

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

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FOR THE YEAR ENDED APRIL 30, 2016**

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DAVID C. DOANE, CPA
CHARLES H. STERNER, JR. CPA, CVA
SHELDON L. FORNEY, CPA
JAY M. STEVENS, CPA, PFS
ROGER R. REED, CPA
ELAINE E. GRAVES, CPA
BRYAN L. HUDSON, CPA
FREDERICK A. MAST, CPA

TRUITT W. JEFFERSON
(1937 - 2016)

DAVID R. URIAN, DIRECTOR
RETIRED

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Changes in Accounting Principles

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

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

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

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

Georgetown, Delaware
November 1, 2016

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

THE TOWN OF GEORGETOWN

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

FOR FISCAL YEAR ENDED APRIL 30, 2016

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

FINANCIAL HIGHLIGHTS

GOVERNMENT-WIDE STATEMENTS

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

FUND FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

FUND FINANCIAL STATEMENTS

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

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

GOVERNMENTAL FUNDS

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

PROPRIETARY FUNDS

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

MAJOR AND NON-MAJOR FUNDS

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

NOTES TO THE FINANCIAL STATEMENTS

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

REQUIRED SUPPLEMENTARY INFORMATION

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

SUPPLEMENTARY INFORMATION

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

SINGLE AUDIT SUPPLEMENT

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

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

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

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

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

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

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

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

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

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

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

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

OTHER FACTORS

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

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

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

BASIC FINANCIAL STATEMENTS

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

- 9 -

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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	Business-type Activities - Enterprise Funds		
	Sewer Fund	Water Fund	Total
OPERATING REVENUES			
Charges for services	\$ 1,886,080	\$ 1,160,060	\$ 3,046,140
Other operating revenue	34,679	60	34,739
TOTAL OPERATING REVENUES	<u>1,920,759</u>	<u>1,160,120</u>	<u>3,080,879</u>
OPERATING EXPENSES			
Chemicals	35,195	65,711	100,906
Depreciation	787,222	322,419	1,109,641
Employee benefits	84,801	90,433	175,234
Gasoline and oil	5,423	1,637	7,060
Insurance	22,729	14,854	37,583
Lease expense	1,139	-	1,139
Maintenance and repairs	80,103	109,230	189,333
Payroll taxes	24,295	20,181	44,476
Pension expense	11,304	10,888	22,192
Professional services	332,202	4,173	336,375
Salaries	321,227	326,625	647,852
Sludge disposal fees	73,438	-	73,438
Supplies	16,991	4,671	21,662
Telephone	4,024	3,808	7,832
Utilities	168,084	37,665	205,749
TOTAL OPERATING EXPENSES	<u>1,968,177</u>	<u>1,012,295</u>	<u>2,980,472</u>
OPERATING INCOME (LOSS)	<u>(47,418)</u>	<u>147,825</u>	<u>100,407</u>
NON-OPERATING REVENUES (EXPENSES)			
Impact fees, net	188,700	23,186	211,886
Intergovernmental grant	-	9,249	9,249
Investment income	3,179	9	3,188
Loss on disposal of assets		(71,966)	(71,966)
Penalties	26,495	18,115	44,610
Interest expense	(253,168)	(101,791)	(354,959)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(34,794)</u>	<u>(123,198)</u>	<u>(157,992)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>(82,212)</u>	<u>24,627</u>	<u>(57,585)</u>
CAPITAL GRANTS AND CONTRIBUTIONS	2,430,447	1,595,590	4,026,037
TRANSFERS OUT	<u>(497,767)</u>	<u>(87,898)</u>	<u>(585,665)</u>
CHANGE IN NET POSITION	1,850,468	1,532,319	3,382,787
NET POSITION - BEGINNING, AS RESTATED	<u>17,313,999</u>	<u>5,133,126</u>	<u>22,447,125</u>
NET POSITION - ENDING	<u>\$ 19,164,467</u>	<u>\$ 6,665,445</u>	<u>\$ 25,829,912</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, 2016**

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

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

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

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

1. Reporting Entity

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

2. Basic Financial Statements - Government-wide Statements

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

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

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Basic Financial Statements - Fund Financial Statements

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

The following fund types are used by the Town:

Governmental Fund

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

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

Proprietary Funds

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for providing services. Operating expenses include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting the above criteria are reported as non-operating revenues and expenses.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Basic Financial Statements - Fund Financial Statements - Continued

Major and Nonmajor Funds

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

4. Basis of Accounting/Measurement Focus

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

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Cash and Cash Equivalents

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

6. Receivables

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

7. Capital Assets

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

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

8. Unearned Revenue

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

9. Investments

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

10. Deferred Outflows/Inflows of Resources

In addition to assets, the governmental fund balance sheet and statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government-wide statements for governmental activities and business-type activities reported decreases in its net pension liability that were not included in its pension expense as deferred outflows of resources. Also, the Town's pension contributions subsequent to the measurement date of the net pension liability are reported as deferred outflows of resources.

In addition to liabilities, the governmental fund balance sheet and statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has the following items which arise under the accrual and modified accrual basis of accounting that qualify for reporting in this category. For both governmental activities and business-type activities, the Town reported increases in its net pension liability that were not included in its pension expense as deferred inflows of resources. In addition, unavailable revenue is reported in the governmental fund balance sheet. The governmental funds report unavailable revenues from annexation fees, property taxes, grant revenue, and other receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

10. Equity Classifications

Government-wide and Proprietary Fund Net Position

Net position is classified and displayed in three components:

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

Governmental Fund Balances

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

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

10. Equity Classifications - Continued

Use of Restricted Resources

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

11. Property Assessment

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

12. Compensated Absences

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

13. Interfund Activity

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

14. Budgets and Budgetary Accounting

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

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

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

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

15. Use of Estimates

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

16. Interest Costs

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

17. Pensions

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

18. Implementation of New Statements

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

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

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

NOTE B - DEPOSITS AND INVESTMENTS

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

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

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

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

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

NOTE B - DEPOSITS AND INVESTMENTS - CONTINUED

The Town has authorized the following investments:

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

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

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

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

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

NOTE C - CAPITAL ASSETS

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

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

NOTE C - CAPITAL ASSETS - CONTINUED

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

Depreciation expense was charged to functions as follows:

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

NOTE D - PROPERTY TAXES

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

NOTE E - GENERAL OBLIGATION BONDS AND NOTES PAYABLE

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

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

NOTE E - GENERAL OBLIGATION BONDS AND NOTES PAYABLE - CONTINUED

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

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

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

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

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

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

NOTE E - GENERAL OBLIGATION BONDS AND NOTES PAYABLE - CONTINUED

Long-term Liability Activity

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

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

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

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

NOTE F - PENSION PLANS

Plan Description

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

NOTE F - PENSION PLANS - CONTINUED

Plan Description (continued)

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

Contributions

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

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

Pension Liabilities (Assets)

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

Pension Expense

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

NOTE F - PENSION PLANS - CONTINUED

Deferred Inflows/Outflows of Resources Related to Pensions

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

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

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

NOTE F - PENSION PLANS - CONTINUED

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

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

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

NOTE F - PENSION PLANS - CONTINUED

Deferred Inflows/Outflows of Resources Related to Pensions - Continued

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

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

Actuarial Assumptions

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

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

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

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

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

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

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

NOTE F - PENSION PLANS - CONTINUED

Actuarial Assumptions - Continued

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

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

Discount Rate

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

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

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

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

NOTE F - PENSION PLANS - CONTINUED

Pension Plan Fiduciary Net Position

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

NOTE G - OTHER LIABILITIES

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

NOTE H - OPERATING LEASES

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

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

NOTE I - RISK MANAGEMENT

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

NOTE I - RISK MANAGEMENT - CONTINUED

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

NOTE J - UTILITY PROJECTS

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

NOTE K - PENDING GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS

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

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

NOTE L - EMPLOYEE HEALTH PLAN

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

NOTE L - EMPLOYEE HEALTH PLAN - CONTINUED

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

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

NOTE M - COMMITMENTS AND CONTINGENCIES

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

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

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

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

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

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

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

Notes to Schedule:

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

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

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

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

Notes to Schedule:

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

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

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

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

Notes to Schedule:

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

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

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

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

Notes to Schedule:

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

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

SUPPLEMENTARY INFORMATION

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

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

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

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

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

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

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

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

SINGLE AUDIT SUPPLEMENT

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

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

* Denotes major program

NOTE A - BASIS OF PRESENTATION

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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

De Minimis Indirect Cost Rate

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

NOTE C - LOAN AND INDIRECT AWARDS

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

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

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

DAVID C. DOANE, CPA
CHARLES H. STERNER, JR. CPA, CVA
SHELDON L. FORNEY, CPA
JAY M. STEVENS, CPA, PFS
ROGER R. REED, CPA
ELAINE E. GRAVES, CPA
BRYAN L. HUDSON, CPA
FREDERICK A. MAST, CPA

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RETIRED

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

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

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

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

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

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

Georgetown, Delaware
November 1, 2016

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

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

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

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

The Town of Georgetown's Response to Findings

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

Purpose of this Report

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

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

Georgetown, Delaware
November 1, 2016

SECTION I - SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

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

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

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

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

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

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

Identification of Major Programs:

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

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

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

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

Significant Deficiencies

Finding 2016-001 Financial Statements

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

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

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

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

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

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

SECTION III - FINDINGS RELATED TO THE FEDERAL AWARDS

None - Current Year

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

Finding 2015-001 Financial Statements

Significant Deficiencies

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

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

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

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

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

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

PRIOR YEAR FINDINGS RELATED TO THE FEDERAL AWARDS

None - Prior year