

**TOWN OF GEORGETOWN**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED APRIL 30, 2020**

**TOWN OF GEORGETOWN  
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FOR THE YEAR ENDED APRIL 30, 2020**

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Georgetown as of and for the year ended April 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Georgetown as of April 30, 2020, 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 50 through 53 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 54 through 57 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2020, on our consideration of the Town of Georgetown's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Georgetown's internal control over financial reporting and compliance.

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

Georgetown, Delaware  
November 10, 2020

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

## **THE TOWN OF GEORGETOWN**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

#### **FOR FISCAL YEAR ENDED APRIL 30, 2020**

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, 2020.

#### **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, 2020, assets exceeded liabilities by \$ 41,529,064. Of this amount, the Town had unrestricted assets of \$ 2,686,257. The Town's total net position increased by \$ 3,975,750 during the year. The net increase was mainly caused by higher capital grants and contributions and grant revenues.

##### **FUND FINANCIAL STATEMENTS**

As of April 30, 2020, the Town's governmental funds reported an ending fund balance of \$ 5,402,171. This increased \$ 1,018,787 from the preceding year and was approximately 22% of budgeted expenditures.

#### **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

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

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



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

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

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

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

## **FUND FINANCIAL STATEMENTS**

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

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

### **GOVERNMENTAL FUNDS**

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

### **PROPRIETARY FUNDS**

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

### **MAJOR AND NON-MAJOR FUNDS**

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

## **NOTES TO THE FINANCIAL STATEMENTS**

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

## REQUIRED SUPPLEMENTARY INFORMATION

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

## SUPPLEMENTARY INFORMATION

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

## SINGLE AUDIT SUPPLEMENT

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

### TOWN OF GEORGETOWN'S SCHEDULE OF NET POSITION As of April 30, 2020 and 2019

	Governmental Activities		Business-type Activities		Total Government	
	2020	2019	2020	2019	2020	2019
Current and Other Assets	\$ 6,050,833	\$ 5,262,772	\$ 3,374,181	\$ 4,091,740	\$ 9,425,014	\$ 9,354,512
Capital Assets	8,401,112	8,213,136	34,218,822	35,079,865	42,619,934	43,293,001
Total Assets	<u>14,451,945</u>	<u>13,475,908</u>	<u>37,593,003</u>	<u>39,171,605</u>	<u>52,044,948</u>	<u>52,647,513</u>
Deferred Outflows of Resources	636,533	672,243	139,109	169,147	775,642	841,390
Current and Other Liabilities	1,045,505	2,730,373	1,688,700	1,848,252	2,734,205	4,578,625
Long-term Liabilities	2,362,712	419,405	6,008,897	10,659,816	8,371,609	11,079,221
Total Liabilities	<u>3,408,217</u>	<u>3,149,778</u>	<u>7,697,597</u>	<u>12,508,068</u>	<u>11,105,814</u>	<u>15,657,846</u>
Deferred Inflows of Resources	<u>155,481</u>	<u>230,485</u>	<u>30,231</u>	<u>47,258</u>	<u>185,712</u>	<u>277,743</u>
Net Position:						
Net Investment in Capital						
Assets	6,450,864	6,632,005	27,123,352	23,198,601	33,574,216	29,830,606
Restricted	2,805,958	2,670,558	2,462,633	3,217,270	5,268,591	5,887,828
Unrestricted	2,267,958	1,465,325	418,299	369,555	2,686,257	1,834,880
Total Net Position	<u>\$11,524,780</u>	<u>\$10,767,888</u>	<u>\$30,004,284</u>	<u>\$26,785,426</u>	<u>\$41,529,064</u>	<u>\$37,553,314</u>

The Governmental Activities Statement of Net Position is made up of cash, taxes receivable, restricted cash, other receivables, land improvements and other capital assets. Restricted net position consists of cash and investments, which are restricted as to their use by outside agencies and the Town ordinances. The Town borrowed \$ 433,024 to finance the Town Hall Renovation projects that were completed during the year. A total of \$ 1,925,000 from federal funds was used to refinance the Town's interim financing related to this project. The Town incurred \$ 216,741 in project costs during the year.

In the Business-type Activities, 90% 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 Town borrowed \$ 151,987 during the year to complete the ongoing water projects. A total of \$ 3,800,000 was advanced to the Town for these related projects, and the Town received loan forgiveness for these funds during the year upon project completion. A total of \$ 57,281 in improvement costs was incurred by the Town for the business-type activities during the year.

The following schedule reflects the breakdown of changes in net position for Governmental and Business-type Activities for fiscal years 2020 and 2019.

**TOWN OF GEORGETOWN'S CHANGES IN NET POSITION**  
**For the Years Ended April 30, 2020 and 2019**

	Governmental Activities		Business-type Activities		Total Government	
	2020	2019	2020	2019	2020	2019
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$ 1,435,060	\$ 1,678,137	\$ 3,633,730	\$ 3,511,263	\$ 5,068,790	\$ 5,189,400
Operating Grants and Contributions	1,274,204	1,486,462	251,175	1,731,904	1,525,379	3,218,366
Capital Grants and Contributions	403,547	-	4,064,006	7,003	4,467,553	7,003
General Revenues						
Property Taxes and Penalties	1,648,601	1,624,183	-	-	1,648,601	1,624,183
Realty Transfer Tax	343,526	234,271	-	-	343,526	234,271
Gain on Sale of Assets	-	850	-	600	-	1,450
Lodging Tax	47,101	-	-	-	47,101	-
Investment Income	2,312	1,700	-	-	2,312	1,700
Total Revenues	<u>5,154,351</u>	<u>5,025,603</u>	<u>7,948,911</u>	<u>5,250,770</u>	<u>13,103,262</u>	<u>10,276,373</u>
<b>Program Expenses</b>						
General Administration	589,550	649,825	-	-	589,550	649,825
Public Safety	3,042,543	2,826,443	-	-	3,042,543	2,826,443
Planning and Zoning	157,174	202,153	-	-	157,174	202,153
Streets and Grounds	1,716,812	1,788,759	-	-	1,716,812	1,788,759
Sewer Facility	-	-	2,283,689	2,275,384	2,283,689	2,275,384
Water Facility	-	-	1,337,744	1,211,617	1,337,744	1,211,617
Total Expenses	<u>5,506,079</u>	<u>5,467,180</u>	<u>3,621,433</u>	<u>3,487,001</u>	<u>9,127,512</u>	<u>8,954,181</u>
Increase (decrease) in Net Position before Transfers	(351,728)	(441,577)	4,327,478	1,763,769	3,975,750	1,322,192
Transfers	1,108,620	824,262	(1,108,620)	(824,262)	-	-
Increase in Net Position	<u>756,892</u>	<u>382,685</u>	<u>3,218,858</u>	<u>939,507</u>	<u>3,975,750</u>	<u>1,322,192</u>
Net Position - Beginning	<u>10,767,888</u>	<u>10,385,203</u>	<u>26,785,426</u>	<u>25,845,919</u>	<u>37,553,314</u>	<u>36,231,122</u>
Net Position - Ending	<u>\$ 11,524,780</u>	<u>\$ 10,767,888</u>	<u>\$ 30,004,284</u>	<u>\$ 26,785,426</u>	<u>\$ 41,529,064</u>	<u>\$ 37,553,314</u>

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 received developer contributions of street infrastructure during the year that increased Capital Grants and Contributions from the prior year. General Administration expenses remained consistent with prior year spending. This is also the first year for the Town to impose lodging taxes from local establishments from lodging revenues.

In the Business-type Activities, Capital Grants and Contributions increased from the prior year resulting from the same developer contributions as noted in Governmental Activities that were related to the dedication of wastewater and water infrastructure and the loan forgiveness from completed water projects.

## **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 \$ 531,602 over the budget, intergovernmental grants that generated \$ 126,979 over the budget, charges for services were \$ 167,458 over the budget, and miscellaneous revenues that generated \$ 229,005 over the budget. The overall increase in actual revenues over budgeted revenues was \$ 1,028,375 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 \$ 55,424 more on professional services than was budgeted. Some of these professional costs are being reimbursed from available grant funding for the Town. Streets and Grounds spent \$ 141,757 on repairs and maintenance that were related to paving projects. The capital outlay budget for General Administration did not include costs related to the Town Hall Renovations for 39 The Circle, which was complete during the year, and Police equipment purchases. As a result, the total capital outlay for the general fund was \$ 299,972 over budget. The Town also recognized as revenue, loan proceeds totaling \$ 2,262,474 that were received from debt financing related to the Town Hall Renovation projects with an offset of expenses totaling \$ 1,945,288 for debt service. Both of those amounts were not included in the 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. Multi-family housing continues to be the most prevalent in terms of large scale housing projects. The Oaks at Georgetown completed its six buildings and associated community amenities. Approval for the Village of College Park for their residential phase (single and multi-family) have been granted and several other properties are currently in various stages of the planning process. Single family home construction on infill lots continues as well. Efforts continue to attract additional medical facilities, retail, and service type offerings.

The Town continues to work with the Delaware Department of Transportation on the Georgetown to Lewes Bicycle Trail and construction of the Sandhill Fields recreation area has been completed. During FY 2020, the Town completed renovations at 39 The Circle (Town Hall).

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

## **BASIC FINANCIAL STATEMENTS**

**TOWN OF GEORGETOWN**  
**STATEMENT OF NET POSITION**  
**APRIL 30, 2020**

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	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,604,509	\$ -	\$ 1,604,509
Receivables:			
Taxes	29,782	-	29,782
Trash	87,681	-	87,681
Service water and sewer	-	555,614	555,614
Miscellaneous	157,664	-	157,664
Prepaid items	29,256	23,736	52,992
Due from other government agencies	102,075	1,215	103,290
Restricted assets:			
Cash and cash equivalents	4,039,866	2,736,447	6,776,313
Investments	-	57,169	57,169
Capital assets:			
Land and construction in progress	431,586	1,185,504	1,617,090
Other capital assets, net of depreciation	7,969,526	33,033,318	41,002,844
<b>TOTAL ASSETS</b>	<b>14,451,945</b>	<b>37,593,003</b>	<b>52,044,948</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pension	636,533	90,982	727,515
Deferred amounts on refunding	-	48,127	48,127
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>636,533</b>	<b>139,109</b>	<b>775,642</b>
<b>LIABILITIES</b>			
Accounts payable	124,344	50,010	174,354
Accrued liabilities	114,427	64,209	178,636
Construction project deposit	249,863	-	249,863
Unearned revenue	82,461	335,961	418,422
Long-term liabilities:			
Due within one year	474,410	1,238,520	1,712,930
Due in more than one year	2,362,712	6,008,897	8,371,609
<b>TOTAL LIABILITIES</b>	<b>3,408,217</b>	<b>7,697,597</b>	<b>11,105,814</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>155,481</b>	<b>30,231</b>	<b>185,712</b>
<b>NET POSITION</b>			
Net investment in capital assets	6,450,864	27,123,352	33,574,216
Restricted for:			
Construction and debt service	-	2,462,633	2,462,633
Grants, emergency services, recreation and transfer tax	2,805,958	-	2,805,958
Unrestricted	2,267,958	418,299	2,686,257
<b>TOTAL NET POSITION</b>	<b>\$ 11,524,780</b>	<b>\$ 30,004,284</b>	<b>\$ 41,529,064</b>

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

**TOWN OF GEORGETOWN  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED APRIL 30, 2020**

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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		
					Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT							
GOVERNMENTAL ACTIVITIES							
General administration	\$ 589,550	\$ 414,859	\$ 696,665	\$ 403,547	\$ 925,521	\$ -	\$ 925,521
Public safety	3,042,543	322,562	410,100	-	(2,309,881)	-	(2,309,881)
Streets and grounds	1,716,812	517,955	167,439	-	(1,031,418)	-	(1,031,418)
Planning and zoning	157,174	179,684	-	-	22,510	-	22,510
TOTAL GOVERNMENTAL ACTIVITIES							
	5,506,079	1,435,060	1,274,204	403,547	(2,393,268)	-	(2,393,268)
BUSINESS-TYPE ACTIVITIES							
Sewer facility	2,283,689	2,200,481	207,200	185,942	-	309,934	309,934
Water facility	1,337,744	1,433,249	43,975	3,878,064	-	4,017,544	4,017,544
TOTAL BUSINESS-TYPE ACTIVITIES							
	3,621,433	3,633,730	251,175	4,064,006	-	4,327,478	4,327,478
TOTAL PRIMARY GOVERNMENT							
	\$ 9,127,512	\$ 5,068,790	\$ 1,525,379	\$ 4,467,553	(2,393,268)	4,327,478	1,934,210
GENERAL REVENUES							
Taxes: Property and penalties					1,648,601	-	1,648,601
Realty transfer					343,526	-	343,526
Lodging					47,101	-	47,101
Unrestricted investment earnings					2,312	-	2,312
TRANSFERS							
					1,108,620	(1,108,620)	-
TOTAL GENERAL REVENUES AND TRANSFERS							
					3,150,160	(1,108,620)	2,041,540
CHANGE IN NET POSITION							
					756,892	3,218,858	3,975,750
NET POSITION - BEGINNING							
					10,767,888	26,785,426	37,553,314
NET POSITION - ENDING							
					\$ 11,524,780	\$ 30,004,284	\$ 41,529,064

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

**TOWN OF GEORGETOWN**  
**BALANCE SHEET - GOVERNMENTAL FUND**  
**APRIL 30, 2020**

- 11 -

	<u><b>General Fund</b></u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,604,509
Receivables:	
Taxes	29,782
Trash	87,681
Miscellaneous	157,664
Prepaid items	29,256
Due from other government agencies	102,075
Restricted assets:	
Cash and cash equivalents	<u>4,039,866</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 6,050,833</u></u>
<b>LIABILITIES</b>	
Accounts payable	\$ 124,344
Accrued liabilities	114,427
Construction project deposit	249,863
Unearned revenue	<u>82,461</u>
<b>TOTAL LIABILITIES</b>	<u>571,095</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenues:	
Grant	45,858
Property taxes	25,220
Lodging tax	<u>6,489</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>77,567</u>
<b>FUND BALANCES</b>	
Nonspendable:	
Prepaid items	29,256
Restricted for:	
Emergency services and recreation services	414,310
Grant funds	1,147,625
Realty transfer tax	1,244,023
Assigned for:	
Health benefits	118,371
Public safety	4,646
Unassigned	<u>2,443,940</u>
<b>TOTAL FUND BALANCES</b>	<u>5,402,171</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u><u>\$ 6,050,833</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, 2020**

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**FUND BALANCES OF GOVERNMENTAL FUND** **\$ 5,402,171**

**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.	8,401,112
Certain revenues are not available to pay for current period expenditures and therefore are reported as unavailable in the governmental funds.	77,567
Long-term liabilities for notes payable (\$ 1,950,248), accrued compensated absences (\$ 412,645), and pension liabilities (\$ 474,229) 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.	(2,837,122)
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>481,052</u>

**NET POSITION OF GOVERNMENTAL ACTIVITIES** **\$ 11,524,780**

**TOWN OF GEORGETOWN**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**GOVERNMENTAL FUND**  
**FOR THE YEAR ENDED APRIL 30, 2020**

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	<u><b>General Fund</b></u>
<b>REVENUES</b>	
Taxes and fees	\$ 2,636,135
Intergovernmental	545,892
Charges for services	907,458
Fines and parking	88,331
Miscellaneous	<u>536,528</u>
<b>TOTAL REVENUES</b>	<u>4,714,344</u>
<b>EXPENDITURES</b>	
Current:	
General administration	459,331
Planning and zoning	158,706
Public safety	2,849,321
Streets and grounds	1,301,477
Debt service	1,945,288
Capital outlay	<u>352,528</u>
<b>TOTAL EXPENDITURES</b>	<u>7,066,651</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(2,352,307)
<b>OTHER FINANCING SOURCES</b>	
Loan proceeds	2,262,474
Transfers in, net	<u>1,108,620</u>
<b>NET CHANGE IN FUND BALANCE</b>	1,018,787
<b>FUND BALANCE - BEGINNING</b>	<u>4,383,384</u>
<b>FUND BALANCE - ENDING</b>	<u><u>\$ 5,402,171</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, 2020**

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**NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUND** **\$ 1,018,787**

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 (\$ 568,099) exceeded capital outlay (\$ 352,528) in the current period. (215,571)

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:

Capital contributions	\$	403,547	
Grants		31,645	
Lodging tax		6,489	
Property taxes		<u>(1,674)</u>	440,007

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. (369,117)

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:

Compensated absences	(57,942)		
Donations	(4,500)		
Pension expenses	<u>(54,772)</u>	<u>(117,214)</u>	

**CHANGE IN NET POSITION OF GOVERNMENTAL**  
**ACTIVITIES** **\$ 756,892**

**TOWN OF GEORGETOWN**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET**  
**AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED APRIL 30, 2020**

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	<b>Budgeted Amounts Original and Final</b>	<b>Actual</b>	<b>Variance with Budget - Positive (Negative)</b>
<b>REVENUES</b>			
Taxes and fees	\$ 2,104,533	\$ 2,636,135	\$ 531,602
Intergovernmental	418,913	545,892	126,979
Charges for services	740,000	907,458	167,458
Fines and parking	115,000	88,331	(26,669)
Miscellaneous	307,523	536,528	229,005
<b>TOTAL REVENUES</b>	<b>3,685,969</b>	<b>4,714,344</b>	<b>1,028,375</b>
<b>EXPENDITURES</b>			
Current:			
General administration	346,128	459,331	(113,203)
Planning and zoning	157,184	158,706	(1,522)
Public safety	2,861,705	2,849,321	12,384
Streets and grounds	1,154,527	1,301,477	(146,950)
Debt service	41,932	1,945,288	(1,903,356)
Capital outlay	52,556	352,528	(299,972)
<b>TOTAL EXPENDITURES</b>	<b>4,614,032</b>	<b>7,066,651</b>	<b>(2,452,619)</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(928,063)</b>	<b>(2,352,307)</b>	<b>(1,424,244)</b>
<b>OTHER FINANCING SOURCES</b>			
Loan proceeds	-	2,262,474	2,262,474
Transfers in, net	739,212	1,108,620	369,408
<b>NET CHANGE IN FUND BALANCE</b>	<b>(188,851)</b>	<b>1,018,787</b>	<b>1,207,638</b>
<b>FUND BALANCE - BEGINNING</b>	<b>4,383,384</b>	<b>4,383,384</b>	<b>-</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ 4,194,533</b>	<b>\$ 5,402,171</b>	<b>\$ 1,207,638</b>

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

**TOWN OF GEORGETOWN**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**APRIL 30, 2020**

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ASSETS	Business-type Activities - Enterprise Funds		
	Sewer Fund	Water Fund	Total
<b>CURRENT ASSETS</b>			
Receivables, net of allowance for doubtful accounts:			
Service charges	\$ 264,191	\$ 291,423	\$ 555,614
Grants	1,215	-	1,215
<b>TOTAL CURRENT ASSETS</b>	<b>265,406</b>	<b>291,423</b>	<b>556,829</b>
<b>NONCURRENT ASSETS</b>			
Prepaid items	23,736	-	23,736
Restricted assets:			
Cash and cash equivalents	2,411,516	324,931	2,736,447
Investments	57,169	-	57,169
Capital assets:			
Land and construction in progress	1,094,277	91,227	1,185,504
Other capital assets, net of depreciation	21,751,896	11,281,422	33,033,318
<b>TOTAL NONCURRENT ASSETS</b>	<b>25,338,594</b>	<b>11,697,580</b>	<b>37,036,174</b>
<b>TOTAL ASSETS</b>	<b>25,604,000</b>	<b>11,989,003</b>	<b>37,593,003</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pension	46,173	44,809	90,982
Deferred amounts on refunding	20,646	27,481	48,127
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>66,819</b>	<b>72,290</b>	<b>139,109</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	38,188	11,822	50,010
Accrued liabilities	45,185	19,024	64,209
Unearned revenue	335,961	-	335,961
Current portion of long-term liabilities	755,594	482,926	1,238,520
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,174,928</b>	<b>513,772</b>	<b>1,688,700</b>
<b>LONG-TERM LIABILITIES, LESS CURRENT PORTION</b>	<b>5,182,768</b>	<b>826,129</b>	<b>6,008,897</b>
<b>TOTAL LIABILITIES</b>	<b>6,357,696</b>	<b>1,339,901</b>	<b>7,697,597</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>14,377</b>	<b>15,854</b>	<b>30,231</b>
<b>NET POSITION</b>			
Net investment in capital assets	16,996,505	10,126,847	27,123,352
Restricted for:			
Construction and debt service	2,206,794	255,839	2,462,633
Unrestricted	95,447	322,852	418,299
<b>TOTAL NET POSITION</b>	<b>\$ 19,298,746</b>	<b>\$ 10,705,538</b>	<b>\$ 30,004,284</b>

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, 2020**

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	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Sewer Fund</b>	<b>Water Fund</b>	<b>Total</b>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 2,108,644	\$ 1,408,623	\$ 3,517,267
Other operating revenue	54,478	2,926	57,404
<b>TOTAL OPERATING REVENUES</b>	<b>2,163,122</b>	<b>1,411,549</b>	<b>3,574,671</b>
<b>OPERATING EXPENSES</b>			
Chemicals	50,937	57,289	108,226
Depreciation	852,893	367,198	1,220,091
Employee benefits	166,614	145,329	311,943
Gasoline and oil	3,716	1,459	5,175
Insurance	23,773	15,073	38,846
Lease expense	16,054	-	16,054
Maintenance and repairs	47,785	209,102	256,887
Payroll taxes	28,292	27,597	55,889
Pension expense	30,024	28,202	58,226
Professional services	205,128	7,396	212,524
Salaries	381,449	367,514	748,963
Sludge disposal fees	94,897	-	94,897
Supplies	15,592	5,367	20,959
Telephone	4,208	3,338	7,546
Utilities	182,965	53,967	236,932
<b>TOTAL OPERATING EXPENSES</b>	<b>2,104,327</b>	<b>1,288,831</b>	<b>3,393,158</b>
<b>OPERATING INCOME</b>	<b>58,795</b>	<b>122,718</b>	<b>181,513</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Impact fees, net	207,200	43,975	251,175
Investment income	10,572	832	11,404
Penalties	26,787	20,868	47,655
Interest expense	(179,362)	(48,913)	(228,275)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>65,197</b>	<b>16,762</b>	<b>81,959</b>
<b>INCOME BEFORE TRANSFERS</b>	<b>123,992</b>	<b>139,480</b>	<b>263,472</b>
<b>CAPITAL GRANTS AND CONTRIBUTIONS</b>	<b>185,942</b>	<b>3,878,064</b>	<b>4,064,006</b>
<b>TRANSFERS OUT</b>	<b>(694,794)</b>	<b>(413,826)</b>	<b>(1,108,620)</b>
<b>CHANGE IN NET POSITION</b>	<b>(384,860)</b>	<b>3,603,718</b>	<b>3,218,858</b>
<b>NET POSITION - BEGINNING</b>	<b>19,683,606</b>	<b>7,101,820</b>	<b>26,785,426</b>
<b>NET POSITION - ENDING</b>	<b>\$ 19,298,746</b>	<b>\$ 10,705,538</b>	<b>\$ 30,004,284</b>

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, 2020**

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	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Sewer Fund</b>	<b>Water Fund</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 2,212,966	\$ 1,419,717	\$ 3,632,683
Payments to suppliers for goods and services	(655,624)	(352,507)	(1,008,131)
Payments to employees for services	(613,674)	(563,394)	(1,177,068)
Other operating receipts	54,478	2,926	57,404
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>998,146</b>	<b>506,742</b>	<b>1,504,888</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers to other funds, net	(694,794)	(413,826)	(1,108,620)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Bond and loan proceeds	-	151,989	151,989
Acquisition of capital assets	(33,691)	(100,503)	(134,194)
Retirement of bonds and related costs	(685,002)	(442,892)	(1,127,894)
Impact fees	207,200	43,975	251,175
Intergovernmental grant - capital	29,939	21,966	51,905
Interest paid	(177,232)	(42,602)	(219,834)
<b>NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(658,786)</b>	<b>(368,067)</b>	<b>(1,026,853)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of investments	(1,110)	-	(1,110)
Investment income and penalties	37,359	21,700	59,059
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>36,249</b>	<b>21,700</b>	<b>57,949</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(319,185)</b>	<b>(253,451)</b>	<b>(572,636)</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>	<b>2,730,701</b>	<b>578,382</b>	<b>3,309,083</b>
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<b>\$ 2,411,516</b>	<b>\$ 324,931</b>	<b>\$ 2,736,447</b>
<b>CASH AND CASH EQUIVALENTS AS PRESENTED IN THE ACCOMPANYING STATEMENTS OF NET POSITION</b>			
Restricted cash and cash equivalents	\$ 2,411,516	\$ 324,931	\$ 2,736,447

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, 2020**

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	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Sewer Fund</b>	<b>Water Fund</b>	<b>Total</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Operating income	\$ 58,795	\$ 122,718	\$ 181,513
Adjustments to reconcile operating income to net cash flows from operating activities:			
Depreciation	852,893	367,198	1,220,091
Changes in assets, deferred outflows and inflows of resources and liabilities:			
Receivables	91,759	11,094	102,853
Prepaid items	(7,510)	-	(7,510)
Accounts payable	(3,059)	484	(2,575)
Net change in pension liabilities	1,511	1,419	2,930
Net change in accrued liabilities	3,196	3,034	6,230
Net change in compensated absences	(12,002)	795	(11,207)
Unearned revenue	12,563	-	12,563
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>\$ 998,146</b>	<b>\$ 506,742</b>	<b>\$ 1,504,888</b>
<b>NONCASH CAPITAL AND OPERATING ACTIVITIES</b>			
Capital assets acquired through contributions from private entities	\$ 184,727	\$ 78,064	\$ 262,791
Debt forgiveness related to capital projects	\$ -	\$ 3,800,000	\$ 3,800,000

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 \$ 41,200.

**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 \$ 694,794 and \$ 413,826 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, 2020. 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 \$ 48,254 was expensed this year related to the Town Hall renovation project for the governmental activities. Interest expensed in the business-type activities totaled \$ 228,275 for the year.

**18. Implementation of New Statements**

Beginning in fiscal year 2020, the Town implemented GASBS No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. As described in Note E, this statement was issued to improve the information that is disclosed in the notes to the government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities the Town should include when disclosing information related to debt. The requirements for this statement are effective at the beginning of this fiscal year.



**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**19. 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, 2020, the carrying amount of the Town's deposits was \$ 8,379,822 and the bank balance was \$ 8,362,511. Of the bank balance, \$ 1,319,348 was insured by federal depository insurance, \$ 6,820,735 was insured by pledged collateral and \$ 222,428 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 \$ 57,169 for U.S. Treasuries (\$ 29,100), Federal Home Loan Mortgage Corporation (\$ 16,134) and Federal National Mortgage Association (\$ 11,935) 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, 2020:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 - 5	6 - 10	More than 10
U.S. Treasuries	\$ 29,100	\$ -	\$ -	\$ 10,530	\$ 18,570
Federal Home Loan Mortgage Corporation	16,134	-	371	214	15,549
Federal National Mortgage Association	11,935	-	225	-	11,710
<b>Total Investments</b>	<b>\$ 57,169</b>	<b>\$ -</b>	<b>\$ 596</b>	<b>\$ 10,744</b>	<b>\$ 45,829</b>

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

Cash on hand	\$ 1,000
Carrying amount of deposits	8,379,822
Carrying amount of investments	57,169
<b>TOTAL</b>	<b>\$ 8,437,991</b>
Cash and cash equivalents	\$ 1,604,509
Cash and cash equivalents - restricted	6,776,313
Investments - restricted	57,169
<b>TOTAL</b>	<b>\$ 8,437,991</b>

**NOTE C - CAPITAL ASSETS**

Capital asset activity for the year ended April 30, 2020, was as follows:

	Balance at April 30, 2019	Increases	Decreases	Balance at April 30, 2020
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land and parks	\$ 395,068	\$ 36,518	\$ -	\$ 431,586
Construction in progress	734,791	216,741	951,532	-
Total capital assets, not being depreciated	<u>1,129,859</u>	<u>253,259</u>	<u>951,532</u>	<u>431,586</u>
Other capital assets:				
Buildings and improvements	2,569,344	951,532	-	3,520,876
Equipment	1,687,699	99,269	-	1,786,968
Streets and storm drains	8,007,544	403,547	-	8,411,091
Total other capital assets	<u>12,264,587</u>	<u>1,454,348</u>	<u>-</u>	<u>13,718,935</u>
Less accumulated depreciation for other capital assets				
Building and improvements	1,154,991	70,587	-	1,225,578
Equipment	1,238,688	136,693	-	1,375,381
Streets and storm drains	2,787,631	360,819	-	3,148,450
Total accumulated depreciation	<u>5,181,310</u>	<u>568,099</u>	<u>-</u>	<u>5,749,409</u>
Other capital assets, net	<u>7,083,277</u>	<u>886,249</u>	<u>-</u>	<u>7,969,526</u>
<b>Governmental Activities</b>				
<b>Capital Assets, Net</b>	<u>\$ 8,213,136</u>	<u>\$ 1,139,508</u>	<u>\$ 951,532</u>	<u>\$ 8,401,112</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, 2020. 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, 2019	Increases	Decreases	Balance at April 30, 2020
<b>Business-type Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,071,128	\$ -	\$ -	\$ 1,071,128
Construction in progress	354,204	57,281	297,109	114,376
Total capital assets, not being depreciated	<u>1,425,332</u>	<u>57,281</u>	<u>297,109</u>	<u>1,185,504</u>
Other capital assets:				
Plant equipment and extensions	54,788,413	598,876	6,652	55,380,637
Less accumulated depreciation for other capital assets	<u>21,133,880</u>	<u>1,220,091</u>	<u>6,652</u>	<u>22,347,319</u>
Other capital assets, net	<u>33,654,533</u>	<u>(621,215)</u>	<u>-</u>	<u>33,033,318</u>
<b>Business-type Activities Capital Assets, Net</b>	<u>\$ 35,079,865</u>	<u>\$ (563,934)</u>	<u>\$ 297,109</u>	<u>\$ 34,218,822</u>

Depreciation expense was charged to functions as follows:

<b>Governmental Activities:</b>	
General government	\$ 70,610
Public safety	117,572
Streets and grounds	<u>379,917</u>
<b>Total Governmental Activities Depreciation Expense</b>	<u>\$ 568,099</u>
<b>Business-type Activities:</b>	
Sewer	\$ 852,893
Water	<u>367,198</u>
<b>Total Business-type Activities Depreciation Expense</b>	<u>\$ 1,220,091</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, 2020, 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 \$ 50,720,750. Real property and improvements that are exempt from taxation due to State, Town or other tax-exempt ownership total \$ 15,253,680.

**NOTE E - GENERAL OBLIGATION BONDS AND NOTES PAYABLE**

At April 30, 2020, 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.	\$ 266,248
Bond payable to the United States of America, Department of Agriculture, Rural Utilities Service, interest at 4.5%, principal and interest payments of \$ 17,626 are payable quarterly until 2043, general obligation of the Town.	1,012,588
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.	1,839,184
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.	1,590,000
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.	1,334,817
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.	44,344
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.	742,861
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>249,775</u>
<b>TOTAL</b>	7,079,817
<b>ADD: Unamortized bond premium</b>	<u>15,653</u>
<b>TOTAL GENERAL OBLIGATION BONDS AND NOTES PAYABLE FROM DIRECT BORROWINGS</b>	<u><u>\$ 7,095,470</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
2021	\$ 1,152,599	\$ 187,665	\$ 1,340,264
2022	1,192,725	153,685	1,346,410
2023	393,143	131,119	524,262
2024	403,852	120,409	524,261
2025	414,868	109,394	524,262
2026 - 2030	1,111,416	414,891	1,526,307
2031 - 2035	615,227	307,471	922,698
2036 - 2040	698,331	204,306	902,637
2041 - 2045	597,563	94,192	691,755
2046 - 2050	432,023	33,116	465,139
2051 - 2052	68,070	1,050	69,120
<b>TOTAL</b>	<b>\$ 7,079,817</b>	<b>\$ 1,757,298</b>	<b>\$ 8,837,115</b>

At April 30, 2020, 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.	\$ 1,911,007
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.	39,241
<b>TOTAL GENERAL OBLIGATION BOND AND NOTES PAYABLE FROM DIRECT BORROWINGS</b>	<b>\$ 1,950,248</b>

**NOTE E - GENERAL OBLIGATION BONDS AND NOTES PAYABLE - CONTINUED**

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

Years Ending April 30	Governmental Activities - General Obligation Bond - Direct Borrowings		
	Principal	Interest	Total
2021	\$ 42,461	\$ 52,027	\$ 94,488
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 - 2030	257,365	215,075	472,440
2031 - 2035	295,269	177,171	472,440
2036 - 2040	338,695	133,745	472,440
2041 - 2045	388,671	83,769	472,440
2046 - 2050	406,681	26,696	433,377
<b>TOTAL</b>	<u>\$ 1,911,007</u>	<u>\$ 884,570</u>	<u>\$ 2,795,577</u>

  

Years Ending April 30	Governmental Activities - Notes Payable - Direct Borrowings		
	Principal	Interest	Total
2021	\$ 19,304	\$ 1,287	\$ 20,591
2022	19,937	654	20,591
<b>TOTAL</b>	<u>\$ 39,241</u>	<u>\$ 1,941</u>	<u>\$ 41,182</u>



**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, 2020, was as follows:

	<u>April 30, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>April 30, 2020</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
General obligation bonds from direct borrowings	\$ 1,491,976	\$ 2,262,474	\$ 1,843,443	\$ 1,911,007	\$ 42,461
Notes payable from direct borrowings	89,155	-	49,914	39,241	19,304
Compensated absences	354,703	332,156	274,214	412,645	412,645
Net pension liability	380,163	94,066	-	474,229	-
<b>Total Governmental Activities</b>	<u>\$ 2,315,997</u>	<u>\$ 2,688,696</u>	<u>\$ 2,167,571</u>	<u>\$ 2,837,122</u>	<u>\$ 474,410</u>

Long-term liability activity for business-type activities for the year ended April 30, 2020, was as follows:

	<u>April 30, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>April 30, 2020</u>	<u>Due Within One Year</u>
<b>Business-type Activities:</b>					
General obligation bonds from direct borrowings	\$ 11,855,722	\$ 151,989	\$ 4,927,894	\$ 7,079,817	\$ 1,152,599
Unamortized bond premium	25,541	-	9,888	15,653	-
Total general obligation bonds from direct borrowings	11,881,263	151,989	4,937,782	7,095,470	1,152,599
Compensated absences	97,129	40,286	51,494	85,921	85,921
Net pension liability	45,716	20,310	-	66,026	-
<b>Total Business-type Activities</b>	<u>\$ 12,024,108</u>	<u>\$ 212,585</u>	<u>\$ 4,989,276</u>	<u>\$ 7,247,417</u>	<u>\$ 1,238,520</u>

**NOTE E - GENERAL OBLIGATION BONDS AND NOTES PAYABLE - CONTINUED**

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 \$ 39,241. 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, 2020, the Town was required to contribute 7.28% and 16.84% 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 \$ 95,034 for the Other Employees' Plan and \$ 221,682 for the Police's Plan for the year ended April 30, 2020, which includes pension payables totaling \$ 9,098 and \$ 21,059, respectively, for both plans.

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

**Pension Liabilities**

For the Other Employees' Plan at April 30, 2020, the Town reported a liability of \$ 128,827 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 \$ 411,428 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, 2019, measurement date was determined by an actuarial valuation as of June 30, 2018, and update procedures were used to roll forward the total pension liability to June 30, 2019. 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, 2019, the Town's proportion was 2.81% and 1.43% for the Other Employees' Plan and the Police's Plan, respectively, which was a decrease of .18% and .01%, respectively, from its proportion valuation as of June 30, 2018.

**Pension Expense**

For the year ended April 30, 2020, the Town recognized pension expense of \$ 100,068 and \$ 274,350 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, 2020, the Town reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		
	Other Employees' Plan	Police's Plan	Total
<b>Governmental Activities</b>			
Net differences between expected and actual experience	\$ 27,234	\$ 251,549	\$ 278,783
Changes of assumptions	23,111	94,825	117,936
Net difference between projected and actual investment earnings on pension plan investments	1,151	3,958	5,109
Changes in proportion and differences between Town contributions and proportionate share of contributions	121	11,750	11,871
Town contributions subsequent to the measurement date	<u>33,702</u>	<u>189,132</u>	<u>222,834</u>
<b>Total Governmental Activities Deferred Outflows of Resources</b>	<u>\$ 85,319</u>	<u>\$ 551,214</u>	<u>\$ 636,533</u>
<b>Business-type Activities</b>			
Net differences between expected and actual experience	\$ 23,261	\$ -	\$ 23,261
Changes of assumptions	19,740	-	19,740
Net difference between projected and actual investment earnings on pension plan investments	984	-	984
Changes in proportion and differences between Town contributions and proportionate share of contributions	102	-	102
Town contributions subsequent to the measurement date	<u>46,895</u>	<u>-</u>	<u>46,895</u>
<b>Total Business-type Activities Deferred Outflows of Resources</b>	<u>\$ 90,982</u>	<u>\$ -</u>	<u>\$ 90,982</u>

The \$ 80,597 (\$ 33,702 for governmental activities and \$ 46,895 for business-type activities) and the \$ 189,132 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, 2021.

**NOTE F - PENSION PLANS - CONTINUED**

**Deferred Inflows/Outflows of Resources Related to Pensions - Continued**

At April 30, 2020, the Town reported deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources		
	Other Employees' Plan	Police's Plan	Total
<b>Governmental Activities</b>			
Net differences between expected and actual experience	\$ 20,719	\$ 80,459	\$ 101,178
Changes of assumptions	-	39,908	39,908
Changes in proportion and differences between Town contributions and proportionate share of contributions	8,072	6,323	14,395
<b>Total Governmental Activities Deferred Inflows of Resources</b>	<u>\$ 28,791</u>	<u>\$ 126,690</u>	<u>\$ 155,481</u>
<b>Business-type Activities</b>			
Net differences between expected and actual experience	\$ 21,757	\$ -	\$ 21,757
Changes in proportion and differences between Town contributions and proportionate share of contributions	8,474	-	8,474
<b>Total Business-type Activities Deferred Inflows of Resources</b>	<u>\$ 30,231</u>	<u>\$ -</u>	<u>\$ 30,231</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 9 years and 10 years for the Other Employees' Plan and the Police's Plan, respectively.

**NOTE F - PENSION PLANS - CONTINUED**

**Deferred Inflows/Outflows of Resources Related to Pensions - Continued**

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

Years Ending April 30	Other Employee's Plan	Police's Plan	Total
2021	\$ 11,306	\$ 58,049	\$ 69,355
2022	(1,731)	(12,551)	(14,282)
2023	4,203	19,765	23,968
2024	11,948	52,287	64,235
2025	7,317	28,372	35,689
Thereafter	3,639	89,470	93,109

**Actuarial Assumptions**

The actuarial assumptions for the June 30, 2019, measurement date that is being applied to the April 30, 2020, period for both Plans were determined by an actuarial valuation as of June 30, 2018, and as mentioned, update procedures were used to roll forward the total pension liability to June 30, 2019.

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

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

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

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

Mortality assumptions for the June 30, 2019, 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%	29.5%
International equity	5.7	13.5
Fixed income	2.0	27.1
Alternative investments	7.8	22.4
Cash and cash equivalents	-	7.5

**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	\$ 403,942	\$ 128,827	\$ (97,105)
Police's Plan	1,351,499	411,428	(355,389)



**NOTE F - PENSION PLANS - CONTINUED**

**Pension Plan Fiduciary Net Position**

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

**NOTE G - OTHER LIABILITIES**

In 1999, the Town loaned the Historic Georgetown Association, Inc. \$ 90,000 that is secured by a mortgage on the railroad depot property. The loan will be forgiven at a rate of \$ 4,500 per year for 20 years as long as the property is not conveyed to another owner. A loan receivable and other liability for \$ 90,000 was established to record the loan and the related deferred loan forgiveness. This loan has been paid in full and the offsetting deferred loan balance has been completely forgiven as of April 30, 2020, on the fund financial statements.

**NOTE H - OPERATING LEASES**

The Town leases various equipment under operating leases in the general fund. Minimum rental payments are due on various contracts through 2025. 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 \$ 67,915 and \$ 110,951, 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>
2021	\$ 83,935	\$ 77,195	\$ 161,130
2022	65,883	58,020	123,903
2023	64,034	59,524	123,558
2024	43,488	62,215	105,703
2025	31,602	62,668	94,270
<b>TOTAL</b>	<u>\$ 288,942</u>	<u>\$ 319,622</u>	<u>\$ 608,564</u>

#### NOTE I - RISK MANAGEMENT

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

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

#### NOTE J - UTILITY PROJECTS

The Town received funding through the State of Delaware Office of Drinking Water for various continuing water projects. During the year, the Town completed the water projects and the related debt totaling \$ 3,800,000 has been forgiven by the State.

#### NOTE K - PENDING GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS

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

- GASBS No. 87, *Leases*, effective for the fiscal year beginning after May 1, 2020.
- 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, 2020 (for topics related to Leases); effective for the fiscal year beginning after May 1, 2021 (for other topics discussed within this statement).
- GASBS No. 93, *Replacement of Interbank Offered Rates*, effective for the fiscal year beginning after May 1, 2022.
- GASBS No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, effective for the fiscal year beginning after May 1, 2022.
- 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.

However, in May 2020, as noted in GASBS No. 95 above, the GASB delayed the effective dates for GASBS No. 87 by eighteen months and GASBS No. 91, 93 and 97 by one year.

**NOTE L - EMPLOYEE HEALTH PLAN**

The Town is exposed to the risk of loss related to employee medical expenses. During fiscal year 2020, the Town maintained a self-insured plan for employee medical expenses in which expenses per employee were covered annually (\$ 60,000 and \$ 50,000 for the calendar years 2020 and 2019, respectively). The Town had an estimated maximum aggregate exposure of \$ 596,878, plus a laser risk of \$ 60,000 and \$ 476,980 for the calendar years 2020 and 2019, respectively. The maximum for projected health reimbursement account (HRA) claims was \$ 25,296 and \$ 56,786 for the calendar years 2020 and 2019, respectively. The employee health plan is administered by an outside agency.

Contributions from the Town and employee withholdings are deposited into a reserve fund to pay prior and current-year claims and premiums. Estimated risks and losses are based upon historical costs, financial analyses and estimated effects of plan changes. The claims liability reported in the general fund at April 30, 2020, 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:

<u>Year</u>	<u>Balance at Beginning of Year</u>	<u>Current-Year Premiums, Claims and Changes in Estimates</u>	<u>Premiums and Claims Payments</u>	<u>Balance at End of Year</u>
2020	\$ 27,597	\$ 798,767	\$ (798,896)	\$ 27,468
2019	31,299	743,742	(747,444)	27,597

**NOTE M - TAX ABATEMENTS**

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

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

**NOTE M - TAX ABATEMENTS - CONTINUED**

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

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

**Business license fee** - The annual Town's business license fee will be waived for the first five (5) years in operation. This is offered only to new businesses that have formed and will be operating within the Downtown Development District within the effective date of the program. The total fees waived were less than \$ 1,000 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%

**NOTE M - TAX ABATEMENTS - CONTINUED**

**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.

**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 N - CONTRACTS**

The Town is obligated to pay benefits to certain employees who have entered into employment contracts with the Town in the case of involuntary termination without cause. As of April 30, 2020, no amount was owed under these contracts.

The Town has a three-year agreement with the Georgetown Fraternal Order of Police Bargaining Unit that ended at April 30, 2019. The agreement provided certain rights and benefits to the Town's police officers that are recognized in the financial statements. The Town is currently undergoing renewal negotiations and has not finalized the contract as of April 30, 2020.

**NOTE O - COMMITMENTS AND CONTINGENCIES**

At the end of April 2020, 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 utility infrastructure along Market and Bedford Streets. The Town has incurred costs totaling \$ 15,920 related to these projects but has not drawn down on any of the loans as of April 30, 2020.

In December of 2019, the Town executed a grant agreement with the Delaware Department of Transportation to receive funds totaling \$ 90,000 for street projects. In August of 2020, the original agreement was amended to increase the transfer amount from \$ 90,000 to \$ 165,000. The Town has not incurred any costs related to this project or has been advanced any funds from the State of Delaware as of April 30, 2020.

**NOTE O - COMMITMENTS AND CONTINGENCIES - CONTINUED**

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 of 2023.

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, 2020, 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 P - 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 COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. Subsequent to year end, the Town has been negatively impacted by the effects of the worldwide coronavirus pandemic. The Town is closely monitoring 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, 2020, the County has not completed the water project to determine the Town's cost-share amount.

## **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, 2020**

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	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Town's proportion of the net pension liability (asset)	2.81%	2.99%	2.98%	3.39%	3.57%
Town's proportionate share of the net pension liability (asset)	\$ 128,827	\$ 94,095	\$ 192,916	\$ 210,123	\$ 1,522
Town's covered payroll	\$ 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	10.42%	7.99%	17.46%	19.08%	0.14%
Plan fiduciary net position as a percentage of the total pension liability	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 five years are shown.



## TOWN OF GEORGETOWN

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## SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - COUNTY &amp; MUNICIPAL

POLICE AND FIREFIGHTERS' PENSION PLAN - A COST SHARING DEFINED BENEFIT PENSION PLAN (LAST 10 YEARS\*)  
FOR THE YEAR ENDED APRIL 30, 2020

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	2020	2019	2018	2017	2016
Town's proportion of the net pension liability (asset)	1.43%	1.44%	1.33%	1.48%	1.17%
Town's proportionate share of the net pension liability (asset)	\$ 411,428	\$ 331,784	\$ 133,619	\$ 234,611	\$ (61,460)
Town's covered payroll	\$ 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	32.62%	28.00%	12.45%	22.90%	7.33%
Plan fiduciary net position as a percentage of the total pension liability	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 five 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, 2020**

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	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutorily required contributions (actuarially determined)	\$ 95,034	\$ 89,828	\$ 84,513	\$ 73,644	\$ 68,823
Contributions in relation to the actuarially required contributions	<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>
Town's covered payroll	\$ 1,329,281	\$ 1,236,149	\$ 1,178,122	\$ 1,105,145	\$ 1,101,304
Contributions as a percentage of covered payroll	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 five 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, 2020**

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	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutorily required contributions (actuarially determined)	\$ 221,682	\$ 200,452	\$ 142,741	\$ 147,891	\$ 142,361
Contributions in relation to the actuarially required contributions	<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>
Town's covered payroll	\$ 1,342,232	\$ 1,261,348	\$ 1,184,825	\$ 1,072,927	\$ 1,024,631
Contributions as a percentage of covered payroll	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 five 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, 2020**

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	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance with Budget Positive (Negative)</b>
<b>TAXES AND FEES</b>			
Courthouse municipality fees	\$ 350,000	\$ 601,720	\$ 251,720
Property and capitation taxes	1,612,533	1,611,161	(1,372)
Realty transfer tax	125,000	343,526	218,526
Lodging tax	-	40,612	40,612
Penalties	17,000	39,116	22,116
<b>TOTAL TAXES AND FEES</b>	<b>2,104,533</b>	<b>2,636,135</b>	<b>531,602</b>
<b>INTERGOVERNMENTAL</b>			
Street grants	170,000	167,439	(2,561)
Police grants	156,913	278,382	121,469
Police pension	92,000	100,071	8,071
<b>TOTAL INTERGOVERNMENTAL</b>	<b>418,913</b>	<b>545,892</b>	<b>126,979</b>
<b>CHARGES FOR SERVICES</b>			
Trash pickup	480,000	501,219	21,219
Business and rental licenses	200,000	231,859	31,859
Permits and variances	50,000	126,028	76,028
Planning and zoning fees	10,000	48,352	38,352
<b>TOTAL CHARGES FOR SERVICES</b>	<b>740,000</b>	<b>907,458</b>	<b>167,458</b>
<b>FINES AND PARKING</b>			
Parking meters and fines	35,000	22,679	(12,321)
Court fines	80,000	65,652	(14,348)
<b>TOTAL FINES AND PARKING</b>	<b>115,000</b>	<b>88,331</b>	<b>(26,669)</b>
<b>MISCELLANEOUS</b>			
State and local in lieu of taxes	70,000	94,945	24,945
Franchise fees	57,000	58,257	1,257
Investment income	-	2,312	2,312
Miscellaneous	180,523	381,014	200,491
<b>TOTAL MISCELLANEOUS</b>	<b>307,523</b>	<b>536,528</b>	<b>229,005</b>
<b>TOTAL REVENUES</b>	<b>3,685,969</b>	<b>4,714,344</b>	<b>1,028,375</b>
<b>OTHER FINANCING SOURCES</b>			
Loan proceeds	-	2,262,474	2,262,474
Transfers in, net	739,212	1,108,620	369,408
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>	<b>\$ 4,425,181</b>	<b>\$ 8,085,438</b>	<b>\$ 3,660,257</b>

**TOWN OF GEORGETOWN**  
**SCHEDULE OF GENERAL FUND EXPENDITURES - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED APRIL 30, 2020**

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	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance with Budget Positive (Negative)</b>
<b>GENERAL ADMINISTRATION</b>			
Dues and donations	\$ 10,000	\$ 43,363	\$ (33,363)
Employee benefits	22,298	34,221	(11,923)
Gasoline and oil	1,300	974	326
Insurance	8,859	8,358	501
Lease expense	6,332	12,368	(6,036)
Meetings and conferences	3,300	1,605	1,695
Office	15,000	20,772	(5,772)
Payroll taxes	9,101	9,260	(159)
Pension expense	8,413	8,753	(340)
Professional services	114,000	160,837	(46,837)
Repairs and maintenance	2,000	8,537	(6,537)
Salaries	118,975	127,376	(8,401)
Special projects	-	7,139	(7,139)
Utilities	26,550	15,768	10,782
<b>TOTAL GENERAL ADMINISTRATION</b>	<b>346,128</b>	<b>459,331</b>	<b>(113,203)</b>
<b>PLANNING AND ZONING</b>			
Employee benefits	16,222	20,045	(3,823)
Insurance	2,212	1,957	255
Office	8,200	13,831	(5,631)
Payroll taxes	4,211	4,021	190
Pension expense	4,988	3,968	1,020
Professional services	61,660	55,450	6,210
Salaries	55,041	54,817	224
Utilities	4,650	4,617	33
<b>TOTAL PLANNING AND ZONING</b>	<b>157,184</b>	<b>158,706</b>	<b>(1,522)</b>
<b>PUBLIC SAFETY</b>			
Employee benefits	448,427	405,152	43,275
Gasoline and oil	50,000	35,117	14,883
Insurance	65,489	67,810	(2,321)
Lease expense	103,427	27,103	76,324
Maintenance, supplies and materials	55,000	80,158	(25,158)
Meetings and conferences	-	709	(709)
Office	36,000	40,876	(4,876)
Payroll taxes	126,456	127,862	(1,406)
Pension expense	247,381	231,640	15,741
Professional services	51,000	106,424	(55,424)
Salaries	1,653,025	1,703,485	(50,460)
Utilities	25,500	22,985	2,515
<b>TOTAL PUBLIC SAFETY</b>	<b>2,861,705</b>	<b>2,849,321</b>	<b>12,384</b>

**TOWN OF GEORGETOWN**  
**SCHEDULE OF GENERAL FUND EXPENDITURES - BUDGET AND ACTUAL - CONTINUED**  
**FOR THE YEAR ENDED APRIL 30, 2020**

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	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance with Budget Positive (Negative)</b>
<b>STREETS AND GROUNDS</b>			
Employee benefits	\$ 99,758	\$ 121,637	\$ (21,879)
Gasoline and oil	3,000	12,112	(9,112)
Insurance	17,911	16,977	934
Lease expense	24,068	28,444	(4,376)
Office	10,000	8,971	1,029
Payroll taxes	18,499	17,531	968
Pension expense	19,868	17,059	2,809
Professional services	33,600	46,951	(13,351)
Repairs and maintenance	57,000	198,757	(141,757)
Salaries	241,823	239,986	1,837
Street lights	150,000	143,887	6,113
Trash removal and fees	475,000	445,532	29,468
Utilities	4,000	3,633	367
<b>TOTAL STREETS AND GROUNDS</b>	<b>1,154,527</b>	<b>1,301,477</b>	<b>(146,950)</b>
<b>DEBT SERVICE</b>	<b>41,932</b>	<b>1,945,288</b>	<b>(1,903,356)</b>
<b>CAPITAL OUTLAY</b>			
General administration	52,556	253,259	(200,703)
Public safety	-	99,269	(99,269)
Streets and grounds	-	-	-
<b>TOTAL CAPITAL OUTLAY</b>	<b>52,556</b>	<b>352,528</b>	<b>(299,972)</b>
<b>TOTAL EXPENDITURES</b>	<b>\$ 4,614,032</b>	<b>\$ 7,066,651</b>	<b>\$ (2,452,619)</b>

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

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Assessment Date	Assessed Property Values	
	Taxable	Non-taxable
May 1, 2010	\$ 44,943,037	\$ 14,604,700
May 1, 2011	45,386,077	14,733,100
May 1, 2012	45,214,117	15,115,650
May 1, 2013	46,036,221	15,182,400
May 1, 2014	46,575,180	15,107,468
May 1, 2015	47,496,370	15,739,405
May 1, 2016	48,119,764	15,502,881
May 1, 2017	48,860,666	15,378,705
May 1, 2018	49,632,369	15,215,742
May 1, 2019	50,720,750	15,253,680



**SINGLE AUDIT SUPPLEMENT**

**TOWN OF GEORGETOWN  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED APRIL 30, 2020**

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<b>Federal Grantor/Pass-through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<b>Direct Programs:</b>			
Community Facilities Loans and Grants*	10.766		<u>\$ 2,005,927</u>
<b>DEPARTMENT OF JUSTICE</b>			
<b>Passed through State - Delaware Criminal Justice Council Council:</b>			
Crime Victim Assistance	16.575	2016-VF-Passthru-1891 2017-VF-Passthru-1952	73,392
Violence Against Women Formula Grants	16.588	2016-VF-Passthru-2146 2017-VF-Passthru-2335 VW17-2226	89,164
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016-DB-P/T-2306 2017-DB-P/T-2316 2018-DB-P/T-2315	23,472
Comprehensive Opioid Abuse Site-Based Program	16.838	2017-AR-Passthru-2223	<u>25,866</u>
<b>TOTAL DEPARTMENT OF JUSTICE</b>			<u>211,894</u>
<b>DEPARTMENT OF TRANSPORTATION</b>			
<b>Passed through State - Delaware Department of Homeland Security:</b>			
Highway Safety Cluster			
State and Community Highway Safety	20.600	N / A	9,295
National Priority Safety Programs	20.616	N / A	<u>1,040</u>
<b>TOTAL HIGHWAY SAFETY CLUSTER</b>			10,335
Alcohol Open Container Requirements	20.607	N / A	<u>6,825</u>
<b>TOTAL DEPARTMENT OF TRANSPORTATION</b>			<u>17,160</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$ 2,234,981</u></u>

\* Denotes major program.

**NOTE A - BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Town of Georgetown under programs of the federal government for the year ended April 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town of Georgetown, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Town of Georgetown.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

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

De Minimis Indirect Cost Rate

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

**NOTE C - LOAN AND INDIRECT AWARDS**

The Town's federal expenditures for CFDA No. 10.766 are being funded directly from the U.S. Department of Agriculture for rural development (USDA) totaling \$ 1,925,000. The Town has completed the project during April 30, 2020 and has fully drawn down \$ 1,925,000, of which \$ 1,829,449 of those funds were used to repay the Town's interim financing and has closed out that balance. The remaining \$ 95,551 of project costs was a direct draw from the \$ 1,925,000 available funding. In total, the Town incurred project costs of \$ 2,036,301, of which \$ 111,301 were paid from Town sources to complete the project. The Town during the year has paid down on the principal balance for the USDA loan totaling \$ 13,994. The Town's loan balance for the USDA loan as of April 30, 2020, is \$ 1,911,007.

**NOTE C - LOAN AND INDIRECT AWARDS - CONTINUED**

The Town's federal expenditures for CFDA No. 66.468 are being funded by federal funds passed through the Delaware Department of Natural Resources and Environmental Control and combined with state loan funds. Total funds of \$ 3,800,000 (D-2070) were available to be passed through to the Town. In total, the Town incurred \$ 3,930,370 in eligible project costs, of which \$ 130,370 were paid from Town sources. The project was completed during the April 30, 2020 year. The gross advances received on these awards for the current year totaling \$ 151,988 were for prior year costs incurred by the Town as reported on the prior year Schedule of Expenditures of Federal Awards (SEFA). As a result, the Town did not report any current year program expenditures on the SEFA for the year ended April 30, 2020. The Town's loan balance as of April 30, 2020, is \$ 3,800,000. Of that amount, \$ 3,002,813 is from federal sources and \$ 797,187 is from state sources.

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

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RETIRED

KERRY L. HUDSON, CPA  
DIRECTOR

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

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Georgetown's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of Georgetown's major federal programs for the year ended April 30, 2020. The Town of Georgetown's major federal programs are identified in the summary of independent auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Town of Georgetown complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended April 30, 2020.

## Report on Internal Control over Compliance

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

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

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

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

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

Georgetown, Delaware  
November 10, 2020

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Georgetown, as of and for the year ended April 30, 2020, 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 10, 2020.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2020-001 that we consider to be a significant deficiency.

### Compliance and Other Matters

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

### The Town of Georgetown's Response to Findings

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

### Purpose of this Report

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

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

Georgetown, Delaware  
November 10, 2020



**TOWN OF GEORGETOWN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED APRIL 30, 2020**

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**SECTION I - SUMMARY OF INDEPENDENT AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ Yes   X   No

Significant deficiency(ies) identified?   X   Yes \_\_\_\_\_ None Reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

**Federal Awards**

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

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_ Yes   X   No

Significant deficiency(ies) identified? \_\_\_\_\_ Yes   X   None Reported

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

**Identification of Major Programs:**

<u>PROGRAM NAME</u>	<u>CFDA Number(s)</u>
Community Facilities Loans and Grants	10.766

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

Auditee qualified as low-risk auditee?   X   Yes \_\_\_\_\_ No

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

Significant Deficiency

Finding 2020-001 Financial Statements

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

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

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

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

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

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

**SECTION III - FINDINGS RELATED TO THE FEDERAL AWARDS**

None - Current Year

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

Finding 2019-001 Financial Statements (Significant Deficiency)

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

Management's Assessment of Current Year Status: *"Due to continued limited financial resources, the Town remains in a position whereby we are unable to hire an employee with the sufficient technical accounting expertise to completely prepare the Town's financial statements and notes in conformity with accounting principles generally accepted in the United States of America.*

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

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

Auditor Assessment of Status: Not resolved. Repeated as Finding 2020-001.

**PRIOR YEAR FINDINGS RELATED TO THE FEDERAL AWARDS**

None - Prior year