

TOWN OF GEORGETOWN
FINANCIAL STATEMENTS
FOR THE YEAR ENDED APRIL 30, 2011

**TOWN OF GEORGETOWN
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FOR THE YEAR ENDED APRIL 30, 2011**

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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, 2011, 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, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2011, 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 to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Georgetown's basic financial statements. The supplementary information on pages 37 through 41 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Jefferson, Urian, Doane & Sterner P.A.

Georgetown, Delaware
September 20, 2011

THE TOWN OF GEORGETOWN

MANAGEMENT'S DISCUSSION & ANALYSIS (MD&A)

FOR FISCAL YEAR ENDED APRIL 30, 2011

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, 2011.

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, 2011, assets exceeded liabilities by \$ 25,226,004. Of this amount, the Town had unrestricted assets of \$ 1,207,567. The Town's total net assets increased by \$ 1,332,073 during the year. The net increase was mainly caused by capital contributions. It was discovered during the current year that a capital contribution of infrastructure was not recorded during the 2008 fiscal year. This prior period adjustment increased beginning net assets by \$ 2,249,880.

FUND FINANCIAL STATEMENTS

As of April 30, 2011, the Town's governmental funds reported an ending fund balance of \$ 1,216,616. This increased \$ 470,101 from the preceding year, and was approximately 15% of budgeted expenditures.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

FUND FINANCIAL STATEMENTS

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

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

GOVERNMENTAL FUNDS

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

PROPRIETARY FUNDS

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

MAJOR AND NON-MAJOR FUNDS

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

NOTES TO THE FINANCIAL STATEMENTS

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

SUPPLEMENTARY INFORMATION

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

**TOWN OF GEORGETOWN'S SCHEDULE OF NET ASSETS
As of April 30, 2011 and 2010**

	Governmental Activities		Business-type Activities		Total Government	
	2010		2010		2010	
	2011	(As Restated)	2011	(As Restated)	2011	(As Restated)
Current and Other Assets	\$ 2,081,627	\$ 1,265,439	\$ 2,282,399	\$ 2,632,751	\$ 4,364,026	\$ 3,898,190
Capital Assets	5,339,767	4,855,146	31,222,879	30,661,582	36,562,646	35,516,728
Total Assets	<u>7,421,394</u>	<u>6,120,585</u>	<u>33,505,278</u>	<u>33,294,333</u>	<u>40,926,672</u>	<u>39,414,918</u>
Current and Other Liabilities	607,972	263,744	558,931	478,881	1,166,903	742,625
Long-term Liabilities Outstanding	382,653	412,673	14,151,112	14,365,689	14,533,765	14,778,362
Total Liabilities	<u>990,625</u>	<u>676,417</u>	<u>14,710,043</u>	<u>14,844,570</u>	<u>15,700,668</u>	<u>15,520,987</u>
Net Assets:						
Invested in Capital Assets, Net of Related Debt	5,072,126	4,572,138	16,996,714	16,192,938	22,068,840	20,765,076
Restricted	589,280	413,155	1,360,317	1,781,543	1,949,597	2,194,698
Unrestricted	769,363	458,875	438,204	475,282	1,207,567	934,157
Total Net Assets	<u>\$ 6,430,769</u>	<u>\$ 5,444,168</u>	<u>\$ 18,795,235</u>	<u>\$ 18,449,763</u>	<u>\$ 25,226,004</u>	<u>\$ 23,893,931</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.

In the business-type activities, 90% 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.

The following schedule reflects the breakdown of changes in net assets for Governmental and Business-type Activities for fiscal years 2011 and 2010.

TOWN OF GEORGETOWN'S CHANGES IN NET ASSETS
For the Years Ended April 30, 2011 and 2010

	Governmental Activities		Business-type Activities		Total Government	
	2011	2010 (As Restated)	2011	2010 (As Restated)	2011	2010 (As Restated)
Revenues						
Program Revenues:						
Charges for Services	\$ 909,301	\$ 927,559	\$ 2,933,426	\$ 2,918,913	\$ 3,842,727	\$ 3,846,472
Operating Grants and Contributions	584,627	1,087,248	359,836	(29,870)	944,463	1,057,378
Capital Grants and Contributions	1,133,595	-	1,150,000	-	2,283,595	-
General Revenues						
Property Taxes and Penalties	1,359,561	1,343,901	-	-	1,359,561	1,343,901
Realty Transfer Taxes	128,343	120,310	-	-	128,343	120,310
Investment Income	5,902	6,742	-	-	5,902	6,742
Total Revenues	4,121,329	3,485,760	4,443,262	2,889,043	8,564,591	6,374,803
Program Expenses						
General Administration	691,082	318,615	-	-	691,082	318,615
Public Safety	1,886,266	2,515,518	-	-	1,886,226	2,515,518
Planning and Zoning	142,485	148,168	-	-	142,485	148,168
Streets and Grounds	1,186,765	1,085,178	-	-	1,186,765	1,085,178
Sewer Facility	-	-	2,282,442	2,422,678	2,282,442	2,422,678
Water Facility	-	-	1,043,518	1,041,717	1,043,518	1,041,717
Total Expenses	3,906,558	4,067,479	3,325,960	3,464,395	7,232,518	7,531,874
Increase (Decrease) in Net Assets						
Before Transfers	214,771	(581,719)	1,117,302	(575,352)	1,332,073	(1,157,071)
Transfers	771,830	407,879	(771,830)	(407,879)	-	-
Increase (Decrease) in Net Assets	986,601	(173,840)	345,472	(983,231)	1,332,073	(1,157,071)
Net Assets - Beginning, restated	5,444,168	5,618,008	18,449,763	19,432,994	23,893,931	25,051,002
Net Assets - Ending	\$ 6,430,769	\$ 5,444,168	\$ 18,795,235	\$ 18,449,763	\$ 25,226,004	\$ 23,893,931

In the Governmental Activities, on the fund basis the actual revenues were comparable to the budget except for transfer taxes and courthouse fees which generated \$ 196,348 over the budget and intergovernmental grants which generated \$ 518,026 over the budget. The overall increase over budgeted revenues was \$ 727,450 on the fund financial statement. The Town was deeded street infrastructure by a developer during the year.

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 year.

In the business-type activities, the water service revenue and the sewer service revenue were comparable to prior years. The expenses were comparable to prior years for the water and the sewer funds. The Town was deeded water and sewer lines during the year by a developer.

OTHER FACTORS

The economic slowdown, currently in its 4th year, continues to present significant budget challenges at the State, County and Municipal levels.

During FY 2011, Municipal Street Aid (MSA) funding, provided by the State of Delaware, was reestablished. Additionally, a two percent (2%) reduction in operating expenses was incorporated into our budget. A total of three (3) positions were reduced generating savings on wages and associated benefits.

Looking forward to FY 2012, after extensive review of all our revenues and expenses, the Town has maintained budgeted operating expenses at the FY 2011 level; increased sewer rates and property taxes; and eliminated two (2) additional positions.

The Town has been selected for funding through the Office of Drinking Water, State Revolving Fund (DWSRF) for projects estimated at \$ 2.1 million dollars with one hundred percent (100%) principle forgiveness and a zero percent (0%) interest rate. Additionally, several existing bond issues are being refinanced to take advantage of lower interest rates and significant savings.

BASIC FINANCIAL STATEMENTS

**TOWN OF GEORGETOWN
STATEMENT OF NET ASSETS
APRIL 30, 2011**

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	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 220,185	\$ 150	\$ 220,335
Receivables:			
Taxes	50,281	-	50,281
Trash	70,902	-	70,902
Service water and sewer	-	373,475	373,475
Miscellaneous	79,593	133,211	212,804
Prepaid items	34,785	89,444	124,229
Due from other government agencies	55,802	-	55,802
Bond issue costs, net of amortization	10,187	164,562	174,749
Noncurrent assets:			
Loan receivable	40,500	-	40,500
Annexation receivables	136,500	-	136,500
Restricted assets:			
Cash and cash equivalents	1,382,892	1,351,163	2,734,055
Investments	-	170,394	170,394
Capital assets:			
Land, improvements, and construction in progress	744,932	1,231,343	1,976,275
Other capital assets, net of depreciation	4,594,835	29,991,536	34,586,371
TOTAL ASSETS	7,421,394	33,505,278	40,926,672
LIABILITIES			
Accounts payable	126,843	152,336	279,179
Accrued liabilities	47,700	182,092	229,792
Construction project deposit	360,000	-	360,000
Deferred revenue	73,429	224,503	297,932
Long-term liabilities:			
Due within one year	131,031	974,725	1,105,756
Due in more than one year	251,622	13,176,387	13,428,009
TOTAL LIABILITIES	990,625	14,710,043	15,700,668
NET ASSETS			
Invested in capital assets, net of related debt	5,072,126	16,996,714	22,068,840
Restricted for:			
Construction and debt service	-	1,360,317	1,360,317
Grants, emergency services, recreation and transfer tax	589,280	-	589,280
Unrestricted	769,363	438,204	1,207,567
TOTAL NET ASSETS	\$ 6,430,769	\$ 18,795,235	\$ 25,226,004

TOWN OF GEORGETOWN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED APRIL 30, 2011

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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	\$ 691,082	\$ 294,166	\$ 257,274	\$ -	\$ (139,642)	\$ -	\$ (139,642)
Public safety	1,886,226	143,654	147,454	97,371	(1,497,747)	-	(1,497,747)
Streets and grounds	1,186,765	358,784	179,899	1,036,224	388,142	-	388,142
Planning and zoning	142,485	112,697	-	-	(29,788)	-	(29,788)
TOTAL GOVERNMENTAL ACTIVITIES	3,906,558	909,301	584,627	1,133,595	(1,279,035)	-	(1,279,035)
BUSINESS-TYPE ACTIVITIES							
Sewer facility	2,282,442	1,689,674	290,352	710,750	-	408,334	408,334
Water facility	1,043,518	1,243,752	69,484	439,250	-	708,968	708,968
TOTAL BUSINESS-TYPE ACTIVITIES	3,325,960	2,933,426	359,836	1,150,000	-	1,117,302	1,117,302
TOTAL PRIMARY GOVERNMENT	\$ 7,232,518	\$ 3,842,727	\$ 944,463	\$ 2,283,595	(1,279,035)	1,117,302	(161,733)
GENERAL REVENUES							
Taxes: Property and penalties					1,359,561	-	1,359,561
Realty transfer					128,343	-	128,343
Unrestricted investment earning					5,902	-	5,902
TRANSFERS					771,830	(771,830)	-
TOTAL GENERAL REVENUES AND TRANSFERS							
					2,265,636	(771,830)	1,493,806
CHANGE IN NET ASSETS							
					986,601	345,472	1,332,073
NET ASSETS - BEGINNING, ORIGINAL							
					4,370,368	17,273,763	21,644,131
PRIOR PERIOD ADJUSTMENTS							
					1,073,800	1,176,000	2,249,800
NET ASSETS - BEGINNING, AS RESTATED							
					5,444,168	18,449,763	23,893,931
NET ASSETS - ENDING							
					\$ 6,430,769	\$ 18,795,235	\$ 25,226,004

**TOWN OF GEORGETOWN
BALANCE SHEET - GOVERNMENTAL FUND
APRIL 30, 2011**

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	General Fund
ASSETS	
Cash and cash equivalents	\$ 220,185
Receivables:	
Taxes	50,281
Trash	70,902
Miscellaneous	79,593
Prepaid items	34,785
Due from other government agencies	55,802
Noncurrent assets:	
Loan receivable	40,500
Annexation receivable	136,500
Restricted assets:	
Cash and cash equivalents	<u>1,382,892</u>
TOTAL ASSETS	<u>\$ 2,071,440</u>
LIABILITIES	
Accounts payable	\$ 126,843
Accrued liabilities	54,803
Construction project deposit	360,000
Deferred revenue	<u>313,178</u>
TOTAL LIABILITIES	<u>854,824</u>
FUND BALANCES	
Reserved for:	
Realty transfer tax	161,022
Grant funds	325,978
Emergency services and recreation services	49,312
Health benefits	296,353
Unreserved:	
Undesignated	<u>383,951</u>
TOTAL FUND BALANCES	1,216,616
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.	5,339,767
Other assets are not available to pay for current period expenditures and therefore are deferred in the funds.	239,750
Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest and fees on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	<u>(365,364)</u>
Net Assets of Governmental Activities	<u>\$ 6,430,769</u>

**TOWN OF GEORGETOWN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUND
FOR THE YEAR ENDED APRIL 30, 2011**

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	General Fund
REVENUES	
Taxes and fees	\$ 1,660,507
Intergovernmental	646,026
Charges for services	619,269
Fines and parking	181,232
Miscellaneous	171,376
	<hr/>
TOTAL REVENUES	3,278,410
	<hr/>
EXPENDITURES	
Current:	
General administration	318,545
Public safety	1,830,915
Streets and grounds	953,469
Planning and zoning	145,685
Debt service	27,136
Capital outlay	304,389
	<hr/>
TOTAL EXPENDITURES	3,580,139
	<hr/>
EXCESS OF EXPENDITURES OVER REVENUES	(301,729)
	<hr/>
OTHER FINANCING SOURCES	
Transfers in, net	771,830
	<hr/>
NET CHANGE IN FUND BALANCE	470,101
	<hr/>
FUND BALANCE - BEGINNING	746,515
	<hr/>
FUND BALANCE - ENDING	\$ 1,216,616
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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, 2011

NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUND		\$ 470,101
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$ 331,842) exceeded capital outlays (\$ 304,389) in the current period.		(27,453)
Losses in value due to a casualty in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.		(330,426)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. The net change is as follows:		
Property taxes	\$ 25,402	
Miscellaneous	7,968	
Grants	(37,451)	
Capital contributions	<u>842,500</u>	838,419
Debt proceeds are recognized as financing sources in governmental funds, but are not revenue in the government-wide statement of activities, net of principal payments on debt, forgiveness of debt, issue costs and accrued interest on debt not due yet.		14,061
Compensated absence decreases reported in the statement of activities do require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		<u>21,899</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 986,601</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, 2011

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	Budgeted Amounts Original and Final	Actual	Variance with Budget - Positive (Negative)
REVENUES			
Taxes and fees	\$ 1,469,000	\$ 1,660,507	\$ 191,507
Intergovernmental	128,000	646,026	518,026
Charges for services	554,000	619,269	65,269
Fines and parking	240,000	181,232	(58,768)
Miscellaneous	159,960	171,376	11,416
TOTAL REVENUES	2,550,960	3,278,410	727,450
EXPENDITURES			
Current:			
General administration	249,908	318,545	(68,637)
Public safety	1,851,656	1,830,915	20,741
Streets and grounds	928,881	953,469	(24,588)
Planning and zoning	162,262	145,685	16,577
Debt service	-	27,136	(27,136)
Capital outlay	41,136	304,389	(263,253)
TOTAL EXPENDITURES	3,233,843	3,580,139	(346,296)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(682,883)	(301,729)	381,154
OTHER FINANCING SOURCES			
Transfers in, net	682,883	771,830	88,947
NET CHANGE IN FUND BALANCE	-	470,101	470,101
FUND BALANCE - BEGINNING	746,515	746,515	-
FUND BALANCE - ENDING	\$ 746,515	\$ 1,216,616	\$ 470,101

**TOWN OF GEORGETOWN
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
APRIL 30, 2011**

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ASSETS	Business-type Activities - Enterprise Funds		
	Sewer Fund	Water Fund	Total
CURRENT ASSETS			
Cash and cash equivalents	\$ -	\$ 150	\$ 150
Receivables, net of allowance for doubtful accounts:			
Service charges	157,742	215,733	373,475
Miscellaneous	102,585	30,626	133,211
TOTAL CURRENT ASSETS	260,327	246,509	506,836
NONCURRENT ASSETS			
Bond issue cost, net of amortization	97,967	66,595	164,562
Prepaid expenses	37,753	51,691	89,444
Restricted assets:			
Cash and cash equivalents	1,041,590	309,573	1,351,163
Investments	170,394	-	170,394
Capital assets:			
Land and construction in progress	1,163,715	67,628	1,231,343
Other capital assets, net of depreciation	23,846,599	6,144,937	29,991,536
TOTAL NONCURRENT ASSETS	26,358,018	6,640,424	32,998,442
TOTAL ASSETS	26,618,345	6,886,933	33,505,278
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	83,243	69,093	152,336
Accrued liabilities	114,281	67,811	182,092
Deferred revenue	224,503	-	224,503
Current portion of long-term liabilities	652,015	322,710	974,725
TOTAL CURRENT LIABILITIES	1,074,042	459,614	1,533,656
LONG-TERM LIABILITIES, LESS CURRENT PORTION	9,223,932	3,952,455	13,176,387
TOTAL LIABILITIES	10,297,974	4,412,069	14,710,043
NET ASSETS			
Invested in capital assets, net of related debt	15,163,021	1,833,693	16,996,714
Restricted for:			
Construction and debt service	1,096,274	264,043	1,360,317
Unrestricted	61,076	377,128	438,204
TOTAL NET ASSETS	\$ 16,320,371	\$ 2,474,864	\$ 18,795,235

TOWN OF GEORGETOWN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUNDS
FOR THE YEAR ENDED APRIL 30, 2011

- 15 -

	Business-type Activities - Enterprise Funds		
	Sewer Fund	Water Fund	Total
OPERATING REVENUES			
Charges for services	\$ 1,621,257	\$ 1,212,581	\$ 2,833,838
Other operating revenue	39,460	12,831	52,291
TOTAL OPERATING REVENUES	1,660,717	1,225,412	2,886,129
OPERATING EXPENSES			
Amortization	6,972	5,755	12,727
Chemicals	51,776	59,039	110,815
Depreciation	868,924	247,950	1,116,874
Employee benefits	101,947	64,071	166,018
Gasoline and oil	13,458	4,928	18,386
Insurance	22,658	11,467	34,125
Maintenance and repairs	64,482	122,220	186,702
Service charges	3,601	921	4,522
Payroll taxes	30,241	17,481	47,722
Professional services	94,686	32,401	127,087
Salaries	401,857	230,633	632,490
Sludge disposal fees	98,707	-	98,707
Supplies	12,364	6,917	19,281
Telephone	6,022	4,860	10,882
Utilities	167,228	62,314	229,542
TOTAL OPERATING EXPENSES	1,944,923	870,957	2,815,880
OPERATING INCOME (LOSS)	(284,206)	354,455	70,249
NON-OPERATING REVENUES (EXPENSES)			
Impact fees (refunds), net	290,352	60,474	350,826
Investment income	10,868	4,808	15,676
Intergovernmental grant	-	9,010	9,010
Penalties	18,089	13,532	31,621
Interest expense	(337,519)	(172,561)	(510,080)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(18,210)	(84,737)	(102,947)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(302,416)	269,718	(32,698)
CAPITAL CONTRIBUTIONS	710,750	439,250	1,150,000
TRANSFERS IN (OUT)	(256,573)	(515,257)	(771,830)
CHANGE IN NET ASSETS	151,761	193,711	345,472
TOTAL NET ASSETS - BEGINNING, ORIGINAL	15,554,943	1,718,820	17,273,763
PRIOR PERIOD ADJUSTMENTS	613,667	562,333	1,176,000
TOTAL NET ASSETS - BEGINNING, RESTATED	16,168,610	2,281,153	18,449,763
TOTAL NET ASSETS - ENDING	\$ 16,320,371	\$ 2,474,864	\$ 18,795,235

**TOWN OF GEORGETOWN
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED APRIL 30, 2011**

- 16 -

	Business-type Activities - Enterprise Funds		
	Sewer Fund	Water Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 1,588,941	\$ 1,191,526	\$ 2,780,467
Payments to suppliers for goods and services	(522,618)	(236,325)	(758,943)
Payments to employees for services	(523,860)	(311,901)	(835,761)
Other operating receipts	39,460	12,831	52,291
NET CASH FLOWS FROM OPERATING ACTIVITIES	581,923	656,131	1,238,054
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from (to) other funds, net	(256,573)	(515,257)	(771,830)
NET CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	(256,573)	(515,257)	(771,830)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Bond and loan proceeds	547,985	-	547,985
Acquisition of capital assets	(489,346)	(53,825)	(543,171)
Retirement of bonds and related costs	(505,257)	(298,373)	(803,630)
Impact fees	188,474	38,858	227,332
Intergovernmental capital grant	15,000	-	15,000
Interest paid	(329,410)	(168,654)	(498,064)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(572,554)	(481,994)	(1,054,548)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from investments	199,866	525,215	725,081
Acquisition of investments	(207,575)	(26,953)	(234,528)
Investment income and penalties	27,139	15,074	42,213
NET CASH FLOWS FROM INVESTING ACTIVITIES	19,430	513,336	532,766
NET INCREASE (DECREASE) IN CASH	(227,774)	172,216	(55,558)
CASH AND CASH EQUIVALENTS - BEGINNING	1,269,364	137,507	1,406,871
CASH AND CASH EQUIVALENTS - ENDING	\$ 1,041,590	\$ 309,723	\$ 1,351,313
Cash and cash equivalents	\$ -	\$ 150	\$ 150
Restricted cash and cash equivalents	1,041,590	309,573	1,351,163
TOTAL CASH AND CASH EQUIVALENTS	\$ 1,041,590	\$ 309,723	\$ 1,351,313

**TOWN OF GEORGETOWN
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - CONTINUED
FOR THE YEAR ENDED APRIL 30, 2011**

- 17 -

	Business-type Activities - Enterprise Funds		
	Sewer Fund	Water Fund	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (284,206)	\$ 354,455	\$ 70,249
Adjustments to reconcile operating income (loss) to net cash provided:			
Depreciation and amortization	875,896	253,705	1,129,601
Changes in assets and liabilities:			
Accounts receivable	(29,874)	(21,055)	(50,929)
Prepaid expenses	(15,420)	8,615	(6,805)
Accounts payable and accrued liabilities	37,969	60,411	98,380
Deferred revenue	(2,442)	-	(2,442)
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 581,923	\$ 656,131	\$ 1,238,054
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES			
Capital asset, contributed	\$ 695,750	\$ 439,250	\$ 1,135,000

**TOWN OF GEORGETOWN
STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUND
APRIL 30, 2011**

- 18 -

ASSETS

Cash

\$ 19,821

NET ASSETS HELD IN TRUST

\$ 19,821

**TOWN OF GEORGETOWN
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUND
FOR THE YEAR ENDED APRIL 30, 2011**

- 19 -

ADDITIONS	
Investment income	\$ 215
DEDUCTIONS	
Support	<u>(7,500)</u>
CHANGE IN NET ASSETS	(7,285)
NET ASSETS HELD IN TRUST - BEGINNING	<u>27,106</u>
NET ASSETS HELD IN TRUST - ENDING	<u>\$ 19,821</u>

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The Town's financial statements are prepared in accordance with 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. The Town utilizes restricted resources to finance qualifying activities, to the extent permitted by laws, regulations, contracts and grants.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

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

3. Basic Financial Statements - Fund Financial Statements

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

The following fund types are used by the Town:

Governmental Fund

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

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

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position and cash flows. The accounting principles generally accepted in the United States of America applicable are those similar to businesses in the private sector. Proprietary funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs. The following is a description of the proprietary funds of the Town.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Basic Financial Statements - Fund Financial Statements - Continued

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

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

Fiduciary Funds

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

Major and Nonmajor Funds

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

4. Basis of Accounting/Measurement Focus

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Basis of Accounting/Measurement Focus - Continued

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

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

5. Cash and Cash Equivalents

The Town has defined cash and cash equivalents to include cash on hand, demand deposits and all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased. Restricted cash mainly consists of amounts held by the Town arising from grant programs, retirement, health and impact fee funds. The Town generally applies unrestricted resources for expenses for which both restricted and unrestricted resources are available. Expenses are specifically paid or reimbursed to unrestricted resources from restricted funds.

6. Accounts Receivable

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 \$ 13,791.

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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

7. Capital Assets - Continued

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

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

8. Deferred Revenue

Deferred income represents monies held by the Town to be recognized as revenue in future periods.

9. Investments

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

10. Equity Classifications

Government-wide Statements

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

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

Fund Statements

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

11. Revenues

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

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

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

12. Expenditures

Expenditures are recognized when the related fund liability is incurred.

13. Compensated Absences

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

14. Interfund Activity

Interfund activity is reported as either loans or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. All other interfund transactions are treated as transfers and are not required to be repaid by the funds. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements. Transferred funds are used for operational purposes by the recipient fund. The General Fund received \$ 256,573 of net transfers from the Sewer Fund and \$ 515,257 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, 2011. Unexpected appropriations lapse at year end.

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

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

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

16. Use of Estimates

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

17. Interest Costs

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 \$ 11,778 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, 2011, the carrying amount of the Town's deposits was \$ 2,974,211 and the bank balance was \$ 3,041,567, of which \$ 1,558,762 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, 2011:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 - 5	6 - 10	More than 10
U.S. Treasuries	\$ 44,234	\$ -	\$ 11,619	\$ 14,100	\$ 18,515
Federal Home Loan Mortgage Corporation	63,322	-	-	1,633	61,689
Federal National Mortgage Association	62,838	-	10,205	-	52,633
Total Investments	<u>\$ 170,394</u>	<u>\$ -</u>	<u>\$ 21,824</u>	<u>\$ 15,733</u>	<u>\$ 132,837</u>

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

Cash on hand	\$ 1,000
Carrying amount of deposits	2,973,211
Carrying amount of investments	170,394
TOTAL	<u>\$ 3,144,605</u>
Cash and cash equivalents	\$ 220,335
Cash and cash equivalents - restricted	2,734,055
Investments - restricted	170,394
Fiduciary fund cash (not included in government-wide statement)	19,821
TOTAL	<u>\$ 3,144,605</u>

NOTE C - CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2011 was as follows:

	(Restated) Balance at April 30, 2010	Increases	Decreases	Balance at April 30, 2011
Governmental Activities:				
Capital assets, not being depreciated:				
Land and parks	\$ 838,997	\$ -	\$ 330,426	\$ 508,571
Construction in Progress	-	236,361	-	236,361
Total capital assets, not being depreciated	<u>838,997</u>	<u>236,361</u>	<u>330,426</u>	<u>744,932</u>
Other capital assets:				
Buildings and improvements	1,697,221	-	-	1,697,221
Equipment	1,483,277	68,028	-	1,551,305
Streets and storm drains	3,031,240	842,500	-	3,873,740
Total other capital assets	6,211,738	910,528	-	7,122,266
Less accumulated depreciation for other capital assets	<u>2,195,589</u>	<u>331,842</u>	<u>-</u>	<u>2,527,431</u>
Other capital assets, net	<u>4,016,149</u>	<u>578,686</u>	<u>-</u>	<u>4,594,835</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 4,855,146</u></u>	<u><u>\$ 815,047</u></u>	<u><u>\$ 330,426</u></u>	<u><u>\$ 5,339,767</u></u>
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,074,327	\$ -	\$ -	\$ 1,074,327
Construction in progress	150,538	157,016	150,538	157,016
Total capital assets, not being depreciated	<u>1,224,865</u>	<u>157,016</u>	<u>150,538</u>	<u>1,231,343</u>
Other capital assets:				
Plant equipment and extensions	42,094,143	1,671,693	9,241	43,756,595
Less accumulated depreciation for other capital assets	<u>12,657,426</u>	<u>1,116,874</u>	<u>9,241</u>	<u>13,765,059</u>
Other capital assets, net	<u>29,436,717</u>	<u>554,819</u>	<u>-</u>	<u>29,991,536</u>
Business-type Activities Capital Assets, Net	<u><u>\$ 30,661,582</u></u>	<u><u>\$ 711,835</u></u>	<u><u>\$ 150,538</u></u>	<u><u>\$ 31,222,879</u></u>

NOTE C - CAPITAL ASSETS - CONTINUED

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 23,489
Public safety	77,928
Streets and grounds	<u>230,425</u>
Total governmental activities depreciation expense	<u><u>\$ 331,842</u></u>
Business-type activities:	
Water	\$ 247,950
Sewer	<u>868,924</u>
Total business-type activities depreciation expense	<u><u>\$ 1,116,874</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, 2011 was \$ 2.93 per \$100 of assessed valuation for all real property and improvements, except for utility poles and wires, which were assessed at \$ 3.42 per \$ 100 of assessed valuation, with a total taxable valuation of \$ 44,943,037. Real property and improvements that are exempt from taxation due to State, Town or other tax-exempt ownership total \$ 14,604,700.

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, 2011, the Town was required to contribute 6.2% and 13.9% of its gross payroll to the regular plan and police plan, respectively. Employee wages covered by the plans in 2011 totaled \$ 1,890,888 out of total wages paid of \$ 2,087,993. Total contributions by the Town and the employees made during the fiscal years 2011, 2010 and 2009 were \$ 267,302, \$ 279,934, and \$ 290,852, respectively, equal to the required contributions each year. There were 40 active participants at April 30, 2011 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, 2011:

	<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	\$ 11,200
Sewer system bonds issued April 10, 1984, interest rate 5%, semi-annual installments at April 10 and October 10 of \$ 16,547 until 2024, general obligation of the Town.	311,683
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.	342,947
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.	417,221
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.	1,196,405
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.	3,916,505
Water and Sewer bonds issued March 2003, interest at 1.25% to 4.20%, semi-annual installments at June 1 and December 1 until 2021, general obligation of the Town.	7,055,000

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 \$ 588,658.	\$ 539,473
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.	85,125
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 \$ 12,047.	12,047
Bond payable to the State of Delaware, interest at 2.00%, semi-annual payments until 2030, general obligation of the Town. Total bonds authorized were \$ 490,000. Total advanced \$ 338,559.	<u>338,559</u>
TOTAL	14,226,165
LESS: Unamortized bond discount	(26,377)
Deferred amount on refunding, net of amortization	<u>(173,926)</u>
TOTAL BOND INDEBTEDNESS	<u><u>\$ 14,025,862</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>
2012	\$ 849,475	\$ 483,116	\$ 1,332,591
2013	868,440	456,185	1,324,625
2014	909,130	427,699	1,336,829
2015	926,613	398,296	1,324,909
2016	956,438	365,665	1,322,103
2017 - 2021	5,320,731	1,288,274	6,609,005
2022 - 2026	2,791,379	493,530	3,284,909
2027 - 2031	574,426	266,495	840,921
2032 - 2036	381,808	185,525	567,333
2037 - 2041	448,427	95,812	544,239
2042 - 2046	<u>199,298</u>	<u>11,171</u>	<u>210,469</u>
TOTAL	<u><u>\$ 14,226,165</u></u>	<u><u>\$ 4,471,768</u></u>	<u><u>\$ 18,697,933</u></u>

NOTE F - GENERAL OBLIGATION BONDS AND NOTES PAYABLE - CONTINUED

At April 30, 2011, governmental-type long-term liabilities are as follows:

	<u>Governmental</u>
Note payable to Wilmington Savings Fund Society; interest fixed at 4.27%; interest and principal payments due monthly, final payment due February 2019, general obligation of the Town.	<u>\$ 267,641</u>

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

<u>Years Ending April 30</u>	<u>Governmental Activities - General Obligation</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 16,019	\$ 11,117	\$ 27,136
2013	16,713	10,423	27,136
2014	17,449	9,687	27,136
2015	18,209	8,927	27,136
2016	19,001	8,135	27,136
2017 - 2019	<u>180,250</u>	<u>18,866</u>	<u>199,116</u>
TOTAL	<u>\$ 267,641</u>	<u>\$ 67,155</u>	<u>\$ 334,796</u>

Long-term Liability Activity

Long-term liability activity for the year ended April 30, 2011 was as follows:

	<u>April 30, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>April 30, 2011</u>	<u>Due Within One Year</u>
Governmental Activities:					
Compensated absences	\$ 129,665	\$ 97,323	\$ 111,976	\$ 115,012	\$ 115,012
Notes payable	<u>283,008</u>	<u>-</u>	<u>15,359</u>	<u>267,641</u>	<u>16,019</u>
Total Governmental Activities	<u>\$ 412,673</u>	<u>\$ 97,323</u>	<u>\$ 127,335</u>	<u>\$ 382,653</u>	<u>\$ 131,031</u>

NOTE F - GENERAL OBLIGATION BONDS AND NOTES PAYABLE - CONTINUED

Long-term Liability Activity - Continued

	<u>April 30, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>April 30, 2011</u>	<u>Due Within One Year</u>
Business-type					
Activities:					
General obligation bonds	\$ 14,468,644	\$ 547,985	\$ 790,464	\$ 14,226,165	\$ 849,475
Unamortized bond discount	(28,993)	2,616	-	(26,377)	-
Deferred amount on refunding, net of amortization	(188,218)	14,292	-	(173,926)	-
Total bonds payable	<u>14,251,433</u>	<u>564,893</u>	<u>790,464</u>	<u>14,025,862</u>	<u>849,475</u>
Compensated absences	<u>114,256</u>	<u>21,237</u>	<u>10,243</u>	<u>125,250</u>	<u>125,250</u>
Total Business-type Activities	<u>\$ 14,365,689</u>	<u>\$ 586,130</u>	<u>\$ 800,707</u>	<u>\$ 14,151,112</u>	<u>\$ 974,725</u>

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

NOTE G - FIDUCIARY FUND

The Town administers a private-purpose trust fund for the benefit of the Boy and Girl Scouts of America from assets originally conveyed to the Town in 1973 by James and Mildred Tunnell. At April 30, 2011, the fund contained \$ 19,821 of assets available for benefits.

NOTE H - OPERATING LEASES

The Town leases various equipment under operating leases in the general fund. The Town rents land for the sewer plant's spray irrigation system. Minimum rental payments are due on various contracts until 2020. 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>
2012	\$ 9,394	\$ 90,501	\$ 99,895
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
2017-2022	-	173,200	173,200
TOTAL	<u>\$ 32,096</u>	<u>\$ 446,045</u>	<u>\$ 478,141</u>

NOTE I - OTHER LIABILITIES

In 1999, the Town loaned the Historic Georgetown Association, Inc. \$ 90,000 that is secured by a mortgage on the railroad depot property. The loan will be forgiven at a rate of \$ 4,500 per year for 20 years as long as the property is not conveyed to another owner. A loan receivable and other liability for \$ 90,000 was established to record the loan and the related deferred loan forgiveness. At April 30, 2011, the loan receivable and corresponding liability of \$ 40,500 were on the fund financial statements.

NOTE J - RISK MANAGEMENT

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

NOTE K - UTILITY PROJECTS

In December 2010, the Town passed a referendum for the 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 at April 30, 2011.

NOTE L - EMPLOYEE HEALTH PLAN

The Town is exposed to the risk of loss related to employee medical expenses. During fiscal year 2011, the Town maintained a self-insured plan for employee medical expenses in which expenses per employee were covered annually (\$ 35,000 for 2011 and 2010). The Town has an estimated maximum aggregate exposure of \$ 443,981 and \$ 474,439 for the calendar years 2011 and 2010, 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, 2011 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
2011	\$ 69,718	\$ 408,262	\$ (454,608)	\$ 23,372
2010	19,956	590,958	(541,196)	69,718

NOTE M - IMPAIRMENT OF CAPITAL ASSETS

A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. A building was acquired by the Town in fiscal year 2005 totaling \$ 439,782. A fire caused extensive damage to the building in the current fiscal year. The coverage of the building under the Town's commercial insurance policies is currently under dispute, with the claim remaining under evaluation for final determination and disposition. An asset impairment for the building was recorded using the restoration cost approach. The estimated fair value of the building is calculated to be \$ 109,356, therefore an impairment loss of \$ 330,426 was recognized in the General Administration section of the Governmental Activities, in the Government-wide statements.

NOTE N - PRIOR PERIOD ADJUSTMENTS

In the financial statements for the year ended April 30, 2008, program revenues from capital contributions were understated for the General and Business-type Activities. Capital contributions were deeded on August 27, 2007 from a developer, which included streets and wastewater and water facility improvements. The improvements, net of accumulated depreciation of \$ 165,200 for the Governmental Activities and \$ 84,000 for the Business-type Activities are recorded as prior period adjustments. The errors have been corrected in both the fund-level for proprietary funds and the government-wide financial statements and have had the following effect on the beginning net assets at April 30, 2010:

	Governmental Activities (Government- Wide)	Proprietary Funds		Proprietary Fund/Business- type Activities
		Sewer Fund	Water Fund	
Net assets - beginning, original	\$ 4,370,368	\$ 15,554,943	\$ 1,718,820	\$ 17,273,763
Adjustment of capital contribution	1,073,800	613,667	562,333	1,176,000
Net assets - beginning, restated	<u>\$ 5,444,168</u>	<u>\$ 16,168,610</u>	<u>\$ 2,281,153</u>	<u>\$ 18,449,763</u>

NOTE O - SUBSEQUENT EVENTS

The Town refinanced on August 17, 2011 the 1984 sewer system bonds, the 2003 water and sewer bonds and the note payable to Wilmington Savings Fund Society in the total amount of \$ 7,205,000. The Town has received a commitment for a new loan in the amount of \$ 2,199,410 from the State of Delaware for the installation of service mains and a new public water well.

SUPPLEMENTARY INFORMATION

TOWN OF GEORGETOWN
SCHEDULE OF GENERAL FUND REVENUES AND OTHER FINANCING SOURCES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED APRIL 30, 2011

- 37 -

	Original and Final Budget	Actual	Variance with Budget Positive (Negative)
TAXES AND FEES			
Courthouse municipality fees	\$ 130,000	\$ 198,005	\$ 68,005
Property and capitation taxes	1,324,000	1,303,427	(20,573)
Realty transfer tax	-	128,343	128,343
Penalties	15,000	30,732	15,732
TOTAL TAXES AND FEES	1,469,000	1,660,507	191,507
INTERGOVERNMENTAL			
General grants	-	27,583	27,583
Street grants	50,000	373,623	323,623
Police grants	13,000	169,642	156,642
Police pension	65,000	75,178	10,178
TOTAL INTERGOVERNMENTAL	128,000	646,026	518,026
CHARGES FOR SERVICES			
Trash pickup	389,000	352,928	(36,072)
Business and rental licenses	140,000	179,188	39,188
Permits and variances	20,000	57,499	37,499
Planning and zoning fees	5,000	29,654	24,654
TOTAL CHARGES FOR SERVICES	554,000	619,269	65,269
FINES AND PARKING			
Parking meters and fines	80,000	66,963	(13,037)
Court fines	160,000	114,269	(45,731)
TOTAL FINES AND PARKING	240,000	181,232	(58,768)
MISCELLANEOUS			
State and local in lieu of taxes	-	69,142	69,142
Franchise fees	26,000	26,708	708
Investment income	4,000	5,902	1,902
Miscellaneous	98,000	64,297	(33,703)
Rental income	31,960	5,327	(26,633)
TOTAL MISCELLANEOUS	159,960	171,376	11,416
TOTAL REVENUES	2,550,960	3,278,410	727,450

TOWN OF GEORGETOWN
SCHEDULE OF GENERAL FUND REVENUES AND OTHER FINANCING SOURCES -
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED APRIL 30, 2011

- 38 -

	Original and Final Budget	Actual	Variance with Budget Positive (Negative)
OTHER FINANCING SOURCES			
Transfers in	<u>\$ 682,883</u>	<u>\$ 771,830</u>	<u>\$ 88,947</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u><u>\$ 3,233,843</u></u>	<u><u>\$ 4,050,240</u></u>	<u><u>\$ 816,397</u></u>

TOWN OF GEORGETOWN
SCHEDULE OF GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED APRIL 30, 2011

- 39 -

	Original and Final Budget	Actual	Variance with Budget Positive (Negative)
GENERAL ADMINISTRATION			
Contingency reserve	\$ 6,271	\$ -	\$ 6,271
Dues and donations	12,000	35,960	(23,960)
Employee benefits	27,790	18,937	8,853
Gasoline and oil	1,500	1,561	(61)
Insurance	8,750	3,953	4,797
Meetings and conferences	350	356	(6)
Office	10,350	15,579	(5,229)
Payroll taxes	7,819	7,139	680
Pension expense	6,117	11,437	(5,320)
Professional services	44,000	63,410	(19,410)
Repairs and maintenance	1,250	27,433	(26,183)
Salaries	102,211	102,240	(29)
Special projects	1,000	10,349	(9,349)
Utilities	20,500	20,191	309
	<u>249,908</u>	<u>318,545</u>	<u>(68,637)</u>
TOTAL GENERAL ADMINISTRATION			
PUBLIC SAFETY			
Employee benefits	389,138	232,448	156,690
Gasoline and oil	45,000	50,741	(5,741)
Insurance	54,700	55,397	(697)
Office	25,000	28,139	(3,139)
Pass through grants to Towns	-	59,943	(59,943)
Payroll taxes	81,860	76,781	5,079
Pension expense	126,894	118,747	8,147
Professional fees	14,000	60,946	(46,946)
Maintenance, supplies and materials	22,000	68,214	(46,214)
Salaries	1,070,064	1,053,788	16,276
Special events	1,000	1,000	-
Utilities	22,000	24,771	(2,771)
	<u>1,851,656</u>	<u>1,830,915</u>	<u>20,741</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, 2011

- 40 -

	Original and Final Budget	Actual	Variance with Budget Positive (Negative)
STREETS AND GROUNDS			
Employee benefits	\$ 99,796	\$ 64,176	\$ 35,620
Gasoline and oil	8,000	13,992	(5,992)
Insurance	12,800	14,897	(2,097)
Office	9,000	9,475	(475)
Payroll taxes	16,442	15,301	1,141
Pension	13,218	15,190	(1,972)
Repairs and maintenance	40,000	120,977	(80,977)
Salaries	214,925	213,327	1,598
Professional fees	21,000	22,015	(1,015)
Special events	1,000	750	250
Street lights	100,000	129,209	(29,209)
Trash removal and fees	389,000	330,250	58,750
Utilities	3,700	3,910	(210)
	<u>928,881</u>	<u>953,469</u>	<u>(24,588)</u>
TOTAL STREETS AND GROUNDS			
PLANNING AND ZONING			
Employee benefits	38,689	14,797	23,892
Insurance	2,700	3,428	(728)
Meetings and travel	1,350	854	496
Office	8,747	6,347	2,400
Payroll taxes	6,086	5,234	852
Pension	4,893	4,877	16
Professional services	17,036	22,302	(5,266)
Repairs and maintenance	1,200	23	1,177
Salaries	79,561	86,151	(6,590)
Utilities	2,000	1,672	328
	<u>162,262</u>	<u>145,685</u>	<u>16,577</u>
TOTAL PLANNING AND ZONING			
DEBT SERVICE			
General administration	-	27,136	(27,136)
CAPITAL OUTLAY			
General administration	27,136	-	27,136
Public safety	-	51,889	(51,889)
Streets and grounds	14,000	252,500	(238,500)
	<u>41,136</u>	<u>304,389</u>	<u>(263,253)</u>
TOTAL CAPITAL OUTLAY			
TOTAL EXPENDITURES AND OTHER FINANCING USES			
	<u>\$ 3,233,843</u>	<u>\$ 3,580,139</u>	<u>\$ (346,296)</u>

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

<u>Assessment Date</u>	<u>Assessed Property Values</u>	
	<u>Taxable</u>	<u>Non-taxable</u>
May 1, 2001	\$ 33,657,897	\$ 11,931,111
May 1, 2002	34,879,813	12,223,650
May 1, 2003	35,221,166	12,392,250
May 1, 2004	39,545,017	12,415,100
May 1, 2005	41,448,932	12,554,650
May 1, 2006	41,412,732	13,179,600
May 1, 2007	43,245,212	13,643,300
May 1, 2008	44,268,064	13,963,550
May 1, 2009	45,138,211	14,113,650
May 1, 2010	44,943,037	14,604,700

OTHER REPORTS

A PROFESSIONAL CORPORATION • CERTIFIED PUBLIC ACCOUNTANTS

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RETIRED

ANITA Y. SMITH, MEd, DIRECTOR

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

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

We have audited the financial statements of the governmental activities, the business type activities, and each major fund of the Town of Georgetown as of and for the year ended April 30, 2011, which collectively comprises Town of Georgetown's basic financial statements and have issued our report thereon dated September 20, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Georgetown's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our 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.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses as detailed in Findings 2008-1 and 2009-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Georgetown's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We noted certain other matters that we reported to management of the Town of Georgetown in a separate letter dated September 20, 2011.

Town of Georgetown's response to the findings identified in our audit is described in the accompanying schedule of findings. 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 Council, others within the entity, and federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

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

Georgetown, Delaware
September 20, 2011

Prior year:

2008-1 FINDING - Financial Reporting

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

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

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

Current Year Status: No change.

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

2009-1 FINDING - Segregation of Accounting Functions

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

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

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

Current Year Status: The Town has made efforts to strengthen internal controls by adding additional levels of review to the cash receipt and customer billing process. There are still occasions, due to staffing limitations, where the cash receipts lack proper segregation of duties.

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