

TOWN OF GEORGETOWN
FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2012

**TOWN OF GEORGETOWN
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FOR THE YEAR ENDED APRIL 30, 2012**

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Georgetown as of and for the year ended April 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Georgetown's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Georgetown as of April 30, 2012, and the respective changes in financial position, and cash flows, where applicable, thereof, and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2012, 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Georgetown's financial statements. The accompanying supplementary information on pages 37 through 41 and schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

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

Georgetown, Delaware
November 9, 2012

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

THE TOWN OF GEORGETOWN

MANAGEMENT'S DISCUSSION & ANALYSIS (MD&A)

FOR FISCAL YEAR ENDED APRIL 30, 2012

This section of the report gives an overview and analysis of the financial activity of the Town of Georgetown for the year ended April 30, 2012.

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, 2012, assets exceeded liabilities by \$ 25,825,206. Of this amount, the Town had unrestricted assets of \$ 1,053,045. The Town's total net assets increased by \$ 599,202 during the year. The net increase was mainly caused by capital grants and contributions.

FUND FINANCIAL STATEMENTS

As of April 30, 2012, the Town's governmental funds reported an ending fund balance of \$ 1,543,246. This increased \$ 326,630 from the preceding year, and was approximately 11% of budgeted expenditures.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

FUND FINANCIAL STATEMENTS

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

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

GOVERNMENTAL FUNDS

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

PROPRIETARY FUNDS

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

FIDUCIARY FUNDS

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

MAJOR AND NON-MAJOR FUNDS

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

NOTES TO THE FINANCIAL STATEMENTS

Notes to the Financial Statements provide additional information that is important for a better understanding of the data provided in the Financial Statements.

SUPPLEMENTARY INFORMATION

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

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 assets:

**TOWN OF GEORGETOWN'S SCHEDULE OF NET ASSETS
As of April 30, 2012 and 2011**

	Governmental Activities		Business-type Activities		Total Government	
	2012	2011	2012	2011	2012	2011
Current and Other Assets	\$ 2,489,321	\$ 2,081,627	\$ 2,527,353	\$ 2,282,399	\$ 5,016,674	\$ 4,364,026
Capital Assets	5,545,842	5,339,767	30,771,149	31,222,879	36,316,991	36,562,646
Total Assets	<u>8,035,163</u>	<u>7,421,394</u>	<u>33,298,502</u>	<u>33,505,278</u>	<u>41,333,665</u>	<u>40,926,672</u>
Current and Other Liabilities	685,492	607,972	699,439	558,931	1,384,931	1,166,903
Long-term Liabilities Outstanding	173,400	382,653	13,950,128	14,151,112	14,123,528	14,533,765
Total Liabilities	<u>858,892</u>	<u>990,625</u>	<u>14,649,567</u>	<u>14,710,043</u>	<u>15,508,459</u>	<u>15,700,668</u>
Net Assets:						
Invested in Capital Assets, Net of Related Debt	5,545,842	5,072,126	16,958,291	16,996,714	22,504,133	22,068,840
Restricted	793,261	589,280	1,655,756	1,360,317	2,449,017	1,949,597
Unrestricted	837,168	769,363	34,888	438,204	872,056	1,207,567
Total Net Assets	<u>\$ 7,176,271</u>	<u>\$ 6,430,769</u>	<u>\$ 18,648,935</u>	<u>\$ 18,795,235</u>	<u>\$ 25,825,206</u>	<u>\$ 25,226,004</u>

The Governmental Activities Schedule of Net Assets is made up of cash, taxes receivable, restricted cash, annexation and other receivables, land improvements and other capital assets. Restricted net assets consist of cash and investments, which are restricted as to their use by outside agencies and Town ordinances. A long-term loan payable was paid off during the year from a transfer from the Business-Type Activities

In the Business-type Activities, 87% of the net assets are invested in the water and sewer systems. Restricted net assets consist of cash and investments held by the Town for infrastructure outlays and debt service. Long-term bonds of \$ 7,205,000 were refinanced to take advantage of lower interest rates during the year.

The following schedule reflects the breakdown of changes in net assets for Governmental and Business-type Activities for fiscal years 2012 and 2011.

TOWN OF GEORGETOWN'S CHANGES IN NET ASSETS
For the Years Ended April 30, 2012 and 2011

	Governmental Activities		Business-type Activities		Total Government	
	2012	2011	2012	2011	2012	2011
Revenues						
Program Revenues:						
Charges for Services	\$ 1,228,922	\$ 909,301	\$ 3,157,693	\$ 2,933,426	\$ 4,386,615	\$ 3,842,727
Operating Grants and Contributions	723,338	584,627	222,482	359,836	945,820	944,463
Capital Grants and Contributions	504,909	1,133,595	30,000	1,150,000	534,909	2,283,595
General Revenues						
Property Taxes and Penalties	1,486,464	1,359,561	-	-	1,486,464	1,359,561
Realty Transfer Taxes	144,914	128,343	-	-	144,914	128,343
Investment Income	3,414	5,902	-	-	3,414	5,902
Total Revenues	4,091,961	4,121,329	3,410,175	4,443,262	7,502,136	8,564,591
Program Expenses						
General Administration	540,654	691,082	-	-	540,654	691,082
Public Safety	1,788,783	1,886,226	-	-	1,788,783	1,886,226
Planning and Zoning	149,914	142,485	-	-	149,914	142,485
Streets and Grounds	1,263,391	1,186,765	-	-	1,263,391	1,186,765
Sewer Facility	-	-	2,154,847	2,282,442	2,154,847	2,282,442
Water Facility	-	-	1,005,345	1,043,518	1,005,345	1,043,518
Total Expenses	3,742,742	3,906,558	3,160,192	3,325,960	6,902,934	7,232,518
Increase in Net Assets before						
Transfers	349,219	214,771	249,983	1,117,302	599,202	1,332,073
Transfers	396,283	771,830	(396,283)	(771,830)	-	-
Increase (Decrease) in Net Assets	745,502	986,601	(146,300)	345,472	599,202	1,332,073
Net Assets - Beginning	6,430,769	5,444,168	18,795,235	18,449,763	25,226,004	23,893,931
Net Assets - Ending	\$ 7,176,271	\$ 6,430,769	\$18,648,935	\$18,795,235	\$25,825,206	\$25,226,004

In the Governmental Activities, revenues increased from the prior year due to a \$ 125,000 collection from a fire casualty claim and additional building permit revenues of \$ 56,776. The revenues related to trash pickup increased \$ 92,366 from the prior year. Expenses decreased in General Administration due to a reduction in the real estate losses incurred by the Town related to the fire in 2011 versus the demolition of houses in 2012, a total expense reduction of \$ 202,263. Public Safety expenses were reduced in 2012 due to lower salaries of \$ 93,816. Streets and Grounds expenses increased due to an increase in trash disposal fees of \$ 81,494 in 2012.

In the Business-type Activities, charges for services increased due to an increase in rates. The expenses were comparable to prior years for the water and the sewer funds. The Town was not deeded infrastructure during the current year. The Business-type Activities refinanced \$ 7,205,000 of debt during the year at a lower blended interest rate.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

In the General Fund, on the fund basis, the actual revenues were comparable to the budget except for transfer taxes and courthouse fees that generated \$ 221,314 over the budget and intergovernmental grants that generated \$ 440,109 over the budget. The overall increase over budgeted revenues was \$ 1,117,553 on the Fund Financial Statements. Expenses consist of General Administrative, Planning and Zoning, and Streets and Grounds and were comparable to budget. The capital outlay budget did not include a street project which was started by the State during the prior year and debt service payments included a payoff of a building loan.

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

OTHER FACTORS

The economic slowdown, currently in its 5th year, continues to present significant budget challenges at the State, County and Municipal levels. We are slowly seeing an increase in commercial activity; however, the residential component continues to remain very sluggish.

The Town has several major water infrastructure projects underway: South Railroad Avenue Well & Treatment (\$1,595,590); Water Service Line Replacement (\$2,199,410); and King Street Water Treatment Enhancement & Upgrade (\$3,300,000). These projects are funded through the Office of Drinking Water, State Revolving Fund (DWSRF) with one hundred percent (100%) principle forgiveness and a zero percent (0%) interest rate.

Additionally, there are two (2) sewer infrastructure projects underway: Inflow and Infiltration (\$1,705,000); and Spray Disposal Expansion (\$2,600,000). Both of these are funded through a combination of grants and loans from the United States Department of Agriculture (USDA).

As part of our annual budget process the Town continues to be conservative with revenue estimates and aggressive with respect to expenses. Our detailing of revenue and expenses by government-type and business activity funds helps to ensure clarity and understanding with respect to the entire operations of the Town. The inclusion of debt service, as part of the budget, has been additive to ensuring water and sewer rates are established at an amount adequate to meet financial obligations.

All rates are reviewed annually and at this time rates are adequate to cover obligations. Future rates may be impacted by additional infrastructure improvements or unforeseen repairs/replacements.

BASIC FINANCIAL STATEMENTS

**TOWN OF GEORGETOWN
STATEMENT OF NET ASSETS
APRIL 30, 2012**

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	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 312,162	\$ 151	\$ 312,313
Receivables:			
Taxes	33,860	-	33,860
Trash	69,957	-	69,957
Service water and sewer	-	363,932	363,932
Miscellaneous	176,262	196,045	372,307
Prepaid items	51,755	72,335	124,090
Due from other government agencies	108,454	-	108,454
Bond issue costs, net of amortization	-	178,477	178,477
Noncurrent assets:			
Loan receivable	36,000	-	36,000
Annexation receivables	136,500	-	136,500
Restricted assets:			
Cash and cash equivalents	1,564,371	1,518,793	3,083,164
Investments	-	197,620	197,620
Capital assets:			
Land and construction in progress	508,571	1,802,768	2,311,339
Other capital assets, net of depreciation	5,037,271	28,968,381	34,005,652
TOTAL ASSETS	8,035,163	33,298,502	41,333,665
LIABILITIES			
Accounts payable	70,374	263,621	333,995
Accrued liabilities	97,275	150,967	248,242
Construction project deposit	429,700	-	429,700
Deferred revenue	88,143	284,851	372,994
Long-term liabilities:			
Due within one year	173,400	1,054,636	1,228,036
Due in more than one year	-	12,895,492	12,895,492
TOTAL LIABILITIES	858,892	14,649,567	15,508,459
NET ASSETS			
Invested in capital assets, net of related debt	5,545,842	16,958,291	22,504,133
Restricted for:			
Nonexpendable	87,755	72,335	160,090
Construction and debt service	-	1,583,421	1,583,421
Grants, emergency services, recreation and transfer tax	705,506	-	705,506
Unrestricted	837,168	34,888	872,056
TOTAL NET ASSETS	\$ 7,176,271	\$ 18,648,935	\$ 25,825,206

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

TOWN OF GEORGETOWN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED APRIL 30, 2012

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Function/Programs	Expenses	Program Revenues		Net Revenue (Expense) and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT							
GOVERNMENTAL ACTIVITIES							
General administration	\$ 540,654	\$ 416,103	\$ 268,743	\$ -	\$ 144,192	\$ -	\$ 144,192
Public safety	1,788,783	165,164	207,025	115,291	(1,301,303)	-	(1,301,303)
Streets and grounds	1,263,391	480,946	247,570	389,618	(145,257)	-	(145,257)
Planning and zoning	149,914	166,709	-	-	16,795	-	16,795
TOTAL GOVERNMENTAL ACTIVITIES	3,742,742	1,228,922	723,338	504,909	(1,285,573)	-	(1,285,573)
BUSINESS-TYPE ACTIVITIES							
Sewer facility	2,154,847	1,951,478	178,980	30,000	-	5,611	5,611
Water facility	1,005,345	1,206,215	43,502	-	-	244,372	244,372
TOTAL BUSINESS-TYPE ACTIVITIES	3,160,192	3,157,693	222,482	30,000	-	249,983	249,983
TOTAL PRIMARY GOVERNMENT	\$ 6,902,934	\$ 4,386,615	\$ 945,820	\$ 534,909	(1,285,573)	249,983	(1,035,590)
GENERAL REVENUES							
Taxes: Property and penalties					1,486,464	-	1,486,464
Realty transfer					144,914	-	144,914
Unrestricted investment earning					3,414	-	3,414
TRANSFERS					396,283	(396,283)	-
TOTAL GENERAL REVENUES AND TRANSFERS							
					2,031,075	(396,283)	1,634,792
CHANGE IN NET ASSETS							
					745,502	(146,300)	599,202
NET ASSETS - BEGINNING							
					6,430,769	18,795,235	25,226,004
NET ASSETS - ENDING							
					<u>\$ 7,176,271</u>	<u>\$ 18,648,935</u>	<u>\$ 25,825,206</u>

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

**TOWN OF GEORGETOWN
BALANCE SHEET - GOVERNMENTAL FUND
APRIL 30, 2012**

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	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 312,162
Receivables:	
Taxes	33,860
Trash	69,957
Miscellaneous	176,262
Prepaid items	51,755
Due from other government agencies	108,454
Noncurrent assets:	
Loan receivable	36,000
Annexation receivables	136,500
Restricted assets:	
Cash and cash equivalents	<u>1,564,371</u>
TOTAL ASSETS	<u><u>\$ 2,489,321</u></u>
LIABILITIES	
Accounts payable	\$ 70,374
Accrued liabilities	97,275
Construction project deposit	429,700
Deferred revenue	<u>348,725</u>
TOTAL LIABILITIES	<u>946,074</u>
FUND BALANCES	
Nonspendable:	
Prepaid expenses	51,755
Restricted for:	
Emergency services and recreation services	127,307
Grant funds	336,640
Realty transfer tax	241,558
Assigned for:	
Health benefits	180,989
Unassigned	<u>604,998</u>
TOTAL FUND BALANCES	1,543,247
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	5,545,842
Other assets are not available to pay for current period expenditures and therefore are deferred in the funds.	260,582
Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest and fees on long-term debt are not accrued in governmental funds, but rather are recognized as an expenditure when due.	<u>(173,400)</u>
Net Assets of Governmental Activities	<u><u>\$ 7,176,271</u></u>

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

TOWN OF GEORGETOWN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUND
FOR THE YEAR ENDED APRIL 30, 2012

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	General Fund
REVENUES	
Taxes and fees	\$ 1,855,412
Intergovernmental	712,358
Charges for services	803,403
Fines and parking	176,496
Miscellaneous	<u>322,111</u>
TOTAL REVENUES	<u>3,869,780</u>
EXPENDITURES	
Current:	
General administration	355,806
Public safety	1,611,714
Streets and grounds	1,017,400
Planning and zoning	149,333
Debt service	272,769
Capital outlay	<u>532,411</u>
TOTAL EXPENDITURES	<u>3,939,433</u>
EXCESS OF EXPENDITURES OVER REVENUES	(69,653)
OTHER FINANCING SOURCES	
Transfers in, net	<u>396,283</u>
NET CHANGE IN FUND BALANCE	326,630
FUND BALANCE - BEGINNING	<u>1,216,617</u>
FUND BALANCE - ENDING	<u>\$ 1,543,247</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, 2012

NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUND		\$ 326,630
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$ 532,411) and disposal of assets (\$ 128,163) exceeded depreciation (\$ 321,680) in the current period.</p>		
		82,568
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. The net change is as follows:</p>		
Grants	\$ 50,933	
Building permits	(12,468)	
Property taxes	(17,632)	
Contributed property and supplies	<u>123,506</u>	144,339
<p>Debt proceeds are recognized as financing sources in governmental funds, but are not revenue in the government-wide statement of activities, net of principal payments on debt, forgiveness of debt, issue costs and accrued interest on debt not yet due.</p>		
		257,599
<p>Compensated absence increases reported in the statement of activities do require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
		<u>(65,634)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 745,502</u></u>

TOWN OF GEORGETOWN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET
AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED APRIL 30, 2012

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	Budgeted Amounts Original and Final	Actual	Variance with Budget - Positive (Negative)
REVENUES			
Taxes and fees	\$ 1,571,503	\$ 1,855,412	\$ 283,909
Intergovernmental	272,249	712,358	440,109
Charges for services	625,575	803,403	177,828
Fines and parking	165,000	176,496	11,496
Miscellaneous	117,900	322,111	204,211
TOTAL REVENUES	<u>2,752,227</u>	<u>3,869,780</u>	<u>1,117,553</u>
EXPENDITURES			
Current:			
General administration	250,813	355,806	(104,993)
Public safety	1,593,441	1,611,714	(18,273)
Streets and grounds	904,494	1,017,400	(112,906)
Planning and zoning	155,533	149,333	6,200
Debt service	11,789	272,769	(260,980)
Capital outlay	34,346	532,411	(498,065)
TOTAL EXPENDITURES	<u>2,950,416</u>	<u>3,939,433</u>	<u>(989,017)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(198,189)	(69,653)	128,536
OTHER FINANCING SOURCES			
Transfers in, net	198,189	396,283	198,094
NET CHANGE IN FUND BALANCE	-	326,630	326,630
FUND BALANCE - BEGINNING	<u>1,216,617</u>	<u>1,216,617</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 1,216,617</u>	<u>\$ 1,543,247</u>	<u>\$ 326,630</u>

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

**TOWN OF GEORGETOWN
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
APRIL 30, 2012**

- 14 -

ASSETS	Business-type Activities - Enterprise Funds		
	Sewer Fund	Water Fund	Total
CURRENT ASSETS			
Cash and cash equivalents	\$ -	\$ 151	\$ 151
Receivables, net of allowance for doubtful accounts:			
Service charges	161,832	202,100	363,932
Miscellaneous	167,095	28,950	196,045
TOTAL CURRENT ASSETS	328,927	231,201	560,128
NONCURRENT ASSETS			
Prepaid items	29,259	43,076	72,335
Bond issue cost, net of amortization	106,938	71,539	178,477
Restricted assets:			
Cash and cash equivalents	1,173,887	344,906	1,518,793
Investments	197,620	-	197,620
Capital assets:			
Land and construction in progress	1,443,716	359,052	1,802,768
Other capital assets, net of depreciation	23,048,688	5,919,693	28,968,381
TOTAL NONCURRENT ASSETS	26,000,108	6,738,266	32,738,374
TOTAL ASSETS	26,329,035	6,969,467	33,298,502
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	155,578	108,043	263,621
Accrued liabilities	99,141	51,826	150,967
Deferred revenue	284,851	-	284,851
Current portion of long-term liabilities	688,637	365,999	1,054,636
TOTAL CURRENT LIABILITIES	1,228,207	525,868	1,754,075
LONG-TERM LIABILITIES, LESS CURRENT PORTION	9,048,225	3,847,267	12,895,492
TOTAL LIABILITIES	10,276,432	4,373,135	14,649,567
NET ASSETS			
Invested in capital assets, net of related debt	14,878,292	2,079,999	16,958,291
Restricted for:			
Construction and debt service	1,276,724	306,697	1,583,421
Other	29,259	43,076	72,335
Unrestricted	(131,672)	166,560	34,888
TOTAL NET ASSETS	\$ 16,052,603	\$ 2,596,332	\$ 18,648,935

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

TOWN OF GEORGETOWN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUNDS
FOR THE YEAR ENDED APRIL 30, 2012

- 15 -

	Business-type Activities - Enterprise Funds		
	Sewer Fund	Water Fund	Total
OPERATING REVENUES			
Charges for services	\$ 1,871,799	\$ 1,182,367	\$ 3,054,166
Other operating revenue	41,771	9,190	50,961
TOTAL OPERATING REVENUES	1,913,570	1,191,557	3,105,127
OPERATING EXPENSES			
Amortization	5,786	5,475	11,261
Chemicals	49,052	58,580	107,632
Depreciation	860,495	225,244	1,085,739
Employee benefits	109,116	83,635	192,751
Gasoline and oil	8,066	5,725	13,791
Insurance	24,520	13,505	38,025
Maintenance and repairs	35,067	123,570	158,637
Service charges	2,791	125	2,916
Payroll taxes	27,245	17,056	44,301
Professional services	93,042	2,694	95,736
Salaries	365,769	269,386	635,155
Sludge disposal fees	98,514	-	98,514
Supplies	11,803	6,757	18,560
Telephone	4,353	4,456	8,809
Utilities	156,557	53,031	209,588
TOTAL OPERATING EXPENSES	1,852,176	869,239	2,721,415
OPERATING INCOME	61,394	322,318	383,712
NON-OPERATING REVENUES (EXPENSES)			
Impact fees, net	178,980	42,512	221,492
Investment income	16,954	280	17,234
Intergovernmental grant	-	990	990
Penalties	20,954	14,378	35,332
Interest expense	(302,671)	(136,106)	(438,777)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(85,783)	(77,946)	(163,729)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(24,389)	244,372	219,983
CAPITAL CONTRIBUTIONS	30,000	-	30,000
TRANSFERS OUT	(273,379)	(122,904)	(396,283)
CHANGE IN NET ASSETS	(267,768)	121,468	(146,300)
NET ASSETS - BEGINNING	16,320,371	2,474,864	18,795,235
NET ASSETS - ENDING	\$ 16,052,603	\$ 2,596,332	\$ 18,648,935

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, 2012**

- 16 -

	Business-type Activities - Enterprise Funds		
	Sewer Fund	Water Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 1,928,058	\$ 1,196,001	\$ 3,124,059
Payments to suppliers for goods and services	(521,661)	(318,236)	(839,897)
Payments to employees for services	(492,817)	(364,937)	(857,754)
Other operating receipts	41,770	9,189	50,959
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>955,350</u>	<u>522,017</u>	<u>1,477,367</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from (to) other funds, net	(273,379)	(122,904)	(396,283)
NET CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	<u>(273,379)</u>	<u>(122,904)</u>	<u>(396,283)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Bond and loan proceeds	3,585,559	3,969,338	7,554,897
Bond issue costs	(60,348)	(68,444)	(128,792)
Acquisition of capital assets	(223,977)	(194,064)	(418,041)
Retirement of bonds and related costs	(3,735,492)	(4,036,217)	(7,771,709)
Impact fees	144,434	35,178	179,612
Intergovernmental capital grant	-	9,999	9,999
Interest paid	(270,588)	(94,227)	(364,815)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(560,412)</u>	<u>(378,437)</u>	<u>(938,849)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from investments	130,035	-	130,035
Acquisition of investments	(148,166)	-	(148,166)
Investment income and penalties	28,869	14,658	43,527
NET CASH FLOWS FROM INVESTING ACTIVITIES	<u>10,738</u>	<u>14,658</u>	<u>25,396</u>
NET INCREASE IN CASH	<u>132,297</u>	<u>35,334</u>	<u>167,631</u>
CASH AND CASH EQUIVALENTS - BEGINNING	<u>1,041,590</u>	<u>309,723</u>	<u>1,351,313</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 1,173,887</u>	<u>\$ 345,057</u>	<u>\$ 1,518,944</u>
CASH AND CASH EQUIVALENTS AS PRESENTED IN THE ACCOMPANYING STATEMENTS OF NET ASSETS			
Cash and cash equivalents	\$ -	\$ 151	\$ 151
Restricted cash and cash equivalents	1,173,887	344,906	1,518,793
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 1,173,887</u>	<u>\$ 345,057</u>	<u>\$ 1,518,944</u>

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

**TOWN OF GEORGETOWN
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - CONTINUED
FOR THE YEAR ENDED APRIL 30, 2012**

- 17 -

	Business-type Activities - Enterprise Funds		
	Sewer Fund	Water Fund	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income	\$ 61,394	\$ 322,318	\$ 383,712
Adjustments to reconcile operating income to net cash flows from operating activities:			
Depreciation and amortization	866,281	230,719	1,097,000
Changes in assets and liabilities:			
Receivables	(4,090)	13,634	9,544
Prepaid items	8,494	8,614	17,108
Accounts payable and accrued liabilities	(37,077)	(53,268)	(90,345)
Deferred revenue	60,348	-	60,348
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 955,350	\$ 522,017	\$ 1,477,367

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

**TOWN OF GEORGETOWN
STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUND
APRIL 30, 2012**

- 18 -

ASSETS	
Cash	<u>\$ 15,061</u>
 NET ASSETS HELD IN TRUST	 <u>\$ 15,061</u>

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

**TOWN OF GEORGETOWN
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUND
FOR THE YEAR ENDED APRIL 30, 2012**

- 19 -

ADDITIONS	
Investment income	\$ 240
DEDUCTIONS	
Support	<u>(5,000)</u>
CHANGE IN NET ASSETS	(4,760)
NET ASSETS HELD IN TRUST - BEGINNING	<u>19,821</u>
NET ASSETS HELD IN TRUST - ENDING	<u><u>\$ 15,061</u></u>

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). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Town has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Town has chosen not to do so. The more significant accounting policies established in GAAP and used by the Town are discussed below.

1. Reporting Entity

The accompanying financial statements include police, streets, water and sewer service, recreation and general administrative services that are legally controlled by or dependent on the Town Council (the primary government). As defined by GASBS No. 14, the Town's financial reporting entity is required to consist of all organizations for which the Town is financially accountable or for which there is a significant relationship. The Water & Supply Company, previously the sole provider of water services to the Town's citizens, was purchased by the Town of Georgetown in 1991 and is an integral component of the Town's water system. Its activities are blended with the Water Fund.

2. Basic Financial Statements - Government-wide Statements

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

In the government-wide statement of net assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

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

3. Basic Financial Statements - Fund Financial Statements

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

The following fund types are used by the Town:

Governmental Fund

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

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

Proprietary Funds

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Basic Financial Statements - Fund Financial Statements - Continued

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.

Fiduciary Funds

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

Major and Nonmajor Funds

The funds of the financial reporting entity are further classified as major or nonmajor. The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASBS No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The Town does not have a nonmajor fund.

4. Basis of Accounting/Measurement Focus

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Basis of Accounting/Measurement Focus - Continued

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

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

5. Cash and Cash Equivalents

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

6. Accounts Receivable

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 \$ 11,491.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

7. Capital Assets

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

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

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

8. Deferred Revenue

Deferred 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. Equity Classifications

Government-wide Statements

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

- a. Invested in capital assets, net of related debt - Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

10. Equity Classifications - Continued

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

Fund Statements

The Town has adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, during the current year. In the fund financial statements, governmental funds report amounts for five classifications of fund balances 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.

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 committed funds. Town Council specifically authorizes expenditures from those restricted resources as 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 amounts are available, it is the policy of the Town to consider nonsegregated restricted amounts to have been reduced first. The Town's unassigned general fund balance is maintained to provide it with sufficient resources to meet the Town's daily operational needs.

Proprietary fund equity is classified the same as in the government-wide statements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

11. Revenues

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

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

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

12. Expenditures

Expenditures are recognized when the related fund liability is incurred.

13. Compensated Absences

Employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for accumulated vacation days. In the event of retirement, an employee is paid for accumulated vacation days, and dependent on years of service could be paid part or all of sick leave accumulated. The Town accrues accumulated unpaid vacation and sick leave when earned (or estimated to be earned) by the employee. 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 \$ 273,379 of net transfers from the sewer fund and \$ 122,904 of net transfers from the water fund during the year.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

15. Budgets and Budgetary Accounting

The budget in these financial statements is presented on a basis consistent with accounting principles generally accepted in the United States of America. Final budgeted amounts are as amended at April 30, 2012. 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 Town is limited by Resolution 2010-6 to appropriate only 98% of estimated revenues for the budget year.

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

Interest costs incurred by a proprietary fund for the acquisition and/or construction of capital assets are subject to capitalization. The amount of interest cost to be capitalized is based on the weighted-average amount of accumulated expenditures for the period multiplied by the proprietary fund's interest rate for the obligation incurred specifically to finance the construction of the capital asset. No interest was capitalized during the year. Interest expensed in the Governmental Activities totaled \$ 4,979 for the year.

18. Water & Supply Company

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

19. Bond Discounts, Issuance Costs and Deferred Refunding Amounts

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

NOTE B - CASH AND INVESTMENTS

All deposits are in various financial institutions and are carried at cost. Transactions are made directly with the banks and securities dealers. At April 30, 2012, the carrying amount of the Town's deposits was \$ 3,410,538 and the bank balance was \$ 3,447,390, of which \$ 15,270 was uninsured and uncollateralized.

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

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

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

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

The Town has authorized the following investments:

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

NOTE B - CASH AND INVESTMENTS - CONTINUED

The Town had the following investments at April 30, 2012:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 - 5	6 - 10	More than 10
U.S. Treasuries	\$ 61,060	\$ -	\$ 28,811	\$ 3,394	\$ 28,855
Federal Home Loan Mortgage Corporation	84,823	-	-	3,467	81,356
Federal National Mortgage Association	51,737	-	2,008	-	49,729
Total Investments	<u>\$ 197,620</u>	<u>\$ -</u>	<u>\$ 30,819</u>	<u>\$ 6,861</u>	<u>\$ 159,940</u>

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

Cash on hand	\$ 1,000
Carrying amount of deposits	3,409,538
Carrying amount of investments	<u>197,620</u>
TOTAL	<u>\$ 3,608,158</u>
Cash and cash equivalents	\$ 312,313
Cash and cash equivalents - restricted	3,083,164
Investments - restricted	197,620
Fiduciary fund cash (not included in government-wide statements)	<u>15,061</u>
TOTAL	<u>\$ 3,608,158</u>

NOTE C - CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2012 was as follows:

	Balance at April 30, 2011	Increases	Decreases	Balance at April 30, 2012
Governmental Activities:				
Capital assets, not being depreciated:				
Land and parks	\$ 508,571	\$ -	\$ -	\$ 508,571
Construction in progress	236,361	-	236,361	-
Total capital assets, not being depreciated	<u>744,932</u>	<u>-</u>	<u>236,361</u>	<u>508,571</u>
Other capital assets:				
Buildings and improvements	1,657,610	-	143,378	1,514,232
Equipment	1,590,916	181,618	95,695	1,676,839
Streets and storm drains	3,873,740	710,661	-	4,584,401
Total other capital assets	7,122,266	892,279	239,073	7,775,472
Less accumulated depreciation for other capital assets	<u>2,527,431</u>	<u>321,680</u>	<u>110,910</u>	<u>2,738,201</u>
Other capital assets, net	<u>4,594,835</u>	<u>570,599</u>	<u>128,163</u>	<u>5,037,271</u>
Governmental Activities Capital Assets, Net	<u>\$ 5,339,767</u>	<u>\$ 570,599</u>	<u>\$ 364,524</u>	<u>\$ 5,545,842</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,074,327	\$ -	\$ -	\$ 1,074,327
Construction in progress	157,016	593,340	21,915	728,441
Total capital assets, not being depreciated	<u>1,231,343</u>	<u>593,340</u>	<u>21,915</u>	<u>1,802,768</u>
Other capital assets:				
Plant equipment and extensions	43,756,595	62,584	576,978	43,242,201
Less accumulated depreciation for other capital assets	<u>13,765,059</u>	<u>1,085,739</u>	<u>576,978</u>	<u>14,273,820</u>
Other capital assets, net	<u>29,991,536</u>	<u>(1,023,155)</u>	<u>-</u>	<u>28,968,381</u>
Business-type Activities Capital Assets, Net	<u>\$ 31,222,879</u>	<u>\$ (429,815)</u>	<u>\$ 21,915</u>	<u>\$ 30,771,149</u>

NOTE C - CAPITAL ASSETS - CONTINUED

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 17,425
Public safety	65,530
Streets and grounds	<u>238,725</u>
Total governmental activities depreciation expense	<u><u>\$ 321,680</u></u>
Business-type activities:	
Water	\$ 225,244
Sewer	<u>860,495</u>
Total business-type activities depreciation expense	<u><u>\$ 1,085,739</u></u>

NOTE D - PROPERTY TAXES

Taxes are levied on May 1 and a lien attaches to the property on May 31. Taxes are levied on November 1 for increased property valuations to that date at one-half the tax rate. The Town bills and collects its own property taxes. The tax rate for the year ended April 30, 2012 was \$ 3.14 per \$ 100 of assessed valuation for all real property and improvements, except for utility poles and wires, which were assessed at \$ 3.66 per \$ 100 of assessed valuation, with a total taxable valuation of \$ 45,386,077. Real property and improvements that are exempt from taxation due to State, Town or other tax-exempt ownership total \$ 14,733,100.

NOTE E - PENSION PLANS

The Town participates in two State of Delaware administered multi-employer Town and municipal pension plans (PERS). All full-time employees are eligible to participate in the defined benefit plans. Benefits vest after 5 years of service. Police employees may retire when they have 10 years of credited service and are 62, or their age plus credited service equals 75, or they have 20 years of credited service. Non-police employees may retire if they have 5 years of credited service and are 62, or they have 15 years of credited service and are 60, or they have 30 years of credited service. The State of Delaware General Assembly is responsible for setting benefits and contributions and amending plan provisions. The Board of Pension Trustees issues a publicly available report that includes financial statements and required supplementary information for the plans. That report may be obtained by writing to the State of Delaware, Office of Pensions, 860 Silver Lake Boulevard, Dover, Delaware 19904 or by calling 1-800-722-7300.

NOTE E - PENSION PLANS - CONTINUED

Employees of the Town are required to contribute 3% of their gross earnings over \$ 6,000 to the pension plan. Police employees are required to contribute 7% of their base pay to the police pension plan. The Town makes monthly contributions as required by state statutes. During the year ended April 30, 2012, the Town was required to contribute 6.55% and 14.53% of its gross payroll to the regular plan and police plan, respectively. Employee wages covered by the plans in 2012 totaled \$ 1,666,572 out of total wages paid of \$ 1,876,874. Total contributions by the Town and the employees made during the fiscal years 2012, 2011 and 2010 were \$ 235,500, \$ 267,302, and \$ 279,934, respectively, equal to the required contributions each year. There were 34 active participants at April 30, 2012 between the two plans. The State periodically grants funds to municipalities to provide police pensions. These monies are used by the Town to fund the pension plan for police employees.

NOTE F - GENERAL OBLIGATION BONDS AND NOTES PAYABLE

Included in the proprietary fund are the following bonds at April 30, 2012:

	<u>Business-type</u>
Sewer system bonds issued December 5, 1973, principal and interest at 5% payable annually on January 1, general obligation of the Town. Annual principal payments are as follows: 2012 - 2013	\$ 5,600
Sewer system bonds, Series 2011B, issued August 17, 2011, interest rate at 1.5%, semi-annual interest only installments at November 15 and May 15 of \$ 2,438 until 2014 when the principal balance is due, general obligation of the Town.	325,000
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.	334,443
Bond payable to the United States of America, Department of Agriculture, Rural Utilities Service, interest at 4.5%, principal and interest payments of \$ 6,147 are payable quarterly until 2043, general obligation of the Town.	411,301
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.	1,179,442
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.	3,709,325
Water and Sewer bonds, Series 2011A, issued August 17, 2011, interest rate ranges from 1% to 4%, variable semi-annual installments at November 15 and May 15 until 2021, general obligation of the Town.	6,750,000

NOTE F - GENERAL OBLIGATION BONDS AND NOTES PAYABLE - CONTINUED

	<u>Business-type</u>
Bond payable to the State of Delaware, interest at 2.39%, semi-annual payments until 2029, general obligation of the Town. Total bonds authorized were \$ 2,600,000. Total advanced \$ 668,388.	\$ 592,454
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.	81,012
Bond payable to the United States of America, Department of Agriculture, Rural Utilities Service, interest at 2.25%, annual interest only through December 2012, quarterly payments until 2050, general obligation of the Town. Total bonds authorized were \$ 866,000. Total advanced \$ 105,443.	105,443
Bond payable to the State of Delaware, interest at 0.00%, with loan forgiveness at completion of project, general obligation of the Town. Total bonds authorized were \$ 2,199,410. Total advanced \$ 116,538.	116,538
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.	<u>398,795</u>
TOTAL	14,009,353
ADD: Unamortized bond premium	94,757
Deferred amount on refunding, net of amortization	<u>(291,255)</u>
TOTAL BOND INDEBTEDNESS	<u><u>\$ 13,812,855</u></u>

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

<u>Years Ending April 30</u>	<u>Business-type Activities - General Obligation</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 917,363	\$ 379,684	\$ 1,297,047
2014	963,255	362,130	1,325,385
2015	987,873	340,977	1,328,850
2016	1,002,765	319,345	1,322,110
2017	996,086	296,418	1,292,504
2018 - 2022	5,849,777	995,688	6,845,465
2023 - 2027	1,828,702	418,849	2,247,551
2028 - 2032	465,574	251,983	717,557
2033 - 2037	417,541	169,016	586,557
2038 - 2042	467,558	76,382	543,940
2043 - 2047	<u>112,859</u>	<u>3,690</u>	<u>116,549</u>
TOTAL	<u><u>\$ 14,009,353</u></u>	<u><u>\$ 3,614,162</u></u>	<u><u>\$ 17,623,515</u></u>

NOTE F - GENERAL OBLIGATION BONDS AND NOTES PAYABLE - CONTINUED

Long-term Liability Activity

Long-term liability activity for the year ended April 30, 2012 was as follows:

	<u>April 30, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>April 30, 2012</u>	<u>Due Within One Year</u>
Governmental Activities:					
Compensated absences	\$ 115,012	\$ 84,341	\$ 25,953	\$ 173,400	\$ 173,400
Notes payable	<u>267,641</u>	<u>-</u>	<u>267,641</u>	<u>-</u>	<u>-</u>
Total Governmental Activities	<u>\$ 382,653</u>	<u>\$ 84,341</u>	<u>\$ 293,594</u>	<u>\$ 173,400</u>	<u>\$ 173,400</u>
Business-type Activities:					
General obligation bonds	\$ 14,226,165	\$ 7,554,897	\$ 7,771,709	\$ 14,009,353	\$ 917,363
Unamortized bond (discount)/ premium	(26,377)	125,254	4,120	94,757	-
Deferred amount of refunding, net of amortization	<u>(173,926)</u>	<u>12,663</u>	<u>129,992</u>	<u>(291,255)</u>	<u>-</u>
Total bonds payable	14,025,862	7,692,814	7,905,821	13,812,855	917,363
Compensated absences	<u>125,250</u>	<u>18,763</u>	<u>6,740</u>	<u>137,273</u>	<u>137,273</u>
Total Business-type Activities	<u>\$ 14,151,112</u>	<u>\$ 7,711,577</u>	<u>\$ 7,912,561</u>	<u>\$ 13,950,128</u>	<u>\$1,054,636</u>

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

NOTE G - COMMITMENTS AND CONTINGENCIES

In June of 2010, the Town experienced a loss of property due to a fire in which the claim for reimbursement was denied by the insurance company. The Town is currently in litigation seeking damages for loss of property, court and attorney fees. The Town asserts that the broker was negligent, resulting in their claim of loss to be denied by the insurance company holding the policy at the time of the loss. The Town recovered \$ 125,000 from one of the parties named under this suit during the year. Their current estimated unrecovered damages are expected to exceed \$ 275,000.

NOTE H - FIDUCIARY FUND

The Town administers a private-purpose trust fund for the benefit of the Boy and Girl Scouts of America from assets originally conveyed to the Town in 1973 by James and Mildred Tunnell. At April 30, 2012, the fund contained \$ 15,061 of assets available for benefits.

NOTE I - OPERATING LEASES

The Town leases various equipment under operating leases in the general fund. The Town rents land for the sewer plant's spray irrigation system. Minimum rental payments are due on various contracts until 2023. The land leases contain renewal options. Future minimum rental payments are as follows:

<u>Years Ending April 30</u>	<u>General Fund</u>	<u>Proprietary Fund</u>	<u>Total</u>
2013	\$ 9,394	\$ 72,844	\$ 82,238
2014	9,394	34,700	44,094
2015	3,914	36,500	40,414
2016	-	38,300	38,300
2017	-	40,200	40,200
2018-2023	-	133,000	133,000
TOTAL	\$ 22,702	\$ 355,544	\$ 378,246

NOTE J - OTHER LIABILITIES

In 1999, the Town loaned the Historic Georgetown Association, Inc. \$ 90,000 that is secured by a mortgage on the railroad depot property. The loan will be forgiven at a rate of \$ 4,500 per year for 20 years as long as the property is not conveyed to another owner. A loan receivable and other liability for \$ 90,000 was established to record the loan and the related deferred loan forgiveness. At April 30, 2012, the loan receivable and corresponding liability of \$ 36,000 were on the fund financial statements.

NOTE K - 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 except for a damaged building described in Note G.

NOTE L - UTILITY PROJECTS

In December 2010, the Town approved borrowing of up to \$ 5,500,000, with the funds to be utilized on various wastewater and water projects. The Town has incurred minimal expenditures in regards to these projects and has drawn \$ 349,897 down on the loans as of April 30, 2012.

The total expenditures related to these projects are expected to total \$ 10,975,000. The funding for these projects will come from grants (\$ 1,877,000), loans to be forgiven (\$ 7,095,000) and loans to be repaid (\$ 2,003,000).

NOTE M - EMPLOYEE HEALTH PLAN

The Town is exposed to the risk of loss related to employee medical expenses. During fiscal year 2012, the Town maintained a self-insured plan for employee medical expenses in which expenses per employee were covered annually (\$ 37,500 and \$ 35,000 for 2012 and 2011, respectively). The Town has an estimated maximum aggregate exposure of \$ 369,556 and \$ 443,981 for the calendar years 2012 and 2011, 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 fund at April 30, 2012 is based on the requirements of GASBS No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The liability is included in the accrued liabilities total on the balance sheet. Changes in the Fund's claims liability during the year were as follows:

Year	Balance at Beginning of Year	Current-Year Premiums, Claims and Changes in Estimates	Premiums and Claims Payments	Balance at End of Year
2012	\$ 23,372	\$ 509,201	\$ (461,576)	\$ 70,997
2011	69,718	408,262	(454,608)	23,372

NOTE N - SUBSEQUENT EVENTS

On July 19, 2012, the Town refinanced the 2005C sewer system bond in the total amount of \$ 635,286. In addition, the Town has secured a new loan through the United States Department of Agriculture in the amount of \$ 1,562,000 for the wastewater disposal expansion project. The Town has received a commitment for a new loan in the amount of \$ 3,300,000 from the State of Delaware for the improvement to the King Street water facility. The Town closed on this loan in June 2012. The loan balance will be forgiven at the completion of the project. The Town approved three new vehicle leases for public safety vehicles. The cumulative cost over the next three years is expected to be \$ 93,000.

NOTE O - REFUNDING OF DEBT

On August 17, 2011, the Town issued Series 2011A and 2011B general obligation bonds of \$ 7,205,000 (par value) with interest rates that ranged from 1% to 4% to currently refund various bonds with interest rates that ranged from 1.25% to 5% and had a balance of \$ 7,175,057. As a result of the current refunding the Town reduced its total debt service requirements by \$ 639,478, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debts) of \$ 593,222.

SUPPLEMENTARY INFORMATION

TOWN OF GEORGETOWN
SCHEDULE OF GENERAL FUND REVENUES AND OTHER FINANCING SOURCES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED APRIL 30, 2012

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	Original and Final Budget	Actual	Variance with Budget Positive (Negative)
TAXES AND FEES			
Courthouse municipality fees	\$ 130,000	\$ 206,400	\$ 76,400
Property and capitation taxes	1,426,503	1,448,156	21,653
Realty transfer tax	-	144,914	144,914
Penalties	15,000	55,942	40,942
TOTAL TAXES AND FEES	1,571,503	1,855,412	283,909
INTERGOVERNMENTAL			
Street grants	110,000	593,416	483,416
Police grants	82,249	51,016	(31,233)
Police pension	80,000	67,926	(12,074)
TOTAL INTERGOVERNMENTAL	272,249	712,358	440,109
CHARGES FOR SERVICES			
Trash pickup	445,575	446,645	1,070
Business and rental licenses	150,000	179,543	29,543
Permits and variances	20,000	139,211	119,211
Planning and zoning fees	10,000	38,004	28,004
TOTAL CHARGES FOR SERVICES	625,575	803,403	177,828
FINES AND PARKING			
Parking meters and fines	70,000	54,150	(15,850)
Court fines	95,000	122,346	27,346
TOTAL FINES AND PARKING	165,000	176,496	11,496
MISCELLANEOUS			
State and local in lieu of taxes	62,450	57,206	(5,244)
Franchise fees	26,550	38,905	12,355
Investment income	800	3,414	2,614
Miscellaneous	28,100	222,586	194,486
TOTAL MISCELLANEOUS	117,900	322,111	204,211
TOTAL REVENUES	2,752,227	3,869,780	1,117,553

TOWN OF GEORGETOWN
SCHEDULE OF GENERAL FUND REVENUES AND OTHER FINANCING SOURCES -
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED APRIL 30, 2012

	Original and Final Budget	Actual	Variance with Budget Positive (Negative)
OTHER FINANCING SOURCES			
Transfers in	<u>\$ 198,189</u>	<u>\$ 396,283</u>	<u>\$ 198,094</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u><u>\$ 2,950,416</u></u>	<u><u>\$ 4,266,063</u></u>	<u><u>\$ 1,315,647</u></u>

TOWN OF GEORGETOWN
SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED APRIL 30, 2012

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	Original and Final Budget	Actual	Variance with Budget Positive (Negative)
GENERAL ADMINISTRATION			
Dues and donations	\$ 12,000	\$ 10,000	\$ 2,000
Employee benefits	27,880	31,131	(3,251)
Gasoline and oil	1,300	1,760	(460)
Insurance	3,817	7,561	(3,744)
Meetings and conferences	400	202	198
Office	15,350	18,535	(3,185)
Payroll taxes	7,845	7,372	473
Pension expense	6,717	12,446	(5,729)
Professional services	50,500	116,161	(65,661)
Repairs and maintenance	750	20,397	(19,647)
Salaries	102,554	101,769	785
Special projects	1,000	11,376	(10,376)
Utilities	20,700	17,096	3,604
	<u>250,813</u>	<u>355,806</u>	<u>(104,993)</u>
TOTAL GENERAL ADMINISTRATION			
PUBLIC SAFETY			
Employee benefits	325,656	270,967	54,689
Gasoline and oil	42,000	49,515	(7,515)
Insurance	55,070	52,697	2,373
Office	25,000	28,677	(3,677)
Payroll taxes	68,150	66,915	1,235
Pension expense	114,141	100,076	14,065
Professional services	18,000	63,661	(45,661)
Maintenance, supplies and materials	24,000	52,876	(28,876)
Salaries	899,424	904,362	(4,938)
Special events	1,000	140	860
Utilities	21,000	21,828	(828)
	<u>1,593,441</u>	<u>1,611,714</u>	<u>(18,273)</u>
TOTAL PUBLIC SAFETY			

TOWN OF GEORGETOWN
SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED APRIL 30, 2012

- 40 -

	Original and Final Budget	Actual	Variance with Budget Positive (Negative)
STREETS AND GROUNDS			
Employee benefits	\$ 75,932	\$ 96,034	\$ (20,102)
Gasoline and oil	10,000	11,260	(1,260)
Insurance	14,860	12,611	2,249
Office	9,000	8,517	483
Payroll taxes	12,267	15,423	(3,156)
Pension expense	10,503	16,123	(5,620)
Professional services	21,000	22,447	(1,447)
Repairs and maintenance	41,000	138,627	(97,627)
Salaries	160,357	158,006	2,351
Special events	-	667	(667)
Street lights	100,000	121,025	(21,025)
Trash removal and fees	445,575	411,744	33,831
Utilities	4,000	4,916	(916)
TOTAL STREETS AND GROUNDS	904,494	1,017,400	(112,906)
PLANNING AND ZONING			
Employee benefits	27,878	20,254	7,624
Insurance	3,908	3,405	503
Meetings and travel	1,400	760	640
Office	7,750	5,973	1,777
Payroll taxes	6,012	4,547	1,465
Pension expense	5,147	4,222	925
Professional services	22,250	31,132	(8,882)
Repairs and maintenance	800	-	800
Salaries	78,588	77,583	1,005
Utilities	1,800	1,457	343
TOTAL PLANNING AND ZONING	155,533	149,333	6,200
DEBT SERVICE			
General administration	11,789	272,769	(260,980)
CAPITAL OUTLAY			
General administration	15,346	-	15,346
Public safety	10,000	-	10,000
Streets and grounds	9,000	532,411	(523,411)
TOTAL CAPITAL OUTLAY	34,346	532,411	(498,065)
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 2,950,416	\$ 3,939,433	\$ (989,017)

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

<u>Assessment Date</u>	<u>Assessed Property Values</u>	
	<u>Taxable</u>	<u>Non-taxable</u>
May 1, 2002	\$ 34,879,813	\$ 12,223,650
May 1, 2003	35,221,166	12,392,250
May 1, 2004	39,545,017	12,415,100
May 1, 2005	41,448,932	12,554,650
May 1, 2006	41,412,732	13,179,600
May 1, 2007	43,245,212	13,643,300
May 1, 2008	44,268,064	13,963,550
May 1, 2009	45,138,211	14,113,650
May 1, 2010	44,943,037	14,604,700
May 1, 2011	45,386,077	14,733,100

SINGLE AUDIT SUPPLEMENT

**TOWN OF GEORGETOWN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED APRIL 30, 2012**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE			
Direct Programs:			
Water and Waste Disposal Systems for Rural Communities*	10.760	92-12 92-14	<u>\$ 301,764</u>
DEPARTMENT OF JUSTICE			
Direct Programs:			
ARRA - Public Safety Partnership and Community Policing Grants	16.710	2009-RK-WX-0199	6,524
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	16.804	2009-SB-B9-0161	<u>2,590</u>
TOTAL DEPARTMENT OF JUSTICE			<u>9,114</u>
ENVIRONMENTAL PROTECTION AGENCY			
Passed through State - Delaware Department of Natural Resources and Environmental Control:			
Capitalization Grants for Drinking Water State Revolving Funds*	66.468	D-2070 D-2057 D-2069 11-243	<u>283,682</u>
DEPARTMENT OF HOMELAND SECURITY			
Direct Program:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA 4037 DR DE	<u>5,137</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 599,697</u>

* Denotes major program

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Basis of Accounting

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

NOTE B - LOANS

The Town's federal expenditures for CFDA No. 10.760 includes \$ 38,815 of prior period costs for sewer expansion and improvements that are considered allowable for this fiscal year ended April 30, 2012 since there were no loan commitments from the U.S. Department of Agriculture, Water and Waste Disposal Systems for Rural Communities program that was awarded in the prior year(s).

The Town's federal expenditures for CFDA No. 66.468 includes \$ 26,730 of prior period costs for water improvements that are considered allowable for this fiscal year ended April 30, 2012 since there were no loan commitments from the Environmental Protection Agency, Capitalization Grants for Drinking Water State Revolving Funds program that was awarded in the prior year(s).

NOTE C - FUNDING OF FEDERAL EXPENDITURES

The Town's federal expenditures totaling \$ 125,763 for CFDA No. 10.760, which is currently funded by loans through State of Delaware loan programs, will be re-financed from U.S. Department of Agriculture, Water and Waste Disposal Systems program. A loan commitment has been authorized by the awarding agency in the current fiscal year. There were no advances made during the year ended April 30, 2012.

NOTE D - SUBRECIPIENTS

The Town's federal expenditures for CFDA No. 16.804 from prior years totaled \$ 359,786 that were provided to subrecipients. There were no expenditures under this program that have been provided to subrecipients during the year ended April 30, 2012.

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

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

Compliance

We have audited the Town of Georgetown's compliance with the types of compliance requirements described in the *OMB Circular A-133 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, 2012. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Town of Georgetown's management. Our responsibility is to express an opinion on the Town of Georgetown's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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. Our audit does not provide a legal determination of the Town of Georgetown's compliance with those requirements.

In our opinion, the Town of Georgetown complied, in all material respects, with the 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, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Finding 2012-3.

Internal Control over Compliance

Management of the Town of Georgetown is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Georgetown's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as Finding 2012-3. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

Georgetown, Delaware
November 9, 2012

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

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

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Georgetown as of and for the year ended April 30, 2012, which collectively comprise the Town of Georgetown's basic financial statements and have issued our report thereon dated November 9, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting as Findings 2012-1 and 2012-2. A *significant deficiency* is a deficiency, or 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Georgetown's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Finding 2012-1. We noted certain other matters that we reported to management of the Town of Georgetown in a separate letter dated November 9, 2012.

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

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

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

Georgetown, Delaware
November 9, 2012

SECTION I - SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified that are not considered to be material weakness? 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: Unqualified

Internal control over major programs:

Material weakness(es) identified? Yes X No

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

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

Identification of Major Programs:

<u>PROGRAM NAME</u>	<u>CFDA Number(s)</u>
Water and Waste Disposal Systems for Rural Communities	10.760
Capitalization Grants for Drinking Water State Revolving Funds	66.468

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

Auditee qualified as low-risk auditee? Yes X No

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

Prior and Current Year

Significant Deficiencies

Finding 2012-1 Program Reporting

Condition: The Town of Georgetown did not properly report expenditures in an application for federal funds reimbursement (CFDA No. 10.760). The amount included in the reporting of the expenditures includes costs already submitted for reimbursement through another funding source totaling \$ 67,704 from the State of Delaware. The Town improperly requested \$ 67,704 for reimbursement. The error in reporting has been communicated to appropriate funding agencies for a subsequent period correction.

Cause: This was an oversight by Town personnel who did not have additional tracking measures to account for those costs already submitted.

Criteria: OMB Circular A-87 guidelines for allowable costs states that such costs not be included as a cost or used to meet cost sharing or match requirements of any other award.

Recommendation: The Town of Georgetown should implement additional procedures for effective tracking of federal expenditures to ensure proper reporting of costs to be submitted for reimbursements.

Auditee Response: *“The Town of Georgetown has initiated use of tracking codes to better manage projects and relating reimbursements to incurred expenses. Once this error was recognized, the Town immediately notified the lender (USDA) and a correction will be processed accordingly.”*

Finding 2012-2 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.

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

Finding 2012-2 Financial Statements - Continued

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

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

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

Current Year Status: No change.

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

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

United States Department of Agriculture

Finding 2012-3 Financial Reporting

Significant Deficiency: As discussed in Finding 2012-1, the Town of Georgetown did not properly report expenditures in an application for federal funds reimbursement (CFDA No. 10.760). The amount included in the reporting of the expenditures includes costs already submitted for reimbursement through another funding source totaling \$ 67,704 from the State of Delaware. Therefore, these expenditures are determined to be questioned costs of \$ 67,704. The proper reporting of an application of federal funds reimbursements should be prepared and reviewed to ensure that eligible costs have not already been submitted for reimbursement from another funding source. This was an oversight by Town personnel who did not have additional tracking measures to account for those costs already submitted. The error in reporting has been communicated to appropriate funding agencies for a subsequent period correction.

Recommendation: The Town of Georgetown should implement additional procedures for effective tracking of federal expenditures to ensure proper reporting of costs to be submitted for reimbursements.

Auditee Response: *"The Town of Georgetown has initiated additional review steps to ensure proper reporting and verification of reimbursement requests."*

Department of Justice

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

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

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

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

Current Year Status: Corrected.

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

Finding: The Town of Georgetown did not communicate to the subrecipients prior to disbursement of funds the CFDA and grant number of the funds disbursed, nor the requirement of the separate cash account to maintain the funds. The Town did not properly obtain adequate documentation to account for all disbursements to the subrecipients, until required by our audit work. The grant agreement contained various compliance requirements over subrecipients which the Town overlooked and were not complied with during the year.

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

Current Year Status: Corrected.