

TOWN COUNCIL
PUBLIC HEARING INFORMATION SHEET

ITEM: 2017 CDBG Application – Sussex County Community Development Office

ITEM NO: N/A

DATE: December 14, 2016

PRESENTER: Brad Whaley, Sussex County Community Development Office

DESCRIPTION: This presentation will provide an overview of the CDBG program and offer an opportunity for the Town Council to discuss potential projects.

BACKGROUND: Previous CDBG projects in Georgetown have included funding for Code Enforcement, Housing Rehabilitation, Drainage Improvements, Water and Sewer Connections, S Railroad and Savannah Road Sidewalks, and Margaret Street.

**TOWN OF GEORGETOWN
TOWN COUNCIL MEETING AGENDA**

Meeting Date: Wednesday, December 14th, 2016
Location: Town Hall, 39 The Circle, Georgetown, DE
Time: 7:00 P.M. Public Hearing
7:15 P.M. Regular Meeting

7:00 P.M. Public Hearing

Community Development Block Grant (CDBG) 2016 Funding Request

This presentation will provide an overview of the CDBG program and offer an opportunity for the Town Council to discuss potential projects.

7:15 P.M. Regular Meeting

1. Pledge of Allegiance
2. Invocation
3. Adoption of Agenda
4. Approval of November 16th, 2016 Town Council Minutes
5. FY16 Audit Results and Financial Statements
6. FOP Contract Approval
7. Lankford Sign Renewal
8. Resolutions
 - A. Resolution #2016-7 2017 Holiday Schedule
 - B. Resolution #2016-8 2017 Town Council Meeting Schedule
 - C. Resolution #2016-9 Interim Financing Term
9. Holiday Incentives – Parking Meter Waiver
10. Departmental Reports
 - A. Town Manager – Gene Dvornick
 - B. Chief of Police – RL Hughes II
11. Public Comment
12. Adjournment

The agenda items as listed may not be considered in sequence. This agenda is subject to change to include additional items including executive sessions or the deletion of items including executive sessions, which arise at the time of the meeting. Persons with disabilities requiring special accommodations to attend this meeting should contact the Town Office in writing 72 hours in advance of the meeting, stating their needs in order to have them addressed under the requirements of the Americans with Disabilities Act (ADA).

TOWN OF GEORGETOWN
FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2016

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(1937 - 2016)

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RETIRED

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Council
Town of Georgetown
Georgetown, Delaware

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Georgetown as of and for the year ended April 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Georgetown as of April 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Changes in Accounting Principles

As described in Note A, Note F, and Note N to the financial statements, the Town adopted the provisions of Governmental Accounting Standards Board Statement (GASBS) No. 68, *Accounting and Financial Reporting for Pension - An Amendment of GASB Statement No. 27* and GASBS No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*. Our opinion is not modified with the implementation of these GASB Statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 and the Town's cost sharing defined benefit plans on pages 45 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Georgetown's basic financial statements. The accompanying supplementary information on pages 49 through 52 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2016, on our consideration of the Town of Georgetown's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Georgetown's internal control over financial reporting and compliance.

Jefferson, Urian, Doane & Sterner, P.A.

Georgetown, Delaware
November 1, 2016

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

THE TOWN OF GEORGETOWN

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

FOR FISCAL YEAR ENDED APRIL 30, 2016

This section of the report gives an overview and analysis of the financial activity of the Town of Georgetown for the year ended April 30, 2016.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis introduces the Town's basic financial statements. Town of Georgetown's basic financial statements include (1) Government-wide Financial Statements, (2) Fund Financial Statements, and (3) Notes to the Financial Statements. Supplementary information, in addition to the basic financial statements, is also included.

FINANCIAL HIGHLIGHTS

GOVERNMENT-WIDE STATEMENTS

As of April 30, 2016, assets exceeded liabilities by \$ 36,286,667. Of this amount, the Town had unrestricted assets of \$ 1,780,200. The Town's total net position increased by \$ 3,450,715 during the year. The net increase was mainly caused by capital contributions that consisted of forgiveness of debt, assets deeded to the Town, and governmental grants.

FUND FINANCIAL STATEMENTS

As of April 30, 2016, the Town's governmental funds reported an ending fund balance of \$ 3,071,520. This increased \$ 522,133 from the preceding year and was approximately 14% of budgeted expenditures.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Government-wide Financial Statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private sector business. This Government-wide Financial Reporting includes two statements: the Statement of Net Position and the Statement of Activities.

The Statement of Net Position presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as an indicator of whether the financial position of the Town of Georgetown is improving or deteriorating.

The Statement of Activities presents information showing how the Town's net position changed during the current fiscal year. Changes in net position are reported when the underlying event occurs, regardless of the timing of related cash flows. Thus, some revenues and expenses reported in this statement will not impact cash flows until future fiscal periods.

Both the Statement of Net Position and Statement of Activities account separately for governmental activities and business-type activities.

Governmental activities include General Administration, Public Safety, Planning and Zoning, and Streets and Grounds. These activities are mostly supported by taxes, user fees and operating grants.

Business-type activities include water and sewer services, funded primarily by user fees, connection fees, and impact fees.

The Government-wide Financial Statements in this report immediately follow this MD&A report.

FUND FINANCIAL STATEMENTS

The next group of financial statements is Fund Financial Statements. These statements provide additional information.

A fund is an accounting category used to maintain control over resources that have been segregated for specific activities or objectives. These help us comply with finance-related legal requirements. The Town's funds are divided into two categories: Governmental Funds and Proprietary Funds.

GOVERNMENTAL FUNDS

Governmental Funds account for essentially the same functions as Governmental Activities in the Government-wide Financial Statements. Governmental Fund Financial Statements do focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a government's near-term financial requirements. Because of the focus of governmental funds is for the current period, it is useful to compare this information with similar information presented for governmental activities in the Government-wide Financial Statements. Readers may then better understand the long-term impact of the government's current financing decisions. The Governmental Fund Balance Sheet and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance include reconciliations to the Government-wide Statements. The basic financial statements include a budgetary comparison statement for the General Fund. Town of Georgetown adopts an annual appropriated budget for its General Fund.

PROPRIETARY FUNDS

The Town of Georgetown's Proprietary Funds are solely enterprise funds that operate in a manner similar to private business enterprises. The Town uses Enterprise Funds for the water and sewer systems, which separates operating revenues and expenses from non-operating items. The operating expenses include the cost of service, administrative expenses and depreciation on capital assets.

MAJOR AND NON-MAJOR FUNDS

The Town of Georgetown does not have non-major funds. All activities are classified as Major Funds.

NOTES TO THE FINANCIAL STATEMENTS

Notes to the Financial Statements provide additional information that is essential to a reader's complete understanding of the data provided in the Government-wide and Fund Financial Statements.

REQUIRED SUPPLEMENTARY INFORMATION

The required supplementary information contains information related to our participation in two defined benefit plans for our employees.

SUPPLEMENTARY INFORMATION

The supplementary information contains detailed information regarding the General Fund budget versus actual revenues and expenditures and historical property assessments.

SINGLE AUDIT SUPPLEMENT

The Town of Georgetown received federal funding through grants and loans that require certain schedules and reports to be included in this section.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following table is a summary of the Government-wide Statement of Net Position:

**TOWN OF GEORGETOWN'S SCHEDULE OF NET POSITION
As of April 30, 2016 and 2015**

	Governmental Activities		Business-type Activities		Total Government	
	2016	2015	2016	2015	2016	2015
Current and Other Assets	\$ 4,021,026	\$ 3,491,028	\$ 3,384,274	\$ 3,738,775	\$ 7,405,300	\$ 7,229,803
Capital Assets	7,626,072	7,994,635	35,405,617	34,052,355	43,031,689	42,046,990
Total Assets	<u>11,647,098</u>	<u>11,485,663</u>	<u>38,789,891</u>	<u>37,791,130</u>	<u>50,436,989</u>	<u>49,276,793</u>
Deferred Outflows of Resources	158,054	-	198,213	200,082	356,267	200,082
Current and Other Liabilities	834,920	850,310	674,146	719,090	1,509,066	1,569,400
Long-term Liabilities Outstanding	381,909	269,335	12,452,302	14,809,653	12,834,211	15,078,988
Total Liabilities	<u>1,216,829</u>	<u>1,119,645</u>	<u>13,126,448</u>	<u>15,528,743</u>	<u>14,343,277</u>	<u>16,648,388</u>
Deferred Inflows of Resources	131,568	-	31,744	-	163,312	-
Net Position:						
Net Investment in Capital						
Assets	7,528,118	7,994,635	23,028,048	19,310,670	30,556,166	27,305,305
Restricted	1,537,072	1,477,895	2,413,228	2,804,700	3,950,300	4,282,595
Unrestricted	1,391,565	893,488	388,636	347,099	1,780,201	1,240,587
Total Net Position	<u>\$10,456,755</u>	<u>\$10,366,018</u>	<u>\$25,829,912</u>	<u>\$22,462,469</u>	<u>\$36,286,667</u>	<u>\$32,828,487</u>

The Governmental Activities Statement of Net Position is made up of cash, taxes receivable, restricted cash, other receivables, land improvements and other capital assets. Restricted net position consists of cash and investments, which are restricted as to their use by outside agencies and Town ordinances.

In the Business-type Activities, 89% of the net position is invested in the water and sewer systems. Restricted net position consists of cash and investments held by the Town for infrastructure outlays and debt service.

The following schedule reflects the breakdown of changes in net position for Governmental and Business-type Activities for fiscal years 2016 and 2015.

TOWN OF GEORGETOWN'S CHANGES IN NET POSITION
For the Years Ended April 30, 2016 and 2015

	Governmental Activities		Business-type Activities		Total Government	
	2016	2015	2016	2015	2016	2015
Revenues						
Program Revenues:						
Charges for Services	\$ 1,212,362	\$ 1,176,374	\$ 3,128,677	\$ 2,976,464	\$ 4,341,039	\$ 4,152,838
Operating Grants and Contributions	831,606	799,912	221,135	491,852	1,052,741	1,291,764
Capital Grants and Contributions	277,007	971,074	4,026,037	191,504	4,303,044	1,162,578
General Revenues						
Property Taxes and Penalties	1,560,829	1,503,030	-	-	1,560,829	1,503,030
Realty Transfer Taxes	241,296	171,078	-	-	241,296	171,078
Gain on Sale of Assets	98,885	-	-	-	98,885	-
Investment Income	593	564	-	-	593	564
Total Revenues	<u>4,222,578</u>	<u>4,622,032</u>	<u>7,375,849</u>	<u>3,659,820</u>	<u>11,598,427</u>	<u>8,281,852</u>
Program Expenses						
General Administration	398,369	413,895	-	-	398,369	413,895
Public Safety	2,208,538	2,153,147	-	-	2,208,538	2,153,147
Planning and Zoning	159,122	104,807	-	-	159,122	104,807
Streets and Grounds	1,974,286	1,494,864	-	-	1,974,286	1,494,864
Sewer Facility	-	-	2,221,345	2,026,353	2,221,345	2,026,353
Water Facility	-	-	1,186,052	1,082,537	1,186,052	1,082,537
Total Expenses	<u>4,740,315</u>	<u>4,166,713</u>	<u>3,407,397</u>	<u>3,108,890</u>	<u>8,147,712</u>	<u>7,275,603</u>
Increase (decrease) in Net Position						
before Transfers	(517,737)	455,319	3,968,452	550,930	3,450,715	1,006,249
Transfers	585,665	181,754	(585,665)	(181,754)	-	-
Increase in Net Position	<u>67,928</u>	<u>637,073</u>	<u>3,382,787</u>	<u>369,176</u>	<u>3,450,715</u>	<u>1,006,249</u>
Net Position - Beginning	10,366,018	9,728,945	22,462,469	22,093,293	32,828,487	31,822,238
Prior Period Adjustment	22,809	-	(15,344)	-	7,465	-
Net Position - Beginning, as restated	<u>10,388,827</u>	<u>9,728,945</u>	<u>22,447,125</u>	<u>22,093,293</u>	<u>32,835,952</u>	<u>31,822,238</u>
Net Position - Ending	<u>\$10,456,755</u>	<u>\$10,366,018</u>	<u>\$25,829,912</u>	<u>\$22,462,469</u>	<u>\$36,286,667</u>	<u>\$32,828,487</u>

In the Governmental Activities, revenues decreased from the prior year due to the Town receiving deeded infrastructure from developers in the prior year. Expenses in Streets and Grounds increased due to multiple street, storm water and sidewalk maintenance projects. Expenses in General Administration and Planning and Zoning are comparable to the prior year.

In the Business-type Activities, Capital Grants and Contributions increased from the prior year due to principal forgiveness of a State Revolving Fund loan for improvements to the water system in the current year and due to the receipt of deeded infrastructure from developers in the current year and governmental grants. The Operating Grants and Contributions decreased due to reduced impact fees collected on commercial development projects in the current year. The expenses were comparable to prior years for the water and the sewer funds.

An adjustment to net position in the current year was made to recognize the Town's prior pension obligations. The effect of this to the prior year has not been restated.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

In the General Fund, on the fund basis, the actual revenues were comparable to the budget except for transfer taxes and courthouse fees that generated \$ 343,481 over the budget, intergovernmental grants that generated \$ 314,192 over the budget, permits and planning and zoning fees were \$ 101,006 over budget. The overall increase over budgeted revenues was \$ 1,048,194 on the Fund Financial Statements. Expenses consist of General Administrative, Public Safety, Planning and Zoning, and Streets and Grounds. Public Safety paid salaries in excess of budgeted amounts, and Streets and Grounds conducted significant street maintenance projects during the year. The capital outlay budget did not include street costs.

The Town's Proprietary Funds provide the same type of information found in the Government-wide Financial Statements, but in more detail.

OTHER FACTORS

The Town continues to see increases in commercial development, especially along the DuPont Boulevard (US 113) corridor. The construction of pad sites continues and several larger parcels of vacant land have presented development plans. Georgetown continues to see an increase in medical facilities in keeping with the aged population relocating into the area.

During FY 2016 the Town completed the South Railroad Avenue Well & Treatment Project (water infrastructure) and the Inflow & Infiltration Project (sewer infrastructure). Near the end of FY 2016, the King Street Water Treatment Enhancement & Upgrade project started. In October 2015 the voters approved the borrowing of up to \$1.9 million for renovations for 37 & 39 The Circle (Annex and Town Hall). Funding will be through the United States Department of Agriculture – Community Facilities (USDA-CF) program.

Throughout FY 2016, the Town completed the following street improvement: South Railroad Avenue. The project was funded through Legislator Community Transportation Funds.

BASIC FINANCIAL STATEMENTS

**TOWN OF GEORGETOWN
STATEMENT OF NET POSITION
APRIL 30, 2016**

- 9 -

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 486,220	\$ -	\$ 486,220
Receivables:			
Taxes	33,568	-	33,568
Trash	90,314	-	90,314
Service water and sewer	-	478,015	478,015
Miscellaneous	59,590	394,156	453,746
Prepaid items	98,713	16,328	115,041
Due from other government agencies	86,987	163,896	250,883
Noncurrent assets:			
Loan receivable	18,000	-	18,000
Restricted assets:			
Cash and cash equivalents	3,086,968	2,244,564	5,331,532
Investments	-	86,974	86,974
Net pension asset	60,666	341	61,007
Capital assets:			
Land and construction in progress	435,216	1,485,071	1,920,287
Other capital assets, net of depreciation	7,190,856	33,920,546	41,111,402
TOTAL ASSETS	11,647,098	38,789,891	50,436,989
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	158,054	28,522	186,576
Deferred amounts on refunding	-	169,691	169,691
TOTAL DEFERRED OUTFLOWS OF RESOURCES	158,054	198,213	356,267
LIABILITIES			
Accounts payable	96,703	244,256	340,959
Accrued liabilities	65,076	122,210	187,286
Construction project deposit	593,173	-	593,173
Unearned revenue	79,968	306,611	386,579
Net pension liability	-	1,069	1,069
Long-term liabilities:			
Due within one year	306,494	1,082,078	1,388,572
Due in more than one year	75,415	11,370,224	11,445,639
TOTAL LIABILITIES	1,216,829	13,126,448	14,343,277
DEFERRED INFLOWS OF RESOURCES	131,568	31,744	163,312
NET POSITION			
Net investment in capital assets	7,528,118	23,028,048	30,556,166
Restricted for:			
Construction and debt service	-	2,413,228	2,413,228
Grants, emergency services, recreation and transfer tax	1,537,072	-	1,537,072
Unrestricted	1,391,565	388,636	1,780,201
TOTAL NET POSITION	\$ 10,456,755	\$ 25,829,912	\$ 36,286,667

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

TOWN OF GEORGETOWN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED APRIL 30, 2016

Function/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total
PRIMARY GOVERNMENT							
GOVERNMENTAL ACTIVITIES							
General administration	\$ 398,369	\$ 339,345	\$ 510,789	\$ -	\$ 451,765	\$ -	\$ 451,765
Public safety	2,208,538	180,328	175,690	-	(1,852,520)	-	(1,852,520)
Streets and grounds	1,974,286	528,400	145,127	277,007	(1,023,752)	-	(1,023,752)
Planning and zoning	159,122	164,289	-	-	5,167	-	5,167
TOTAL GOVERNMENTAL ACTIVITIES	4,740,315	1,212,362	831,606	277,007	(2,419,340)	-	(2,419,340)
BUSINESS-TYPE ACTIVITIES							
Sewer facility	2,221,345	1,950,433	188,700	2,430,447	-	2,348,235	2,348,235
Water facility	1,186,052	1,178,244	32,435	1,595,590	-	1,620,217	1,620,217
TOTAL BUSINESS-TYPE ACTIVITIES	3,407,397	3,128,677	221,135	4,026,037	-	3,968,452	3,968,452
TOTAL PRIMARY GOVERNMENT	\$ 8,147,712	\$ 4,341,039	\$ 1,052,741	\$ 4,303,044	(2,419,340)	3,968,452	1,549,112
GENERAL REVENUES							
Taxes: Property and penalties					1,560,829	-	1,560,829
Realty transfer					241,296	-	241,296
Unrestricted investment earnings					593	-	593
Gain on sale of assets					98,885	-	98,885
TRANSFERS					585,665	(585,665)	-
TOTAL GENERAL REVENUES AND TRANSFERS					2,487,268	(585,665)	1,901,603
CHANGE IN NET POSITION					67,928	3,382,787	3,450,715
NET POSITION - BEGINNING, AS RESTATED					10,388,827	22,447,125	32,835,952
NET POSITION - ENDING					\$ 10,456,755	\$ 25,829,912	\$ 36,286,667

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

**TOWN OF GEORGETOWN
BALANCE SHEET - GOVERNMENTAL FUND
APRIL 30, 2016**

- 11 -

	General Fund
ASSETS	
Cash and cash equivalents	\$ 486,220
Receivables:	
Taxes	33,568
Trash	90,314
Miscellaneous	59,590
Prepaid items	98,713
Due from other government agencies	86,987
Noncurrent assets:	
Loan receivable	18,000
Restricted assets:	
Cash and cash equivalents	<u>3,086,968</u>
TOTAL ASSETS	<u>\$ 3,960,360</u>
LIABILITIES	
Accounts payable	\$ 96,703
Accrued liabilities	65,076
Construction project deposit	593,173
Unearned revenue	<u>79,968</u>
TOTAL LIABILITIES	<u>834,920</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenues:	
Grant	4,735
Loan receivable	18,000
Property taxes	<u>31,185</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>53,920</u>
FUND BALANCES	
Nonspendable:	
Prepaid items	98,713
Restricted for:	
Emergency services and recreation services	178,626
Grant funds	626,065
Realty transfer tax	714,381
Assigned for:	
Health benefits	231,406
Unassigned	<u>1,222,329</u>
TOTAL FUND BALANCES	<u>3,071,520</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 3,960,360</u>

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

**TOWN OF GEORGETOWN
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION
APRIL 30, 2016**

- 12 -

FUND BALANCES OF GOVERNMENTAL FUND	\$ 3,071,520
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund statements.	7,626,072
Certain revenues are not available to pay for current period expenditures and therefore are reported as unavailable in the governmental funds.	53,920
Noncurrent assets resulting from net pension assets are not available to pay for current period expenditures and are therefore not included in the governmental fund financial statements.	60,666
Long-term liabilities are not due and payable in the current period and accordingly are not reported in the governmental fund financial statements. Interest and fees on long-term debt are not accrued in governmental funds, but rather are recognized as an expenditure when due.	(381,909)
Increases and decreases to the net pension asset that were not included in pension expense are classified as deferred outflows and deferred inflows of resources. Those items are not reported on the governmental fund financial statements.	<u>26,486</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 10,456,755</u>

TOWN OF GEORGETOWN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUND
FOR THE YEAR ENDED APRIL 30, 2016

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	<u>General Fund</u>
REVENUES	
Taxes and fees	\$ 2,186,132
Intergovernmental	537,192
Charges for services	850,532
Fines and parking	129,808
Miscellaneous	<u>313,535</u>
TOTAL REVENUES	<u>4,017,199</u>
EXPENDITURES	
Current:	
General administration	375,769
Planning and zoning	156,932
Public safety	2,103,350
Streets and grounds	1,582,433
Debt service	27,982
Capital outlay	<u>190,893</u>
TOTAL EXPENDITURES	<u>4,437,359</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(420,160)
OTHER FINANCING SOURCES	
Proceeds from sale of assets	230,692
Loan proceeds	125,936
Transfers in, net	<u>585,665</u>
NET CHANGE IN FUND BALANCE	522,133
FUND BALANCE - BEGINNING	<u>2,549,387</u>
FUND BALANCE - ENDING	<u><u>\$ 3,071,520</u></u>

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

TOWN OF GEORGETOWN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED APRIL 30, 2016

NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUND		\$ 522,133
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$ 190,893) were less than disposal of assets (\$ 131,807) and depreciation (\$ 542,027) in the current period.</p>		
		(482,941)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. The net change are as follows:</p>		
Grants	\$ 4,735	
Miscellaneous	(10,797)	
Property taxes	(1,822)	
Contributed property and supplies	<u>114,378</u>	106,494
<p>Debt proceeds are recognized as financing sources in governmental funds, but are not revenue in the Government-wide Statement of Activities, net of principal payments on debt, forgiveness of debt and accrued interest on debt not yet due.</p>		
		(97,954)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. The net changes are as follows:</p>		
Compensated absences	(39,647)	
Pension expenses	64,343	
Donations	<u>(4,500)</u>	<u>20,196</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ 67,928</u>

TOWN OF GEORGETOWN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET
AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED APRIL 30, 2016

- 15 -

	Budgeted Amounts Original and Final	Actual	Variance with Budget - Positive (Negative)
REVENUES			
Taxes and fees	\$ 1,806,790	\$ 2,186,132	\$ 379,342
Intergovernmental	223,000	537,192	314,192
Charges for services	695,000	850,532	155,532
Fines and parking	108,500	129,808	21,308
Miscellaneous	135,715	313,535	177,820
TOTAL REVENUES	2,969,005	4,017,199	1,048,194
EXPENDITURES			
Current:			
General administration	316,200	375,769	(59,569)
Planning and zoning	129,545	156,932	(27,387)
Public safety	2,157,310	2,103,350	53,960
Streets and grounds	1,028,158	1,582,433	(554,275)
Debt service	-	27,982	(27,982)
Capital outlay	35,000	190,893	(155,893)
TOTAL EXPENDITURES	3,666,213	4,437,359	(771,146)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(697,208)	(420,160)	277,048
OTHER FINANCING SOURCES			
Proceeds from sale of assets	-	230,692	230,692
Loan proceeds	-	125,936	125,936
Transfers in, net	606,408	585,665	(20,743)
NET CHANGE IN FUND BALANCE	(90,800)	522,133	612,933
FUND BALANCE - BEGINNING	2,549,387	2,549,387	-
FUND BALANCE - ENDING	\$ 2,458,587	\$ 3,071,520	\$ 612,933

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

TOWN OF GEORGETOWN
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
APRIL 30, 2016

- 16 -

ASSETS	Business-type Activities - Enterprise Funds		
	Sewer Fund	Water Fund	Total
CURRENT ASSETS			
Receivables, net of allowance for doubtful account:			
Service charges	\$ 236,949	\$ 241,066	\$ 478,015
Miscellaneous	324,120	70,036	394,156
Due from other government agencies	163,896	-	163,896
TOTAL CURRENT ASSETS	724,965	311,102	1,036,067
NONCURRENT ASSETS			
Prepaid items	7,713	8,615	16,328
Restricted assets:			
Cash and cash equivalents	1,603,657	640,907	2,244,564
Investments	86,974	-	86,974
Net pension asset	-	341	341
Capital assets:			
Land and construction in progress	1,038,628	446,443	1,485,071
Other capital assets, net of depreciation	24,787,553	9,132,993	33,920,546
TOTAL NONCURRENT ASSETS	27,524,525	10,229,299	37,753,824
TOTAL ASSETS	28,249,490	10,540,401	38,789,891
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	14,528	13,994	28,522
Deferred amounts on refunding	72,794	96,897	169,691
TOTAL DEFERRED OUTFLOWS OF RESOURCES	87,322	110,891	198,213
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	184,304	59,952	244,256
Accrued liabilities	76,743	45,467	122,210
Unearned revenue	306,611	-	306,611
Net pension liability	1,069	-	1,069
Current portion of long-term liabilities	657,568	424,510	1,082,078
TOTAL CURRENT LIABILITIES	1,226,295	529,929	1,756,224
LONG-TERM LIABILITIES, LESS CURRENT PORTION	7,930,884	3,439,340	11,370,224
TOTAL LIABILITIES	9,157,179	3,969,269	13,126,448
DEFERRED INFLOWS OF RESOURCES	15,166	16,578	31,744
NET POSITION			
Net investment in capital assets	17,289,789	5,738,259	23,028,048
Restricted for:			
Construction and debt service	1,769,398	643,830	2,413,228
Unrestricted	105,280	283,356	388,636
TOTAL NET POSITION	\$ 19,164,467	\$ 6,665,445	\$ 25,829,912

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

TOWN OF GEORGETOWN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -
PROPRIETARY FUNDS
FOR THE YEAR ENDED APRIL 30, 2016

- 17 -

	Business-type Activities - Enterprise Funds		
	Sewer Fund	Water Fund	Total
OPERATING REVENUES			
Charges for services	\$ 1,886,080	\$ 1,160,060	\$ 3,046,140
Other operating revenue	34,679	60	34,739
TOTAL OPERATING REVENUES	1,920,759	1,160,120	3,080,879
OPERATING EXPENSES			
Chemicals	35,195	65,711	100,906
Depreciation	787,222	322,419	1,109,641
Employee benefits	84,801	90,433	175,234
Gasoline and oil	5,423	1,637	7,060
Insurance	22,729	14,854	37,583
Lease expense	1,139	-	1,139
Maintenance and repairs	80,103	109,230	189,333
Payroll taxes	24,295	20,181	44,476
Pension expense	11,304	10,888	22,192
Professional services	332,202	4,173	336,375
Salaries	321,227	326,625	647,852
Sludge disposal fees	73,438	-	73,438
Supplies	16,991	4,671	21,662
Telephone	4,024	3,808	7,832
Utilities	168,084	37,665	205,749
TOTAL OPERATING EXPENSES	1,968,177	1,012,295	2,980,472
OPERATING INCOME (LOSS)	(47,418)	147,825	100,407
NON-OPERATING REVENUES (EXPENSES)			
Impact fees, net	188,700	23,186	211,886
Intergovernmental grant	-	9,249	9,249
Investment income	3,179	9	3,188
Loss on disposal of assets		(71,966)	(71,966)
Penalties	26,495	18,115	44,610
Interest expense	(253,168)	(101,791)	(354,959)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(34,794)	(123,198)	(157,992)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(82,212)	24,627	(57,585)
CAPITAL GRANTS AND CONTRIBUTIONS	2,430,447	1,595,590	4,026,037
TRANSFERS OUT	(497,767)	(87,898)	(585,665)
CHANGE IN NET POSITION	1,850,468	1,532,319	3,382,787
NET POSITION - BEGINNING, AS RESTATED	17,313,999	5,133,126	22,447,125
NET POSITION - ENDING	\$ 19,164,467	\$ 6,665,445	\$ 25,829,912

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

TOWN OF GEORGETOWN
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED APRIL 30, 2016

- 18 -

	Business-type Activities - Enterprise Funds		
	Sewer Fund	Water Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 1,852,466	\$ 1,146,058	\$ 2,998,524
Payments to suppliers for goods and services	(632,678)	(189,054)	(821,732)
Payments to employees for services	(438,843)	(447,323)	(886,166)
Other operating receipts	34,679	60	34,739
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>815,624</u>	<u>509,741</u>	<u>1,325,365</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds, net	<u>(497,767)</u>	<u>(87,898)</u>	<u>(585,665)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Bond and loan proceeds	-	200,379	200,379
Acquisition of capital assets	(1,321,567)	(193,932)	(1,515,499)
Retirement of bonds and related costs	(593,331)	(365,686)	(959,017)
Impact fees	144,300	13,592	157,892
Intergovernmental capital grant	1,214,098	9,249	1,223,347
Interest paid	<u>(246,909)</u>	<u>(89,969)</u>	<u>(336,878)</u>
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(803,409)</u>	<u>(426,367)</u>	<u>(1,229,776)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from investments	42,993	-	42,993
Investment income and penalties	<u>29,674</u>	<u>18,124</u>	<u>47,798</u>
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>72,667</u>	<u>18,124</u>	<u>90,791</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(412,885)</u>	<u>13,600</u>	<u>(399,285)</u>
CASH AND CASH EQUIVALENTS - BEGINNING	<u>2,016,542</u>	<u>627,307</u>	<u>2,643,849</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 1,603,657</u>	<u>\$ 640,907</u>	<u>\$ 2,244,564</u>
CASH AND CASH EQUIVALENTS AS PRESENTED IN THE ACCOMPANYING STATEMENTS OF NET POSITION			
Restricted cash and cash equivalents	<u>\$ 1,603,657</u>	<u>\$ 640,907</u>	<u>\$ 2,244,564</u>

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

**TOWN OF GEORGETOWN
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - CONTINUED
FOR THE YEAR ENDED APRIL 30, 2016**

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	Business-type Activities - Enterprise Funds		
	Sewer Fund	Water Fund	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income (loss)	\$ (47,418)	\$ 147,825	\$ 100,407
Adjustments to reconcile operating income to net cash flows from operating activities:			
Depreciation	787,222	322,419	1,109,641
Changes in assets, deferred outflows and liabilities:			
Receivables	(32,596)	(14,002)	(46,598)
Prepaid items	(432)	8,615	8,183
Accounts payable and accrued liabilities	115,671	50,475	166,146
Net change in pension asset (liabilities)	(5,805)	(5,591)	(11,396)
Unearned revenue	(1,018)	-	(1,018)
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 815,624	\$ 509,741	\$ 1,325,365
NON-CASH CAPITAL AND OPERATING ACTIVITIES			
Capital contributions	\$ 1,221,322	\$ -	\$ 1,221,322
Debt forgiveness related to capital projects	\$ -	\$ 1,595,590	\$ 1,595,590

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Georgetown, Delaware (the Town) was incorporated in 1791 under the provisions of the State of Delaware. The Town operates under a Mayor-Council form of government and provides the following services: public safety, streets and grounds, planning and zoning, water and sewer service, and general administrative services.

The Town's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Town are discussed below.

1. Reporting Entity

The accompanying financial statements include police, streets, water and sewer service, recreation and general administrative services that are legally controlled by or dependent on the Town Council (the primary government). The Town's financial reporting entity is required to consist of all organizations for which the Town is financially accountable or for which there is a significant relationship. The Water & Supply Company, previously the sole provider of water services to the Town's citizens, was purchased by the Town of Georgetown in 1991 and is an integral component of the Town's water system. Its activities were blended with the Water Fund.

2. Basic Financial Statements - Government-wide Statements

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Town's governmental activities consist of general administration, public safety, recreation, and street maintenance. The Town's water and sewer services are classified as business-type activities.

In the government-wide statement of net position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

The government-wide statement of activities reports both the gross and net cost of each of the Town's functions and business-type activities. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. Direct expenses are those that are clearly identifiable with a specific function. The net costs (by function or business-type activity) are normally covered by general revenue (property taxes, interest income, etc.).

This government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net position resulting from the current year's activities.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Basic Financial Statements - Fund Financial Statements

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Town:

Governmental Fund

The focus of the governmental fund's measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the governmental fund of the Town:

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

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position and cash flows. The accounting principles generally accepted in the United States of America applicable are those similar to businesses in the private sector.

Proprietary funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs. The following is a description of the proprietary funds of the Town:

Enterprise funds are used to account for the provision of water and sewer services to customers in the Town's Water and Sewer Districts. Activities of the enterprise funds include administration, operations and maintenance of the water and sewer system, and billing and collection activities.

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 are charges to customers for providing services. Operating expenses include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting the above criteria are reported as non-operating revenues and expenses.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Basic Financial Statements - Fund Financial Statements - Continued

Major and Nonmajor Funds

The funds of the financial reporting entity are further classified as major or nonmajor. The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASBS No. 34 sets forth minimum criteria for the determination of major funds. The Town does not have a nonmajor fund.

4. Basis of Accounting/Measurement Focus

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services, which are accrued. Expenses are recognized at the time the liability is incurred. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as non-operating revenue.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Town considers property taxes as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, except for interest payable accrued at the debt issuance date for which cash is received with the debt proceeds, as well as expenditures related to compensated absences are recorded only when payment has matured and will be payable shortly after year-end. The revenues susceptible to accrual are property taxes, annexation fees, charges for service, interest income and intergovernmental revenues.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Cash and Cash Equivalents

The Town has defined cash and cash equivalents to include cash on hand, demand deposits and all liquid investments (including restricted assets) with a maturity of three months or less when purchased. Restricted cash mainly consists of amounts held by the Town that are sourced from grant programs, retirement, health and impact fee funds.

6. Receivables

Receivables of other than miscellaneous are reported at their gross value. All service and property tax receivables are considered fully collectible. Miscellaneous receivables are reported net of a reserve for bad debts of \$ 4,036.

7. Capital Assets

Equipment purchased or acquired with an original cost of \$ 5,000 or more, and land improvements, buildings, storm drains, and sewer and water infrastructure purchased or acquired with an original cost of \$ 25,000 or more are reported at historical cost or estimated historical cost. Capital assets are reviewed on an ongoing basis for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the excess of the asset's carrying amount over the fair value of the asset. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized.

The Town has elected to only report infrastructure as capital assets if acquired after May 1, 2004. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Sewer and water infrastructure	5 - 50 years
Streets and storm drains	40 years
Buildings and improvements	7 - 40 years
Machinery and equipment	3 - 10 years

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

8. Unearned Revenue

Unearned income represents monies held or currently owed to the Town that will be recognized as revenue in future periods.

9. Investments

All investments are stated at fair value. Fair values are determined by quoted market prices, where available. Restricted investments represent amounts held by the Town for construction and debt service.

10. Deferred Outflows/Inflows of Resources

In addition to assets, the governmental fund balance sheet and 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 government-wide statements for governmental activities and business-type activities reported decreases in its net pension liability that were not included in its pension expense as deferred outflows of resources. Also, the Town's pension contributions subsequent to the measurement date of the net pension liability are reported as deferred outflows of resources.

In addition to liabilities, the governmental fund balance sheet and 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 Town has the following items which arise under the accrual and modified accrual basis of accounting that qualify for reporting in this category. For both governmental activities and business-type activities, the Town reported increases in its net pension liability that were not included in its pension expense as deferred inflows of resources. In addition, unavailable revenue is reported in the governmental fund balance sheet. The governmental funds report unavailable revenues from annexation fees, property taxes, grant revenue, and other receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

10. Equity Classifications

Government-wide and Proprietary Fund Net Position

Net position is classified and displayed in three components:

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

Governmental Fund Balances

In the governmental fund financial statements, fund balances are reported using five classifications based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (1) not in spendable form such as prepaid items or inventories; or (2) legally or contractually required to be maintained intact.

The spendable portion of the fund balance comprises the remaining four classifications:

- a. Restricted fund balance - This classification reflects the constraints imposed on resources either (1) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.
- b. Committed fund balance - These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the Town Council, the government's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Town Council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
- c. Assigned fund balance - This classification reflects the amounts constrained by the Town's "intent" to be used for specific purposes, but are neither restricted nor committed. The Town Manager has the authority to assign amounts to be used for specific purposes.
- d. Unassigned fund balance - This fund balance is the residual classification for the general fund.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

10. Equity Classifications - Continued

Use of Restricted Resources

It is the Town's policy to maintain a diversified and stable revenue stream to protect it from problematic fluctuations in any single revenue source and provide stability to ongoing services. The Town's policy is to segregate restricted resources for both restricted and assigned funds. Town Council specifically authorizes expenditures from those restricted resources and they are approved on a transaction-by-transaction basis in accordance with the specified provisions imposed by those resources. When an expenditure is incurred for purposes for which both nonsegregated restricted and unrestricted net position are available, it is the policy of the Town to consider nonsegregated restricted net position to have been reduced first.

11. Property Assessment

The Town's property tax year runs from May 1 to April 30. Property taxes are recorded and attached as an enforceable lien on property on May 31, the date levied. Taxes are payable under the following terms: May 1 through May 31, face amount; after May 31, a 1.5% penalty per month is charged on the unpaid balance due. Property taxes are recognized as revenue in the budget year for which they are levied.

12. Compensated Absences

Employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for accumulated vacation days. In the event of retirement, an employee is paid for accumulated vacation days, and dependent on years of service could be paid part or all of sick leave accumulated. The Town accrues accumulated unpaid vacation and sick leave when earned (or estimated to be earned) by the employee. Sick leave is only payable to an employee at retirement and is accrued once an employee attains ten years of Town service. The governmental funds compensated absences are maintained separately and represent a reconciling item between the fund and government-wide presentations.

13. Interfund Activity

Interfund activity is reported as either loans or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. All other interfund transactions are treated as transfers and are not required to be repaid by the funds. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements. Transferred funds are used for operational purposes by the recipient fund. The general fund received \$ 497,767 and \$ 87,898 of net transfers from the sewer and water funds, respectively, during the year.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

14. Budgets and Budgetary Accounting

The budget in these financial statements is presented on a basis consistent with accounting principles generally accepted in the United States of America. Final budgeted amounts are as amended at April 30, 2016. Unexpected appropriations lapse at year end.

Prior to March 1, the Town Manager, in conjunction with the Finance Officer, distributes budget request forms to each department.

These budgets are prepared by March 1. The Town Manager, with the assistance of the Finance Officer, then develops an annual operating budget, using these department budgets to evaluate the priority and costs of various services. The recommended annual operating budget is then presented to Council by the Town Manager.

The Council legally adopts an annual budget not later than April 30 for the subsequent year.

15. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from these estimates.

16. Interest Costs

Interest costs incurred by a proprietary fund for the acquisition and/or construction of capital assets are subject to capitalization. The amount of interest cost to be capitalized is based on the weighted-average amount of accumulated expenditures for the period multiplied by the proprietary fund's interest rate for the obligation incurred specifically to finance the construction of the capital asset. No interest was capitalized during the year. Interest expensed in the business-type activities totaled \$ 354,959 for the year.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

17. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expenses, information about the fiduciary net position of the Delaware Public Employees' Retirement System (DPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net positions have been determined on the same basis as they are reported by DPERS, which is an accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms within the government-wide statements. Investments are reported at fair value. Under the modified accrual basis of accounting, the Town's proportionate share of the collective net pension liability (asset) is recognized to the extent the liability (asset) is normally expected to be liquidated with expendable available financial resources. As a result, net pension liability (asset), deferred outflows/inflows of resources, and pension expense for government-wide balances represent a reconciling item between the fund and government-wide presentations. Town employees who are non-police officers participate in DPERS' County & Municipal Other Employees' Pension Plan. Town employees who are police officers participate in the DPERS' County & Municipal Police and Firefighters' Pension Plan. Both Plans are described in Note F.

18. Implementation of New Statements

Beginning in fiscal year 2016, the Town implemented the following statements issued by the Governmental Accounting Standards Board (GASB):

GASBS No. 68, *Accounting and Financial Reporting for Pension - an Amendment of GASB Statement No. 27*. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense or expenditures related to pensions. This statement has changed certain classifications of expenses related to pensions as deferred outflows of resources and has recognized a net pension liability (asset) for the Town. These changes have resulted in a restatement of net position for both governmental activities and business-type activities as noted in Note N.

GASBS No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB No. 68*. The statement clarifies GASBS No. 68 that require state and local governments to recognize a deferred outflow of resources only for its pension contributions, if any, made subsequent to the measurement date of the beginning of net pension liability but before the start of the government's fiscal year. Additionally, in those circumstances, no beginning balances for other deferred outflows/inflows of resources should be recognized. The application of these statements coincides with the reclassifications and restatements of net position for GASBS No. 68 as noted in Note N.

NOTE B - DEPOSITS AND INVESTMENTS

All deposits are in various financial institutions and are carried at cost. Transactions are made directly with the banks and securities dealers. At April 30, 2016, the carrying amount of the Town's deposits was \$ 5,816,752 and the bank balance was \$ 5,921,026. Of the bank balance, \$ 1,668,364 was insured by federal depository insurance, \$ 4,041,029 was insured by pledged collateral and \$ 211,634 was uninsured and uncollateralized at year end. The Town's policy is to obtain additional collateral on balances held by financial institutions.

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Town will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. In regards to investments, custodial credit risk is in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the Town's investment. The Town's primary objective of its investment activities is the safety of principal in order to mitigate interest rate risk. The Town does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Investments in U.S. government securities earn interest at a stated fixed rate and are normally held until maturity when the full principal and interest are paid to the Town.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town stresses safety of principal as investments are made with judgment and care. U.S. government securities are not considered to have credit risk and, therefore, their credit risk is not disclosed. Investments issued by Federal Home Loan Mortgage Corporation and Federal National Mortgage Association have an AAA credit rating at year end. The Town does not have any other investments that are credit quality rated.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The Town has no formal policy to address the concentration of credit risk attributed to a single issuer.

NOTE B - DEPOSITS AND INVESTMENTS - CONTINUED

The Town has authorized the following investments:

Bonds or other obligations of which the faith and credit of the United States of America are pledged; obligations of federal governmental agencies issued pursuant to Acts of Congress; repurchase agreements that are secured by any bond or other obligation for the payment of which the faith and credit of the United States are pledged; certificates of deposit and other evidences of deposit of financial institutions; money market mutual funds regulated by the Securities and Exchange Commission and whose portfolios consist of dollar-denominated securities; and local government investment pools administered by the State of Delaware.

The Town had the following investments at April 30, 2016:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 - 5	6 - 10	More than 10
U.S. Treasuries	\$ 26,675	\$ -	\$ -	\$ -	\$ 26,675
Federal Home Loan Mortgage Corporation	37,184	2,009	2,350	2,511	30,314
Federal National Mortgage Association	23,115	-	-	1,035	22,080
Total Investments	\$ 86,974	\$ 2,009	\$ 2,350	\$ 3,546	\$ 79,069

Reconciliation of cash and investments to the government-wide statement of net position:

Cash on hand	\$ 1,000
Carrying amount of deposits	5,816,752
Carrying amount of investments	86,974
TOTAL	\$ 5,904,726
Cash and cash equivalents	\$ 486,220
Cash and cash equivalents - restricted	5,331,532
Investments - restricted	86,974
TOTAL	\$ 5,904,726

NOTE C - CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2016 was as follows:

	Balance at April 30, 2015	Increases	Decreases	Balance at April 30, 2016
Governmental Activities:				
Capital assets, not being depreciated:				
Land and parks	\$ 508,571	\$ -	\$ 109,355	\$ 399,216
Construction in progress	-	36,000	-	36,000
Total capital assets, not being depreciated	<u>508,571</u>	<u>36,000</u>	<u>109,355</u>	<u>435,216</u>
Other capital assets:				
Buildings and improvements	1,514,232	-	-	1,514,232
Equipment	1,728,493	229,271	138,187	1,819,577
Streets and storm drains	7,897,458	40,000	-	7,937,458
Total other capital assets	<u>11,140,183</u>	<u>269,271</u>	<u>138,187</u>	<u>11,271,267</u>
Less accumulated depreciation for other capital assets				
Building and improvements	1,024,117	54,305	-	1,078,422
Equipment	1,233,307	144,471	115,735	1,262,043
Streets and storm drains	1,396,695	343,251	-	1,739,946
Total accumulated depreciation	<u>3,654,119</u>	<u>542,027</u>	<u>115,735</u>	<u>4,080,411</u>
Other capital assets, net	<u>7,486,064</u>	<u>(272,756)</u>	<u>22,452</u>	<u>7,190,856</u>
Governmental Activities Capital Assets, Net	<u>\$ 7,994,635</u>	<u>\$ (236,756)</u>	<u>\$ 131,807</u>	<u>\$ 7,626,072</u>

NOTE C - CAPITAL ASSETS - CONTINUED

	Balance at April 30, 2015	Increases	Decreases	Balance at April 30, 2016
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,074,327	\$ 1	\$ -	\$ 1,074,328
Construction in progress	1,084,611	66,065	739,933	410,743
Total capital assets, not being depreciated	<u>2,158,938</u>	<u>66,066</u>	<u>739,933</u>	<u>1,485,071</u>
Other capital assets:				
Plant equipment and extensions	48,988,824	3,208,736	193,963	52,003,597
Less accumulated depreciation for other capital assets	<u>17,095,407</u>	<u>1,109,641</u>	<u>121,997</u>	<u>18,083,051</u>
Other capital assets, net	<u>31,893,417</u>	<u>2,099,095</u>	<u>71,966</u>	<u>33,920,546</u>
Business-type Activities Capital Assets, Net	<u>\$ 34,052,355</u>	<u>\$ 2,165,161</u>	<u>\$ 811,899</u>	<u>\$ 35,405,617</u>

Depreciation expense was charged to functions as follows:

Governmental Activities:	
General government	\$ 18,775
Public safety	123,908
Streets and grounds	<u>399,344</u>
Total Governmental Activities Depreciation Expense	<u><u>\$ 542,027</u></u>
Business-type Activities:	
Water	\$ 322,419
Sewer	<u>787,222</u>
Total Business-type Activities Depreciation Expense	<u><u>\$ 1,109,641</u></u>

NOTE D - PROPERTY TAXES

Taxes are levied on May 1 and a lien attaches to the property on May 31. Taxes are levied on November 1 for increased property valuations to that date at one-half the tax rate. The Town bills and collects its own property taxes. The tax rate for the year ended April 30, 2016 was \$ 3.17 per \$ 100 of assessed valuation for all real property and improvements, except for utility poles and wires, which were assessed at \$ 3.69 per \$ 100 of assessed valuation, with a total taxable valuation of \$ 47,496,370. Real property and improvements that are exempt from taxation due to State, Town or other tax-exempt ownership total \$ 15,739,405.

NOTE E - GENERAL OBLIGATION BONDS AND NOTES PAYABLE

Included in the proprietary fund are the following bonds at April 30, 2016.

	<u>Business-type</u>
Bond payable to the United States of America, interest at 3.25%, principal and interest payments of \$ 4,592 are payable quarterly until 2039, general obligation of the Town.	\$ 302,556
Bond payable to the United States of America, Department of Agriculture, Rural Utilities Service, interest at 4.5%, principal and interest payments of \$ 17,626 are payable quarterly until 2043, general obligation of the Town.	1,103,463
Bond payable to the State of Delaware, interest at 2.66%, principal and interest payments of \$ 154,995 are payable semi-annually until 2026, general obligation of the Town.	2,823,626
Water and Sewer bonds, Series 2011A, issued August 17, 2011, interest ranges from 1% to 4%, variable semi-annual payments at November 15 and May 15 until 2021, general obligation of the Town.	4,610,000
Bond payable to the United States of America, Department of Agriculture, Rural Utilities Service, interest at 2.125%, principal and interest payments of \$ 14,761 are payable quarterly until 2052, general obligation of the Town.	1,451,884
Bond payable to the State of Delaware, interest at 0%, with loan forgiveness at completion of project, general obligation of the Town. Total bonds authorized were \$ 3,300,000. Total advanced \$ 826,536.	826,536
Bond payable to the State of Delaware, interest at 2.39%, semi-annual payments until 2029, general obligation of the Town. Total bonds authorized were \$ 556,500. Total advanced \$ 93,062, remaining funds not utilized.	63,548
Bond payable to the United States of America, Department of Agriculture, Rural Utilities Service, interest at 2.25%, principal and interest payments of \$ 8,496 are payable quarterly until 2050, general obligation of the Town.	808,738
Bond payable to the State of Delaware, interest at 2%, semi-annual payments until 2030, general obligation of the Town. Total bonds authorized were \$ 490,000. Total advanced \$ 398,795, remaining funds not utilized.	<u>332,014</u>
TOTAL	12,322,365
ADD: Unamortized bond premium	<u>55,204</u>
TOTAL BOND INDEBTEDNESS	<u><u>\$ 12,377,569</u></u>

NOTE E - GENERAL OBLIGATION BONDS AND NOTES PAYABLE - CONTINUED

The total debt service payments for the ensuing years are as follows:

<u>Years Ending April 30</u>	<u>Business-type Activities - General Obligation</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,007,345	\$ 318,104	\$ 1,325,449
2018	1,101,404	293,469	1,394,873
2019	1,260,722	257,428	1,518,150
2020	1,155,301	219,732	1,375,033
2021	1,180,150	187,663	1,367,813
2022 - 2026	2,968,539	612,674	3,581,213
2027 - 2031	949,876	385,831	1,335,707
2032 - 2036	758,053	288,154	1,046,207
2037 - 2041	841,199	181,837	1,023,036
2042 - 2046	681,691	77,303	758,994
2047 - 2051	415,425	23,810	439,235
2052	2,660	26	2,686
TOTAL	\$ 12,322,365	\$ 2,846,031	\$ 15,168,396

At April 30, 2016, governmental activities long-term liabilities were as follows:

	<u>Governmental</u>
Notes payable to Ford Motor Credit, interest payable at 5.45% and 5.95%, principal and interest payments due annually until 2019, general obligation of the Town.	\$ 97,954

The total debt service payments for the ensuing years are as follows:

<u>Years Ending April 30</u>	<u>Governmental Activities - General Obligation</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	22,539	5,443	27,982
2018	23,791	4,191	27,982
2019	25,114	2,868	27,982
2020	26,510	1,473	27,983
TOTAL	\$ 97,954	\$ 13,975	\$ 111,929

NOTE E - GENERAL OBLIGATION BONDS AND NOTES PAYABLE - CONTINUED

Long-term Liability Activity

Long-term liability activity for the year ended April 30, 2016 was as follows:

	<u>April 30, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>April 30, 2016</u>	<u>Due Within One Year</u>
Governmental Activities:					
Compensated absences	\$ 269,335	\$ 255,892	\$ 241,272	\$ 283,955	\$ 283,955
Notes payable	-	125,936	27,982	97,954	22,539
Total Governmental Activities	<u>\$ 269,335</u>	<u>\$ 381,828</u>	<u>\$ 269,254</u>	<u>\$ 381,909</u>	<u>\$ 306,494</u>
Business-type Activities:					
General obligation bonds	\$ 14,676,593	\$ 200,379	\$ 2,554,607	\$ 12,322,365	\$ 1,007,345
Unamortized bond premium	65,092	-	9,888	55,204	-
Total bonds payable	14,741,685	200,379	2,564,495	12,377,569	1,007,345
Compensated absences	67,968	31,253	24,488	74,733	74,733
Total Business-type Activities	<u>\$ 14,809,653</u>	<u>\$ 231,632</u>	<u>\$ 2,588,983</u>	<u>\$ 12,452,302</u>	<u>\$ 1,082,078</u>

The decreases in general obligation bonds includes principal forgiveness of a \$ 1,595,590 loan by the State of Delaware for water system improvements.

Compensated absences do not have a fixed repayment date, but are due to employees if they terminate employment and are reflected as a currently due liability on the statement of net position.

NOTE F - PENSION PLANS

Plan Description

The Town currently participates in two State of Delaware administered multi-employer county and municipal pension plans, which are cost-sharing plans: (1) the County & Municipal Other Employees' Pension plan, (Other Employees' Plan) and (2) the County & Municipal Police and Firefighters' Pension Plan (Police's Plan). The State of Delaware General Assembly is responsible for setting benefits and contributions and amending plan provisions. The Board of Pension Trustees issues a publicly available report that includes financial statements and required supplementary information for the plans. That report can be accessed at <http://auditor.delaware.gov/reports.shtml>.

NOTE F - PENSION PLANS - CONTINUED

Plan Description (continued)

All full-time employees under the Other Employees' Plan and the Police's Plan are eligible to participate in the defined benefit plans. Benefits vest after 5 years of service for both plans. Non-police employees may retire if they have 5 years of credited service and are 62 years old, or they have 15 years of credited service and are 60 years old, or they have 30 years of credited service under the Other Employees' Plan. Police employees under the Police's Plan may retire when they have 10 years of credited service and are 62 years old, or their age plus credited service (but not less than 10 years) equals 75, or they have 20 years of credited service. Pension benefits are based on average compensation over the credited service period. The Other Employees' Plan is based on the highest 5 years of compensation and the Police's Plan is based on the highest 3 consecutive years of compensation.

Contributions

Non-police employees of the Town are required to contribute 3% of their gross earnings over \$ 6,000 to the pension plan. Police employees are required to contribute 7% of their base pay to the police pension plan. The Town makes monthly contributions as required by State statutes. During the year ended April 30, 2016, the Town was required to contribute 6.21% and 13.85% of its gross payroll to the Other Employees' Plan and Police's Plan, respectively. Those amounts contributed to the pension plan from the Town were \$ 68,823 for the Other Employees' Plan and \$ 135,468 for the Police's Plan for the year ended April 30, 2016.

The State periodically grants funds to municipalities to provide for police pensions. The Town uses these monies to fund the pension plan for police employees.

Pension Liabilities (Assets)

For the Other Employees' Plan at April 30, 2016, the Town reported a liability of \$ 1,522 for its proportionate share of the net pension liability which is allocated amongst the Town's funds. For the Police's Plan, the Town reported an asset of \$ 61,460 for its proportionate share of the net pension asset. The net pension assets for both of these plans were measured as of June 30, 2015. The collective total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of June 30, 2014, and update procedures were used to roll forward the total pension asset to June 30, 2015. The Town's proportion for both of the plans were based on an election made by the Plans' Board of Pension Trustees to allocate the employer's proportionate share of the collective pension amounts based on the percentage of actual employer contributions. At June 30, 2015, the Town's proportion was 3.5668% and 1.1662% for the Other Employees' Plan and the Police's Plan, respectively, which was a decrease of .1984% and a decrease of .0590%, respectively, from its proportion valuation as of June 30, 2014.

Pension Expense

For the year ended April 30, 2016, the Town recognized pension expense of \$ 45,476 and \$ 83,078 for the Other Employees' Plan and the Police's Plan, respectively.

NOTE F - PENSION PLANS - CONTINUED

Deferred Inflows/Outflows of Resources Related to Pensions

At April 30, 2016, the Town reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		
	<u>Other Employees' Plan</u>	<u>Police's Plan</u>	<u>Total</u>
Governmental Activities			
Changes in proportion and differences between Town contributions and proportionate share of contributions Town contributions subsequent to the measurement date	\$ -	\$ 5,040	\$ 5,040
	<u>29,922</u>	<u>123,092</u>	<u>153,014</u>
Total Governmental Activities Deferred Outflows of Resources	<u>\$ 29,922</u>	<u>\$ 128,132</u>	<u>\$ 158,054</u>
Business-type Activities			
Town contributions subsequent to the measurement date	<u>\$ 28,522</u>	<u>\$ -</u>	<u>\$ 28,522</u>

The \$ 58,444 (\$ 29,922 for governmental activities and \$ 28,522 for business-type activities) and the \$ 128,132 total reported as deferred outflows of resources for both the Other Employees' Plan and the Police's Pan, respectively, are related to pensions resulting from the Town's contributions subsequent to the measurement date. Those amounts will be recognized as a reduction of the net pension liability in the year ended April 30, 2017.

NOTE F - PENSION PLANS - CONTINUED

At April 30, 2016, the Town reported deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources		
	Other Employees' Plan	Police's Plan	Total
Governmental Activities			
Net differences between expected and actual experience	\$ 11,158	\$ 35,078	\$ 46,236
Net difference between projected and actual investment earnings on pension plan investments	12,217	60,088	72,305
Changes in proportion and differences between Town contributions and proportionate share of contributions	<u>9,886</u>	<u>3,141</u>	<u>13,027</u>
Total Governmental Activities Deferred Inflows of Resources	<u>\$ 33,261</u>	<u>\$ 98,307</u>	<u>\$ 131,568</u>
Business-type Activities			
Net differences between expected and actual experience	\$ 10,648	\$ -	\$ 10,648
Net difference between projected and actual investment earnings on pension plan investments	11,660	-	11,660
Changes in proportion and differences between Town contributions and proportionate share of contributions	<u>9,436</u>	<u>-</u>	<u>9,436</u>
Total Business-type Activities Deferred Inflows of Resources	<u>\$ 31,744</u>	<u>\$ -</u>	<u>\$ 31,744</u>

The change in the employer proportionate share for both the deferred outflows of resources and deferred inflows of resources are the amounts of the difference between the employer proportionate share of net pension liability (asset) in the prior year compared to the current year. This change in proportion is amortized over the average of the expected remaining service life of active and inactive members which are 8 and 11 years for the Other Employees' Plan and the Police's Plan, respectively. The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or deferred inflow of resources.

NOTE F - PENSION PLANS - CONTINUED

Deferred Inflows/Outflows of Resources Related to Pensions - Continued

The net differences between projected and actual plan investment earnings on pension plan investments for both the Other Employees' Plan and the Police's Pension Plan are the differences between the actual earnings on the Plans' investments compared to the Plans' expected rate of return of 7.2% that are amortized over a closed period of 5 years. Those amounts will be recognized in pension expense in the subsequent years as follows:

Years Ending April 30	Police's Plan	Other Employee's Plan	Total
2017	\$ (30,683)	\$ (14,099)	\$ (44,782)
2018	(30,683)	(14,099)	(44,782)
2019	(30,683)	(14,099)	(44,782)
2020	17,926	5,939	23,885
2021	(3,508)	(3,115)	(6,623)
Thereafter	(17,539)	(6,230)	(23,769)

Actuarial Assumptions

The actuarial assumptions for the June 30, 2015 measurement date that is being applied to the April 30, 2016 period for both Plans were determined by an actuarial valuation as of June 30, 2014, and as mentioned, update procedures were used to roll forward the total pension liability to June 30, 2015.

These actuarial valuations used the following actuarial assumptions for both plans as detailed below:

	Other Employee's Plan	Police's Plan
Actuarial assumptions:		
Investment rate of return/Discount rate*	7.2%	7.2%
Projected salary increases*	3.5% to 11.5%	4 % to 11.5%
Cost-of-living adjustments (COLAs)	n/a	n/a

**Inflation is included at 3% for both Plans.*

For both Plans, the total pension liabilities are measured based on assumptions pertaining to the interest rates, inflation rates, and employee demographic behavior in future years as a collective. The assumptions were used based on the results of an actuarial experience study conducted in 2011. It is likely that future experience will not exactly conform to these assumptions. The emerging liabilities may be higher or lower than anticipated to the extent that actual experience deviates from these assumptions. The more the experience deviates, the larger the impact on future financial statements.

Mortality rates for both Plans were based on the Sex distinct RP-2000 combined Mortality Table projected to 2015 using scale AA Males or Females, as appropriate, for mortality improvement.

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

NOTE F - PENSION PLANS - CONTINUED

Actuarial Assumptions - Continued

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 longer-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 current and expected asset allocation are summarized in the following table for both Plans:

Asset Class	Long-term Expected Real Rate of Return	Asset Allocation
Domestic equity	5.7%	36.5%
International equity	5.7	16.5
Fixed income	2.0	22.6
Alternative investments	7.8	19.6
Cash and cash equivalents	-	4.8

Discount Rate

The discount rate used to measure the total pension liability for both Plans was 7.2%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members for both Plans will be made at the current contribution rates and that contributions from employers will be made at rates actuarially determined by the Board of Pension Trustees. Based on those assumptions, both Plans' fiduciary net position were projected to be available to make all projected future benefit payments of the Plans' current members. Therefore, the long-term expected rate of return on pension investments for both Plans were applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the Town's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.2% for both Plans, as well as what the Plans' net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.2%) or 1-percentage-point higher (8.2%) than the current rate:

	1% Decrease (6.2%)	Current Discount Rate (7.2%)	1% Increase (8.2%)
Other Employees' Plan	\$ 122,627	\$ 1,522	\$ (211,939)
Police's Plan	266,702	(61,460)	(554,665)

NOTE F - PENSION PLANS - CONTINUED

Pension Plan Fiduciary Net Position

The detailed information about the Plan's fiduciary net position for both the Other Employees' Plan and the Police's Plan are available as mentioned under the Plan Description of this Note from the Board of Pension Trustees governed by the State of Delaware General Assembly.

NOTE G - OTHER LIABILITIES

In 1999, the Town loaned the Historic Georgetown Association, Inc. \$ 90,000 that is secured by a mortgage on the railroad depot property. The loan will be forgiven at a rate of \$ 4,500 per year for 20 years as long as the property is not conveyed to another owner. A loan receivable and other liability for \$ 90,000 was established to record the loan and the related deferred loan forgiveness. At April 30, 2016, the loan receivable and corresponding liability of \$ 18,000 were on the fund financial statements.

NOTE H - OPERATING LEASES

The Town leases various equipment under operating leases in the general fund. The Town rents land for the sewer plant's spray irrigation system. Minimum rental payments are due on various contracts until 2021. The land leases contain renewal options. Operating lease expenses incurred in the General and Proprietary Funds were \$ 11,571 and \$ 74,577, respectively. Future minimum rental payments are as follows:

<u>Years Ending April 30</u>	<u>General Fund</u>	<u>Proprietary Fund</u>	<u>Total</u>
2017	\$ 39,045	\$ 79,941	\$ 118,986
2018	39,045	42,200	81,245
2019	36,716	44,300	81,016
2020	29,728	46,500	76,228
2021	18,108	-	18,108
TOTAL	<u>\$ 162,642</u>	<u>\$ 212,941</u>	<u>\$ 375,583</u>

NOTE I - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions for which the government carries commercial insurance. There have been no significant reductions in coverage from the prior year end. Settlements have not exceeded coverage in the last three years.

NOTE I - RISK MANAGEMENT - CONTINUED

The Town has been participating in the Delaware League of Local Governments, DeLea Founders Insurance Trust (DFIT) for municipal workers' compensation coverage. Starting in September 2014, DFIT began operations as a self-insurance worker's compensation program for municipalities within the State of Delaware. This is a risk-sharing pool arrangement by which the participating municipalities pool risks and funds and share in the cost of losses. The Town pays an annual premium to DFIT for its worker's compensation coverage that will be self-sustaining through those member premiums. DFIT purchases an aggregate excess workers' compensation insurance policy, which limits individual losses as a group to \$ 750,000 per occurrence and an additional \$ 2,000,000 dollar for dollar reimbursement to the group once the losses exceed the aggregate retention amount for the period of coverage. The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. It is not possible to estimate the amount of such additional assessments.

NOTE J - UTILITY PROJECTS

The Town has received funding through USDA and Delaware Office of Drinking Water for various wastewater and water projects. Total expenditures related to these open projects are expected to total \$ 7,495,000. The Town has drawn \$ 5,009,457 from the loan and grant funds as of April 30, 2016 and \$ 1,595,590 of that total has been forgiven in the current fiscal year.

NOTE K - PENDING GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS

GASB has issued the following statements, which may impact the Town's financial reporting requirements in the future.

- GASBS No. 72, *Fair Value Measurement and Application*, effective for the fiscal year beginning May 1, 2016.
- GASBS No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, effective for the fiscal year beginning May 1, 2016.
- GASBS No. 77, *Tax Abatement Disclosures*, effective for the fiscal year beginning May 1, 2016.

NOTE L - EMPLOYEE HEALTH PLAN

The Town is exposed to the risk of loss related to employee medical expenses. During fiscal year 2016, the Town maintained a self-insured plan for employee medical expenses in which expenses per employee were covered annually (\$ 37,500 for each of the calendar years 2016 and 2015). The Town has an estimated maximum aggregate exposure of \$ 272,918 and \$ 315,508 for the calendar years 2016 and 2015, respectively. The employee health plan is administered by an outside agency.

NOTE L - EMPLOYEE HEALTH PLAN - CONTINUED

Contributions from the Town and employee withholdings are deposited into a reserve fund to pay prior and current-year claims and premiums. Estimated risks and losses are based upon historical costs, financial analyses and estimated effects of plan changes. The claims liability reported in the general fund at April 30, 2016 is based on the requirements of GASBS No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The liability is included in the accrued liabilities total on the balance sheet. Changes in the Fund's claims liability during the past two fiscal years were as follows:

Year	Balance at Beginning of Year	Current-Year Premiums, Claims and Changes in Estimates	Premiums and Claims Payments	Balance at End of Year
2016	\$ 13,720	\$ 487,282	\$ (465,774)	\$ 35,228
2015	19,672	342,316	(348,268)	13,720

NOTE M - COMMITMENTS AND CONTINGENCIES

The State of Delaware, Department of Natural Resources and Environmental Control has identified a Town property that could have potential impact on surrounding soil and groundwater quality. The Town has conducted a detailed environmental study on the property. It is not anticipated to result in a significant cost obligation for the Town to resolve the environmental issue.

The Town has filed a suit due to asserted deficiencies in the construction of the Pettyjohn Woods Spray Irrigation Expansion project. The outcome of the lawsuit and the Town's future obligation to remedy the deficiencies is not presently determinable.

NOTE N - CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF PRIOR PERIOD NET POSITION

The Town has adopted GASBS No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27* and GASBS No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*. These statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense or expenditures related to pensions. As a result of implementing these statements, the Town changed previously expensed pension contributions subsequent to the measurement date (June 30, 2015 as noted in Note F) to be reported as deferred outflows of resources. GASBS No. 68 also requires recognizing the Town's proportionate share, as described in Note F, of the collective net pension liability for the Delaware Public Employee's Retirement System's (DPERS) cost sharing plans.

NOTE N - CHANGE IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF PRIOR PERIOD NET POSITION - CONTINUED

Both of these reporting changes have caused a restatement of net position for both the governmental activities and business-type activities as noted below:

	<u>Total Governmental Activities</u>		
Net position, beginning of year as previously reported			\$ 10,366,018
Net pension liability			139,629
Deferred outflows related to pension			5,600
Deferred inflows related to pension			(257,197)
Pension contributions			<u>134,777</u>
Net Position, Beginning of Year as Restated			<u><u>\$ 10,388,827</u></u>
	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Total Business-type Activities</u>
Net position, beginning of year as previously reported	\$ 17,321,510	\$ 5,140,959	\$ 22,462,469
Net pension liability	3,312	3,456	6,768
Deferred inflows related to pension	(24,717)	(25,778)	(50,495)
Pension contributions	<u>13,894</u>	<u>14,489</u>	<u>28,383</u>
Net Position, Beginning of Year as Restated	<u><u>\$ 17,313,999</u></u>	<u><u>\$ 5,133,126</u></u>	<u><u>\$ 22,447,125</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF GEORGETOWN
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - COUNTY
& MUNICIPAL OTHER EMPLOYEES' PENSION PLAN - A COST SHARING DEFINED BENEFIT
PLAN (LAST 10 YEARS*)
FOR THE YEAR ENDED APRIL 30, 2016

	<u>2016</u>
Town's proportion of the net pension liability (asset)	3.57%
Town's proportionate share of the net pension liability (asset)	\$ 1,522
Town's covered-employee payroll	\$ 1,074,479
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.14%
Plan fiduciary net position as a percentage of the total pension liability (asset)	99.89%

Notes to Schedule:

1. Measurement date: The amounts presented are as of and for the prior pension plan year ended June 30.

*Fiscal year April 30, 2016 was the first year of implementation, therefore only one year is shown.

TOWN OF GEORGETOWN
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - COUNTY
& MUNICIPAL POLICE AND FIREFIGHTERS' PENSION PLAN - A COST SHARING DEFINED BENEFIT
PLAN (LAST 10 YEARS*)
FOR THE YEAR ENDED APRIL 30, 2016

	<u>2016</u>
Town's proportion of the net pension liability (asset)	1.17%
Town's proportionate share of the net pension liability (asset)	\$ (61,460)
Town's covered-employee payroll	\$ 838,243
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	7.33%
Plan fiduciary net position as a percentage of the total pension liability (asset)	101.97%

Notes to Schedule:

1. Measurement date: The amounts presented are as of and for the prior pension plan year ended June 30.

*Fiscal year April 30, 2016 was the first year of implementation, therefore only one year is shown.

TOWN OF GEORGETOWN
SCHEDULE OF CONTRIBUTIONS - COUNTY & MUNICIPAL OTHER EMPLOYEES'
PENSION PLAN - A COST SHARING DEFINED BENEFIT PENSION PLAN (LAST 10 YEARS*)
FOR THE YEAR ENDED APRIL 30, 2016

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	<u>2016</u>
Statutorily required contribution (actuarially determined)	\$ 68,823
Contributions in relation to the actuarially required contributions	<u>(68,823)</u>
Contributions deficiency (excess)	<u>\$ -</u>
Town's covered-employee payroll	\$ 1,101,304
Contributions as a percentage of covered-employee payroll	6.25%

Notes to Schedule:

1. Methods and assumptions used to determine contribution rates are detailed in Note F.

*Fiscal year April 30, 2016 was the first year of implementation, therefore only one year is shown.

TOWN OF GEORGETOWN
SCHEDULE OF CONTRIBUTIONS - COUNTY & MUNICIPAL POLICE AND FIREFIGHTERS'
PENSION PLAN - A COST SHARING DEFINED BENEFIT PENSION PLAN (LAST 10 YEARS*)
FOR THE YEAR ENDED APRIL 30, 2016

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	<u>2016</u>
Statutorily required contribution (actuarially determined)	\$ 142,361
Contributions in relation to the actuarially required contributions	<u>(142,361)</u>
Contributions deficiency (excess)	<u>\$ -</u>
Town's covered-employee payroll	\$ 1,024,631
Contributions as a percentage of covered-employee payroll	13.89%

Notes to Schedule:

1. Methods and assumptions used to determine contribution rates are detailed in Note F.

*Fiscal year April 30, 2016 was the first year of implementation, therefore only one year is shown.

SUPPLEMENTARY INFORMATION

TOWN OF GEORGETOWN
SCHEDULE OF GENERAL FUND REVENUES AND OTHER FINANCING SOURCES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED APRIL 30, 2016

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	Original and Final Budget	Actual	Variance with Budget Positive (Negative)
TAXES AND FEES			
Courthouse municipality fees	\$ 180,000	\$ 382,185	\$ 202,185
Property and capitation taxes	1,511,790	1,513,095	1,305
Realty transfer tax	100,000	241,296	141,296
Penalties	15,000	49,556	34,556
TOTAL TAXES AND FEES	1,806,790	2,186,132	379,342
INTERGOVERNMENTAL			
General administration grants	-	58,476	58,476
Street grants	100,000	307,756	207,756
Police grants	65,000	104,348	39,348
Police pension	58,000	66,612	8,612
TOTAL INTERGOVERNMENTAL	223,000	537,192	314,192
CHARGES FOR SERVICES			
Trash pickup	470,000	487,477	17,477
Business and rental licenses	180,000	217,049	37,049
Permits and variances	35,000	123,931	88,931
Planning and zoning fees	10,000	22,075	12,075
TOTAL CHARGES FOR SERVICES	695,000	850,532	155,532
FINES AND PARKING			
Parking meters and fines	38,500	47,016	8,516
Court fines	70,000	82,792	12,792
TOTAL FINES AND PARKING	108,500	129,808	21,308
MISCELLANEOUS			
State and local in lieu of taxes	62,000	70,123	8,123
Franchise fees	47,000	50,835	3,835
Investment income	-	593	593
Miscellaneous	26,715	191,984	165,269
TOTAL MISCELLANEOUS	135,715	313,535	177,820
TOTAL REVENUES	2,969,005	4,017,199	1,048,194
OTHER FINANCING SOURCES			
Proceeds from sale of assets	-	230,692	230,692
Loan proceeds	-	125,936	125,936
Transfers in, net	606,408	585,665	(20,743)
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 3,575,413	\$ 4,959,492	\$ 1,384,079

**TOWN OF GEORGETOWN
SCHEDULE OF GENERAL FUND EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED APRIL 30, 2016**

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	Original and Final Budget	Actual	Variance with Budget Positive (Negative)
GENERAL ADMINISTRATION			
Dues and donations	\$ 10,000	\$ 19,696	\$ (9,696)
Employee benefits	19,960	22,190	(2,230)
Gasoline and oil	1,600	1,431	169
Insurance	10,350	8,298	2,052
Lease expense	-	1,055	(1,055)
Office	13,100	19,509	(6,409)
Payroll taxes	9,639	8,884	755
Pension expense	7,627	13,027	(5,400)
Professional services	84,068	119,459	(35,391)
Repairs and maintenance	4,350	12,737	(8,387)
Salaries	126,006	124,887	1,119
Special projects	12,500	7,482	5,018
Utilities	17,000	17,114	(114)
TOTAL GENERAL ADMINISTRATION	316,200	375,769	(59,569)
PUBLIC SAFETY			
Employee benefits	389,195	297,967	91,228
Gasoline and oil	40,000	27,343	12,657
Insurance	65,800	55,747	10,053
Maintenance, supplies and materials	26,000	67,307	(41,307)
Office	25,000	67,504	(42,504)
Payroll taxes	98,363	99,118	(755)
Pension expense	158,635	140,991	17,644
Professional services	48,520	45,796	2,724
Salaries	1,285,797	1,277,855	7,942
Utilities	20,000	23,722	(3,722)
TOTAL PUBLIC SAFETY	2,157,310	2,103,350	53,960
STREETS AND GROUNDS			
Employee benefits	78,065	73,945	4,120
Gasoline and oil	10,000	9,688	312
Insurance	16,600	16,108	492
Lease expense	-	10,516	(10,516)
Office	10,000	6,923	3,077
Pass through grants	-	155,158	(155,158)
Payroll taxes	16,014	20,974	(4,960)
Pension expense	12,880	20,048	(7,168)
Professional services	22,272	52,177	(29,905)
Repairs and maintenance	58,000	391,356	(333,356)
Salaries	209,327	206,332	2,995
Special events	1,000	591	409
Street lights	120,000	134,876	(14,876)
Trash removal and fees	470,000	477,764	(7,764)
Utilities	4,000	5,977	(1,977)
TOTAL STREETS AND GROUNDS	1,028,158	1,582,433	(554,275)

**TOWN OF GEORGETOWN
SCHEDULE OF GENERAL FUND EXPENDITURES - BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED APRIL 30, 2016**

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	Original and Final Budget	Actual	Variance with Budget Positive (Negative)
PLANNING AND ZONING			
Employee benefits	\$ 12,704	\$ 13,386	\$ (682)
Insurance	1,800	1,903	(103)
Office	9,117	5,193	3,924
Payroll taxes	3,641	2,365	1,276
Pension expense	4,518	2,039	2,479
Professional services	49,635	84,980	(35,345)
Salaries	47,590	46,507	1,083
Utilities	540	559	(19)
TOTAL PLANNING AND ZONING	<u>129,545</u>	<u>156,932</u>	<u>(27,387)</u>
DEBT SERVICE			
Public safety	-	27,982	(27,982)
TOTAL DEBT SERVICE	<u>-</u>	<u>27,982</u>	<u>(27,982)</u>
CAPITAL OUTLAY			
General administration	-	36,000	(36,000)
Public safety	35,000	154,893	(119,893)
TOTAL CAPITAL OUTLAY	<u>35,000</u>	<u>190,893</u>	<u>(155,893)</u>
TOTAL EXPENDITURES	<u>\$ 3,666,213</u>	<u>\$ 4,437,359</u>	<u>\$ (771,146)</u>

**TOWN OF GEORGETOWN
PROPERTY ASSESSMENTS
FOR THE MOST RECENT TEN YEARS**

Assessment Date	Assessed Property Values	
	Taxable	Non-taxable
May 1, 2006	\$ 41,412,732	\$ 13,179,600
May 1, 2007	43,245,212	13,643,300
May 1, 2008	44,268,064	13,963,550
May 1, 2009	45,138,211	14,113,650
May 1, 2010	44,943,037	14,604,700
May 1, 2011	45,386,077	14,733,100
May 1, 2012	45,214,117	15,115,650
May 1, 2013	46,036,221	15,182,400
May 1, 2014	46,575,180	15,107,468
May 1, 2015	47,496,370	15,739,405

SINGLE AUDIT SUPPLEMENT

**TOWN OF GEORGETOWN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED APRIL 30, 2016**

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<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE			
Direct Programs:			
Water and Waste Disposal Systems for Rural Communities*	10.760	92-13	\$ 1,209,118
Community Facilities Loans and Grants	10.766	00-10	<u>4,698</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>1,213,816</u>
DEPARTMENT OF JUSTICE			
Passed through State - Delaware Criminal Justice Council:			
Crime Victim Assistance	16.575	2015-VF-1274	13,098
ARRA - Violence Against Women Formula Grant	16.588	N / A	1,342
Edward Byrne Memorial Justice Assistance Grant	16.738	2014-DB-1166	<u>6,450</u>
TOTAL DEPARTMENT OF JUSTICE			<u>20,890</u>
DEPARTMENT OF TRANSPORTATION			
Passed through State - Delaware Department of Homeland Security:			
Highway Safety Cluster			
State and Community Highway Safety	20.600	40621	12,575
Alcohol Open Container Requirements	20.607	41261	<u>3,300</u>
TOTAL DEPARTMENT OF TRANSPORTATION			<u>15,875</u>
ENVIRONMENTAL PROTECTION AGENCY			
Passed through State - Delaware Department of Natural Resources and Environmental Control:			
Capitalization Grants for Drinking Water State Revolving Funds			
	66.468	D-2069 D-2070	<u>67,604</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,318,185</u>

* Denotes major program

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Town of Georgetown under programs of the federal government for the year ended April 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town of Georgetown, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Town of Georgetown.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

Expenditures reported on the Schedule are presented using the accrual and the modified accrual basis of accounting, which are described in Note A of the notes to basic financial statements. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

De Minimis Indirect Cost Rate

The Town of Georgetown has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance. The costs reported on the Schedule of Expenditure of Federal Awards represent direct costs incurred by the Town for each federal expenditure.

NOTE C - LOAN AND INDIRECT AWARDS

The Town's federal expenditures for CFDA No. 10.760 are being funded directly from the U.S. Department of Agriculture totaling \$ 4,305,000 in loan and grant sources. The Town has incurred eligible program costs from current and previous fiscal periods totaling \$ 4,292,331. Of that amount, the current year costs totaling \$ 1,209,118 are funded from grant sources. The Town has fully advanced its loan sources totaling \$ 2,428,000 in the previous fiscal periods. The balance of these loans as of April 30, 2016 is \$ 2,260,622.

The Town's federal expenditures for CFDA No. 66.468 are being funded by federal funds passed through the Delaware Department of Natural Resources and Environmental Control and combined with state loan funds. Total funds of \$ 4,895,590 (D-2069 and D-2070) are available to be passed through with 77.53% of current advances originally from federal funds. The Town has submitted funding requests for eligible program costs from current and previous fiscal periods totaling \$ 2,437,714. The gross advances received on these awards for the current year was \$ 200,379.

The Town's federal expenditures funded by federal and state awards/grants have no continuing compliance requirements.

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RETIRED

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

To the Honorable Mayor and Council
Town of Georgetown
Georgetown, Delaware

Report on Compliance for Each Major Federal Program

We have audited the Town of Georgetown's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of Georgetown's major federal programs for the year ended April 30, 2016. The Town of Georgetown's major federal programs are identified in the summary of independent auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Town of Georgetown complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended April 30, 2016.

Report on Internal Control over Compliance

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

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

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

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

Jefferson, Urian, Doane & Sterner, P.A.

Georgetown, Delaware
November 1, 2016

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

To the Honorable Mayor and Council
Town of Georgetown
Georgetown, Delaware

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Georgetown, as of and for the year ended April 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Georgetown's basic financial statements and have issued our report thereon dated November 1, 2016.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies as detailed in Finding 2016-001.

Compliance and Other Matters

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

The Town of Georgetown's Response to Findings

The Town of Georgetown's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town of Georgetown's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Jefferson, Urian, Doane & Sterner, P.A.

Georgetown, Delaware
November 1, 2016

SECTION I - SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified? X Yes _____ None Reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

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

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified? _____ Yes X None Reported

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

Identification of Major Programs:

<u>PROGRAM NAME</u>	<u>CFDA Number(s)</u>
Water and Waste Disposal Systems for Rural Communities	10.760

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

Auditee qualified as low-risk auditee? X Yes _____ No

**SECTION II - FINDINGS RELATED TO THE FINANCIAL STATEMENTS REPORTED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Significant Deficiencies

Finding 2016-001 Financial Statements

Condition: The Town of Georgetown does not have an employee with the technical accounting expertise to completely prepare the Town's financial statements and notes in conformity with accounting principles generally accepted in the United States of America without a significant risk of a potential misstatement.

Cause: The Town does not have the opportunity and the means to employ personnel who possess the knowledge and expertise who can properly prepare financial statements and notes in accordance with specified standards.

Effect: The Town's financial reports could have a significant risk of being potentially misstated.

Criteria: Preparation of financial statements and accounting adjustments are functions that should be performed by management.

Recommendation: The Town of Georgetown may wish to consider alternatives to improve control and expertise over the financial reporting process in the future.

Views of Responsible Official and Planned Corrective Actions: *"The Town of Georgetown will consider alternatives and the related costs to improving its technical expertise over the Town's financial reporting."*

SECTION III - FINDINGS RELATED TO THE FEDERAL AWARDS

None - Current Year

**PRIOR YEAR FINDINGS RELATED TO THE FINANCIAL STATEMENTS REPORTED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Finding 2015-001 Financial Statements

Significant Deficiencies

Condition: The Town of Georgetown does not have an employee with the technical accounting expertise to completely prepare the Town's financial statements and notes in conformity with accounting principles generally accepted in the United States of America without a significant risk of a potential misstatement.

Cause: The Town does not have the opportunity and the means to employ personnel who possess the knowledge and expertise who can properly prepare financial statements and notes in accordance with specified standards.

Effect: The Town's financial reports could have a significant risk of being potentially misstated.

Criteria: Preparation of financial statements and accounting adjustments are functions that should be performed by management.

Recommendation: The Town of Georgetown may wish to consider alternatives to improve control and expertise over the financial reporting process in the future.

Current Status: The finding has not been corrected. See Finding 2016-001.

PRIOR YEAR FINDINGS RELATED TO THE FEDERAL AWARDS

None - Prior year

AGREEMENT

The AGREEMENT entered into effect this ___ day of December, 2016 by and between the TOWN OF GEORGETOWN, a Municipal Corporation of the State of Delaware, hereinafter referred to as the "Town" or as the "Employer", and the GEORGETOWN FRATERNAL ORDER OF POLICE BARGAINING UNIT and THEIR ELECTED REPRESENTATIVES are hereinafter referred to as the "Union", "Employees", or "Officers"; WITNESSETH:

AN AGREEMENT

BETWEEN THE

TOWN OF GEORGETOWN

AND

GEORGETOWN POLICE DEPARTMENT

FRATERNAL ORDER OF POLICE BARGAINING UNIT

MAY 1, 2016 TO APRIL 30, 2019

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ARTICLE 1 GENERAL

1.1 Purpose of the Employment Contract

It is the purpose of this contract to achieve better understanding between the Employer and the Employees; to provide for equitable adjustment of differences which arise; and to establish compatible employment relations.

1.2 Terms of the Employment Contract

The terms of this contract shall become effective on May 1, 2016 unless otherwise noted, and shall continue in effect until April 30, 2019 provided, however, this contract shall remain in force and in effect until the parties enter into a new contract. This contract shall be binding on the successors of the parties hereto. Negotiations for a successor contract shall begin in June 2018.

1.3 Recognition of Bargaining Agent

Pursuant to 19 Del. Code Ann. Subsection 1601 *et seq.*, the Police Officers' and Firefighters' Employment Relations Act, the Town recognizes and grants to Town police officers within the bargaining unit designated by the Public Employment Relations Board ("employee") the right to enter into collective bargaining negotiations with the willingness to resolve disputes relating to terms and conditions of employment, and to reduce to writing any agreements reached through such negotiations.

1.4 Bulletin Board

The Town shall provide the Union a location for a bulletin board in the police department. Such bulletin board shall be for the exclusive use of the Union, and its use shall be limited to Union business.

disciplinary cases shall be subject to the provisions set forth under the Police Officers' Bill of Rights.

3.3 Promotion

An employee appointed to a higher rank must serve a probationary period of six (6) months during which time the individual must meet the requirements of the new rank as established by the Chief of Police. Failure to meet the requirements will subject the individual to reduction to former rank. Reduction in rank for failure to meet the requirements during the probationary period does not constitute disciplinary action.

ARTICLE 4 UNION DUES

4.1 Union Security

All employees have the right to join or refrain from joining the Union. Any employee who chooses not to join the Union and who is covered by the terms of this Agreement, shall, however, be required to pay to the Union a service fee to defray the cost in connection with the Union's legal obligations and responsibilities as the exclusive bargaining agent of the employees covered by this contract. The payment of such a service fee, as a condition of continued employment, applies to all employees covered by this contract effective on the thirtieth (30th) day following being sworn-in as a police officer of the Georgetown Police Department or the effective date of this agreement, whichever is later.

Such payments shall be payable on or before the first (1st) day of each month and such sums shall in no case exceed the membership dues, and uniform assessments paid by those employees who are members of the Union. The Union authorizes the Town to deduct dues/fees from a non-Union member's regular salary. This deduction is to be paid to the Union.

4.2 Fair Representation

The Fraternal Order of Police agrees that it shall fully and fairly represent all members of the bargaining unit.

ARTICLE 2 MANAGEMENT RIGHTS

2.1 Reservation of Rights

The Town retains and reserves unto itself, all powers, rights, authority, duties and responsibilities conferred upon and vested in it by the laws and the Constitution of the State of Delaware and of the United States, and including, but not limited to the right to:

- a. Exercise executive management and administrative control of the Town, its properties and facilities, and direct the work activities of its employees;
- b. Hire all employees and, subject to the provisions of law, to determine their qualifications, and the conditions for their continued employment or cause their dismissal or demotion; and to promote, place transfer, and assign all such employees; and
- c. Exercise the foregoing powers, right, authority, duties, and responsibilities by the adoption of policies, rules, regulations and employment practices.

2.2 LEOBR Rights

No provision of this Article is intended to affect an employee's rights under the Law Enforcement Officers' Bill of Rights except to the extent permitted in 11 Del.C. Subsection 9203.

ARTICLE 3 PROBATIONARY PERIOD

3.1 Term

All employees shall be subject to a probationary period of one (1) year from date of hire.

3.2 Dismissal

During the probationary period, an employee may be dismissed from service without a breach of this contract or constituting a grievance. Dismissal and

4.3 Indemnification

The Union shall indemnify and hold the Employer harmless against any and all claims, demands, suits, and other forms of liability, including attorney's fees that shall arise out of or by reason of any action taken or not taken by the Town for the purpose of complying with any of the provisions of this Article.

ARTICLE 5 GRIEVANCE PROCEDURES

5.1 Definitions

- a. "Grievance" means an unresolved question or dispute regarding the interpretation or application of this Agreement.
- b. "Days" means calendar days.

5.2 First Step

If an informal discussion with the Chief of Police does not result in a satisfactory resolution of the problem, the employee may, within seven (7) days after the employee becomes aware of the circumstances giving rise to the grievance, submit a written grievance to the Chief of Police. Employees shall be free from reprisal in their presentation of their grievances. It shall be the responsibility of the Chief of Police to investigate and seek a solution to the problem. The Chief of Police shall discuss the problem with the employee and other people who may have knowledge of the facts and recommend a solution. Upon receiving the grievance, the Chief of Police shall make a determination within seven (7) days.

5.3 Second Step

If the employee is not satisfied with the Chief of Police's determination, or the Chief of Police fails to decide the grievance within the prescribed time, the employee shall then request a meeting with the Town Manager within seven (7) days from the receipt of the determination. The Town Manager shall investigate the problem and discuss the problem with all parties concerned. This shall be done within seven (7) days of the Town Manager's receipt of the grievance. After investigating the problem, the Town Manager shall advise the parties of his or her decision in writing within seven (7) days.

5.4 Third Step

If the decision of the Town Manager is not satisfactory to the employee, or the Town Manager fails to answer the grievance within the prescribed time, an appeal of the decision may be made by the employee to the Mayor and Council within fourteen (14) days from the written date of the Town Manager's determination, or the seven (7) days given to the Town Manager for a written decision. The Mayor and Council shall be provided with written copies of the reasons for the grievance and the determination made by the Chief of Police and Town Manager if applicable. A hearing shall be held at the next regularly scheduled Town Council meeting, or at a mutually agreed time. The employee shall be given the right to examine all evidence in a timely manner. The Mayor and Council shall review the case, consult with whatever sources deemed appropriate and within thirty (30) days issue a written decision. Then the Town Manager shall within three (3) days transmit the decision to the President of the Union with one copy sent to the employee by certified mail.

ARTICLE 6 HOURS OF DUTY OVERTIME COMPENSATION COMPENSATORY TIME

6.1 Regular Duty Compensation

Employees will be paid on a weekly basis. The pay period shall begin on Monday at 12:00 a.m. and end on Sunday at 11:59 p.m. All regular duty hours shall be credited to the day on which the shift began.

6.2 Overtime

Employees shall receive overtime pay at the rate of time and one-half the employee's regular base rate of pay for all regular duty hours worked in excess of 168 hours in a 28 day work period.

6.2.1 Work Period

Pursuant to section 7(k) of the Fair Labor Standards Act (29 U.S.C. §207(k)) a work period of twenty-eight (28) days (four weeks) is established for all bargaining unit employees.

6.2.2 Hours Worked

Hours worked shall include all of the time an employee is on duty at the employer's establishment or at a prescribed work place, as well as all other time during which the employee is suffered or permitted to work for the employer.¹

6.2.3 Work Period and Weekly Pay Calculation

13 "work periods" in a calendar year (365/28 = 13)
168 regular hours per work period x 13 = 2,184 regular hours per year
2,184 hours per year/52 weeks per year = 42 hours (standard pay per week)

Hours Worked greater than 168 in a work period are eligible for Overtime Compensation. Leave time taken, i.e., vacation, sick, holiday, etc., or a holiday observed does not count toward hours worked in a work period for premium rate.

6.3 Court Time

When an employee is required to appear in court on off-duty hours, including Grand Jury time and felony intake time, in connection with the performance of duty, the employee shall, commencing at the time the employee is scheduled to appear, receive at least pay for two (2) hours, or the actual time (including time spent meeting with attorneys, witnesses, etc.), whichever is greater, at time and one-half for such time. In no event shall an employee receive premium court time pay for duty hours.

Employees may elect to go on stand-by time in lieu of reporting to court, if stand-by time is permitted by the court. An employee on stand-by time that is not called to appear shall receive two (2) hours pay at time and one-half.

6.4 Call-Out Pay

If an employee, other than a detective, is called in to work beyond the employee's scheduled work hours (see 6.2), such an employee shall be paid at the rate of time and one-half the employee's regular base rate of pay for three (3) hours, or for the call-in time actually worked, whichever is greater. If an employee is called in to work prior to the start of a shift on the employee's scheduled day of work, the employee may be released prior to the end of the shift at the discretion of the

¹ U. S. Department of Labor, Wage and Hour Division, Fact Sheet #8

Chief of Police without earning the overtime pay rate. An employee caused to work additional time, at the end of a regularly scheduled shift, shall be paid the rate of time and one-half the employee's regular base rate of pay for the actual time worked.

6.4.1 Detective On Call Pay

A detective on call will be compensated at the base rate of pay for one hour per day the employee is on call. If an employee is called out the employee will be paid at one and one-half times the base rate of pay for hours actually worked. There is no minimum for call out pay and time will be rounded to the nearest half hour. Call out pay begins when the employee arrives at the police department or at the scene of the incident he/she is being called for.

6.5 Special Duty Pay

Employees shall receive special pay for hours worked on special projects as designated by the Chief of Police. The special duty rate of pay will be determined based on the funding provided by the party contracting the employee for the special project and shall be classified as premium pay. Special duty involves situations where a third party retains the employer to provide services in connection with an event or activity.

6.6 Pyramiding

Overtime or premium pay shall not be pyramided, compounded or paid twice for the same time worked.

ARTICLE 7 PAID HOLIDAYS

7.1 Holidays

Employees shall be eligible for all holidays, as adopted annually, by the Town Council. The following days are holidays:

New Year's Day
Martin Luther King, Jr. Day
President's Day

Good Friday
Memorial Day
Independence Day
Labor Day
Columbus Day
Election Day (on even years)
Return Day (half day – on even years)
Veterans Day
Thanksgiving Day and the following Friday
Christmas Eve (half day)
Christmas Day

7.2 If an employee works on the following Holidays;

Martin Luther King, Jr. Day
President's Day
Good Friday
Memorial Day
Independence Day
Labor Day
Columbus Day
Election Day (on even years)
Return Day (half day – on even years) Veterans Day
The day after Thanksgiving Day
Christmas Eve (half day)

The employee will be paid at a rate of one and one half times the base rate of pay for hours actually worked.

7.3 If an employee works on the following holidays;

Christmas Day
Thanksgiving Day
New Year's Day

He/she will receive holiday pay for the number of hours on their normal duty shift at the regular base rate of pay plus be compensated at one and one half times the base rate of pay for hours actually worked. Employees not scheduled to work on the three holidays will receive holiday pay for 12 hours at the regular base rate.

Holidays will be observed on the actual day of the holiday, and not necessarily the day recognized by the Town if the holiday should fall on a Saturday or Sunday. In addition to the above holidays, each employee shall have 24 hours personal time per anniversary year. Personal days cannot be carried over. Employees shall schedule such personal days with the approval of the Chief of Police.

7.4 Eligibility for Holiday Pay

To be eligible for holiday pay, an employee must work, or be on approved paid leave, on the employee's normally scheduled work day before and after the holiday. If an employee is absent on one or both of these days because of an illness or injury, the Town reserves the right to verify the reason for the absence before approving holiday pay.

If a holiday falls during an absence for vacation or sick leave, holiday pay will be provided instead of the leave benefit that would have otherwise applied.

Employees not scheduled to work the holiday will receive eight (8) hours standard pay for that holiday.

7.5 Holiday Pay

Holiday pay shall be the hours of the employee's regularly scheduled shift at the employee's base rate of pay.

7.6 Failure To Report If Assigned To Work On Holiday

An employee who is assigned to work on a holiday and fails to report and perform such work for any reason other than a reason covered by an approved leave, shall not receive pay for the holiday.

7.7 Weather Event

When the Town Manager closes the Town's Administrative Offices due to a weather emergency, then those employees covered under this Agreement who are required to report to work or to continue working under the Town's inclement weather policy will be compensated at time and a half for each hour they actually work while Town offices are closed two hours or more during the normal work week (Monday-Friday).

ARTICLE 8 VACATIONS

8.1 Length of Vacation

Vacation is accrued by full-time employees according to the following schedule:

<u>Completed Years of Service</u>	<u>Annual Vacation Hours</u>
0 through 4 years	120
5 through 10 years	180
11 through 15 years	240
16 years and over	300

New employees accrue vacation during their first year, but may not take the leave until employed six months. Employees will accrue vacation on a monthly basis.

The Employer will allow employees to sign up for requests for vacation two (2) times annually, January and July. In the event more than one employee requests the same date, the Town will consider seniority as a deciding factor. The Employer may limit vacations including limitation on the number of individuals who can be on vacation at any given time to meet the needs of the Town.

8.2 Rate of Pay

Salaried and hourly-wage employees will be paid for vacation at their regular rate of pay.

8.3 Scheduling and Carry-Over

Requests for vacation must be submitted in writing to the Chief of Police at least 30 days prior to the employee's first day of absence. To ensure adequate staffing and to avoid scheduling conflicts, the Town reserves the right to approve when vacations may be taken. Unused vacation may be carried over to the next anniversary year to a maximum of one hundred sixty (160) hours, except to the extent the employee is not permitted to take vacation days. Vacation leave

balances in excess of the maximum leave permitted shall be forfeited without pay. Employees may elect to sell back/cash out up to forty two (42) hours of vacation time in lieu of carrying that time over. Payment shall be based on employee's base pay rate times number of hours elected for sell back/cash out.

8.4 Termination and Vacation Pay

Unused earned vacation time at an employee's termination will be paid at the employee's current hourly rate. If an employee uses vacation days in excess of the days earned as of the date of the employee's termination, the value of such days shall be deducted from the employee's final pay check.

For purposes of this section, earned vacation time shall be defined as follows: Annual accrual divided by twelve months multiplied by the number of months since hire or recent anniversary date.

ARTICLE 9 SICK LEAVE

9.1 Sick Leave Eligibility

The Town provides paid sick leave to full-time employees for periods of temporary absence due to illness or injury. An employee shall provide a medical certification for any absence charged to sick leave beyond two (2) consecutive workdays during the calendar year.

9.2 Accrual and Carryover

Each employee shall receive 12 hours of sick leave each month (144 hours annually). Sick leave is credited in the pay period that includes the last day of each month. Sick leave may be carried over from calendar year to year up to a maximum of 2,000 hours.

9.3 Retirement or Termination of Employment

In the event of service retirement, one quarter of accrued sick leave shall be reimbursed, up to a maximum of five hundred (500) hours, and may be paid to the employee in installments over the next three months or in a lump sum as determined by the Town Manager. Accrued sick leave will not be paid at departure of employment for any type of departure other than service retirement.

For purposes of this section, service retirement shall be defined as voluntary termination after having satisfied the age and length of employment requirements of the applicable Town Retirement System.

9.4 Medical/Dental Appointments

Employees shall schedule medical or dental appointments before or after work. If an employee must take time off from work for such appointments, such an employee may take sick leave, vacation or personal leave with the prior approval of the Chief of Police.

ARTICLE 10 FAMILY MEDICAL LEAVE

10.1 Eligibility

The Family Medical Leave Act ("FMLA") currently provides that eligible employees may take up to 12 weeks of unpaid leave in a 12-month period to:

- (a) care for newborn, foster care, or newly adopted children;
- (b) care for seriously ill child, spouse or parent; or
- (c) because of the employee's own serious health condition.

Eligible employees must have been employed at the Town for one year or more and have worked at the Town at least 1,250 hours in the previous 12 months.

10.2 Use of Paid Leave

The Town may require an employee to use any available paid leave before using unpaid leave under the FMLA so that the total of paid and unpaid leave equals 12 weeks during a 12-month period. The 12-month period is a rolling 12-month period measured backward from the date leave is used by an employee. For example, if an employee uses 9 weeks of FMLA unpaid leave beginning June 1, 1997, until June 1, 1998, such an employee only has 3 weeks of FMLA leave.

10.3 Notice and Timing of Leave

10.3.1 Notice

If the need for FMLA leave is foreseeable, the employee must provide at least 30 days advance notice of the need for leave. If the need for leave is not foreseeable, notice must be provided as soon as is practical. Leave requests must be in writing, submitted to the Chief of Police and the Town Manager. See the Town Clerk for the appropriate forms.

10.3.2 Timing

Unpaid leave for birth, foster care, or adoption of a child must be taken within one year of the birth or placement of the child.

10.4 Medical Certification

If an employee requests leave for the employee's or a family member's serious health condition, the employee must provide the appropriate medical certification from the patient's health care provider. Such leave will be limited to the expected duration of the serious illness or health condition. A serious illness or health condition is an illness or injury requiring hospitalization or continuing care by a health care provider. In addition, if the leave is for the employee's serious health condition, the employee's health care provider must certify that the employee is unable to perform the functions of the employee's job. The Town may require a second or third opinion, at the Town's expense, periodic re-certification, and, when the leave is due to the employee's own serious illness, a release to return to work from the employee's health care provider. Failure to provide timely medical certification, re-certification upon request, or the submission of false information, is grounds for disciplinary action up to and including termination, unless it is not practicable to provide timely medical certification, or re-certification, despite the employee's diligent, good faith efforts.

10.5 Accrual of Paid Leave

While on unpaid leave, vacation and sick leave will not accrue.

10.6 Continuation of Health Insurance

While on family and medical leave, the employee is entitled to continue health insurance coverage as if actively at work. If paid leave is substituted for unpaid leave, the employee's portion of the health plan premium will be deducted from the paycheck. If leave is unpaid, the employee must pay the employee's portion

of the premium by the first of each month. Health care coverage will cease if the employee's premium payment is 30 days past due. Check with the Town Manager about other benefit continuation provisions. If an employee fails to return to work following family and medical leave, such an employee will be responsible for 100% of the cost of the health insurance premiums during the employee's leave.

ARTICLE 11 SPECIAL LEAVES

The following special leaves shall be considered by the Town Manager:

11.1 Military Leave

Any regular employee, who is inducted, activated or volunteers for active military service in the United States Armed Services shall be granted a military leave of absence without pay. Such an employee shall notify the Chief of Police and provide a copy of the employee's orders as soon as possible. This leave shall extend for ninety (90) calendar days beyond the termination of compulsory service for the first enlistment as applicable. Such an employee shall be considered for the position that was vacated without loss of seniority provided application for re-employment is made with the Town Manager within the ninety (90) day period after honorable discharge from military service and provided that the employee is physically and mentally capable of performing satisfactorily in the position. If the Town requires the employee to submit to a physical, psychiatric or psychological examination, the Town shall pay the expense of such an examination. If the position vacated by the person no longer exists at the time he or she qualifies to return to work, he or she shall be considered for re-employment in another position in the Town service if an appropriate position is available. In all events, job return rights shall be controlled by Federal law.

11.2 Guard Leave

Regular employees who are members of the National Guard or Armed Forces will be allowed up to ten (10) working days military training leave each year. Such an employee shall receive benefits during the ten (10) day leave, and compensation equal to the difference, if any, in the base salary as a guardsman or reservist and the salary the employee would have earned for a 40 hour work week during that period as a Town employee. The effect will be to maintain the employee's salary at the normal level during this period. A copy of the employee's military pay voucher shall be submitted with the request for pay differential compensation to the Town Manager within fourteen (14) days of the end of the leave. If the employee's military duty exceeds ten (10) working days, such an employee will

be granted an unpaid leave of absence. During the unpaid leave, benefit coverage will be the same as for any other employee on unpaid leave. If an employee is required to report for weekend drills, such an employee shall attempt to switch shifts, or be provided an opportunity to work days off, in order to maintain a forty (40) hour work week.

11.3 Maternity/Paternity Leave

Employment policies or practices involving the commencement and duration of leave, the availability of extensions, the accrual of benefits and payment under any health or disability insurance or medical leave plan shall be applied to disability due to pregnancy, childbirth or related medical conditions in the same manner such policies and practices are applied to other disabilities consistent with the Employer's current insurance. General leave is for a period of six weeks thirty (30) working days. Such leave may be taken based on a licensed practicing physician's authorization prior to childbirth or it may begin on the day of childbirth. Should the mother have surgery or other medical complications as a result of pregnancy or childbirth, the same rules and guidelines apply as for any other medical leave. Should the child need extended medical care beyond the mother's general leave of six weeks thirty (30) working days then the mother may use accumulated vacation days, or request time off without pay for an additional ninety (90) working days. If the father is the employee, he may use accumulated vacation days, or request time off without pay for an additional ninety (90) working days.

11.4 Bereavement Leave – Absence Due To Death-In-Family

11.4.1 Immediate Family

An employee who is excused from work because of death in his or her immediate family shall be paid his regular rate of pay for his or her scheduled working hours excused during any three (3) working days starting on the day after death and ending on the day after the funeral. The day of death begins upon the death of the family member and the first day is counted if an employee has not reported for his scheduled working hours. Should the death occur while an employee is working, then the next calendar day is the first day. The pay rate is based on the employee's current regular hourly base pay with no overtime permitted.

11.4.2 Immediate Family (Defined)

A member of the employee's immediate family shall be limited to spouse (or live in equivalent), child, step-child, father, mother, step-parents, sister, step-sister, brother, step-brother, grandparents, or parents-in-law.

11.4.3 Other

An employee shall be excused from work and be paid at the employee's regular rate of pay for one working day in order to attend the funeral of a grandparent-in-law.

11.4.4 Payment

Payment for absences due to death-in-family will not be made in addition to sick leave payments or holidays which may occur simultaneously.

11.5 Jury Duty

Employees called for jury duty will be given leave of absence with pay (at the rate of pay for a regular 42-hour workweek) for the duration of their service on the jury.

ARTICLE 12 SUBSTANCE ABUSE

12.1 Random Testing

In addition to drug testing of employees due to incident or due to reasonable suspicion, the parties recognize that the Town may engage in random drug and alcohol testing of employees. Employees shall be selected by an objective, random method.

12.2 Illegal Drugs – Positive Test

An employee tests positive for an illegal drug if a National Institute on Drug Abuse certified laboratory confirms an initially positive test result of the employee's urine specimen by gas chromatography/mass spectrometry (GC/MS) using the following cutoff levels for its confirmation test:

<u>Substance</u>	<u>Confirmation Test (ng/ml)</u>
Cannabinoids Metabolite	15
Cocaine Metabolite	150
Opiate	300
Phencyclidine	25
Amphetamines	500

These five drugs or classes of drugs as well as the confirmatory test levels are taken from the U.S. Department of Transportation Drug Testing Procedures. If the Department of Transportation changes its Drug Testing Procedures by adding drugs or classes of drugs, this Agreement shall be modified to add such drugs or classes of drugs, including the confirmatory test levels adopted by the Department of Transportation.

12.3 LEOBOR – Illegal Drugs

Any employee whose urine specimen is confirmed positive for use of illegal drugs shall be disciplined in accordance with the Law Enforcement Officers' Bill of Rights.

12.4 Alcohol – Positive Test

With regard to alcohol, a positive test result shall be a blood alcohol content of .05% or more. Such a test will normally be administered by the Delaware State Police using an Intoxilyzer; or comparable equipment. If for whatever reason, the employee is unable to complete such testing, he shall be required to submit to a blood test.

12.5 LEOBOR - Alcohol

If an employee's test for alcohol indicates the employee was under the influence of alcohol (i.e. blood alcohol content of .05% or more) while on duty, the employee shall be disciplined in accordance with the Law Enforcement Officers' Bill of Rights.

12.6 Rehabilitation

Should testing show an abuse of other drugs and/or alcohol, which are not illegal in and of themselves, the individual shall be given the opportunity of entering and completing a substance abuse rehabilitation program without any disciplinary

action. Failure to do so, or a second offense, will result in discipline in accordance with the Law Enforcement Officers' Bill of Rights.

12.7 Refusal To Submit To Testing for Illegal Drugs or Alcohol

If an officer refuses to submit to testing, such refusal shall be deemed a positive test result for disciplinary purposes.

ARTICLE 13 BENEFITS

13.1 Introduction

The benefits addressed by this article are more fully explained in applicable plan documents, insurance contracts, and summary plan descriptions.

13.2 Medical Benefits

The Town will provide medical coverage to eligible employees and their qualifying dependents, in accordance with Health Care Plan provided to all Town Employees.

Full-time employees are eligible to participate the first day of employment.

13.3 Benefits Committee

The Town Manager shall appoint and Chair a Benefits Committee which will include the President of the Georgetown Police Department Fraternal Order of Police Bargaining Unit and/or his designee(s). The Benefits Committee shall explore the possibility of changes in health insurance. One purpose of this review process is to foster competition among prospective vendors. The Benefits Committee shall make its recommendation to the Mayor and Council. The Mayor and Council may implement the recommendation. In order for such a recommendation to be implemented, the recommendation must satisfy the following criteria: The coverage provided to employees and their eligible dependents shall remain the same, and the cost to the employee shall remain the same, except to the extent change in cost allocation is necessary in order to offset dramatic increases in the cost of coverage (i.e. in excess of 15% from one year to the next), or the FOP Bargaining Unit votes by a majority of their membership to approve any change.

13.4 Life Insurance

Full-time employees are eligible to participate in the Life and Accidental Death & Dismemberment (AD&D) insurance plan the first day of employment. The life insurance plan pays \$20,000 to the employee's beneficiary in the event of the employee's death from any cause. The AD&D policy pays an additional benefit of \$20,000 in case of accidental death. The cost of coverage is paid in full by the Town. Contact the Town Clerk or see the summary plan description for additional information. Additional life insurance may be available at the employee's expense.

13.5 Retirement Plan

The Town participates in the State pension plan covering police officers. The State mandates each employee's and the Town's contribution to the pension fund. The Town shall make timely payments to the State Plan. Both contributions are based on a percentage of regular wages. The State Plan currently requires a seven percent employee contribution. The Town contributes at an amount designated by the State. Employees currently become 100 percent vested after ten years.

13.6 Education

13.6.1 Education Reimbursement

The Town will offer tuition reimbursement at an amount of \$1,000 per officer, per year, for outside educational opportunities so that employees may enhance their job skills and abilities. Individuals employed by the Town for six months on a full-time basis, are eligible to receive reimbursement for training and other eligible educational expenses upon receiving a passing grade or certification based on the following scale:

Letter Grade	Percentage Reimbursement
A	100%
B	75%
C	25%
D or F	0%

Pass-fail courses shall be reimbursed 100% for a pass and 0% for a fail.

13.6.2 Training Related to Law Enforcement

Training must be directly related to law enforcement, taken through an accredited educational institution, and approved in advance by the Chief of Police and the Town Manager. Eligible expenses include tuition and registration fees. The funding level for training is set by the Town each budget period. Applications for training and education expense reimbursement are available in the Town Hall.

13.6.3 Termination Repayment

If you terminate employment less than 12 months after receiving tuition for a course you must reimburse the Town for 50% of your reimbursed expenses.

13.6.4 Off-Site Training

Compensation for time spent at off-site training may also be provided in accordance with the employee's regular pay rate. Information regarding training programs, tuition and compensation is available by contacting the Chief of Police or Town Manager.

13.7 Workers Compensation

The Town shall provide workers' compensation as required by law. All injuries must be reported immediately to employee's supervisor. All reports must be immediately filed to validate claims.

13.8 Unemployment Compensation Insurance

All employees shall be covered by the State of Delaware Unemployment Act.

13.8.1 Professional Insurance

The Town will continue to maintain Professional Police Officers' liability insurance with coverage of at least \$1,000,000.

13.9 Reimbursement – Damage to Personal Property

If an employee's personal property is damaged or destroyed during the performance of the employee's duties as a police officer, the Town will reimburse the employee for the cost of repairing or replacing such personal property up to a

maximum reimbursement of \$300. The Town, with the cooperation of the employee, will then seek reimbursement from the Victims Compensation Fund.

13.10 Equipment

All employees will be equipped in a manner which will allow employees to safely and adequately perform their duties.

13.11 Status of Benefits at Termination

13.11.1 COBRA

Upon termination, an employee's benefits are generally canceled on the last day of employment. However, as a terminated employee, you may have rights and responsibilities under the employee benefit programs. Health plans are subject to continuation provisions under the federal Consolidated Omnibus Budget Reconciliation Act (COBRA). Contact the Personnel Department for additional information.

13.11.2 Last Day

The last day an employee is actively at work will be considered the employee's termination date. Except in cases of retirement, vacation and sick leave cannot be used to extend length of service (see Section 9.3).

13.11.3 Return of Town Property

When an individual leaves the employment of the Town, such an individual shall pay off any outstanding debt to the Town, turn in any Town uniforms, tools, keys, training materials, or other Town property, and will be afforded an opportunity to participate in an exit interview. A final paycheck, including accrued vacation time, will be issued to the employee in accordance with State Law.

13.12 Incorporating More Liberal Benefits

If, during the term of this Agreement, the Town provides a police officer covered under this contract with a fringe benefit, which is more liberal than the Town is required to provide pursuant to this Article, all police officers covered under this contract shall receive the more liberal fringe benefits.

ARTICLE 17 UNIFORM AND CLOTHING

17.1 Uniforms

The Employer will provide and clean the uniforms of uniformed employees at no cost to the employees. The Employer will provide four (4) long sleeve shirts, four (4) short sleeve shirts, four (4) pairs of winter weight uniform pants and four (4) pairs of summer weight uniform pants to each employee.

17.2 Detective Clothing Allowance

The Employer will provide a clothing and shoe allowance in the amount of six hundred dollars (\$600) per year to each Detective employee to be paid July 1 each year. The Employer will clean the working attire of Detective employees at no cost to the employees.

ARTICLE 18 NO WAIVER

The failure of either party to this Agreement to insist upon the performance of any of the terms and conditions of this Agreement, or the waiver of any breach of any of the terms and conditions of this Agreement, shall not be construed as thereafter waiving any such terms and conditions, but the same shall constitute and remain in full force and effect as if no such forbearance or waiver had occurred.

The parties have executed this Agreement this _____ day of December, 2016.

[Signature Page Follows]

ARTICLE 14 MAINTENANCE OF STANDARDS

The Town agrees that, except to the extent the parties agree otherwise and reduce such agreement to writing, terms and conditions of employment relating to any mandatory subject of bargaining shall be maintained at the standards in effect at the time of signing this Agreement. Such terms and conditions of employment shall be improved to the extent specific provisions for improvement are set forth in this Agreement. This Section is not intended to diminish the Town's authority under Article 2, Management Rights.

ARTICLE 15 SALARY

Effective May 1, 2016, salaries shall be in accordance with the Appendix A wage scale.

Longevity pay step increases of two percent (2.0%) will occur on the anniversary date of employee receiving the pay increase, not on the commencement of the new fiscal year. Base pay raises resulting from a cost of living adjustment will occur on the commencement of each new fiscal year. The annual cost of living adjustment will be based on the preceding year, December 31 Consumer Price Index (CPI—U) as published by the U.S. Department of Labor, Bureau of Labor Statistics.

There shall be a 9% increase between the ranks of Patrolman, Patrolman 1st Class, Corporal, and Sergeant. There shall be a 2% increase between the rank of Patrolman 1st Class and Senior Patrolman 1st Class. There shall be a 7% increase between the rank of Senior Patrolman 1st Class and Corporal. There shall be a 5% increase between the ranks of Sergeant, Lieutenant, and Captain.

ARTICLE 16 SEVERABILITY

The invalidity of any portion of this Agreement will not be deemed to affect the validity of any other provision, and in the event that any provision of this Agreement is held to be invalid, the parties agree that the remaining provisions shall be deemed in full force and effect as if they had been executed by both parties subsequent to the expungement of the invalid provision. To this end, the provisions of this Agreement are hereby declared to be severable.

FOR THE TOWN OF GEORGETOWN:

William E. West
Mayor

Stephen M. Hartstein
Secretary

Stephani J. Ballard
Town Solicitor

FOR THE GEORGETOWN FRATERNAL ORDER OF POLICE:

Mark A. Rogers
President

Joel Diaz
Vice President

Derrick S. Callaway
Secretary

LANKFORD ADVERTISING, LLC

(Bus Shelters, Portable Signs, Business Signs)

654 N. Bedford Street
Georgetown, Delaware 19947

Cell: (R) 302-381-4892

Office: 302-856-7441

Town of Georgetown
The Circle
Georgetown, DE 19947

Attention: Bill West, Mayor

Owners: Richard and Brenda
Lankford

<u>DATE</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>
10/28/16	Rental of "2" Portable Signs Contract begins 11/1/2016 " ends 11/1/2017	\$2,000.00

NOTE: Lankford Advertising, LLC will maintain the maintenance on the portable signs, as well as, providing the letters required, and will carry the necessary insurance to cover any liability.

The signs will be located at two entrances into Georgetown both on Market street; one will be East Market and the other on West Market.

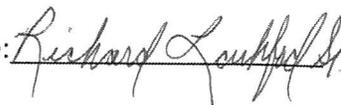
CONTRACT 11/1/2016 -11/1/2017

I BILL WEST DO AGREE TO THE TERMS LISTED ABOVE.

Business: Town of Georgetown

Authorized Signature: _____

Business: Lankford Advertising, LLC

Authorized Signature: 

THANK YOU FOR YOUR BUSINESS IN 2016. WE WISH YOU PROSPERITY IN 2017 AND MAY IT EXCEED YOUR EXPECTATION FOR THE TOWN OF GEORGETOWN.



RESOLUTION #2016-7

A RESOLUTION ADOPTING THE 2017 HOLIDAY SCHEDULE

WHEREAS, the Mayor and Town Council shall determine annually by a resolution the actual date of the holiday; and

WHEREAS, holidays will be observed the same day on which the State and County observes them; and

New Year's Day	Monday	January 2, 2017
Martin Luther King Jr. Day	Monday	January 16, 2017
Good Friday	Friday	April 14, 2017
Memorial Day	Monday	May 29, 2017
Independence Day	Tuesday	July 4, 2017
Labor Day	Monday	September 4, 2017
Election Day	-----	-----
Return Day	-----	-----
Veteran's Day	Friday	November 10, 2017
Thanksgiving Day	Thursday	November 23, 2017
Day after Thanksgiving	Friday	November 24, 2017
Christmas Day	Monday	December 25, 2017
Day After Christmas	Tuesday	December 26, 2017
New Year's Day	Monday	January 1, 2018

President's Day and Columbus Day replaced with two (2) Paid "Floating Holidays" Employee Discretion

NOW, THEREFORE, BE IT RESOLVED that the Town of Georgetown hereby adopts the following 2017 Holiday Schedule.

ADOPTED by the Town Council of the Town of Georgetown, Delaware on the 14th day of December, A.D., 2016

William E. West
Mayor

Steve M. Hartstein
Secretary of the Council



RESOLUTION #2016-8

A RESOLUTION ADOPTING THE 2017 TOWN COUNCIL MEETING SCHEDULE

WHEREAS, the Mayor and Town Council shall determine annually by a resolution the actual date of the Council Meetings:

January 11	July 12
January 25	July 26
February 8	August 9
February 22	August 23
March 8	September 13
March 22	September 27
April 12	October 11
April 19 @ 5:01pm	October 25
April 26	
May 10	November 8
May 24	-----
June 14	December 13
June 28	-----

Now, Therefore, be it Resolved that the Town of Georgetown hereby adopts the following 2017 Town Council Meeting Schedule.

ADOPTED by the Town Council of the Town of Georgetown, Delaware on the 14th day of December, A.D., 2016.

William E. West
Mayor

Steve M. Hartstein
Secretary of the Council

RESOLUTION 2016-9

AUTHORIZING THE BORROWING OF AN AMOUNT UP TO \$1,925,000 FROM PNC BANK, NATIONAL ASSOCIATION IN THE FORM OF A GENERAL OBLIGATION NOTE TO PROVIDE INTERIM FINANCING FOR CAPITAL IMPROVEMENTS TO 37 & 39 THE CIRCLE, AS APPROVED BY THE ELECTORS; PROVIDING FOR THE SALE OF THE NOTE TO PNC BANK, NATIONAL ASSOCIATION, AS PURCHASER AND AUTHORIZING EXECUTION OF LOAN DOCUMENTS; PLEDGING THE FULL FAITH, CREDIT AND TAXING POWER OF THE TOWN FOR THE NOTE; AND AUTHORIZING OTHER NECESSARY ACTION

WHEREAS, The Town Council of The Town of Georgetown (the "**Town**") pursuant to Section 5.9, 65 Del. Laws Ch. 276 as amended (the "**Charter**") proposed to the electors of the Town by Resolution dated August 26, 2015 (the "**First Resolution**") to borrow an amount not to exceed Two Million Dollars (\$2,000,000) which may be used in order to fund, among other things, capital improvements to 37 & 39 The Circle, including, but not limited to, (i) asbestos abatement, (ii) architectural work, (iii) structural renovations/improvements, (iv) HVAC, plumbing and electrical work and (v) site work (collectively, the "**Capital Improvements**") and fixed a time, date and place for a public hearing and properly placed a notice of the public hearing, all as required by the Charter; and

WHEREAS, the public hearing was held in accordance with the Charter on September 9, 2015 and the Town Council thereafter passed a second resolution on September 9, 2015 (the "**Second Resolution**") ordering a special election, to be held not less than thirty (30) days and not more than sixty (60) days after the hearing to borrow the said money, for the purpose of voting for or against the proposed loan; and

WHEREAS, the Town Council authorized and ordered a special election by the Second Resolution and such special election was held on October 12, 2015, (the "**Special Election**"), and notice was properly given for the Special Election, whereby a majority of the electors approved the borrowing by voting in the Special Election which was conducted and certified in accordance with the provisions of the Charter; and

WHEREAS, the United States Department of Agriculture – Rural Development (the "**Department**"), pursuant to a Notice of Obligation letter dated August 18, 2016 (the "**Notice of Obligation**") has authorized a loan (the "**USDA Loan**") to the Town in an amount not to exceed One Million Nine Hundred Twenty-Five Thousand Dollars (\$1,925,000) for a term not to exceed thirty (30) years at an interest rate to be determined per the Department's current interest rate policy, which as of the date of the Notice of Obligation is currently set at 2.75% and which in no case shall exceed 6.00%; and

WHEREAS, before the Department will permit the USDA Loan to close, the Department requires that the Town obtain interim financing to finance the Capital Improvements; and

WHEREAS, the Town Council has determined that it is necessary and prudent for and in the best interest of the Town to seek short-term borrowing in the form of a non-revolving line of credit from PNC Bank, National Association (the “**Bank**”) for the limited purpose of: (i) covering the upfront/interim costs associated with financing the Capital Improvements; and (ii) financing the costs associated with issuing the Note (as defined herein) ((i) and (ii) are referred to herein as the “**Project**”); and

WHEREAS, Section 5.9(b) of the Charter authorizes the Town to borrow sums, not exceeding in the aggregate the total sum of 75% of the assessed value of real property situate within the limits of the Town as shown by the last assessment preceding the creation of the said indebtedness; and

WHEREAS, pursuant to and in accordance with the Charter, First Resolution, Second Resolution and this Resolution, the Town now proposes to issue its General Obligation Note (37 & 39 The Circle Project), Series of 2016 (Non-Revolving Line of Credit), or such other series designation as an appropriate office of the Town shall determine, in one or more series on a tax-exempt and/or taxable basis (the “**Note**”) in an aggregate principal amount not to exceed \$1,925,000 to finance the Project, as approved by the electors in the Special Election; and

WHEREAS, the Town Council desires to formalize, ratify, and confirm such action by adoption of a formal written resolution.

NOW, THEREFORE, BE IT HEREBY RESOLVED AND DETERMINED by the Town Council of The Town of Georgetown, as follows:

Section 1. Authorization of the Incurrence of Indebtedness as Approved by the Electors. The Town Council shall borrow an amount not to exceed in the aggregate One Million Nine Hundred Twenty-Five Thousand Dollars (\$1,925,000) as approved by referendum of the electors in the Special Election held on October 12, 2015 by the issuance of the Note, which together with other indebtedness of the Town does not exceed in the aggregate the total sum of 75% of the assessed value of real property situate within the limits of the Town as shown by the last assessment preceding the creation of the said indebtedness.

Section 2. Authorization of Issuance of the Note. The Town shall issue, pursuant to the Charter and First and Second Resolutions and this Resolution, up to \$1,925,000 aggregate principal amount of its General Obligation Note (37 & 39 The Circle Project), Series of 2016 (Non-Revolving Line of Credit), or such other series designation as an appropriate officer of the Town shall determine, in one or more series on a tax-exempt and/or taxable basis, to finance the Project.

Section 3. Loan Agreement; Form of the Note; Payment and Other Terms of the Note. The Note shall be issued pursuant to and under the terms of a Bank Loan Agreement between the Town and the Bank (the “**Loan Agreement**”). The Loan Agreement and the form of the Note shall be in such form as shall be approved by the Mayor of the Town, such approval to be conclusively evidenced by the execution thereof. The Note shall be signed by the manual or facsimile of the Mayor and attested by the Secretary of Town Council. The official corporate

seal of the Town or a facsimile thereof shall be imprinted or impressed upon the Note.

The Note shall be issued in the principal amount up to \$1,925,000 and shall bear interest at a variable annual rate not to exceed six percent (6.0%). The Note shall be dated the date of closing thereon and shall otherwise mature, be subject to redemption or prepayment prior to maturity, and contain such terms and provisions as set forth in the Note. Principal and interest on the Note shall be due and owing as set forth in the Note and/or Loan Agreement.

Section 4. Sale of the Note. The Note shall be sold at a private sale by negotiation to PNC Bank, National Association pursuant to the terms of the Note, the Loan Agreement and any other document executed by the Town to effectuate the issuance of the Note (collectively, the **“Loan Documents”**).

Section 5. Covenant to Pay Debt Service - Pledge of Full Faith, Credit and Taxing Power. The Town hereby covenants with the Bank pursuant to this Resolution as follows: that the Town will include in its budget for each fiscal year during the life of the Note, the amount of the debt service on the Note issued hereunder which will be payable in each such fiscal year so long as the Note shall remain outstanding; that the Town shall appropriate such amounts from its general revenues to the payment of such debt service; that the Town shall duly and punctually pay or cause to be paid the principal of the Note and the interest and fees thereon at the dates and places and in the manner stated in the Note according to the true intent and meaning thereof; and for such budgeting, appropriation and payment, the Town hereby pledges its full faith, credit and taxing power. The covenant contained in this Section 5 shall be specifically enforceable.

Section 6. Authorization of Loan Documents. The Mayor and the Secretary of Town Council are hereby authorized to execute and deliver any Loan Documents by and between the Town and the Department setting forth the terms of the loan and the Town's obligation to repay the loan, which will be evidenced by the delivery of the Note.

Section 7. Tax Exemption. If the Note is issued on a tax-exempt basis, the Town covenants for the benefit of the owners of the Note: (a) that no use of the proceeds of the Note will be made, and no other action will be taken, which would cause the Note to be an “arbitrage bond” within the meaning of Section 148(a) of the Internal Revenue Code of 1986, as amended (the **“Code”**); (b) that all action with respect to the Note required to be taken to avoid characterization of the Note as an “arbitrage bond” under Section 148 of the Code shall be taken; (c) that the Town will take all reasonable steps to ensure that interest on the Note is not included in gross income of the owner of the Note for purposes of federal income taxation; and (d) that the Town will take no action to cause the Note to become a “private activity bond” as that term is used in Section 141(a) of the Code. The Mayor and Town Council are authorized and directed to take all appropriate action to maintain the exclusion from gross income of interest on the Note for federal income tax purposes including the payment of any arbitrage rebate to the United States, if required, and the establishment of special accounts in connection therewith.

Section 8. Section 265 Designation. For purposes of Section 265(b)(3) of the Code, the Town and all entities that issue on behalf of the Town, do not reasonably anticipate issuing more than \$10,000,000 of tax-exempt obligations in the calendar year of 2016 (including the Note, but excluding tax-exempt obligations issued to refund the Note on a current basis in an aggregate

principal amount equal to the aggregate outstanding principal amount of the Note refunded). The Town hereby designates the Note as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3)(B) of the Code.

Section 9. Official Intent. In accordance with Treasury Reg. §1.150-2, the Town hereby confirms its intentions that a portion of the proceeds of the obligations authorized by this Resolution will be used to reimburse itself for qualifying expenditures paid prior to the date of issuance of the obligations authorized by this Resolution. All original expenditures to be reimbursed will be capital expenditures (as defined in Treas. Reg. §1.150-1(b)) and other amounts permitted to be reimbursed pursuant to Treas. Reg. §1.150-2(d)(3) and (f).

Section 10. Officers Authorized to Act. For the purpose of expediting the closing and the issuance and delivery of the Note, or in the event that the Mayor or Secretary of Town Council shall be absent or otherwise unavailable for the purpose of executing documents, or for the purpose of taking any other action which they or either of them may be authorized to take pursuant to this Resolution, any member of the Town Council, the Town Manager or any other appropriate officers of the Town identified by Town Council are hereby authorized and directed to execute documents, or otherwise to act on behalf of the Town in their stead.

Section 11. Further Action. The proper officers of the Town are hereby authorized and directed to take all such action, execute, deliver, file and/or record all such documents, publish all notices and otherwise comply with the provisions of this Resolution and the Charter in the name and on behalf of the Town.

Section 12. Charter Applicable to Note. This Resolution is adopted pursuant to, and the Note issued hereunder shall be subject to, the provisions of the Charter and all of the mandatory provisions thereof shall apply hereunder whether or not explicitly stated herein.

Section 13. Post Issuance Compliance and Record Retention Policy; Continuing Disclosure Compliance Policy. The Town is hereby authorized to establish written procedures in order to ensure continuing compliance with various federal income tax rules relating to tax-exempt bonds and notes and the use and investment of the proceeds of such bonds/notes. The Town hereby adopts the Post Issuance Compliance and Records Retention Policy attached as Exhibit “A” hereto and made a part hereof.

The Town is also authorized to adopt a policy for continuing disclosure compliance and to implement actions as set forth in such policy. The Town hereby adopts the Continuing Disclosure Compliance Policy in the form attached as Exhibit “B” hereto and made a part hereof.

The Town Manager, in consultation with its counsel, is authorized to make revisions to the Post Issuance Compliance and Record Retention Policy and Continuing Disclosure Compliance Policy, as needed and/or required, to ensure such policies are up-to-date and accurately reflect any changes to the regulations and rules governing such policies.

Section 14. Severability. In case any one or more of the provisions contained in this Resolution or in the Note issued pursuant hereto shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Resolution or of said Note and this Resolution or said Note shall be construed and enforced as if such invalid, illegal or unenforceable provisions had never been contained therein.

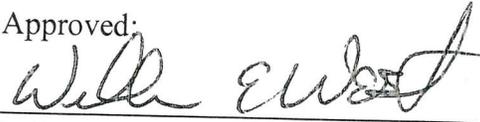
Section 15. Repealer. All resolutions and parts of resolutions heretofore adopted to the extent that the same are inconsistent herewith are hereby repealed.

Section 16. Effective Date. This Resolution shall take effect on the date this Resolution is adopted by the Town Council.

PASSED AND ADOPTED BY THE AFFIRMATIVE VOTE OF A MAJORITY OF
THE TOWN COUNCIL OF THE TOWN OF GEORGETOWN on this 14th day of
December, 2016.

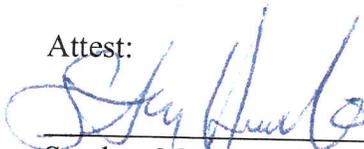
[TOWN SEAL]

Approved:



William E. West
Mayor

Attest:



Stephen M. Hartstein
Secretary of Town Council

CERTIFICATE OF SECRETARY

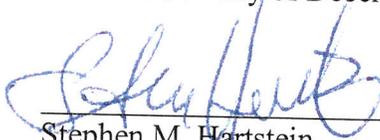
The undersigned, Secretary of the Town Council of The Town of Georgetown, HEREBY CERTIFIES that:

The foregoing Resolution authorizing the issuance of General Obligation Note (37 & 39 The Circle Project), Series of 2016 of the Town was duly moved and seconded and adopted by a majority vote of the Town Council of said Town at a duly called and convened public meeting of said Board held on December 14, 2016; and that the roll of the Town Council was called and such members voted or were absent as follows:

<u>Name</u>	<u>Vote</u>
William E. West, Mayor	
Stephen M. Hartstein	
Rebecca Johnson-Dennis	
Chris Lecates	
Robert Holston	

and that such Resolution and the votes thereon have been duly recorded in the minutes.

WITNESS my hand and seal of the Town this 14th day of December, 2016.



Stephen M. Hartstein
Secretary of Town Council

[TOWN SEAL]

EXHIBIT A

Post Issuance Compliance and Record Retention Policy

THE TOWN OF GEORGETOWN, DELAWARE

General Obligation Bonds – Post Issuance Compliance and Record Retention Procedures

These Post-Issuance Compliance Procedures (the “**Procedures**”) set forth specific procedures of The Town of Georgetown, Delaware (the “**Issuer**”) designed to monitor post-issuance compliance of tax-exempt obligations (the “**Obligations**”) issued by the Issuer in accordance with applicable provisions of the Internal Revenue Code of 1986, as amended (the “**Code**”), and regulations promulgated thereunder (the “**Treasury Regulations**”).

These Procedures document existing practices and describe various procedures and systems designed to identify on a timely basis facts relevant to demonstrating compliance with the requirements that must be satisfied subsequent to the issuance of Obligations in order that the interest on such Obligations be, or continue to be, or would be but for certain provisions of the Code, excludable from gross income for federal income tax purposes or treated as tax-advantaged obligations. The Issuer recognizes that compliance with applicable provisions of the Code and Treasury Regulations is an on-going process, necessary during the entire term of the Obligations. Accordingly, implementation of these Procedures will require on-going monitoring and consultation with bond counsel beyond the scope of its initial engagement with respect to the issuance of particular Obligations.

The Issuer has financed and refinanced certain capital projects with the proceeds of Obligations.

Set forth below are the policies that the Issuer is adopting in order to maintain compliance with the federal tax laws relating to all of its Obligations.

I. Responsibility for Maintaining Compliance—Books and Records

The Issuer's compliance efforts are led by the Issuer's Town Manager or designee(s). (Such persons are hereafter referred to as the “**Compliance Coordinator**”).

The Compliance Coordinator shall establish a database for **each** issue of Obligations outstanding for the Issuer. Attached hereto as Exhibit A is a Template (the “**Template**”) that will be completed by the Compliance Coordinator for **each** issue of Obligations. The Compliance Coordinator will list applicable information and dates in the Template. The Template will be reviewed and updated by the Compliance Coordinator on an **annual basis**.

For **each** issue of Obligations, the Compliance Coordinator shall establish a books and records file system listing where certain records may be found. The books and record data will also be kept on the Template.

THE COMPLIANCE COORDINATOR SHALL MAINTAIN THE RECORDKEEPING PROCEDURES FOR EACH ISSUE OF OBLIGATIONS FOR THREE (3) YEARS AFTER DECEMBER 31 OF THE YEAR THAT THE LAST BOND OF A PARTICULAR ISSUE IS RETIRED. THUS, IF A PARTICULAR BOND ISSUE IS

RETIRED ON APRIL 7, 2017, RECORDS SHALL BE MAINTAINED FOR THE BOND ISSUE UNTIL DECEMBER 31, 2020.

II. Private Business Use—Existing Agreements

Following the close of each fiscal year, the Compliance Coordinator will conduct a survey of the uses of bond-financed property to determine the amount of private business use of each outstanding bond issue for that year.

The Compliance Coordinator will identify or cause to be identified the projects funded with bond proceeds or facilities directly benefited from bond proceeds by reviewing requisitions, general ledger entries and deal documents including the tax certificate.

The Compliance Coordinator will complete a “Private Business Use Questionnaire” with respect to each facility financed, in whole or in part, with Obligations. The Private Business Use Questionnaire is set forth as Exhibit B of these Procedures.

To the extent private business use arose from any arrangement, the Compliance Coordinator will gather any information necessary to identify and/or allocate the bond-financed space to private business use. If any arrangements are not clearly categorized as private business use or compliant, or if it is unclear how mixed-use property should be allocated to private business use, the Compliance Coordinator will discuss the issue with counsel.

In the event that certain of the bond-financed property no longer complies with the Code or the Treasury Regulations, the Compliance Coordinator will discuss the remediation options available under the Code and the Treasury Regulations with counsel as outlined in Exhibit D hereto.

III. Private Business Use—Future Agreements

Before the Issuer enters into an arrangement that may give rise to private business use, the arrangement should be reviewed to make sure that entering into the arrangement would not cause a violation of the private business use rules. In order to ensure that future arrangements do not result in private business use, proposed arrangements, including leases, management and service contracts, sponsored research agreements, potential unrelated trades or business, partnerships, joint ventures and naming rights agreements, should be reviewed before being entered into by the Issuer. Responsibility for screening these proposed arrangements will be the responsibility of the Compliance Coordinator. The Compliance Coordinator shall review the Private Business Use Questionnaire before arrangements that may give rise to private business use are entered into.

If after review of the arrangement and the Private Business Use Questionnaire, the Compliance Coordinator believes that a proposed arrangement will, or possibly could, give rise to private business use, the proposal will be reviewed with counsel. If the Compliance Coordinator determines that private business use would arise under the arrangement as then proposed, he or she will recommend appropriate steps to promote the best interests of the Issuer. Such steps may include: requiring that the arrangement be modified to eliminate the private business use (for example, by fitting the arrangement within IRS “safe harbor” guidance); taking

“remedial action” as permitted under the Treasury Regulations to cure any private business use resulting from the arrangement; re-allocating the sources of funding of the facility at issue to the extent permitted by the Treasury Regulations; or determining that the amount of private business use generated by the arrangement is immaterial and will not cause the applicable limitation on private business use to be exceeded. In no event may the Compliance Coordinator approve, or the Issuer enter into, a proposed arrangement that would cause the limitation on private business use for a given bond issue to be exceeded.

The Compliance Coordinator will discuss the remediation options available under the Code and the Treasury Regulations with counsel, as outlined in Exhibit D hereto.

IV. Rebate

Federal tax law requires the Issuer to “rebate” to the federal government any amounts earned from the investment of bond proceeds at a yield in excess of the bond yield, unless an exception applies. The Issuer shall retain an outside rebate computation firm to calculate its liability, if any, for rebate for each of its bond issues. The Compliance Coordinator will review the calculations of the firm hired for rebate compliance for obvious errors and remit any required rebate to the federal government. The Compliance Coordinator is responsible for monitoring the spending of bond proceeds and taking appropriate steps to qualify for a “spending exception” to rebate, to the extent practicable.

V. Expenditure of Proceeds—Arbitrage

Prior to being spent, bond proceeds must be invested in a manner that will establish fair market value for federal tax purposes, in order to maintain compliance with the rebate and arbitrage yield restriction rules. The rules for establishing fair market value are summarized in the tax certificates executed by the Issuer at the time of issuance of each bond issue. The Compliance Coordinator will take appropriate steps, in consultation with counsel, to assure that subsequent investments or reinvestments of bond proceeds are made in compliance with these rules. The Compliance Coordinator should review the checklist attached hereto as Exhibit C before bond proceeds are spent.

There are restrictions on the types of expenditures that may be financed with tax-exempt bond proceeds, including, among other things, that the expenditures meet certain useful life requirements, not be used for more than a minimal amount of issuance costs, be made within certain deadlines, and not be used to reimburse expenditures made before the issuance date unless certain requirements are satisfied. The Issuer's expectations as to the expenditure of bond proceeds are set forth in the tax certificate executed on the date of issuance of each bond issue, which bond counsel uses to evaluate compliance with these rules as of such date. The Compliance Coordinator will make sure that the Issuer's actual expenditure of proceeds of each bond issue will not deviate materially from the expectations and limitations stated in the tax certificate for the issue without consulting beforehand with counsel.

The Compliance Coordinator is responsible for making sure that, for each bond-financed project, bond proceeds are allocated to expenditures for the project within the period ending on the earliest of the following (the “Permitted Allocation Period”): (i) 18 months after the placed-

in-service date of the project (or the payment of the expenditure in question, if later), (ii) five years (plus 60 days) after the issue date of the bonds, or (iii) 60 days after the retirement of the bonds. This means that, before the end of the Permitted Allocation Period for a given project, the Compliance Coordinator should make sure the Issuer actually spends bond proceeds (and equity or taxable debt proceeds, if applicable) on project expenses in a manner that can be documented (e.g., through requisitions, invoices and canceled checks).

VI. Continuing Disclosure

The Compliance Coordinator is responsible for continuing disclosure obligations of the Issuer. Periodically, the Compliance Coordinator shall determine that required continuing disclosure undertakings have been prepared and filed with the MSRB.

The Compliance Coordinator is responsible for providing notice to the MSRB of the following events in a timely manner not in excess of ten (10) business days after the occurrence of such event:

- (i) Principal and interest payment delinquencies.
- (ii) Non payment-related defaults, if material.
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (v) Substitution of credit or liquidity providers, or their failure to perform.
- (vi) Adverse tax opinions or events affecting the tax status of the bonds.
- (vii) Modifications to rights of bondholders, if material.
- (viii) Bond calls (other than mandatory sinking fund redemptions), if material, and tender offers.
- (ix) Defeasances of bonds.
- (x) Release, substitution, or sale of property securing repayment of any bonds, if material.
- (xi) Rating changes.
- (xii) Bankruptcy, insolvency, receivership or similar event of the Issuer.
- (xiii) 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, if material.

(xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(xv) Failure to provide annual financial information as required.

VII. Training

The Compliance Coordinator has reviewed these Procedures with counsel and understands the Issuer's ongoing duties to monitor compliance as set forth herein subsequent to the issuance of any Obligation and while any Obligation remains outstanding. The Compliance Coordinator will periodically consult with knowledgeable counsel to determine if the requirements set forth herein need to be modified or updated.

Exhibit A

Schedule Template

<u>File</u>	<u>File Location</u>
Name of Bond Issue	
Closing Date	
Principal Amount	
Final Maturity	
Amount Outstanding	
Projects Funded	
Commencement Date	
Completion Date	
Commencement Date of Rebate Installment Computations/ Yield Reduction	
Due Dates for Rebate Installment Payments	
Due Dates for Rebate Final Payments	
Commencement Date for Project Fund Yield Restrictions	
Other Actions	
Bond Transcript	
Requisitions	
Cash Collection Records	
Annual Financial Reports	
Revenue and Expense Journals	
Appraisal Records	
Depreciation Records	

<u>File</u>	<u>File Location</u>
Bid Documents	
Invoices	
Land Contract and Purchase Agreements	
Inspection Records	
Feasibility Studies	
Detailed information showing how bond proceeds are spent	
Reimbursement Resolutions	
Project Completion Certificate	
Post-Issuance Allocations	
Records of Investments	
Financed Property Use Contracts and Records	
Letters of Credit and other Guarantees	
Interest Rate Swaps, GIC's and Other Derivative Transactions	
Investment Contracts	
Records of Bond Yield	
Tax Returns, information returns, correspondence with IRS	
Amendments to Documents (including defeasance)	

Exhibit B

Private Business Use Questions

Date _____

1. Name of Bond Issue? Date of Issuance?

2. How much of the Bond proceeds have been spent to date? How have the proceeds been spent (allocation of proceeds to specific property, issuance costs, reimbursement, requisition, draw schedules)? (See Exhibit E hereto).

3. Describe direct use of bond proceeds, including investment earnings, represented by each asset financed. Provide a description of the use of space in any facilities financed with such bond proceeds.

4. Describe indirect use of bond proceeds (ex. is a portion of the property that was financed with bond proceeds being subleased to someone else?) (See Exhibit E hereto).

5. Has the asset been placed in service? If so when?

6. Is there any private business use by a nongovernmental person? If yes, how much of the property is being used by a nongovernmental person? (See Exhibit E hereto).

7. Has there been a change in ownership of the property? Has there been a change in use of the property? (See Exhibit E hereto).

8. Is any portion of the financed property subject to a lease, license or similar arrangement? If yes, please explain.

9. Are there any output contracts in place? If so what are the terms?

10. Has the Issuer entered into management or service contracts with respect to all or a portion of the bond financed property (e.g. food services)? If so does the service provided qualify as an “incidental service”? What is the length of the contract? A review of the summary of IRS Revenue Procedure 97-13 or IRS Revenue Procedure 2016-44, as applicable, attached hereto is required. (See Exhibit E hereto).

11. Has the Issuer entered into any research arrangements that relate to the bond financed property? Please describe the contracts. A review of the summary of IRS Revenue Procedure 2007-47 attached hereto is required.

12. Has the Issuer entered into any arrangements that convey special rights over the bond-finances facilities? Any special economic benefit being conveyed (in the case of property not available to the general public)? (See Exhibit E hereto).

13. Have the assets that were financed with bond proceeds been encumbered in any way?

Management Contracts or Service Contracts With Respect to Bond-Financed Facilities Summary of IRS Revenue Procedure 97-13, as amended

Generally, under IRS Revenue Procedure 97-13, as amended the provisions of services at bond-financed facilities by private persons or businesses will not constitute private business use if:

- the method or formula for compensation falls within one of the various defined categories or combinations of such categories described in the table below;
- compensation for services rendered under the contract is reasonable and is not based, in whole or in part, on net profits from the operation of the bond-financed property;
- depending on the compensation method, the term of the contract, including applicable renewal options (which does not include automatic rollovers absent termination by one party or the other) does not exceed certain limits, and the contract may be terminated without penalty or cause, as set forth in the table below.

No compensation may be based, in whole or in part, on a share of the net profits.

A “productivity reward” equal to a stated dollar amount based on increases in revenues or decreases in expenses (but not both) does not cause compensation to be based on net profits.

No circumstances may exist which limit the qualified user's ability to exercise its rights, including cancellation rights, under the contract. *Safe Harbor*: This requirement is met if (i) not more than 20% of the voting power of the governing body of the qualified user is vested in the service provider or its directors, officers, shareholders and employees, and (ii) overlapping board members do not include the CEO's of the service provider or its governing body or the qualified user or its governing body and the qualified user and service provider are not related persons, as defined in the Regulations.

Definitions:

“*Adjusted Gross Revenues*” means gross revenues less allowances for bad debts and contractual and similar allowances.

“*Capitation Fee*” means a fixed periodic amount for each person for whom the service provider or the qualified user assumes the responsibility to provide all needed services for a specified period so long as the quantity and type of services actually provided to covered persons varies substantially. A fixed periodic amount may include an automatic increase linked to a specified, objective, external standard, such as the Consumer Price Index.

“*Periodic Fixed Fee*” means a stated dollar amount for services rendered for a specified period of time. The stated dollar amount may automatically increase according to a specified, objective, external standard, such as the Consumer Price Index.

“*Per-Unit Fee*” means a fee based on a unit of service specified in the contract or otherwise specifically determined by an independent third party or the qualified user. The per-unit fee may automatically increase according to a specified, objective, external standard, such as the Consumer Price Index.

“*Renewal Option*” means a provision under which the service provider has a legally enforceable right to renew the contract. Thus, for example, a provision under which a contract is automatically renewed for one-year periods absent cancellation by either party is not a renewal option (even if it is expected to be renewed).

“*Service Provider*” means any person other than a qualified user that provides services under a contract to, or for the benefit of, a qualified user.

Compensation Fee Structure	Contract Terms
95% Periodic Fixed Fee	Including all renewal options, the lesser of (i) 80% of the reasonably expected useful life of the financed property and (ii) 15 years. One-time incentive award under which compensation automatically increases, if a revenue or expense target is met, does not cause this test to be failed if the award is a single, stated dollar amount.
80% Periodic Fixed Fee	Including all renewal options, the lesser of (i) 80% of the reasonably expected useful life of the financed property and (ii) 10 years. One-time incentive award under which compensation automatically increases, if a revenue or expense target is met, does not cause this test to be failed if the award is a single, stated dollar amount.
Either (i) 50% Periodic Fixed Fee or (ii) capitation fee or (iii) a combination of a Capitation Fee and a Periodic Fixed Fee.	Including all renewal options, not more than 5 years, terminable by the qualified user without penalty or cause at the end of the 3rd year.
Either (i) Per Unit Fee or (ii) a combination of a Per Unit Fee and a Periodic Fixed Fee.	Including all renewal options, not more than 3 years, terminable by the qualified user without penalty or cause at the end of the 2nd year.

Compensation Fee Structure	Contract Terms
<p>Either (i) a percentage of fees charged or (ii) a combination of a Per Unit Fee and a percentage of revenues or expenses or (iii) during a start-up period, a percentage of gross revenues, Adjusted Gross Revenues or expenses.</p>	<p>Including renewal options, 2 years, terminable by the qualified user without penalty or cause at the end of the 1st year. These terms are available only for contracts under which the service provider generally provides services to third parties (for example, radiology services to patients) and management contracts involving a facility during an initial start-up period.</p>
<p>All of the compensation for services is based on a stated amount; periodic fixed fee; a capitation fee; a per-unit fee or a combination of the preceding. May also include a percentage of gross revenues or expenses of the facilities (but not both). For purposes of this type of contract, a tiered productivity award is treated as a stated amount or a periodic fixed fee, as appropriate.</p>	<p>Including all renewal options, does not exceed 5 years. Need not be terminable by the qualified user before the end of term (Safe harbor added pursuant to Rev. Proc. 2014-67).</p>

IRS Rev. Proc. 97-13, as amended does not provide a safe harbor for the granting of any ownership or leasehold interest in bond financed property.

IRS Rev. Proc 97-13 applies to any management contract that was entered into before August 22, 2016.

Revenue Procedure, Rev. Proc. 2016-44 (2016)

Rev. Proc. 2016-44 (IRS RPR), 2016-36 I.R.B. 316, 2016 WL 4433979

Internal Revenue Service (I.R.S.)

IRS RPR
Revenue Procedure

Released: August 23, 2016
Published: September 6, 2016

26 CFR 601.601: Rules and regulations. (Also: §§ 141, 145, 1.141-3, 1.145-2)

This revenue procedure provides safe harbor conditions under which a management contract does not result in private business use of property financed with governmental tax-exempt bonds under section 141(b) of the Internal Revenue Code or cause the modified private business use test for property financed with qualified 501(c)(3) bonds under section 145(a)(2)(B) to be met.

SECTION 1. PURPOSE

This revenue procedure provides safe harbor conditions under which a management contract does not result in private business use of property financed with governmental tax-exempt bonds under § 141(b) of the Internal Revenue Code or cause the modified private business use test for property financed with qualified 501(c)(3) bonds under § 145(a)(2)(B) to be met.

SECTION 2. BACKGROUND

.01 Section 103(a) provides that, except as provided in § 103(b), gross income does not include interest on any State or local bond. Section 103(b)(1) provides that § 103(a) shall not apply to any private activity bond that is not a qualified bond (within the meaning of section 141). Section 141(a) provides that the term "private activity bond" means any bond issued as part of an issue (1) that meets the private business use test and private security or payment test, or (2) that meets the private loan financing test.

.02 Section 141(b)(1) provides generally that an issue meets the private business use test if more than 10 percent of the proceeds of the issue are to be used for any private business use. Section 141(b)(6) defines "private business use" as use (directly or indirectly) in a trade or business carried on by any person other than a governmental unit. For this purpose, any activity carried on by a person other than a natural person must be treated as a trade or business use.

.03 Section 1.141-3(a)(1) of the Income Tax Regulations provides, in part, that the 10 percent private business use test of § 141(b)(1) is met if more than 10 percent of the proceeds of an issue is used in a trade or business of a nongovernmental person. For this purpose, the use of financed property is treated as the direct use of proceeds. Section 1.141-3(a)(2) provides that, in determining whether an issue meets the private business use test, it is necessary to look at both indirect and direct use of proceeds. Proceeds are treated as used in the trade or business of a nongovernmental person if a nongovernmental person, as a result of a single transaction or a series of related transactions, uses property acquired with the proceeds of an issue.

.04 Section 1.141-3(b)(1) provides that both actual and beneficial use by a nongovernmental person may be treated as private business use. In most cases, the private business use test is met only if a nongovernmental person has special legal entitlements to use the financed property under an arrangement with the issuer. In general, a nongovernmental

person is treated as a private business user as a result of ownership; actual or beneficial use of property pursuant to a lease, a management contract, or an incentive payment contract; or certain other arrangements such as a take or pay or other output-type contract.

.05 Section 1.141-3(b)(3) provides generally that the lease of financed property to a nongovernmental person is private business use of that property. For this purpose, any arrangement that is properly characterized as a lease for federal income tax purposes is treated as a lease. Section 1.141-3(b)(3) further provides that, in determining whether a management contract is properly characterized as a lease, it is necessary to consider all the facts and circumstances, including the following factors: (1) the degree of control over the property that is exercised by the nongovernmental person; and (2) whether a nongovernmental person bears the risk of loss of the financed property.

.06 Section 1.141-3(b)(4)(i) provides generally that a management contract with respect to financed property may result in private business use of that property, based on all of the facts and circumstances. A management contract with respect to financed property generally results in private business use of that property if the contract provides for compensation for services rendered with compensation based, in whole or in part, on a share of net profits from the operations of the facility. Section 1.141-3(b)(4)(iv) provides generally that a management contract with respect to financed property results in private business use of that property if the service provider is treated as the lessee or owner of financed property for federal income tax purposes.

.07 Section 1.141-3(b)(4)(ii) defines "management contract" as a management, service, or incentive payment contract between a governmental person and a service provider under which the service provider provides services involving all, a portion, or any function, of a facility. For example, a contract for the provision of management services for an entire hospital, a contract for management services for a specific department of a hospital, and an incentive payment contract for physician services to patients of a hospital are each treated as a management contract.

.08 Section 1.141-3(b)(4)(iii) provides that the following arrangements generally are not treated as management contracts that give rise to private business use: (A) contracts for services that are solely incidental to the primary governmental function or functions of a financed facility (for example, contracts for janitorial, office equipment repair, hospital billing, or similar services); (B) the mere granting of admitting privileges by a hospital to a doctor, even if those privileges are conditioned on the provision of de minimis services if those privileges are available to all qualified physicians in the area, consistent with the size and nature of the hospital's facilities; (C) a contract to provide for the operation of a facility or system of facilities that consists primarily of public utility property, if the only compensation is the reimbursement of actual and direct expenses of the service provider and reasonable administrative overhead expenses of the service provider; and (D) a contract to provide for services, if the only compensation is the reimbursement of the service provider for actual and direct expenses paid by the service provider to unrelated parties.

.09 Section 141(e) provides, in part, that the term "qualified bond" includes a qualified 501(c)(3) bond if certain requirements stated therein are met. Section 145(a) provides generally that "qualified 501(c)(3) bond" means any private activity bond issued as part of an issue if (1) all property that is to be provided by the net proceeds of the issue is to be owned by a 501(c)(3) organization or a governmental unit, and (2) such bond would not be a private activity bond if (A) 501(c)(3) organizations were treated as governmental units with respect to their activities that do not constitute unrelated trades or businesses, determined by applying § 513(a), and (B) § 141(b)(1) and (2) were applied by substituting "5 percent" for "10 percent" each place it appears and by substituting "net proceeds" for "proceeds" each place it appears. Section 1.145-2 provides that, with certain exceptions and modifications, §§ 1.141-0 through 1.141-15 apply to § 145(a).

.10 Rev. Proc. 97-13, 1997-1 C.B. 632, modified by Rev. Proc. 2001-39, 2001-2 C.B. 38, and amplified by Notice 2014-67, 2014-46 I.R.B. 822, sets forth conditions under which a management contract does not result in private business use under § 141 or cause the modified private business use test under § 145(a)(2)(B) to be met. These conditions include

constraints on net profits arrangements, the permitted term of the management contract, the types of compensation, and the relationship between the parties.

.11 Rev. Proc. 97-13 as originally issued (the original safe harbors) specifies various permitted terms of contracts that depend on the extent to which the compensation is a fixed amount (that is, the greater the percentage of fixed compensation, the longer the permitted term of the management contract). For example, the original safe harbors permit (i) contracts of up to 15 years if at least 95 percent of the compensation consists of a periodic fixed fee, and (ii) contracts of two to five years if greater percentages of the compensation consist of variable fees, depending on the particular type of variable fee. Subsequently, in Notice 2014-67, the Treasury Department and the Internal Revenue Service expanded these safe harbors to address certain developments involving accountable care organizations after the enactment of the Patient Protection and Affordable Care Act, Pub. L. 111-148, 124 Stat. 119 (Affordable Care Act), and also to allow a broader range of variable compensation arrangements for shorter-term management contracts of up to five years. This revenue procedure builds upon the amplifications in Notice 2014-67 by taking a more flexible and less formulaic approach toward variable compensation for longer-term management contracts of up to 30 years. The safe harbor under this revenue procedure generally permits any type of fixed or variable compensation that is reasonable compensation for services rendered under the contract. This revenue procedure includes constraints on net profits arrangements and the relationship between the parties (as under the original safe harbors), but applies a more principles-based approach focusing on governmental control over projects, governmental bearing of risk of loss, economic lives of managed projects, and consistency of tax positions taken by the service provider.

SECTION 3. SCOPE

This revenue procedure applies to a management contract (as defined in section 4.02 of this revenue procedure) involving managed property (as defined in section 4.03 of this revenue procedure) financed with the proceeds of an issue of governmental bonds (as defined in § 1.141-1 (b)) or qualified 501 (c)(3) bonds under § 145.

SECTION 4. DEFINITIONS

For purposes of this revenue procedure, the following definitions apply:

- .01 *Eligible expense reimbursement arrangement* means a management contract under which the only compensation consists of reimbursements of actual and direct expenses paid by the service provider to unrelated parties and reasonable related administrative overhead expenses of the service provider.
- .02 *Management contract* means a management, service, or incentive payment contract between a qualified user and a service provider under which the service provider provides services for a managed property. A management contract does not include a contract or portion of a contract for the provision of services before a managed property is placed in service (for example, pre-operating services for construction design or construction management).
- .03 *Managed property* means the portion of a project (as defined in § 1.141-6(a)(3)) with respect to which a service provider provides services.
- .04 *Qualified user* means, for projects (as defined in § 1.141-6(a)(3)) financed with governmental bonds, any governmental person (as defined in § 1.141-1(b)) or, for projects financed with qualified 501(c)(3) bonds, any governmental person or 501(c)(3) organization with respect to its activities which do not constitute an unrelated trade or business, determined by applying § 513(a).
- .05 *Service provider* means any person other than a qualified user that provides services to, or for the benefit of, a qualified user under a management contract.

.06 *Unrelated parties* means persons other than a related party (as defined in § 1.150-1(b)) or a service provider's employee.

SECTION 5. SAFE HARBOR CONDITIONS UNDER WHICH MANAGEMENT CONTRACTS DO NOT RESULT IN PRIVATE BUSINESS USE

.01 *In general.* If a management contract meets all of the applicable conditions of sections 5.02 through section 5.07 of this revenue procedure, or is an eligible expense reimbursement arrangement, the management contract does not result in private business use under § 141(b) or 145(a)(2)(B). Further, under section 5.08 of this revenue procedure, use functionally related and subordinate to a management contract that meets these conditions does not result in private business use.

.02 *General financial requirements.*

(1) *In general.* The payments to the service provider under the contract must be reasonable compensation for services rendered during the term of the contract. Compensation includes payments to reimburse actual and direct expenses paid by the service provider and related administrative overhead expenses of the service provider.

(2) *No net profits arrangements.* The contract must not provide to the service provider a share of net profits from the operation of the managed property. Compensation to the service provider will not be treated as providing a share of net profits if no element of the compensation takes into account, or is contingent upon, either the managed property's net profits or both the managed property's revenues and expenses for any fiscal period. For this purpose, the elements of the compensation are the eligibility for, the amount of, and the timing of the payment of the compensation. Further, solely for purposes of determining whether the amount of the compensation meets the requirements of this section 5.02(2), any reimbursements of actual and direct expenses paid by the service provider to unrelated parties are disregarded as compensation. Incentive compensation will not be treated as providing a share of net profits if the eligibility for the incentive compensation is determined by the service provider's performance in meeting one or more standards that measure quality of services, performance, or productivity, and the amount and the timing of the payment of the compensation meet the requirements of this section 5.02(2).

(3) *No bearing of net losses of the managed property.*

(a) The contract must not, in substance, impose upon the service provider the burden of bearing any share of net losses from the operation of the managed property. An arrangement will not be treated as requiring the service provider to bear a share of net losses if:

(i) The determination of the amount of the service provider's compensation and the amount of any expenses to be paid by the service provider (and not reimbursed), separately and collectively, do not take into account either the managed property's net losses or both the managed property's revenues and expenses for any fiscal period; and

(ii) The timing of the payment of compensation is not contingent upon the managed property's net losses.

(b) For example, a service provider whose compensation is reduced by a stated dollar amount (or one of multiple stated dollar amounts) for failure to keep the managed property's expenses below a specified target (or one of multiple specified targets) will not be treated as bearing a share of net losses as a result of this reduction.

.03 *Term of the contract and revisions.* The term of the contract, including all renewal options (as defined in § 1.141-1(b)), is no greater than the lesser of 30 years or 80 percent of the weighted average reasonably expected economic life of the managed property. For this purpose, economic life is determined in the same manner as under § 147(b), but without regard to § 147(b)(3)(B)(ii), as of the beginning of the term of the contract. A contract that is materially modified with

respect to any matters relevant to this section 5 is retested under this section 5 as a new contract as of the date of the material modification.

.04 Control over use of the managed property. The qualified user must exercise a significant degree of control over the use of the managed property. This control requirement is met if the contract requires the qualified user to approve the annual budget of the managed property, capital expenditures with respect to the managed property, each disposition of property that is part of the managed property, rates charged for the use of the managed property, and the general nature and type of use of the managed property (for example, the type of services). For this purpose, for example, a qualified user may show approval of capital expenditures for a managed property by approving an annual budget for capital expenditures described by functional purpose and specific maximum amounts; and a qualified user may show approval of dispositions of property that is part of the managed property in a similar manner. Further, a qualified user may show approval of rates charged for use of the managed property by either expressly approving such rates (or the methodology for setting such rates) or by including in the contract a requirement that the service provider charge rates that are reasonable and customary as specifically determined by an independent third party.

.05 Risk of loss of the managed property. The qualified user must bear the risk of loss upon damage or destruction of the managed property (for example, upon force majeure). A qualified user does not fail to meet this risk of loss requirement as a result of insuring against risk of loss through a third party or imposing upon the service provider a penalty for failure to operate the managed property in accordance with the standards set forth in the management contract.

.06 No inconsistent tax position. The service provider must agree that it is not entitled to and will not take any tax position that is inconsistent with being a service provider to the qualified user with respect to the managed property. For example, the service provider must agree not to take any depreciation or amortization, investment tax credit, or deduction for any payment as rent with respect to the managed property.

.07 No circumstances substantially limiting exercise of rights.

(1) *In general.* The service provider must not have any role or relationship with the qualified user that, in effect, substantially limits the qualified user's ability to exercise its rights under the contract, based on all the facts and circumstances.

(2) *Safe harbor.* As a safe harbor, a service provider will not be treated as having a role or relationship prohibited under section 5.07(1) of this revenue procedure if:

(a) No more than 20 percent of the voting power of the governing body of the qualified user in the aggregate is vested in the directors, officers, shareholders, partners, members, and employees of the service provider;

(b) The governing body of the qualified user does not include the chief executive officer of the service provider or the chairperson (or equivalent executive) of the service provider's governing body; and

(c) The chief executive officer of the service provider is not the chief executive officer of the qualified user or any of the qualified user's related parties (as defined in § 1.150-1(b)).

(3) For purposes of section 5.07(2) of this revenue procedure, the phrase "service provider" includes related parties (as defined in § 1.150-1(b)) and the phrase "chief executive officer" includes a person with equivalent management responsibilities.

.08 Functionally related and subordinate use. A service provider's use of a project (as defined in § 1.141-6(a)(3)) that is functionally related and subordinate to performance of its services under a management contract for managed property

that consists of all or a portion of that project and that meets the requirements of this section 5 does not result in private business use (for example, use of storage areas to store equipment used to perform activities required under a management contract that meets the requirements of this section 5 does not result in private business use).

SECTION 6. EFFECT ON OTHER DOCUMENTS

Rev. Proc. 97-13 and Rev. Proc. 2001-39 are modified and superseded. Section 3.02 of Notice 2014-67 is modified and superseded. All other sections of Notice 2014-67 remain in effect.

SECTION 7. DATE OF APPLICABILITY

The safe harbors in this revenue procedure apply to any management contract that is entered into on or after August 22, 2016, and an issuer may apply these safe harbors to any management contract that was entered into before August 22, 2016. In addition, an issuer may apply the safe harbors in Rev. Proc. 97-13, as modified by Rev. Proc. 2001-39 and amplified by Notice 2014-67, to a management contract that is entered into before August 18, 2017 and that is not materially modified or extended on or after August 18, 2017 (other than pursuant to a renewal option as defined in § 1.141-1 (b)).

SECTION 8. DRAFTING INFORMATION

The principal authors of this revenue procedure are Johanna Som de Cerff and David White of the Office of Associate Chief Counsel (Financial Institutions & Products). For further information regarding this revenue procedure, contact David White on (202) 317-6980 (not a toll free number).

Rev. Proc. 2016-44 (IRS RPR), 2016-36 I.R.B. 316, 2016 WL 4433979

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Research Agreements with Respect to Bond-Financed Facilities **Summary of IRS Revenue Procedure 2007-47**

The purpose of this revenue procedure is to set forth conditions under which a research agreement does not result in private business use under § 141(b) of the Internal Revenue Code of 1986 (the Code). The revenue procedure also addresses whether a research agreement causes the modified private business use test in § 145(a)(2)(B) of the Code to be met for qualified 501(c)(3) bonds.

Under the Patent and Trademark Law Amendments Act of 1980, as amended (the Bayh-Dole Act), the federal government and sponsoring federal agencies receive the nonexclusive, nontransferable, irrevocable, paid-up licenses to the use of the products of federally sponsored research. They also receive certain “march-in rights” that include the granting of licenses to third parties to ensure the public dissemination and use of the products of the research where the original contractor of the research has not taken, or is not expected to take within a reasonable time, effective steps to practically apply the results of the research.

Corporate-sponsored research: corporate-sponsored basic research (i.e., the advancement of scientific knowledge not having a specific commercial objective) will not result in private business use if the corporate sponsor must pay a competitive price for any license or other use of the resulting technology. Such use can be exclusive to the sponsor, but the price it pays for the license or use must be no less than the price that would be paid by any nonsponsoring party.

Industry-sponsored research: industry-sponsored governmentally performed basic research does not result in private business use as long as 1) the state or local government or 501(c)(3) institution where the research takes place (the Qualified User) selects the research to be performed and the manner in which it is to be performed, 2) title to any patent or product incidentally resulting from such research lies exclusively with the Qualified User and 3) the sponsors of the research are entitled to no more than a nonexclusive, royalty-free license to use the results of the research.

Federal government-sponsored research/Bayh-Dole exceptions: the rights of the federal government and its agencies mandated by the Bayh-Dole Act will not cause a research agreement to fall outside the private use safe harbors if 1) the Qualified User selects the research to be performed and the manner in which it is to be performed, 2) title to any patent or product incidentally resulting from such research lies exclusively with the Qualified User and 3) the license granted to any party other than the Qualified User (such as the federal government) to use the product of the research is no more than a nonexclusive, royalty-free license. The march-in rights of the federal government under Bayh-Dole will not violate the private use safe harbors provided that the Qualified User selects the research to be performed and the manner in which it is to be performed, title to any patent or product incidentally resulting from such research lies exclusively with the Qualified User, and the license granted to the federal government or the sponsoring federal agency (or to any third-party nongovernmental person) to use the product of the research is no more than a nonexclusive, royalty-free license. These safe harbors, do not cover situations where third parties receive more than nonexclusive, royalty-free licenses as the result of the exercise by a sponsoring federal agency of its rights under the Bayh-Dole Act, such as march-in rights.

Exhibit C

Arbitrage Checklist

Date _____

1. Name of Bond Issue? Date of Issuance?

2. What accounting method will be used with respect to bond proceeds and interest earnings, investment and expenditures?

3. How is the Issuer tracking investment returns?

4. Substantiate how bond proceeds including interest earnings are being spent.

5. Are investments acquired with bond proceeds being purchased at fair market value?

6. Does the Issuer have any escrow agreements outstanding? If yes are there any yield restrictions on investments?

7. Has an interest rate hedge agreement been entered into with respect to the bond issue? If so, list the following:
 - (a) Name of provider:
 - (b) Term of hedge:
 - (c) Is the hedge integrated (Y/N):
 - (d) Is the hedge superintegrated (Y/N):
 - (e) Has the hedge been terminated (Y/N):

8. Were the gross proceeds invested in a guaranteed investment contract (“GIC”):
 - (a) Name of provider:
 - (b) Term of GIC:
 - (c) Was the regulatory safe harbor satisfied (Y/N):

9. Were any gross proceeds invested beyond an available temporary period?

10. Did the bond issue qualify for an exception to rebate?

Exhibit D

Remedial Action Options

In the event that certain of the Obligations become “nonqualified bonds” under the Code and/or the Treasury Regulations, the Compliance Coordinator, in consultation with counsel, will follow the following policies in accordance with Treasury Regulation §1.141-12. A copy of Treasury Regulation §1.141-12 is attached hereto.

If an action causes an issue to meet the “private business tests” or the “private loan financing test” the action *may or may not be* treated as a “deliberate action”^{*} based on the nature of the event that caused the Obligations to become nonqualified.

1. In consultation with counsel, the Compliance Coordinator must first determine if certain conditions discussed in Treasury Regulation §1.141-12 paragraphs (a) (1) through (5) are satisfied. The effect of a remedial action is to cure use of proceeds that causes the private business use test or the private loan financing test to be met.

2. Treasury Regulation §1.141-12 discusses a number of options regarding remediation.

(a) *Disposition proceeds*-- Disposition proceeds are any amounts (including property, such as an agreement to provide services) derived from the sale, exchange, or other disposition (disposition) of property (other than investments) financed with the proceeds of an issue. In general, if the requirements of paragraphs (a) (1) through (5) of Treasury Regulation §1.141-12 are satisfied, after the date of the disposition, the proceeds of the issue allocable to the transferred property are treated as financing the disposition proceeds rather than the transferred property. If an issue does not meet the requirements for remedial action in paragraph (a) of Treasury Regulation §1.141-12 or the issuer does not take an appropriate remedial action, the proceeds of the issue are allocable to either the transferred property or the disposition proceeds, whichever allocation produces the greater amount of private business use and private security or payments.

(b) *Redemption or defeasance of nonqualified bonds*-- Proceeds of tax-exempt bonds must not be used for redemption, unless the tax-exempt bonds are qualified bonds, taking into account the purchaser's use of the facility. If the bonds are not redeemed within 90 days of the date of the deliberate action, a defeasance escrow must be established for those bonds within 90 days of the deliberate action. If the consideration for the disposition of financed property is exclusively cash, the disposition proceeds may be used to redeem a pro rata portion of the nonqualified bonds at the earliest call date after the deliberate action. If the bonds are not redeemed within 90 days of the date of the deliberate action, the disposition proceeds must be used to establish a defeasance escrow for those bonds within 90 days of the deliberate action. The issuer must provide written notice to the Commissioner of the establishment of the

* A deliberate action is any action taken by the issuer that is within its control. An intent to violate the requirements of section 141 of the Code is not necessary for an action to be deliberate.

defeasance escrow within 90 days of the date the defeasance escrow is established. The establishment of a defeasance escrow is not a permitted remedial action if the period between the issue date and the first call date of the bonds is more than 10 1/2 years.*

(c) *Alternative use of disposition proceeds*--if the deliberate action is a disposition of the bond-financed property for which the consideration is exclusively cash, and certain other requirements in Treasury Regulation §1.141-12 are met, the issuer may use the cash for an alternative qualifying use. The Compliance Coordinator will discuss this option with counsel.

(d) *Alternative use of facility* --in certain cases, the facility with respect to which the deliberate action occurs may be used in an alternative qualifying manner (for example, the facility may be used for a qualifying purpose by a nongovernmental person or used by a 501(c)(3) organization rather than a governmental person). The Compliance Coordinator will discuss this option with counsel.

With respect to (c) and (d) above, the remedial action may cause a deemed reissuance of the nonqualified bonds (that is, a deemed issuance of new bonds to refund the nonqualified bonds) for certain purposes of the Code.

What happens if the remedial action procedures under Treasury Regulation §1.141-12 are not available to the issuer?

The Internal Revenue Service (the “Service”) has developed a voluntary closing agreement program for tax-exempt bonds known as the TEB VCAP Program. In August 2011, the Service updated the Internal Revenue Manual section relating to TEB VCAP with additional resolution standards for certain violations of requirements specific to tax-exempt bonds.

Under TEB VCAP, an issuer may request a closing agreement with respect to its bonds to resolve violations applicable to tax-exempt bonds under IRC section 103 and related provisions of the IRC or Treasury Regulations. TEB VCAP is not available when: (a) absent extraordinary circumstances, the violation can be remediated under existing remedial action provisions or tax-exempt bond closing agreement programs contained in regulations or other published guidance; (b) the bond issue is under examination; (c) the tax-exempt status of the bonds or qualified status of tax credit bonds is at issue in any court proceeding or is being considered by the IRS Office of Appeals; or (d) the Service determines that the violation was due to willful neglect.

In the event that the remedial action policies under Treasury Regulation §1.141-12 are not available to the issuer, the Compliance Coordinator, in consultation with counsel, will explore the options presented under TEB VCAP.

* *Defeasance escrow defined.* A defeasance escrow is an irrevocable escrow established to redeem bonds on their earliest call date in an amount that, together with investment earnings, is sufficient to pay all the principal of, and interest and call premium on, bonds from the date the escrow is established to the earliest call date. The escrow may not be invested in higher yielding investments.

Treasury Regulation Section 1.141-12 Remedial actions

(a) *Conditions to taking remedial action.* An action that causes an issue to meet the private business tests or the private loan financing test is not treated as a deliberate action if the issuer takes a remedial action described in paragraph (d), (e), or (f) of this section with respect to the nonqualified bonds and if all of the requirements in paragraphs (a) (1) through (5) of this section are met.

(1) *Reasonable expectations test met.* The issuer reasonably expected on the issue date that the issue would meet neither the private business tests nor the private loan financing test for the entire term of the bonds. For this purpose, if the issuer reasonably expected on the issue date to take a deliberate action prior to the final maturity date of the issue that would cause either the private business tests or the private loan financing test to be met, the term of the bonds for this purpose may be determined by taking into account a redemption provision if the provisions of Treas. Reg. §1.141-2(d)(2)(ii) (A) through (C) are met.

(2) *Maturity not unreasonably long.* The term of the issue must not be longer than is reasonably necessary for the governmental purposes of the issue (within the meaning of Treas. Reg. §1.148-1(c)(4)). Thus, this requirement is met if the weighted average maturity of the bonds of the issue is not greater than 120 percent of the average reasonably expected economic life of the property financed with the proceeds of the issue as of the issue date.

(3) *Fair market value consideration.* Except as provided in paragraph (f) of this section, the terms of any arrangement that results in satisfaction of either the private business tests or the private loan financing test are bona fide and arm's-length, and the new user pays fair market value for the use of the financed property. Thus, for example, fair market value may be determined in a manner that takes into account restrictions on the use of the financed property that serve a bona fide governmental purpose.

(4) *Disposition proceeds treated as gross proceeds for arbitrage purposes.* The issuer must treat any disposition proceeds as gross proceeds for purposes of section 148. For purposes of eligibility for temporary periods under section 148(c) and exemptions from the requirement of section 148(f) the issuer may treat the date of receipt of the disposition proceeds as the issue date of the bonds and disregard the receipt of disposition proceeds for exemptions based on expenditure of proceeds under §1.148-7 that were met before the receipt of the disposition proceeds.

(5) *Proceeds expended on a governmental purpose.* Except for a remedial action under paragraph (d) of this section, the proceeds of the issue that are affected by the deliberate action must have been expended on a governmental purpose before the date of the deliberate action.

(b) *Effect of a remedial action—(1) In general.* The effect of a remedial action is to cure use of proceeds that causes the private business use test or the private loan financing test to be met. A remedial action does not affect application of the private security or payment test.

(2) *Effect on bonds that have been advance refunded.* If proceeds of an issue were used to advance refund another bond, a remedial action taken with respect to the refunding bond proportionately reduces the amount of proceeds of the advance refunded bond that is taken into account under the private business use test or the private loan financing test.

(c) *Disposition proceeds*—(1) *Definition.* *Disposition proceeds* are any amounts (including property, such as an agreement to provide services) derived from the sale, exchange, or other disposition (disposition) of property (other than investments) financed with the proceeds of an issue.

(2) *Allocating disposition proceeds to an issue.* In general, if the requirements of paragraph (a) of this section are met, after the date of the disposition, the proceeds of the issue allocable to the transferred property are treated as financing the disposition proceeds rather than the transferred property. If a disposition is made pursuant to an installment sale, the proceeds of the issue continue to be allocated to the transferred property. If an issue does not meet the requirements for remedial action in paragraph (a) of this section or the issuer does not take an appropriate remedial action, the proceeds of the issue are allocable to either the transferred property or the disposition proceeds, whichever allocation produces the greater amount of private business use and private security or payments.

(3) *Allocating disposition proceeds to different sources of funding.* If property has been financed by different sources of funding, for purposes of this section, the disposition proceeds from that property are first allocated to the outstanding bonds that financed that property in proportion to the principal amounts of those outstanding bonds. In no event may disposition proceeds be allocated to bonds that are no longer outstanding or to a source of funding not derived from a borrowing (such as revenues of the issuer) if the disposition proceeds are not greater than the total principal amounts of the outstanding bonds that are allocable to that property. For purposes of this paragraph (c)(3), principal amount has the same meaning as in Treas. Reg. §1.148–9(b)(2) and outstanding bonds do not include advance refunded bonds.

(d) *Redemption or defeasance of nonqualified bonds*—(1) *In general.* The requirements of this paragraph (d) are met if all of the nonqualified bonds of the issue are redeemed. Proceeds of tax-exempt bonds must not be used for this purpose, unless the tax-exempt bonds are qualified bonds, taking into account the purchaser's use of the facility. If the bonds are not redeemed within 90 days of the date of the deliberate action, a defeasance escrow must be established for those bonds within 90 days of the deliberate action. Except as provided in paragraph (d)(3) of this section, if the bonds are not redeemed within 90 days of the deliberate action, a defeasance escrow must be established for those bonds within 90 days of the deliberate action.

(2) *Special rule for dispositions for cash.* If the consideration for the disposition of financed property is exclusively cash, the requirements of this paragraph (d) are met if the disposition proceeds are used to redeem a pro rata portion of the nonqualified bonds at the earliest call date after the deliberate action. If the bonds are not redeemed within 90 days of the date of the deliberate action, the disposition proceeds must be used to establish a defeasance escrow for those bonds within 90 days of the deliberate action.

(3) *Anticipatory remedial action.* The requirements of paragraphs (d)(1) and (2) of this section for redemption or defeasance of the nonqualified bonds within 90 days of the deliberate action are met if the issuer declares its official intent to redeem or defease all of the bonds that would become nonqualified bonds in the event of a subsequent deliberate action that would cause the private business tests or the private loan financing test to be met and redeems or defeases such bonds prior to that deliberate action. The issuer must declare its official intent on or before the date on which it redeems or defeases such bonds, and the declaration of intent must identify the financed property or loan with respect to which the anticipatory remedial action is being taken and describe the deliberate action that potentially may result in the private business tests being met (for example, sale of financed property that the buyer may then lease to a nongovernmental person). Rules similar to those in § 1.150-2(e) (regarding official intent for reimbursement bonds) apply to declarations of intent under this paragraph (d)(3), including deviations in the descriptions of the project or loan and deliberate action and the reasonableness of the official intent.

(4) *Notice of defeasance.* The issuer must provide written notice to the Commissioner of the establishment of the defeasance escrow within 90 days of the date the defeasance escrow is established.

(5) *Special limitation.* The establishment of a defeasance escrow does not satisfy the requirements of this paragraph (d) if the period between the issue date and the first call date of the bonds is more than 10 1/2 years.

(6) *Defeasance escrow defined.* A defeasance escrow is an irrevocable escrow established to redeem bonds on their earliest call date in an amount that, together with investment earnings, is sufficient to pay all the principal of, and interest and call premium on, bonds from the date the escrow is established to the earliest call date. The escrow may not be invested in higher yielding investments or in any investment under which the obligor is a user of the proceeds of the bonds.

(e) *Alternative use of disposition proceeds—(1) In general.* The requirements of this paragraph (e) are met if—

(i) The deliberate action is a disposition for which the consideration is exclusively cash;

(ii) The issuer reasonably expects to expend the disposition proceeds within two years of the date of the deliberate action;

(iii) The disposition proceeds are treated as proceeds for purposes of section 141 and are used in a manner that does not cause the issue to meet either the private business tests or the private loan financing test, and the issuer does not take any action subsequent to the date of the deliberate action to cause either of these tests to be met; and

(iv) If the issuer does not use all of the disposition proceeds for an alternative use described in paragraph (e)(1)(iii) of this section, the issuer uses those remaining disposition proceeds for a remedial action that meets paragraph (d) of this section.

(2) *Special rule for use by 501(c)(3) organizations.* If the disposition proceeds are to be used by a 501(c)(3) organization, the nonqualified bonds must in addition be treated as reissued for purposes of sections 141, 145, 147, 149, and 150 and, under this treatment, satisfy all of the applicable requirements for qualified 501(c)(3) bonds. Thus, beginning on the date of the deliberate action, nonqualified bonds that satisfy these requirements must be treated as qualified 501(c)(3) bonds for all purposes, including sections 145(b) and 150(b).

(f) *Alternative use of facility.* The requirements of this paragraph (f) are met if—

(1) The facility with respect to which the deliberate action occurs is used in an alternative manner (for example, used for a qualifying purpose by a nongovernmental person or used by a 501(c)(3) organization rather than a governmental person);

(2) The nonqualified bonds are treated as reissued, as of the date of the deliberate action, for purposes of sections 55 through 59 and 141, 142, 144, 145, 146, 147, 149 and 150, and under this treatment, the nonqualified bonds satisfy all the applicable requirements for qualified bonds throughout the remaining term of the nonqualified bonds;

(3) The deliberate action does not involve a disposition to a purchaser that finances the acquisition with proceeds of another issue of tax-exempt bonds; and

(4) Any disposition proceeds other than those arising from an agreement to provide services (including disposition proceeds from an installment sale) resulting from the deliberate action are used to pay the debt service on the bonds on the next available payment date or, within 90 days of receipt, are deposited into an escrow that is restricted to the yield on the bonds to pay the debt service on the bonds on the next available payment date.

(g) *Rules for deemed reissuance.* For purposes of determining whether bonds that are treated as reissued under paragraphs (e) and (f) of this section are qualified bonds—

(1) The provisions of the Code and regulations thereunder in effect as of the date of the deliberate action apply; and

(2) For purposes of paragraph (f) of this section, section 147(d) (relating to the acquisition of existing property) does not apply.

(h) *Authority of Commissioner to provide for additional remedial actions.* The Commissioner may, by publication in the Federal Register or the Internal Revenue Bulletin, provide additional remedial actions, including making a remedial payment to the United States, under which a subsequent action will not be treated as a deliberate action for purposes of Treas. Reg. §1.141-2.

(i) *Effect of remedial action on continuing compliance.* Solely for purposes of determining whether deliberate actions that are taken after a remedial action cause an issue to meet the private business tests or the private loan financing test—

(1) If a remedial action is taken under paragraph (d) of this section, the amount of private business use or private loans resulting from the deliberate action that is taken into account for purposes of determining whether the bonds are private activity bonds is that portion of the remaining bonds that is used for private business use or private loans (as calculated under paragraph (j) of this section);

(2) If a remedial action is taken under paragraph (e) or (f) of this section, the amount of private business use or private loans resulting from the deliberate action is not taken into account for purposes of determining whether the bonds are private activity bonds; and

(3) After a remedial action is taken, the amount of disposition proceeds is treated as equal to the proceeds of the issue that had been allocable to the transferred property immediately prior to the disposition. See paragraph (k) of this section, *Example 5*.

(j) *Nonqualified bonds*—(1) *Amount of nonqualified bonds*. The nonqualified bonds are a portion of the outstanding bonds in an amount that, if the remaining bonds were issued on the date on which the deliberate action occurs, the remaining bonds would not meet the private business use test or private loan financing test, as applicable. For this purpose, the amount of private business use is the greatest percentage of private business use in any one-year period commencing with the one-year period in which the deliberate action occurs.

(2) *Allocation of nonqualified bonds*. Allocations of nonqualified bonds must be made on a pro rata basis, except that, for purposes of paragraph (d) of this section (relating to redemption or defeasance), an issuer may treat any bonds of an issue as the nonqualified bonds so long as:

(i) The remaining weighted average maturity of the issue, determined as of the date on which the nonqualified bonds are redeemed or defeased (determination date), and excluding from the determination the nonqualified bonds redeemed or defeased by the issuer in accordance with this section, is not greater than

(ii) The remaining weighted average maturity of the issue, determined as of the determination date, but without regard to the redemption or defeasance of any bonds (including nonqualified bonds) occurring on the determination date.

(k) *Examples*. The following examples illustrate the application of this section:

Example 1. Disposition proceeds less than outstanding bonds used to retire bonds. On June 1, 1997, City C issues 30-year bonds with an issue price of \$10 million to finance the construction of a hospital building. The bonds have a weighted average maturity that does not exceed 120 percent of the reasonably expected economic life of the building. On the issue date, C reasonably expects that it will be the only user of the building for the entire term of the bonds. Six years after the issue date, C sells the building to Corporation P for \$5 million. The sale price is the fair market value of the building, as verified by an independent appraiser. C uses all of the \$5 million disposition proceeds to immediately retire a pro rata portion of the bonds. The sale does not cause the bonds to be private activity bonds because C has taken a remedial action described in paragraph (d) of this section so that P is not treated as a private business user of bond proceeds.

Example 2. Lease to nongovernmental person. The facts are the same as in *Example 1*, except that instead of selling the building, C, 6 years after the issue date, leases the building to P for 7 years and uses other funds to redeem all of the \$10 million outstanding bonds within 90 days of the deliberate act. The bonds are not treated as private activity bonds because C has taken the remedial action described in paragraph (d) of this section.

Example 3. Sale for less than fair market value. The facts are the same as in *Example 1*, except that the fair market value of the building at the time of the sale to P is \$6 million. Because the transfer was for less than fair market value, the bonds are ineligible for the remedial actions under this section. The bonds are private activity bonds because P is treated as a user of all of the proceeds and P makes a payment (\$6 million) for this use that is greater than 10 percent of the debt service on the bonds, on a present value basis.

Example 4. Fair market value determined taking into account governmental restrictions. The facts are the same as in *Example 1*, except that the building was used by C only for hospital purposes and C determines to sell the building subject to a restriction that it be used only for hospital purposes. After conducting a public bidding procedure as required by state law, the best price that C is able to obtain for the building subject to this restriction is \$4.5 million from P. C uses all of the \$4.5 million disposition proceeds to immediately retire a pro rata portion of the bonds. The sale does not cause the bonds to be private activity bonds because C has taken a remedial action described in paragraph (d) of this section so that P is not treated as a private business user of bond proceeds.

Example 5. Alternative use of disposition proceeds. The facts are the same as in *Example 1*, except that C reasonably expects on the date of the deliberate action to use the \$5 million disposition proceeds for another governmental purpose (construction of governmentally owned roads) within two years of receipt, rather than using the \$5 million to redeem outstanding bonds. C treats these disposition proceeds as gross proceeds for purposes of section 148. The bonds are not private activity bonds because C has taken a remedial action described in paragraph (e) of this section. After the date of the deliberate action, the proceeds of all of the outstanding bonds are treated as used for the construction of the roads, even though only \$5 million of disposition proceeds was actually used for the roads.

Example 6. Alternative use of financed property. The facts are the same as in *Example 1*, except that C determines to lease the hospital building to Q, an organization described in section 501(c)(3), for a term of 10 years rather than to sell the building to P. In order to induce Q to provide hospital services, C agrees to lease payments that are less than fair market value. Before entering into the lease, an applicable elected representative of C approves the lease after a noticed public hearing. As of the date of the deliberate action, the issue meets all the requirements for qualified 501(c)(3) bonds, treating the bonds as reissued on that date. For example, the issue meets the two percent restriction on use of proceeds of finance issuance costs of section 147(g) because the issue pays no costs of issuance from disposition proceeds in connection with the deemed reissuance. C and Q treat the bonds as qualified 501(c)(3) bonds for all purposes commencing with the date of the deliberate action. The bonds are treated as qualified 501(c)(3) bonds commencing with the date of the deliberate action.

Example 7. Deliberate action before proceeds are expended on a governmental purpose. County J issues bonds with proceeds of \$10 million that can be used only to finance a correctional facility. On the issue date of the bonds, J reasonably expects that it will be the sole user of the bonds for the useful life of the facility. The bonds have a weighted average maturity that does not exceed 120 percent of the reasonably expected economic life of the facility. After the issue date of the bonds, but before the facility is placed in service, J enters into a contract with the federal government pursuant to which the federal government will make a fair market value, lump sum payment equal to 25 percent of the cost of the facility. In exchange for this payment, J provides the federal government with priority rights to use of 25 percent of the facility. J uses the payment received from the federal government to defease the nonqualified bonds. The agreement does not cause the bonds to be private activity bonds because J has taken a remedial action described in paragraph (d) of this section. See paragraph (a)(5) of this section.

Example 8. Compliance after remedial action. In 2007, City G issues bonds with proceeds of \$10 million to finance a courthouse. The bonds have a weighted average maturity that does not exceed 120 percent of the reasonably expected economic life of the courthouse. City G enters into contracts with nongovernmental persons that result in private business use of 10 percent of the courthouse per year. More than 10 percent of the debt service on the issue is secured by private security or payments. In 2019, in a bona fide and arm's length arrangement, City G enters into a management contract with a nongovernmental person that results in private business use of an additional 40 percent of the courthouse per year during the remaining term of the bonds. City G immediately redeems the nonqualified bonds, or 44.44 percent of the outstanding bonds. This is the portion of the outstanding bonds that, if the remaining bonds were issued on the date on which the deliberate action occurs, the remaining bonds would not meet the private business use test, treating the amount of private business use as the greatest percentage of private business use in any one-year period commencing with the one-year period in which the deliberate action occurs (50 percent). This percentage is computed by dividing the percentage of the facility used for a government use (50 percent) by the minimum amount of government use required (90 percent), and subtracting the resulting percentage (55.56 percent) from 100 percent (44.44 percent). For purposes of subsequently applying section 141 to the issue, City G may continue to use all of the proceeds of the outstanding bonds in the same manner (that is, for the courthouse and the private business use) without causing the issue to meet the private business use test. The issue continues to meet the private security or payment test. The result would be the same if City G, instead of redeeming the bonds, established a defeasance escrow for those bonds, provided that the requirement of paragraph (d)(5) of this section is met. If City G takes a subsequent deliberate action that results in further private business use, it must take into account 10 percent of private business use in addition to that caused by the second deliberate act.

EXHIBIT B

Continuing Disclosure Compliance Policy

CONTINUING DISCLOSURE POLICY

This Continuing Disclosure Policy provides assistance to THE TOWN OF GEORGETOWN, DELAWARE (the “Issuer”) in meeting its obligations with respect to its written undertakings entered into in connection with Securities and Exchange Commission Rule 15c2-12 (the “Rule”).

Background. The Issuer has entered into written undertakings as required by the Rule under which the Issuer has agreed to meet specific continuing disclosure requirements. These written undertakings, referred to as Continuing Disclosure Agreements (“CDAs”), have been entered into by the Issuer in connection with public bond issuances in which the Issuer is considered an “obligated person” under the Rule.

Generally, the Issuer must provide certain financial information on an annual basis as well as notice of certain material events. Information and notices are to be provided in word-searchable .pdf format to the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System (“EMMA”) (www.emma.msrb.org).

Responsibility for Maintaining Compliance. The Town Manager of the Issuer (or his/her designee) (“Compliance Coordinator”) is responsible for the continuing disclosure obligations of the Issuer.

Continuing Disclosure Obligations. On an annual basis, the Compliance Coordinator shall determine that all required continuing disclosure filings have been prepared and filed with the Municipal Securities Rulemaking Board (the “MSRB”) via EMMA. To that end, the Compliance Coordinator shall consult **EACH** CDA that relates to an outstanding bond issue pursuant to which the Issuer has been designated as an “obligated person” to assure that the annual report or annual financial information (as defined and described in the applicable CDA) is filed not later than the requisite date for filing as established under the applicable CDA.

The Issuer shall file a notice with EMMA in a timely manner of any failure to provide the annual financial information on or before the date specified in the applicable CDA.

As an additional precaution, the Issuer shall register on EMMA to receive reminder notices from the MSRB to timely file continuing disclosures of financial information required by the Rule. Currently this request is made electronically by clicking on the appropriate box on EMMA.

Material Event Notices

For any bonds or notes issued **on or after December 1, 2010**, the Compliance Coordinator is responsible for providing notice to the MSRB via EMMA of the following events in a timely manner **not in excess of ten (10) Business days after the occurrence of such event:**

- (i) Principal and interest payment delinquencies.
- (ii) Non-payment related defaults, if material.

- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (v) Substitution of credit or liquidity providers, or their failure to perform.
- (vi) Adverse tax opinions or events affecting the tax status of the bonds.
- (vii) Modifications to rights of bondholders, if material.
- (viii) Bond calls (other than mandatory sinking fund redemptions), if material, and tender offers.
- (ix) Defeasances of bonds.
- (x) Release, substitution, or sale of property securing repayment of any bonds, if material.
- (xi) Rating changes.
- (xii) Bankruptcy, insolvency, receivership or similar event of the Issuer.
- (xiii) 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, if material.
- (xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

For any bonds or notes **issued before December 1, 2010**, the Compliance Coordinator is responsible for providing notice in a timely manner to the MSRB via EMMA of the following events if material:

- (i) Principal and interest payment delinquencies.
- (ii) Non-payment related defaults.
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (v) Substitution of credit or liquidity providers, or their failure to perform.
- (vi) Adverse tax opinions or events affecting the tax-exempt status of the bonds.
- (vii) Modifications to rights of holders of the bonds.
- (viii) Bond calls.
- (ix) Defeasances.
- (x) Release, substitution or sale of property securing repayment of the bonds.
- (xi) Rating changes.

Voluntary Reporting. Nothing prohibits the Issuer from providing periodic voluntary financial information to investors in addition to fulfilling its responsibilities under the Rule. It is important to note that the Issuer must disseminate any financial information to the market as a whole and cannot give any one investor certain information that is not readily available to all investors.

In addition to making EMMA filings, the Issuer may choose to post its annual financial information and other financial reports and information on its website. Such posting is **not** a substitute for making the required EMMA filings.

Training. The Compliance Coordinator has reviewed this Policy with counsel and understands the Issuer's ongoing duties to monitor compliance as set forth herein subsequent to the issuance of any bonds and notes and while any bonds and notes remains outstanding. The Compliance Coordinator will participate, on an annual basis, in training on the latest issues and developments regarding continuing disclosure obligations pursuant to the Rule and shall maintain a record of such training, including the date(s) of attendance and a general description of the training received. The Compliance Coordinator will also periodically consult with knowledgeable counsel to determine if the requirements set forth herein need to be modified or updated.

CDAs to Control. In the event of a conflict between this Policy and any CDA that relates to an outstanding series of bonds, the CDA shall control.

Annual Certification. Annually, on or before November 30, the Compliance Coordinator shall determine whether the Issuer in compliance with this Policy and all applicable CDAs. The Compliance Coordinator shall prepare a certificate setting forth his or her findings, and such certificate shall be maintained by the Issuer in its books and records.

TOWN COUNCIL
AGENDA ITEM INFORMATION SHEET

ITEM: Holiday Incentive – Parking Meter Waiver

ITEM NO: 9

DATE: December 14, 2016

DESCRIPTION: The waiver originated years ago for downtown merchants and convenience of shoppers during the Christmas season.

The parking waiver if granted would be from Monday, December 19, 2016 thru Friday, December 30, 2016.