

TOWN OF GEORGETOWN
FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2021

**TOWN OF GEORGETOWN
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FOR THE YEAR ENDED APRIL 30, 2021**

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

TRUITT W. JEFFERSON
(1937 - 2016)

DAVID R. URIAN, DIRECTOR
RETIRED

KERRY L. HUDSON, CPA
DIRECTOR

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Town of Georgetown, as of and for the year ended April 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Georgetown's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Town of Georgetown, as of April 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 and the Town's cost sharing defined benefit plans on pages 51 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Georgetown's basic financial statements. The accompanying supplementary information on pages 55 through 58 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2021, 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 solely 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 effectiveness of the Town of Georgetown's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Georgetown's internal control over financial reporting and compliance.

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

Georgetown, Delaware
November 17, 2021

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

THE TOWN OF GEORGETOWN

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

FOR FISCAL YEAR ENDED APRIL 30, 2021

This section of the report gives an overview and analysis of the financial activity of the Town of Georgetown (the Town) for the year ended April 30, 2021.

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, 2021, assets exceeded liabilities by \$ 40,519,478. Of this amount, the Town had unrestricted assets of \$ 2,822,601. The Town's total net position decreased by \$ 1,009,586 during the year. The net decrease was comprised of a reduction in charges for services and transfer taxes and spending on street rehabilitation projects.

FUND FINANCIAL STATEMENTS

As of April 30, 2021, the Town's governmental funds reported an ending fund balance of \$ 5,540,790. This increased by \$ 138,619 from the preceding year and was approximately 3% of budgeted expenditures.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

FUND FINANCIAL STATEMENTS

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

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

GOVERNMENTAL FUNDS

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

PROPRIETARY FUNDS

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

MAJOR AND NON-MAJOR FUNDS

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

NOTES TO THE FINANCIAL STATEMENTS

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

REQUIRED SUPPLEMENTARY INFORMATION

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

SUPPLEMENTARY INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

**TOWN OF GEORGETOWN'S SCHEDULE OF NET POSITION
As of April 30, 2021 and 2020**

	Governmental Activities		Business-type Activities		Total Government	
	2021	2020	2021	2020	2021	2020
Current and Other Assets	\$ 6,177,494	\$ 6,050,833	\$ 2,485,035	\$ 3,374,181	\$ 8,662,529	\$ 9,425,014
Capital Assets	8,002,245	8,401,112	33,128,334	34,218,822	41,130,579	42,619,934
Total Assets	<u>14,179,739</u>	<u>14,451,945</u>	<u>35,613,369</u>	<u>37,593,003</u>	<u>49,793,108</u>	<u>52,044,948</u>
Deferred Outflows of Resources	588,283	636,533	96,594	139,109	684,877	775,642
Current and Other Liabilities	1,049,178	1,045,505	1,698,624	1,688,700	2,747,802	2,734,205
Long-term Liabilities	2,081,051	2,362,712	4,763,970	6,008,897	6,845,021	8,371,609
Total Liabilities	<u>3,130,229</u>	<u>3,408,217</u>	<u>6,462,594</u>	<u>7,697,597</u>	<u>9,592,823</u>	<u>11,105,814</u>
Deferred Inflows of Resources	312,876	155,481	52,808	30,231	365,684	185,712
Net Position:						
Net Investment in Capital						
Assets	6,113,765	6,450,864	27,195,803	27,123,352	33,309,568	33,574,216
Restricted	2,817,495	2,805,958	1,569,814	2,462,633	4,387,309	5,268,591
Unrestricted	2,393,657	2,267,958	428,944	418,299	2,822,601	2,686,257
Total Net Position	<u>\$ 11,324,917</u>	<u>\$ 11,524,780</u>	<u>\$ 29,194,561</u>	<u>\$ 30,004,284</u>	<u>\$ 40,519,478</u>	<u>\$ 41,529,064</u>

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

In the Business-type Activities, 93% of the net position is invested in the water and sewer systems. Restricted net position consists of cash and investments held by the Town for infrastructure outlays and debt service.

The following schedule reflects the breakdown of changes in net position for Governmental and Business-type Activities for fiscal years 2021 and 2020.

TOWN OF GEORGETOWN'S CHANGES IN NET POSITION
For the Years Ended April 30, 2021 and 2020

	Governmental Activities		Business-type Activities		Total Government	
	2021	2020	2021	2020	2021	2020
Revenues						
Program Revenues:						
Charges for Services	\$ 1,190,682	\$ 1,435,060	\$ 3,565,132	\$ 3,633,730	\$ 4,755,814	\$ 5,068,790
Operating Grants and Contributions	1,757,621	1,274,204	95,892	251,175	1,853,513	1,525,379
Capital Grants and Contributions	-	403,547	55,032	4,064,006	55,032	4,467,553
General Revenues						
Property Taxes and Penalties	1,693,233	1,648,601	-	-	1,693,233	1,648,601
Realty Transfer Tax	265,043	343,526	-	-	265,043	343,526
Lodging Tax	129,390	47,101	-	-	129,390	47,101
Gain on Sale of Assets	33,645	-	-	-	33,645	-
Investment Income	1,239	2,312	-	-	1,239	2,312
Total Revenues	5,070,853	5,154,351	3,716,056	7,948,911	8,786,909	13,103,262
Program Expenses						
General Administration	646,506	589,550	-	-	646,506	589,550
Public Safety	3,239,862	3,042,543	-	-	3,239,862	3,042,543
Planning and Zoning	173,854	157,174	-	-	173,854	157,174
Streets and Grounds	2,009,379	1,716,812	-	-	2,009,379	1,716,812
Sewer Facility	-	-	2,435,275	2,283,689	2,435,275	2,283,689
Water Facility	-	-	1,291,619	1,337,744	1,291,619	1,337,744
Total Expenses	6,069,601	5,506,079	3,726,894	3,621,433	9,796,495	9,127,512
Increase (Decrease) in Net Position before Transfers	(998,748)	(351,728)	(10,838)	4,327,478	(1,009,586)	3,975,750
Transfers	798,885	1,108,620	(798,885)	(1,108,620)	-	-
Total Increase (Decrease) in Net Position	(199,863)	756,892	(809,723)	3,218,858	(1,009,586)	3,975,750
Net Position - Beginning	11,524,780	10,767,888	30,004,284	26,785,426	41,529,064	37,553,314
Net Position - Ending	\$ 11,324,917	\$ 11,524,780	\$ 29,194,561	\$ 30,004,284	\$ 40,519,478	\$ 41,529,064

In the Governmental Activities, Charges for Services revenue decreased from the prior year due to the Town receiving less service revenue related to permits, variances, and planning and zoning fees. The Town's spending on Streets and Grounds increased from the prior year from various street paving and rehabilitation projects.

In the Business-type Activities, Capital Grants and Contributions decreased from the prior year due to the Town not receiving any developer contributions for wastewater and water infrastructure.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

In the General Fund, on the fund basis, the actual revenues were comparable to the budget except for transfer taxes, courthouse fees, and lodging taxes that generated \$ 463,022 over the budget, and intergovernmental grants for streets and police that generated \$ 493,547 over the budget. The overall increase in actual revenues over budgeted revenues was \$ 1,138,073 on the Fund Financial Statements. Expenses consist of General Administration, Planning and Zoning, Public Safety, and Streets and Grounds. General Administration disbursed more funding to the emergency services and other programs than was budgeted. Public Safety spent \$ 217,968 more on professional services than was budgeted. However, a portion of that spending was offset from State grants available for those expenditures. The capital outlay budget for General Administration did not include costs for new Public Safety equipment purchases. As a result, the total capital outlay for the General Fund was \$ 109,166 over budget.

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

OTHER FACTORS

Commercial development along the DuPont Boulevard (US 113) corridor remains constant, both in terms of new and redevelopment projects. Construction of the Post-Acute Medical (PAM) Rehabilitative Hospital is underway and site preparation for a Wawa Convenience Store has begun. In the downtown core, the Sussex County Family Court Facility has completed the design phase and achieved Preliminary Site Plan Approval. Demolition and site work are anticipated to begin late Fall 2021.

Multi-family housing continues to be the most prevalent in terms of large scale housing projects. Initial infrastructure at the Village of College Park for their residential phase (single and multi-family) has begun. Single family home construction on infill lots continues as well.

The Town anticipates the completion of water main and service line upgrades along Bedford and Market Streets during the late Fall 2021/early Spring 2022. The estimated cost to complete both is \$ 1.2 million and funding is through the State of Delaware, Drinking Water State Revolving Fund.

As part of the American Rescue Plan Act of 2021 (ARPA), the Town of Georgetown is designated as a "non-entitlement units of local government" (NEUs). Funds received under this Act are primarily being used for infrastructure (water and sewer) projects.

BASIC FINANCIAL STATEMENTS

**TOWN OF GEORGETOWN
STATEMENT OF NET POSITION
APRIL 30, 2021**

- 9 -

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,656,724	\$ -	\$ 1,656,724
Receivables:			
Taxes	33,025	-	33,025
Trash	90,779	-	90,779
Service water and sewer	-	506,334	506,334
Miscellaneous	112,356	-	112,356
Prepaid items	25,058	23,969	49,027
Due from other government agencies	185,992	56,247	242,239
Restricted assets:			
Cash and cash equivalents	4,073,560	1,855,153	5,928,713
Investments	-	43,332	43,332
Capital assets:			
Land and construction in progress	431,586	1,249,701	1,681,287
Other capital assets, net of depreciation	7,570,659	31,878,633	39,449,292
TOTAL ASSETS	14,179,739	35,613,369	49,793,108
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	588,283	78,858	667,141
Deferred amounts on refunding	-	17,736	17,736
TOTAL DEFERRED OUTFLOWS OF RESOURCES	588,283	96,594	684,877
LIABILITIES			
Accounts payable	30,514	52,154	82,668
Accrued liabilities	210,013	53,952	263,965
Construction project deposit	249,863	-	249,863
Unearned revenue	82,969	309,014	391,983
Long-term liabilities:			
Due within one year	475,819	1,283,504	1,759,323
Due in more than one year	2,081,051	4,763,970	6,845,021
TOTAL LIABILITIES	3,130,229	6,462,594	9,592,823
DEFERRED INFLOWS OF RESOURCES	312,876	52,808	365,684
NET POSITION			
Net investment in capital assets	6,113,765	27,195,803	33,309,568
Restricted for:			
Construction and debt service	-	1,569,814	1,569,814
Grants, emergency services, recreation and transfer tax	2,817,495	-	2,817,495
Unrestricted	2,393,657	428,944	2,822,601
TOTAL NET POSITION	\$ 11,324,917	\$ 29,194,561	\$ 40,519,478

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

TOWN OF GEORGETOWN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED APRIL 30, 2021

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Function/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
PRIMARY GOVERNMENT							
GOVERNMENTAL ACTIVITIES							
General administration	\$ 646,506	\$ 358,786	\$ 860,313	\$ -	\$ 572,593	\$ -	\$ 572,593
Public safety	3,239,862	226,317	566,722	-	(2,446,823)	-	(2,446,823)
Streets and grounds	2,009,379	502,187	330,586	-	(1,176,606)	-	(1,176,606)
Planning and zoning	173,854	103,392	-	-	(70,462)	-	(70,462)
TOTAL GOVERNMENTAL ACTIVITIES	6,069,601	1,190,682	1,757,621	-	(3,121,298)	-	(3,121,298)
BUSINESS-TYPE ACTIVITIES							
Sewer facility	2,435,275	2,156,418	79,920	30,044	-	(168,893)	(168,893)
Water facility	1,291,619	1,408,714	15,972	24,988	-	158,055	158,055
TOTAL BUSINESS-TYPE ACTIVITIES	3,726,894	3,565,132	95,892	55,032	-	(10,838)	(10,838)
TOTAL PRIMARY GOVERNMENT	\$ 9,796,495	\$ 4,755,814	\$ 1,853,513	\$ 55,032	(3,121,298)	(10,838)	(3,132,136)
GENERAL REVENUES							
Taxes: Property and penalties					1,693,233	-	1,693,233
Realty transfer					265,043	-	265,043
Lodging					129,390	-	129,390
Unrestricted investment earnings					1,239	-	1,239
Gain on sale of assets					33,645	-	33,645
TRANSFERS					798,885	(798,885)	-
TOTAL GENERAL REVENUES AND TRANSFERS					2,921,435	(798,885)	2,122,550
CHANGE IN NET POSITION					(199,863)	(809,723)	(1,009,586)
NET POSITION - BEGINNING					11,524,780	30,004,284	41,529,064
NET POSITION - ENDING					\$ 11,324,917	\$ 29,194,561	\$ 40,519,478

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

**TOWN OF GEORGETOWN
BALANCE SHEET - GOVERNMENTAL FUND
APRIL 30, 2021**

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	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 1,656,724
Receivables:	
Taxes	33,025
Trash	90,779
Miscellaneous	112,356
Prepaid items	25,058
Due from other government agencies	185,992
Restricted assets:	
Cash and cash equivalents	<u>4,073,560</u>
TOTAL ASSETS	<u><u>\$ 6,177,494</u></u>
LIABILITIES	
Accounts payable	\$ 30,514
Accrued liabilities	210,013
Construction project deposit	249,863
Unearned revenue	<u>82,969</u>
TOTAL LIABILITIES	<u>573,359</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenues:	
Grant	29,195
Property taxes	30,770
Lodging tax	<u>3,380</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>63,345</u>
FUND BALANCES	
Nonspendable:	
Prepaid items	25,058
Restricted for:	
Emergency services and recreation services	380,607
Grant funds	1,017,691
Realty transfer tax	1,419,197
Assigned for:	
Health benefits	81,317
Public safety	63,389
Unassigned	<u>2,553,531</u>
TOTAL FUND BALANCES	<u>5,540,790</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u><u>\$ 6,177,494</u></u>

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

**TOWN OF GEORGETOWN
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION
APRIL 30, 2021**

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FUND BALANCES OF GOVERNMENTAL FUND \$ 5,540,790

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund statements.	8,002,245
Certain revenues are not available to pay for current period expenditures and therefore are reported as unavailable in the governmental funds.	63,345
Long-term liabilities for notes payable (\$ 1,888,480), accrued compensated absences (\$ 412,238), and pension liabilities (\$ 256,152) are not due and payable in the current period, and accordingly, are not reported in the governmental fund financial statements. Interest and fees on long-term debt are not accrued in governmental funds, but rather are recognized as an expenditure when due.	(2,556,870)
Increases and decreases to the net pension liability that were not included in pension expense are classified as deferred outflows and deferred inflows of resources. Those items are not reported on the governmental fund financial statements.	<u>275,407</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 11,324,917

**TOWN OF GEORGETOWN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUND
FOR THE YEAR ENDED APRIL 30, 2021**

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	<u>General Fund</u>
REVENUES	
Taxes and fees	\$ 2,850,705
Intergovernmental	916,473
Charges for services	815,534
Fines and parking	58,785
Miscellaneous	<u>443,579</u>
TOTAL REVENUES	<u>5,085,076</u>
 EXPENDITURES	
Current:	
General administration	516,564
Planning and zoning	173,619
Public safety	3,139,748
Streets and grounds	1,622,166
Debt service	115,079
Capital outlay	<u>178,166</u>
TOTAL EXPENDITURES	<u>5,745,342</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(660,266)
 OTHER FINANCING SOURCES	
Transfers in, net	<u>798,885</u>
NET CHANGE IN FUND BALANCE	138,619
 FUND BALANCE - BEGINNING	<u>5,402,171</u>
 FUND BALANCE - ENDING	<u><u>\$ 5,540,790</u></u>

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

TOWN OF GEORGETOWN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED APRIL 30, 2021

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NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUND		\$ 138,619
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$ 576,912) and disposal of assets (\$ 121) exceeded capital outlay (\$ 178,166) in the current period.</p>		
		(398,867)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. The net changes are as follows:</p>		
Grants	\$ (16,665)	
Lodging tax	(6,489)	
Police services	3,382	
Property taxes	<u>5,550</u>	(14,222)
<p>Debt proceeds are recognized as financing sources in governmental funds, but are not revenue in the Government-wide Statement of Activities, net of principal payments on debt and accrued interest on debt not yet due.</p>		
		61,768
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. The net changes are as follows:</p>		
Compensated absences	406	
Pension expenses	<u>12,433</u>	<u>12,839</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ (199,863)</u>

TOWN OF GEORGETOWN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET
AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED APRIL 30, 2021

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	Budgeted Amounts Original and Final	Actual	Variance with Budget - Positive (Negative)
REVENUES			
Taxes and fees	\$ 2,389,938	\$ 2,850,705	\$ 460,767
Intergovernmental	406,500	916,473	509,973
Charges for services	757,500	815,534	58,034
Fines and parking	115,000	58,785	(56,215)
Miscellaneous	278,065	443,579	165,514
TOTAL REVENUES	3,947,003	5,085,076	1,138,073
EXPENDITURES			
Current:			
General administration	382,654	516,564	(133,910)
Planning and zoning	178,009	173,619	4,390
Public safety	3,019,171	3,139,748	(120,577)
Streets and grounds	1,252,774	1,622,166	(369,392)
Debt service	90,498	115,079	(24,581)
Capital outlay	69,000	178,166	(109,166)
TOTAL EXPENDITURES	4,992,106	5,745,342	(753,236)
REVENUES OVER (UNDER) EXPENDITURES	(1,045,103)	(660,266)	384,837
OTHER FINANCING SOURCES			
Transfers in, net	777,301	798,885	21,584
NET CHANGE IN FUND BALANCE	(267,802)	138,619	406,421
FUND BALANCE - BEGINNING	5,402,171	5,402,171	-
FUND BALANCE - ENDING	\$ 5,134,369	\$ 5,540,790	\$ 406,421

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

TOWN OF GEORGETOWN
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
APRIL 30, 2021

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ASSETS	Business-type Activities - Enterprise Funds		
	Sewer Fund	Water Fund	Total
CURRENT ASSETS			
Receivables, net of allowance for doubtful accounts:			
Service charges	\$ 229,220	\$ 277,114	\$ 506,334
Grants	31,259	24,988	56,247
TOTAL CURRENT ASSETS	260,479	302,102	562,581
NONCURRENT ASSETS			
Prepaid items	23,969	-	23,969
Restricted assets:			
Cash and cash equivalents	1,664,242	190,911	1,855,153
Investments	43,332	-	43,332
Capital assets:			
Land and construction in progress	1,111,822	137,879	1,249,701
Other capital assets, net of depreciation	20,926,655	10,951,978	31,878,633
TOTAL NONCURRENT ASSETS	23,770,020	11,280,768	35,050,788
TOTAL ASSETS	24,030,499	11,582,870	35,613,369
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	39,924	38,934	78,858
Deferred amounts on refunding	7,609	10,127	17,736
TOTAL DEFERRED OUTFLOWS OF RESOURCES	47,533	49,061	96,594
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	38,305	13,849	52,154
Accrued liabilities	39,412	14,540	53,952
Unearned revenue	309,014	-	309,014
Current portion of long-term liabilities	781,532	501,972	1,283,504
TOTAL CURRENT LIABILITIES	1,168,263	530,361	1,698,624
LONG-TERM LIABILITIES, LESS CURRENT PORTION	4,432,613	331,357	4,763,970
TOTAL LIABILITIES	5,600,876	861,718	6,462,594
DEFERRED INFLOWS OF RESOURCES	26,021	26,787	52,808
NET POSITION			
Net investment in capital assets	16,894,491	10,301,312	27,195,803
Restricted for:			
Construction and debt service	1,448,003	121,811	1,569,814
Unrestricted	108,641	320,303	428,944
TOTAL NET POSITION	\$ 18,451,135	\$ 10,743,426	\$ 29,194,561

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

TOWN OF GEORGETOWN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -
PROPRIETARY FUNDS
FOR THE YEAR ENDED APRIL 30, 2021

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	Business-type Activities - Enterprise Funds		
	Sewer Fund	Water Fund	Total
OPERATING REVENUES			
Charges for services	\$ 2,106,573	\$ 1,399,183	\$ 3,505,756
Other operating revenue	40,402	1,259	41,661
TOTAL OPERATING REVENUES	2,146,975	1,400,442	3,547,417
OPERATING EXPENSES			
Chemicals	42,521	70,813	113,334
Depreciation	858,931	371,982	1,230,913
Employee benefits	181,083	154,082	335,165
Gasoline and oil	3,057	1,279	4,336
Insurance	23,274	14,139	37,413
Lease expense	17,710	-	17,710
Maintenance and repairs	98,131	139,226	237,357
Payroll taxes	30,781	28,920	59,701
Pension expense	25,459	23,904	49,363
Professional services	301,655	9,137	310,792
Salaries	412,794	385,942	798,736
Sludge disposal fees	95,446	-	95,446
Supplies	14,731	5,235	19,966
Telephone	5,362	3,620	8,982
Utilities	165,393	47,861	213,254
TOTAL OPERATING EXPENSES	2,276,328	1,256,140	3,532,468
OPERATING INCOME (LOSS)	(129,353)	144,302	14,949
NON-OPERATING REVENUES (EXPENSES)			
Impact fees, net	79,920	15,972	95,892
Investment income (loss)	(2,320)	7	(2,313)
Penalties	11,763	8,265	20,028
Interest expense	(158,947)	(35,479)	(194,426)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(69,584)	(11,235)	(80,819)
INCOME (LOSS) BEFORE TRANSFERS	(198,937)	133,067	(65,870)
CAPITAL GRANTS AND CONTRIBUTIONS	30,044	24,988	55,032
TRANSFERS OUT	(678,718)	(120,167)	(798,885)
CHANGE IN NET POSITION	(847,611)	37,888	(809,723)
NET POSITION - BEGINNING	19,298,746	10,705,538	30,004,284
NET POSITION - ENDING	\$ 18,451,135	\$ 10,743,426	\$ 29,194,561

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

**TOWN OF GEORGETOWN
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED APRIL 30, 2021**

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	Business-type Activities - Enterprise Funds		
	Sewer Fund	Water Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 2,114,597	\$ 1,413,492	\$ 3,528,089
Payments to suppliers for goods and services	(767,396)	(287,868)	(1,055,264)
Payments to employees for services	(649,066)	(592,925)	(1,241,991)
Other operating receipts	40,402	1,259	41,661
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>738,537</u>	<u>533,958</u>	<u>1,272,495</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds, net	<u>(678,718)</u>	<u>(120,167)</u>	<u>(798,885)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(51,235)	(90,605)	(141,840)
Retirement of bonds and related costs	(701,326)	(451,725)	(1,153,051)
Impact fees	79,920	15,972	95,892
Interest paid	<u>(157,732)</u>	<u>(29,725)</u>	<u>(187,457)</u>
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(830,373)</u>	<u>(556,083)</u>	<u>(1,386,456)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from investments	13,837	-	13,837
Investment income and penalties	9,443	8,272	17,715
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>23,280</u>	<u>8,272</u>	<u>31,552</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(747,274)</u>	<u>(134,020)</u>	<u>(881,294)</u>
CASH AND CASH EQUIVALENTS - BEGINNING	<u>2,411,516</u>	<u>324,931</u>	<u>2,736,447</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 1,664,242</u>	<u>\$ 190,911</u>	<u>\$ 1,855,153</u>
CASH AND CASH EQUIVALENTS AS PRESENTED IN THE ACCOMPANYING STATEMENTS OF NET POSITION			
Restricted cash and cash equivalents	<u>\$ 1,664,242</u>	<u>\$ 190,911</u>	<u>\$ 1,855,153</u>

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

**TOWN OF GEORGETOWN
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - CONTINUED
FOR THE YEAR ENDED APRIL 30, 2021**

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	Business-type Activities - Enterprise Funds		
	Sewer Fund	Water Fund	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income (loss)	\$ (129,353)	\$ 144,302	\$ 14,949
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:			
Depreciation	858,931	371,982	1,230,913
Changes in assets, deferred outflows and inflows of resources and liabilities:			
Receivables	34,971	14,309	49,280
Prepaid items	(233)	-	(233)
Accounts payable	117	3,442	3,559
Net change in pension liabilities	(3,691)	(3,467)	(7,158)
Net change in accrued liabilities	1,692	1,584	3,276
Net change in compensated absences	3,050	1,806	4,856
Unearned revenue	(26,947)	-	(26,947)
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 738,537	\$ 533,958	\$ 1,272,495

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

1. Reporting Entity

The accompanying financial statements include police, streets, water and sewer service, recreation and general administrative services that are legally controlled by or dependent on the Town Council (the primary government). The Town's financial reporting entity is required to consist of all organizations for which the Town is financially accountable or for which there is a significant relationship.

2. Basic Financial Statements - Government-wide Statements

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

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

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Basic Financial Statements - Fund Financial Statements

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

The following fund types are used by the Town:

Governmental Fund

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

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

Proprietary Funds

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

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

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Basic Financial Statements - Fund Financial Statements - Continued

Major and Nonmajor Funds

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

4. Basis of Accounting/Measurement Focus

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

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. **Cash and Cash Equivalents**

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

6. **Receivables**

Receivables of other than miscellaneous are reported at their gross value. All service and property tax receivables are considered fully collectible. Miscellaneous receivables are reported net of a reserve for bad debts of \$ 49,521.

7. **Capital Assets**

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

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

<u>Assets</u>	<u>Years</u>
Sewer and water infrastructure	5 - 50 years
Streets and storm drains	40 years
Buildings and improvements	7 - 40 years
Machinery and equipment	3 - 10 years

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

8. Unearned Revenue

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

9. Investments

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

10. Deferred Outflows/Inflows of Resources

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

11. Equity Classifications

Government-wide and Proprietary Fund Net Position

Net position is classified and displayed in three components:

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

Governmental Fund Balances

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

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

11. Equity Classifications - Continued

Use of Restricted Resources

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

12. Property Assessment

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

13. Compensated Absences

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

14. Interfund Activity

Interfund activity is reported as either loans or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. All other interfund transactions are treated as transfers and are not required to be repaid by the funds. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements. Transferred funds are used for operational purposes by the recipient fund. The general fund received \$ 678,718 and \$ 120,167 of net transfers from the sewer and water funds, respectively, during the year.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

15. Budgets and Budgetary Accounting

The budget in these financial statements is presented on a basis consistent with accounting principles generally accepted in the United States of America. Final budgeted amounts are as amended at April 30, 2021. Unexpected appropriations lapse at year end.

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

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

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

16. Use of Estimates

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

17. Interest Costs

The Town has adopted GASBS Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This statement requires that interest cost incurred before the end of a construction period be recognized as an expenditure/expense in the period in which the cost is incurred for both the fund financial statements and the government-wide financial statements. Interest expense totaling \$ 52,023 was expensed this year for governmental activities. Interest expensed in the business-type activities totaled \$ 194,426 for the year.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

18. Pensions

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

NOTE B - DEPOSITS AND INVESTMENTS

All deposits are in various financial institutions and are carried at cost. Transactions are made directly with the banks and securities dealers. At April 30, 2021, the carrying amount of the Town's deposits was \$ 7,584,937 and the bank balance was \$ 7,641,295. Of the bank balance, \$ 1,300,759 was insured by federal depository insurance, \$ 6,083,542 was insured by pledged collateral and \$ 256,994 was uninsured and uncollateralized at year end. The Town's policy is to obtain additional collateral on balances held by financial institutions.

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

NOTE B - DEPOSITS AND INVESTMENTS - CONTINUED

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

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town stresses safety of principal as investments are made with judgment and care. U.S. government securities are not considered to have credit risk and, therefore, their credit risk is not disclosed. Mortgage investments have an AAA credit rating at year end.

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

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

The Town's investments as detailed below totaling \$ 43,332 for U.S. Treasuries (\$ 25,629), Federal Home Loan Mortgage Corporation (\$ 9,901) and Federal National Mortgage Association (\$ 7,802) are classified as Level 2 inputs of the fair value hierarchy. These investments are valued using matrix pricing techniques maintained by various pricing vendors. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by the Town's custodian bank.

NOTE B - DEPOSITS AND INVESTMENTS - CONTINUED

The Town has authorized the following investments:

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

The Town had the following investments at April 30, 2021:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 - 5	6 - 10	More than 10
U.S. Treasuries	\$ 25,629	\$ -	\$ -	\$ 9,576	\$ 16,053
Federal Home Loan Mortgage Corporation	9,901	12	298	-	9,591
Federal National Mortgage Association	7,802	-	124	-	7,678
Total Investments	\$ 43,332	\$ 12	\$ 422	\$ 9,576	\$ 33,322

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

Cash on hand	\$ 500
Carrying amount of deposits	7,584,937
Carrying amount of investments	43,332
TOTAL	\$ 7,628,769
Cash and cash equivalents	\$ 1,656,724
Cash and cash equivalents - restricted	5,928,713
Investments - restricted	43,332
TOTAL	\$ 7,628,769

NOTE C - CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2021, was as follows:

	Balance at April 30, 2020	Increases	Decreases	Balance at April 30, 2021
Governmental Activities:				
Capital assets, not being depreciated:				
Land and parks	\$ 431,586	\$ -	\$ -	\$ 431,586
Other capital assets:				
Buildings and improvements	3,520,876	8,750	-	3,529,626
Equipment	1,786,968	115,122	237,927	1,664,163
Streets and storm drains	8,411,091	54,294	-	8,465,385
Total other capital assets	<u>13,718,935</u>	<u>178,166</u>	<u>237,927</u>	<u>13,659,174</u>
Less accumulated depreciation for other capital assets				
Building and improvements	1,225,578	75,516	-	1,301,094
Equipment	1,375,381	134,240	17,725	1,491,896
Streets and storm drains	3,148,450	367,156	220,081	3,295,525
Total accumulated depreciation	<u>5,749,409</u>	<u>576,912</u>	<u>237,806</u>	<u>6,088,515</u>
Other capital assets, net	<u>7,969,526</u>	<u>(398,746)</u>	<u>121</u>	<u>7,579,659</u>
Governmental Activities Capital Assets, Net	<u>\$ 8,401,112</u>	<u>\$ (398,746)</u>	<u>\$ 121</u>	<u>\$ 8,002,245</u>

The Town entered into five-year capital leases for certain vehicles totaling \$ 125,936, \$ 18,308 and \$ 98,116 during the fiscal years ended April 30, 2016, 2017 and 2018, respectively. These vehicles have been capitalized and depreciated under equipment for governmental activities. There were no new capital leases for the Town during the fiscal year ended April 30, 2021. The future minimum lease payments to Fulton Bank, N.A. for these capital leases are detailed in Note E under governmental activities.

NOTE C - CAPITAL ASSETS - CONTINUED

	Balance at April 30, 2020	Increases	Decreases	Balance at April 30, 2021
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,071,128	\$ -	\$ -	\$ 1,071,128
Construction in progress	114,376	76,697	12,500	178,573
Total capital assets, not being depreciated	<u>1,185,504</u>	<u>76,697</u>	<u>12,500</u>	<u>1,249,701</u>
Other capital assets:				
Plant equipment and extensions	55,380,637	76,228	3,717	55,453,148
Less accumulated depreciation for other capital assets	<u>22,347,319</u>	<u>1,230,913</u>	<u>3,717</u>	<u>23,574,515</u>
Other capital assets, net	<u>33,033,318</u>	<u>(1,154,685)</u>	<u>-</u>	<u>31,878,633</u>
Business-type Activities Capital Assets, Net	<u>\$ 34,218,822</u>	<u>\$ (1,077,988)</u>	<u>\$ 12,500</u>	<u>\$ 33,128,334</u>

Depreciation expense was charged to functions as follows:

Governmental Activities:		
General government		\$ 78,473
Public safety		113,303
Streets and grounds		<u>385,136</u>
Total Governmental Activities Depreciation Expense		<u>\$ 576,912</u>
Business-type Activities:		
Sewer		\$ 858,931
Water		<u>371,982</u>
Total Business-type Activities Depreciation Expense		<u>\$ 1,230,913</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, 2021, was \$ 3.17 per \$ 100 of assessed valuation for all real property and improvements, except for utility poles and wires, which were assessed at \$ 3.69 per \$ 100 of assessed valuation, with a total taxable valuation of \$ 52,567,936. Real property and improvements that are exempt from taxation due to State, Town or other tax-exempt ownership total \$ 15,442,170.

NOTE E - GENERAL OBLIGATION BONDS AND NOTES PAYABLE

At April 30, 2021, business-type general obligation bonds and notes payable are direct borrowings and are as follows:

	<u>Business-type</u>
Bond payable to the United States of America, interest at 3.25%, principal and interest payments of \$ 4,592 are payable quarterly until 2039, general obligation of the Town.	\$ 256,416
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.	987,215
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.	1,576,380
Water and Sewer bonds, Series 2011A, issued August 17, 2011, interest ranges from 1% to 4%, variable semi-annual payments at November 15 and May 15 until 2021, general obligation of the Town.	810,000
Bond payable to the United States of America, Department of Agriculture, Rural Utilities Service, interest at 2.125%, principal and interest payments of \$ 14,761 are payable quarterly until 2052, general obligation of the Town.	1,303,887
Bond payable to the State of Delaware, interest at 2.39%, semi-annual payments until 2029, general obligation of the Town. Total bonds authorized were \$ 556,500. Total advanced \$ 93,062, remaining funds not utilized.	39,251
Bond payable to the United States of America, Department of Agriculture, Rural Utilities Service, interest at 2.25%, principal and interest payments of \$ 8,496 are payable quarterly until 2050, general obligation of the Town.	725,447
Bond payable to the State of Delaware, interest at 2%, semi-annual payments until 2030, general obligation of the Town. Total bonds authorized were \$ 490,000. Total advanced \$ 398,795, remaining funds not utilized.	<u>228,170</u>
TOTAL	5,926,766
ADD: Unamortized bond premium	<u>5,765</u>
TOTAL GENERAL OBLIGATION BONDS FROM DIRECT BORROWINGS	<u><u>\$ 5,932,531</u></u>

NOTE E - GENERAL OBLIGATION BONDS AND NOTES PAYABLE - CONTINUED

The total debt service payments for the ensuing years for business-type activities are as follows:

Years Ending April 30	Business-type Activities - General Obligation Bonds - Direct Borrowings		
	Principal	Interest	Total
2022	\$ 1,192,728	\$ 153,685	\$ 1,346,413
2023	393,143	131,119	524,262
2024	403,852	120,409	524,261
2025	414,868	109,394	524,262
2026	426,195	98,066	524,261
2027 - 2031	811,161	385,831	1,196,992
2032 - 2036	620,298	288,154	908,452
2037 - 2041	703,431	181,837	885,268
2042 - 2046	543,955	77,303	621,258
2047 - 2051	415,249	23,810	439,059
2052	1,886	26	1,912
TOTAL	\$ 5,926,766	\$ 1,569,634	\$ 7,496,400

At April 30, 2021, governmental activities general obligation bond and notes payable are direct borrowings and are as follows:

	Governmental
Bond payable to USDA, interest at 2.75%; principal and interest payments of \$ 7,874 are paid monthly until 2049; general obligation of the Town.	\$ 1,868,542
Notes payable to Fulton Bank, N.A., interest payable at 3.28%, principal and interest payments due annually until 2022; general obligation of the Town.	19,938
TOTAL GENERAL OBLIGATION BOND AND NOTES PAYABLE FROM DIRECT BORROWINGS	\$ 1,888,480

NOTE E - GENERAL OBLIGATION BONDS AND NOTES PAYABLE - CONTINUED

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

<u>Years Ending April 30</u>	Governmental Activities - General Obligation Bond - Direct Borrowings		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 43,643	\$ 50,845	\$ 94,488
2023	44,859	49,629	94,488
2024	45,975	48,513	94,488
2025	47,388	47,100	94,488
2026	48,708	45,780	94,488
2027 - 2031	264,532	207,908	472,440
2032 - 2036	303,410	169,030	472,440
2037 - 2041	348,209	124,231	472,440
2042 - 2046	399,496	72,944	472,440
2047 - 2052	322,322	16,564	338,886
TOTAL	\$ 1,868,542	\$ 832,544	\$ 2,701,086

<u>Years Ending April 30</u>	Governmental Activities - Notes Payable - Direct Borrowings		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 19,938	\$ 654	\$ 20,592
TOTAL	\$ 19,938	\$ 654	\$ 20,592

NOTE E - GENERAL OBLIGATION BONDS AND NOTES PAYABLE - CONTINUED

Long-term Liability Activity

Long-term liability activity for governmental activities for the year ended April 30, 2021, was as follows:

	<u>April 30, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>April 30, 2021</u>	<u>Due Within One Year</u>
Governmental Activities:					
General obligation bond from direct borrowings	\$ 1,911,007	\$ -	\$ 42,465	\$ 1,868,542	\$ 43,643
Notes payable from direct borrowings	39,241	-	19,303	19,938	19,938
Compensated absences	412,645	331,193	331,600	412,238	412,238
Net pension liability	474,229	-	218,077	256,152	-
Total Governmental Activities	<u>\$ 2,837,122</u>	<u>\$ 331,193</u>	<u>\$ 611,445</u>	<u>\$ 2,556,870</u>	<u>\$ 475,819</u>

NOTE E - GENERAL OBLIGATION BONDS AND NOTES PAYABLE - CONTINUED

Long-term liability activity for business-type activities for the year ended April 30, 2021, was as follows:

	<u>April 30, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>April 30, 2021</u>	<u>Due Within One Year</u>
Business-type Activities:					
General obligation bonds from direct borrowings	\$ 7,079,817	\$ -	\$ 1,153,051	\$ 5,926,766	\$ 1,192,728
Unamortized bond premium	<u>15,653</u>	<u>-</u>	<u>9,888</u>	<u>5,765</u>	<u>-</u>
Total general obligation bonds from direct borrowings	7,095,470	-	1,162,939	5,932,531	1,192,728
Compensated absences	85,921	42,229	37,374	90,776	90,776
Net pension liability	<u>66,026</u>	<u>-</u>	<u>41,859</u>	<u>24,167</u>	<u>-</u>
Total Business-type Activities	<u>\$ 7,247,417</u>	<u>\$ 42,229</u>	<u>\$ 1,242,172</u>	<u>\$ 6,047,474</u>	<u>\$ 1,283,504</u>

As described in Note C, the Town's capital leases owed to Fulton Bank, N.A., are listed as outstanding notes payable from direct borrowings related to the governmental activities totaling \$ 19,938. These notes contain a provision that in an event of default, (1) outstanding amounts become immediately due if the Town is unable to make payments and/or (2) the Town will be required to return the leased assets at no cost for the lessor. These notes do not contain a subjective clause.

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

NOTE F - PENSION PLANS

Plan Description

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

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

NOTE F - PENSION PLANS - CONTINUED

Plan Description - Continued

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

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

NOTE F - PENSION PLANS - CONTINUED

Contributions

Non-police employees of the Town are required to contribute 3% of their gross earnings over \$ 6,000 to the pension plan. Police employees are required to contribute 7% of their base pay to the police pension plan. The Town makes monthly contributions as required by State statutes. During the year ended April 30, 2021, the Town was required to contribute 7.06% and 16.59% of its gross payroll to the Other Employees' Plan and Police's Plan, respectively. Those amounts contributed to the pension plan from the Town were \$ 96,792 for the Other Employees' Plan and \$ 228,892 for the Police's Plan for the year ended April 30, 2021.

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

Pension Liabilities

For the Other Employees' Plan at April 30, 2021, the Town reported a liability of \$ 56,853 for its proportionate share of the net pension liability that is allocated amongst the Town's funds. For the Police's Plan, the Town reported a liability of \$ 223,466 for its proportionate share of the net pension liability. The net pension liabilities for both of these plans were measured as of June 30, 2019. The collective total pension liability for the June 30, 2020, measurement date was determined by an actuarial valuation as of June 30, 2019, and update procedures were used to roll forward the total pension liability to June 30, 2020. The Town's proportion for both of the plans were based on an election made by the Plans' Board of Pension Trustees to allocate the employer's proportionate share of the collective pension amounts based on the percentage of actual employer contributions. At June 30, 2020, the Town's proportion was 2.68% and 1.45% for the Other Employees' Plan and the Police's Plan, respectively, which was a decrease of .13% and increase of .02%, respectively, from its proportion valuation as of June 30, 2019.

Pension Expense

For the year ended April 30, 2021, the Town recognized pension expense of \$ 84,530 and \$ 221,564 for the Other Employees' Plan and the Police's Plan, respectively.

NOTE F - PENSION PLANS - CONTINUED

Deferred Inflows/Outflows of Resources Related to Pensions

At April 30, 2021, the Town reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		
	<u>Other Employees' Plan</u>	<u>Police's Plan</u>	<u>Total</u>
Governmental Activities			
Net differences between expected and actual experience	\$ 22,908	\$ 222,337	\$ 245,245
Changes of assumptions	19,320	82,507	101,827
Changes in proportion and differences between Town contributions and proportionate share of contributions	107	12,286	12,393
Town contributions subsequent to the measurement date	34,060	194,758	228,818
	<u>34,060</u>	<u>194,758</u>	<u>228,818</u>
Total Governmental Activities Deferred Outflows of Resources	<u>\$ 76,395</u>	<u>\$ 511,888</u>	<u>\$ 588,283</u>
Business-type Activities			
Net differences between expected and actual experience	\$ 16,806	\$ -	\$ 16,806
Changes of assumptions	14,174	-	14,174
Net difference between projected and actual investment earnings on pension plan investments	-	-	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	79	-	79
Town contributions subsequent to the measurement date	47,799	-	47,799
	<u>47,799</u>	<u>-</u>	<u>47,799</u>
Total Business-type Activities Deferred Outflows of Resources	<u>\$ 78,858</u>	<u>\$ -</u>	<u>\$ 78,858</u>

The \$ 81,859 (\$ 34,060 for governmental activities and \$ 47,799 for business-type activities) and the \$ 194,758 total reported as part of the deferred outflows of resources for both the Other Employees' Plan and the Police's Plan, respectively, are related to pensions resulting from the Town's contributions subsequent to the measurement date. These contributions will be recognized as a reduction of the net pension liability in the year ended April 30, 2022.

NOTE F - PENSION PLANS - CONTINUED

Deferred Inflows/Outflows of Resources Related to Pensions - Continued

At April 30, 2021, the Town reported deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Inflows of Resources</u>		
	<u>Other Employees' Plan</u>	<u>Police's Plan</u>	<u>Total</u>
Governmental Activities			
Net differences between expected and actual experience	\$ 18,427	\$ 70,412	\$ 88,839
Changes of assumptions	-	33,759	33,759
Net difference between projected and actual investment earnings on pension plan investments	19,535	158,433	177,968
Changes in proportion and differences between Town contributions and proportionate share of contributions	<u>6,916</u>	<u>5,394</u>	<u>12,310</u>
Total Governmental Activities Deferred Inflows of Resources	<u>\$ 44,878</u>	<u>\$ 267,998</u>	<u>\$ 312,876</u>
Business-type Activities			
Net differences between expected and actual experience	\$ 21,686	\$ -	\$ 21,686
Net difference between projected and actual investment earnings on pension plan investments	22,986	-	22,986
Changes in proportion and differences between Town contributions and proportionate share of contributions	<u>8,136</u>	<u>-</u>	<u>8,136</u>
Total Business-type Activities Deferred Inflows of Resources	<u>\$ 52,808</u>	<u>\$ -</u>	<u>\$ 52,808</u>

The change in the employer proportionate share for both the deferred outflows of resources and the deferred inflows of resources are the amounts of the difference between the employer proportionate share of net pension liability in the prior year compared to the current year. This change in proportion is amortized over the average of the expected remaining service lives of all plan members, which are 8 years and 9 years for the Other Employees' Plan and the Police's Plan, respectively.

NOTE F - PENSION PLANS - CONTINUED

Deferred Inflows/Outflows of Resources Related to Pensions - Continued

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

<u>Years Ending April 30</u>	<u>Other Employee's Plan</u>	<u>Police's Plan</u>	<u>Total</u>
2022	\$ (32,642)	\$ (53,242)	\$ (85,884)
2023	(11,595)	(15,966)	(27,561)
2024	15,942	21,530	37,472
2025	(483)	(6,038)	(6,521)
2026	897	32,642	33,539
Thereafter	3,589	70,206	73,795

Actuarial Assumptions

The actuarial assumptions for the June 30, 2020, measurement date that is being applied to the April 30, 2021, period for both Plans were determined by an actuarial valuation as of June 30, 2019, and as mentioned, update procedures were used to roll forward the total pension liability to June 30, 2020.

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

	<u>Other Employee's Plan</u>	<u>Police's Plan</u>
Actuarial assumptions:		
Investment rate of return/Discount rate*	7.0%	7.0%
Projected salary increases*	2.5% + Merit	2.5% + Merit
Cost-of-living adjustments (COLAs)	0.0%	0.0%

**Inflation is included at 2.5% for both Plans.*

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

Mortality assumptions for the June 30, 2020, reporting period are based on the RP-2014 tables with gender adjustments for healthy annuitants and disabled retirees and an adjusted version on MP-2015 mortality improvement scale on a fully generational basis.

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

NOTE F - PENSION PLANS - CONTINUED

Actuarial Assumptions - Continued

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

Asset Class	Long-term Expected Real Rate of Return	Asset Allocation
Domestic equity	5.7%	28.5%
International equity	5.7	15.2
Fixed income	2.0	28.8
Alternative investments	7.8	23.0
Cash and cash equivalents	-	4.5

Discount Rate

The discount rate used to measure the total pension liability for both Plans was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members for both Plans will be made at the current contribution rates and that contributions from employers will be made at rates actuarially determined by the Board of Pension Trustees. Based on those assumptions, both Plans' fiduciary net position were projected to be available to make all projected future benefit payments of the Plans' current members. Therefore, the long-term expected rate of return on pension investments for both Plans were applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the Town's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.0% for both Plans, as well as what the Plans' net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Other Employees' Plan	\$ 345,213	\$ 56,853	\$ (179,820)
Police's Plan	1,243,878	223,466	(609,368)

NOTE F - PENSION PLANS - CONTINUED

Pension Plan Fiduciary Net Position

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

NOTE G - OPERATING LEASES

The Town leases various equipment under operating leases in the general fund. Minimum rental payments are due on various contracts through 2030. The Town rents land for the sewer plant's spray irrigation system. The land leases contain renewal options. Operating lease expenses incurred in the General and Proprietary Funds were \$ 99,927 and \$ 113,156, respectively. Future minimum rental payments are as follows:

<u>Years Ending April 30</u>	<u>General Fund</u>	<u>Proprietary Fund</u>	<u>Total</u>
2022	\$ 93,953	\$ 66,801	\$ 160,754
2023	92,105	56,506	148,611
2024	71,559	58,030	129,589
2025	59,672	57,227	116,899
2026	18,317	55,523	73,840
2027	-	57,189	57,189
2028	-	58,905	58,905
2029	-	60,672	60,672
2030	-	62,492	62,492
TOTAL	<u>\$ 335,606</u>	<u>\$ 533,345</u>	<u>\$ 868,951</u>

NOTE H - RISK MANAGEMENT

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

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

NOTE I - PENDING GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS

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

- GASBS No. 87, *Leases*, effective for the fiscal year beginning after May 1, 2021.
- GASBS No. 91, *Conduit Debt Obligations*, effective for the fiscal year beginning after May 1, 2021.
- GASBS No. 92, *Omnibus 2020*, effective for the fiscal year beginning after May 1, 2021 (for topics related to Leases); effective for the fiscal year beginning after May 1, 2022 (for other topics discussed within this statement).
- GASBS No. 93, *Replacement of Interbank Offered Rates*, effective for the fiscal year beginning after May 1, 2023.
- GASBS No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, effective for the fiscal year beginning after May 1, 2023.
- GASBS No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, effective immediately.
- GASBS No. 96, *Subscription-Based Information Technology Arrangements*, effective for the fiscal year beginning after May 1, 2023.
- GASBS No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans-an amendment of GASB Statements No. 14 and No. 84 and a supersession of GASB Statement No. 32*, effective for the fiscal year beginning after May 1, 2022.

NOTE J - EMPLOYEE HEALTH PLAN

The Town is exposed to the risk of loss related to employee medical expenses. During fiscal year 2021, the Town maintained a self-insured plan for employee medical expenses in which expenses per employee were covered annually (\$ 60,000 and \$ 60,000 for the calendar years 2021 and 2020, respectively). The Town had an estimated maximum aggregate exposure of \$ 587,183 with no laser risk for the calendar year 2021. The Town had an estimated maximum aggregate exposure of \$ 596,878, plus a laser risk of \$ 60,000 for the calendar year 2020. The maximum for projected health reimbursement account (HRA) claims was \$ 9,713 and \$ 25,296 for the calendar years 2021 and 2020, respectively. The employee health plan is administered by an outside agency.

NOTE J - EMPLOYEE HEALTH PLAN - CONTINUED

Contributions from the Town and employee withholdings are deposited into a reserve fund to pay prior and current-year claims and premiums. Estimated risks and losses are based upon historical costs, financial analyses and estimated effects of plan changes. The claims liability reported in the general fund at April 30, 2021, is based on the requirements of GASBS No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The liability is included in the accrued liabilities total on the balance sheet. Changes in the Fund's claims liability during the past two fiscal years were as follows:

Year	Balance at Beginning of Year	Current-Year Premiums, Claims and Changes in Estimates	Premiums and Claims Payments	Balance at End of Year
2021	\$ 27,468	\$ 989,807	\$ (841,212)	\$ 176,063
2020	27,597	798,767	(798,896)	27,468

NOTE K - TAX ABATEMENTS

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

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

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

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

NOTE K - TAX ABATEMENTS - CONTINUED

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

Building permit fee reduction - All eligible projects will be given a reduction in the building permit fee based on the value of the improvement. The reduction amount ranges from a minimum of fifteen percent (15%) to a maximum of seventy five percent (75%). The building permit fee reduction was less than \$ 1,000 during the fiscal year.

The reductions in fees are illustrated below:

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

Emergency Services and Georgetown Recreation, Education and Arts Trust Fund Fee Reduction (GREAT Fund) - All eligible projects will be assessed a 50% reduction in fees for the emergency services and GREAT Fund fee for new construction. The fee is calculated using the value of the new construction and a sliding scale as described in the Town’s Code. The GREAT Fund fee reduction was less than \$ 1,000 during the fiscal year.

The reduction in fees is illustrated below:

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

Impact Fee (Water and Sewer) Reduction - All eligible projects of a commercial nature will be assessed at a twenty percent (20%) reduction from the Town’s adopted water and sewer impact fees at the time of building permit issuance. Projects that have a mixed-use nature (commercial / residential) will be assessed a thirty-five percent (35%) reduction from the adopted water and sewer impact fees at the time of building permit issuance. The fee calculation will be based on one equivalent dwelling unit (EDU) per unit, with additional EDU’s being calculated at the end of the first twelve months in operation. The sewer and water impact fees are described in the Town’s Code. The impact fee reduction was less than \$ 1,000 during the fiscal year.

NOTE K - TAX ABATEMENTS - CONTINUED

Sign, Façade and Awning Grant - All eligible projects can apply to participate in the Town of Georgetown Sign, Façade and Awning Grant program. This program is designed to provide funding towards the purchase and/or construction of signs, façade and awnings for any building that meets the eligibility requirements within the Downtown Development District. The Town will provide \$ 3,000 annually in order to fund a maximum of six matching grants of \$ 500 each year. There were no grant applications during the year.

NOTE L - CONTRACTS

The Town is obligated to pay benefits to certain employees who have entered into employment contracts with the Town in the case of involuntary termination without cause. As of April 30, 2021, no amount was owed under these contracts.

In September of 2021, The Town executed a new four-year agreement with the Georgetown Fraternal Order of Police Bargaining Unit that begins May 1, 2021, and ends April 30, 2025. The agreement provides for certain rights and benefits to the Town's police officers.

NOTE M - COMMITMENTS AND CONTINGENCIES

The Town made commitments to borrow funds from the State of Delaware that are from federal and state sources totaling \$ 1,255,000. The funds will be used to rehabilitate the Town's water utility infrastructure along Market and Bedford Streets. The Town has incurred costs totaling \$ 24,988 during the current year related to these projects but has not drawn down on any of the loans as of April 30, 2021.

For the same utility project, the Town entered into a construction contract agreement in February 2021 totaling \$ 1,668,668. The Town did not incur any projects costs before the end of April 30, 2021.

In August of 2018, the Town executed an amended agreement that supersedes the existing 2008 and 2010 contract agreements with Sussex County, Delaware (the County) to provide wastewater treatment services for the Coastal Business Park and Coastal Airport for ten years. The amended agreement stipulates that the County will have the option to surrender wastewater services by re-directing its capacity to an alternate system. In October of 2019, the County provided its twelve-month written notice to the Town that it will surrender 100% of its allocated wastewater capacity. The Town is responsible for impact fee credit payments to the County for actual capacity (flow) surrendered at the time of the notice to surrender totaling \$ 1,428,200, as recalculated using the Town's current impact fee rates as of the date of notice of the surrender (October 2019) of wastewater capacity. Amounts will be owed to the County as new users are connected to the system. The payments will not become due until May 2023.

NOTE M - COMMITMENTS AND CONTINGENCIES - CONTINUED

In September of 2019, Town entered into an agreement with Sussex County, Delaware (the County) to dispose of bio-solids produced at the Town's Cedar Lane Wastewater Treatment Facility upon completion of the County's Inland Bays Regional Wastewater Facility for a term of twenty years. The treatment fee will be \$ 300 per dry-ton treated by the County's facility per calendar year. The fees will be revised each year based on a factor of the overall cost of maintenance and operations at the County's facility during the previous calendar year divided by the total number of dry-tons processed during that calendar year. As of April 30, 2021, the County has not completed its wastewater facility to accept the Town's bio-solids and has not incurred any fees related to this agreement.

NOTE N - SUBSEQUENT EVENT

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the COVID-19 outbreak) and the risks to the international community as the virus spread globally. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. During the current year, the Town was negatively impacted (minimally) by the effects of the worldwide coronavirus pandemic. The Town is continuing to closely monitor its operations, liquidity and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the full impact to the Town's financial position is not known and the financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In June of 2020, the Town entered into a twenty-year water interconnection agreement with Sussex County, Delaware (the County). The Town and the County will interconnect their respective water systems for shared future bulk water purchase through the connection point. The County is responsible for the design, the installation and the commission of the project. Upon completion of the project, the Town will be responsible for paying a one-time 50% cost share of the direct expenses of the total project cost. The infrastructure and related future maintenance costs will be cost-shared between the Town and the County. The Town and the County agreed to pay each other for the net water usage through the interconnection on a monthly basis. As of April 30, 2021, the County has not completed the water project to determine the Town's cost-share amount.

The Town issued new bonds and refinanced its existing USDA general obligation bonds on May 6, 2021, totaling \$ 3,055,000 for both the water and sewer funds. The bond payments will be due semi-annually on June 1 and December 1 with an interest rate ranging from 1% to 3%. The note will mature on December 1, 2031.

After April 30, 2021, federal funds were committed to the Town totaling \$ 4,083,126 from the American Rescue Plan Act of 2021 (ARPA) Coronavirus State and Local Fiscal Recovery Funds. The Town was initially advanced \$ 2,041,563, which are planned to be primarily used for the Town's sewer and/or water infrastructure. Project guidelines are to be submitted by the Town for final approval of costs. All expenditures of ARPA funds are approved by the Town Council at regular, advertised and properly noticed meetings.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF GEORGETOWN
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - COUNTY & MUNICIPAL
OTHER EMPLOYEES' PENSION PLAN - A COST SHARING DEFINED BENEFIT PENSION PLAN (LAST 10 YEARS*)
FOR THE YEAR ENDED APRIL 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Town's proportion of the net pension liability (asset)	2.68%	2.81%	2.99%	2.98%	3.39%	3.57%
Town's proportionate share of the net pension liability (asset)	\$ 56,853	\$ 128,827	\$ 94,095	\$ 192,916	\$ 210,123	\$ 1,522
Town's covered payroll	\$ 1,329,281	\$ 1,236,149	\$ 1,178,122	\$ 1,105,145	\$ 1,101,304	\$ 1,074,479
Town's proportionate share of the net pension liability as a percentage of its covered payroll	4.28%	10.42%	7.99%	17.46%	19.08%	0.14%
Plan fiduciary net position as a percentage of the total pension liability	96.95%	92.74%	94.41%	87.62%	86.38%	99.89%

Notes to Schedule:

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

*Fiscal year April 30, 2016 was the first year of implementation, therefore only six years are shown.

TOWN OF GEORGETOWN

SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - COUNTY & MUNICIPAL
 POLICE AND FIREFIGHTERS' PENSION PLAN - A COST SHARING DEFINED BENEFIT PENSION PLAN (LAST 10 YEARS*)
 FOR THE YEAR ENDED APRIL 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Town's proportion of the net pension liability (asset)	1.45%	1.43%	1.44%	1.33%	1.48%	1.17%
Town's proportionate share of the net pension liability (asset)	\$ 223,466	\$ 411,428	\$ 331,784	\$ 133,619	\$ 234,611	\$ (61,460)
Town's covered payroll	\$ 1,342,232	\$ 1,261,348	\$ 1,184,825	\$ 1,072,927	\$ 1,024,631	\$ 838,243
Town's proportionate share of the net pension liability as a percentage of its covered payroll	16.65%	32.62%	28.00%	12.45%	22.90%	7.33%
Plan fiduciary net position as a percentage of the total pension liability	96.67%	93.25%	94.10%	97.00%	94.70%	101.97%

Notes to Schedule:

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

*Fiscal year April 30, 2016 was the first year of implementation, therefore only six years are shown.

TOWN OF GEORGETOWN
SCHEDULE OF CONTRIBUTIONS - COUNTY & MUNICIPAL OTHER EMPLOYEES' PENSION PLAN - A COST
SHARING DEFINED BENEFIT PENSION PLAN (LAST 10 YEARS*)
FOR THE YEAR ENDED APRIL 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutorily required contributions (actuarially determined)	\$ 96,792	\$ 95,034	\$ 89,828	\$ 84,513	\$ 73,644	\$ 68,823
Contributions in relation to the actuarially required contributions	<u>(96,792)</u>	<u>(95,034)</u>	<u>(89,828)</u>	<u>(84,513)</u>	<u>(73,644)</u>	<u>(68,823)</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 1,364,741	\$ 1,329,281	\$ 1,236,149	\$ 1,178,122	\$ 1,105,145	\$ 1,101,304
Contributions as a percentage of covered payroll	7.09%	7.15%	7.27%	7.17%	6.66%	6.25%

Notes to Schedule:

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

*Fiscal year April 30, 2016 was the first year of implementation, therefore only six years are shown.

TOWN OF GEORGETOWN
SCHEDULE OF CONTRIBUTIONS - COUNTY & MUNICIPAL POLICE AND FIREFIGHTERS' PENSION PLAN - A COST
SHARING DEFINED BENEFIT PENSION PLAN (LAST 10 YEARS*)
FOR THE YEAR ENDED APRIL 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutorily required contributions (actuarially determined)	\$ 228,892	\$ 221,682	\$ 200,452	\$ 142,741	\$ 147,891	\$ 142,361
Contributions in relation to the actuarially required contributions	<u>(228,892)</u>	<u>(221,682)</u>	<u>(200,452)</u>	<u>(142,741)</u>	<u>(147,891)</u>	<u>(142,361)</u>
Contributions deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 1,376,644	\$ 1,342,232	\$ 1,261,348	\$ 1,184,825	\$ 1,072,927	\$ 1,024,631
Contributions as a percentage of covered payroll	16.63%	16.52%	15.89%	12.05%	13.78%	13.89%

Notes to Schedule:

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

*Fiscal year April 30, 2016 was the first year of implementation, therefore only six years are shown.

SUPPLEMENTARY INFORMATION

TOWN OF GEORGETOWN
SCHEDULE OF GENERAL FUND REVENUES AND OTHER FINANCING SOURCES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED APRIL 30, 2021

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	Original and Final Budget	Actual	Variance with Budget Positive (Negative)
TAXES AND FEES			
Courthouse municipality fees	\$ 500,000	\$ 762,100	\$ 262,100
Property and capitation taxes	1,672,938	1,667,268	(5,670)
Realty transfer tax	125,000	265,043	140,043
Lodging tax	75,000	135,879	60,879
Penalties	17,000	20,415	3,415
TOTAL TAXES AND FEES	2,389,938	2,850,705	460,767
INTERGOVERNMENTAL			
Street grants	167,500	333,086	165,586
Police grants	147,000	474,961	327,961
Police pension	92,000	108,426	16,426
TOTAL INTERGOVERNMENTAL	406,500	916,473	509,973
CHARGES FOR SERVICES			
Trash pickup	482,500	501,420	18,920
Business and rental licenses	210,000	211,559	1,559
Permits and variances	50,000	68,968	18,968
Planning and zoning fees	15,000	33,587	18,587
TOTAL CHARGES FOR SERVICES	757,500	815,534	58,034
FINES AND PARKING			
Parking meters and fines	35,000	3,384	(31,616)
Court fines	80,000	55,401	(24,599)
TOTAL FINES AND PARKING	115,000	58,785	(56,215)
MISCELLANEOUS			
State and local in lieu of taxes	85,000	95,713	10,713
Franchise fees	58,000	61,719	3,719
Investment income	-	1,239	1,239
Miscellaneous	135,065	284,908	149,843
TOTAL MISCELLANEOUS	278,065	443,579	165,514
TOTAL REVENUES	3,947,003	5,085,076	1,138,073
OTHER FINANCING SOURCES			
Transfers in, net	777,301	798,885	21,584
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 4,724,304	\$ 5,883,961	\$ 1,159,657

**TOWN OF GEORGETOWN
SCHEDULE OF GENERAL FUND EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED APRIL 30, 2021**

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	Original and Final Budget	Actual	Variance with Budget Positive (Negative)
GENERAL ADMINISTRATION			
Dues and donations	\$ 10,000	\$ 55,956	\$ (45,956)
Employee benefits	31,147	125,686	(94,539)
Gasoline and oil	1,300	256	1,044
Insurance	9,587	9,747	(160)
Lease expense	6,336	12,089	(5,753)
Meetings and conferences	3,000	2,753	247
Office	17,000	21,522	(4,522)
Payroll taxes	9,752	9,563	189
Pension expense	8,755	8,856	(101)
Professional services	130,000	117,444	12,556
Repairs and maintenance	3,000	903	2,097
Salaries	127,477	131,999	(4,522)
Special projects	5,000	6,835	(1,835)
Utilities	20,300	12,955	7,345
	<u>382,654</u>	<u>516,564</u>	<u>(133,910)</u>
PLANNING AND ZONING			
Employee benefits	20,018	17,627	2,391
Insurance	2,139	2,040	99
Office	8,200	4,943	3,257
Payroll taxes	4,391	4,221	170
Pension expense	4,016	4,010	6
Professional services	75,750	79,823	(4,073)
Salaries	57,395	56,318	1,077
Utilities	6,100	4,637	1,463
	<u>178,009</u>	<u>173,619</u>	<u>4,390</u>
PUBLIC SAFETY			
Employee benefits	494,346	452,965	41,381
Gasoline and oil	50,000	33,568	16,432
Insurance	70,036	74,248	(4,212)
Lease expense	86,983	56,468	30,515
Maintenance, supplies and materials	55,000	72,266	(17,266)
Meetings and conferences	2,500	-	2,500
Office	36,000	52,510	(16,510)
Payroll taxes	133,455	129,046	4,409
Pension expense	253,835	238,854	14,981
Professional services	62,000	279,968	(217,968)
Salaries	1,744,516	1,722,415	22,101
Utilities	30,500	27,440	3,060
	<u>3,019,171</u>	<u>3,139,748</u>	<u>(120,577)</u>

TOWN OF GEORGETOWN
 SCHEDULE OF GENERAL FUND EXPENDITURES - BUDGET AND ACTUAL - CONTINUED
 FOR THE YEAR ENDED APRIL 30, 2021

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	Original and Final Budget	Actual	Variance with Budget Positive (Negative)
STREETS AND GROUNDS			
Employee benefits	\$ 117,594	\$ 135,712	\$ (18,118)
Gasoline and oil	7,000	13,158	(6,158)
Insurance	19,039	19,521	(482)
Lease expense	33,990	31,370	2,620
Office	10,000	5,209	4,791
Payroll taxes	19,383	18,120	1,263
Pension expense	17,389	17,400	(11)
Professional services	43,000	38,278	4,722
Repairs and maintenance	75,000	499,426	(424,426)
Salaries	253,379	248,735	4,644
Special events	2,000	604	1,396
Street lights	165,000	135,880	29,120
Trash removal and fees	475,000	455,013	19,987
Utilities	15,000	3,740	11,260
	<u>1,252,774</u>	<u>1,622,166</u>	<u>(369,392)</u>
TOTAL STREETS AND GROUNDS			
DEBT SERVICE	<u>90,498</u>	<u>115,079</u>	<u>(24,581)</u>
CAPITAL OUTLAY			
General administration	60,000	105,450	(45,450)
Public safety	-	63,966	(63,966)
Streets and grounds	9,000	8,750	250
	<u>69,000</u>	<u>178,166</u>	<u>(109,166)</u>
TOTAL CAPITAL OUTLAY			
TOTAL EXPENDITURES	<u>\$ 4,992,106</u>	<u>\$ 5,745,342</u>	<u>\$ (753,236)</u>

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

Assessment Date	Assessed Property Values	
	Taxable	Non-taxable
May 1, 2011	\$ 45,386,077	\$ 14,733,100
May 1, 2012	45,214,117	15,115,650
May 1, 2013	46,036,221	15,182,400
May 1, 2014	46,575,180	15,107,468
May 1, 2015	47,496,370	15,739,405
May 1, 2016	48,119,764	15,502,881
May 1, 2017	48,860,666	15,378,705
May 1, 2018	49,632,369	15,215,742
May 1, 2019	50,720,750	15,253,680
May 1, 2020	52,567,936	15,442,170

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

TRUITT W. JEFFERSON
(1937 - 2016)

DAVID R. URIAN, DIRECTOR
RETIRED

KERRY L. HUDSON, CPA
DIRECTOR

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund of the Town of Georgetown, as of and for the year ended April 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Georgetown's basic financial statements, and have issued our report thereon dated November 17, 2021.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as Finding 2021-001 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Georgetown's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as Finding 2021-001.

The Town of Georgetown's Response to Findings

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

Purpose of this Report

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

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

Georgetown, Delaware
November 17, 2021

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

Current Year

Significant Deficiencies

Finding 2021-001 Financial Reporting

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

Criteria: The Town of Georgetown's financial statements and notes are required to be prepared in accordance with accounting principles generally accepted in the United States of America by personnel who possess sufficient knowledge and expertise.

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

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

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

Auditee Response: "Due to continued limited financial resources, the Town remains in a position whereby we are unable to hire an employee with the sufficient technical accounting expertise to completely prepare the Town's financial statements and notes in conformity with accounting principles generally accepted in the United States of America. Our current staff, involved with the processing of financial information, do possess bachelor and advanced degrees in Accounting and Business Administration. As an ongoing part of our budget process, we will investigate the possibility of hiring an internal resource or external contractor to address this deficiency."