

TOWN OF GEORGETOWN
FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2019

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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, 2019, 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 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, 2019, 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.

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 49 through 52 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 53 through 56 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 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 September 17, 2019, 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
September 17, 2019

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

THE TOWN OF GEORGETOWN

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

FOR FISCAL YEAR ENDED APRIL 30, 2019

This section of the report gives an overview and analysis of the financial activity of the Town of Georgetown (the Town) for the year ended April 30, 2019.

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, 2019, assets exceeded liabilities by \$ 37,553,314. Of this amount, the Town had unrestricted assets of \$ 1,834,880. The Town's total net position increased by \$ 1,322,192 during the year. The net increase was mainly caused by higher service and grant revenues.

FUND FINANCIAL STATEMENTS

As of April 30, 2019, the Town's governmental funds reported an ending fund balance of \$ 4,383,384. This increased \$ 718,094 from the preceding year and was approximately 17% 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. The 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, 2019 and 2018**

	Governmental Activities		Business-type Activities		Total Government	
	2019	2018	2019	2018	2019	2018
Current and Other Assets	\$ 5,262,772	\$ 4,749,043	\$ 4,091,740	\$ 3,369,387	\$ 9,354,512	\$ 8,118,430
Capital Assets	8,213,136	8,021,238	35,079,865	35,979,956	43,293,001	44,001,194
Total Assets	<u>13,475,908</u>	<u>12,770,281</u>	<u>39,171,605</u>	<u>39,349,343</u>	<u>52,647,513</u>	<u>52,119,624</u>
Deferred Outflows of Resources	672,243	437,215	169,147	217,759	841,390	654,974
Current and Other Liabilities	2,730,373	2,353,062	1,848,252	1,930,766	4,578,625	4,283,828
Long-term Liabilities	419,405	312,606	10,659,816	11,774,371	11,079,221	12,086,977
Total Liabilities	<u>3,149,778</u>	<u>2,665,668</u>	<u>12,508,068</u>	<u>13,705,137</u>	<u>15,657,846</u>	<u>16,370,805</u>
Deferred Inflows of Resources	230,485	156,625	47,258	16,046	277,743	172,671
Net Position:						
Net Investment in Capital						
Assets						
Restricted	6,632,005	6,926,469	23,198,601	22,955,420	29,830,606	29,881,889
Unrestricted	2,670,558	2,405,239	3,217,270	2,384,187	5,887,828	4,789,426
Total Net Position	<u>1,465,325</u>	<u>1,053,495</u>	<u>369,555</u>	<u>506,312</u>	<u>1,834,880</u>	<u>1,559,807</u>
Total Net Position	<u>\$10,767,888</u>	<u>\$10,385,203</u>	<u>\$26,785,426</u>	<u>\$25,845,919</u>	<u>\$37,553,314</u>	<u>\$36,231,122</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 the Town ordinances. The Town borrowed \$ 533,999 to finance the Town Hall Renovation projects during the year.

In the Business-type Activities, 87% 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. During the year, the Town incurred \$ 308,564 in improvement costs for the business-type activities during the year, of which \$ 32,099 in costs were placed in service. The Town incurred \$ 1,157,243 in capital project costs for governmental activities. Of that amount, \$ 1,084,770 of the Town's project costs was placed in service during the year. The loan advances on these project costs totaled \$ 100,224.

The following schedule reflects the breakdown of changes in net position for Governmental and Business-type Activities for fiscal years 2019 and 2018.

TOWN OF GEORGETOWN'S CHANGES IN NET POSITION
For the Years Ended April 30, 2019 and 2018

	Governmental Activities		Business-type Activities		Total Government	
	2019	2018	2019	2018	2019	2018
Revenues						
Program Revenues:						
Charges for Services	\$ 1,678,137	\$ 1,179,237	\$ 3,511,263	\$ 3,380,922	\$ 5,189,400	\$ 4,560,159
Operating Grants and Contributions	1,486,462	1,147,262	1,731,904	181,881	3,218,366	1,329,143
Capital Grants and Contributions	-	10,000	7,003	77,739	7,003	87,739
General Revenues						
Property Taxes and Penalties	1,624,183	1,586,634	-	-	1,624,183	1,586,634
Realty Transfer Taxes	234,271	246,343	-	-	234,271	246,343
Gain on Sale of Assets	850	10,847	600	-	1,450	10,847
Investment Income	1,700	780	-	-	1,700	780
Total Revenues	5,025,603	4,181,103	5,250,770	3,640,542	10,276,373	7,821,645
Program Expenses						
General Administration	649,825	430,781	-	-	649,825	430,781
Public Safety	2,826,443	2,589,662	-	-	2,826,443	2,589,662
Planning and Zoning	202,153	153,342	-	-	202,153	153,342
Streets and Grounds	1,788,759	1,545,129	-	-	1,788,759	1,545,129
Sewer Facility	-	-	2,275,384	2,379,843	2,275,384	2,379,843
Water Facility	-	-	1,211,617	1,216,488	1,211,617	1,216,488
Total Expenses	5,467,180	4,718,914	3,487,001	3,596,331	8,954,181	8,315,245
Increase (decrease) in Net Position before Transfers	(441,577)	(537,811)	1,763,769	44,211	1,322,192	(493,600)
Transfers	824,262	373,247	(824,262)	(373,247)	-	-
Increase in Net Position	382,685	(164,564)	939,507	(329,036)	1,322,192	(493,600)
Net Position - Beginning	10,385,203	10,549,767	25,845,919	26,174,955	36,231,122	36,724,722
Net Position - Ending	\$ 10,767,888	\$ 10,385,203	\$ 26,785,426	\$ 25,845,919	\$ 37,553,314	\$ 36,231,122

In the Governmental Activities, revenues increased from the prior year due to the Town receiving more service revenue related to permits, variances, planning and zoning fees. Intergovernmental grant revenues for street maintenance also increased for pass-through projects, thereby increasing the activity related to street paving projects during the year for program expenses. General Administration expenses increased from the prior year as a result of additional spending on donations and professional services for the Town. The Town also incurred more depreciation expense from the year before with the completion of one of the phases of the Town Hall's renovation projects at the beginning of the fiscal year.

In the Business-type Activities, Operating Grants and Contributions increased from the prior year due to an increase in impact fees collected, which was caused by a boost in commercial activity.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

In the General Fund, on the fund basis, the actual revenues were comparable to the budget except transfer taxes and courthouse fees that generated \$ 391,816 over the budget, intergovernmental grants that generated \$ 460,751 over the budget, permits and planning and zoning fees were \$ 469,917 over the budget, and miscellaneous revenues that generated \$ 200,504 over the budget. The overall increase in actual revenues over budgeted revenues was \$ 1,590,597 on the Fund Financial Statements. Expenses consist of General Administration, Planning and Zoning, Public Safety, and Streets and Grounds. General Administration disbursed more funding to the emergency services and other programs than was budgeted. Streets and Grounds incurred \$ 279,185 in total costs related to pass-through grant projects that were not budgeted by the Town. The pass-through grant revenues were also higher than the budget as result of these projects during the year. The capital outlay budget for General Administration did not include costs related to the Town Hall Renovations for both 37 The Circle and 39 The Circle. As a result, the total capital outlay for the general fund was \$ 653,299 over budget. The capital outlay for Streets and Grounds was \$ 45,913 over the budget because it did not include costs related to new Town signage and miscellaneous fixtures purchased during the year.

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

OTHER FACTORS

Commercial development along the DuPont Boulevard (US 113) corridor continues strong. Construction of multi-family housing has begun with six buildings (137 units) and associated community amenities at the Oaks at Georgetown. Discussions with the Village of College Park for their residential phase (single and multi-family) have started. The increase in residential projects complements the commercial development. Efforts continue to attract additional medical facilities, retail, and service type offerings.

The Town has several recreational projects in planning (Georgetown to Lewes Bicycle Trail) and under construction (Sandhill Fields). During FY 2019, the Town completed renovations of 37 The Circle (Administrative Offices) and initiated renovations at 39 The Circle (Town Hall). The estimated cost to complete both buildings is \$1.9 million and funding is through the United States Department of Agriculture - Community Facilities (USDA-CF) program.

Additionally, the Town completed the production and treatment upgrades at the King Street Water Treatment Plant.

BASIC FINANCIAL STATEMENTS

**TOWN OF GEORGETOWN
STATEMENT OF NET POSITION
APRIL 30, 2019**

- 9 -

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,017,630	\$ -	\$ 1,017,630
Receivables:			
Taxes	28,337	-	28,337
Trash	89,392	-	89,392
Service water and sewer	-	486,586	486,586
Miscellaneous	86,984	-	86,984
Prepaid items	31,283	16,226	47,509
Due from other government agencies	175,121	51,905	227,026
Noncurrent assets:			
Loan receivable	4,500	-	4,500
Restricted assets:			
Cash and cash equivalents	3,829,525	3,309,083	7,138,608
Receivables	-	171,881	171,881
Investments	-	56,059	56,059
Capital assets:			
Land and construction in progress	1,129,859	1,425,332	2,555,191
Other capital assets, net of depreciation	7,083,277	33,654,533	40,737,810
TOTAL ASSETS	13,475,908	39,171,605	52,647,513
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	672,243	90,629	762,872
Deferred amounts on refunding	-	78,518	78,518
TOTAL DEFERRED OUTFLOWS OF RESOURCES	672,243	169,147	841,390
LIABILITIES			
Accounts payable	407,606	90,522	498,128
Accrued liabilities	94,894	70,040	164,934
Construction project deposit	249,863	-	249,863
Unearned revenue	81,418	323,398	404,816
Long-term liabilities:			
Due within one year	1,896,592	1,364,292	3,260,884
Due in more than one year	419,405	10,659,816	11,079,221
TOTAL LIABILITIES	3,149,778	12,508,068	15,657,846
DEFERRED INFLOWS OF RESOURCES	230,485	47,258	277,743
NET POSITION			
Net investment in capital assets	6,632,005	23,198,601	29,830,606
Restricted for:			
Construction and debt service	54,069	3,217,270	3,271,339
Grants, emergency services, recreation and transfer tax	2,616,489	-	2,616,489
Unrestricted	1,465,325	369,555	1,834,880
TOTAL NET POSITION	\$ 10,767,888	\$ 26,785,426	\$ 37,553,314

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

TOWN OF GEORGETOWN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED APRIL 30, 2019

Function/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
PRIMARY GOVERNMENT							
GOVERNMENTAL ACTIVITIES							
General administration	\$ 649,825	\$ 336,809	\$ 684,387	\$ -	\$ 371,371	\$ -	\$ 371,371
Public safety	2,826,443	290,587	352,866	-	(2,182,990)	-	(2,182,990)
Streets and grounds	1,788,759	500,697	449,209	-	(838,853)	-	(838,853)
Planning and zoning	202,153	550,044	-	-	347,891	-	347,891
TOTAL GOVERNMENTAL ACTIVITIES	5,467,180	1,678,137	1,486,462	-	(2,302,581)	-	(2,302,581)
BUSINESS-TYPE ACTIVITIES							
Sewer facility	2,275,384	2,103,034	1,399,745	4,998	-	1,232,393	1,232,393
Water facility	1,211,617	1,408,229	332,159	2,005	-	530,776	530,776
TOTAL BUSINESS-TYPE ACTIVITIES	3,487,001	3,511,263	1,731,904	7,003	-	1,763,169	1,763,169
TOTAL PRIMARY GOVERNMENT	\$ 8,954,181	\$ 5,189,400	\$ 3,218,366	\$ 7,003	(2,302,581)	1,763,169	(539,412)
GENERAL REVENUES							
Taxes: Property and penalties					1,624,183	-	1,624,183
Realty transfer					234,271	-	234,271
Unrestricted investment earnings					1,700	-	1,700
Gain on sale of assets					850	600	1,450
TRANSFERS					824,262	(824,262)	-
TOTAL GENERAL REVENUES AND TRANSFERS					2,685,266	(823,662)	1,861,604
CHANGE IN NET POSITION					382,685	939,507	1,322,192
NET POSITION - BEGINNING					10,385,203	25,845,919	36,231,122
NET POSITION - ENDING					\$ 10,767,888	\$ 26,785,426	\$ 37,553,314

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

**TOWN OF GEORGETOWN
BALANCE SHEET - GOVERNMENTAL FUND
APRIL 30, 2019**

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	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 1,017,630
Receivables:	
Taxes	28,337
Trash	89,392
Miscellaneous	86,984
Prepaid items	31,283
Due from other government agencies	175,121
Noncurrent assets:	
Loan receivable	4,500
Restricted assets:	
Cash and cash equivalents	<u>3,829,525</u>
TOTAL ASSETS	<u><u>\$ 5,262,772</u></u>
LIABILITIES	
Accounts payable	\$ 407,606
Accrued liabilities:	94,894
Construction project deposits	249,863
Unearned revenue	<u>81,418</u>
TOTAL LIABILITIES	<u>833,781</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenues:	
Grant	14,213
Loan receivable	4,500
Property taxes	<u>26,894</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>45,607</u>
FUND BALANCES	
Nonspendable:	
Prepaid items	31,283
Restricted for:	
Emergency services and recreation services	424,383
Grant funds	1,056,024
Realty transfer tax	1,131,582
Assigned for:	
Health benefits	52,136
Town hall renovations	54,069
Public safety	1,074
Unassigned	<u>1,632,833</u>
TOTAL FUND BALANCES	<u>4,383,384</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u><u>\$ 5,262,772</u></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, 2019**

- 12 -

FUND BALANCES OF GOVERNMENTAL FUND	\$ 4,383,384
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.	8,213,136
Certain revenues are not available to pay for current period expenditures and therefore are reported as unavailable in the governmental funds.	45,607
Long-term liabilities for notes payable (\$ 1,581,131), accrued compensated absences (\$ 354,703), and pension liabilities (\$ 380,163) 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.	(2,315,997)
Increases and decreases to the net pension liability 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>441,758</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 10,767,888</u></u>

**TOWN OF GEORGETOWN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUND
FOR THE YEAR ENDED APRIL 30, 2019**

- 13 -

	<u>General Fund</u>
REVENUES	
Taxes and fees	\$ 2,446,199
Intergovernmental	843,826
Charges for services	1,251,062
Fines and parking	108,978
Miscellaneous	<u>413,779</u>
TOTAL REVENUES	<u>5,063,844</u>
EXPENDITURES	
Current:	
General administration	575,469
Planning and zoning	203,628
Public safety	2,700,674
Streets and grounds	1,416,234
Debt service	82,235
Capital outlay	<u>725,771</u>
TOTAL EXPENDITURES	<u>5,704,011</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(640,167)
OTHER FINANCING SOURCES	
Loan proceeds	533,999
Transfers in, net	<u>824,262</u>
NET CHANGE IN FUND BALANCE	718,094
FUND BALANCE - BEGINNING	<u>3,665,290</u>
FUND BALANCE - ENDING	<u><u>\$ 4,383,384</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, 2019

NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUND		\$ 718,094
<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 outlay (\$ 725,771) exceeded disposal of assets (\$ 7,043) and depreciation (\$ 526,831) in the current period.</p>		
		191,897
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. The net changes are as follows:</p>		
Grants	\$ (33,041)	
Property taxes	<u>(5,200)</u>	(38,241)
<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 and accrued interest on debt not yet due.</p>		
		(486,362)
<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	(2,658)	
Donations	(4,500)	
Pension expenses	<u>4,455</u>	<u>(2,703)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ 382,685</u>

**TOWN OF GEORGETOWN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET
AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED APRIL 30, 2019**

- 15 -

	Budgeted Amounts Original and Final	Actual	Variance with Budget - Positive (Negative)
REVENUES			
Taxes and fees	\$ 2,021,897	\$ 2,446,199	\$ 424,302
Intergovernmental	383,075	843,826	460,751
Charges for services	735,000	1,251,062	516,062
Fines and parking	120,000	108,978	(11,022)
Miscellaneous	213,275	413,779	200,504
TOTAL REVENUES	3,473,247	5,063,844	1,590,597
EXPENDITURES			
Current:			
General administration	310,324	575,469	(265,145)
Planning and zoning	149,779	203,628	(53,849)
Public safety	2,676,539	2,700,674	(24,135)
Streets and grounds	1,142,824	1,416,234	(273,410)
Debt service	5,952	82,235	(76,283)
Capital outlay	5,000	725,771	(720,771)
TOTAL EXPENDITURES	4,290,418	5,704,011	(1,413,593)
REVENUES OVER (UNDER) EXPENDITURES	(817,171)	(640,167)	177,004
OTHER FINANCING SOURCES			
Loan proceeds	-	533,999	533,999
Transfers in, net	668,056	824,262	156,206
NET CHANGE IN FUND BALANCE	(149,115)	718,094	867,209
FUND BALANCE - BEGINNING	3,665,290	3,665,290	-
FUND BALANCE - ENDING	\$ 3,516,175	\$ 4,383,384	\$ 867,209

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

TOWN OF GEORGETOWN
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
APRIL 30, 2019

- 16 -

ASSETS	Business-type Activities - Enterprise Funds		
	Sewer Fund	Water Fund	Total
CURRENT ASSETS			
Receivables, net of allowance for doubtful accounts:			
Service charges	\$ 214,610	\$ 271,976	\$ 486,586
Grants	29,939	21,966	51,905
TOTAL CURRENT ASSETS	<u>244,549</u>	<u>293,942</u>	<u>538,491</u>
NONCURRENT ASSETS			
Prepaid items	16,226	-	16,226
Restricted assets:			
Cash and cash equivalents	2,730,701	578,382	3,309,083
Investments	56,059	-	56,059
Receivables	141,340	30,541	171,881
Capital assets:			
Land and construction in progress	1,080,562	344,770	1,425,332
Other capital assets, net of depreciation	22,400,086	11,254,447	33,654,533
TOTAL NONCURRENT ASSETS	<u>26,424,974</u>	<u>12,208,140</u>	<u>38,633,114</u>
TOTAL ASSETS	<u>26,669,523</u>	<u>12,502,082</u>	<u>39,171,605</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	45,769	44,860	90,629
Deferred amounts on refunding	33,683	44,835	78,518
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>79,452</u>	<u>89,695</u>	<u>169,147</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	41,247	49,275	90,522
Accrued liabilities	48,540	21,500	70,040
Unearned revenue	323,398	-	323,398
Current portion of long-term liabilities	751,575	612,717	1,364,292
TOTAL CURRENT LIABILITIES	<u>1,164,760</u>	<u>683,492</u>	<u>1,848,252</u>
LONG-TERM LIABILITIES, LESS CURRENT PORTION	<u>5,877,452</u>	<u>4,782,364</u>	<u>10,659,816</u>
TOTAL LIABILITIES	<u>7,042,212</u>	<u>5,465,856</u>	<u>12,508,068</u>
DEFERRED INFLOWS OF RESOURCES	<u>23,157</u>	<u>24,101</u>	<u>47,258</u>
NET POSITION			
Net investment in capital assets	16,941,622	6,256,979	23,198,601
Restricted for:			
Construction and debt service	2,676,607	540,663	3,217,270
Unrestricted	65,377	304,178	369,555
TOTAL NET POSITION	<u>\$ 19,683,606</u>	<u>\$ 7,101,820</u>	<u>\$ 26,785,426</u>

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, 2019

- 17 -

	Business-type Activities - Enterprise Funds		
	Sewer Fund	Water Fund	Total
OPERATING REVENUES			
Charges for services	\$ 2,033,591	\$ 1,374,518	\$ 3,408,109
Other operating revenue	45,286	17,983	63,269
TOTAL OPERATING REVENUES	<u>2,078,877</u>	<u>1,392,501</u>	<u>3,471,378</u>
OPERATING EXPENSES			
Chemicals	30,668	63,869	94,537
Depreciation	851,775	356,880	1,208,655
Employee benefits	140,640	134,740	275,380
Gasoline and oil	6,296	2,161	8,457
Insurance	22,254	18,149	40,403
Lease expense	13,081	-	13,081
Maintenance and repairs	61,515	89,619	151,134
Payroll taxes	27,671	26,638	54,309
Pension expense	22,576	21,636	44,212
Professional services	239,183	22,073	261,256
Salaries	370,043	352,632	722,675
Sludge disposal fees	93,592	-	93,592
Supplies	14,101	4,139	18,240
Telephone	3,898	3,539	7,437
Utilities	180,626	54,051	234,677
TOTAL OPERATING EXPENSES	<u>2,077,919</u>	<u>1,150,126</u>	<u>3,228,045</u>
OPERATING INCOME	<u>958</u>	<u>242,375</u>	<u>243,333</u>
NON-OPERATING REVENUES (EXPENSES)			
Gain on disposal of assets	600	-	600
Impact fees, net	1,399,745	332,159	1,731,904
Investment income	5,809	910	6,719
Penalties	18,348	14,818	33,166
Interest expense	(197,465)	(61,491)	(258,956)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>1,227,037</u>	<u>286,396</u>	<u>1,513,433</u>
INCOME BEFORE TRANSFERS	<u>1,227,995</u>	<u>528,771</u>	<u>1,756,766</u>
CAPITAL GRANTS AND CONTRIBUTIONS	4,998	2,005	7,003
TRANSFERS OUT	<u>(658,737)</u>	<u>(165,525)</u>	<u>(824,262)</u>
CHANGE IN NET POSITION	574,256	365,251	939,507
NET POSITION - BEGINNING	<u>19,109,350</u>	<u>6,736,569</u>	<u>25,845,919</u>
NET POSITION - ENDING	<u>\$ 19,683,606</u>	<u>\$ 7,101,820</u>	<u>\$ 26,785,426</u>

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, 2019

- 18 -

	Business-type Activities - Enterprise Funds		
	Sewer Fund	Water Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 2,122,831	\$ 1,419,159	\$ 3,541,990
Payments to suppliers for goods and services	(673,860)	(259,635)	(933,495)
Payments to employees for services	(561,098)	(535,888)	(1,096,986)
Other operating receipts	45,286	17,983	63,269
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>933,159</u>	<u>641,619</u>	<u>1,574,778</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds, net	<u>(658,737)</u>	<u>(165,525)</u>	<u>(824,262)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Bond and loan proceeds	-	100,224	100,224
Acquisition of capital assets	(79,621)	(236,338)	(315,959)
Proceeds from disposal of assets	600	-	600
Retirement of bonds and related costs	(726,734)	(506,875)	(1,233,609)
Impact fees	1,263,205	302,817	1,566,022
Intergovernmental grant - capital	11,996	11,482	23,478
Interest paid	<u>(198,471)</u>	<u>(58,765)</u>	<u>(257,236)</u>
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>270,975</u>	<u>(387,455)</u>	<u>(116,480)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from investments	5,787	-	5,787
Investment income and penalit	<u>24,157</u>	<u>15,728</u>	<u>39,885</u>
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>29,944</u>	<u>15,728</u>	<u>45,672</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	575,341	104,367	679,708
CASH AND CASH EQUIVALENTS - BEGINNING	<u>2,155,360</u>	<u>474,015</u>	<u>2,629,375</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 2,730,701</u>	<u>\$ 578,382</u>	<u>\$ 3,309,083</u>
CASH AND CASH EQUIVALENTS AS PRESENTED IN THE ACCOMPANYING STATEMENTS OF NET POSITION			
Restricted cash and cash equivalent:	<u>\$ 2,730,701</u>	<u>\$ 578,382</u>	<u>\$ 3,309,083</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, 2019

- 19 -

	Business-type Activities - Enterprise Funds		
	Sewer Fund	Water Fund	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income	\$ 958	\$ 242,375	\$ 243,333
Adjustments to reconcile operating income to net cash flows from operating activities:			
Depreciation	851,775	356,880	1,208,655
Changes in assets, deferred outflows and inflows of resources and liabilities:			
Receivables	70,884	44,641	115,525
Prepaid items	(14,550)	-	(14,550)
Accounts payable and accrued liabilities	9,789	1,606	11,395
Net change in pension liabilities	(4,053)	(3,883)	(7,936)
Unearned revenue	18,356	-	18,356
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 933,159	\$ 641,619	\$ 1,574,778

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.

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 \$ 34,455.

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:

<u>Assets</u>	<u>Years</u>
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 saw an increase in its net pension liability that was not included in its pension expense as deferred outflows of resources. The government-wide statements of the business-type activities, on the other hand, saw a decrease in its net pension liability. Also, the Town's pension contributions subsequent to the measurement date of the net pension liability are reported as deferred outflows of resources. The business-type activities also include deferred outflows related to a prior year refunding of long-term debt.

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 that 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

11. 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

11. 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.

12. 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.

13. 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.

14. 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 \$ 658,737 and \$ 165,525 of net transfers from the sewer and water funds, respectively, during the year.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

15. 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, 2019. 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.

16. 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.

17. Interest Costs

The Town has adopted GASBS Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This statement requires that interest cost incurred before the end of a construction period be recognized as an expenditure / expense in the period in which the cost is incurred for both the fund financial statements and the government-wide financial statements. Interest expense totaling \$ 28,646 was expensed this year related to the Town Hall renovation project for the governmental activities. Interest expensed in the business-type activities totaled \$ 258,956 for the year.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

18. 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.

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, 2019, the carrying amount of the Town's deposits was \$ 8,155,238 and the bank balance was \$ 8,303,933. Of the bank balance, \$ 1,343,265 was insured by federal depository insurance, \$ 6,755,672 was insured by pledged collateral and \$ 204,996 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. The Town does not have a formal policy to address custodial credit risks for deposits and investments.

NOTE B - DEPOSITS AND INVESTMENTS - CONTINUED

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. Mortgage investments have an AAA credit rating at year end.

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.

Fair Value Hierarchy - Investments, including derivative instruments that are not hedging derivatives, are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position. The Town categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted by the United States of America (GAAP). The hierarchy is based on the valuation inputs used to measure fair value of assets. Level 1 inputs are quoted prices in an active market for identical assets. Level 2 inputs are significant other observable inputs. Finally, Level 3 inputs are significant unobservable inputs.

The Town's investments as detailed below totaling \$ 56,059 for U.S. Treasuries (\$ 24,247), Federal Home Loan Mortgage Corporation (\$ 18,365) and Federal National Mortgage Association (\$ 13,447) are classified as Level 2 inputs of the fair value hierarchy. These investments are valued using matrix pricing techniques maintained by various pricing vendors. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by the Town's custodian bank.

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, 2019:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 - 5	6 - 10	More than 10
U.S. Treasuries	\$ 24,247	\$ -	\$ -	\$ 9,282	\$ 14,965
Federal Home Loan Mortgage Corporation	18,365	-	535	336	17,494
Federal National Mortgage Association	13,447	-	360	-	13,087
Total Investments	\$ 56,059	\$ -	\$ 895	\$ 9,618	\$ 45,546

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

Cash on hand	\$ 1,000
Carrying amount of deposits	8,155,238
Carrying amount of investments	56,059
TOTAL	\$ 8,212,297
Cash and cash equivalents	\$ 1,017,630
Cash and cash equivalents - restricted	7,138,608
Investments - restricted	56,059
TOTAL	\$ 8,212,297

NOTE C - CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2019, was as follows:

	Balance at April 30, 2018	Increases	Decreases	Balance at April 30, 2019
Governmental Activities:				
Capital assets, not being depreciated:				
Land and parks	\$ 395,068	\$ -	\$ -	\$ 395,068
Construction in progress	1,166,262	653,299	1,084,770	734,791
Total capital assets, not being depreciated	<u>1,561,330</u>	<u>653,299</u>	<u>1,084,770</u>	<u>1,129,859</u>
Other capital assets:				
Buildings and improvements	1,484,574	1,084,770	-	2,569,344
Equipment	1,735,370	21,560	69,231	1,687,699
Streets and storm drains	7,956,631	50,913	-	8,007,544
Total other capital assets	<u>11,176,575</u>	<u>1,157,243</u>	<u>69,231</u>	<u>12,264,587</u>
Less accumulated depreciation for other capital assets				
Building and improvements	1,108,361	46,630	-	1,154,991
Equipment	1,172,555	128,321	62,188	1,238,688
Streets and storm drains	2,435,751	351,880	-	2,787,631
Total accumulated depreciation	<u>4,716,667</u>	<u>526,831</u>	<u>62,188</u>	<u>5,181,310</u>
Other capital assets, net	<u>6,459,908</u>	<u>630,412</u>	<u>7,043</u>	<u>7,083,277</u>
Governmental Activities Capital Assets, Net	<u>\$ 8,021,238</u>	<u>\$ 1,283,711</u>	<u>\$ 1,091,813</u>	<u>\$ 8,213,136</u>

The Town entered into a five-year capital lease for certain vehicles totaling \$ 125,936, \$ 18,308, and \$ 98,116 during the fiscal years ended April 30, 2016, 2017, and 2018, respectively. These vehicles have been capitalized and depreciated under equipment for governmental activities. There were no new capital leases for the Town during the fiscal year ended April 30, 2019. The future minimum lease payments to Ford Motor Credit and Fulton Bank, N.A. for these capital leases are detailed in Note E under governmental activities.

NOTE C - CAPITAL ASSETS - CONTINUED

	Balance at April 30, 2018	Increases	Decreases	Balance at April 30, 2019
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,071,128	\$ -	\$ -	\$ 1,071,128
Construction in progress	77,739	276,465	-	354,204
Total capital assets, not being depreciated	<u>1,148,867</u>	<u>276,465</u>	<u>-</u>	<u>1,425,332</u>
Other capital assets:				
Plant equipment and extensions	54,808,039	32,099	51,725	54,788,413
Less accumulated depreciation for other capital assets	<u>19,976,950</u>	<u>1,208,655</u>	<u>51,725</u>	<u>21,133,880</u>
Other capital assets, net	<u>34,831,089</u>	<u>(1,176,556)</u>	<u>-</u>	<u>33,654,533</u>
Business-type Activities Capital Assets, Net	<u>\$ 35,979,956</u>	<u>\$ (900,091)</u>	<u>\$ -</u>	<u>\$ 35,079,865</u>

Depreciation expense was charged to functions as follows:

Governmental Activities:	
General government	\$ 47,932
Public safety	107,921
Streets and grounds	<u>370,978</u>
Total Governmental Activities Depreciation Expense	<u><u>\$ 526,831</u></u>
Business-type Activities:	
Sewer	\$ 851,775
Water	<u>356,880</u>
Total Business-type Activities Depreciation Expense	<u><u>\$ 1,208,655</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, 2019, 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 \$ 49,632,369. Real property and improvements that are exempt from taxation due to State, Town or other tax-exempt ownership total \$ 15,215,742.

NOTE E - GENERAL OBLIGATION BONDS AND NOTES PAYABLE

Included in the proprietary fund are the following bonds at April 30, 2019.

	<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.	\$ 275,767
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.	1,036,855
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.	2,095,133
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.	2,355,000
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.	1,364,798

NOTE E - GENERAL OBLIGATION BONDS AND NOTES PAYABLE - CONTINUED

	<u>Business-type</u>
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 \$ 3,800,000. Total advanced \$ 3,648,012.	\$ 3,648,012
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.	49,317
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.	759,888
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>270,952</u>
TOTAL	11,855,722
ADD: Unamortized bond premium	<u>25,541</u>
TOTAL BOND INDEBTEDNESS	<u><u>\$ 11,881,263</u></u>

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>
2020	\$ 1,267,163	\$ 219,732	\$ 1,486,895
2021	1,292,013	187,663	1,479,676
2022	1,332,141	153,685	1,485,826
2023	532,557	131,119	663,676
2024	543,266	120,409	663,675
2025 - 2029	2,088,133	451,309	2,539,442
2030 - 2034	1,319,610	326,649	1,646,259
2035 - 2039	1,379,186	226,382	1,605,568
2040 - 2044	1,358,023	113,810	1,471,833
2045 - 2049	585,415	42,387	627,802
2050 - 2054	<u>158,215</u>	<u>3,884</u>	<u>162,099</u>
TOTAL	<u><u>\$ 11,855,722</u></u>	<u><u>\$ 1,977,029</u></u>	<u><u>\$ 13,832,751</u></u>

NOTE E - GENERAL OBLIGATION BONDS AND NOTES PAYABLE - CONTINUED

At April 30, 2019, governmental activities notes payable were as follows:

	<u>Governmental</u>
Note payable to PNC Bank, interest only paid monthly until 2020 maturity at 2.76%, interim financing and general obligation of the Town to not exceed \$ 1,925,000. Total advanced \$ 1,491,976.	\$ 1,491,976
Notes payable to Ford Motor Credit, interest payable at 5.45%, 5.95%, and 6.45%, principal and interest payments due annually until 2020, general obligation of the Town.	31,221
Notes payable to Fulton Bank, N.A., interest payable at 3.28%, principal and interest payments due annually until 2022, general obligation of the Town.	<u>57,934</u>
TOTAL NOTES PAYABLE	<u>\$ 1,581,131</u>

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>
2020	\$ 1,541,889	\$ 44,894	\$ 1,586,783
2021	19,304	1,287	20,591
2022	<u>19,938</u>	<u>654</u>	<u>20,592</u>
TOTAL	<u>\$ 1,581,131</u>	<u>\$ 46,835</u>	<u>\$ 1,627,966</u>

Long-term Liability Activity

Long-term liability activity for the year ended April 30, 2019, was as follows:

	<u>April 30, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>April 30, 2019</u>	<u>Due Within One Year</u>
Governmental Activities:					
Compensated absences	\$ 352,045	\$ 319,828	\$ 317,170	\$ 354,703	\$ 354,703
Notes payable	1,094,769	533,999	47,637	1,581,131	1,541,889
Net pension liability	<u>223,450</u>	<u>156,713</u>	<u>-</u>	<u>380,163</u>	<u>-</u>
Total Governmental Activities	<u>\$ 1,670,264</u>	<u>\$ 1,010,540</u>	<u>\$ 364,807</u>	<u>\$ 2,315,997</u>	<u>\$ 1,896,592</u>

NOTE E - GENERAL OBLIGATION BONDS AND NOTES PAYABLE - CONTINUED

Long-term Liability Activity - Continued

	<u>April 30, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>April 30, 2019</u>	<u>Due Within One Year</u>
Business-type Activities:					
General obligation bonds	\$ 12,989,107	\$ 100,224	\$ 1,233,609	\$ 11,855,722	\$ 1,267,163
Unamortized bond premium	<u>35,429</u>	<u>-</u>	<u>9,888</u>	<u>25,541</u>	<u>-</u>
Total bonds payable	13,024,536	100,224	1,243,497	11,881,263	1,267,163
Compensated absences	92,559	36,569	31,999	97,129	97,129
Net pension liability	<u>103,085</u>	<u>-</u>	<u>57,369</u>	<u>45,716</u>	<u>-</u>
Total Business-type Activities	<u>\$ 13,220,180</u>	<u>\$ 136,793</u>	<u>\$ 1,332,865</u>	<u>\$ 12,024,108</u>	<u>\$ 1,364,292</u>

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>.

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 five years of service for both plans. Non-police employees may retire if they have five years of credited service and are 62 years old, or they have fifteen years of credited service and are 60 years old, or they have thirty years of credited service under the Other Employees' Plan. Police employees under the Police's Plan may retire when they have five years of credited service and are 62 years old, or their age plus credited service (but not less than ten years) equals 75, or they have twenty 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 five years of compensation and the Police's Plan is based on the highest three consecutive years of compensation.

NOTE F - PENSION PLANS - CONTINUED

Plan Description - Continued

Disability benefits and survivor benefits are included in both pension plans. The details of both benefits are described below.

<u>Disability Benefits</u>	<u>Other Employees' Plan</u>	<u>Police's Plan</u>
Duty - Total Disability	Not applicable	75% of final average compensation plus 10% for each dependent not to exceed 25% for all dependents
Duty - Partial Disability	Not applicable	Same as Service Benefits calculation, subject to a minimum 50% of final average compensation
Non-Duty	Same as Service Benefits calculation. Must have 5 years of credited service	Total disability is the same as Service Benefits calculation, subject to a minimum 50% of final average monthly compensation plus 5% of each dependent not to exceed 20% for all dependents. Partial disability is a minimum of 30% of final average monthly compensation.
<u>Survivor benefits</u>	<u>Other Employees' Plan</u>	<u>Police's Plan</u>
Employee receiving a pension	50% of the pension	50% of the pension
Employee is active	50% of the pension the employee would have received at age 62	75% of the pension the employee would have received at age 62
Employee becomes deceased in the line of duty	Not applicable	75% of the employee's compensation

NOTE F - PENSION PLANS - CONTINUED

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, 2019, the Town was required to contribute 7.29% and 16.68% 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 \$ 89,828 for the Other Employees' Plan and \$ 200,452 for the Police's Plan for the year ended April 30, 2019, which includes pension payables totaling \$ 8,750 and \$ 19,991, respectively, for both plans.

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

For the Other Employees' Plan at April 30, 2019, the Town reported a liability of \$ 94,095 for its proportionate share of the net pension liability that is allocated amongst the Town's funds. For the Police's Plan, the Town reported a liability of \$ 331,784 for its proportionate share of the net pension liability. The net pension liabilities for both of these plans were measured as of June 30, 2018. The collective total pension liability for the June 30, 2018, measurement date was determined by an actuarial valuation as of June 30, 2017, and update procedures were used to roll forward the total pension liability to June 30, 2018. 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, 2018, the Town's proportion was 2.99% and 1.44% for the Other Employees' Plan and the Police's Plan, respectively, which was an increase of .01% and .11%, respectively, from its proportion valuation as of June 30, 2017.

Pension Expense

For the year ended April 30, 2019, the Town recognized pension expense of \$ 76,158 and \$ 201,731 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, 2019, the Town reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		
	<u>Other Employees' Plan</u>	<u>Police's Plan</u>	<u>Total</u>
Governmental Activities			
Net differences between expected and actual experience	\$ 24,216	\$ 285,700	\$ 309,916
Changes of assumptions	28,741	108,992	137,733
Changes in proportion and differences between Town contributions and proportionate share of contributions	139	13,653	13,792
Town contributions subsequent to the measurement date	<u>32,142</u>	<u>178,660</u>	<u>210,802</u>
Total Governmental Activities Deferred Outflows of Resources	<u>\$ 85,238</u>	<u>\$ 587,005</u>	<u>\$ 672,243</u>
Business-type Activities			
Net differences between expected and actual experience	\$ 21,045	\$ -	\$ 21,045
Changes of assumptions	24,979	-	24,979
Changes in proportion and differences between Town contributions and proportionate share of contributions	122	-	122
Town contributions subsequent to the measurement date	<u>44,483</u>	<u>-</u>	<u>44,483</u>
Total Business-type Activities Deferred Outflows of Resources	<u>\$ 90,629</u>	<u>\$ -</u>	<u>\$ 90,629</u>

The \$ 76,625 (\$ 32,142 for governmental activities and \$ 44,483 for business-type activities) and the \$ 178,660 total reported as part of the deferred outflows of resources for both the Other Employees' Plan and the Police's Plan, respectively, are related to pensions resulting from the Town's contributions subsequent to the measurement date. These contributions will be recognized as a reduction of the net pension liability in the year ended April 30, 2020.

NOTE F - PENSION PLANS - CONTINUED

Deferred Inflows/Outflows of Resources Related to Pensions - Continued

At April 30, 2019, 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	\$ 25,093	\$ 78,247	\$ 103,340
Net difference between projected and actual investment earnings on pension plan investments	7,903	57,816	65,719
Changes of assumptions	-	46,826	46,826
Changes in proportion and differences between Town contributions and proportionate share of contributions	8,032	6,568	14,600
Total Governmental Activities Deferred Inflows of Resources	\$ 41,028	\$ 189,457	\$ 230,485
Business-type Activities			
Net differences between expected and actual experience	\$ 28,903	\$ -	\$ 28,903
Net difference between projected and actual investment earnings on pension plan investments	9,103	-	9,103
Changes in proportion and differences between Town contributions and proportionate share of contributions	9,252	-	9,252
Total Business-type Activities Deferred Inflows of Resources	\$ 47,258	\$ -	\$ 47,258

The change in the employer proportionate share for both the deferred outflows of resources and the deferred inflows of resources are the amounts of the difference between the employer proportionate share of net pension liability in the prior year compared to the current year. This change in proportion is amortized over the average of the expected remaining service lives of all plan members, which are 8 years and 10 years for the Other Employees' Plan and the Police's Plan, respectively.

NOTE F - PENSION PLANS - CONTINUED

Deferred Inflows/Outflows of Resources Related to Pensions - Continued

Other amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) will be recognized in pension expense as follows:

Years Ending April 30	Other Employee's Plan	Police's Plan	Total
2020	\$ 6,215	\$ 63,528	\$ 69,743
2021	3,243	36,164	39,407
2022	(4,600)	(35,524)	(40,124)
2023	(1,042)	(2,710)	(3,752)
2024	3,640	30,298	33,938
Thereafter	3,500	127,132	130,632

Actuarial Assumptions

The actuarial assumptions for the June 30, 2018, measurement date that is being applied to the April 30, 2019, period for both Plans were determined by an actuarial valuation as of June 30, 2017, and as mentioned, update procedures were used to roll forward the total pension liability to June 30, 2018.

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*	7.0%	7.0%
Projected salary increases*	2.5% + Merit	2.5% + Merit
Cost-of-living adjustments (COLAs)	0.0%	0.0%

**Inflation is included at 2.5% 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. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact will be on the future financial statements.

Mortality assumptions for the June 30, 2018, reporting period are based on the RP-2014 tables with gender adjustments for healthy annuitants and disabled retirees and an adjusted version on MP-2015 mortality improvement scale on a fully generational basis.

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:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>	<u>Asset Allocation</u>
Domestic equity	5.7%	30.7%
International equity	5.7	13.9
Fixed income	2.0	23.3
Alternative investments	7.8	24.4
Cash and cash equivalents	-	7.7

Discount Rate

The discount rate used to measure the total pension liability for both Plans was 7.0%. 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.

NOTE F - PENSION PLANS - CONTINUED

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 7.0% 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 (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	<u>1% Decrease (6.0%)</u>	<u>Current Discount Rate (7.0%)</u>	<u>1% Increase (8.0%)</u>
Other Employees' Plan	\$ 355,602	\$ 94,095	\$ (117,119)
Police's Plan	1,216,245	331,784	(384,132)

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, 2019, the loan receivable and corresponding liability of \$ 4,500 were on the fund financial statements.

NOTE H - OPERATING LEASES

The Town leases various equipment under operating leases in the general fund. Minimum rental payments are due on various contracts through 2023. The Town rents land for the sewer plant's spray irrigation system. The land leases contain renewal options. Operating lease expenses incurred in the General and Proprietary Funds were \$ 61,556 and \$ 106,673, 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>
2020	\$ 52,499	\$ 70,296	\$ 122,795
2021	40,447	11,961	52,408
2022	22,394	1,060	23,454
2023	20,546	-	20,546
TOTAL	<u>\$ 135,886</u>	<u>\$ 83,317</u>	<u>\$ 219,203</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.

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 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 the State of Delaware Office of Drinking Water for various continuing water projects. Total expenditures related to the open project are expected to total \$ 3,800,000. The Town has drawn \$ 3,648,012 from the loan as of April 30, 2019, which will all be forgiven upon project completion.

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. 83, *Certain Asset Retirement Obligations*, effective for the fiscal year beginning May 1, 2019
- GASBS No. 84, *Fiduciary Activities*, effective for the fiscal year beginning May 1, 2019.
- GASBS No. 87, *Leases*, effective for the fiscal year beginning after May 1, 2020.
- GASBS No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, effective for the fiscal year beginning May 1, 2019.
- GASBS No. 91, *Conduit Debt Obligations*, effective for the fiscal year beginning after May 1, 2021

NOTE L - EMPLOYEE HEALTH PLAN

The Town is exposed to the risk of loss related to employee medical expenses. During fiscal year 2019, the Town maintained a self-insured plan for employee medical expenses in which expenses per employee were covered annually (\$ 50,000 and \$ 45,000 for the calendar years 2019 and 2018, respectively). The Town had an estimated maximum aggregate exposure of \$ 476,980 and \$ 391,735 for the calendar years 2019 and 2018, 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, 2019, 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
2019	\$ 31,299	\$ 743,742	\$ (747,444)	\$ 27,597
2018	45,483	588,191	(602,375)	31,299

NOTE M - TAX ABATEMENTS

The Town has established a Downtown Development District Incentives Program (the program) with an effective date of November 16, 2016 to November 15, 2026 to promote the renovation, utilization, development, and re-development of parcels within the designated section (the Downtown Development District) of the Town in accordance with Ordinance 2016-11.

Applications for projects that meet the criteria for the Downtown Development District Incentives Program must be submitted and approved by the Town. The program is available to any project application that: 1) was filed within the effective date of the Ordinance, 2) has not obtained a certificate of occupancy and/or completion and finalization of the building permit prior to the effective date of the Ordinance, 3) the construction or renovation of the project has not commenced prior to the issuance of a building permit by the Town and 4) the beneficiary of the project is not delinquent on any obligations due to the Town. Once the eligibility criteria has been satisfied, the Town may revoke at any time the tax abatement and/or fee incentives from the beneficiary of the project upon delinquency on any Town obligations that become due.

NOTE M - TAX ABATEMENTS - CONTINUED

The program lists the following tax abatements and fee incentives for eligible projects to construct, remodel, or re-construct any buildings or structures, or any portion of any of such buildings or structures that are within the boundaries of the designated section of the Town upon review of project application:

Property tax increase phase in - All eligible projects that will have a property tax assessment increase in connection with the construction or remodeling of any building within the Downtown Development District will have a phase in for that incremental property tax increase. The phase in will be ten percent (10%) in year one and will increase by an additional ten percent (10%) each year until year ten for that tax increase. There was no abatement during the fiscal year.

Business license fee - The annual Town's business license fee will be waived for the first five (5) years in operation. This is offered only to new businesses that have formed and will be operating within the Downtown Development District within the effective date of the program. The total fees waived were less than \$ 2,000 during the fiscal year.

Building permit fee reduction - All eligible projects will be given a reduction in the building permit fee based on the value of the improvement. The reduction amount ranges from a minimum of fifteen percent (15%) to a maximum of seventy five percent (75%). The building permit fee reduction was less than \$ 2,000 during the fiscal year.

The reduction in fees are illustrated below:

Value of Improvement Greater Than	But No More Than	Fee Waiver
\$ 300	\$ 1,000,000	15%
1,000,000	2,000,000	30%
2,000,000	3,000,000	45%
3,000,000	4,000,000	60%
5,000,000		75%

NOTE M - TAX ABATEMENTS - CONTINUED

Emergency Services and Georgetown Recreation, Education, and Arts Trust Fund Fee Reduction (GREAT Fund) - All eligible projects will be assessed a 50% reduction in fees for the emergency services and GREAT Fund fee for new construction. The fee is calculated using the value of the new construction and a sliding scale as described in the Town’s Code. The GREAT Fund fee reduction was less than \$ 10,000 during the fiscal year.

The reduction in fees is illustrated below:

Value of Improvement	Emergency Services Fee	GREAT Fund Fee	Fee Waiver
Less than \$99,999	0.10%	0.10%	50%
\$ 100,000 to \$ 499,999	0.30%	0.30%	50%
Over \$ 500,000	0.50%	0.50%	50%

Impact Fee (Water and Sewer) Reduction - All eligible projects of a commercial nature will be assessed at a twenty percent (20%) reduction from the Town’s adopted water and sewer impact fees at the time of building permit issuance. Projects that have a mixed-use nature (commercial / residential) will be assessed a thirty-five percent (35%) reduction from the adopted water and sewer impact fees at the time of building permit issuance. The fee calculation will be based on one equivalent dwelling unit (EDU) per unit, with additional EDU’s being calculated at the end of the first twelve months in operation. The sewer and water impact fees are described in the Town’s Code. The impact fee reduction was less than \$ 5,000 during the fiscal year.

Sign, Façade, and Awning Grant - All eligible projects can apply to participate in the Town of Georgetown Sign, Façade, and Awning Grant program. This program is designed to provide funding towards the purchase and/or construction of signs, façade, and awnings for any building that meets the eligibility requirements within the Downtown Development District. The Town will provide \$ 3,000 annually in order to fund a maximum of six matching grants of \$ 500 each year. There were only two grant applications during the year.

NOTE N - CONTRACTS

The Town is obligated to pay benefits to certain employees who have entered into employment contracts with the Town in the case of involuntary termination without cause. As of April 30, 2019, no amount was owed under these contracts.

The Town has a three-year agreement with the Georgetown Fraternal Order of Police Bargaining Unit that ended at April 30, 2019. The agreement provided certain rights and benefits to the Town’s police officers that are recognized in the financial statements. The Town is currently undergoing renewal negotiations and has not finalized the contract as of April 30, 2019.

NOTE O - COMMITMENTS AND CONTINGENCIES

During the fiscal year April 30, 2017, the United States Department of Agriculture (USDA) committed loan funds to the Town to finance its Town Hall renovation project (37 The Circle and 39 The Circle) totaling \$ 1,925,000. The term of the loan from USDA will be 30 years from the date of loan closing to reimburse interim financing from PNC for project costs. The Town has incurred \$ 1,787,385 in total project costs to date. The project is still ongoing as of April 30, 2019.

NOTE P - SUBSEQUENT EVENT

The Town entered into a lease agreement in May 2019 with a third-party commercial entity (lessee) for the right to install, maintain, and operate communications equipment on Town premises. The annual rent will be \$ 27,000 per year commencing on the first day of the month when the installation is complete. The lease term is for five years with an automatic extension of up to four additional five-year terms unless it is terminated by the lessee.

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - COUNTY
& MUNICIPAL OTHER EMPLOYEES' PENSION PLAN - A COST SHARING DEFINED BENEFIT PENSION
PLAN (LAST 10 YEARS*)
FOR THE YEAR ENDED APRIL 30, 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Town's proportion of the net pension liability (asset)	2.99%	2.98%	3.39%	3.57%
Town's proportionate share of the net pension liability (asset)	\$ 94,095	\$ 192,916	\$ 210,123	\$ 1,522
Town's covered payroll	\$ 1,178,122	\$ 1,105,145	\$ 1,101,304	\$ 1,074,479
Town's proportionate share of the net pension liability as a percentage of its covered payroll	7.99%	17.46%	19.08%	0.14%
Plan fiduciary net position as a percentage of the total pension liability	94.41%	87.62%	86.38%	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 four years are shown.

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - COUNTY
& MUNICIPAL POLICE AND FIREFIGHTERS' PENSION PLAN - A COST SHARING DEFINED BENEFIT PENSION
PLAN (LAST 10 YEARS*)
FOR THE YEAR ENDED APRIL 30, 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Town's proportion of the net pension liability (asset)	1.44%	1.33%	1.48%	1.17%
Town's proportionate share of the net pension liability (asset)	\$ 331,784	\$ 133,619	\$ 234,611	\$ (61,460)
Town's covered payroll	\$ 1,184,825	\$ 1,072,927	\$ 1,024,631	\$ 838,243
Town's proportionate share of the net pension liability as a percentage of its covered payroll	28.00%	12.45%	22.90%	7.33%
Plan fiduciary net position as a percentage of the total pension liability	94.10%	97.00%	94.70%	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 four years are shown.

**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, 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutorily required contribution (actuarially determined)	\$ 89,828	\$ 84,513	\$ 73,644	\$ 68,823
Contributions in relation to the actuarially required contributions	<u>(89,828)</u>	<u>(84,513)</u>	<u>(73,644)</u>	<u>(68,823)</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 1,236,149	\$ 1,178,122	\$ 1,105,145	\$ 1,101,304
Contributions as a percentage of covered payroll	7.27%	7.17%	6.66%	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 four years are shown.

**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, 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutorily required contribution (actuarially determined)	\$ 200,452	\$ 142,741	\$ 147,891	\$ 142,361
Contributions in relation to the actuarially required contributions	<u>(200,452)</u>	<u>(142,741)</u>	<u>(147,891)</u>	<u>(142,361)</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 1,261,348	\$ 1,184,825	\$ 1,072,927	\$ 1,024,631
Contributions as a percentage of covered payroll	15.89%	12.05%	13.78%	13.89%

Notes to Schedule:

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

SUPPLEMENTARY INFORMATION

**TOWN OF GEORGETOWN
SCHEDULE OF GENERAL FUND REVENUES AND OTHER FINANCING SOURCES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED APRIL 30, 2019**

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	Original and Final Budget	Actual	Variance with Budget Positive (Negative)
TAXES AND FEES			
Courthouse municipality fees	\$ 300,000	\$ 582,545	\$ 282,545
Property and capitation taxes	1,579,897	1,585,374	5,477
Realty transfer tax	125,000	234,271	109,271
Penalties	17,000	44,009	27,009
TOTAL TAXES AND FEES	2,021,897	2,446,199	424,302
INTERGOVERNMENTAL			
General administration grants	-	40,652	40,652
Street grants	140,000	449,209	309,209
Police grants	159,375	250,517	91,142
Police pension	83,700	103,448	19,748
TOTAL INTERGOVERNMENTAL	383,075	843,826	460,751
CHARGES FOR SERVICES			
Trash pickup	480,000	500,395	20,395
Business and rental licenses	195,000	220,750	25,750
Permits and variances	50,000	395,376	345,376
Planning and zoning fees	10,000	134,541	124,541
TOTAL CHARGES FOR SERVICES	735,000	1,251,062	516,062
FINES AND PARKING			
Parking meters and fines	40,000	26,605	(13,395)
Court fines	80,000	82,373	2,373
TOTAL FINES AND PARKING	120,000	108,978	(11,022)
MISCELLANEOUS			
State and local in lieu of taxes	55,000	93,132	38,132
Franchise fees	56,100	58,596	2,496
Investment income	-	1,700	1,700
Miscellaneous	102,175	260,351	158,176
TOTAL MISCELLANEOUS	213,275	413,779	200,504
TOTAL REVENUES	3,473,247	5,063,844	1,590,597
OTHER FINANCING SOURCES			
Loan proceeds	-	533,999	533,999
Transfers in, net	668,056	824,262	156,206
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 4,141,303	\$ 6,422,105	\$ 2,280,802

**TOWN OF GEORGETOWN
SCHEDULE OF GENERAL FUND EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED APRIL 30, 2019**

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	Original and Final Budget	Actual	Variance with Budget Positive (Negative)
GENERAL ADMINISTRATION			
Dues and donations	\$ 10,000	\$ 123,852	\$ (113,852)
Employee benefits	20,008	24,870	(4,862)
Gasoline and oil	1,400	1,229	171
Insurance	9,091	8,054	1,037
Lease expense	6,332	15,260	(8,928)
Meetings and conferences	-	1,605	(1,605)
Office	13,000	46,163	(33,163)
Payroll taxes	8,701	8,254	447
Pension expense	8,092	10,697	(2,605)
Professional services	98,400	191,669	(93,269)
Repairs and maintenance	-	5,941	(5,941)
Salaries	113,750	113,711	39
Special projects	-	8,054	(8,054)
Utilities	21,550	16,110	5,440
	<u>310,324</u>	<u>575,469</u>	<u>(265,145)</u>
PLANNING AND ZONING			
Employee benefits	14,804	19,685	(4,881)
Insurance	2,300	2,144	156
Office	9,577	26,444	(16,867)
Payroll taxes	4,030	3,841	189
Pension expense	3,823	3,796	27
Professional services	59,160	89,248	(30,088)
Salaries	52,685	52,608	77
Utilities	3,400	5,862	(2,462)
	<u>149,779</u>	<u>203,628</u>	<u>(53,849)</u>
PUBLIC SAFETY			
Employee benefits	429,850	414,855	14,995
Gasoline and oil	40,000	42,832	(2,832)
Insurance	67,531	64,169	3,362
Lease expense	67,934	22,228	45,706
Maintenance, supplies and materials	46,000	44,286	1,714
Meetings and conferences	-	811	(811)
Office	32,000	45,883	(13,883)
Payroll taxes	120,338	122,235	(1,897)
Pension expense	227,341	209,719	17,622
Professional services	51,000	86,283	(35,283)
Salaries	1,573,045	1,623,909	(50,864)
Special events	-	26	(26)
Utilities	21,500	23,438	(1,938)
	<u>2,676,539</u>	<u>2,700,674</u>	<u>(24,135)</u>

TOWN OF GEORGETOWN
SCHEDULE OF GENERAL FUND EXPENDITURES - BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED APRIL 30, 2019

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	Original and Final Budget	Actual	Variance with Budget Positive (Negative)
STREETS AND GROUNDS			
Employee benefits	\$ 107,024	\$ 118,462	\$ (11,438)
Gasoline and oil	3,000	9,266	(6,266)
Grant distributions	-	279,185	(279,185)
Insurance	18,621	17,076	1,545
Lease expense	24,068	24,068	-
Office	10,000	6,247	3,753
Payroll taxes	17,555	17,372	183
Pension expense	16,075	16,624	(549)
Professional services	32,000	23,312	8,688
Repairs and maintenance	55,000	89,470	(34,470)
Salaries	229,481	235,384	(5,903)
Special events	1,000	-	1,000
Street lights	150,000	146,677	3,323
Trash removal and fees	475,000	429,993	45,007
Utilities	4,000	3,098	902
TOTAL STREETS AND GROUNDS	1,142,824	1,416,234	(273,410)
DEBT SERVICE	5,952	82,235	(76,283)
CAPITAL OUTLAY			
General administration	-	653,299	(653,299)
Public safety	-	21,559	(21,559)
Streets and grounds	5,000	50,913	(45,913)
TOTAL CAPITAL OUTLAY	5,000	725,771	(720,771)
TOTAL EXPENDITURES	\$ 4,290,418	\$ 5,704,011	\$ (1,413,593)

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

<u>Assessment Date</u>	<u>Assessed Property Values</u>	
	<u>Taxable</u>	<u>Non-taxable</u>
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
May 1, 2016	48,119,764	15,502,881
May 1, 2017	48,860,666	15,378,705
May 1, 2018	49,632,369	15,215,742

SINGLE AUDIT SUPPLEMENT

TOWN OF GEORGETOWN
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED APRIL 30, 2019

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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:			
Community Facilities Loans and Grants*	10.766		\$ 639,940
DEPARTMENT OF JUSTICE			
Passed through State - Delaware Criminal Justice Council Council:			
Crime Victim Assistance	16.575	2015-VF-1274 2016-VF-1891	84,152
Violence Against Women Formula Grants	16.588	VW14-1640 2015-VW-P/T-1962	58,533
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2017-H3326-DE-DJ	10,053
TOTAL DEPARTMENT OF JUSTICE			<u>152,738</u>
DEPARTMENT OF TRANSPORTATION			
Passed through State - Delaware Department of Homeland Security:			
Highway Safety Cluster			
State and Community Highway Safety	20.600	N / A	9,098
National Priority Safety Programs	20.616	N / A	2,430
TOTAL HIGHWAY SAFETY CLUSTER			11,528
Alcohol Open Container Requirements	20.607	N / A	6,341
TOTAL DEPARTMENT OF TRANSPORTATION			<u>17,869</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-2070	269,558
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,080,105</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, 2019. 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 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 (CFR) 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. 10.766 are being funded directly from the U.S. Department of Agriculture for rural development totaling \$ 1,925,000. The Town is currently using interim financing to fund the project and will be reimbursed in subsequent years from USDA loan commitments upon project completion. The Town has incurred eligible program costs from current and previous fiscal periods totaling \$ 1,787,385, of which \$ 639,940 are total current year expenditure. The gross advances received on this award for the current year was \$ 533,999. The Town's loan balance from interim financing as of April 30, 2019, is \$ 1,491,976.

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 \$ 3,800,000 (D-2070) are available to be passed through to the Town. The Town has incurred eligible program costs from current and previous fiscal periods totaling \$ 3,902,724. The gross advances received on these awards for the current year was \$ 100,224. The Town's loan balance as of April 30, 2019, is \$ 3,648,012. Of that amount, \$ 2,850,825 is from federal sources and \$ 797,187 is from state sources.

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

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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, 2019. 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, 2019.

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
September 17, 2019

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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, 2019, 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 September 17, 2019.

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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2019-001 that we consider to be significant deficiencies.

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 & Steiner, P.A.

Georgetown, Delaware
September 17, 2019

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>
Community Facilities Loans and Grants	10.766

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 2019-001 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: *"Due to continued limited financial resources, the Town remains in a position whereby we are unable to hire an employee with the sufficient 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. Our current staff, involved with the processing of the financial information, do possess bachelor and advanced degrees in Accounting and Business Administration. As part of our budget process, we will investigate the possibility of hiring an internal resource or external contractor to address this deficiency."*

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 2018-001 Financial Statements (Significant Deficiency)

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.

Management's Assessment of Current Year Status: *"Due to continued limited financial resources, the Town remains in a position whereby we are unable to hire an employee with the sufficient 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.*

Our current staff, involved with the processing of the financial information, do possess bachelor and advanced degrees in Accounting and Business Administration.

As part of our budget process, we will investigate the possibility of hiring an internal resource or external contractor to address this deficiency."

Auditor Assessment of Status: Not resolved. Repeated as Finding 2019-001.

PRIOR YEAR FINDINGS RELATED TO THE FEDERAL AWARDS

None - Prior year