.

The Mayor and Town Manager administer the operating budget, which for fiscal year 2025 is \$62.5 million. There are 164 full-time municipal employees, which equates to about seven employees per thousand residents. Forty of the employees are represented by the Fraternal Order of Police Lodge #20.

Policy is formulated by the Mayor and Town Council, with input from the professional staff, as well as resident volunteers who serve on the Town's four boards and committees. The boards and committees make recommendations to the Mayor and Town Council which has the sole authority to make policy changes relating to municipal services.

The boards and committees consist of the Planning and Zoning Commission, Board of Adjustments, Public Safety Committee, and the Police Advisory Board.

Municipal access cable television franchises are held by Breezeline, Comcast, and Verizon, Inc. Neither the operation of the franchises nor the setting of rates is subject to governmental review.

GENERAL AND DEMOGRAPHIC INFORMATION

Population

The official population count by the U.S. Bureau of the Census (the “U.S. Census”) in 2020 for the Town was 23,192. In 2010 and 2000, the official population count by the U.S. Census reported populations of 18,871 and 6,161, respectively. The U.S. Census Bureau estimates that as of July 1, 2023, the Town’s population was 25,022.

<u>Year</u>	<u>Population</u>
2023	25,022
2020	23,192
2010	18,871
2000	6,161
1990	3,834
1980	2,946
1970	2,644
1960	2,191
1950	1,755
1940	1,529
1930	1,247

Source: U.S. Bureau of the Census and the Town.

Employment

New Castle County’s unemployment levels have consistently been lower than the U.S. unemployment levels. Employment data is only available at a County-wide level.

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Labor Force (000’s) (New Castle County)	299.3	299.6	301.4	304.4	310.3
Employed (000’s) (New Castle County)	289.0	277.5	285.1	291.8	298.2
Unemployed (000’s) (New Castle County)	10.3	22.1	16.3	12.5	12.0
Unemployment % (New Castle County)	3.5%	7.4%	5.4%	4.4%	3.9%

Source: Bureau of Labor Statistics

Employee Pensions

In July 2007, the Town became part of the Delaware County and Municipal Police/Firefighters Pension Plan. The Plan covers police employees hired on or after July 1, 2007. Plan members are required to contribute 7% of base compensation. The contribution required by the employer is based on an actuarial valuation and is expressed as a percentage of annual covered payrolls during the period for which the amount is determined. The Town was required to contribute 12.74%, which amounted to \$452,236 for the year ended June 30, 2024.

In January 2025, the Town became part of the Delaware County and Municipal General Pension Plan. Plan members are required to contribute 3% of total compensation, with the first \$6,000 of earnings being exempt. The contribution required by the employer is based on an actuarial valuation and is expressed as a percentage of annual covered payrolls during the period for which the amount is determined. The Town is currently contributing 5.7%.

These Plans are administered by the Delaware Public Employees' Retirement System (the "System"). Benefit provisions of the Plans are established under the provisions of State law and may be amended by an act of the State Legislature. The Plans provide retirement, disability and death benefits to Plan members and beneficiaries. The contribution policies are set by State law and requires contributions by active members and participating employers. The Delaware Public Employees' Retirement System issues a publicly available financial report that includes financial statements for the Plan. The report may be obtained via <http://www.delawarepensions.com> or by writing to the System at 860 Silver Lake Boulevard, Suite 1, Dover, Delaware 19904-2402.

The Town maintains a defined contribution plan for certain non-uniformed employees.

The account balances for the Town's defined contribution plan over the past five fiscal years are as follows:

<u>Fiscal Year</u>	<u>Pension Balance</u>
2024	\$7,358,055
2023	6,770,197
2022	6,990,991
2021	8,153,060
2020	6,373,879

Source: Town of Middletown Office of Finance.

For additional information, see "Appendix B – Annual Financial Report for the Fiscal Year Ended June 30, 2024."

Other Post-Employment Benefits

The Town provides post-retirement health care insurance coverage to eligible retirees. The benefits are provided in accordance with Town personnel policies. Eligibility criteria include years of service and employee age. The Town established an account to begin funding for OPEB obligations in fiscal year 2022. As of June 30, 2024, there was \$2,860,474 accumulated in the account. During fiscal year 2024, retiree health care expenses totaled \$172,223.51. As of June 30, 2024, 22 participants were eligible and 21 enrolled in retiree health insurance coverage.

The Town provides postretirement health care coverage to general employees who are age 60 with a Rule of 80 and for public safety employees age 60 with 20 years of service. Surviving spouses of retirees are allowed to remain on the plan for life as long as they pay half of the premium rate. The Town contributes the entire single coverage premium rate for the cheapest plan offered, and 50% of the spouse incremental premium rate from the cheapest plan for employees hired prior to July 1, 2014. Employees hired on or after July 1, 2014 will not be permitted to continue under the Town's Health Insurance Plan for their spouse/dependents. The Town also funds 50% of the plan deductible if the retiree enrolls in the plan with a Health Reimbursement Account. The retiree is responsible for the remainder of the deductible and the out-of-pocket.

The Schedule of Changes in the Net Other Post-Employment Benefit Plan Liability and Related Ratios for the past five completed fiscal years is shown below.

**Schedule of Changes in Net OPEB Liability and Related Ratios
For Fiscal Years 2020-2024**

	2020	2021	2022	2023	2024
Total OPEB Liability ("TOL")					
Service cost	\$ 1,150,701	\$ 1,430,272	\$ 1,594,655	\$ 1,011,170	\$ 997,111
Interest	617,108	528,415	496,494	659,376	714,589
Difference between expected and actual experience	(1,248,878)	(938,035)	(1,900,362)	(172,857)	(1,701,848)
Changes of assumptions	1,659,073	1,784,365	(5,989,135)	(292,227)	531,994
Benefit payments	<u>(173,385)</u>	<u>(173,809)</u>	<u>(153,160)</u>	<u>(262,259)</u>	<u>(338,854)</u>
Net Change in total OPEB liability	\$ 2,004,619	\$ 2,631,208	\$(5,951,508)	\$ 943,203	\$ 202,992
Total OPEB liability – beginning of year	16,516,653	18,521,272	21,152,480	15,200,972	16,114,175
Total OPEB liability – end of year	\$18,521,272	\$21,152,480	\$15,200,972	\$16,144,175	\$16,347,167
Plan Fiduciary Net Position ("PFNP")					
Employer contributions	173,385	173,809	2,027,933	674,509	753,404
Net investment income	-	-	(252,189)	164,145	265,001
Benefit payments	(173,385)	(173,809)	(153,160)	(262,259)	(338,854)
Administrative expenses	<u>-</u>	<u>-</u>	<u>(3,612)</u>	<u>(6,210)</u>	<u>(8,234)</u>
Net change in plan fiduciary net position	\$ -	\$ -	\$ 1,618,972	\$ 570,185	\$ 671,317
Plan fiduciary net position – beginning of year	-	-	-	1,618,972	2,189,157
Plan fiduciary net position – end of year	\$ -	\$ -	\$ 1,618,972	\$ 2,189,157	\$ 2,860,474
Net OPEB liability – ending	\$18,521,272	\$21,152,480	\$13,582,000	\$13,955,018	\$13,486,693
PFNP as a % of TOL	-	-	10.65%	13.56%	17.50%
Covered payroll	\$ 8,517,693	\$ 8,950,818	\$10,602,860	\$11,307,854	\$12,381,745
Net liability as a % of covered payroll	217.44%	236.32%	128.10%	123.41%	108.92%

Source: Town of Middletown Audited Financial Statements for fiscal year 2024.

For additional information regarding the Town's Other Post-Employment Benefit liability, see "Appendix B – Annual Financial Report for the Fiscal Year Ended June 30, 2024."

Largest Employers

The largest employers in and around Middletown are listed below.

TOWN OF MIDDLETOWN, DELAWARE TEN LARGEST EMPLOYERS 2024⁽¹⁾

<u>Owner</u>	<u>Activity</u>	<u>Number of Employees</u>
Amazon	Online Retailer / Distributor	2,579
Clarios (formerly JCI)	Battery Manufacturer	510
Wal-Mart Stores	Retail Discount Merchandiser	350
SWM International	Plastic Extrusion/Netting	184
Christiana Care	Medical Emergency Room	127
Berry Global (formerly Letica)	Plastic Manufacturing	120
Lowe's Companies, Inc.	Home Improvement Retail	117
Datwyler Pharma Packaging	Pharma Packaging	115
Giant Foods	Grocery Retail	95
Home Depot	Home Improvement Retail	89

Source: The Town of Middletown Audited Financial Statements for fiscal year 2024.

(1) Not including the Town of Middletown or Appoquinimink School District.

Growth and Development

The Mayor and Town Council, with input from the relevant boards, oversee the development of the Town's comprehensive plan and long-term strategy for growth which meets the needs of the local citizens. Located near major highway arteries, the Town enjoys developmental advantages associated with access to major transportation routes. Additional factors such as the close proximity to urban and suburban Wilmington continue to make Middletown a desired location for residency and business activity. The Town combines the atmosphere, charm, and vibrancy of a small town, a convenient main shopping street, quiet and beautiful residential streets, and a well-served and attractive industrial park.

The Town's commercial and residential development has fluctuated since 2020, averaging more than 150 building permits per calendar year over the last five years, with 2024 yielding 124 building permits. In addition to an increase in residential development, the Town has experienced considerable commercial and industrial growth over the same time period. This growth has been in the areas of healthcare, retail, restaurants and manufacturing and employment centers. The increase in large industrial and commercial activity in the Town has also attracted a number of smaller businesses that benefit from being located near the larger employers.

Residential Building Permit Activity

<u>Year</u>	<u>Building Permits Issued</u>	<u>New Construction Value</u>
2024	124	\$8,633,348
2023	100	6,834,753
2022	136	9,667,240
2021	261	25,465,158
2020	174	19,200,905

Source: The Town of Middletown Permits and Inspections Department.

Capital Surplus Account

The Town assesses impact fees at the time when a building permit is issued for a specific structure. The fees are credited to a Capital Surplus Account intended to fund future capital needs of the Town. The Town has recently made a policy decision to allow developers and builders to defer as much as 75% of development fees until the date of sale. As of January 1, 2024, the fees are as follows (per residential unit):

Single Family & Duplex

Water Hook-Up	\$ 5,809
Sewer Hook-Up	19,378
Electrical Hook-Up	<u>5,809</u>
Total*:	<u><u>\$30,996</u></u>

Apartments

Water Hook-Up	\$ 5,809
Sewer Hook-Up	8,526
Electrical Hook-Up	<u>5,809</u>
Total*:	<u><u>\$20,144</u></u>

Active Adult

Water Hook-Up	\$ 5,809
Sewer Hook-Up	10,851
Electrical Hook-Up	<u>5,809</u>
Total*:	<u><u>\$22,469</u></u>

Townhouses

Water Hook-Up	\$ 5,809
Sewer Hook-Up	17,440
Electrical Hook-Up	<u>5,809</u>
Total*:	<u><u>\$29,058</u></u>

Source: The Town of Middletown Permits and Inspections Department.

* Increases at a rate of 4.5% per year.

The Town has been using these impact fees to fund capital improvements, in addition to principal and interest payments on long term debt. The Town continues to use excess impact fee revenues to re-build its reserve accounts. These reserve accounts will be the source of funding remaining debt service payments, especially for years when impact fee revenue slows.

Impact of Growth on Utility Infrastructure

While the existing electrical transmission line and substations are sufficient to serve the Town's current and a portion of the future electric demand, a second transmission line is in the process of being permitted and constructed. This project is estimated to be completed in 2029. Additionally, the Town is in the process of developing a conceptual plan for a third distribution substation on the west side of Town. The substation will allow for operational flexibility and future load growth. The timeline for the additional substation is unknown at this time but could be in service as early as 2029. Cost estimates for the second transmission line range from \$6 million to \$8 million, including design, engineering, permitting, and construction over a multi-year period. Cost estimates for the third distribution substation range from \$16 million to \$20 million, including design, engineering, permitting, and construction over a multi-year period. The Town expects the project to be funded on a pay-as-you-go basis with little or no reliance on debt, as no current capacity or performance-related constraints exist to impose any deadline.

The Town's water system infrastructure is sufficient to serve all current customers within municipal limits. The Town maintains a partnership with Artesian Resources Corporation to meet water demand for all parcels annexed after 1996, thereby diversifying access to water resources and limiting future growth-related capital expenditures. Any future growth-related capital expenditures are expected to be nominal and likely to be subject to a cost-sharing agreement with Artesian.

Middletown's current, total wastewater demand is approximately 1.2 million gallons per day (gpd). The Town's current wastewater treatment capacity is 4 million gpd at its Frog Hollow and Middletown Wastewater Treatment facilities and 0.125 million gpd at New Castle County. The treatment capacity is sufficient to meet current demand and enough to meet flow projections through build out with the current assumptions of sewer use. The Town's current wastewater treatment capacity is limited by the current permitted disposal capacity at the Middletown Wastewater Treatment facility. Increasing the permitted disposal capacity at this facility is the current focus of improvements to the Town's wastewater infrastructure. The Town's long-term capital improvement plan includes investments in systems to reduce operational costs and additional treatment and disposal assets designed to expand treatment and disposal capacity and diversify treatment and disposal technologies. Specifically, the Town has invested in more energy efficient methods of aeration in addition to investments in enhanced rapid infiltration basin systems (RIBS) for disposal of effluent from the Industrial Drive Treatment Plant.

TAXATION

Tax Assessment and Collection Procedure

The New Castle County Board of Assessment sets property assessments for the Town. The information is forwarded to Middletown which bills to and collects from its citizens.

The Town's record of tax collections is set forth in the table under the caption "*Tax Assessments*" herein. A small delinquent receivable is maintained, the balance of which stood at \$58,221.57 as of June 30, 2024, net of bad tax allowance. There are few foreclosures.

In addition to property taxes, a real estate transfer tax, started in 1991, is collected for Middletown by New Castle County for a minimal fee. Middletown collects 1.5% of the value of all transfers occurring in Town limits as a result of the real estate transfer tax.

Tax Appeals

The Town uses the assessments set by the New Castle County Board of Assessments for all property located within the corporate limits of the Town in lieu of making its own independent valuation and assessment

of such property. The Town Charter provides that the assessment of values established by New Castle County shall be conclusive for purposes of levying town taxes and the Mayor and Council shall have no authority to hear appeals regarding same.

New Castle County Reassessment Project

In May 2020, in a legal action challenging the funding of public education in the State of Delaware, the Delaware Court of Chancery issued a ruling holding that the property tax system in all three Delaware counties in the State violated the uniformity clause in the Delaware Constitution. The three counties (Sussex, New Castle and Kent) last conducted property tax assessments in 1974, 1983 and 1987, respectively, which, the Court held, resulted in a system that created wide disparities in how much individual property owners pay each year.

As part of the settlement of the legal action, New Castle County agreed to undertake a general reassessment of all real property within the County. New Castle County hired a third-party vendor to conduct the reassessment. The reassessment sought to establish the fair market value of each property as of July 1, 2024. Going forward, state law now provides that reassessments must occur at least every five years.

The reassessment was recently completed and the reassessed property values will be used for fiscal year 2026. As of March 1, 2025, the overall increase in value from the prior assessed value (based on 1983 value) to the new assessed value (value as of July 1, 2024) was approximately 375%. Given the significant increase in assessed value, an increase in the number of property owners filing appeals is expected.

Fifteen Largest Property Taxpayers – Fiscal Year 2024

Below is a chart showing the Town’s 15 largest taxpayers. The assessments of the 15 largest taxpayers represent approximately 12.2% of the total assessed value. The assessment values shown in the table below do not reflect the recently completed reassessment.

TOWN OF MIDDLETOWN, DELAWARE FIFTEEN LARGEST TAXPAYERS

Owner	Activity	Fiscal Year 2024 Assessment	Fiscal Year Tax
560 Merrimac Owner LLC	Distribution	\$ 24,903,000	\$ 74,709
Ajaxcap Development	Property Management	9,195,000	27,585
Johnson Controls, Inc.	Battery Manufacture	8,606,200	25,819
Wal-Mart Stores	Retail Discount Merchandiser	8,492,500	25,478
AWCI, Inc.	Utility Services & Sales	7,199,000	21,597
Datwyler	Medical Manufacturer	7,095,000	21,285
Middletown Square Assoc.	Property Management	6,978,000	20,936
Poet Holdings	Property Management	6,441,500	19,325
Middletown Apartments	Property Management	5,828,000	17,484
JEMALS 700	Manufacturer	5,276,600	15,830
Chesapeake Utilities	Gas Lines	5,115,200	15,346
Willow Grove LLC	Property Management	4,427,200	13,282
Dove Run Associates	Property Management	4,137,200	12,412
STJEANCAP LLC	Property Management	4,124,300	12,373
The Longest Drive LL	Property Management	3,993,900	11,982

Source: The Town of Middletown Audited Financial Statements for fiscal year 2024.

Tax Assessments

Of the fiscal year 2024 total, approximately \$125,250,288 of assessed value is exempt from taxation by state law or as a result of Town policy.

TOWN OF MIDDLETOWN, DELAWARE ASSESSED VALUE AND COLLECTIONS LAST TEN FISCAL YEARS

<u>Tax Year</u>	<u>Total Assessed Valuations</u>	<u>Total Taxable Valuations</u>	<u>Tax Collections</u>	<u>Delinquent Taxes*</u>
2014-15	\$710,133,830	\$652,478,230	\$1,745,447	\$66,871
2015-16	728,406,554	670,969,104	1,821,763	40,535
2016-17	748,165,330	690,190,430	1,857,986	61,317
2017-18	766,396,330	708,246,080	1,902,460	48,252
2018-19	818,141,830	760,903,730	1,935,730	84,302
2019-20	818,141,830	760,903,730	2,037,860	102,352
2020-21	849,189,630	723,325,580	2,142,398	49,987
2021-22	876,484,130	728,262,880	2,184,559	60,576
2022-23	895,740,730	777,492,480	2,350,928	65,196
2023-24	913,918,630	788,668,342	2,359,478	62,942

Source: The Town of Middletown Utility Billing Department.

*Delinquent Tax amount above is as of April 30th of each fiscal year and is not net of bad debt allowance.

Local and Overlapping Tax Rates (Per \$100 Assessed Value)

The table below contains the tax rates of overlapping political subdivisions having power to levy taxes within the Town.

<u>Fiscal Year</u>	<u>Middletown</u>	<u>New Castle County</u>	<u>Crossing Guard</u>	<u>Vocational- Technical School District</u>	<u>School District</u>	<u>Total Tax Rate</u>
2025	.30	.3041	.02402	.2100	3.1454	3.9835
2024	.30	.3039	.01949	.1740	2.5975	3.3949
2023	.30	.2996	.01783	.1740	2.5833	3.3747
2022	.30	.2801	.01718	.1695	2.5404	3.3072
2021	.30	.2849	.01586	.1710	2.5001	3.2719
2020	.30	.3192	.01759	.1710	2.2461	3.0539
2019	.30	.2908	.02068	.1630	2.1802	2.9547
2018	.30	.2529	.02166	.1603	2.1024	2.8373
2017	.30	.2529	.02109	.1583	1.8473	2.5796
2016	.30	.2529	.02593	.1550	1.7707	2.5045

Source: New Castle County website.

Electric, Water and Sewer Fund Collections

TOWN OF MIDDLETOWN, DELAWARE ELECTRIC, WATER AND SEWER FUND COLLECTIONS LAST TEN YEARS

<u>Fiscal Year</u>	<u>Electric Fund Collections</u>	<u>Water and Sewer Fund Collections</u>
2014-15	\$28,743,663	\$3,964,161
2015-16	29,100,458	4,350,879
2016-17	28,802,660	4,594,647
2017-18	28,326,845	4,943,024
2018-19	29,922,263	5,288,055
2019-20	29,990,338	5,837,398
2020-21	30,393,486	6,096,633
2021-22	33,222,420	6,545,513
2022-23	33,209,622	7,186,950
2023-24	36,654,684	7,446,123

Source: The Town of Middletown Audited Financial Statements for fiscal year 2024.

FINANCIAL INFORMATION

Balanced Budget Requirement

The Town Charter requires that the Town Council, on or before the first Monday in July of each year, adopt an annual operating budget. Included in the budget must be details of all proposed expenditures, including debt service, for the ensuing fiscal year. The Town Council must levy an amount of tax necessary to cover all proposed expenditures.

Operating Funds; Transfer Policies/Practices

The Town uses the Enterprise Fund System of accounting. All taxes and other governmental income of the Town is recorded in the General Fund of the Town. Revenues from the proprietary operation of the Electric, Sewer and Water utilities are recorded in the appropriate Enterprise Funds. Transfers between funds are permitted and recorded as required. All cash receipts, including cash collections from its utilities, are deposited in the General Fund of the Town. All operating expenditures, including cash disbursements for utility expenses, are disbursed from the General Fund of the Town. Any surplus amounts generated by the operations of the utilities may be utilized to cover operating expenditures of the Town payable from the General Fund and unrelated to the operation of the utilities.

Accounting Procedures

The Town uses the modified accrual basis of accounting for the General and Special Revenue Funds and the accrual basis for the Enterprise Funds. By policy, the Town has its records audited annually by an independent certified public accountant.

Statement of Operations

The table that appears on the following page is a summary statement of operations of the Town and includes revenues and expenditures specific to the Town's General Fund and the Town's Proprietary Funds (Electric, Water and Sewer).

Town of Middletown
Summary Statement of Operations – Budgetary Basis
Fiscal Years Ended June 30, 2020-2024

	Fiscal Year				
	2024	2023	2022	2021	2020
OPERATING REVENUE					
Property Taxes.....	\$2,355,765	\$2,325,214	\$2,193,843	\$2,079,443	\$2,030,588
Real Estate transfer taxes	2,696,472	5,371,400	4,730,883	3,968,358	2,780,228
Lodging tax	238,205	215,172	183,840	154,597	-
Charges for Services.....	558,618	548,257	505,292	494,857	504,338
Public safety fees and fines	61,445	67,007	55,759	47,609	155,193
Grants Federal/Local	500,518	4,551,520	6,035,501	39,531	22,515
CARES Act Revenue	-	-	-	1,534,937	-
Rental Income	134,610	129,188	122,740	105,237	104,641
Trash Fees	2,595,335	2,433,385	2,154,242	2,041,463	1,967,322
Licenses and permits	1,233,363	919,464	718,983	921,779	806,790
Inspection fees.....	580,239	209,076	291,594	443,157	238,598
Developer review fees.....	179,488	370,190	349,385	186,842	217,760
Investment return net.....	308,302	140,120	1,135	-	-
Lease Revenue.....	14,166	6,949	11,335	-	-
Miscellaneous.....	404,043	417,778	394,506	354,143	329,466
Revenue Subtotal, General Fund	\$11,860,569	\$17,704,720	\$17,749,038	\$12,371,953	\$9,157,439
Electric Sales.....	\$37,972,555	\$33,169,526	\$32,866,937	\$31,509,538	\$30,210,514
Miscellaneous Income, Electric	239,833	264,792	653,529	31,223	24,409
Non-Operating Revenue, Electric.....	1,387,227	454,354	476,192	800,909	464,128
Water Sales	3,514,483	3,322,162	2,989,558	2,882,943	2,735,586
Miscellaneous Income, Water	11,008	35,068	14,186	27,625	17,891
Non-Operating Revenue, Water	121,336	122,521	112,975	239,092	141,263
Sewer Sales	5,083,569	4,875,686	4,318,443	3,940,637	3,734,281
Miscellaneous Income, Sewer	885,057	1,996,916	108,997	1,077,094	117,163
Non-Operating Revenue, Sewer	208,214	14,544	95,769	95,769	95,769
Revenue Subtotal, Proprietary Funds.....	\$49,423,282	\$44,255,569	\$41,636,586	\$40,604,830	\$37,541,004
Grand Total, Operating Revenue.....	\$61,283,851	\$61,960,289	\$59,385,624	\$52,976,783	\$46,698,443
OPERATING EXPENDITURES					
Administrative.....	\$5,869,674	\$5,269,431	\$6,330,618	\$5,619,934	\$5,270,156
Municipal Services	2,502,295	2,143,387	2,187,295	1,974,907	1,872,710
Public Works	2,666,036	2,461,556	1,264,115	1,053,305	912,717
Public Safety	7,240,478	6,772,857	6,918,120	7,425,640	6,263,932
Trash	2,354,484	2,172,426	1,702,753	1,612,790	1,511,873
Inspection	1,922,909	1,618,060	1,742,434	1,340,074	1,138,319
Capital outlay	3,360,513	4,130,039	3,388,046	2,270,604	-
Debt Service	2,508,599	2,475,608	2,129,660	1,268,046	-
Expenditure Subtotal, General Fund	\$28,424,988	\$27,043,364	\$25,663,041	\$22,565,300	\$16,969,707
Current Purchases, Electric.....	\$25,008,511	\$21,830,239	\$20,325,174	\$19,053,422	\$17,827,084
Other Operating Expenses, Electric.....	2,976,800	2,808,528	2,412,496	2,274,316	2,139,257
Non-Operating Expenses, Electric.....	994,941	312,675	280,572	412,608	371,124
Current Purchases, Water	1,241,007	1,083,242	1,087,973	993,877	889,646
Other Operating Expenses, Water	2,382,012	2,422,002	2,327,209	2,193,423	2,205,658
Non-Operating Expenses, Water	85,696	89,543	159,374	185,801	153,046
Current Purchases, Sewer.....	503,715	480,881	431,264	383,696	389,389
Other Operating Expenses, Sewer	6,515,552	5,987,151	5,300,552	4,816,960	4,413,800
Non-Operating Expenses, Sewer	-	-	-	-	-
Expenditure Subtotal, Proprietary Funds	\$39,708,234	\$35,014,261	\$32,324,614	\$30,314,103	\$28,389,004
Grand Total Operating Expenditures.....	\$68,133,222	\$62,057,625	\$57,987,655	\$52,879,403	\$45,358,711
OPERATING SURPLUS (LOSS)	\$(6,849,371)	\$(97,336)	\$1,397,969	\$97,380	\$1,339,732

Source: The Town of Middletown Audited Financial Statements for fiscal years 2020 through 2024.

Management Discussion and Analysis of Fiscal Year Ended June 30, 2024

As noted earlier, the major funds the Town reports are the General Fund, Special Revenue for Municipal Street Aid Fund, Capital Projects Fund and the Proprietary Funds (Electric, Water and Wastewater).

Governmental Funds: The focus of governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Governmental funds include the general fund, special revenue fund, and capital projects fund.

As of the end of fiscal year 2024, governmental funds reported combined ending fund balances of \$32,206,323 a decrease of \$3,214,997 in comparison with the prior year.

General Fund: Total fund balance for the general fund at the end of fiscal year 2024 was \$3,844,746. This is a decrease of \$6,829,502 from the prior year. This decrease is a result of increased operating expenses and lower transfers from the project account.

Unassigned fund balance at the end of the fiscal year was \$1,832,937. This is a decrease of \$6,355,970 from the prior year.

Special Revenue - Municipal Street Aid Fund: Total fund balance for this fund at the end of fiscal year 2024 was \$1,108,104, an increase of \$390,478.

Capital Projects Fund: Total fund balance for this fund at the end of fiscal year 2024 was \$27,253,473, an increase of \$3,224,027 compared to the prior year.

Investments in the fund ended fiscal year 2024 with a balance of \$24,413,408, an increase of \$1,317,696 from the prior year. The investment account was also able to realize positive returns in fiscal year 2024.

Proprietary Funds: Proprietary funds provide the same type of information found in the business-type activities reported in the government-wide financial statements, but in more detail. Proprietary fund financial statements use the accrual basis of accounting, like the government-wide financials. As such, there is no reconciliation needed between the government-wide financial statements for business type activities and the proprietary fund financial statements.

Total net position for the electric, water, and wastewater funds at the end of the year was \$97,965,750, an increase of \$5,930,986 from the prior year.

Despite a positive year in growth and new customers, the Town experienced an operating loss for water in the amount of \$97,528, and a loss for wastewater of \$1,050,641. The fiscal year 2024 loss in water was a \$50,486 reduction over fiscal year 2023. The wastewater loss was an increase of \$1,455,211 from fiscal year 2023. The Town continued to experience increases in operations and maintenance costs due to inflationary impacts and extended lead times.

Operating income for electric was \$10,227,077 for the current year. The operating income increased \$1,431,526 over the previous year without an increase in the tariff rates. However, the Town experienced increases in its wholesale rate due to unforeseen changes in the power supply market. These unforeseen increases were the result of an early closing of the Indian River Power Plant. This closing

caused a transmission reliability concern in the PJM Regional Transmission Organization (RTO), resulting into a “Reliability Must-Run” (RMR) status. Due to this need, an RMR rate schedule was implemented and all DEMEC members saw an increase in their wholesale rates. Rather than increasing its tariff rates, the Town utilized its power cost adjustment to recoup these additional costs over multiple billing cycles.

The Town continues to use the surplus in electric operating income to help support a deficit in the general fund. This arrangement is planned for by the Town and considered each year as the annual budget is prepared and the utility and tax rates are reviewed.

DEBT INFORMATION

Schedule of Debt

As of June 30, 2024, the Town had outstanding \$24,872,956.22 in bonds and notes, not including the \$12,000,000 2022 BAN that will be repaid from proceeds of the Bonds being issued and approximately \$6.5 million in state revolving fund loans that remain in the draw down phase and for which debt service schedules have not yet been established. The chart below shows the debt service requirements as of June 30, 2024. This schedule does not include debt service on the Bonds being issued.

Fiscal Year	<u>Total Debt Service - Governmental</u>			<u>Total Debt Service - Business Type</u>			<u>Total Debt Service</u>		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2025	\$1,183,880.31	\$568,399.09	\$1,752,279.40	\$1,205,069.37	\$867,678.79	\$2,072,748.16	\$2,388,949.68	\$1,436,077.88	\$3,825,027.56
2026	1,334,298.02	543,344.59	1,877,642.61	1,265,289.78	534,807.37	1,800,097.15	2,599,587.80	1,078,151.96	3,677,739.76
2027	1,216,088.12	492,154.02	1,708,242.14	1,313,078.48	279,598.29	1,592,676.77	2,529,166.60	771,752.31	3,300,918.91
2028	1,263,369.04	442,373.76	1,705,742.80	1,346,150.27	248,742.16	1,594,892.43	2,609,519.31	691,115.92	3,300,635.23
2029	1,271,099.32	391,456.64	1,662,555.96	1,375,244.19	185,536.48	1,560,780.67	2,646,343.51	576,993.12	3,223,336.63
2030	1,258,839.76	339,808.95	1,598,648.71	1,422,600.51	137,436.25	1,560,036.76	2,681,440.27	477,245.20	3,158,685.47
2031	1,161,324.01	291,849.87	1,453,173.88	1,435,249.02	70,845.20	1,506,094.22	2,596,573.03	362,695.07	2,959,268.10
2032	2,712,254.41	213,632.55	2,925,886.96	98,010.19	1,984.78	99,994.97	2,810,264.60	215,617.33	3,025,881.93
2033	2,765,000.00	104,500.00	2,869,500.00	16,111.42	211.46	16,322.88	2,781,111.42	104,711.46	2,885,822.88
2034	1,230,000.00	24,600.00	1,254,600.00	0	0	0	1,230,000.00	24,600.00	1,254,600.00
Total	<u>\$15,396,152.99</u>	<u>\$3,412,119.47</u>	<u>\$18,808,272.46</u>	<u>\$9,476,803.23</u>	<u>\$2,326,840.78</u>	<u>\$11,803,644.01</u>	<u>\$24,872,956.22</u>	<u>\$5,738,960.25</u>	<u>\$30,611,916.47</u>

Note: Excludes the \$12 million principal amount due in fiscal year 2026 that will be paid off with the issuance of the Bonds. Also excludes SRF Loans that have not been drawn down and that no debt service schedules are currently available for.

Source: The Town of Middletown Finance Department.

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Selected Debt Ratios

Population (2023 estimate)	25,022
Taxable Assessed Value (FY 2024) ⁽¹⁾	\$788,668,342
<i>Direct Debt</i>	
Total Direct Debt ⁽²⁾ (as of June 30, 2024)	\$43,420,210
Total Direct Debt as a Percent of Taxable Assessed Value	5.51%
Total Direct Debt Per Capita	\$1,735
Allowable Debt as a Percent of Taxable Assessed Value	15%
Allowable Debt	\$118,300,251
Total Direct Debt ⁽²⁾ (as of June 30, 2024)	\$43,420,210
Additional Debt Permitted to be Issued Under Town Charter	\$74,880,041
<i>Overlapping Debt</i>	
New Castle County Net Outstanding Debt (as of June 30, 2024)	\$156,478,000
Middletown's Share of County Debt Based on Assessed Valuations (3.9%) ⁽³⁾	\$6,102,642
Middletown Share of Appoquinimink School District (as of June 30, 2024) ⁽⁴⁾	\$24,766,459
Total Direct and Overlapping Debt	\$74,289,311
Total Direct and Overlapping Debt as a Percent of Taxable Assessed Value	9.42%
Total Direct and Overlapping Debt Per Capita	\$2,969

Source: Town of Middletown Audited Financial Statements for fiscal year 2024, Town of Middletown Finance Department, New Castle County's Annual Report in Compliance with Continuing Disclosure Agreements for fiscal year 2024 and Appoquinimink School District's budget for fiscal year 2025.

⁽¹⁾ Assessed value excludes tax-exempt property.

⁽²⁾ Total Direct Debt includes general obligation bonds and notes of the Town. It includes the authorized SRF loans that have not gone to permanent financing, but are included in the debt limit since these loans have been authorized by the Town Council.

⁽³⁾ Real property is assessed at 100% of the 1983 market value.

⁽⁴⁾ Appoquinimink School District consists of: (i) the Town Middletown; (ii) the Town of Townsend (iii) the Town of Odessa; and (iv) a large unincorporated area of New Castle County. Neither the County nor the School District can provide the total assessment for the School District by municipality or incorporated areas. Middletown's pro-rata share of School District debt therefore cannot be determined but is assumed to be approximately 25% for these purposes. School District debt is funded through tax assessments and the State of Delaware.

FUTURE FINANCING

The Town is in the early planning stages of several capital projects that are expected to be completed over the next five to ten years. Due to current market conditions and the interest rate environment, the Town anticipates issuing short-term Bond Anticipation Notes over the next three to five years. The scope and timeline of these capital projects and any associated borrowings have not yet been determined.

APPENDIX B

Town of Middletown
Annual Financial Report
For Fiscal Year Ended June 30, 2024

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FINANCIAL STATEMENTS

Supplementary Information & Independent Auditor's Report



FISCAL YEAR ENDED JUNE 30, 2024

TOWN OF MIDDLETOWN

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Independent Auditors' Report

To the Mayor and Council
Town of Middletown
Middletown, Delaware

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Middletown, Delaware (the "Town") as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Middletown, as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Town of Middletown and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Town of Middletown's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Town of Middletown's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Town of Middletown's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

To the Mayor and Council
Town of Middletown
Middletown, Delaware

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedule – general fund and notes to the budgetary comparison schedule, schedule of Town's proportionate share of the DPERS county and municipal police and firefighters' pension plan, schedule of Town's contributions to the DPERS county and municipal police and firefighters' pension plan, and the schedule of changes in the total other postemployment benefit plan liability and related ratios be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of Middletown's basic financial statements. The supplementary information and annual report appendices are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

To the Mayor and Council
Town of Middletown
Middletown, Delaware

Other Information

Management is responsible for the other information. The other information comprises the annual report appendices but does not include the financial statements and our auditors' report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Maille LLP

New Castle, Delaware
January 24, 2025

TOWN OF MIDDLETOWN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED JUNE 30, 2024

The Town of Middletown management offers the following discussion and analysis of the Town of Middletown's financial activities and position for the fiscal year ended June 30, 2024. The Town's financial performance is discussed and analyzed in conjunction with the accompanying financial statements, and the accompanying notes to the financial statements.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2024

1. The total net position of the Town for fiscal year 2024 was \$142,337,043 representing an increase of \$3,020,787 over fiscal year 2023. Net position for governmental activities equaled \$44,371,293 and net position for business-type activities equaled \$97,965,750. These numbers represent a decrease of \$2,910,199 and increase of \$5,930,986 respectively over fiscal year 2023.
2. As of the close of the current fiscal year, total fund balance for Governmental Funds reported an ending balance of \$32,206,323, a decrease of \$3,214,997 in comparison with the prior year.
3. At the end of the current fiscal year, unassigned general fund balance was \$1,832,937 which represented a decrease of \$6,355,970 in comparison with the prior year.
4. The Town of Middletown's total assessed taxable value June 30, 2024 was \$788,668,342. Total outstanding debt, including notes, lease and SBITA liabilities, at the close of fiscal year 2024 was \$38,142,509, representing 4.8% of the Town's total assessed value at June 30, 2024.

OVERVIEW OF THE FINANCIAL REPORT

This discussion and analysis is intended to serve as an introduction to the Town of Middletown's basic financial statements. The basic financial statements are comprised of government-wide financial statements, fund financial statements, and notes to the financial statements. Finally, the report contains other supplementary information including detailed general fund expenditures, a summary of the Town's debt service, and Town related statistics.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements which report the government's governmental activities separately from its business-type activities are designed to provide readers with a broad overview of the Town's finances. There are two basic governmental-wide financial statements: the statement of net position and the statement of activities. All activities included within the government-wide financial statements are measured and reported using the economic resources measurement focus and the accrual basis of accounting.

- **The Statement of Net Position:** Presents the Town's total assets and deferred outflow of resources, the total liabilities and deferred inflow of resources along with the corresponding net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

TOWN OF MIDDLETOWN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED JUNE 30, 2024

- **The Statement of Activities:** Presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements include two different types of activities, governmental and business-type.

- **Government Activities:** The activities in this section represent a large portion of the Town's services and are principally supported by taxes, grants, fees and intergovernmental revenues. The governmental activities include general administration, licenses and inspection, public safety, public works, municipal services (streets and parks) and municipal trash.
- **Business-Type Activities:** The activities in this section represent the majority of the Town's revenue and are supported through user fees and charges. The business-type activities include electric, water and wastewater activities.

FUND FINANCIAL STATEMENTS

Fund accounting is an accounting system emphasizing accountability rather than profitability, used by non-profit organizations and governments. In this system, a fund is a self-balancing set of accounts, segregated for specific purposes in accordance with laws and regulations or special restrictions and limitations. The Town's major funds include the General Fund, Special Revenue - Municipal Street Aid Fund, Capital Projects Fund, and the Proprietary Funds.

- **General Fund:** The General Fund is used to account for all financial transactions not accounted for in another fund. Revenues are derived principally from property taxes, real estate transfer taxes and trash collection fees. This fund accounts for the general administrative services of the Town not recorded elsewhere, including the activities of the municipal services department (streets and parks), public safety, public works, licenses and inspections, and debt service on general long-term obligations.
- **Special Revenue - Municipal Street Aid Fund:** This fund is used for street aid grants from State of Delaware and related street and infrastructure expenditures.
- **Capital Projects Fund:** The Capital Projects Fund is used to account for financial resources that are used for the acquisition or construction of capital facilities, infrastructure, other capital improvements and payment of debt services. Debt service is financed through this fund with the collection of impact fees, certain licenses and permits and investment income.
- **Proprietary Funds (Electric, Water and Wastewater):** Proprietary Funds are used to report Town operations that provide services financed primarily by user charges, or activities where the period measurement of net income is appropriate for capital maintenance, public policy and management control. This fund includes the Town's electric, water and wastewater departments. Proprietary funds provide the same type of information as the business-type activities reported in the government-wide financial statements, only in more detail.

TOWN OF MIDDLETOWN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED JUNE 30, 2024

- **Fiduciary Fund:** This fund is used to account for assets held by the Town in a trustee capacity for other postemployment benefits.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that are essential to a full understanding of the data provided in the government-wide and fund financial statements.

SUPPLEMENTARY INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information which is required to be disclosed by the accounting principles generally accepted in the United States of America.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may be observed and used to discuss the changing financial position of the Town as a whole. The following table provides a summary of the Town's net position at year end for the current and prior fiscal years:

Town of Middletown Statement of Net Position

	Governmental Activities		Business-Type Activities		Total	
	2023	2024	2023	2024	2023	2024
Assets						
Current	\$ 41,472,618	\$ 36,791,143	\$ 9,382,633	\$ 11,867,517	\$ 50,855,251	\$ 48,658,660
Noncurrent	47,989,139	48,131,312	109,559,938	112,145,270	157,549,077	160,276,582
Total Assets	89,461,757	84,922,455	118,942,571	124,012,787	208,404,328	208,935,242
Deferred Outflows of Resources	5,823,727	6,647,967	4,747,231	4,816,018	10,570,958	11,463,985
Total Assets and Deferred Outflows of Resources	<u>\$ 95,285,484</u>	<u>\$ 91,570,422</u>	<u>\$ 123,689,802</u>	<u>\$ 128,828,805</u>	<u>\$ 218,975,286</u>	<u>\$ 220,399,227</u>
Liabilities						
Current	\$ 8,869,460	\$ 7,594,901	\$ 3,667,506	\$ 3,280,213	\$ 12,536,966	\$ 10,875,114
Noncurrent	29,580,900	28,822,474	25,120,407	24,735,605	54,701,307	53,558,079
Total Liabilities	38,450,360	36,417,375	28,787,913	28,015,818	67,238,273	64,433,193
Deferred Inflows of Resources	9,553,632	10,781,754	2,867,125	2,847,237	12,420,757	13,628,991
Net Position						
Net invested in capital assets	34,084,160	30,068,573	87,328,393	89,287,307	121,412,553	119,355,880
Restricted for pension asset	316,681	-	-	-	316,681	-
Restricted for customers deposits	-	-	776,193	795,902	776,193	795,902
Restricted for state accounts	2,852,028	2,745,835	-	-	2,852,028	2,745,835
Restricted for electric feed	-	-	2,653,433	3,254,715	2,653,433	3,254,715
Unrestricted	10,028,623	11,556,885	1,276,745	4,627,826	11,305,368	16,184,711
Total Net Position	<u>47,281,492</u>	<u>44,371,293</u>	<u>92,034,764</u>	<u>97,965,750</u>	<u>139,316,256</u>	<u>142,337,043</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 95,285,484</u>	<u>\$ 91,570,422</u>	<u>\$ 123,689,802</u>	<u>\$ 128,828,805</u>	<u>\$ 218,975,286</u>	<u>\$ 220,399,227</u>

TOWN OF MIDDLETOWN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED JUNE 30, 2024

During the current fiscal year, the Town's overall net position increased by \$3,020,787. The overall increase is attributed mostly to the current pace of development and managing expenses with a focus on maintaining current personnel and saving on personnel costs.

The largest portion of net position reflects the Town's investment in capital assets (e.g., land, buildings, machinery, equipment, leased and SBITA assets), less any related debt used to acquire those assets that is still outstanding. As of year-end, net investment in capital assets is \$119,355,880 or 83.9% of total net position. These capital assets are used to provide services to citizens and are therefore not available for future spending. It should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The next largest portion of net position, unrestricted net position, was a balance of \$16,184,711. This balance represented an increase of \$4,879,343 over the previous fiscal year.

At the end of the current fiscal year, a positive balance is recorded total net position, for governmental activities, as well as the Electric and Wastewater funds included in business-type activities. The same situation held true for the prior fiscal year.

TOWN OF MIDDLETOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2024

The following table is a summary of the government-wide financial data for governmental and business-type activities and their subsequent change in net position for the current and prior fiscal years:

Town of Middletown Statement of Activities

	Governmental Activities		Business-Type Activities		Totals	
	2023	2024	2023	2024	2023	2024
REVENUES						
Program revenues						
Charges for services	\$ 8,534,774	\$ 12,213,839	\$ 41,367,374	\$ 46,570,607	\$ 49,902,148	\$ 58,784,446
Operating grants and contributions	4,596,112	540,545	-	-	4,596,112	540,545
Capital grants and contributions	529,394	537,527	-	-	529,394	537,527
General revenues						
Taxes	7,911,786	5,290,442	-	-	7,911,786	5,290,442
Other revenue reimbursement	-	12,442	230,266	63,332	230,266	75,774
Insurance recoveries	-	-	1,985,250	884,427	1,985,250	884,427
Investment return, net	233,308	1,536,154	-	111,655	233,308	1,647,809
Capital contributed - developers	-	-	550,800	1,370,791	550,800	1,370,791
Miscellaneous	417,778	391,601	81,260	188,139	499,038	579,740
Gain from sales of assets	92,529	50,041	40,619	26,117	133,148	76,158
Transfers	12,005,023	3,721,617	(12,005,023)	(3,721,617)	-	-
TOTAL REVENUES	34,320,704	24,294,208	32,250,546	45,493,451	66,571,250	69,787,659
EXPENSES						
General government	13,565,688	15,650,572	-	-	13,565,688	15,650,572
Public works	2,754,347	2,971,324	-	-	2,754,347	2,971,324
Public safety	7,292,281	8,154,402	-	-	7,292,281	8,154,402
Interest expense	369,799	428,109	-	-	369,799	428,109
Electric	-	-	24,951,442	28,930,252	24,951,442	28,930,252
Water	-	-	3,594,787	3,709,963	3,594,787	3,709,963
Wastewater	-	-	6,468,032	6,922,250	6,468,032	6,922,250
TOTAL EXPENSES	23,982,115	27,204,407	35,014,261	39,562,465	58,996,376	66,766,872
CHANGE IN NET POSITION	10,338,589	(2,910,199)	(2,763,715)	5,930,986	7,574,874	3,020,787
NET POSITION, BEGINNING OF YEAR	36,942,903	47,281,492	94,798,479	92,034,764	131,741,382	139,316,256
NET POSITION, END OF YEAR	\$ 47,281,492	\$ 44,371,293	\$ 92,034,764	\$ 97,965,750	\$ 139,316,256	\$ 142,337,043

TOWN OF MIDDLETOWN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED JUNE 30, 2024

Governmental Activities: Governmental activities for the year resulted in a decrease in net position of \$2,910,199. Total general revenues and transfers equaled \$11,002,297 with the majority coming from real estate transfer taxes. Taxes and transfer taxes equaling \$5,052,237 were the largest component of general revenues and transfers. Taxes and transfer taxes in the current fiscal year were down from the prior fiscal year by a total of \$2,644,377.

Expenses exceeded total program revenues by \$13,912,496, which is an increase of \$3,590,661 from fiscal year 2023. This increase in expenses over revenues is largely attributed to increases in personnel related costs, increases in operations and maintenance costs and as well as additional capitalization. Personnel expenses increases are a result of initiatives in place to help with employee retention and recruitment. The Town realized a decrease of \$2.6MM in Real Estate Transfer Tax revenue. This decrease is attributable to a one-time increase in RTT revenue in fiscal year 2023. Additionally, the Town realized just over \$4.0MM less in American Rescue Plan (State and Local Fiscal Recovery Funds) revenue in fiscal year 2023. Finally, fiscal year 2024 saw \$4,055,567 less in operating grant revenue than 2023.

Charges for services for general government increased by \$3,679,065 mainly due to an increase in commercial impact fees. These revenues are realized at the beginning of the permit process and do not always correlate to the construction timeline nor are they the sole indicator of the pace of residential growth.

Capital grants and contributions remained relatively consisted with an increase of \$8,133 for the current fiscal year. These funds are from the Municipal Street Aid grant and Public Safety grants. The Town receives this money annually based on an appropriation determined annually by the State of Delaware based on the miles of Town maintained roads and population.

Overall, governmental expenses experienced a net increase of \$3,222,292 from prior year primarily due to an increase in expenses attributed to Public Safety and Public Works. The Town also increased its annual contribution to the Volunteer Hose Company from \$150,000 to \$500,000.

Business-Type Activities: Business-type activities for the year resulted in an increase in net position of \$5,930,986.

Total charges for services in the current fiscal year were \$46,570,607 representing an increase of \$5,203,233 over the prior year. Total water and wastewater charges were \$400,204 higher in the current fiscal year compared to the prior year. Revenues for electric charges saw an increase of \$4,803,029 over the previous year. This increase can be attributed to the increased residential and commercial growth and increases to our existing customer charges.

Water expenses were \$3,708,715 for the current year, an increase of \$113,928 over the prior year. Wastewater expenses were \$7,019,267 for the current year, an increase of \$551,235 over the prior year. The increase in both water and wastewater expenses were attributable to increases in operations and maintenance costs and personnel related expenses.

Electric expenses were \$28,930,252, up \$3,978,810 from the prior year. This increase is due to a combination of load growth and increases in personnel expenses. The remainder of these increases were the result of unforeseen changes in the power supply market.

TOWN OF MIDDLETOWN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited) YEAR ENDED JUNE 30, 2024

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the major funds the Town reports are the General Fund, Special Revenue for Municipal Street Aid Fund, Capital Projects Fund and the Proprietary Funds (Electric, Water and Wastewater).

Governmental Funds: The focus of governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Governmental funds include the general fund, special revenue fund, and capital projects fund.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$32,206,323 a decrease of \$3,214,997 in comparison with the prior year.

General Fund: Total fund balance for the general fund at the end of the current fiscal year was \$3,844,746. This is a decrease of \$6,829,502 from the prior year. This decrease is a result of increased operation expenses and lower transfers from the project account.

Unassigned fund balance at the end of the fiscal year was \$1,832,937. This is a decrease of \$6,355,970 from the prior year.

Special Revenue - Municipal Street Aid Fund: Total fund balance for this fund ended the current fiscal year at \$1,108,104, an increase of \$390,478.

Capital Projects Fund: Total fund balance for this fund ended the current fiscal year at \$27,253,473, an increase of \$3,224,027 compared to the prior year.

Investments in the fund ended with a balance of \$24,413,408, an increase of \$1,317,696 from the prior year. The investment account was also able to realize positive returns in fiscal year 2024.

Proprietary Funds: Proprietary funds provide the same type of information found in the business-type activities reported in the government-wide financial statements, but in more detail. Proprietary fund financial statements use the accrual basis of accounting, like the government-wide financials. As such, there is no reconciliation needed between the government-wide financial statements for business type activities and the proprietary fund financial statements.

Total net position for the electric, water, and wastewater funds at the end of the year was \$97,965,750, an increase of \$5,930,986 from the prior year.

Despite a positive year in growth and new customers, the Town experienced an operating loss for water in the amount of \$97,528, and a loss for wastewater of \$1,050,641. The FY'24 loss in water was a \$50,486 reduction over FY'23. The wastewater loss was an increase of \$1,455,211 from FY'23. The Town continued to experience increases in operations and maintenance costs due to inflationary impacts and extended lead times.

TOWN OF MIDDLETOWN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED JUNE 30, 2024

Operating income for electric was \$10,227,077 for the current year. The operating income increased \$1,431,526 over the previous year without an increase in the tariff rates. However, the Town experienced increases in its wholesale rate due to unforeseen changes in the power supply market. These unforeseen increases were the result of an early closing of the Indian River Power Plant. This closing caused a transmission reliability concern in the PJM Regional Transmission Organization (RTO), resulting into a "Reliability Must-Run" (RMR) status. Due to this need, an RMR rate schedule was implemented and all DEMEC members saw an increase in their wholesale rates. Rather than increasing its tariff rates, the Town utilized its power cost adjustment to recoup these additional costs over multiple billing cycles.

The Town continues to use the surplus in electric operating income to help support a deficit in the general fund. This arrangement is planned for by the Town and considered each year as the annual budget is prepared and the utility and tax rates are reviewed.

GENERAL FUND BUDGETARY HIGHLIGHTS

At the close of fiscal year 2024, total actual revenues exceeded total budgeted revenues by \$353,205. Total actual expenditures were less than total budgeted expenditures by \$6,555,552. Actual net change in fund balance ended the fiscal year equal to a negative balance of \$6,829,502 compared to an expected negative balance of \$23,473,176.

Significant Revenue Variances

1. Actual real estate transfer taxes exceeded budgeted real estate transfer taxes by \$176,472 as a result of significant development activity and strong housing market. Additionally, Lodging Tax revenue exceeded budget by \$13,000.
2. Residential impact fee revenue came in under budget by \$667,338, but commercial impact fee revenue exceeded budget by \$2,548,429. Additionally, developer review fees exceeded budget by nearly \$100,000 and residential building permits exceeded budget by \$451,926 which are all strong indicators for future residential and commercial growth.
3. The Town received an additional \$480,000 in Federal Grant Revenue. The primary reasoning for the positive variance is due to the American Rescue Plan Act. These funds are being utilized for improvements to the Town's Wastewater Treatment Plant infrastructure.

Significant Expenditure Variances

1. Expenditures in operations and maintenance costs came in under budget in multiple departments. Although the Town maintained a conservative approach with forecasting material costs, recent infrastructure improvement projects and continued preventative maintenance efforts were a driving factor in this favorable variance.
2. Expenditures for personnel costs, primarily wages and healthcare, exceeded budget in various departments. This was impacted in the Town's initiatives focused on retainment and recruitment while trying to stay ahead of the current job market.

TOWN OF MIDDLETOWN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED JUNE 30, 2024

- The Town experienced increased wholesale power supply costs due to events out of our control. These increases resulted from the closing of the Indian River Power Plant. The Indian River Power plant, is a coal-fired plant and has become "uneconomic" for NRG (the operator of the plant) to operate due to environmental regulations and fines. PJM, the regional transmission organization, has notified Indian River that due to transmission reliability needs, the plant must run until an alternate solution can be completed.

Significant Change in Fund Balance

- Actual net change in fund balance ended the fiscal year equal to a negative balance of \$6,829,502 compared to an expected negative balance of \$23,473,176. This change is the result of an operating transfer of \$8,371,508 into the general fund from capital projects and proprietary funds. This number is reflected in the financial statements but is not specifically listed as a line item in the budget when adopted. It is therefore shown as a negative balance in the budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets: Capital assets which include land, buildings, building improvements, machinery and equipment, improvements other than buildings, construction in progress, and infrastructure assets are reported in the government-wide financial statements. The Town defines capital assets as assets with a minimum cost of \$5,000 and a useful life in excess of one year. Total investment in capital assets for governmental and business-type activities at year-end amounted to \$159,773,288 (net of accumulated depreciation and amortization), an increase of \$2,819,031 from the prior year. Total right to use leased and SBITA assets for governmental and business-type activities at year-end amounted to \$4,124,333.

Town of Middletown Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2023	2024	2023	2024	2023	2024
Capital assets not depreciated						
Land	\$ 11,043,839	\$ 11,053,818	\$ 6,646,237	\$ 6,646,237	\$ 17,690,076	\$ 17,700,055
Construction in progress	246,552	436,241	17,185,346	23,097,648	17,431,898	23,533,889
Total	<u>11,290,391</u>	<u>11,490,059</u>	<u>23,831,583</u>	<u>29,743,885</u>	<u>35,121,974</u>	<u>41,233,944</u>
Capital assets depreciated and amortized						
Buildings and improvements	36,569,717	37,570,815	1,058,390	1,103,004	37,628,107	38,673,819
Infrastructure	16,336,254	16,425,720	51,352,437	51,357,337	67,688,691	67,783,057
Furniture and fixtures	873,321	873,321	49,540	49,540	922,861	922,861
Improvements, other than buildings	-	-	87,266,341	87,266,341	87,266,341	87,266,341
Machinery and equipment	5,817,290	6,262,351	5,116,691	5,720,029	10,933,981	11,982,380
Leased assets	1,516,648	2,138,171	463,556	863,877	1,980,204	3,002,048
SBITA assets	948,419	1,122,285	-	-	948,419	1,122,285
Less: Accumulated depreciation and amortization	<u>(25,957,721)</u>	<u>(28,254,704)</u>	<u>(59,578,600)</u>	<u>(63,958,743)</u>	<u>(85,536,321)</u>	<u>(92,213,447)</u>
Total	<u>36,103,928</u>	<u>36,137,959</u>	<u>85,728,355</u>	<u>82,401,385</u>	<u>121,832,283</u>	<u>118,539,344</u>
Total Capital Assets, net	<u>\$ 47,394,319</u>	<u>\$ 47,628,018</u>	<u>\$ 109,559,938</u>	<u>\$ 112,145,270</u>	<u>\$ 156,954,257</u>	<u>\$ 159,773,288</u>

TOWN OF MIDDLETOWN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED JUNE 30, 2024

Significant differences in capital assets during fiscal year 2024 included the following:

1. Increase in construction in progress in 2024 was attributed to major sewer infrastructure projects.
2. Increase in buildings and improvements in 2024 in governmental activities was attributed to multiple road improvements.
3. Increase in machinery and equipment in 2024 in governmental activities was attributed to the purchases of a front end loader, and replacements to our police patrol fleet.

Outstanding Debt: In accordance with Section 17 of the Middletown Charter, the aggregate total indebtedness of the Town authorized and outstanding in no case shall exceed fifteen percent (15%) of the last assessed value of all real estate in said Town. Four percent (4%) of the total fifteen percent (15%) limit is permitted to be authorized simply by a resolution of the Mayor and Council. As of June 30, 2024, the total assessed value of all real estate was \$913,918,630. Given this value, the Town's total debt limit is equal to \$137,087,795. At the end of the current fiscal year, total outstanding debt that is subject to the Town's debt limit was \$43,420,210, while the total outstanding debt authorized by resolution was \$35,525,210. This results in the Town having \$90,940,899 of total remaining debt capacity, of which only \$304,419 can be authorized by resolution.

Town of Middletown Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2023	2024	2023	2024	2023	2024
General obligation bonds	\$ 14,625,000	\$ 13,660,000	\$ 20,865,000	\$ 19,895,000	\$ 35,490,000	\$ 33,555,000
Notes payable	636,076	507,529	1,546,833	1,721,851	2,182,909	2,229,380
Lease liabilities	789,521	1,291,198	272,778	570,729	1,062,299	1,861,927
SBITA liabilities	543,493	496,202	-	-	543,493	496,202
Total Outstanding Debt	\$ 16,594,090	\$ 15,954,929	\$ 22,684,611	\$ 22,187,580	\$ 39,278,701	\$ 38,142,509

The majority of outstanding debt is for the acquisition and construction of major capital facilities and infrastructure associated with growth and new development. This debt is paid for with impact fees and development fees in the capital developers' account that have been collected from all new construction. At the end of the current fiscal year, the Town balance in the capital developers' account was equal to \$24,443,615. Town management monitors the anticipated collection of impact fees for all planned growth and adjusts them as necessary to ensure sufficient funds are available to pay outstanding debt.

The Town is also permitted by Delaware Code to allow the Delaware Municipal Electric Corporation (DEMEC) to carry debt that will not be considered against the Town's borrowing limit, but will instead be considered as an operating expense paid with user rates. This financing arrangement is being used to fund the Town's second 138 kV transmission line and subsequent upgrades to their Industrial Drive substation.

In fiscal year 2024, the Town did not receive any changes to its credit ratings. The Town maintained an Aa3 rating from Moody's and AA- from Standard & Poor's.

TOWN OF MIDDLETOWN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED JUNE 30, 2024

ECONOMIC CONDITIONS AND FISCAL YEAR 2025 BUDGET AND RATES

During FY'24, the Town continued to have active residential development. Commercial development continued to return to levels comparable to years prior to the COVID-19 pandemic, although some supply chain limitations still exist. The Town expects the pace of development to continue into FY25, allowing the Town to remain an attractive place for residents and prospective employers. Commercial plans that have been approved include distribution centers, hotels, several restaurants and retail units (Target, Hobby Lobby and Sprouts). Additionally, Christiana Care plans to expand its medical campus in Middletown over the next few years. The Town is also receiving significant interest from large scale commercial and industrial clients for major land development projects. This development helps the Town improve its financial position as revenue from user rates increases from growth, with a relatively flat increase in corresponding operating expenses.

The approved fiscal year 2025 budget included total revenues equal to \$62,533,773 and total expenses equal to \$62,533,774. This balanced budget includes the use of \$6,133,004 of reserves.

The budget was approved with no increases to the current property tax rate of \$0.30/\$100 assessed value. The Town utilizes real estate assessments provided by New Castle County, based on 1983 assessed values. As of June 30, 2024, New Castle County is in the process of reassessment with an expected completion date of 2025-26 calendar years. As a result, the impact is unknown at this time. The Town will continue to monitor the process and does not expect any material impacts to future tax revenues until FY'26.

Nearly all of the Town's utility rates remained the same. The Town did approve some increases in customer charges for all users. These increases help the Town keep pace with the increase in operational expenses. Even with these increases, customers continue to be charged one of the lowest overall monthly bills in the state. In addition, the Town restructured its business license and building permit fee schedules to cover current costs.

The following items are highlights of the fiscal year 2025 budget:

1. The local fire company, Volunteer Hose, was given a donation of \$500,000 to assist with costs associated with the additional growth in the Town.
2. Significant capital expenditures for Municipal Services include over \$500,000 in road restoration and improvement projects. Our other significant capital expenditures include additional improvements to local parks, vehicle and equipment replacement, and multiple infrastructure projects. The Town plans to use State Revolving Funds loans to finance about \$8MM in water and wastewater infrastructure projects over the next few fiscal years.
3. The Town continues to utilize the \$12MM in ARPA funds to purchase materials and equipment for a \$26MM Wastewater Treatment Plant infrastructure improvement project. The Town expects this project to be completed and operational in FY'25. These improvements will allow the Town to process, treat and dispose of wastewater more efficiently, in addition to increasing the Town overall treatment capacity.
4. Funding for the overall capital budget will come from a combination of grants, municipal street aid, general fund cash and impact fees. The remaining project costs for the Wastewater Treatment Plant infrastructure improvements will be funded by the 2022 BAN proceeds.

TOWN OF MIDDLETOWN

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

YEAR ENDED JUNE 30, 2024

CONTACTING THE TOWN OF MIDDLETOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Town of Middletown's finances for all those with an interest in the government's finances. If you have any questions about this report or need additional financial information, please contact:

Tyler Reynolds
Finance Manager
Town of Middletown
19 West Green Street
Middletown, DE 19709
(302) 378-2711
TReynolds@Middletown.Delaware.Gov

TOWN OF MIDDLETOWN
STATEMENT OF NET POSITION
JUNE 30, 2024

	Governmental Activities	Business-Type Activities	Total
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 3,591,498	\$ 3,254,715	\$ 6,846,213
Investments	26,513,857	-	26,513,857
Receivables, net			
Property taxes	58,221	-	58,221
Customer	183,054	4,124,011	4,307,065
Other	58,113	391,862	449,975
Permits and inspections	137,179	-	137,179
Impact fees	2,789,008	-	2,789,008
Debt issuance proceeds	268,214	945,795	1,214,009
Restricted cash	2,745,835	-	2,745,835
Inventories	100,474	3,151,134	3,251,608
Prepaid expenses and other assets	273,604	-	273,604
Interest receivable, lease assets	2,076	-	2,076
Lease receivable	70,010	-	70,010
TOTAL CURRENT ASSETS	36,791,143	11,867,517	48,658,660
NONCURRENT ASSETS			
Lease receivable	503,294	-	503,294
Capital assets			
Land	11,053,818	6,646,237	17,700,055
Construction in progress	436,241	23,097,648	23,533,889
Capital assets being depreciated and amortized			
Buildings and improvements	37,570,815	1,103,004	38,673,819
Infrastructure	16,425,720	51,357,337	67,783,057
Furniture and fixtures	873,321	49,540	922,861
Machinery and equipment	6,262,351	5,720,029	11,982,380
Improvements, other than buildings	-	87,266,341	87,266,341
Right to use leased assets	2,138,171	863,877	3,002,048
Right to use SBITA assets	1,122,285	-	1,122,285
Less: accumulated depreciation	(27,045,869)	(63,736,959)	(90,782,828)
Less: leased assets accumulated amortization	(781,675)	(221,784)	(1,003,459)
Less: SBITA assets accumulated amortization	(427,160)	-	(427,160)
TOTAL CAPITAL ASSETS, net	47,628,018	112,145,270	159,773,288
TOTAL NONCURRENT ASSETS	48,131,312	112,145,270	160,276,582
TOTAL ASSETS	84,922,455	124,012,787	208,935,242
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows from regulatory asset	-	3,145,000	3,145,000
Deferred amount on refunding	-	591,025	591,025
Deferred outflows from pension	2,256,820	-	2,256,820
Deferred outflows from OPEB	4,391,147	1,079,993	5,471,140
TOTAL DEFERRED OUTFLOWS OF RESOURCES	6,647,967	4,816,018	11,463,985
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 91,570,422	\$ 128,828,805	\$ 220,399,227

See accompanying notes to the basic financial statements.

TOWN OF MIDDLETOWN
STATEMENT OF NET POSITION
JUNE 30, 2024

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	\$ 238,168	\$ 589,890	\$ 828,058
Accrued expenses	480,898	171,502	652,400
Customer deposits	-	795,902	795,902
Escrows payable	2,150,578	-	2,150,578
Interest payable, lease liabilities	3,540	1,481	5,021
Interest payable, SBITA liabilities	6,875	-	6,875
General obligation bonds payable	1,005,000	1,010,000	2,015,000
General obligation notes payable	-	96,058	96,058
Bond premium, net	234,352	95,769	330,121
Notes payable	113,781	109,353	223,134
Lease liabilities	399,325	150,968	550,293
SBITA liabilities	224,593	-	224,593
Compensated absences	1,062,251	259,290	1,321,541
Unearned revenue	1,675,540	-	1,675,540
TOTAL CURRENT LIABILITIES	7,594,901	3,280,213	10,875,114
NONCURRENT LIABILITIES			
General obligation bonds payable	12,655,000	18,885,000	31,540,000
General obligation notes payable	-	1,131,508	1,131,508
Bond premium, net	1,874,820	574,614	2,449,434
Notes payable	393,748	384,932	778,680
Lease liabilities	891,873	419,761	1,311,634
SBITA liabilities	271,609	-	271,609
Compensated absences	1,693,028	450,051	2,143,079
Net pension liability	445,442	-	445,442
Net OPEB liability	10,596,954	2,889,739	13,486,693
TOTAL NONCURRENT LIABILITIES	28,822,474	24,735,605	53,558,079
TOTAL LIABILITIES	36,417,375	28,015,818	64,433,193
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows from pension	361,000	-	361,000
Deferred inflows from OPEB	9,877,824	2,847,237	12,725,061
Deferred inflows from leases	542,930	-	542,930
TOTAL DEFERRED INFLOWS OF RESOURCES	10,781,754	2,847,237	13,628,991
NET POSITION			
Net investment in capital assets	30,068,573	89,287,307	119,355,880
Restricted for state accounts	2,745,835	-	2,745,835
Restricted for customers deposits	-	795,902	795,902
Restricted for electric feed	-	3,254,715	3,254,715
Unrestricted	11,556,885	4,627,826	16,184,711
TOTAL NET POSITION	44,371,293	97,965,750	142,337,043
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	\$ 91,570,422	\$ 128,828,805	\$ 220,399,227

See accompanying notes to the basic financial statements.

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TOWN OF MIDDLETOWN**STATEMENT OF ACTIVITIES****YEAR ENDED JUNE 30, 2024**

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and	Grants and
			Contributions	Contributions
FUNCTIONS/PROGRAMS				
Governmental activities				
General government	\$ 15,675,721	\$ 12,213,839	\$ 479,100	\$ 516,109
Public works	2,971,428	-	-	-
Public safety	8,154,607	-	61,445	21,418
Interest expense	402,651	-	-	-
TOTAL GOVERNMENTAL				
ACTIVITIES	<u>27,204,407</u>	<u>12,213,839</u>	<u>540,545</u>	<u>537,527</u>
Business-type activities				
Electric	28,930,252	37,972,555	-	-
Water	3,709,963	3,514,483	-	-
Wastewater	6,922,250	5,083,569	-	-
TOTAL BUSINESS-TYPE				
ACTIVITIES	<u>39,562,465</u>	<u>46,570,607</u>	<u>-</u>	<u>-</u>
TOTAL	<u>\$ 66,766,872</u>	<u>\$ 58,784,446</u>	<u>\$ 540,545</u>	<u>\$ 537,527</u>

GENERAL REVENUES

Gain from sales of assets

Capital contributed - developers

Other revenue reimbursement

Insurance recoveries

Miscellaneous

Lodging tax

Property taxes

Real estate transfer taxes

Investment return, net

TRANSFERS**TOTAL GENERAL REVENUES
AND TRANSFERS****CHANGE IN NET POSITION****NET POSITION AT BEGINNING OF YEAR****NET POSITION AT END OF YEAR***See accompanying notes to the basic financial statements*

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-Type Activities	Total
<hr/>		
\$ (2,466,673)	\$ -	\$ (2,466,673)
(2,971,428)	-	(2,971,428)
(8,071,744)	-	(8,071,744)
(402,651)	-	(402,651)
<hr/>		
(13,912,496)	-	(13,912,496)
<hr/>		
-	9,042,303	9,042,303
-	(195,480)	(195,480)
-	(1,838,681)	(1,838,681)
<hr/>		
-	7,008,142	7,008,142
<hr/>		
(13,912,496)	7,008,142	(6,904,354)
<hr/>		
50,041	26,117	76,158
-	1,370,791	1,370,791
12,442	63,332	75,774
-	884,427	884,427
391,601	188,139	579,740
238,205	-	238,205
2,355,765	-	2,355,765
2,696,472	-	2,696,472
1,536,154	111,655	1,647,809
3,721,617	(3,721,617)	-
<hr/>		
11,002,297	(1,077,156)	9,925,141
<hr/>		
(2,910,199)	5,930,986	3,020,787
<hr/>		
47,281,492	92,034,764	139,316,256
<hr/>		
\$ 44,371,293	\$ 97,965,750	\$ 142,337,043
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TOWN OF MIDDLETOWN**BALANCE SHEET****GOVERNMENTAL FUNDS****JUNE 30, 2024**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 3,561,291	\$ -	\$ 30,207	\$ 3,591,498
Investments	2,100,449	-	24,413,408	26,513,857
Receivables, net				
Property taxes	58,221	-	-	58,221
Customer	183,054	-	-	183,054
Other	58,113	-	-	58,113
Permits and inspections	116,329	-	20,850	137,179
Impact fees	-	-	2,789,008	2,789,008
Debt issuance proceeds	268,214	-	-	268,214
Restricted cash	1,637,731	1,108,104	-	2,745,835
Prepaid expenses and other assets	273,604	-	-	273,604
Interest receivable, lease assets	2,076	-	-	2,076
Lease receivable	573,304	-	-	573,304
Inventories	100,474	-	-	100,474
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 8,932,860</u>	<u>\$ 1,108,104</u>	<u>\$ 27,253,473</u>	<u>\$ 37,294,437</u>

See accompanying notes to the basic financial statements.

TOWN OF MIDDLETOWN**BALANCE SHEET****GOVERNMENTAL FUNDS****JUNE 30, 2024**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total</u>
LIABILITIES				
Accounts payable	\$ 238,168	\$ -	\$ -	\$ 238,168
Accrued expenses	480,898	-	-	480,898
Escrows payable	2,150,578	-	-	2,150,578
Unearned revenue	1,675,540	-	-	1,675,540
TOTAL LIABILITIES	<u>4,545,184</u>	<u>-</u>	<u>-</u>	<u>4,545,184</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows from leases	<u>542,930</u>	<u>-</u>	<u>-</u>	<u>542,930</u>
FUND BALANCES				
Unassigned	1,832,937	-	-	1,832,937
Nonspendable				
Inventories	100,474	-	-	100,474
Prepaid expenses	273,604	-	-	273,604
Assigned				
Capital projects and debt service	-	-	27,253,473	27,253,473
Restricted for				
State accounts	<u>1,637,731</u>	<u>1,108,104</u>	<u>-</u>	<u>2,745,835</u>
TOTAL FUND BALANCES	<u>3,844,746</u>	<u>1,108,104</u>	<u>27,253,473</u>	<u>32,206,323</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u>\$ 8,932,860</u>	<u>\$ 1,108,104</u>	<u>\$ 27,253,473</u>	<u>\$ 37,294,437</u>

See accompanying notes to the basic financial statements.

TOWN OF MIDDLETOWN

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET POSITION YEAR ENDED JUNE 30, 2024

TOTAL FUND BALANCES FOR GOVERNMENT
FUNDS (PAGE 21)

\$ 32,206,323

Capital assets, net used in governmental activities are not financial resources and, therefore, are not reported in the funds.

47,628,018

Deferred outflows of resources related to pension and unfunded other post employment obligation are not financial resources and, therefore, are not reported in the funds.

6,647,967

Deferred inflows of resources related to pension and unfunded other post employment obligation are not financial resources and, therefore, are not reported in the funds.

(10,238,824)

Bond premiums are not recorded as liabilities in the governmental funds; however, these items are capitalized and amortized in the government-wide financial statements.

(2,109,172)

Some liabilities are not due and payable in the current period and some assets are not available in current year and, therefore, are not reported in the funds. Those liabilities consist of:

General obligation bonds payable

(13,660,000)

Notes payable

(507,529)

Compensated absences

(2,755,279)

Net pension liability

(445,442)

Net OPEB liability

(10,596,954)

Lease liabilities

(1,291,198)

Interest payable - lease liabilities

(3,540)

SBITA liabilities

(496,202)

Interest payable - SBITA liabilities

(6,875)

TOTAL NET POSITION OF
GOVERNMENTAL ACTIVITIES
(PAGE 19)

\$ 44,371,293

See accompanying notes to the basic financial statements.

TOWN OF MIDDLETOWN
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2024

	General	Special Revenue	Capital Projects	Total
REVENUES				
Property taxes	\$ 2,355,765	\$ -	\$ -	\$ 2,355,765
Real estate transfer taxes	2,696,472	-	-	2,696,472
Lodging tax	238,205	-	-	238,205
Charges for services	558,618	-	-	558,618
Public safety fees and fines	61,445	-	-	61,445
Grants - Federal	482,705	-	-	482,705
Grants - Local	17,813	516,109	-	533,922
Rental income	134,610	-	-	134,610
Trash fees	2,595,335	-	-	2,595,335
Licenses and permits	1,233,363	-	701,928	1,935,291
Inspection fees	580,239	-	-	580,239
Developer review fees	179,488	-	-	179,488
Residential impact fees	-	-	3,257,662	3,257,662
Commercial impact fees	-	-	2,958,430	2,958,430
Investment return, net	308,302	-	1,227,852	1,536,154
Lease revenue	14,166	-	-	14,166
Miscellaneous	404,043	-	-	404,043
TOTAL REVENUES	11,860,569	516,109	8,145,872	20,522,550
EXPENDITURES				
Administrative	5,869,674	-	510,030	6,379,704
Municipal services	2,502,295	-	-	2,502,295
Public works	2,666,036	-	-	2,666,036
Public safety	7,240,478	-	-	7,240,478
Trash	2,354,484	-	-	2,354,484
Inspection	1,922,909	-	-	1,922,909
Capital outlay	3,360,513	-	-	3,360,513
Debt service				
Principal	1,868,260	-	-	1,868,260
Interest	640,339	-	-	640,339
TOTAL EXPENDITURES	28,424,988	-	510,030	28,935,018
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(16,564,419)	516,109	7,635,842	(8,412,468)
OTHER FINANCING SOURCES (USES)				
Proceeds from issuance of lease liabilities	1,010,043	-	-	1,010,043
Proceeds from issuance of SBITA liabilities	303,325	-	-	303,325
Proceeds from sale of assets	50,041	-	-	50,041
Operating transfers, net	8,371,508	(125,631)	(4,411,815)	3,834,062
TOTAL OTHER FINANCING SOURCES (USES)	9,734,917	(125,631)	(4,411,815)	5,197,471
NET CHANGE IN FUND BALANCES	(6,829,502)	390,478	3,224,027	(3,214,997)
FUND BALANCES AT BEGINNING OF YEAR	10,674,248	717,626	24,029,446	35,421,320
FUND BALANCES AT END OF YEAR	\$ 3,844,746	\$ 1,108,104	\$ 27,253,473	\$ 32,206,323

See accompanying notes to the basic financial statements.

TOWN OF MIDDLETOWN

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES JUNE 30, 2024

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL
FUNDS (PAGE 23)

\$ (3,214,997)

Governmental funds report capital outlays for depreciable assets, right to use lease assets, and SBITA assets as expenditures in governmental funds. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation/amortization expense.

Capital outlay - depreciable assets	2,047,145
Capital outlay - right to use lease assets	1,010,043
Capital outlay - SBITA assets	303,325
Depreciation expense - depreciable assets	(2,284,147)
Amortization expense - right to use assets	(407,640)
Amortization expense - SBITA assets	(322,581)
Various other transactions involving capital assets	6,778

The transfer of capital assets from governmental to business-type activities has no effect on the funds.

(112,445)

The issuance of long-term debt provides current financial resources to governmental funds which the repayment of principal of long-term debt consumes the current financial resources of governmental funds.

Bond premiums	234,352
Principal payments	1,093,547
Proceeds from leases	(926,475)
Principal payments on long-term lease liabilities	424,799
Proceeds from SBITA	(303,325)
Principal payments on long-term SBITA liabilities	350,615
Change in accrued interest payable	(3,444)

In the statement of activities, certain operating expenses - compensated absences, pension expense and other postemployment benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts actually paid).

Compensated absences	(500,177)
DPERS Police pension	(71,156)
OPEB	(234,416)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES
(PAGE 19)

\$ (2,910,199)

See accompanying notes to the basic financial statements.

TOWN OF MIDDLETOWN
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2024

	Electric	Water	Wastewater	Total
ASSETS				
CURRENT ASSETS				
Cash	\$ 3,254,715	\$ -	\$ -	\$ 3,254,715
Receivables, net				
Customer	3,384,035	299,357	440,619	4,124,011
Other	135,616	12,246	244,000	391,862
Debt issuance proceeds	543,761	112,214	289,820	945,795
Inventories	2,935,185	211,294	4,655	3,151,134
TOTAL CURRENT ASSETS	<u>10,253,312</u>	<u>635,111</u>	<u>979,094</u>	<u>11,867,517</u>
CAPITAL ASSETS				
Land	-	-	6,646,237	6,646,237
Construction in progress	291,976	145,504	22,660,168	23,097,648
Capital assets being depreciated and amortized:				
Buildings and improvements	420,232	461,288	221,484	1,103,004
Infrastructure	249,099	31,308,127	19,800,111	51,357,337
Furniture and fixtures	46,560	2,980	-	49,540
Machinery and equipment	1,988,724	286,317	3,444,988	5,720,029
Improvements, other than buildings	8,805,695	17,896,536	60,564,110	87,266,341
Right to use leased assets	297,603	455,862	110,412	863,877
Less: accumulated depreciation	(6,641,353)	(21,175,267)	(35,920,339)	(63,736,959)
Less: leased assets accumulated amortization	<u>(84,454)</u>	<u>(108,162)</u>	<u>(29,168)</u>	<u>(221,784)</u>
TOTAL CAPITAL ASSETS, net	<u>5,374,082</u>	<u>29,273,185</u>	<u>77,498,003</u>	<u>112,145,270</u>
TOTAL ASSETS	<u>15,627,394</u>	<u>29,908,296</u>	<u>78,477,097</u>	<u>124,012,787</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows from regulatory assets	3,145,000	-	-	3,145,000
Deferred amount on refunding	-	-	591,025	591,025
Deferred outflows from OPEB	<u>419,559</u>	<u>432,748</u>	<u>227,686</u>	<u>1,079,993</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>3,564,559</u>	<u>432,748</u>	<u>818,711</u>	<u>4,816,018</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 19,191,953</u>	<u>\$ 30,341,044</u>	<u>\$ 79,295,808</u>	<u>\$ 128,828,805</u>

See accompanying notes to the basic financial statements.

TOWN OF MIDDLETOWN
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2024

	Electric	Water	Wastewater	Total
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
CURRENT LIABILITIES				
Accounts payable	\$ 43,392	\$ 26,270	\$ 520,228	\$ 589,890
Accrued expenses	150,621	8,450	12,431	171,502
Customer deposits	795,902	-	-	795,902
Compensated absences	145,621	47,702	65,967	259,290
General obligation notes payable	-	96,058	-	96,058
General obligation bonds payable	-	-	1,010,000	1,010,000
Bond premium, net	-	-	95,769	95,769
Notes payable	80,938	-	28,415	109,353
Lease liabilities	55,312	76,720	18,936	150,968
TOTAL CURRENT LIABILITIES	1,272,276	256,025	1,751,912	3,280,213
NONCURRENT LIABILITIES				
General obligation notes payable	-	841,689	-	841,689
General obligation bonds payable	-	-	19,174,819	19,174,819
Bond premium, net	-	-	574,614	574,614
Notes payable	384,932	-	-	384,932
Lease liabilities	147,368	225,310	47,083	419,761
Net OPEB liability	1,403,259	836,679	649,801	2,889,739
Compensated absences	258,910	76,419	114,722	450,051
TOTAL NONCURRENT LIABILITIES	2,194,469	1,980,097	20,561,039	24,735,605
TOTAL LIABILITIES	3,466,745	2,236,122	22,312,951	28,015,818
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows from OPEB	1,751,665	606,684	488,888	2,847,237
NET POSITION				
Net investment in capital assets	4,705,532	28,033,408	56,548,367	89,287,307
Restricted for customers deposits	795,902	-	-	795,902
Restricted for electric feed	3,254,715	-	-	3,254,715
Unrestricted	5,217,394	(535,170)	(54,398)	4,627,826
TOTAL NET POSITION	13,973,543	27,498,238	56,493,969	97,965,750
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 19,191,953	\$ 30,341,044	\$ 79,295,808	\$ 128,828,805

See accompanying notes to the basic financial statements.

TOWN OF MIDDLETOWN
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2024

	Business Type Activities			Total
	Electric	Water	Wastewater	
OPERATING REVENUES				
Charges for services	\$ 37,972,555	\$ 3,514,483	\$ 5,083,569	\$ 46,570,607
Other revenue reimbursement	63,332	-	-	63,332
Insurance recoveries	-	-	884,427	884,427
Miscellaneous	176,501	11,008	630	188,139
TOTAL OPERATING REVENUES	<u>38,212,388</u>	<u>3,525,491</u>	<u>5,968,626</u>	<u>47,706,505</u>
OPERATING EXPENSES				
Current purchases	25,008,511	1,241,007	503,715	26,753,233
NCC sewer fees	-	-	27,732	27,732
Waste water management	-	-	934,002	934,002
Salaries and wages	1,379,064	445,412	693,002	2,517,478
Payroll taxes	97,003	31,347	49,209	177,559
Pension and benefits	303,312	112,797	178,177	594,286
Other employee benefits	(9,824)	11,936	15,364	17,476
Repairs and maintenance	535,846	233,840	461,782	1,231,468
Communications	19,745	7,426	10,482	37,653
Training, education and uniforms	57,026	12,853	17,970	87,849
Supplies and materials	26,778	15,987	364,660	407,425
Vehicle fuel and maintenance	69,458	17,646	31,161	118,265
Interest expense	24,416	33,180	856,217	913,813
Consulting fees	69,080	2,050	55,528	126,658
Miscellaneous	2,753	-	-	2,753
Bad debt (recovery)	28,575	909	5,245	34,729
Debt issuance costs	-	-	-	-
Depreciation	324,238	1,394,992	2,711,729	4,430,959
Amortization	49,330	61,637	103,292	214,259
TOTAL OPERATING EXPENSES	<u>27,985,311</u>	<u>3,623,019</u>	<u>7,019,267</u>	<u>38,627,597</u>
OPERATING INCOME (LOSS)	<u>10,227,077</u>	<u>(97,528)</u>	<u>(1,050,641)</u>	<u>9,078,908</u>
NONOPERATING REVENUES (EXPENSE)				
Bond premium amortization	-	-	95,769	95,769
Gain from sales of assets	18,917	7,200	-	26,117
Capital contributed - developers	1,256,655	114,136	-	1,370,791
Capital contributed - governmental activities	-	-	112,445	112,445
Investment income	111,655	-	-	111,655
New development expense	(944,941)	(85,696)	-	(1,030,637)
TOTAL NONOPERATING REVENUES (EXPENSE)	<u>442,286</u>	<u>35,640</u>	<u>208,214</u>	<u>686,140</u>
INCOME (LOSS) BEFORE TRANSFERS	10,669,363	(61,888)	(842,427)	9,765,048
OPERATING TRANSFERS, NET	<u>(8,246,524)</u>	<u>(892,540)</u>	<u>5,305,002</u>	<u>(3,834,062)</u>
CHANGE IN NET POSITION	2,422,839	(954,428)	4,462,575	5,930,986
NET POSITION AT BEGINNING OF YEAR	<u>11,550,704</u>	<u>28,452,666</u>	<u>52,031,394</u>	<u>92,034,764</u>
NET POSITION AT END OF YEAR	<u>\$ 13,973,543</u>	<u>\$ 27,498,238</u>	<u>\$ 56,493,969</u>	<u>\$ 97,965,750</u>

See accompanying notes to the basic financial statements.

TOWN OF MIDDLETOWN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2024

	Business Type Activities			Total
	Electric	Water	Wastewater	
CASH FLOWS FROM OPERATING ACTIVITIES				
Received from customers	\$ 37,141,211	\$ 3,469,655	\$ 5,609,373	\$ 46,220,239
Paid to suppliers for goods and services	(26,536,579)	(1,847,085)	(3,938,523)	(32,322,187)
Paid to employees for services	(1,371,263)	(432,057)	(681,060)	(2,484,380)
Other revenues	63,332	-	-	63,332
NET CASH PROVIDED BY OPERATING ACTIVITIES	9,296,701	1,190,513	989,790	11,477,004
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	111,655	-	-	111,655
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfer (to) from general fund	(8,246,524)	(892,540)	5,305,002	(3,834,062)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Payments to acquire, construct or improve capital assets	(890,563)	(300,514)	(5,653,454)	(6,844,531)
Gain from sales of assets	18,917	7,200	-	26,117
Proceeds from new debt	-	112,414	-	112,414
Repayments on leased assets	(46,061)	(52,213)	(17,778)	(116,052)
Payments from regulatory assets	123,333	-	-	123,333
New development expenses	(944,941)	(85,696)	-	(1,030,637)
Repayment on notes payable	(77,890)	-	(55,824)	(133,714)
Payment on bonds payable	-	(93,300)	(680,181)	(773,481)
Capital contributed - developers	1,256,655	114,136	-	1,370,791
Capital contributed - governmental activities	-	-	112,445	112,445
NET CASH FLOWS USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(560,550)	(297,973)	(6,294,792)	(7,153,315)
NET CHANGE IN CASH	601,282	-	-	601,282
CASH AT BEGINNING OF YEAR	2,653,433	-	-	2,653,433
CASH AT END OF YEAR	\$ 3,254,715	\$ -	\$ -	\$ 3,254,715

See accompanying notes to the basic financial statements.

TOWN OF MIDDLETOWN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2024

	Business Type Activities			
	Electric	Water	Wastewater	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 10,227,077	\$ (97,528)	\$ (1,050,641)	\$ 9,078,908
Adjustments to reconcile operating income (loss) to cash provided by operations				
Depreciation	324,238	1,394,992	2,711,729	4,430,959
Amortization	49,330	61,637	103,292	214,259
OPEB expense	(82,152)	(14,445)	(27,485)	(124,082)
(Increase) decrease in				
Receivables	(1,007,845)	(55,836)	(359,253)	(1,422,934)
Inventories	(243,402)	(104,421)	(631)	(348,454)
Increase (decrease) in				
Accounts payable	(105,928)	(22,185)	(427,413)	(555,526)
Accrued expenses	25,549	171	664	26,384
Interest payable, lease liability	172	328	101	601
Customer deposits	19,709	-	-	19,709
Compensated absences	89,953	27,800	39,427	157,180
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	<u>\$ 9,296,701</u>	<u>\$ 1,190,513</u>	<u>\$ 989,790</u>	<u>\$ 11,477,004</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Amortization of bond premium	\$ -	\$ -	\$ 95,769	\$ 95,769
Right to use lease assets	150,311	200,188	63,502	414,001

See accompanying notes to the basic financial statements.

TOWN OF MIDDLETOWN

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUND

JUNE 30, 2024

ASSETS

Cash and cash equivalents	\$ 298,345
Investments	<u>2,562,129</u>

TOTAL ASSETS	\$ <u>2,860,474</u>
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NET POSITION

Restricted for other postemployment benefits	\$ <u>2,860,474</u>
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TOTAL NET POSITION	\$ <u>2,860,474</u>
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See accompanying notes to the basic financial statements.

TOWN OF MIDDLETOWN

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUND

YEAR ENDED JUNE 30, 2024

ADDITIONS

Contributions	\$ 414,550
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Investment income:

Net increase in fair value of investments	181,310
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Dividends	83,691
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Investment expense	(8,234)
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TOTAL INVESTMENT INCOME	<u>256,767</u>
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TOTAL ADDITIONS	<u>671,317</u>
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CHANGE IN NET POSITION	671,317
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NET POSITION AT BEGINNING OF YEAR	<u>2,189,157</u>
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NET POSITION AT END OF YEAR	<u><u>\$ 2,860,474</u></u>
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See accompanying notes to the basic financial statements.

TOWN OF MIDDLETOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Town of Middletown ("Town") was granted the rights to exercise all expressed and implied powers and authority of local self-government and home rule under charter governed by the Delaware Constitution. The Town operates under a Mayor-Council form of government. The Town has no component units in its financial reporting entity.

Government-Wide Statements and Fund Financial Statements

The accounting policies of the Town conform to generally accepted accounting principles in the United States of America, including the government-wide financial statements and the fund financial statements.

The government-wide financial statements include the statement of net position and the statement of activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. These statements exclude fiduciary activities such as OPEB fund. Fiduciary fund financial statements are presented by fund type.

The statement of activities demonstrates the degree to which the direct expenses relate to a given function or segment and amount of related program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a function and grants and contributions that are restricted to meeting the operational or capital requirements of a specific function. Taxes and other items not reported as program revenues are reported as general revenues in the statement of activities.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-wide, proprietary fund, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue 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 satisfied. This is the same approach used in preparation of the fiduciary fund financial statements.

TOWN OF MIDDLETOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Town considers all revenues reported in the governmental funds to be available if revenues are collected within sixty days after year end. Property taxes, charges for services, permits, commercial impact fees and investment income associated with the current fiscal year are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town. Expenditures are recorded when the related fund liability is incurred (upon receipt of goods or services), except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures only when due.

The Town reports the following major funds:

General Fund

This fund is used to account for all financial transactions not accounted for in another fund. Revenues are derived principally from property taxes, real estate transfer taxes and trash collection fees. This fund accounts for the general administrative services of the Town not recorded elsewhere, including the activities of the following departments: municipal services, public safety, public works, trash, and inspections.

Capital Projects Fund

This fund is used to account for financial resources to be used for the acquisition or construction of capital facilities, infrastructure, other capital improvements, payment of debt service and payment of public service donations. Debt service is financed through this fund with receipts of certain impact fees, certain licenses and permits, capital contributed by developers and investment income.

Special Revenue - Municipal Street Aid Fund

This fund is used for street aid grants from State of Delaware and related street and infrastructure expenditures.

The Town reports the following major Proprietary Funds:

Proprietary Funds

These funds are used to report Town operations that provide services for electric, water and wastewater financed primarily by user charges, or activities where the period of measurement of net income is appropriate for capital maintenance, public policy and management control.

TOWN OF MIDDLETOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Town reports the following Fiduciary Fund:

Fiduciary Fund

This fund is used to account for assets held by the Town in a trustee capacity for other postemployment benefits.

Budgetary Information

The Mayor submits an annual budget to the Town Council in accordance with the Town Charter. The budget is presented to the Town Council for review. In July, the Town Council adopts the annual fiscal year budget for Town operating funds. The budgets for the operating, proprietary and capital project funds are prepared on the cash receipts and expenditures/encumbrances basis. Revenues are budgeted in the year receipt is expected; and expenditures are budgeted in the year that the applicable purchase orders are expected to be issued. The capital project fund budget is prepared to provide funding for general obligation debt service when liabilities are due for payment and for capital outlay and public service donations. The budgetary comparison schedules are reported on these bases.

Receivables and Allowance for Doubtful Accounts

Receivables includes property taxes, utilities, permits and licenses, impact fees and other miscellaneous receivables. The allowance for doubtful accounts for utilities and other miscellaneous receivables is determined by a review of historical collection trends and experience.

Property Taxes

Property taxes are levied on July 1 on the assessed value provided by New Castle County. Taxes are due and payable on or before September 30. Taxes paid after October 1 are delinquent and are subject to late payment penalties. The Town bills and collects its own property taxes. The Town property tax revenues are recognized when levied. The allowance for uncollectible delinquent taxes is based upon collection trends and experience.

Electric, Water, Wastewater and Trash Customer Charges

Customer charges are recorded when billed. An allowance for uncollectible accounts is recorded based on historical collection trends and experience.

Cash and Cash Equivalents

For the purposes of the proprietary funds statement of cash flows, investments with a maturity of three months or less when purchased are considered to be cash equivalents.

TOWN OF MIDDLETOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Lease Receivable

Lease receivable is measured at the present value of the lease payments expected to be received during the lease term. Under the lease agreement, Town may receive variable lease payments that are dependent on certain factors. The variable payments are recorded as an inflow of resources in the period the payment is received.

Restricted Assets

Certain cash accounts are classified as restricted cash in the statement of net position and balance sheet. These funds are required by third parties to be deposited into separate accounts.

Inventories and Prepaids

Inventories are recorded at cost using a weighted moving average method of valuation. The costs are subsequently charged to expenditures when consumed. Inventories consist of supplies, materials, electrical equipment and plant maintenance items. Prepaid items are for certain payments to vendors which reflect cost applicable to future accounting periods.

Investments

The Town has adopted GASB Statements No. 31, Accounting and Financial Reporting for Certain Investments and for External Investments Pools, No. 72, Fair Value Measurement and Application and No. 79, Certain External Investment Pools and Pool Participants. In accordance with these Statements, investments in marketable securities with readily determinable fair value, asset backed securities, corporate bonds, common stocks, equities, and real estate investment trusts are reported at their fair values. Certificates of deposit are stated at cost plus interest earned, which approximates fair value.

Capital Assets

Capital assets which include land, buildings, building improvements, machinery and equipment, improvements other than buildings, infrastructure assets, right to use leased assets, and right to use SBITA assets are reported in the government-wide financial statements. The Town has defined capital assets as assets with a minimum unit cost of \$5,000 and a useful life in excess of one year. Capital assets are recorded at cost or estimated historical cost. Major outlays for capital assets and improvements are capitalized as projects are constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Normal maintenance and repair costs that do not materially add to the value or extend the life of the Town's capital assets are not capitalized. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are removed from the accounting records and any resulting gain or loss is included in the results of operations.

The total interest expense subject to capitalization incurred by the Town during the current fiscal year was immaterial.

TOWN OF MIDDLETOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets as follows:

Buildings and improvements	20-40 years
Furniture and fixtures	5-10 years
Machinery and equipment	5-10 years
Improvements, other than buildings	10-50 years
Infrastructure	50 years

Right to Use Leased Assets

The Town has recorded right to use lease assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the leased asset into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

Subscription Assets

The Town has recorded right to use subscription assets as a result of implementing GASB 96. The right to use assets are initially measured at an amount equal to the initial measurement of the related liability plus any payments made prior to the term, less incentives, and plus ancillary charges necessary to place the asset into service. The right to use assets are amortized on a straight-line basis over the life of the subscription.

Interfund Transactions

During the course of normal operations, the Town has numerous transactions between the funds. Interfund transactions are classified as other financing services and uses in the governmental funds and as operating transfers, net in the statement of revenue and expenses below operating income in the proprietary funds.

Long-Term Debt Obligations

The Town's government-wide and proprietary fund financial statements, long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts, as well as the deferred amount on refunding are deferred and amortized over the life of the bonds.

TOWN OF MIDDLETOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Lease and SBITA Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Long-term lease liabilities and SBITA liabilities are shown net of the interest portion and are based on the net present value of future minimum lease payments. The interest portion is determined using either an implicit or estimated discount rate, depending on the lease or subscription.

In the fund financial statements, an amount equal to the lease or SBITA liability is reported as other financing sources with an equal amount reported as a capital outlay in the year of lease or SBITA inception.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has four items that qualify for reporting in this category:

- The deferred outflows from regulatory asset. This amount relates to the amortization of an advance payment to Delaware Municipal Electric Corporation (DEMEC). See detail in ***Regulatory Deferrals*** section on page 39.
- The deferred amount on refunding reported in the government-wide statement of net position. A deferred amount on refunding results from the difference in the carrying value of refunded debt and its reacquisition prices. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- The deferred outflow of resources for pension activities is reported in the government-wide statement of net position and the proprietary fund statement of net position. The deferred outflow related to pension activity is the result of contributions subsequent to the measurement date, net difference between projected and actual earnings on plan investments, changes in proportion, changes in assumptions, and experience loss.
- The deferred outflow of resources related to OPEB activities is the result of changes in assumptions.

TOWN OF MIDDLETOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has three items that qualify for reporting in this category:

- The deferred inflows of resources for pension is the result of the changes in assumptions, change in proportion and experience loss.
- The deferred inflows of resources for OPEB is the result of the net difference between projected and actual earnings on plan investments.
- The deferred inflows of resources for lease is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the life of the related lease.

Compensated Absences

The Town's Personnel Policy permits employees to accumulate unused vacation time, which is capped at the employee's current annual allowance. Upon termination, the Town pays all accumulated unused vacation time. In addition, the Town allows employees to accumulate unlimited unused sick leave. Upon termination, the Town pays up to one-half of the hours accumulated for sick leave to a maximum of 90 days. The portion of the vacation and sick time that is estimated to be used in next fiscal year is recorded as a current liability in the government-wide financial statements.

As of June 30, 2024, the total current and noncurrent liability for accrued vacation and sick leave amounted to \$3,464,620, of which \$709,341 was applicable to the Proprietary Funds.

Operating and Non-Operating Revenues

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Electric, Water and Wastewater funds are charges to customers for sales and services. The Electric, Water and Wastewater funds recognize as non-operating revenues and expenses not meeting the above criteria are reported as non-operating revenues and expenses.

Program Revenues

Amounts reported as program revenues include charges to customers for goods, services or privileges provided, and operating grants and contributions. General revenues include all taxes and investment earnings.

TOWN OF MIDDLETOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Regulatory Deferrals

In 2019, the Mayor & Council adopted regulatory accounting as provided in GASB Statement No. 62 Paragraphs 476-500 – Regulated Operations, which results in differences between the recognition of revenues and expenses for rate-regulated companies. In March 2017, the Town entered into a Project Purchase Agreement (the “Project”) with DEMEC relating the acquisition, development, construction and equipping of a new 138 kV transmission line running from Delmarva Power & Light’s Townsend Substation to the Middletown Substation and associated improvement to the existing Middletown Substation located in Middletown Delaware. During fiscal year ended June 30, 2019 the Town made an advance payment to DEMEC related to the Project which is being report as a deferred outflow of resources. This deferral will be amortized beginning on January 1, 2020 when DEMEC enters permanent financing for the Project. DEMEC intends to issue Bonds and/or Bond anticipation notes to finance the cost of the Project. During the year June 30, 2024, the Town also made payments to DEMEC totaling \$968,623 which under the Project constituted purchase of electric power and energy, and advanced payments of metering infrastructure, and were included in current purchases in Proprietary statement of revenues and expenses.

Applicability of Optional Guidance

The Town applies both the government-wide and proprietary fund financial statements, Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in the Pre-November 30, 1989 FASB and AICPA Pronouncements*, unless they conflict with or contradict GASB pronouncements.

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. Accordingly, actual results could differ from those estimates.

NOTE B - DEPOSITS AND INVESTMENTS

Deposits: The Town's cash and equivalents are cash on hand, deposits and short-term investments with maturities under three months. The carrying amount of the cash deposits and cash on hand is \$9,890,393 in the various funds. The bank balances are \$10,383,098 as of June 30, 2024. The restricted cash balances on hand and per the bank are \$2,745,835. Of the bank balances, \$403,153 was covered by Federal Deposit Insurance. The remaining cash balances \$9,979,945 are uncollateralized and uninsured.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a depository financial institution failure, the Town’s deposits or investments may not be returned. The Town carries deposits that are fully insured by FDIC insurance or collateralized, and deposits that are not collateralized and are uninsured. All of the Town’s investments are held by third parties in the Town’s name.

TOWN OF MIDDLETOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

NOTE B - DEPOSITS AND INVESTMENTS (Continued)

Investments: The Town's investment policy authorizes investments in the following:

(1) United States Treasury obligations which carry the full faith and credit guarantee of the United States government; (2) U.S. government obligations that have a liquid market; (3) Canadian government obligations; (4) Certificates of deposit, Banker's acceptances rated B or better; (5) commercial paper rated highest tier; (6) Investment-grade obligations of state, provincial and local government and public authorities; (7) Repurchase agreements whose underlying purchased securities are limited to six aforementioned instruments; (8) Money market mutual funds regulated by the SEC; (9) local government investment pools; (10) Corporate debt instruments; (11) Mutual funds or other pooled funds regulated by the SEC consisting of corporate debt instruments and (12) Mutual funds or other pooled funds regulated by the SEC consisting of equity securities. The policy requires that no more than ten percent (10%) of the overall portfolio may be invested in securities of a single issuer, except for securities of the U.S. Treasury. No more than twenty-five percent (25%) of the overall portfolio may be invested in managed pools of equities. No more than fifty percent (50%) of the portfolio may be invested in each of the following categories: (a) commercial paper, (b) negotiable certificates of deposits, (c) banker's acceptances and (d) any other obligation that does not bear the full faith and credit of the U.S. government or which is not fully collateralized or insured. All current investment holdings met the investment criteria at the time of purchase. Certain securities may no longer meet investment criteria as a result of rating downgrades that occurred after the initial investment dates. The investment policy has no provision for the automatic divestment of securities that no longer meet criteria. Investment holdings are actively managed in an effort to preserve the principal balance and minimize the risk of financial loss to the Town.

Credit Risk: The Town of Middletown will minimize credit risk by: (1) limiting investments to the types of securities listed in Section VI of this Investment policy; (2) pre-qualifying the financial institutions, broker/dealers, intermediaries and advisers with which the Town of Middletown will do business; and (3) diversifying the investment portfolio.

Interest Rate Risk: The Town manages its exposure to interest rate risk through active investment management, asset allocation, and conservative management of asset duration.

Concentration of Credit Risk: As of June 30, 2024, no fund exceeded 5% of total investments.

Risk and Uncertainty: The Town invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statement of financial position.

TOWN OF MIDDLETOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

NOTE B - DEPOSITS AND INVESTMENTS (Continued)

Fair Value of Financial Investments: Governmental Financial Accounting Standards Board (GASB) Accounting Standards Codification (ASC) Topic 820, Fair Value Measurements and Disclosures, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC Topic 820 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Town has the ability to access.

Level 2 - Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. The town had no level 3 investments as of June 30, 2024.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

TOWN OF MIDDLETOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

NOTE B - DEPOSITS AND INVESTMENTS (Continued)

Investments in certain fixed income securities and corporate bonds are classified as Level 2. Fair values of the assets are largely provided by investment custodians.

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
<i>Governmental</i>				
Fixed income investments				
Asset back securities	\$ 4,542,403	\$ -	\$ 4,542,403	\$ -
Corporate bonds	18,277,304	-	18,277,304	-
U.S. Treasury bills	1,688,428	-	1,688,428	-
Total fixed income investments	24,508,135	-	24,508,135	-
Certificates of deposit	2,005,722	-	2,005,722	-
Total investments at fair value	<u>\$ 26,513,857</u>	<u>\$ -</u>	<u>\$ 26,513,857</u>	<u>\$ -</u>
<i>Fiduciary</i>				
Common stocks	\$ 876,215	\$ 876,215	\$ -	\$ -
Exchange-traded products	56,505	56,505	-	-
Mutual fund - equities	1,629,409	1,629,409	-	-
Total investments at fair value	<u>\$ 2,562,129</u>	<u>\$ 2,562,129</u>	<u>\$ -</u>	<u>\$ -</u>

The maturity of the fixed income portion and certificates of deposit is as follows:

	Fair Value/ Carrying Amount	Investment Maturities (in years)			
		Less Than 1	1-5	6-10	More Than 10
Fixed income investments	\$ 24,508,135	\$ -	\$ 13,829,224	\$ 6,598,228	\$ 4,080,683
Certificates of deposit	2,005,722	873,842	1,047,533	84,347	-
Total investments	<u>\$ 26,513,857</u>	<u>\$ 873,842</u>	<u>\$ 14,876,757</u>	<u>\$ 6,682,575</u>	<u>\$ 4,080,683</u>

TOWN OF MIDDLETOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

NOTE C - RECEIVABLES

Receivables, net of applicable allowances for uncollectible accounts as of June 30, 2024 consisted of the following:

	Governmental Activities	Business-Type Activities
	<u> </u>	<u> </u>
Receivables, net		
Property taxes	\$ 58,221	\$ -
Utility billings		
Trash	183,054	-
Electric	-	3,384,035
Water	-	299,357
Wastewater	-	440,619
Developers and miscellaneous	58,113	391,862
Permits and inspections	137,179	-
Impact fees	2,789,008	-
Debt issuance proceeds	268,214	945,795
	<u> </u>	<u> </u>
Receivables, net	<u>\$ 3,493,789</u>	<u>\$ 5,461,668</u>

Amounts above are net of allowances for governmental of \$42,203 and for business-type of \$115,828.

NOTE D - LEASE RECEIVABLES

The Town is lessor in several leases for space on its water tower. The space is utilized by cellular service carriers for the placement of cellular service antennae. Under the leases, the providers pay the Town amounts starting at \$1,000 per month increasing each year by a predetermined amount. The leases expire on various dates starting in 2025 through 2032. The lease receivable is measured as the present value of the future minimum rent payments expected to be received during the lease terms at a discount rate ranging from 2.40% to 4.00%, which is the rate the Town determined to charge the lessee.

For the year ended June 30, 2024, the Town recognized \$78,202 of lease revenue and \$26,364 of interest revenue under the leases.

TOWN OF MIDDLETOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

NOTE D - LEASE RECEIVABLES (Continued)

The future lease receivables at June 30, 2024, were as follows:

Year Ending June 30,	Principal	Interest	Totals
2025	\$ 70,010	\$ 24,199	\$ 94,209
2026	43,630	22,119	65,749
2027	23,491	21,222	44,713
2028	24,167	20,546	44,713
2029	30,088	19,632	49,720
2030-2034	165,736	81,042	246,778
2035-2039	95,128	52,757	147,885
2040-2044	121,054	16,094	137,148
	<u>\$ 573,304</u>	<u>\$ 257,611</u>	<u>\$ 830,915</u>

NOTE E - INTERFUND TRANSFERS

The composition of interfund transfers during the fiscal year ended June 30, 2024 are as follows:

Transfer To	Amount	Transfer From	Amount
General Fund	\$ 8,371,508	General Fund	\$ -
Electric Fund	-	Electric Fund	8,246,524
Water Fund	-	Water Fund	892,540
Sewer Fund	5,305,002	Sewer Fund	-
Capital Projects Fund	-	Capital Projects Fund	4,411,815
Special Revenue (MSAF)	-	Special Revenue (MSAF)	125,631
	<u>\$ 13,676,510</u>		<u>\$ 13,676,510</u>

During the year several interfund transactions occur between the various funds. Funds transferred out of the general fund were primarily to fund capital outlay and debt service. The business-type funds do not maintain their own checking accounts, so as revenues are received from business-type activities and expenditures are incurred, interfund transfers are made to/from general funds.

TOWN OF MIDDLETOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

NOTE F - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2024 was as follows:

	Beginning Balances	Increases/ Adjustments	Decreases/ Adjustments	Ending Balances
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 11,043,839	\$ 9,979	\$ -	\$ 11,053,818
Construction in progress	246,552	302,134	(112,445) *	436,241
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	11,290,391	312,113	(112,445)	11,490,059
Capital assets being depreciated and amortized				
Buildings and improvements	36,569,717	1,001,098	-	37,570,815
Infrastructure	16,336,254	89,466	-	16,425,720
Furniture and fixtures	873,321	-	-	873,321
Machinery and equipment	5,817,290	644,467	(199,406)	6,262,351
Leased assets	1,516,648	1,010,043	(388,520)	2,138,171
SBITA assets	948,419	303,325	(129,459)	1,122,285
TOTAL CAPITAL ASSETS BEING DEPRECIATED AND AMORTIZED	62,061,649	3,048,399	(717,385)	64,392,663
Accumulated depreciation and amortization				
Buildings and improvements	(9,125,520)	(1,454,241)	-	(10,579,761)
Infrastructure	(7,662,632)	(372,097)	-	(8,034,729)
Furniture and fixtures	(82,658)	(97)	-	(82,755)
Machinery and equipment	(8,090,319)	(457,711)	199,406	(8,348,624)
Leased assets	(762,555)	(407,640)	388,520	(781,675)
SBITA assets	(234,037)	(322,582)	129,459	(427,160)
TOTAL ACCUMULATED DEPRECIATION AND AMORTIZATION	(25,957,721)	(3,014,368)	717,385	(28,254,704)
TOTAL CAPITAL ASSETS, BEING DEPRECIATED AND AMORTIZED, NET	36,103,928	34,031	-	36,137,959
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	\$ 47,394,319	\$ 346,144	\$ (112,445)	\$ 47,628,018

TOWN OF MIDDLETOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

NOTE F - CAPITAL ASSETS (Continued)

	Beginning Balances	Increases/ Adjustments	Decreases/ Adjustments	Ending Balances
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated				
Land	\$ 6,646,237	\$ -	\$ -	\$ 6,646,237
Construction in progress	17,185,346	5,912,302 *	-	23,097,648
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	23,831,583	5,912,302	-	29,743,885
Capital assets, depreciated and amortized				
Buildings and improvements	1,058,390	44,614	-	1,103,004
Infrastructure	51,352,437	13,513	(8,613)	51,357,337
Furniture and fixtures	49,540	-	-	49,540
Improvements, other than buildings	87,266,341	-	-	87,266,341
Machinery and equipment	5,116,691	698,323	(94,985)	5,720,029
Leased assets	463,556	477,367	(77,046)	863,877
TOTAL CAPITAL ASSETS, BEING DEPRECIATED AND AMORTIZED	145,306,955	1,233,817	(180,644)	146,360,128
Accumulated depreciation and amortization				
Buildings and improvements	(802,155)	(33,770)	-	(835,925)
Infrastructure	(16,474,272)	(1,468,103)	8,613	(17,933,762)
Furniture and fixtures	(41,607)	(2,328)	-	(43,935)
Improvements, other than buildings	(39,149,041)	(2,593,599)	-	(41,742,640)
Machinery and equipment	(2,942,522)	(333,160)	94,985	(3,180,697)
Leased assets	(169,003)	(129,827)	77,046	(221,784)
TOTAL ACCUMULATED DEPRECIATION AND AMORTIZATION	(59,578,600)	(4,560,787)	180,644	(63,958,743)
TOTAL CAPITAL ASSETS, BEING DEPRECIATED AND AMORTIZED, NET	85,728,355	(3,326,970)	-	82,401,385
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS, NET	\$ 109,559,938	\$ 2,585,332	\$ -	\$ 112,145,270

*During the year ended June 30, 2024, the Town transferred \$112,445 of CIP assets from governmental activities to the Wastewater Fund.

TOWN OF MIDDLETOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

NOTE F - CAPITAL ASSETS (Continued)

Depreciation and amortization expense for the year ended June 30, 2024 was charged to functions as follows:

GOVERNMENTAL ACTIVITIES

General government	\$ 605,119
Municipal services	1,675,198
Public works	146,952
Public safety	513,001
Inspection	<u>74,098</u>

TOTAL DEPRECIATION/AMORTIZATION EXPENSE - GOVERNMENTAL	<u><u>\$ 3,014,368</u></u>
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BUSINESS-TYPE ACTIVITIES

Electric	\$ 373,569
Water	1,456,629
Wastewater	<u>2,730,589</u>

TOTAL DEPRECIATION/AMORTIZATION EXPENSE - BUSINESS-TYPE ACTIVITIES	<u><u>\$ 4,560,787</u></u>
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NOTE G - SUBSCRIPTION ASSETS

The Town has recorded a right to use subscription-based information technology arrangement (SBITA) assets for various learning curriculums, technology support, and system-based software. The right to use SBITA assets are amortized on a straight-line basis over the life of the related SBITAs. Right to use asset SBITA activity for the year ended June 30, 2024 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
RIGHT OF USE SBITA ASSETS BEING AMORTIZED				
SBTIA assets	\$ 948,419	\$ 303,325	\$ (129,459)	\$ 1,122,285
Accumulated amortization	<u>(234,037)</u>	<u>(322,582)</u>	<u>129,459</u>	<u>(427,160)</u>
RIGHT OF USE SBITA ASSETS, net	<u><u>\$ 714,382</u></u>	<u><u>\$ (19,257)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 695,125</u></u>

Total amortization expense related to the SBITA assets for the year ended June 30, 2024 was \$322,582.

TOWN OF MIDDLETOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

NOTE H - RIGHT TO USE ASSETS

The Town has recorded right to use leased assets for vehicles. The right to use leased assets are amortized on a straight-line basis over the life of the related leases. Right to use asset activity for the year ended June 30, 2024 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
GOVERNMENTAL ACTIVITIES				
RIGHT TO USE ASSETS BEING AMORTIZED				
Machinery and equipment	\$ 1,516,648	\$ 1,010,043	\$ (388,520)	\$ 2,138,171
Accumulated amortization	<u>(762,555)</u>	<u>(407,640)</u>	<u>388,520</u>	<u>(781,675)</u>
RIGHT TO USE ASSETS, net	<u>\$ 754,093</u>	<u>\$ 602,403</u>	<u>\$ -</u>	<u>\$ 1,356,496</u>
BUSINESS-TYPE ACTIVITIES				
RIGHT TO USE ASSETS BEING AMORTIZED				
Machinery and equipment	\$ 463,556	\$ 477,367	\$ (77,046)	\$ 863,877
Accumulated amortization	<u>(169,003)</u>	<u>(129,827)</u>	<u>77,046</u>	<u>(221,784)</u>
RIGHT TO USE ASSETS, net	<u>\$ 294,553</u>	<u>\$ 347,540</u>	<u>\$ -</u>	<u>\$ 642,093</u>

The Town reported \$407,640 and \$129,827 of amortization expense for governmental activities and business-type activities for the year ended June 30, 2024, respectively.

TOWN OF MIDDLETOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

NOTE I - CONSTRUCTION COMMITMENTS

In February 2004, the Town entered into a tri-party agreement with the Delaware Department of Transportation (DelDOT) and private developers to coordinate the design and construction of traffic improvements required for a master planned area known as Westown. The Town is administering separate accounts to make payments for contractors and design professionals pursuant to recoupment agreements between the Town, DelDOT and each developer in Westown. As of June 30, 2024, the Town of Middletown continues to collect recoupment fees for DelDOT pursuant to new and existing agreements. DelDOT continues to monitor traffic in Westown to ensure necessary traffic improvements remain ahead of development.

In June 2008, the Town, the Delaware Department of Transportation (DelDOT) and McCormick Taylor, Inc. agreed in principle to a Transportation Infrastructure Development Agreement and a Transportation Design Services Agreement. The agreements provide for coordination between the parties related to traffic improvements for planned development along the east Rt. 299 corridor. Specifically, the widening of Rt. 299 from SR1 to Catherine Street. The Town expects to incur \$1,122,000 in total expenditures related to the project. Property developers will reimburse these expenditures proportionately based on the type of development. Through June 30, 2024, the Town expended \$1,121,911 in design costs, \$100,000 of which was reimbursed during years 2008 and 2009. The widening project is currently included in the Delaware Department of Transportation FY 2019-FY 2024 Capital Transportation Program. DelDOT began construction during calendar year 2021. The project is expected to be completed in FY'24. The original plan was to fund the improvements through a transportation improvement district (TID) that would collect a percentage of the funds from developers along the corridor through recoupment agreements. DelDOT has decided to fund the widening improvements along Rt. 299 from SR1 to Catherine Street with a combination of State and Federal funds. Given this, the Town and DelDOT decided to create a traffic improvement district that would fund additional transportation improvements in the corridor beyond the widening of Rt. 299. In January of 2019, the Town of Middletown and DelDOT executed an agreement that formally created the Eastown Transportation Improvement District (TID).

In April 2009, the Town of Odessa entered into an agreement with the Town of Middletown for the purchase of up to 100,000 gallons per day of permanent wastewater capacity and treatment and disposal. The 100,000 gallons per day comes out of the capacity the Town of Middletown has available from New Castle County at the MOT Farm 1 wastewater treatment facility. The Town of Odessa will pay the Town of Middletown connections fees for each user and on-going sewer service charges for treatment and disposal equal to the fees charged to the Town of Middletown by New Castle County. As of June 30, 2024, no fees have been collected.

TOWN OF MIDDLETOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

NOTE I - CONSTRUCTION COMMITMENTS (Continued)

In June 2009, the Town entered into an agreement with New Castle County to allow the purchase of up to 1,500,000 gallons per day of wastewater capacity and treatment and disposal at specified rate schedules. The Town received \$0 of sewer service charges for treatment and disposal in fiscal year 2024 from New Castle County. During fiscal year 2024, no additional sewer capacity was purchased as a result of New Castle County's decision to re-route sewer to an existing County owned facility. Despite the County re-routing its sewer, this agreement is still valid moving forward. In June 2009, the Town executed an amendment to the 1996 agreement with New Castle County concerning the Water Farm 1 Wastewater Treatment Plant. The Town agreed to sell New Castle County up to 275,000 gallons per day of wastewater capacity and treatment and disposal at specified rate schedules. No transactions pursuant to the amendment have taken place as of June 30, 2024.

In April 2012, the Town of Middletown entered into an agreement with Reybold Venture Group XII, LLC for the payment of \$400,000 to the Town of Middletown to cover the partial reimbursement of the costs expended by the Town in constructing the Middletown Lift Station (aka Villagebrook Lift Station) for the proposed community of the Highlands. Reimbursement to the Town will come in the form of a per lot fee payable upon the issuance of the Certificate of Occupancy for each lot. As of June 30, 2024, no units have been constructed in the Highlands.

During fiscal year 2022 the Town began a project to upgrade the existing wastewater lagoon treatment system to an activated sludge treatment process based on Sequencing Batch Reactor (SBR) technology. The process will achieve an effluent water quality which meets the requirements for discharge on unlimited public access sites as well as PSNI and PSPI standards. This project will increase the treatment capacity of the Town's Industrial Drive Wastewater Treatment Plant from 2.5MGD to 3.75MGD. The total estimated project budget is \$26 million. The Town is using a combination of ARPA SLFRF funds of \$12 million and proceeds from a General Obligation Bond Anticipation Note. The project is expected to be completed in 2025.

In May 2024, the Town was awarded funding through the Delaware Drinking Water State Revolving Fund to make improvements to the Northeast quadrant water system and to improve the North Broad Street water system. Additionally, The Town was awarded funding for three projects through the Delaware Water Pollution Control Revolving Fund. These projects are for the construction of additional rapid infiltration basins on the Von Croy Farm, the elimination of septic in the Northwest region and improvements to the Northeast quadrant sanitary sewer system.

TOWN OF MIDDLETOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

NOTE J - LONG-TERM DEBT

Bonds and Notes Payable at June 30, 2024 consisted of:

On April 29, 2011, the Town obtained a term loan from the Delaware Drinking Water State Revolving Loan Fund (DWSRF) 2053 in the amount of \$1,093,000. The purpose of this note is to upgrade water system projects. The note is semi-annual principal and interest payment in the amount of \$43,420, matures on November 1, 2031.

On March 30, 2012, the Town obtained a term loan from the Delaware Drinking Water State Revolving Loan Fund (DWSRF) 2063 in the amount of \$455,711. The purpose of this note is to upgrade water system projects. The note is semi-annual principal and interest payment in the amount of \$16,323, matures on October 1, 2032.

On March 1, 2016, the Town issued General Obligation Bond Series of 2016. The purpose of this issue is to refund the outstanding principal of the General Obligation Bond Series 2016. The bond has an original principal amount of \$15,260,000, matures on January 15, 2031.

On December 28, 2017, Town entered a Master Equipment Lease – Purchase Agreement with PNC Bank in the amount of \$368,502. The purpose of this note is to finance various vehicle leases. The note is payable in monthly installments totaling of \$4,767 with interest through December 27, 2024.

On January 17, 2020, the Town entered a Master Equipment Lease – Purchase Agreement with PNC Bank in the amount of \$235,000. The purpose of this note is to finance various vehicle leases. The note is payable in monthly installments totaling of \$4,202 with interest through January 17, 2025.

On July 8, 2020, the Town issued \$15,840,000 in General Obligation Refunding Bonds, Series 2020. The proceeds derived by the Town from the issuance and sale of the bonds, along with related issuance premiums will be used to provide the Town with the funds required to refund a portion of the Town's outstanding General Obligation Bonds, Series 2010A, refund all of the Town's outstanding General Obligation Bonds, Series 2010B, and pay all or a portion of the costs and expenses incurred by the Town in connection with the issuance and sale of the Bonds. The bonds mature on October 1, 2033.

On November 30, 2022, the Town entered a Master Equipment Lease – Purchase Agreement with Santander Bank in the amount of \$1,100,000. The purpose of this note is to finance various vehicle and equipment leases. The note is payable in yearly installments of principal due November 1 and interest due April 1 through November 1, 2029.

TOWN OF MIDDLETOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

NOTE J - LONG-TERM DEBT (Continued)

On November 30, 2022, the Town issued \$12,000,000 in a General Obligation Bond Anticipation Note, Series 2022. The proceeds derived by the Town from the issuance and sale of the bonds, along with related issuance premiums will be used to finance upgrades to the Town's wastewater treatment plant. The Bonds mature in November 2034.

On May 3, 2024, the Town issued \$2,863,400 in a General Obligation Bond, Series 2024A WPCRF. The proceeds derived by the Town from the issuance and sale of the bonds, along with related issuance premiums will be used to finance the Von Croy Farm rapid infiltration basins project for the wastewater treatment plant. The Bonds mature in May 2048.

On May 3, 2024, the Town issued \$584,078 in a General Obligation Bond, Series 2024B -WPCRF. The proceeds derived by the Town from the issuance and sale of the bonds, along with related issuance premiums will be used to finance the NW region septic elimination project. The bonds mature in May 2046.

On May 3, 2024, the Town issued \$2,000,500 in a General Obligation Bond, Series 2024C-WPCRF. The proceeds derived by the Town from the issuance and sale of the bonds, along with related issuance premiums will be used to finance the NE quadrant sanitary sewer improvements project. The bonds mature in May 2047.

On May 3, 2024, the Town issued \$1,439,700 in a General Obligation Bond, Series 2024A-DWSRF. The proceeds derived by the Town from the issuance and sale of the bonds, along with related issuance premiums will be used to finance the NE quadrant water system improvements project. The bonds mature in May 2046.

On May 3, 2024, the Town issued \$2,152,000 in a General Obligation Bond, Series 2024B-DWSRF. The proceeds derived by the Town from the issuance and sale of the bonds, along with related issuance premiums will be used to finance the North Broad Street water system improvements project. The bonds mature in May 2047.

TOWN OF MIDDLETOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

NOTE J - LONG-TERM DEBT (Continued)

Total debt service requirements to maturity for the general obligation bonds are as follows:

Fiscal Year	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2025	\$ 1,005,000	\$ 526,300	\$ 1,010,000	\$ 822,060
2026	1,050,000	485,200	13,045,000	490,480
2027	920,000	445,800	1,085,000	243,060
2028	955,000	408,300	1,110,000	220,275
2029	985,000	369,500	1,165,000	164,775
2030-2034	8,745,000	958,700	2,480,000	187,750
	<u>\$ 13,660,000</u>	<u>\$ 3,193,800</u>	<u>\$ 19,895,000</u>	<u>\$ 2,128,400</u>

The estimated current maturities of general obligation notes and notes payable are as follows:

Fiscal Year	Governmental Activities	Business-Type Activities
2025	\$ 113,781	\$ 205,411
2026	86,047	246,329
2027	89,416	299,413
2028	92,917	424,167
2029	61,495	168,037
2030-2034	63,873	378,494
	<u>\$ 507,529</u>	<u>\$ 1,721,851</u>

TOWN OF MIDDLETOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

NOTE J - LONG-TERM DEBT (Continued)

Long-term liability activity for the year ended June 30, 2024, was as follows:

	<u>Interest</u>
GOVERNMENTAL ACTIVITIES	
GENERAL OBLIGATION BONDS	
Series of 2020	4.00%
Bond premium	
GENERAL OBLIGATION BONDS, net	
NOTES PAYABLE	2.71% - 3.84%
LEASE LIABILITIES	
SBITA LIABILITIES	
COMPENSATED ABSENCES	
NET PENSION LIABILITY	
NET OPEB LIABILITY	
TOTAL GOVERNMENTAL ACTIVITIES	
BUSINESS-TYPE ACTIVITIES	
GENERAL OBLIGATION BONDS	
Series of 2016	1.40% - 5.00%
Series of 2022	4.14%
Bond premium	
GENERAL OBLIGATION BONDS, net	
GENERAL OBLIGATION NOTES PAYABLE	2.62% - 3.05%
NOTES PAYABLE	2.35% - 3.84%
LEASE LIABILITIES	
COMPENSATED ABSENCES	
NET OPEB LIABILITY	
TOTAL BUSINESS-TYPE ACTIVITIES	

Compensated absences, the net pension liability and the net OPEB liability are generally liquidated by the General fund.

<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
\$ 14,625,000	\$ -	\$ (965,000)	\$ 13,660,000	\$ 1,005,000
2,343,525	-	(234,353)	2,109,172	234,352
<u>16,968,525</u>	<u>-</u>	<u>(1,199,353)</u>	<u>15,769,172</u>	<u>1,239,352</u>
636,076	-	(128,547)	507,529	113,781
789,521	926,475	(424,798)	1,291,198	399,325
543,493	303,325	(350,616)	496,202	224,593
2,255,102	500,177	-	2,755,279	1,062,251
-	445,442	-	445,442	-
<u>11,237,637</u>	<u>-</u>	<u>(640,683)</u>	<u>10,596,954</u>	<u>-</u>
<u>\$ 32,430,354</u>	<u>\$ 2,175,419</u>	<u>\$ (2,743,997)</u>	<u>\$ 31,861,776</u>	<u>\$ 3,039,302</u>
\$ 8,865,000	\$ -	\$ (970,000)	\$ 7,895,000	\$ 1,010,000
12,000,000	-	-	12,000,000	-
766,152	-	(95,769)	670,383	95,769
<u>21,631,152</u>	<u>-</u>	<u>(1,065,769)</u>	<u>20,565,383</u>	<u>1,105,769</u>
918,833	402,034	(93,301)	1,227,566	96,058
628,000	-	(133,715)	494,285	109,353
272,778	414,001	(116,050)	570,729	150,968
552,161	157,180	-	709,341	259,290
<u>2,717,381</u>	<u>172,358</u>	<u>-</u>	<u>2,889,739</u>	<u>-</u>
<u>\$ 26,720,305</u>	<u>\$ 1,145,573</u>	<u>\$ (1,408,835)</u>	<u>\$ 26,457,043</u>	<u>\$ 1,721,438</u>

TOWN OF MIDDLETOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

NOTE K - LEASE LIABILITIES

The Town has entered into various lease agreements to lease vehicles and equipment. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of implementation. The lease liabilities are measured at a discount rate of 4.00%, which has been determined to be the Town's incremental borrowing rate as of the date of inception. As a result of the leases, the Town has recorded right to use lease assets with net book values of \$1,356,496 and \$642,093 for governmental activities and business-type activities, respectively, on June 30, 2024.

The future minimum lease obligations for governmental activities under the leases at June 30, 2024, were as follows:

<u>Year Ending June 30,</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2025	\$ 399,325	\$ 35,655	\$ 434,980
2026	328,452	23,131	351,583
2027	240,881	13,609	254,490
2028	194,163	6,918	201,081
2029	128,376	1,474	129,850
	<u>\$ 1,291,197</u>	<u>\$ 80,787</u>	<u>\$ 1,371,984</u>

The future minimum lease obligations for business-type activities under the leases at June 30, 2024, were as follows:

<u>Year Ending June 30,</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2025	\$ 150,968	\$ 16,279	\$ 167,247
2026	134,123	11,463	145,586
2027	132,335	7,031	139,366
2028	95,032	3,169	98,201
2029	58,271	672	58,943
	<u>\$ 570,729</u>	<u>\$ 38,614</u>	<u>\$ 609,343</u>

The interest expense related to leases was \$32,174 and \$13,162 for governmental and business-type activities respectively, for the year ending June 30, 2024.

TOWN OF MIDDLETOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

NOTE L - SBITA LIABILITIES

The Town has entered into various subscription agreements for various software. The subscription agreements are relevant under GASB 96 and, therefore, have been recorded at the present value of the future minimum subscription payments as of the date of implementation. The subscription liabilities are measured at discount rates ranging from 4.0% to 6.20%, which is reflective of the Town's incremental borrowing rate as of the date of inception of each subscription. As a result of the subscriptions, the Town has recorded right to use SBITA assets with net book values of \$695,125 for governmental activities on June 30, 2024.

The future minimum subscription obligations for governmental activities under the SBITA agreements at June 30, 2024, were as follows:

<u>Year Ending June 30,</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2025	\$ 224,593	\$ 23,675	\$ 248,268
2026	210,216	13,487	223,703
2027	<u>61,393</u>	<u>3,806</u>	<u>65,199</u>
	<u>\$ 496,202</u>	<u>\$ 40,968</u>	<u>\$ 537,170</u>

The interest expense related to SBITAs was \$16,748 for governmental activities, for the year ending June 30, 2024.

TOWN OF MIDDLETOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

NOTE M - PENSION PLANS

A. Defined Contribution Plans - The Town maintains a Money Purchase Pension Plan qualified under Section 401 of the Internal Revenue Code. The Plan is administered by the Mayor and Council of Middletown. The Plan provisions and contribution requirements are established or amended by Mayor and Council resolution. The Plan covers all employees (except for police employees who are covered by the Delaware County and Municipal Police Pension Plan) who have completed at least six months of service with the Town and are at least 18 years of age. The Town contributes 6% of the employee's compensation. For the year ended June 30, 2024, the contributions by the Town amounted to \$58,358. Participants of the Plan vest at service inception and are entitled to 100 percent of vested contributions. A separate report for the pension plan is not prepared.

Funding Policy

The requirements for Town contributions to the Money Purchase Pension Plan are established by Mayor and Council and may be amended by Mayor and Council. The Plan was amended on April 3, 2017 to maintain the Plan document in accordance with the IRS regulations. The amendment to the Plan does not reduce benefits to the plan participants.

The Town also maintains a Section 457 Deferred Compensation Plan. The Plan is administered by the Hartford Life Insurance Company. Employees can contribute up to the maximum annual deferral allowed under the Internal Revenue Code. Employer contributions can be made by the Town to the plan on a non-elective basis. There were no employer contributions made during the year ended June 30, 2024.

B. Defined Benefit Plan - The Town participates in the Delaware County and Municipal Police and Firefighters Pension Plan. The Plan is administered by the Delaware Public Employees' Retirement System (DPERS) which is a cost-sharing, multiple-employer defined benefit pension plan.

The Delaware Public Employees' Retirement System issues a publicly available financial report that includes financial statements for the Plan. The report may be obtained via <http://www.delawarepensions.com> or by writing to McArdle Building, Suite 1, 860 Silver Lake Blvd., Suite 1, Dover, Delaware 19904-2402.

Plan Description and Eligibility

The Plan covers police employees hired on or after July 1, 2007. Benefit provisions of the Plan are established under the provisions of State law and may be amended by an act of the State Legislature. The Plan provides retirement, disability and death benefits to Plan members and beneficiaries.

Service Benefits

Service benefits provided by the Plan are as follows: 2.5% of final average monthly compensation multiplied by years of credited service up to 20 years, plus 3.5% of final average monthly compensation multiplied by years of service in excess of 20 years. For this plan, final average monthly compensation is the monthly average of the highest three consecutive years of compensation.

TOWN OF MIDDLETOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

NOTE M - PENSION PLANS (Continued)

Vesting

Five years of credited service.

Retirement

Age 62 with 5 years of service; age plus credited service (but not less than 10 years) equals 75; or 20 years of credited service.

Disability Benefits:

Duty Total Disability - 75% of final average compensation plus 10% for each dependent not to exceed 25% for all dependents.

Duty Partial Disability - Calculated the same as Service Benefits, subject to minimum 50% of final average compensation.

Non-Duty - Same as Service Benefits, total disability subject to a minimum 50% of final average monthly compensation plus 5% of each dependent not to exceed 20% for all dependents. Partial disability to a minimum of 30% of final average monthly compensation.

Survivor Benefits:

If employee is receiving a pension, then eligible survivor receives a minimum of 50% of pension; if employee is active, eligible survivor receives 75% of pension the employee would have received at age 62. If the member is killed in the line of duty, the eligible survivor receives 75% of the member's compensation.

Burial Benefit:

\$7,000 per member.

Contributions:

Employer - Determined by Board of Pension Trustees. Employer contributions were 12.74% and 11.34% of earnings for the Fiscal Year 2024 and 2023, respectively.

The Town's contributions to the Plan were \$452,236 and \$403,563, for fiscal years 2024 and 2023, respectively.

TOWN OF MIDDLETOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

NOTE M - PENSION PLANS (Continued)

Member - 7% of compensation.

Collective Net Pension Liability (Asset):

The components of net pension liability (asset) as of June 30, 2023 (measurement period) were as follows:

TOWN'S PROPORTIONATE SHARE	
Employer's pension liability	\$ 18,427,523
Plan net position	<u>(17,982,081)</u>
	<u>\$ 445,442</u>

Actuarial assumptions:

Investment rate of return/discount rate - 7.0%
Projected salary increases - 2.5% + merit
Cost-of-living adjustments - 0.0%
Inflation - 2.5%

The total pension liabilities are measured based on assumptions pertaining to the interest rates, inflation rates, and employee demographic behavior 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 future financial statements.

Mortality assumptions are based on the Pub-2010 tables with gender adjustments for employees, healthy annuitants, and disabled retirees as well as an adjusted version on MP-2020 mortality improvement scale on a fully generational basis.

Projected benefit payments do not include the effects of projected ad hoc cost of living adjustments (ad hoc COLAs) as they are not substantively automatic. The primary considerations relevant to making this determination include the historical pattern of granting the changes and the consistency in the amounts of the changes.

The Town's proportionate share of the net pension asset/(liability) is equal to the collective net pension asset/(liability) multiplied by the proportionate share percentage for fiscal year ending June 30, 2023 in the Schedule of Employer Allocations in the DPERS County and Municipal Police and Firefighters' Pension Plan report. The proportionate share percentage is 3.0985%.

The difference between expected and actual experience and the change in assumptions with regard to economic and demographic factors, and the change in employer proportionate share are amortized over the average of the expected remaining service life of active and inactive members which is 10 years.

TOWN OF MIDDLETOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

NOTE M - PENSION PLANS (Continued)

The difference between the actual earnings on plan investments compared to the plans expected rate of return of 7.0% is amortized over a closed period of 5 years.

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 investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by 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 included in the Plan's current and expected asset allocation are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Asset Allocation</u>
Domestic equity	5.70%	33.80%
International equity	5.70%	15.90%
Fixed income	2.00%	25.20%
Alternative investments	7.80%	19.30%
Cash and equivalents	-	5.80%

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 rates and that contributions from employers will be made at rates determined by the Board of Pension Trustees, actuarially determined. Based on those assumptions, the pension plans fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the collective net pension liability (asset) to changes in the discount rate: The following presents the Town's collective net pension liability (asset) of the Plans, calculated using the discount rate of 7.0%, as well as what the Town's share of the net pension liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate the Town's share as follows:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
Total DPERS	\$ <u>102,241,000</u>	\$ <u>14,376,000</u>	\$ <u>(57,487,000)</u>
Town's proportionate share	\$ <u>3,167,937</u>	\$ <u>445,442</u>	\$ <u>(1,781,235)</u>

TOWN OF MIDDLETOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

NOTE M - PENSION PLANS (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension - For the year ended June 30, 2024, the Town recognized pension expense of \$523,392. At June 30, 2024, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	\$ 452,236	\$ -
Changes in proportion	22,364	37,718
Net difference between projected and actual earnings on plan investments	876,404	-
Changes in assumptions	87,909	218,496
Experience (gain) or loss	817,907	104,786
	<u>\$ 2,256,820</u>	<u>\$ 361,000</u>

Collective Deferred Outflows of Resources and Deferred Inflows of Resources

\$452,236 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the new pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows and inflows of resources reported will be recognized in pension expense as follows:

Year Ending June 30,	
2025	\$ 38,324
2026	108,441
2027	974,254
2028	163,229
2029	38,814
Thereafter	120,522
	<u>\$ 1,443,584</u>

The following table summarizes the employees covered in each pension plan as of June 30, 2024:

	Money Purchase	State Plan
Actives	123	40
Retirees	-	8
Terminated	14	3

TOWN OF MIDDLETOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

NOTE N - OTHER POSTEMPLOYMENT BENEFITS

Summary of Significant Accounting Policies - The OPEB Plan investments are carried at fair value as reported by the investment managers. Short-term investments are reported at cost, which approximates fair value. Financial information of the Town's OPEB Plan is presented on the accrual basis of accounting. Employer contributions to each plan are recognized when due.

Plan Description

The Town of Middletown administers a single employer defined benefit health care plan (the Retiree Health Plan). The Retiree Health Plan provides healthcare insurance for eligible retirees and their spouses through the Town of Middletown's health insurance plan, which covers both active and retired members until the member reaches Medicare age. Benefit provisions are established through negotiation with the Town of Middletown and the unions representing the Town of Middletown's employees. The plan does not issue a stand-alone financial report and is not included in the report of any public employee retirement system or any other entity.

Plan Membership - At June 30, 2024, plan membership consisted of the following:

Inactive plan members or beneficiaries currently received benefits	19
Active plan members	161
	<hr/>
	180
	<hr/>

Funding Policy and Funding Status

For the fiscal year ended June 30, 2024, the Town made payments of \$414,549 to the Plan retirees. During the prior year, the Town established an account to begin funding for OPEB obligations. As of June 30, 2024, there was \$2,860,474 accumulated, which is presented in Fiduciary Fund.

Investments

Investment Policy - The Town Council, with the assistance of DT Investment Advisory, Inc., shall select the appropriate asset weighting percentage to be allocated to each specific asset class. Each asset class shall consist of a combination of investment options that have been made available to obtain the absolute investment objective of the fund. Investments shall be diversified with the intent to minimize the risk of large investment losses. Consequently, the total portfolio will be constructed and maintained to provide prudent diversification with regard to the concentration of holdings in investment funds specializing in individual issues, issuers, countries, governments or industries.

TOWN OF MIDDLETOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

NOTE N - OTHER POSTEMPLOYMENT BENEFITS (Continued)

The following was the Council's adopted asset allocation policy as of June 30, 2024:

<u>Asset Class</u>	<u>Target Allocation</u>
Risk-based assets	65.00%
Bonds	35.00%
	<u>100%</u>

Concentrations - There are no investments in any one issuer that is in excess of 5 percent of the total investments.

Rate of Return - For the year ended June 30, 2024, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 9.08%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Benefits Provided

The Town provides postretirement health care coverage to general employees who are age 60 with a Rule of 80 and for public safety employees age 60 with 20 years of service. Surviving spouses of retirees are allowed to remain on the plan for life as long as they pay half of the premium rate.

The Town contributes the entire single coverage premium rate for the cheapest plan offered, and 50% of the spouse incremental premium rate from the cheapest plan for employees hired prior to July 1, 2014. Employees hired on or after July 1, 2014 will not be permitted to continue under the Town's Health Insurance Plan for their spouse/dependents.

The Town also funds 50% of the plan deductible if the retiree enrolls in the high deductible plan with a Health Reimbursement Account. The retiree is responsible for the remainder of the deductible and the out-of-pocket.

The components of the net OPEB liability of the Town at June 30, 2024 were as follows:

Total OPEB Liability	\$ 16,347,167
Plan Fiduciary Net Position	<u>2,860,474</u>
Town's Net OPEB Liability	<u>\$ 13,486,693</u>
Plan fiduciary net position as a percentage of the Total OPEB Liability	<u>17.50%</u>

TOWN OF MIDDLETOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

NOTE N - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions

The following assumptions and actuarial methods and calculation were used:

Measurement Date - For fiscal year ending June 30, 2024, a June 30, 2024 measurement date was used.

Actuarial Valuation Date - Liabilities as of June 30, 2024 are based on an actuarial valuation date of July 1, 2024 with no adjustments.

Discount Rate - 4.21% as of July 1, 2023 and 4.28% as of June 30, 2024 for accounting disclosure purpose.

Payroll Growth - Payroll growth rates include general wage inflation of 2.5% plus merit/productivity increase are based on the Delaware County and Municipal Employees' Pension Plan and Police/Firefighter Pension Plan actuarial valuations as of June 30, 2023.

Inflation Rate - 2.50% per year

Health Care Coverage Election Rate - Actives with current coverage: 90%
Actives with no coverage: 0%

Inactive employees with current coverage: 100%
Inactive employees with no coverage: 0%

Spousal Coverage - Based on actual data for current actives and retirees. Husbands are assumed to be three years older than wives for active employees. The spousal age difference is based on the observed age difference among the general population of married individuals who are of retirement age.

Mortality:

a. General Employees and Retirees: SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2021

b. Public Safety Employees and Retirees: SOA Pub-2010 Public Safety Headcount Weighted Mortality Table fully generational using Scale MP-2021

c. Surviving Spouses: SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2021

Disability - None

TOWN OF MIDDLETOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

NOTE N - OTHER POSTEMPLOYMENT BENEFITS (Continued)

The long-term expected rate of return on OPEB plan investment is assumed to be 6.0%. This was determined using a building block method in which expected future real rates of return based on capital market assumptions developed by Horizon Actuarial Services (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These expected future real rates of return are then combined to produce the long-term expected rate of return by weighting them based on the target asset allocation percentage and adding in expected inflation (2.5%). The best estimates of arithmetic real rates of return for each major asset class included in the OPEB Plan' target asset allocation as of June 30, 2024 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk-based assets	7.00%
Bonds	4.00%

Health Care Trend Rates - Based on historical medical CPI information. The initial rate of 8.0% decreasing to an ultimate rate of 4.5%.

Retiree Contributions - Retiree contributions are assumed to increase according to medical trend rates.

Per Capita Costs - Annual per capita costs were calculated based on 2023/24 premium rates by plan actuarially increased using health index factors and current enrollment. The costs are assumed to increase with health care trend rates.

Actuarial Cost Method - Allocation of actuarial present value of future benefits for services prior and after the Measurement Date was determined using Entry Age Normal Level % of Salary method where:

- Service Cost for each individual participant, payable from date of employment to date of retirement, is sufficient to pay for the participant's benefit at retirement; and
- Annual Service Cost is a constant percentage of the participant's salary that is assumed to increase according to the payroll growth.

TOWN OF MIDDLETOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

NOTE N - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Changes in Assumptions - In the fiscal year ending June 30, 2024 actuarial valuation, the following trend assumptions were updated:

- The discount rate changed from 4.21% to 4.28%.
- The long-term rate of return on plan investments changed from 7.0% to 6.0%.

Changes in the Net OPEB Liability

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2023	\$ 16,144,175	\$ 2,189,157	\$ 13,955,018
Changes for the year			
Service cost	997,111	-	997,111
Interest Cost	714,589	-	714,589
Changes for experience	(1,701,848)	-	(1,701,848)
Changes for assumptions	531,994	-	531,994
Contributions	-	753,404	(753,404)
Net investment income	-	265,001	(265,001)
Benefit payments	(338,854)	(338,854)	-
Administrative expenses	-	(8,234)	8,234
NET CHANGES	202,992	671,317	(468,325)
Balance at June 30, 2024	\$ 16,347,167	\$ 2,860,474	\$ 13,486,693

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.28 percent) or 1-percentage-point higher (5.28 percent) than the current discount rate:

	1% Decrease	Discount Rate	1% Increase
Net OPEB liability	\$ 16,465,831	\$ 13,486,693	\$ 11,104,654

TOWN OF MIDDLETOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

NOTE N - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Sensitivity of the Net OPEB Liability to Changes in Healthcare Cost Trend Rates

The following presents the net OPEB liability of the Town, as well as what the Town's net OPEB liability would be if it were calculated using the health care trend rates that is 1 percentage-point lower (7.00 percent) or 1-percentage-point higher (9.00 percent) than the current healthcare cost trend rate:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Net OPEB liability	\$ <u>10,676,634</u>	\$ <u>13,486,693</u>	\$ <u>17,182,454</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - For the year ended June 30, 2024, the Town recognized OPEB expense of \$863,738. At June 30, 2024, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on plan investments	\$ 871	\$ -
Changes in experience	2,017,138	7,870,766
Changes in assumptions	<u>3,453,131</u>	<u>4,854,295</u>
	\$ <u>5,471,140</u>	\$ <u>12,725,061</u>

Amount reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	
2025	\$ (688,974)
2026	(688,975)
2027	(749,112)
2028	(735,384)
2029	(715,829)
Thereafter	<u>(3,675,647)</u>
	\$ <u>(7,253,921)</u>

TOWN OF MIDDLETOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

NOTE O - COMMITMENTS AND CONTINGENCIES

In July of 2019, the Town executed a new 20-year wastewater maintenance agreement with Artesian Utility Development, Inc. (AUDI) for the management of all Town owned wastewater plants. The new agreement replaces the two original maintenance agreements for the Frog Hollow treatment facility and Middletown 2.5 MGD treatment facility. The total wastewater operations fees amounted to \$809,056 for the year ended June 30, 2024.

The Town is party to various legal proceedings which normally occur in governmental operations. In the opinion of the administration, these legal proceedings are not likely to have a material adverse effect on the accompanying financial statements and accordingly, no provision has been recorded.

NOTE P - THE DELAWARE MUNICIPAL ELECTRIC CORPORATION, INC.

Town of Middletown is a member of the Delaware Municipal Electric Corporation (DEMEC). DEMEC is a public corporation constituted as a 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. DEMEC provides full requirements wholesale electric power supply service to the eight members, including Middletown, through the operation of owned generation assets and various contractual wholesale supply contracts with external parties.

Middletown 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 Middletown 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 this Agreement.

Middletown has entered a separate power sales agreement effective May 1, 2001 to purchase a 6.8% interest in the capacity provided by Unit #1 of the Warren F. "Sam" Beasley Power Station located in Smyrna, Delaware, owned by DEMEC. Middletown is entitled to 6.8% of all power supply and ancillary products generated from the existing 50 MW natural gas fired combustion turbine generator for the useful life of the facility.

Middletown has executed into a separate power sales agreement effective May 1, 2011 to purchase 16.5% interest in the capacity provided by Unit #2 of the Warren F. "Sam" Beasley Power Station to be located in Smyrna Delaware, owned by DEMEC. Unit #2 began commercial operation on June 1, 2012, at which time Middletown will be entitled to 16.5% of all the power supply and ancillary products generated from the 50 MW natural gas fired combustion turbine generator for the useful life of the facility.

Under the terms of the various agreements, DEMEC is authorized to act as agent for Middletown in all matters relating to the acquisition and delivery of its wholesale power supply and management of energy cost risk on behalf of Middletown in the deregulated energy markets.

TOWN OF MIDDLETOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

NOTE P - THE DELAWARE MUNICIPAL ELECTRIC CORPORATION, INC. (Continued)

Middletown is working with DEMEC and Delmarva Power to increase the transmission feeds coming in the Town of Middletown for redundancy of service. Delmarva is currently in the process of having an alternate design reviewed by PJM and expects construction of the second 138 kV feed to be completed in the next 3-5 years. The plan that is currently being reviewed differs from previously noted plans but will still serve the same purpose. The Town adopted a resolution on 1/9/12 that allowed for the collection of \$0.004/kWh from the monthly utility bills of all electric customers to be used exclusively for the project financing. Collection of this fee will stop once the project is paid in full. The Town plans to fund this project, with an estimated completion date in FY29, through its relationship with DEMEC.

NOTE Q - NET POSITION AND FUND EQUITY

In the Government-wide and Proprietary Fund statements, net position is reported in the following categories:

- a. Net investment in capital assets: Capital assets, net of accumulated depreciation, outstanding principal balances of debt attributable to the acquisition, construction and improvement of those assets;
- b. Restricted: for state accounts, customer deposits, and electric feed;
- c. Unrestricted: remaining net position not considered invested in capital assets, net of related debts or restricted.

Fund balance amounts have been designated as nonspendable, committed, assigned, restricted, or unassigned in the governmental funds for specific purposes as follows:

- Nonspendable: Prepaid cost and inventories which are reserved.
- Assigned: Capital project funds are used to cover capital improvement costs and debt service payments. Other purposes are funds received as liquidating damages under a construction contract that are set aside for future working capital and infrastructure. Mayor and Council is authorized to appropriate this fund balance.
- Restricted: Restricted fund balances have constraints placed on the use of resources that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions.
 - Restricted for State accounts: This balance relates to Municipal Street Aid Funds received from the State of Delaware. The Town has \$2,745,835 in restricted cash as of June 30, 2024.

When both restricted and unrestricted (assigned or unassigned) resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as needed.

TOWN OF MIDDLETOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

NOTE R - RELATED PARTY

The Town has executed water transmission contracts and various maintenance agreements with a company that employs a member of the Mayor and Council. Expenditures with this company totaled approximately \$2.0 million for the year ended June 30, 2024.

NOTE S - MAJOR SUPPLIERS

The Town purchases 100% of its power requirements from DEMEC. For the year ended June 30, 2024, purchases from DEMEC totaled approximately \$24.7 million.

NOTE T - ON-BEHALF PAYMENTS

The Town receives a pension contribution from the State of Delaware Employee's Retirement System for Middletown Police. The on-behalf payment is recorded in the general fund as miscellaneous revenues. This amount for fiscal year 2024 was \$301,752.

NOTE U - TAX ABATEMENTS

The Town of Middletown has the authority to enter into property tax abatement agreements with manufacturing businesses pursuant to Section 11 of the Town's Charter. The Charter grants the Town Council the power to abate the levying of taxes imposed thereon for a period not exceeding ten years.

The Town of Middletown negotiates property tax abatements on an individual basis. The Town currently has a tax abatement agreement with STA Pharmaceutical as of June 30, 2024. The agreement offers 100% property tax abatement for a period of ten years. The abatement for STA was approved by Mayor & Council on October 4, 2021. However, the STA abatement states that it begins "on the later of the first day of the first quarter following the issuance of a Certificate of Occupancy or January 1, 2025." Construction of this site began in the summer of 2022, but has recently slowed down. The target date for the first certificate of occupancy is currently the 3rd quarter of 2025.

TOWN OF MIDDLETOWN
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

NOTE V - RISKS AND UNCERTAINTIES

In 2018, the Town entered into a Voluntary Cleanup Program Agreement with Department of Natural Resources and Environmental Control (DNREC) for a former land landfill site at 155 St Anne's Church Road. The Town engaged an environmental consulting firm to work with them along with DNREC. In 2019, the environmental consulting firm completed Phase 1A. The next steps of remediation including monitoring wells in 2022 which will be tested regularly. The potential remediation cost could be in a range of \$200,000 to \$400,000. It's possible that a state agency or our insurance company may provide remuneration to the Town. The exact cost and any reimbursement are not determinable at this time. Due to the uncertainty, no potential liability was included in the financial statements.

During the fiscal year ended June 30, 2021, the Town became aware of damage to the wastewater lagoon liner located at 1400 Industrial Drive. As of June 30, 2024, a claim remained open with the insurance company. The Town has spent just over \$4 million to date on repairs, with all but \$157,000 being reimbursed by the insurance carrier. The Town continues to work with its attorney to resolve all open items pertaining to the claim, and the insurance company to pay down the remaining balance on the claim and work towards closeout. The Town expects completion and operation of the new wastewater treatment plant in the third quarter of FY'25 and will likely revisit the repairs once the new plant is operational. The Town has engaged an outside consultant and received a plan and estimated cost for the repairs considering the new plant being operational.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF MIDDLETOWN
BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND
YEAR ENDED JUNE 30, 2024

	Original and Final Budget	Actual	Variance- Favorable (Unfavorable)
REVENUES			
General Fund			
Property taxes	\$ 2,375,000	\$ 2,355,765	\$ (19,235)
Real estate transfer taxes	2,520,000	2,696,472	176,472
Lodging tax	225,000	238,205	13,205
Charges for services	554,000	558,618	4,618
Public safety fees and fines	140,000	61,445	(78,555)
Grants - Federal	1,380,875	482,705	(898,170)
Grants - Local	5,000	17,813	12,813
Rental income	114,389	134,610	20,221
Trash fees	2,570,000	2,595,335	25,335
Licenses, permits and inspection fees	1,255,000	1,813,602	558,602
Developer review fees	80,000	179,488	99,488
Investment return, net	-	308,302	308,302
Lease revenue	-	14,166	14,166
Miscellaneous	288,100	404,043	115,943
TOTAL REVENUES	<u>11,507,364</u>	<u>11,860,569</u>	<u>353,205</u>
EXPENDITURES			
General Fund			
Administrative	5,811,493	5,869,674	(58,181)
Municipal services	2,751,930	2,502,295	249,635
Public works	2,950,199	2,666,036	284,163
Public safety	7,452,464	7,240,478	211,986
Trash	2,345,000	2,354,484	(9,484)
Inspection	2,263,595	1,922,909	340,686
Capital outlay	9,261,475	3,360,513	5,900,962
Debt service			
Principal	1,539,353	1,868,260	(328,907)
Interest	605,031	640,339	(35,308)
TOTAL EXPENDITURES	<u>34,980,540</u>	<u>28,424,988</u>	<u>6,555,552</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(23,473,176)</u>	<u>(16,564,419)</u>	<u>6,908,757</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from issuance of lease liabilities	-	1,010,043	1,010,043
Proceeds from issuance of SBITA liabilities	-	303,325	303,325
Sale of assets	-	50,041	50,041
Operating transfers, net	-	8,371,508	8,371,508
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>9,734,917</u>	<u>9,734,917</u>
NET CHANGE IN FUND BALANCES	<u>\$ (23,473,176)</u>	<u>\$ (6,829,502)</u>	<u>\$ 16,643,674</u>

See accompanying notes to the budgetary comparison schedule.

TOWN OF MIDDLETOWN
NOTES TO THE BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2024

NOTE A - BUDGETARY INFORMATION

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. An annual appropriated budget is adopted for the General Fund.

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Mayor submits an annual budget to the Town Council in accordance with the Town Charter.
2. The budget is presented to the Town Council for review.
3. In July, the Town Council adopts the annual fiscal year budget for Town operating funds. Revenues are budgeted in the year receipt is expected; and expenditures are budgeted in the year that the applicable purchase orders are expected to be issued.

NOTE B - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the period ended, June 30, 2024, expenditures exceed appropriations in the following line items:

<u>Expense Line Item</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Administrative	\$ 5,811,493	\$ 5,869,879	\$ (58,386)
Trash	2,345,000	2,354,484	(9,484)
Principal	1,539,353	1,868,260	(328,907)
Interest	605,031	641,329	(36,298)

Excess expenditures were funded through revenues that were higher than budgeted as well as operating transfers in.

TOWN OF MIDDLETOWN

SCHEDULE OF TOWN'S PROPORTIONATE SHARE OF THE DPERS COUNTY AND MUNICIPAL POLICE AND FIREFIGHTERS' PENSION PLAN LAST NINE FISCAL YEARS

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Town's proportion of the net pension liability (asset)	<u>3.0985%</u>	<u>3.0120%</u>	<u>2.9946%</u>	<u>3.0161%</u>
Town's proportionate share of the net pension liability (asset)	\$ <u>445,442</u>	\$ <u>(316,681)</u>	\$ <u>(4,120,655)</u>	\$ <u>463,558</u>
Town's covered payroll	\$ <u>3,561,424</u>	\$ <u>3,138,180</u>	\$ <u>2,938,834</u>	\$ <u>2,751,878</u>
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	<u>12.51%</u>	<u>-10.09%</u>	<u>-140.21%</u>	<u>16.85%</u>
The plan's fiduciary net position as a percentage of the total pension liability	<u>102.48%</u>	<u>101.95%</u>	<u>128.19%</u>	<u>96.67%</u>

NOTES TO SCHEDULE

Valuation Dates: June 30, 2023 June 30, 2022 June 30, 2021 June 30, 2021

Per GASB 67 standards, this schedule covers the time period in which data was available for the Pension plan. At this time a full 10-year trend is not available.

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>2.7183%</u>	<u>2.7454%</u>	<u>2.6963%</u>	<u>2.7578%</u>	<u>2.6965%</u>
\$ <u>780,764</u>	\$ <u>632,289</u>	\$ <u>271,826</u>	\$ <u>438,374</u>	\$ <u>(142,112)</u>
\$ <u>2,402,949</u>	\$ <u>2,291,892</u>	\$ <u>2,215,407</u>	\$ <u>2,008,924</u>	\$ <u>1,923,379</u>
<u>32.49%</u>	<u>27.59%</u>	<u>12.27%</u>	<u>21.82%</u>	<u>-7.39%</u>
<u>93.25%</u>	<u>94.10%</u>	<u>97.00%</u>	<u>94.70%</u>	<u>101.97%</u>
June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016

TOWN OF MIDDLETOWN

SCHEDULE OF TOWN'S CONTRIBUTIONS TO THE DPERS COUNTY AND MUNICIPAL POLICE AND FIREFIGHTERS' PENSION PLAN LAST TEN FISCAL YEARS

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Contractually required contribution	\$ 452,236	\$ 403,653	\$ 502,558	\$ 481,771
Contributions in relation to the contractually required contribution	<u>452,236</u>	<u>403,653</u>	<u>502,558</u>	<u>481,771</u>
CONTRIBUTION (EXCESS) DEFICIENCY	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Town's covered payroll	\$ <u>3,556,426</u>	\$ <u>3,561,424</u>	\$ <u>3,138,180</u>	\$ <u>2,938,834</u>
Contributions as a percentage of covered payroll	<u>12.72%</u>	<u>11.33%</u>	<u>16.01%</u>	<u>16.39%</u>

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 463,142	\$ 400,812	\$ 260,381	\$ 299,453	\$ 278,274	\$ 273,236
<u>463,142</u>	<u>400,812</u>	<u>260,381</u>	<u>299,453</u>	<u>278,274</u>	<u>273,236</u>
\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
\$ <u>2,751,878</u>	\$ <u>2,402,949</u>	\$ <u>2,291,892</u>	\$ <u>2,215,407</u>	\$ <u>2,008,924</u>	\$ <u>1,923,379</u>
<u>16.83%</u>	<u>16.68%</u>	<u>11.36%</u>	<u>13.52%</u>	<u>13.85%</u>	<u>14.21%</u>

TOWN OF MIDDLETOWN
SCHEDULE OF CHANGES IN THE NET OTHER POSTEMPLOYMENT
BENEFIT PLAN LIABILITY AND RELATED RATIOS
LAST SEVEN FISCAL YEARS

	2024	2023	2022	2021
TOTAL OPEB LIABILITY				
Service cost	\$ 997,111	\$ 1,011,170	\$ 1,594,655	\$ 1,430,272
Interest	714,589	659,376	496,494	528,415
Differences between expected and actual experience	(1,701,848)	(172,857)	(1,900,362)	(938,035)
Changes of assumptions	531,994	(292,227)	(5,989,135)	1,784,365
Benefit payments	(338,854)	(262,259)	(153,160)	(173,809)
NET CHANGE IN TOTAL OPEB LIABILITY	202,992	943,203	(5,951,508)	2,631,208
Total OPEB liability, beginning	16,144,175	15,200,972	21,152,480	18,521,272
TOTAL OPEB LIABILITY, ENDING (a)	\$ 16,347,167	\$ 16,144,175	\$ 15,200,972	\$ 21,152,480
PLAN FIDUCIARY NET POSITION				
Contributions				
Employer	\$ 753,404	\$ 674,509	\$ 2,027,933	\$ 173,809
Net investment income (loss)	265,001	164,145	(252,189)	-
Benefit payments	(338,854)	(262,259)	(153,160)	(173,809)
Administrative expenses	(8,234)	(6,210)	(3,612)	-
NET CHANGE IN PLAN FIDUCIARY NET POSITION	671,317	570,185	1,618,972	-
Plan fiduciary net position, beginning	2,189,157	1,618,972	-	-
PLAN FIDUCIARY NET POSITION, ENDING (b)	\$ 2,860,474	\$ 2,189,157	\$ 1,618,972	\$ -
NET OPEB LIABILITY, ENDING (a)-(b)	\$ 13,486,693	\$ 13,955,018	\$ 13,582,000	\$ 21,152,480
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL OPEB LIABILITY	17.50%	13.56%	-	-
COVERED PAYROLL	\$ 12,381,745	\$ 11,307,854	\$ 10,602,860	\$ 8,950,818
NET OPEB LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	108.92%	123.41%	128.10%	236.32%

NOTES TO SCHEDULE

Changes in assumptions:

Discount rate as of the Measurement Date has been updated based on a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). The 2022 valuation used a discount rate of 4.10%. The rate changed to 4.21% in 2023 and the current 2024 valuation uses a discount rate of 4.28%.

Mortality table has been updated from SOA RPH-2017 Total Dataset Mortality Table fully generational using Scale MP-2019 to:

- SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2021 for General employees
- SOA Pub-2010 Public Safety Headcount Weighted Mortality Table fully generational using Scale MP-2021 for Special Services employees
- SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2021 for Surviving Spouses.

Health care trend rates have been updated to an initial rate of 8.0% decreasing to an ultimate rate of 4.5%

This schedule is to present the requirement to show information for ten (10) years. However, until a full ten-year trend is compiled, information for only those years for which information is available is shown.

	2020	2019	2018
\$	1,150,701	\$ 1,097,438	\$ 1,085,715
	617,108	628,294	556,615
	(1,248,878)	(1,338,439)	(915,077)
	1,659,073	1,070,980	96,399
	(173,385)	(156,824)	(140,050)
	<u>2,004,619</u>	<u>1,301,449</u>	<u>683,602</u>
	<u>16,516,653</u>	<u>15,215,204</u>	<u>14,531,602</u>
\$	<u><u>18,521,272</u></u>	<u><u>16,516,653</u></u>	<u><u>15,215,204</u></u>
\$	173,385	\$ 156,824	\$ 140,050
	-	-	-
	(173,385)	(156,824)	(140,050)
	<u>-</u>	<u>-</u>	<u>-</u>
	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
\$	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
\$	<u><u>18,521,272</u></u>	<u><u>16,516,653</u></u>	<u><u>15,215,204</u></u>
	<u>-</u>	<u>-</u>	<u>-</u>
\$	<u><u>8,517,693</u></u>	<u><u>7,545,731</u></u>	<u><u>7,361,689</u></u>
	217.44%	218.89%	206.68%

TOWN OF MIDDLETOWN
SCHEDULE OF OPEB CONTRIBUTIONS
LAST THREE FISCAL YEARS

For the Year Ended June 30,	Actuarial Valuation Date	Required Employer Contributions	Contributions Recognized in Relation to the Required Employer Contribution	Contributions Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Payroll
2024	6/30/2024	\$ 1,214,192	\$ 753,404	\$ 460,788	\$ 12,381,745	6.08%
2023	6/30/2023	1,531,765	674,509	857,256	11,307,854	5.96%
2022	6/30/2022	1,577,414	2,027,933	(450,519)	10,602,860	19.13%

*Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

TOWN OF MIDDLETOWN

SCHEDULE OF OPEB PLAN INVESTMENT RETURNS LAST THREE FISCAL YEARS

	<u>2024</u>	<u>2023</u>	<u>2022</u>
ANNUAL MONEY-WEIGHTED RATE OF RETURN, NET OF INVESTMENT INCOME	<u>9.08%</u>	<u>7.20%</u>	<u>-15.80%</u>

*Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

SUPPLEMENTARY INFORMATION

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TOWN OF MIDDLETOWN
SCHEDULE OF EXPENDITURES
GENERAL FUND

	<u>Administrative</u>	<u>Municipal Services</u>	<u>Public Works</u>
Current purchases	\$ 53,085	\$ 13,519	\$ 23,791
Salaries	1,961,978	1,241,155	1,723,375
Payroll taxes	152,608	93,400	129,977
Pension and benefits	699,660	531,636	553,597
Workmen's compensation insurance	240,603	-	-
Repairs and maintenance	403,712	344,279	95,789
Communications	70,073	2,755	16,691
Public service donations	531,074	-	-
General insurance	496,847	-	-
Bank charges	61,487	-	-
Trash collection	-	-	-
Professional fees	438,266	-	-
Computer expenses	385,972	-	-
Business expenses	42,008	-	2,079
Commission meeting expense	11,400	-	-
Office supplies and postage	31,604	-	13,663
Training, education and uniforms	39,820	40,829	28,365
Safety and attendance awards	4,650	-	-
Vehicle expense	27,820	158,354	51,698
Supplies and materials	5,990	46,153	24,490
Fireworks	-	30,215	-
Advertising and publication	29,346	-	-
Dues and associations	10,624	-	40
Miscellaneous	1,565	-	2,481
Bad debts (recovery)	7,851	-	-
Developer review fees	161,631	-	-
Commercial inspection fees	-	-	-
TOTAL EXPENDITURES	\$ 5,869,674	\$ 2,502,295	\$ 2,666,036

Public Safety	Trash	Inspection	Totals
\$ 20,439	\$ -	\$ -	\$ 110,834
4,671,817	-	1,253,716	10,852,041
353,050	-	93,955	822,990
1,403,415	-	307,377	3,495,685
-	-	-	240,603
100,694	-	-	944,474
96,428	-	13,753	199,700
-	-	-	531,074
-	-	-	496,847
-	-	-	61,487
-	2,352,281	-	2,352,281
3,779	-	-	442,045
155,516	-	-	541,488
3,336	-	556	47,979
-	-	-	11,400
13,441	-	6,086	64,794
161,819	-	11,077	281,910
-	-	-	4,650
199,823	-	26,279	463,974
47,488	-	206	124,327
-	-	-	30,215
3,623	-	-	32,969
5,810	-	250	16,724
-	-	-	4,046
-	2,203	-	10,054
-	-	-	161,631
-	-	209,654	209,654
<u>\$ 7,240,478</u>	<u>\$ 2,354,484</u>	<u>\$ 1,922,909</u>	<u>\$ 22,555,876</u>

ANNUAL REPORT APPENDICES

APPENDIX A

TOWN OF MIDDLETOWN, DELAWARE
ASSESSED VALUE AND COLLECTIONS OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(Unaudited)

<u>Tax Year</u>	<u>Total Assessed Valuations</u>	<u>Total Taxable Valuations</u>	<u>Tax Collections</u>	<u>Delinquent Taxes</u>
2014-15	710,133,830	652,478,230	1,745,447	66,871
2015-16	728,406,554	670,969,104	1,821,763	40,535
2016-17	748,165,330	690,190,430	1,857,986	61,317
2017-18	766,396,330	708,246,080	1,902,460	48,252
2018-19	786,740,930	727,444,680	1,929,601	84,302
2019-20	818,141,830	760,903,730	2,037,860	102,352
2020-21	849,189,630	723,325,580	2,142,398	49,987
2021-22	876,484,130	728,262,880	2,184,559	60,576
2022-23	895,740,730	777,492,480	2,350,928	65,196
2023-24	913,918,630	788,668,342	2,359,478	62,942

TOWN OF MIDDLETOWN, DELAWARE
ELECTRIC, WATER AND SEWER FUND COLLECTIONS
LAST TEN FISCAL YEARS
(Unaudited)

<u>Fiscal Year</u>	<u>Electric Fund Collections</u>	<u>Water and Sewer Fund Collections</u>
2014-15	28,743,663	3,964,161
2015-16	29,100,458	4,350,879
2016-17	28,802,660	4,594,647
2017-18	28,326,845	4,943,024
2018-19	29,922,263	5,288,055
2019-20	29,990,338	5,837,398
2020-21	30,393,486	6,096,633
2021-22	33,222,420	6,545,513
2022-23	33,209,622	7,186,950
2023-24	36,654,684	7,446,123

APPENDIX C

TOWN OF MIDDLETOWN, DELAWARE
SUMMARY OF DEBT SERVICE REQUIREMENT TO MATURITY
JUNE 30, 2024
(Unaudited)

<u>Fiscal Year</u>	<u>FY 2024</u>			
	<u>Governmental Activities</u>		<u>Business - Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 1,005,000	\$ 526,300	\$ 1,010,000	\$ 822,060
2026	\$ 1,050,000	\$ 485,200	\$ 13,045,000	\$ 490,480
2027	\$ 920,000	\$ 445,800	\$ 1,085,000	\$ 243,060
2028	\$ 955,000	\$ 408,300	\$ 1,110,000	\$ 220,275
2029	\$ 985,000	\$ 369,500	\$ 1,165,000	\$ 164,775
2030 to 2034	\$ 8,745,000	\$ 958,700	\$ 2,480,000	\$ 187,750
<u>TOTAL</u>	<u>\$ 13,660,000</u>	<u>\$ 3,193,800</u>	<u>\$ 19,895,000</u>	<u>\$ 2,128,400</u>

<u>Fiscal Year</u>	<u>FY 2024</u>					
	<u>Series 2020</u>		<u>Series 2016</u>		<u>2022 BAN</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 1,005,000	\$ 526,300	\$ 1,010,000	\$ 325,260	\$ -	\$ 496,800
2026	\$ 1,050,000	\$ 485,200	\$ 1,045,000	\$ 284,860	\$ 12,000,000	\$ 205,620
2027	\$ 920,000	\$ 445,800	\$ 1,085,000	\$ 243,060	\$ -	\$ -
2028	\$ 955,000	\$ 408,300	\$ 1,110,000	\$ 220,275	\$ -	\$ -
2029	\$ 985,000	\$ 369,500	\$ 1,165,000	\$ 164,775	\$ -	\$ -
2030 to 2034	\$ 8,745,000	\$ 958,700	\$ 2,480,000	\$ 187,750	\$ -	\$ -
<u>TOTAL</u>	<u>\$ 13,660,000</u>	<u>\$ 3,193,800</u>	<u>\$ 7,895,000</u>	<u>\$ 1,425,980</u>	<u>\$ 12,000,000</u>	<u>\$ 702,420</u>

APPENDIX D

TOWN OF MIDDLETOWN, DELAWARE
FIFTEEN LARGEST TAXPAYERS - 2024
(Unaudited)

<u>Owner</u>	<u>Activity</u>	<u>2023-24 Assessment</u>	<u>2023-24 Tax</u>
Wal-Mart Stores	Retail Discount Merchandiser	\$ 8,492,500	\$ 25,478
Middletown Square Assoc.	Property Management	6,978,800	20,936
Poet Holdings	Property management	6,441,500	19,325
AWCI, Inc.	Utility Services & Sales	7,199,000	21,597
Chesapeake Utilities	Gas Lines	5,115,200	15,346
Middletown Apartments	Property Management	5,828,100	17,484
Johnson Controls, Inc.	Battery Manufacture	8,606,200	25,819
STJEANCAP LLC	Property Management	4,124,300	12,373
Dove Run Associates	Property Management	4,137,200	12,412
Ajaxcap Development	Property Management	9,195,100	27,585
560 Merrimac Owner LLC	Distribution	24,903,000	74,709
JEMALS 700	Manufacture	5,276,600	15,830
The Longest Drive LLC	Property Management	3,993,900	11,982
Willow Grove LLC	Property Management	4,427,200	13,282
Datwyler	Medical Manufacture	7,095,000	21,285

APPENDIX E

TOWN OF MIDDLETOWN, DELAWARE
TEN LARGEST EMPLOYERS – 2024
JUNE 30, 2024
(Unaudited)

<u>Owner</u>	<u>Activity</u>	<u>Number of Employees</u>
Amazon	Online Retailer / Distributor	2,579
Clarios (formerly JCI)	Battery Manufacturer	510
Wal-Mart Stores	Retail Discount Merchandiser	350
SWM International	Plastic Extrusion/Netting	184
Christiana Care	Medical Emergency Room	127
Berry Global (formerly Letica)	Plastic Manufacturing	120
Lowe's Companies, Inc.	Home Improvement Retail	117
Datwyler Pharma Packaging	Pharma Packaging	115
Giant Foods	Grocery Retail	95
Home Depot	Home Improvement Retail	89

NOTE: The Town of Middletown and Appoquinimink School District are excluded.

APPENDIX C

FORM OF APPROVING OPINION OF BOND COUNSEL

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[The proposed form of the legal opinion of Pierson Ferdinand LLP, Bond Counsel to the Town of Middletown, is set forth below. The actual opinion will be delivered on the date of delivery of the Bonds referred to therein and may vary from the form to reflect circumstances both factual and legal at the time of delivery.]

[Closing Date]

The Mayor and Council of Middletown
Town Hall
19 W. Green Street
Middletown, DE 19709

Re: The Town of Middletown
\$11,510,000* General Obligation Bonds, Series 2025

To the Mayor and Council:

We have acted as bond counsel to The Town of Middletown (the “Town”) of New Castle County, Delaware, in connection with the issuance by the Town of its \$11,510,000* General Obligation Bonds, Series 2025, dated the date hereof (the “Bonds”). The Bonds are being issued pursuant to: (i) the Charter of Middletown, 33 Delaware Laws, Chapter 128, as amended, as adopted by the Delaware General Assembly (the “Town Charter”); (ii) Resolution 25-05-01 of the Town Council of the Town adopted May 5, 2025 (the “Resolution”); and (iii) the Constitution and laws of the State of Delaware.

The proceeds derived by the Town from the issuance and sale of the Bonds will be used to (i) redeem the Town’s outstanding General Obligation Bond Anticipation Note, Series 2022, and (ii) pay all or a portion of the costs and expenses incurred by the Town in connection with the issuance and sale of the Bonds.

The Bonds are subject to redemption, in whole or in part, at the times, in the manner and upon the terms set forth in the Bonds and in the Paying Agent Agreement dated the date hereof between the Town and Wilmington Trust, N.A., as paying agent.

We have examined, among other things, the Constitution and the laws of the State of Delaware, the Town Charter, a certified copy of the Resolution, the executed Bonds and such certificates, proceedings, opinions and other papers as we deemed necessary to render this opinion. In rendering our opinion, we have relied upon the genuineness, authenticity, truthfulness and completeness of all documents, records and other instruments examined. As to any facts material to our opinion, we have, when such facts were not independently established, relied upon the aforesaid instruments, certificates and documents without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that:

1. The Town is a municipality and political subdivision of the State of Delaware and has the power and authority within all applicable constitutional and legal limitations to issue the Bonds.
2. The Bonds have been duly authorized and executed by the Town, and are valid, binding and enforceable general obligations of the Town.
3. The Town has pledged its full faith and credit for the payment of the principal of and interest on the Bonds, and unless paid from other sources, the Town is authorized to levy on all real property taxable by the Town such

* Preliminary, subject to change.

ad valorem taxes as may be necessary to pay the principal of and interest on the Bonds, without limitation as to rate or amount.

4. Under existing law as enacted and construed on the date hereof and assuming the accuracy of the certifications of the Town being delivered in connection with the issuance of the Bonds and continuing compliance by the Town with all requirements of the Internal Revenue Code of 1986, as amended (the "Code") that must be satisfied subsequent to the issuance of the Bonds in order for interest thereon to be excluded from gross income for federal income tax purposes, interest [(including accrued original issue discount)] on the Bonds is excludable from gross income for federal income tax purposes. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, such interest is taken into account in determining the "adjusted financial statement income" (as defined in Section 56A of the Code) of "applicable corporations" (as defined in Section 59 of the Code) for purposes of computing the alternative minimum tax imposed on such corporations. We express no opinion regarding other federal tax consequences relating to the ownership of the Bonds or the receipt of interest thereon.

5. Under the laws of the State of Delaware as enacted and construed on the date hereof, interest on the Bonds is exempt from taxation by the State of Delaware, its agencies and political subdivisions.

The enforceability of the Bonds and the rights of the owners of the Bonds are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

Except as expressly stated above, we express no opinion regarding any other federal, state or local tax consequences relating in any way to the Bonds or the receipt of interest thereon. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of purchasing, owning, carrying or disposing of the Bonds and the treatment of the accrual or receipt of interest on the Bonds.

We express no opinion herein regarding the accuracy, adequacy, or completeness of the Official Statement dated _____ or any other offering material relating to the Bonds.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Respectfully submitted,

APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

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TOWN OF MIDDLETOWN
(New Castle County, Delaware)
General Obligation Bonds, Series 2025

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement dated _____, 2025 (including any amendments or supplements hereto, the “**Disclosure Agreement**”) is executed and delivered by the Town of Middletown (as more fully defined below, the “**Issuer**”) in connection with the issuance of its \$_____ General Obligation Bonds, Series 2025 dated the date hereof (the “**2025 Bonds**”). The Issuer, intending to be legally bound, hereby covenants and agrees as follows:

Section 1. Definitions. In this Disclosure Agreement and any agreement supplemental hereto (except as otherwise expressly provided or unless the context clearly otherwise requires) terms defined in the recitals hereto shall have the meanings set forth therein and the following terms shall have the meanings specified below:

“**Additional Bonds**” shall mean any indebtedness of the Issuer issued subsequent to the 2025 Bonds which the Issuer has declared in writing to be covered by this Disclosure Agreement. No such written declaration shall be considered an amendment to this Disclosure Agreement for purposes of Section 9 hereof.

“**Annual Filing Date**” shall mean the last day of the eighth (8th) calendar month following the end of the Issuer’s fiscal year (e.g., so long as the Issuer’s fiscal year ends June 30th, the Annual Filing Date shall be the subsequent February 28th or, in the case of a leap year, the subsequent February 29th).

“**Annual Financial Information**” shall mean financial and operating data of the type specified in Exhibit A to this Disclosure Agreement.

“**Annual Report**” shall mean the Annual Report provided by the Issuer pursuant to, and as described in, Section 3 of this Disclosure Agreement.

“**Bonds**” shall mean the 2025 Bonds and any Additional Bonds.

“**Business Day**” shall mean a day of the year which is not a Saturday, Sunday or legal holiday in New York or Delaware.

“**Dissemination Agent**” shall mean any agent of the Issuer designated in writing by the Issuer to act as the dissemination agent hereunder which has filed with the Issuer a written acceptance of such designation.

“**EMMA**” shall mean the Electronic Municipal Market Access System maintained by the MSRB at <http://emma.msrb.org/>, which serves as the sole nationally recognized municipal securities information repository under the Rule.

“**Holder**” means any person (a) having the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), and (b) treated as the owner of any Bonds for federal income tax purposes.

“**Issuer**” shall mean the Town of Middletown, New Castle County, Delaware.

“MSRB” shall mean the Municipal Securities Rulemaking Board, or any successor organization.

“Notice Event” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“Obligated Person” shall have the meaning set forth in the Rule, provided that the sole objective criteria used to select the Obligated Person shall be the entity obligated to repay all debt service with respect to the relevant Bonds.

“Official Statement” shall mean the final Official Statement relating to the 2025 Bonds and the final Official Statement relating to a series of Additional Bonds, as applicable.

“Participating Underwriter” shall mean any of the original underwriters of any series of Bonds required to comply with the Rule in connection with the offering of such Bonds.

“Repository” shall mean each nationally recognized municipal securities information repository under the Rule. **As of the date hereof, the Securities and Exchange Commission has appointed the MSRB, through EMMA, to act as the sole Repository.** Until such time as such designation is changed, any information filed in connection with this Disclosure Agreement shall be filed with EMMA at <http://emma.msrb.org/> and with the State Repository, if any.

“Rule” shall mean Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as heretofore amended, and as such Rule may be hereafter amended from time-to-time to the extent such amendments are applicable to the Bonds.

“State Repository” shall mean any public or private repository or entity designated by the State of Delaware as a state information repository for the purpose of the Rule and with which the Issuer is legally required to file the Annual Report. Currently, there is no State Repository in Delaware. The list of state information repositories maintained by the United States Securities and Exchange Commission shall be conclusive as to the existence of a State Repository.

Section 2. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Issuer for the benefit of the Holders of the Bonds (as defined below) and in order to assist the Participating Underwriter in complying with the requirements of the Rule.

Section 3. Annual Financial Information.

(a) Commencing with the Annual Report for the fiscal year ended June 30, 2025, the Issuer shall provide, or shall cause the Dissemination Agent to provide, not later than the Annual Filing Date, to the MSRB via EMMA an Annual Report containing the Annual Financial Information with respect to the preceding fiscal year, consisting of financial and operating data of the type specified in Exhibit A to this Disclosure Agreement.

(b) In the event that audited financial statements are not available by the applicable Annual Filing Date, the Issuer shall substitute unaudited financial statements in order to file the Annual Financial Information by the date required, and this Disclosure Agreement shall be deemed to be complied with so long as such Annual Financial Information containing the unaudited financial statements is filed by the Annual Filing Date and the audited financial statements for such period are filed by the Issuer not more than thirty (30) days after receipt thereof from its auditors.

(c) On an annual basis, the Dissemination Agent, if any, shall file a report with the Issuer certifying that the Annual Report has been filed pursuant to this Disclosure Agreement and stating the date the Annual Report was filed.

(d) The Issuer shall promptly provide, or shall cause the Dissemination Agent to promptly provide, written notice of any change in the Issuer's fiscal year to the MSRB via EMMA.

(e) If any information described in Exhibit A can no longer be generated because the operations to which such information relates have been materially changed or discontinued, a statement to that effect shall satisfy the obligations under this Section 3, provided, however that the Issuer shall, to the greatest extent feasible, provide in lieu thereof similar information with respect to any substitute or replacement operations.

(f) The Issuer may submit the Annual Financial Information as a single document or as a series of separate documents comprising a package and may satisfy its reporting obligations through specific cross references to other documents so long as such documents have been submitted to EMMA or, if the information concerns a reporting company, filed with the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify each such other document so incorporated by reference.

Section 4. Notice of Failure to Provide Annual Report. On or before the Annual Filing Date, in the event that the Issuer cannot file its Annual Report by the Annual Filing Date, the Issuer shall provide to the MSRB via EMMA notice of the failure to provide its required Annual Financial Information by the Annual Filing Date on such form and in such format as shall be required by the MSRB for such filings.

Section 5. Reporting of Notice Events.

(a) In a timely manner not in excess of ten (10) Business Days after the occurrence of the event, the Issuer shall file with the MSRB through EMMA on such form and in such format as shall be required by the MSRB for such filings, notice of the occurrence of any of the following events with respect to the Bonds (each a "**Notice Event**"):

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) Modifications to the rights of the holders of the Bonds, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution or sale of property securing repayment of the Bonds, if material;

- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the Issuer;
- (13) The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional trustee or the change of name of the trustee, if material;
- (15) Incurrence of a financial obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Issuer, any of which affect the holders of the Bonds, if material; and
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Issuer, any of which reflect financial difficulties.

(b) Pursuant to the Rule, for the purposes of the Notice Event identified in clause (a)(12) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

(c) Pursuant to the Rule, for the purposes of the Notice Events identified in clauses (a)(15) and (a)(16) above, the term “financial obligation” means (i) a debt obligation, (ii) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of an obligation or instrument described in clause (i) or (ii) above. The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule. Further, the term “financial obligation” shall be construed with reference to and *in pari materia* with the Rule and any applicable no-action letters, adopting releases and other authoritative interpretations of the Rule released by the SEC from time to time.

Section 6. Accounting Standards. The financial statements included in the Annual Financial Information shall be audited in accordance with generally accepted accounting principles applicable in the preparation of financial statements of the Issuer as promulgated by the Financial Accounting Standards Board, the Governmental Accounting Standards Board, or such other body recognized as authoritative by the American Institute of Certified Public Accountants or any successor body, as applicable (“GAAP”), and shall also comply with applicable federal and state auditing statutes, regulations, standards and/or guidelines. The Issuer may from time-to-time modify its accounting principles to the extent necessary or desirable to comply

with changes in either GAAP or applicable federal and state statutes, regulations, standards and/or guidelines. Any such modification of accounting standards or principles to conform to changes in either GAAP or applicable federal or state auditing statutes, regulations, standards or guidelines shall not constitute an amendment to this Disclosure Agreement within the meaning of Section 9 hereof, but such modifications shall be disclosed in the first Annual Report to be provided subsequent to such modifications, as further described in Section 9 hereof.

Section 7. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Agreement shall terminate (a) upon the legal defeasance, prior redemption or payment in full of all of the Bonds, or (b) if and when the Issuer no longer remains an Obligated Person with respect to the Bonds.

Section 8. Dissemination Agent. The Issuer may, from time-to-time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

Section 9. Amendments. Notwithstanding any other provision of this Disclosure Agreement, the Issuer may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, if the Issuer has received an opinion of counsel knowledgeable in federal securities laws to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

Neither a supplement to this Disclosure Agreement to declare that it is applicable to Additional Bonds or a modification of accounting principles or standards pursuant to Section 6 shall be considered an amendment for purposes of this Section 9.

Section 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including disclaimers or any other information in any Annual Report or notice of occurrence of a Notice Event, in addition to that which is required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Notice Event in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Notice Event.

Section 11. Submission of Information to the MSRB. The information required to be disclosed pursuant to this Disclosure Agreement shall be submitted to the MSRB through EMMA. Subject to future changes in submission rules and regulations, such submissions shall be provided to the MSRB, through EMMA, in portable document format ("**pdf**") files configured to permit documents to be saved, viewed, printed and retransmitted by electronic means. Such PDF files shall be word-searchable (allowing the user to search for specific terms used within the document through a search or find function available in a software package).

Subject to future changes in submission rules and regulations, at the time that such information is submitted through EMMA, the Issuer, or any Dissemination Agent engaged by the Issuer, shall also provide to the MSRB information necessary to accurately identify the category of information being provided and other identifying descriptions required by MSRB rules and regulations.

Section 12. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Agreement, any Participating Underwriter or any Holder may take such actions as may be necessary and appropriate, including seeking a writ of mandamus or specific performance by court order to cause the Issuer to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Bonds or any document relating to the Bonds, and the sole remedy under this Disclosure Agreement in the event of any failure of the Issuer to comply with this Disclosure Agreement shall be an action to compel performance. No action may be brought for monetary damages or legal costs.

Section 13. Severability. In case any section or provision of this Disclosure Agreement or any covenant, stipulation, obligation, agreement, or action, or any part thereof, made, assumed, entered into or taken under this Disclosure Agreement, is for any reason held to be illegal or invalid or is at any time inoperable, such illegality, invalidity or inoperability shall not affect the remainder thereof or any other section or provision of the Disclosure Agreement, or any other covenant, stipulation, obligation, agreement, act or action, or part thereof, made, assumed, entered into or taken under this Disclosure Agreement, which shall at the time be construed and enforced as if such illegal or invalid or inoperable portion were not contained therein.

Section 14. Entire Agreement. This Disclosure Agreement contains the entire agreement of the Issuer with respect to the subject matter hereof and supersedes all prior arrangements and understandings with respect thereto relating to the Bonds.

Section 15. Captions. The captions or headings herein shall be solely for convenience of reference and shall in no way define, limit or describe the scope or intent of any provisions or sections hereof.

Section 16. Beneficiaries. This Disclosure Agreement is being entered into solely for the benefit of the Participating Underwriter and Holders from time-to-time of the Bonds and any Additional Bonds, and nothing in this Disclosure Agreement expressed or implied is intended to or shall be construed to give to any other person or entity any legal or equitable right, remedy or claim under or in respect of this Disclosure Agreement or any covenants, conditions or provisions contained herein.

Section 17. Governing Law. This Disclosure Agreement shall be deemed to be a contract made under the laws of the State of Delaware, and all provisions hereof shall be governed and construed in accordance with the laws of the State of Delaware, without reference to the choice of law principles thereof; provided however that this Disclosure Agreement shall be interpreted and construed with reference to and *in pari materia* with the Rule.

IN WITNESS WHEREOF, the TOWN OF MIDDLETOWN has caused this Disclosure Agreement to be duly executed as of the day and year first above written.

TOWN OF MIDDLETOWN

By: _____
Finance Director

EXHIBIT A

The Annual Financial Information shall consist of:

(1) the Town of Middletown's audited financial statements (containing statements of revenues, expenditures/expenses and changes in fund equity) or, if such audited financial statements are not available by the Annual Filing Date, unaudited financial statements in lieu thereof, in accordance with and subject to the terms of Section 3(b) of the Disclosure Agreement; and

(2) the information described below, of the type and in a form similar to what appears in Appendix A to the Official Statement relating to the 2025 Bonds:

- (a) a listing of the Town of Middletown's largest taxpayers;
- (b) the total assessed value of all property within the Town of Middletown;
- (c) the amount of tax collections by the Town of Middletown along with the amount of delinquent taxes; and
- (d) the amount of Electric Fund and Water and Sewer Fund collections.

APPENDIX E

NOTICE OF SALE

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NOTICE OF SALE

\$11,510,000*

THE TOWN OF MIDDLETOWN

GENERAL OBLIGATION BONDS, SERIES 2025

Electronic bids via BiDCOMP®/Parity® will be received until 10:45 a.m., Eastern Daylight Time, on May 6, 2025

ELECTRONIC PROPOSALS via the BiDCOMP®/Parity® Electronic Competitive Bidding System (**“PARITY”**) of i-Deal LLC will be received in the manner described below for the purchase of the Town of Middletown \$11,510,000* General Obligation Bonds, Series 2025 (the “Bonds”). The Bonds will be dated their date of delivery and will bear interest payable initially on November 1, 2025 and semi-annually thereafter on May 1 and November 1 of each year until maturity or redemption.

The Bonds are being issued by the Town of Middletown, Delaware, (the “Town”), pursuant to the Town Charter, 33 Delaware Laws, Chapter 128, as amended (the “Charter”), together with Resolution 25-05-01 of the Town Council of the Town adopted May 5, 2025. The proceeds derived by the Town from the issuance and sale of the Bonds will be used to provide the Town with the funds required to (i) redeem the Town’s outstanding General Obligation Bond Anticipation Note, Series 2022, and (ii) pay all or a portion of the costs and expenses incurred by the Town in connection with the issuance and sale of the Bonds.

Bidders are required to submit their proposal for the purchase of the Bonds in accordance with the terms of this Notice of Sale.

The Bonds will mature, subject to prior redemption, on May 1 in the years and in the principal amounts set forth below, subject to adjustment as provided herein:

<u>Year</u>	<u>Principal Amount*</u>
2026	\$375,000
2027	365,000
2028	385,000
2029	405,000
2030	425,000
2031	445,000
2032	470,000
2033	490,000
2034	515,000
2035	545,000
2036	570,000
2037	600,000
2038	630,000
2039	660,000
2040	695,000
2041	725,000
2042	755,000
2043	785,000
2044	820,000
2045	850,000

* Preliminary, subject to change.

Electronic Bids

Electronic bids will be received via PARITY, in the manner described below, until 10:45 a.m. Eastern Daylight Time (EDT), on May 6, 2025, but no bid will be received after such time. To the extent any instructions or directions set forth in PARITY conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about PARITY, potential bidders may contact PARITY at (212) 849-5021.

Term Bond Option

Bidders may designate in their proposal two or more consecutive annual principal payments as a term bond, which matures on the maturity date of the last annual principal payment of the sequence. Any term bond so designated shall be subject to mandatory sinking fund redemption in each year on the principal payment date and in the entire principal amount for each annual principal payment designated for inclusion in such term bond. Bidders may utilize more than one term bond in their proposals.

Adjustment of Principal Amortization Schedule

The principal amounts set forth in this Notice reflect estimates of the Town and its Financial Advisor, Davenport & Company LLC, Towson, Maryland (the “**Financial Advisor**”) with respect to the likely interest rates of the winning bid, the premium contained in such bid and various other factors. The principal amortization schedule may be adjusted by the Town prior to the bid time (including by removing part or all of one or more principal maturities or by adding principal maturities) and, if any such adjustment is made, bidders must bid on the basis of the adjusted schedule. Such changes, if any, will be communicated by the Town through BiDCOMP/Parity/www.i-dealprospectus.com or The Municipal Market Monitor (“**TM3**”) by 9:30 a.m. EDT on the date of sale.

After selecting the winning bid, the aggregate principal amount of the Bonds and the principal amortization schedule may be adjusted as determined by the Town and the Town’s Financial Advisor, in \$5,000 increments, to reflect any premium in the winning bid and to create a more desirable debt service structure for the Bonds. Such adjustments shall be made at the sole discretion of the Town, with the assistance of its Financial Advisor. Such changes may result in the elimination of one or more maturities of the Bonds. Any adjustments pursuant to this paragraph will not reduce or increase the aggregate principal amount of the Bonds to be issued by more than 15% from the amount bid upon. The dollar amount bid by the successful bidder will be adjusted proportionally to reflect any reduction or increase in the principal amount of the Bonds from the principal amount reflected in the bid. Such adjusted bid price will reflect changes in the dollar amount of the underwriter’s discount and original issue premium, if any, but will not change the coupon rates and the initial public offering prices specified by the successful bidder. **THE SUCCESSFUL BIDDER MAY NOT WITHDRAW ITS BID AS A RESULT OF ANY CHANGES MADE WITHIN THESE LIMITS.**

Optional Redemption Provisions

The Bonds maturing on or after May 1, 2036 shall be subject to redemption prior to maturity at the option of the Town, as a whole at any time or in part from time to time on or after May 1, 2035 in such order of maturity as the Town may direct at a redemption price equal to one hundred percent (100%) of the principal amount to be redeemed plus accrued interest thereon to the date fixed for redemption.

Notice of redemption shall be given by first class mail postage prepaid to the registered owners of the Bonds not less than twenty (20) days but not more than sixty (60) days prior to the redemption date. So long as the Bonds are in book-entry form such notice will be mailed to DTC (as defined herein) as the registered owner of the Bonds. Any failure of DTC to advise any of its participants or any failure of any participant to notify any beneficial owner of any redemption shall not affect the validity of the redemption proceedings.

Security for the Bonds

The Bonds, when issued, shall be secured by a pledge of the full faith and credit of the Town. The Bonds constitute the direct and unlimited obligation of the Town and, unless paid from other sources, the Town shall levy *ad valorem* taxes upon all the taxable property in the Town for the payment of the Bonds.

Book-Entry Only System

All bidders for the Bonds must be participants of The Depository Trust Company, New York, New York (“DTC”) or affiliated with its participants. The Bonds will be issued and sold by means of a book-entry only system with no distribution of Bond certificates made to the public. Bond certificates representing the aggregate principal amount of the Bonds maturing in each year will be issued and fully registered as to principal and interest in the name of Cede & Co., as nominee of DTC. Individual beneficial ownership of the Bonds will be in principal amounts of \$5,000 or integral multiples thereof within a maturity pursuant to the rules and procedures established between DTC and its participants.

Transfers of beneficial ownership will be affected through records maintained by DTC and its participants pursuant to rules and procedures established by DTC. The responsibility for maintaining, reviewing and supervising such records rests collectively with DTC and its participants. The winning bidder, as a condition to the delivery of the Bonds, shall be required to deposit the Bond certificates in its account at DTC, registered in the name of Cede & Co. Interest on the Bonds will be payable on each semi-annual interest payment date and principal of the Bonds will be paid annually as set forth in the foregoing maturity schedule, in same-day funds to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to the beneficial owners by participants of DTC will be the responsibility of such DTC participants and other nominees of beneficial owners. The Town will not be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

Electronic Bidding Procedures

Submission of a bid through PARITY shall constitute the bidder’s agreement with the following terms:

1. The Town may regard the electronic transmission of the bid through PARITY (including information about the purchase price of the Bonds, the interest rate or rates to be borne by the various maturities of the Bonds, the initial public offering price of each maturity and any other information included in such transmission) as though the same information was submitted directly to the Town and executed by a duly authorized signatory of the bidder. If a bid submitted electronically by PARITY is accepted by the Town, the terms of the proposal as electronically transmitted through PARITY along with the terms set forth in this Notice of Sale shall form a contract, and the successful bidder shall be bound by the terms of such contract.

2. PARITY is not an agent of the Town, and the Town shall have no liability whatsoever based on any bidder's use of PARITY, including but not limited to any failure by PARITY to correctly or timely transmit information provided by the Town or information provided by the bidder.

3. The Town may choose to discontinue use of electronic bidding via PARITY by issuing a notification to such effect via BiDCOMP/Parity/www.i-dealprospectus.com or TM3, or by other available means.

4. Each bidder shall be solely responsible to make necessary arrangements to access PARITY for purposes of submitting its bid in a timely manner and in compliance with the requirements of this Notice of Sale. Neither the Town nor PARITY shall have any duty or obligation to undertake such registration to bid for any prospective bidder or to provide or assure access to any qualified prospective bidder, and neither the Town nor PARITY shall be responsible for the proper operation of, or have any liability for any delays or interruptions of, or any damages caused by, PARITY. The Town is using PARITY as a communication mechanism, and not as the Town's agent, to conduct the electronic bidding for the Bonds. By using PARITY, each bidder agrees to hold the Town harmless for any harm or damages caused to such bidder in connection with its use of PARITY for bidding on the Bonds. The Town is not bound by any advice and determination of PARITY to the effect that any particular bid complies with the terms of this Notice of Sale and, in particular, the "Bid Specifications" herein set forth. All costs and expenses incurred by prospective bidders in connection with their registration and submission of bids via PARITY are the sole responsibility of the bidders and the Town is not responsible, directly or indirectly, for any such costs or expenses.

5. Electronic bids must be submitted for the purchase of the Bonds (all or none) via PARITY. Bids will be communicated electronically to the Town at 10:45 a.m. EDT on May 6, 2025. Prior to that time, a prospective bidder may (i) submit the proposed terms of its bid via PARITY, (ii) modify the proposed terms of its bid, in which event the proposed terms as of the last modification will (unless the bid is withdrawn as described herein) constitute its bid for the Bonds, or (iii) withdraw its proposed bid. Once the bids are communicated electronically via PARITY to the Town at 10:45 a.m. EDT, on May 6, 2025, each bid will constitute an irrevocable offer to purchase the Bonds on the terms therein provided.

Bid Specifications

Each proposal must specify the amount bid for the Bonds (not less than 100% of par). Bidders shall state in their electronic bids the rate or rates of interest to be paid on the Bonds in multiples of one-eighth (1/8) or one-twentieth (1/20) of one percent (1%), and each proposal shall be based and submitted on the rate or rates stated therein. Each bidder must specify in its bid a single interest rate for each maturity of the Bonds. No bid will be accepted for less than 100% of the par amount of the Bonds. Bidders may specify more than one rate of interest to be borne by the Bonds, but the difference between the highest and lowest interest rates named may not be greater than three percent (3%) and the maximum permitted coupon is five percent (5%). The Bonds will be awarded to the bidder naming the lowest true interest cost for all of the Bonds in any legally acceptable proposal and offering to pay not less than par. The lowest true interest cost with respect to the Bonds will be determined by doubling the semiannual interest rate, compounded semiannually, necessary to discount the debt service payments from the payment dates to the date of the Bonds and to the amount bid. Where the proposals of two or more bidders result in the same lowest true interest cost for the Bonds, the Bonds may be apportioned between such bidders, but if this shall not be acceptable, the Town shall have the right to award all of the Bonds to one bidder. The right is reserved to the Town to reject any or all proposals and to waive any irregularity or informality in any proposal. The Town's judgment shall be final and binding upon all bidders with respect to the form and adequacy of any proposal received and as to its conformity to the terms of this Notice of Sale. The award of the Bonds, if made, may be made as late as 4:00 p.m. EDT on the sale date, and all bids shall remain firm until such time or until an award is made, whichever is earlier.

Good Faith Deposit

The successful bidder of the Bonds shall submit a good faith deposit to the Town as provided below in the amount of \$115,100 (the **“Good Faith Deposit”**). The Good Faith Deposit will secure the Town from any loss resulting from the failure of the successful bidder to comply with the terms of its bid. The successful bidder shall transfer the Good Faith Deposit by wire transfer directly to the Town upon notification of the preliminary award of the Bonds, as indicated on PARITY (the **“Preliminary Award”**), but in any case no later than 4:00 p.m. EDT on the date of sale. Wire instructions will be provided to the successful bidder by the Town’s Financial Advisor upon notification of the Preliminary Award.

The successful bidder will promptly provide evidence of the wire transfer of the Good Faith Deposit to the Town’s Finance Director by providing the federal funds reference number. The formal award of the Bonds shall not be made until the Town’s Finance Director has confirmation of receipt of the Good Faith Deposit, and if the successful bidder fails to so deliver the Good Faith Deposit by the time designated above, the Town will have the option to withdraw the Preliminary Award, in which case the successful bidder shall be responsible to the Town for all consequential damages arising from such withdrawal.

At the time of the delivery of the Bonds, the Good Faith Deposit will be applied against the purchase price for the Bonds or will be retained as liquidated damages upon the failure of the successful bidder to take and pay for the Bonds in accordance with the terms of its proposal. The successful bidder shall have no right in or to the Good Faith Deposit if it fails to complete the purchase of, and payment in full of, the Bonds for any reason whatsoever, unless such failure of performance shall be caused by an act or omission of the Town. No interest will be paid upon the Good Faith Deposit to the successful bidder. Notwithstanding the foregoing, should a successful bidder fail to pay for the Bonds at the price and on the date agreed upon, the Town reserves the right to seek further compensation beyond the amount of the Good Faith Deposit for damages sustained as a result of the successful bidder so failing, and retention of the Good Faith Deposit by the Town shall not be construed as a waiver of the right to pursue and collect additional damages.

Delivery and Payment

It is expected that delivery of the Bonds to the successful bidder will be made through the facilities of DTC in New York, New York, on or about May 20, 2025, at which time the successful bidder will be required to accept delivery of the Bonds and pay, in federal funds, the balance of the purchase price due. PAYMENT FOR THE BONDS AT THE TIME OF ORIGINAL ISSUANCE AND DELIVERY SHALL BE IN IMMEDIATELY AVAILABLE FUNDS.

Change of Bid Date and Closing Date

The Town reserves the right to postpone, from time to time, the date established for the receipt of bids and will undertake to notify registered prospective bidders via notification published on BiDCOMP/Parity/www.i-dealprospectus.com or TM3 or by other available means. In addition, the Town reserves the right to make changes to this Notice of Sale. Such changes will be announced via BiDCOMP/Parity/www.i-dealprospectus.com or TM3 or by other available means. If practicable, a postponement of the bid date will be announced via BiDCOMP/Parity/www.i-dealprospectus.com or TM3 not less than twenty-four (24) hours prior to the announced date and time for the receipt of bids, and an alternative date and time will be announced via BiDCOMP/Parity/www.i-dealprospectus.com or TM3 or by other available means not less than forty-eight (48) hours prior to such alternative date and time for receipt of bids. On any such alternative date and time for receipt of bids, the Town will accept electronic bids for the purchase of the Bonds, such bids to conform in all respects to the provisions of this Notice of Sale, except for the changes in the date and time for receipt of bids and any other changes announced via

BiDCOMP/Parity/www.i-dealprospectus.com or TM3 or by other available means at the time the date and time for receipt of bids are announced.

Right to Reject Bids; Waive Irregularities

Any bid not complying with the terms of this Notice of Sale will be rejected. The Town reserves the right to reject any or all proposals and to waive any irregularity or informality in any or all proposals.

Bond Insurance

If the Bonds qualify for issuance of any policy of municipal bond insurance, any purchase of such policy shall be at the sole option and expense of the successful bidder. If the Bonds are to be insured, the successful bidder shall pay the premium therefor prior to the delivery of the Bonds. Any failure of the Bonds to be so insured or of any such policy of insurance to be issued shall not in any way relieve the successful bidder of its contractual obligations arising from the submission of its proposal for the purchase of the Bonds and the acceptance of such proposal by the Town.

CUSIP Numbers

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such number on any Bond nor any error with respect thereto shall constitute cause for the failure or refusal of the successful bidder to accept delivery of and pay for the Bonds.

The Town's Financial Advisor shall request the assignment of CUSIP numbers and shall provide CUSIP Global Services with the final details of the sale.

Establishment of Issue Price

The Town intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of tax-exempt bonds) will apply to the initial sale of the Bonds (the "**competitive sale requirements**") in that:

- (1) the Town disseminated this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the Town expects to receive bids from at least three (3) underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the Town anticipates awarding the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in this Notice of Sale.

Any proposal submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Bonds, as specified in this Notice of Sale.

In the event that the competitive sale requirements are not satisfied, the Town shall so advise the successful bidder. The Town shall treat the first price at which 10% of each maturity of the Bonds (the "**10% Test**") is sold to the public as the issue price of that maturity for all maturities of the Bonds that satisfy the 10% Test as of the date and time of the award of the Bonds. The successful bidder shall advise

the Town of the maturities of the Bonds, if any, that do not satisfy the 10% Test as of the date and time of the award of the Bonds. With respect to any such maturities, the successful bidder will be required to comply with the “hold-the-offering-price rule”. Bids will *not* be subject to cancellation in the event that the competitive sale requirements are not satisfied. **Bidders should prepare their bids on the assumption that any Bonds that do not satisfy the 10% Test as of the date and time of the award of the Bonds shall be subject to the “hold-the-offering-price rule” in order to establish the issue price of the Bonds.**

By submitting a bid, each bidder confirms that any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to neither offer nor sell any maturity of the Bonds subject to the “hold-the-offering-price rule” to any person at a price that is higher than the initial offering price for such maturity during the holding period for such maturity.

Sales of any securities to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this Notice of Sale:

- (1) “public” means any person other than an underwriter or a related party;
- (2) “underwriter” means: (A) any person that agrees pursuant to a written contract with the Town (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public, including the contract created by the submission of a proposal through PARITY; and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the public);
- (3) a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to: (A) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another); (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another); or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (4) “sale date” means the date that the Bonds are awarded by the Town to the successful bidder.

Undertakings of the Successful Bidder

THE SUCCESSFUL BIDDER SHALL MAKE A BONA FIDE PUBLIC OFFERING OF THE BONDS AND SHALL PROVIDE THE RELATED CERTIFICATIONS DESCRIBED BELOW.

The Successful Bidder must, within twenty-four (24) hours after notification of the award, furnish the following information to the Town and to Pierson Ferdinand LLP, Wilmington, Delaware, Bond Counsel to the Town (“**Bond Counsel**”) to complete the Official Statement in final form, as described below:

- i. Selling compensation (aggregate total anticipated compensation to the underwriters expressed in dollars, based on the expectation that all the Bonds are sold at the prices or yields at which the successful bidder advised the Town that the Bonds were initially offered to the public).
- ii. The identity of the underwriters if the successful bidder is part of a group or syndicate.
- iii. Any other material information that the Town determines is necessary to complete the Official Statement in final form. After the award of the Bonds, the Town will prepare copies of the final Official Statement and will include therein such additional information concerning the reoffering of the Bonds as the successful bidder may reasonably request. The successful bidder will be responsible to the Town for the accuracy and completeness of information provided by such successful bidder with respect to such reoffering.

The Successful Bidder shall be obligated to furnish to the Town not less than forty-eight (48) hours prior to the date of delivery of the Bonds a certificate satisfactory to Bond Counsel to establish the issue price of the Bonds in accordance with the provisions set forth above under “Establishment of Issue Price.” Said certificate shall contain such other information and certifications as reasonably requested by Bond Counsel.

The Successful Bidder shall abide by all rules of the Municipal Securities Rulemaking Board (“**MSRB**”) in connection with the issuance and sale of the Bonds, including the delivery to the MSRB’s Electronic Municipal Market Access portal (“**EMMA**”) of the Official Statement (as described below).

Concerning the Preliminary Official Statement and the Official Statement

The Town has prepared a Preliminary Official Statement in connection with the sale of the Bonds which has been deemed final as of its date for purposes of paragraph (b)(1) of Rule 15c2-12 promulgated by the Securities and Exchange Commission (as amended, “**Rule 15c2-12**”), except for certain omissions permitted thereunder. Within seven (7) business days of the sale of the Bonds and in sufficient time to accompany any confirmation that requests payment from a customer, the Town will deliver an electronic copy of the final official statement (“**Official Statement**”) to the successful bidder in order for the successful bidder to comply with Paragraph (b)(4) of Rule 15c2- 12.

The Preliminary Official Statement is available for viewing in electronic form at www.i-dealprospectus.com. Alternatively, the Preliminary Official Statement may be obtained by contacting the Town’s Financial Advisor, Susan E. Ostazeski, Davenport & Company LLC, 8600 LaSalle Road, Suite 618, Towson, Maryland 21286, (410) 296-9426, sostazeski@investdavenport.com.

Legal Opinion and Closing Certificate

It shall be a condition to the obligation of the Purchaser to accept delivery of and pay for the Bonds that, simultaneously with or before delivery and payment for the Bonds, the Purchaser shall be furnished (i) the approving opinion of Bond Counsel, substantially in the form set forth in the Preliminary Official Statement, and (ii) a certificate of an authorized officer of the Town to the effect that, to the best of his or her knowledge and belief, the Official Statement (and any amendment or supplement thereto) (except for the reoffering information provided by the successful bidder and information provided by DTC regarding DTC and its book-entry only system, as to which no view will be expressed), as of the date of sale and as

of the date of delivery of the Bonds, does not contain any untrue statement of a material fact and does not omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading and that between the date of sale and the date of delivery of the Bonds there has been no material adverse change in the financial position of the Town, except as reflected or contemplated in the Official Statement (and any amendment or supplement thereto).

Continuing Disclosure

In order to assist the successful bidder in complying with Rule 15c2-12, the Town agrees to deliver on the Closing Date a Continuing Disclosure Agreement in substantially the form set forth as an Appendix to the Preliminary Official Statement.

Dated: April 24, 2025

THE TOWN OF MIDDLETOWN

By: /s/ Tyler Reynolds
Finance Director
The Town of Middletown, Delaware