

TOWN OF GEORGETOWN
FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2010

**TOWN OF GEORGETOWN
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FOR THE YEAR ENDED APRIL 30, 2010**

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

A PROFESSIONAL CORPORATION • CERTIFIED PUBLIC ACCOUNTANTS

DAVID R. URIAN, CPA
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

TRUITT W. JEFFERSON, CPA, DIRECTOR
RETIRED

ANITA Y. SMITH, MEd, DIRECTOR

Independent Auditor's Report

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

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, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Georgetown's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and each major fund of the Town of Georgetown as of April 30, 2010, and the respective changes in financial position, and cash flows, where applicable thereof, and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2010, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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.

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 supplementary information on pages 37 through 42 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

Georgetown, Delaware
September 7, 2010

THE TOWN OF GEORGETOWN

MANAGEMENT'S DISCUSSION & ANALYSIS (MD&A)

FOR FISCAL YEAR ENDED APRIL 30, 2010

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, 2010.

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, 2010, assets exceeded liabilities by \$ 21,644,131. Of this amount, the Town had unrestricted assets of \$ 934,157. The Town's total net assets decreased by \$ 1,063,622 during the year. The net decrease was mainly caused from lower service and grant revenues.

FUND FINANCIAL STATEMENTS

As of April 30, 2010, the Town's governmental funds reported an ending fund balance of \$ 746,515. This decreased \$ 66,821 from the preceding year, and was approximately 20% 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 Assets and the Statement of Activities.

The Statement of Net Assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the current fiscal year. Changes in net assets 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 Assets 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 are 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

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

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 important for a better understanding of the data provided in the Financial Statements.

SUPPLEMENTARY INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following table is a summary of the government-wide statement of net assets:

**TOWN OF GEORGETOWN'S SCHEDULE OF NET ASSETS
As of April 30, 2010 and 2009**

	Governmental Activities		Business-type Activities		Total Government	
	2010	2009	2010	2009	2010	2009
Current and Other Assets	\$ 1,265,439	\$ 1,196,343	\$ 2,632,751	\$ 3,409,453	\$ 3,898,190	\$ 4,605,796
Capital Assets	3,781,346	3,873,370	29,485,582	30,395,010	33,266,928	34,268,380
Total Assets	<u>5,046,785</u>	<u>5,069,713</u>	<u>32,118,333</u>	<u>33,804,463</u>	<u>37,165,118</u>	<u>38,874,176</u>
Current and Other Liabilities	263,744	163,160	478,881	467,939	742,625	631,099
Long-term Liabilities Outstanding	412,673	424,295	14,365,689	15,111,029	14,778,362	15,535,324
Total Liabilities	<u>676,417</u>	<u>587,455</u>	<u>14,844,570</u>	<u>15,578,968</u>	<u>15,520,987</u>	<u>16,166,423</u>
Net Assets:						
Invested in Capital Assets, Net of Related Debt	3,498,338	3,557,518	15,016,938	15,153,028	18,515,276	18,710,546
Restricted	413,155	394,609	1,781,543	2,194,746	2,194,698	2,589,355
Unrestricted	458,875	530,131	475,282	877,721	934,157	1,407,852
Total Net Assets	<u>\$ 4,370,368</u>	<u>\$ 4,482,258</u>	<u>\$ 17,273,763</u>	<u>\$ 18,225,495</u>	<u>\$ 21,644,131</u>	<u>\$ 22,707,753</u>

The governmental activities schedule of net assets is made up of cash, taxes receivable, restricted cash, annexation and other receivables, land improvements and other capital assets. Restricted net assets consist of cash and investments, which are restricted as to their use by outside agencies and the Town.

In the business-type activities, 87% of the net assets are invested in the water and sewer systems. Restricted net assets consist of cash and investments by the Town for specific infrastructure outlays.

The following schedule reflects the breakdown of changes in net assets for Governmental and Business-type Activities for fiscal years 2010 and 2009.

TOWN OF GEORGETOWN'S CHANGES IN NET ASSETS
For the Years Ended April 30, 2010 and 2009

	Governmental Activities		Business-type Activities		Total Government	
	2010	2009	2010	2009	2010	2009
Revenues						
Program Revenues:						
Charges for Services	\$ 927,559	\$ 1,167,335	\$ 2,918,913	\$ 3,045,707	\$ 3,846,472	\$ 4,213,042
Operating Grants and Contributions	1,087,248	716,951	(29,870)	598,749	1,057,378	1,315,700
Capital Grants and Contributions	-	43,475	-	422,728	-	466,203
General Revenues						
Property Taxes and Penalties	1,343,901	1,143,509	-	-	1,343,901	1,143,509
Realty Transfer Taxes	120,310	104,396	-	-	120,310	104,396
Investment Income	6,742	13,805	-	-	6,742	13,805
Total Revenues	<u>3,485,760</u>	<u>3,189,471</u>	<u>2,889,043</u>	<u>4,067,184</u>	<u>6,374,803</u>	<u>7,256,655</u>
Program Expenses						
General Administration	318,615	481,161	-	-	318,615	481,161
Public Safety	2,515,518	2,112,987	-	-	2,515,518	2,112,987
Planning and Zoning	148,168	160,243	-	-	148,168	160,243
Streets and Grounds	1,023,228	999,830	-	-	1,023,228	999,830
Sewer Facility	-	-	2,406,241	2,288,517	2,406,241	2,288,517
Water Facility	-	-	1,026,655	1,099,929	1,026,655	1,099,929
Total Expenses	<u>4,005,529</u>	<u>3,754,221</u>	<u>3,432,896</u>	<u>3,388,446</u>	<u>7,438,425</u>	<u>7,142,667</u>
Increase (Decrease) in Net Assets						
Before Transfers	(519,769)	(564,750)	(543,853)	678,738	(1,063,622)	113,988
Transfers	407,879	191,532	(407,879)	(191,532)	-	-
Increase (Decrease) in Net Assets	(111,890)	(373,218)	(951,732)	487,206	(1,063,622)	113,988
Net Assets - Beginning	4,482,258	4,855,476	18,225,495	17,738,289	22,707,753	22,593,765
Net Assets - Ending	<u>\$ 4,370,368</u>	<u>\$ 4,482,258</u>	<u>\$ 17,273,763</u>	<u>\$ 18,225,495</u>	<u>\$ 21,644,131</u>	<u>\$ 22,707,753</u>

In the Governmental Activities, on the fund basis the actual revenues were comparable to the budget except for taxes and fees which generated \$ 115,715 over the budget due to a grant passed through to other Towns, intergovernmental grants which generated \$ 150,950 over the budget, charges for services which generated \$ 200,318 over the budget, due to no transfer tax revenue being budgeted and transfers from business-type activities which generated \$ 235,907 under the budgeted amount. The overall increase over budgeted revenues was \$ 480,531 on the fund financial statement.

Expenses consist of general administrative, planning and zoning, and streets and grounds and were comparable to budget. The capital outlay budget included a street project which did not start during the year. Public safety expenditures included a grant pass-through to other Towns.

In the business-type activities, the water service revenue and the sewer service revenue were comparable to prior years. The expenses were comparable to prior years for the water and the sewer funds. A large impact fee refund was issued during the year of \$ 329,092.

OTHER FACTORS

The current economic slowdown is presenting significant budget challenges at the State, County and Municipal levels.

One major impact during FY 2010 was the total elimination of Municipal Street Aid (MSA) funding provided by the State of Delaware. Although the Town had reduced the budgeted revenue amount, the resulting elimination did impact our actual revenues.

As part of the adoption of the FY 2011 budget, the Mayor and Council adopted a resolution requiring that future budgets not exceed 98% of anticipated revenues.

BASIC FINANCIAL STATEMENTS

**TOWN OF GEORGETOWN
STATEMENT OF NET ASSETS
APRIL 30, 2010**

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	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 136,824	\$ 25,421	\$ 162,245
Receivables:			
Taxes	28,890	-	28,890
Trash	38,527	-	38,527
Service water and sewer	-	322,546	322,546
Miscellaneous	63,535	3,605	67,140
Prepaid items	19,161	82,639	101,800
Due from other government agencies	133,135	-	133,135
Bond issue costs, net of amortization	11,484	164,125	175,609
Noncurrent assets:			
Loan receivable	45,000	-	45,000
Annexation receivables	136,500	-	136,500
Restricted assets:			
Cash and cash equivalents	652,383	1,381,450	2,033,833
Investments	-	652,965	652,965
Capital assets:			
Land, improvements, and construction in progress	838,997	1,224,865	2,063,862
Other capital assets, net of depreciation	2,942,349	28,260,717	31,203,066
TOTAL ASSETS	5,046,785	32,118,333	37,165,118
LIABILITIES			
Accounts payable	103,178	64,678	167,856
Accrued liabilities	114,127	187,258	301,385
Deferred revenue	46,439	226,945	273,384
Long-term liabilities:			
Due within one year	145,019	902,553	1,047,572
Due in more than one year	267,654	13,463,136	13,730,790
TOTAL LIABILITIES	676,417	14,844,570	15,520,987
NET ASSETS			
Invested in capital assets, net of related debt	3,498,338	15,016,938	18,515,276
Restricted for:			
Construction and debt service	-	1,781,543	1,781,543
Grants, emergency services, recreation and transfer tax	413,155	-	413,155
Unrestricted	458,875	475,282	934,157
TOTAL NET ASSETS	\$ 4,370,368	\$ 17,273,763	\$ 21,644,131

TOWN OF GEORGETOWN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED APRIL 30, 2010

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Function/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
PRIMARY GOVERNMENT							
GOVERNMENTAL ACTIVITIES							
General administration	\$ 318,615	\$ 299,923	\$ 369,085	\$ -	\$ 350,393	\$ -	\$ 350,393
Public safety	2,515,518	172,058	670,225	-	(1,673,235)	-	(1,673,235)
Streets and grounds	1,023,228	291,353	47,938	-	(683,937)	-	(683,937)
Planning and zoning	148,168	164,225	-	-	16,057	-	16,057
TOTAL GOVERNMENTAL ACTIVITIES	4,005,529	927,559	1,087,248	-	(1,990,722)	-	(1,990,722)
BUSINESS-TYPE ACTIVITIES							
Sewer facility	2,406,241	1,661,644	9,350	-	-	(735,247)	(735,247)
Water facility	1,026,655	1,257,269	(39,220)	-	-	191,394	191,394
TOTAL BUSINESS-TYPE ACTIVITIES	3,432,896	2,918,913	(29,870)	-	-	(543,853)	(543,853)
TOTAL PRIMARY GOVERNMENT	\$ 7,438,425	\$ 3,846,472	\$ 1,057,378	\$ -	(1,990,722)	(543,853)	(2,534,575)
GENERAL REVENUES							
Taxes: Property and penalties					1,343,901	-	1,343,901
Realty transfer					120,310	-	120,310
Unrestricted investment earning					6,742	-	6,742
TRANSFERS					407,879	(407,879)	-
TOTAL GENERAL REVENUES AND TRANSFERS					1,878,832	(407,879)	1,470,953
CHANGE IN NET ASSETS					(111,890)	(951,732)	(1,063,622)
NET ASSETS - BEGINNING					4,482,258	18,225,495	22,707,753
NET ASSETS - ENDING					\$ 4,370,368	\$ 17,273,763	\$ 21,644,131

**TOWN OF GEORGETOWN
BALANCE SHEET - GOVERNMENTAL FUND
APRIL 30, 2010**

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	General Fund
ASSETS	
Cash and cash equivalents	\$ 136,824
Receivables:	
Taxes	28,890
Trash	38,527
Miscellaneous	63,535
Prepaid items	19,161
Due from other government agencies	133,135
Noncurrent assets:	
Loan receivable	45,000
Annexation receivable	136,500
Restricted assets:	
Cash and cash equivalents	<u>652,383</u>
TOTAL ASSETS	<u>\$ 1,253,955</u>
LIABILITIES	
Accounts payable	\$ 103,178
Accrued liabilities	113,993
Deferred revenue	<u>290,269</u>
TOTAL LIABILITIES	<u>507,440</u>
FUND BALANCES	
Reserved for:	
Realty transfer tax	44,704
Grant funds	261,934
Emergency services and recreation services	61,518
Retirement and health	221,499
Unreserved:	
Undesignated	<u>156,860</u>
TOTAL FUND BALANCES	746,515
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	3,781,346
Other assets are not available to pay for current period expenditures and therefore are deferred in the funds.	243,830
Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest and fees on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	<u>(401,323)</u>
Net Assets of Governmental Activities	<u>\$ 4,370,368</u>

**TOWN OF GEORGETOWN
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 GOVERNMENTAL FUND
 FOR THE YEAR ENDED APRIL 30, 2010**

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	<u>General Fund</u>
REVENUES	
Taxes and fees	\$ 1,636,338
Intergovernmental	794,658
Charges for services	586,856
Fines and parking	210,398
Miscellaneous	<u>220,733</u>
TOTAL REVENUES	<u>3,448,983</u>
EXPENDITURES	
Current:	
General administration	274,167
Public safety	2,394,858
Streets and grounds	879,451
Planning and zoning	152,702
Debt service	46,522
Capital outlay	<u>175,983</u>
TOTAL EXPENDITURES	<u>3,923,683</u>
EXCESS OF EXPENDITURES OVER REVENUES	(474,700)
OTHER FINANCING SOURCES	
Transfers in, net	<u>407,879</u>
NET CHANGE IN FUND BALANCE	(66,821)
FUND BALANCE - BEGINNING	<u>813,336</u>
FUND BALANCE - ENDING	<u>\$ 746,515</u>

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, 2010

NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUND \$ (66,821)

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 depreciation (\$ 264,655) exceeded capital outlays (\$ 175,983) in the current period. (88,672)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. The net change is as follows:

Property taxes	\$ 14,168	
Miscellaneous	(3,352)	
Grants	<u>25,961</u>	36,777

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, issue costs and accrued interest on debt not due yet. 28,050

Compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (21,224)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ (111,890)

**TOWN OF GEORGETOWN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET
AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED APRIL 30, 2010**

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	Budgeted Amounts Original and Final	Actual	Variance with Budget - Positive (Negative)
REVENUES			
Taxes and fees	\$ 1,520,623	\$ 1,636,338	\$ 115,715
Intergovernmental	233,922	794,658	560,736
Charges for services	525,000	586,856	61,856
Fines and parking	275,000	210,398	(64,602)
Miscellaneous	178,000	220,733	42,733
TOTAL REVENUES	2,732,545	3,448,983	716,438
EXPENDITURES			
Current:			
General administration	263,605	274,167	(10,562)
Public safety	2,081,878	2,394,858	(312,980)
Streets and grounds	823,158	879,451	(56,293)
Planning and zoning	179,303	152,702	26,601
Debt service	46,522	46,522	-
Capital outlay	305,000	175,983	129,017
TOTAL EXPENDITURES	3,699,466	3,923,683	(224,217)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(966,921)	(474,700)	492,221
OTHER FINANCING SOURCES			
Transfers in, net	643,786	407,879	(235,907)
NET CHANGE IN FUND BALANCE	(323,135)	(66,821)	256,314
FUND BALANCE - BEGINNING	813,336	813,336	-
FUND BALANCE - ENDING	\$ 490,201	\$ 746,515	\$ 256,314

**TOWN OF GEORGETOWN
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
APRIL 30, 2010**

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ASSETS	Business-type Activities - Enterprise Funds		
	Sewer Fund	Water Fund	Total
CURRENT ASSETS			
Cash and cash equivalents	\$ 25,271	\$ 150	\$ 25,421
Receivables, net of allowance for doubtful accounts:			
Service charges	127,868	194,678	322,546
Miscellaneous	881	2,724	3,605
TOTAL CURRENT ASSETS	154,020	197,552	351,572
NONCURRENT ASSETS			
Bond issue cost, net of amortization	91,775	72,350	164,125
Prepaid expenses	22,333	60,306	82,639
Restricted assets:			
Cash and cash equivalents	1,244,093	137,357	1,381,450
Investments	160,693	492,272	652,965
Capital assets:			
Land and construction in progress	1,189,165	35,700	1,224,865
Other capital assets, net of depreciation	22,891,310	5,369,407	28,260,717
TOTAL NONCURRENT ASSETS	25,599,369	6,167,392	31,766,761
TOTAL ASSETS	25,753,389	6,364,944	32,118,333
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	55,712	8,966	64,678
Accrued liabilities	115,387	71,871	187,258
Deferred revenue	226,945	-	226,945
Current portion of long-term liabilities	592,181	310,372	902,553
TOTAL CURRENT LIABILITIES	990,225	391,209	1,381,434
LONG-TERM LIABILITIES, LESS CURRENT PORTION	9,208,221	4,254,915	13,463,136
TOTAL LIABILITIES	10,198,446	4,646,124	14,844,570
NET ASSETS			
Invested in capital assets, net of related debt	14,289,074	727,864	15,016,938
Restricted for:			
Construction and debt service	1,219,308	562,235	1,781,543
Unrestricted	46,561	428,721	475,282
TOTAL NET ASSETS	\$ 15,554,943	\$ 1,718,820	\$ 17,273,763

TOWN OF GEORGETOWN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUNDS
FOR THE YEAR ENDED APRIL 30, 2010

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	Business-type Activities - Enterprise Funds		
	Sewer Fund	Water Fund	Total
OPERATING REVENUES			
Charges for services	\$ 1,589,918	\$ 1,203,600	\$ 2,793,518
Other operating revenue	41,800	15,948	57,748
TOTAL OPERATING REVENUES	1,631,718	1,219,548	2,851,266
OPERATING EXPENSES			
Amortization	5,447	5,756	11,203
Chemicals	38,054	52,546	90,600
Depreciation	855,737	232,130	1,087,867
Employee benefits	134,394	85,166	219,560
Gasoline and oil	17,096	6,028	23,124
Insurance	14,397	7,643	22,040
Maintenance and repairs	140,345	127,073	267,418
Service charges	3,332	8,351	11,683
Payroll taxes	29,067	16,940	46,007
Professional services	141,264	2,154	143,418
Salaries	384,124	224,038	608,162
Sludge disposal fees	73,426	-	73,426
Supplies	15,263	6,654	21,917
Telephone	5,577	4,969	10,546
Utilities	199,113	73,585	272,698
TOTAL OPERATING EXPENSES	2,056,636	853,033	2,909,669
OPERATING INCOME (LOSS)	(424,918)	366,515	(58,403)
NON-OPERATING REVENUES (EXPENSES)			
Impact fees (refunds), net	9,350	(39,220)	(29,870)
Investment income	9,903	22,574	32,477
Penalties	20,023	15,147	35,170
Interest expense	(349,605)	(173,622)	(523,227)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(310,329)	(175,121)	(485,450)
INCOME (LOSS) BEFORE TRANSFERS	(735,247)	191,394	(543,853)
TRANSFERS IN (OUT)	(58,640)	(349,239)	(407,879)
CHANGE IN NET ASSETS	(793,887)	(157,845)	(951,732)
TOTAL NET ASSETS - BEGINNING	16,348,830	1,876,665	18,225,495
TOTAL NET ASSETS - ENDING	\$ 15,554,943	\$ 1,718,820	\$ 17,273,763

**TOWN OF GEORGETOWN
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED APRIL 30, 2010**

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	Business-type Activities - Enterprise Funds		
	Sewer Fund	Water Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 1,657,498	\$ 1,213,815	\$ 2,871,313
Payments to suppliers for goods and services	(622,116)	(317,514)	(939,630)
Payments to employees for services	(539,435)	(325,128)	(864,563)
Other operating receipts	41,800	15,948	57,748
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>537,747</u>	<u>587,121</u>	<u>1,124,868</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from (to) other funds, net	(58,640)	(349,239)	(407,879)
Advances from (to) other funds, net	300,000	-	300,000
NET CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	<u>241,360</u>	<u>(349,239)</u>	<u>(107,879)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(178,438)	-	(178,438)
Retirement of bonds and related costs	(479,727)	(293,609)	(773,336)
Impact fees (refunds), net	9,350	(39,220)	(29,870)
Interest paid	(345,795)	(165,693)	(511,488)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(994,610)</u>	<u>(498,522)</u>	<u>(1,493,132)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from investments	69,608	195,294	264,902
Acquisition of investments	(61,776)	(188,137)	(249,913)
Investment income and penalties	30,696	38,355	69,051
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>38,528</u>	<u>45,512</u>	<u>84,040</u>
NET INCREASE IN CASH	(176,975)	(215,128)	(392,103)
CASH AND CASH EQUIVALENTS - BEGINNING	<u>1,446,339</u>	<u>352,635</u>	<u>1,798,974</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 1,269,364</u>	<u>\$ 137,507</u>	<u>\$ 1,406,871</u>
Cash and cash equivalents	\$ 25,271	\$ 150	\$ 25,421
Restricted cash and cash equivalents	1,244,093	137,357	1,381,450
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 1,269,364</u>	<u>\$ 137,507</u>	<u>\$ 1,406,871</u>

**TOWN OF GEORGETOWN
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - CONTINUED
FOR THE YEAR ENDED APRIL 30, 2010**

- 17 -

	Business-type Activities - Enterprise Funds		
	Sewer Fund	Water Fund	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (424,918)	\$ 366,515	\$ (58,403)
Adjustments to reconcile operating income (loss) to net cash provided:			
Depreciation and amortization	861,184	237,884	1,099,068
Changes in assets and liabilities:			
Accounts receivable	62,106	10,215	72,321
Prepaid expenses	4,785	(20,102)	(15,317)
Accounts payable and accrued liabilities	29,116	(7,391)	21,725
Deferred revenue	5,474	-	5,474
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 537,747	\$ 587,121	\$ 1,124,868

**TOWN OF GEORGETOWN
STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUND
APRIL 30, 2010**

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ASSETS

Cash

\$ 27,106

NET ASSETS HELD IN TRUST

\$ 27,106

**TOWN OF GEORGETOWN
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUND
FOR THE YEAR ENDED APRIL 30, 2010**

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ADDITIONS	
Investment income	\$ 375
DEDUCTIONS	
Support	<u>(2,500)</u>
CHANGE IN NET ASSETS	(2,125)
NET ASSETS HELD IN TRUST - BEGINNING	<u>29,231</u>
NET ASSETS HELD IN TRUST - ENDING	<u>\$ 27,106</u>

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 generally accepted accounting principles (GAAP) in the United States of America. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Town has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Town has chosen not to do so. 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). As defined by GASBS No. 14, 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 are 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 Assets, 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 Town's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Town utilizes restricted resources to finance qualifying activities, to the extent permitted by laws, regulations, contracts and grants.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2. Basic Financial Statements - Government-wide Statements - Continued

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 assets resulting from the current year's activities.

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, reserves, 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 assets, financial position and cash flows. The generally accepted accounting principles 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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Basic Financial Statements - Fund Financial Statements - Continued

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.

Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Town programs. The reporting focus is on net assets and changes in net assets, reported using accounting principles similar to proprietary funds. The Private-Purpose Trust Fund is used to account for assets to benefit the Boy and Girl Scouts of America. The Town's fiduciary fund is presented in the fiduciary fund financial statement. Since by definition these assets are being held for the benefit of a third party (private parties) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

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 (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) 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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Basis of Accounting/Measurement Focus - Continued

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 assets 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.

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.

5. Cash and Cash Equivalents

The Town has defined cash and cash equivalents to include cash on hand, demand deposits and all highly 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 arising from grant programs, retirement, health and impact fee funds. The Town generally applies unrestricted resources for expenses for which both restricted and unrestricted resources are available. Expenses are specifically paid or reimbursed to unrestricted resources from restricted funds.

6. Accounts Receivable

Accounts receivable are reported at their gross value. All receivables are considered fully collectible.

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. 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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

7. Capital Assets - Continued

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

8. Deferred Revenue

Deferred income represents monies held by the Town to 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. Equity Classifications

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt - 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 assets - Consists of net assets 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 assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Reserved is further split between amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Proprietary fund equity is classified the same as in the government-wide statements. Net asset reservations and restrictions for grants are due to non-Georgetown enabling legislation.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

11. Revenues

Those revenues susceptible to accrual are property taxes, interest revenue and charges for services, intergovernmental, and miscellaneous. All other revenue items are considered to be measurable and available only when cash is received by the Town. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as non-operating revenue based on GASBS No. 33. In applying GASBS No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

Program revenues include: charges to customers for goods, services or privileges provided, operating grants and contributions, and capital grants and contributions. General revenues include all taxes.

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. Expenditures

Expenditures are recognized when the related fund liability is incurred.

13. Compensated Absences

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

14. Interfund Activity

Interfund activity is reported as either loans or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. All other interfund transactions are treated as transfers and are not required to be repaid by the funds. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements. Transferred funds are used for operational purposes by the recipient fund. The General Fund received \$ 58,640 of net transfers from the Sewer Fund and \$ 349,239 of net transfers from the Water Fund during the year.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

15. Budgets and Budgetary Accounting

The budget in these financial statements is presented on a basis consistent with generally accepted accounting principles. Final budgeted amounts are as amended at April 30, 2010. Unexpected appropriations lapse at year end.

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

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

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

16. Use of Estimates

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

17. Interest Costs

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 Governmental Activities totaled \$ 13,676 for the year.

18. Water & Supply Company

The Water & Supply Company (a Delaware corporation) is governed by a board appointed by the Town Council. Although it is legally separate from the Town, the Water & Supply Company is reported as if it were part of the proprietary fund because its sole purpose is to provide water service to the Town's citizens. Intra-entity transactions have been eliminated.

19. Bond Discounts, Issuance Costs and Deferred Refunding Amounts

Bond discounts, issuance costs and deferred amounts on refunding for proprietary funds are amortized over the term of the bonds, using the straight-line method. Bonds payable are reported net of the applicable bond discount and deferred amount on refunding.

NOTE B - CASH 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, 2010, the carrying amount of the Town's deposits was \$ 2,223,184 and the bank balance was \$ 2,272,993, all of which was insured and/or collateralized.

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 is 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.

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.

NOTE B - CASH AND INVESTMENTS - CONTINUED

The Town had the following investments at April 30, 2010:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 - 5	6 - 10	More than 10
U.S. Treasuries	\$ 212,957	\$ 33,988	\$ 23,030	\$ 85,562	\$ 70,377
Federal Home Loan Mortgage Corporation	99,524	-	14,085	9,808	75,631
Federal National Mortgage Association	319,096	-	-	85,374	233,722
Corporate Bonds	21,388	-	21,388	-	-
Total Investments	<u>\$ 652,965</u>	<u>\$ 33,988</u>	<u>\$ 58,503</u>	<u>\$ 180,744</u>	<u>\$ 379,730</u>

Reconciliation of cash and investments to the Government-wide Statement of Net Assets:

Cash on hand	\$ 1,000
Carrying amount of deposits	2,222,184
Carrying amount of investments	652,965
TOTAL	<u>\$ 2,876,149</u>
Cash and cash equivalents	\$ 162,245
Cash and cash equivalents - restricted	2,033,833
Investments - restricted	652,965
Fiduciary fund cash (not included in government-wide statement)	27,106
TOTAL	<u>\$ 2,876,149</u>

NOTE C - CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2010 was as follows:

	Balance at April 30, 2009	Increases	Decreases	Balance at April 30, 2010
Governmental Activities:				
Capital assets, not being depreciated:				
Land and parks	\$ 838,997	\$ -	\$ -	\$ 838,997
Other capital assets:				
Buildings and improvements	1,642,899	54,322	-	1,697,221
Equipment	1,399,807	105,358	21,888	1,483,277
Streets and storm drains	1,775,937	16,303	-	1,792,240
Total other capital assets	4,818,643	175,983	21,888	4,972,738
Less accumulated depreciation for other capital assets	1,784,270	264,655	18,536	2,030,389
Other capital assets, net	3,034,373	(88,672)	(3,352)	2,942,349
Governmental Activities Capital Assets, Net	<u>\$ 3,873,370</u>	<u>\$ (88,672)</u>	<u>\$ (3,352)</u>	<u>\$ 3,781,346</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,074,327	\$ -	\$ -	\$ 1,074,327
Construction in progress	42,411	108,127	-	150,538
Total capital assets, not being depreciated	1,116,738	108,127	-	1,224,865
Other capital assets:				
Plant equipment and extensions	40,828,953	70,312	65,122	40,834,143
Less accumulated depreciation for other capital assets	11,550,681	1,087,867	65,122	12,573,426
Other capital assets, net	29,278,272	(1,017,555)	-	28,260,717
Business-type Activities Capital Assets, Net	<u>\$ 30,395,010</u>	<u>\$ (909,428)</u>	<u>\$ -</u>	<u>\$ 29,485,582</u>

NOTE C - CAPITAL ASSETS - CONTINUED

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 23,369
Planning and Zoning	-
Public safety	99,550
Streets and grounds	<u>141,736</u>
Total governmental activities depreciation expense	<u><u>\$ 264,655</u></u>
Business-type activities:	
Water	\$ 232,130
Sewer	<u>855,737</u>
Total business-type activities depreciation expense	<u><u>\$ 1,087,867</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, 2010 was \$ 2.93 per \$100 of assessed valuation for all real property and improvements, except for utility poles and wires, which were assessed at \$ 3.42 per \$ 100 of assessed valuation, with a total taxable valuation of \$ 45,138,211. Real property and improvements that are exempt from taxation due to State, Town or other tax-exempt ownership total \$ 14,113,650.

NOTE E - PENSION PLANS

The Town participates in two State of Delaware administered multi-employer Town and municipal pension plans (PERS). All full-time employees are eligible to participate in the defined benefit plans. Benefits vest after 5 years of service. Police employees may retire when they have 10 years of credited service and are 62, or their age plus credited service equals 75, or they have 20 years of credited service. Non-police employees may retire if they have 5 years of credited service and are 62, or they have 15 years of credited service and are 60, or they have 30 years of credited service. 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 may be obtained by writing to the State of Delaware, Office of Pensions, 860 Silver Lake Boulevard, Dover, Delaware 19904 or by calling 1-800-722-7300.

NOTE E - PENSION PLANS - CONTINUED

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, 2010, the Town was required to contribute 6.15% and 13.7% of its gross payroll to the regular plan and police plan, respectively. Employee wages covered by the plans in 2010 totaled \$ 1,956,863 out of total wages paid of \$ 2,135,842. Total contributions by the Town and the employees made during the fiscal years 2010, 2009 and 2008 were \$ 279,934, \$ 290,852, and \$ 259,604, respectively, equal to the required contributions each year. There were 44 active participants at April 30, 2010 between the two plans. The State periodically grants funds to municipalities to provide police pensions. These monies are used by the Town to fund the pension plan for police employees.

NOTE F - GENERAL OBLIGATION BONDS AND NOTES PAYABLE

Included in the proprietary fund are the following bonds at April 30, 2010:

	<u>Business-type</u>
Sewer system bonds issued December 5, 1973, principal and interest at 5% payable annually on January 1, general obligation of the Town. Annual principal payments are as follows:	
2011 - 2013	\$ 16,800
Sewer system bonds issued April 10, 1984, interest rate 5%, semi-annual installments at April 10 and October 10 of \$ 16,547 until 2024, general obligation of the Town.	328,625
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.	348,904
Bond payable to the United States of America, Department of Agriculture, Rural Utilities Service, interest at 4.5%, principal and interest payments of \$ 6,147 are payable quarterly until 2043, general obligation of the Town.	422,881
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.	1,212,626
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.	4,118,281
Water and Sewer bonds issued March 2003, interest at 1.25% to 4.20%, semi-annual installments at June 1 and December 1 until 2021, general obligation of the Town.	7,570,000

NOTE F - GENERAL OBLIGATION BONDS AND NOTES PAYABLE - CONTINUED

	<u>Business-type</u>
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 \$ 2,600,000. Total advanced \$ 391,280.	\$ 361,388
Bond payable to the State of Delaware, interest at 1.5%, semi-annual payments until 2029, general obligation of the Town. Total bonds authorized were \$ 556,500. Only advanced \$ 93,062, remaining funds not utilized.	<u>89,139</u>
TOTAL	14,468,644
LESS: Unamortized bond discount	(28,993)
Deferred amount on refunding, net of amortization	<u>(188,218)</u>
TOTAL BOND INDEBTEDNESS	<u><u>\$ 14,251,433</u></u>

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

<u>Years Ending April 30</u>	<u>Business-type Activities - General Obligation</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 788,297	\$ 495,532	\$ 1,283,829
2012	816,274	471,249	1,287,523
2013	834,502	445,056	1,279,558
2014	862,392	417,322	1,279,714
2015	891,152	388,110	1,279,262
2016 – 2020	4,947,300	1,440,451	6,387,751
2021 – 2025	3,390,962	587,582	3,978,544
2026 – 2030	842,244	286,772	1,129,016
2031 – 2035	365,991	201,342	567,333
2036 – 2040	446,453	114,998	561,451
2041 - 2045	<u>283,077</u>	<u>22,487</u>	<u>305,564</u>
TOTAL	<u><u>\$ 14,468,644</u></u>	<u><u>\$ 4,870,901</u></u>	<u><u>\$ 19,339,545</u></u>

NOTE F - GENERAL OBLIGATION BONDS AND NOTES PAYABLE - CONTINUED

At April 30, 2010, governmental-type long-term liabilities are as follows:

	<u>Governmental</u>
Note payable to Wilmington Savings Fund Society; interest fixed at 4.27%; various interest and principal payments due annually, final payment due February 2019, general obligation of the Town.	<u>\$ 283,008</u>

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

<u>Years Ending April 30</u>	<u>Governmental Activities - General Obligation</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 15,354	\$ 11,781	\$ 27,135
2012	16,023	11,113	27,136
2013	16,721	10,415	27,136
2014	17,449	9,687	27,136
2015	18,209	8,927	27,136
2016 - 2020	<u>199,252</u>	<u>27,000</u>	<u>226,252</u>
TOTAL	<u>\$ 283,008</u>	<u>\$ 78,923</u>	<u>\$ 361,931</u>

NOTE F - GENERAL OBLIGATION BONDS AND NOTES PAYABLE - CONTINUED

Long-term Liability Activity

Long-term liability activity for the year ended April 30, 2010 was as follows:

	<u>April 30, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>April 30, 2010</u>	<u>Due Within One Year</u>
Governmental Activities:					
Compensated absences	\$ 108,441	\$ 95,741	\$ 74,517	\$ 129,665	\$ 129,665
Notes payable	<u>315,854</u>	<u>-</u>	<u>32,846</u>	<u>283,008</u>	<u>15,354</u>
Total Governmental Activities	<u>\$ 424,295</u>	<u>\$ 95,741</u>	<u>\$ 107,363</u>	<u>\$ 412,673</u>	<u>\$ 145,019</u>
Business-type Activities:					
General obligation bonds	\$ 15,241,980	\$ -	\$ 773,336	\$ 14,468,644	\$ 788,297
Unamortized bond discount	(31,609)	2,616	-	(28,993)	-
Deferred amount on refunding, net of amortization	<u>(205,210)</u>	<u>16,992</u>	<u>-</u>	<u>(188,218)</u>	<u>-</u>
Total bonds payable	15,005,161	19,608	773,336	14,251,433	788,297
Compensated absences	<u>105,868</u>	<u>19,502</u>	<u>11,114</u>	<u>114,256</u>	<u>114,256</u>
Total Business-type Activities	<u>\$ 15,111,029</u>	<u>\$ 39,110</u>	<u>\$ 784,450</u>	<u>\$ 14,365,689</u>	<u>\$ 902,553</u>

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

NOTE G - FIDUCIARY FUND

The Town administers a private-purpose trust fund for the benefit of the Boy and Girl Scouts of America from assets originally conveyed to the Town in 1973 by James and Mildred Tunnell. At April 30, 2010, the fund contained \$ 27,106 of assets available for benefits.

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 2015. The land leases contain renewal options. Future minimum rental payments are as follows:

<u>Years Ending April 30</u>	<u>General Fund</u>	<u>Proprietary Fund</u>	<u>Total</u>
2011	\$ 9,738	\$ 58,412	\$ 68,150
2012	9,394	59,001	68,395
2013	9,394	39,744	49,138
2014	9,394	-	9,394
2015	3,914	-	3,914
TOTAL	\$ 41,834	\$ 157,157	\$ 198,991

NOTE I - 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, 2010, the loan receivable and corresponding liability of \$ 45,000 were on the fund financial statements.

NOTE J - 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 K - UTILITY AND STREET PROJECTS

In February 2010, the Town held a referendum for the proposed borrowing of up to \$ 490,000, with the funds being utilized to upgrade the South Bedford Street Pump Station. The Notice to Proceed was issued in April 2010 and it is anticipated the work will be completed in the early to mid fall.

The Town, through the State Transportation Enhancement Program, will begin work on East Market Street from Layton Avenue to King Street. Improvements include street lighting, landscaping, sidewalks, and signage. The Town's contribution to this project is fourteen percent (14%) of the estimated construction cost, \$ 42,637. The funding for this is prior year residual Municipal Street Aid funds, Community Transportation Funds, and, if needed, Realty Transfer Tax revenues. It is anticipated work will commence in late fall.

NOTE L - EMPLOYEE HEALTH PLAN

The Town is exposed to the risk of loss related to employee medical expenses. During fiscal year 2010, the Town maintained a self-insured plan for employee medical expenses in which expenses per employee were covered annually (\$ 35,000 for 2010 and 2009). Individual excess expenses are covered under a commercial policy. In addition, the Town has a maximum aggregate limit (\$ 474,439 for 2010, \$ 513,947 for 2009) for the Town's portion of medical expense liability, which is covered under a commercial policy. The employee health plan is administered by an outside agency.

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 fund at April 30, 2010 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 year 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
2010	\$ 19,956	\$ 590,958	\$ (541,196)	\$ 69,718
2009	36,552	587,532	(604,128)	19,956

NOTE M - IMPACT FEES

On October 14, 2009, the Town entered into an amended annexation agreement with a property owner. The amended agreement provided that the Town would retain \$ 226,520 of the \$ 557,112 in fees paid by the owner as a payment for annexation fees. The Town refunded \$ 329,092 of unused impact fees (\$ 261,168 sewer impact fees and \$ 67,924 water impact fees) previously paid by the owner. The property owner will be required to pay current impact fee rates for future connections.

SUPPLEMENTARY INFORMATION

TOWN OF GEORGETOWN
SCHEDULE OF GENERAL FUND REVENUES AND OTHER FINANCING SOURCES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED APRIL 30, 2010

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	Original and Final Budget	Actual	Variance with Budget Positive (Negative)
TAXES AND FEES			
Courthouse municipality fees	\$ 180,000	\$ 186,295	\$ 6,295
Property and capitation taxes	1,320,623	1,313,583	(7,040)
Realty transfer tax	-	120,310	120,310
Penalties	20,000	16,150	(3,850)
TOTAL TAXES AND FEES	1,520,623	1,636,338	115,715
INTERGOVERNMENTAL			
General grants	-	65,000	65,000
Street and park grants	123,922	59,428	(64,494)
Police grants	45,000	584,326	539,326
Police pension	65,000	85,904	20,904
TOTAL INTERGOVERNMENTAL	233,922	794,658	560,736
CHARGES FOR SERVICES			
Trash pickup	275,000	283,201	8,201
Business and rental licenses	140,000	155,811	15,811
Permits and variances	40,000	72,106	32,106
Planning and zoning fees	70,000	75,738	5,738
TOTAL CHARGES FOR SERVICES	525,000	586,856	61,856
FINES AND PARKING			
Parking meters and fines	75,000	75,265	265
Court fines	200,000	135,133	(64,867)
TOTAL FINES AND PARKING	275,000	210,398	(64,602)
MISCELLANEOUS			
State and local in lieu of taxes	-	80,334	80,334
Franchise fees	24,000	26,427	2,427
Investment income	10,000	6,742	(3,258)
Miscellaneous	113,000	75,790	(37,210)
Rental income	31,000	31,440	440
TOTAL MISCELLANEOUS	178,000	220,733	42,733
TOTAL REVENUES	2,732,545	3,448,983	716,438

TOWN OF GEORGETOWN
SCHEDULE OF GENERAL FUND REVENUES AND OTHER FINANCING SOURCES -
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED APRIL 30, 2010

	Original and Final Budget	Actual	Variance with Budget Positive (Negative)
OTHER FINANCING SOURCES			
Transfers in	\$ 643,786	\$ 407,879	\$ (235,907)
TOTAL OTHER FINANCING SOURCES	<u>643,786</u>	<u>407,879</u>	<u>(235,907)</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 3,376,331</u>	<u>\$ 3,856,862</u>	<u>\$ 480,531</u>

TOWN OF GEORGETOWN
SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED APRIL 30, 2010

	Original and Final Budget	Actual	Variance with Budget Positive (Negative)
GENERAL ADMINISTRATION			
Dues and donations	\$ 13,000	\$ 10,000	\$ 3,000
Employee benefits	39,184	22,228	16,956
Gasoline and oil	2,000	1,394	606
Insurance	7,000	11,416	(4,416)
Meetings and conferences	350	267	83
Office	15,300	20,920	(5,620)
Payroll taxes	7,954	6,896	1,058
Pension expense	6,688	11,239	(4,551)
Professional services	44,000	55,143	(11,143)
Repairs and maintenance	1,250	10,208	(8,958)
Salaries	103,979	100,875	3,104
Special projects	1,000	2,355	(1,355)
Utilities	21,900	21,226	674
	<u>263,605</u>	<u>274,167</u>	<u>(10,562)</u>
TOTAL GENERAL ADMINISTRATION			
PUBLIC SAFETY			
Employee benefits	494,897	391,847	103,050
Gasoline and oil	50,000	44,312	5,688
Insurance	57,000	60,325	(3,325)
Office	25,000	30,393	(5,393)
Pass through grants to Towns	-	359,786	(359,786)
Payroll taxes	89,076	85,753	3,323
Pension expense	139,509	129,139	10,370
Professional fees	14,000	43,924	(29,924)
Maintenance, supplies and materials	24,500	80,411	(55,911)
Salaries	1,164,396	1,143,871	20,525
Special events	1,000	-	1,000
Utilities	22,500	25,097	(2,597)
	<u>2,081,878</u>	<u>2,394,858</u>	<u>(312,980)</u>
TOTAL PUBLIC SAFETY			

TOWN OF GEORGETOWN
SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED APRIL 30, 2010

	Original and Final Budget	Actual	Variance with Budget Positive (Negative)
STREETS AND GROUNDS			
Employee benefits	\$ 112,306	\$ 87,471	\$ 24,835
Gasoline and oil	10,000	10,104	(104)
Insurance	15,500	12,459	3,041
Office	9,000	12,107	(3,107)
Payroll taxes	15,841	15,074	767
Pension	13,444	14,658	(1,214)
Repairs and maintenance	40,000	111,242	(71,242)
Salaries	207,067	208,410	(1,343)
Professional fees	21,000	15,277	5,723
Special events	1,000	-	1,000
Street lights	100,000	124,482	(24,482)
Trash removal and fees	275,000	264,504	10,496
Utilities	3,000	3,663	(663)
	<u>823,158</u>	<u>879,451</u>	<u>(56,293)</u>
TOTAL STREETS AND GROUNDS			
PLANNING AND ZONING			
Employee benefits	39,615	27,849	11,766
Insurance	3,400	2,591	809
Meetings and travel	1,600	992	608
Office	13,352	6,039	7,313
Payroll taxes	5,990	5,425	565
Pension	5,050	4,493	557
Professional services	26,092	27,980	(1,888)
Repairs and maintenance	1,700	562	1,138
Salaries	78,304	74,524	3,780
Utilities	4,200	2,247	1,953
	<u>179,303</u>	<u>152,702</u>	<u>26,601</u>
TOTAL PLANNING AND ZONING			
DEBT SERVICE			
General administration	27,136	27,136	-
Public safety	19,386	19,386	-
	<u>46,522</u>	<u>46,522</u>	<u>-</u>
TOTAL DEBT SERVICE			

TOWN OF GEORGETOWN
SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED APRIL 30, 2010

	Original and Final Budget	Actual	Variance with Budget Positive (Negative)
CAPITAL OUTLAY			
General administration	\$ -	\$ 9,573	\$ (9,573)
Public safety	55,000	150,107	(95,107)
Streets and grounds	250,000	16,303	233,697
	<u>305,000</u>	<u>175,983</u>	<u>129,017</u>
TOTAL CAPITAL OUTLAY			
	305,000	175,983	129,017
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 3,699,466</u>	<u>\$ 3,923,683</u>	<u>\$ (224,217)</u>

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

<u>Assessment Date</u>	<u>Assessed Property Values</u>	
	<u>Taxable</u>	<u>Non-taxable</u>
May 1, 2000	\$ 31,973,142	\$ 11,604,400
May 1, 2001	33,657,897	11,931,111
May 1, 2002	34,879,813	12,223,650
May 1, 2003	35,221,166	12,392,250
May 1, 2004	39,545,017	12,415,100
May 1, 2005	41,448,932	12,554,650
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

SINGLE AUDIT SUPPLEMENT

**TOWN OF GEORGETOWN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED APRIL 30, 2010**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
DEPARTMENT OF JUSTICE			
Direct Programs:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2007DJBX0374	\$ 1,306
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government*	16.804	2009-SB-B9-0161	<u>456,601</u>
TOTAL DEPARTMENT OF JUSTICE			457,907
ENVIRONMENTAL PROTECTION AGENCY			
Passed through State - Delaware Department of Natural Resources and Environmental Control:			
Capitalization Grants for Clean Water State Revolving Funds	66.458	Loan 2010-SRF	35,837
DEPARTMENT OF ENERGY			
Direct Program:			
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128		44,585
DEPARTMENT OF HOMELAND SECURITY			
Direct Program:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA 1896 DR DE	<u>27,943</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 566,272</u></u>

* Denotes major program.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of Town of Georgetown (the Town). The Town's reporting entity is defined in Note A of the notes to basic financial statements. Federal awards that are passed through other governmental agencies are included on the schedule. Matching funds are excluded from the schedule and program income generated from federal grants is classified as federal expenditures when spent.

Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual and the modified accrual bases of accounting, which are described in Note A of the notes to basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B - LOANS

The Town's federal expenditures for CFDA No. 66.458 will be funded by loans through a State of Delaware loan program which is funded by loans from the U.S. Environmental Protection Agency. No loan funds were advanced during the year ended April 30, 2010.

NOTE C - SUBRECIPIENTS

The Town's federal expenditures for CFDA No. 16.804 included \$ 359,786 of funds that were provided to subrecipients.

DAVID R. URIAN, CPA
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

TRUITT W. JEFFERSON, CPA, DIRECTOR
RETIRED

ANITA Y. SMITH, MEd, DIRECTOR

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the Town of Georgetown's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended April 30, 2010. Town of Georgetown's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Town of Georgetown's management. Our responsibility is to express an opinion on Town of Georgetown's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 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. Our audit does not provide a legal determination of Town of Georgetown's compliance with those requirements.

In our opinion, Town of Georgetown complied, in all material respects, with the 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, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Findings 2010-1 and 2010-2.

Internal Control Over Compliance

Management of Town of Georgetown is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Town of Georgetown's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Town of Georgetown's internal control over compliance

Internal Control Over Compliance - Continued

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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as Findings 2010-1 and 2010-2. A *significant deficiency in internal control over compliance* is a deficiency, or 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.

The Town of Georgetown's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Town of Georgetown's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the Town Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

Georgetown, Delaware
September 7, 2010

DAVID R. URIAN, CPA
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

TRUITT W. JEFFERSON, CPA, DIRECTOR
RETIRED

ANITA Y. SMITH, MEd, DIRECTOR

**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 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, 2010, which collectively comprises Town of Georgetown's basic financial statements and have issued our report thereon dated September 7, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Georgetown's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Georgetown's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Georgetown's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses as detailed in Findings 2008-1 and 2009-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Georgetown's financial statements are free of 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*.

Compliance and Other Matters - Continued

We noted certain matters that we reported to management of the Town of Georgetown in a separate letter dated September 7, 2010.

Town of Georgetown's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Town of Georgetown's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the Council, others within the entity, and federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

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

Georgetown, Delaware
September 7, 2010

**TOWN OF GEORGETOWN
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED APRIL 30, 2010**

SECTION I - SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? X Yes No

Significant deficiency(ies) identified that are not considered to be material weakness? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

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

Internal control over major programs:

Material weakness(es) identified? Yes X None Reported

Significant deficiency(ies) identified that are not considered to be material weakness? X Yes No

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? X Yes No

Identification of Major Programs:

<u>PROGRAM NAME</u>	<u>CFDA Number(s)</u>
ARRA - Edward Bryne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	16.804

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? Yes X No

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

Prior Year

Material Weaknesses

Finding 2008-1 Financial Reporting

Finding: The Town of Georgetown does not have an employee with the necessary technical accounting expertise to 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.

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 Year Status: No change.

Auditee Response: The Town of Georgetown will consider alternatives and the related costs to improving its technical expertise over the Town's financial reporting.

Finding 2009-1 Segregation of Accounting Functions

Finding: Due to staffing limitations, there is a lack of proper segregation of duties over cash receipts and customer billings. A good system of internal control provides for proper segregation of the accounting functions. No one person should have access to both physical assets and the related accounting records or to all phases of a transaction. Lack of segregation of duties could result in intentional or unintentional errors or irregularities.

Criteria: Division of duties among several individuals helps prevent intentional or unintentional errors or irregularities that may occur when only one person has access to financial records.

Recommendation: The Town should make every effort to strengthen internal controls as opportunities arise, such as adding additional levels of reviews to the cash receipt and customer billing process.

Current Year Status: No change.

Auditee Response: The Town of Georgetown will make every effort to strengthen our internal controls as opportunities arise. The Town has already made changes to achieve stronger security controls on users of the accounting software. Also, the customer billings will be reviewed by the Finance Clerk and Town Manager.

SECTION III - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS

Department of Justice

ARRA Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Unit of Local Government CFDA No. 16.804

Finding 2010-1 Grant No. 2009-SB-B9-0161

Finding: The Town of Georgetown did not establish a separate cash account for grant funds received from the Department of Justice. Grant funds that are comingled with other cash funds could be inappropriately disbursed. The requirement was overlooked by the Town.

Criteria: The grant agreement contained a compliance requirement to establish a separate cash account to receive, hold and disburse the grant funds.

Recommendation: The Town should establish a separate grant account for the remaining grant funds not yet disbursed. The Town should add an additional layer of review over grant contracts to ensure all requirements are followed.

Auditee Response: The Town Council will be authorizing the opening of a separate bank account at County Bank to deposit and withdraw grant funds received from the Department of Justice. Additionally, Town finance personnel will review all grant contracts to ensure compliance with grant guidelines.

Finding 2010-2 Grant No. 2009-SB-B9-0161

Finding: The Town of Georgetown did not communicate to the subrecipients prior to disbursement of funds the CFDA and grant number of the funds disbursed, nor the requirement of the separate cash account to maintain the funds. The Town did not properly obtain adequate documentation to account for all disbursements to the subrecipients, until required by our audit work.

Criteria: The grant agreement contained various compliance requirements over subrecipients which the Town overlooked and were not complied with during the year.

Recommendation: The Town should communicate the required information to the subrecipients and establish policies to ensure grant provisions and documentation are properly communicated to and received from the subrecipients in the future.

Auditee Response: The Town (police department and finance department) will prepare an acknowledgement form for each sub-grant recipient which outlines roles and responsibilities of the grant recipients.