

Report of Independent Auditor

TOWN OF ELSMERE
Elsmere, Delaware

Year Ended June 30, 2015



HAGGERTY & HAGGERTY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS
& MANAGEMENT CONSULTANTS

TOWN OF ELSMERE, DELAWARE

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HAGGERTY & HAGGERTY, P.A.
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& MANAGEMENT CONSULTANTS

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Report of Independent Auditor

To Mayor and Town Council
Town of Elsmere
Elsmere, Delaware

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Elsmere [the "Town"], Delaware, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Elsmere, Delaware as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison information, reflected on pages 3 through 10 and page 39, along with schedules of net pension liability and schedules of pension contributions, reflected on pages 40 to 43, 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 U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Elsmere, Delaware's financial statements. The supplementary information, reflected on pages 44 through 45, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, reflected on pages 44 through 45, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Change in Accounting Principle

The Town adopted Governmental Accounting Standards Board [GASB] Statements No. 67, 68 and 71, *Financial Reporting for Pension Plans, Accounting and Financial Reporting for Pensions, and Pension Transition for Contributions Made Subsequent to the Measurement Date*, which state that individual employers must report a proportionate share of the net pension liability and the pension expense on their financial statements, along with the related deferred outflows of resources and deferred inflows of resources, as applicable. Previously, employers only reported the annual contributions they made to the retirement plan. The Town has determined that changes made to comply with the Statements should be reported as an adjustment of prior periods. Therefore, the Town has restated its net position at June 30, 2014. For more detail, refer to Note 12.

Restriction on Use

This report is intended solely for the information and use of management, members of Council, others within the entity, the Office of the Governor, the Office of Controller General, Office of Attorney General, Office of Management and Budget, Secretary of Finance, Office of Auditor of Accounts, and 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. However, this report is a public record and its distribution is not limited.

Haggerty & Haggerty, P.A.
Certified Public Accountants

December 8, 2015
Wilmington, Delaware

Management's Discussion and Analysis [MD&A] Section

TOWN OF ELSMERE, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS-UNAUDITED
 Year Ended June 30, 2015

INTRODUCTION

This section of the comprehensive annual financial report for the Town of Elsmere [the Town] presents a narrative overview and analysis of the Town's financial performance for the fiscal year ended June 30, 2015. We recommend that it be read in conjunction with the accompanying financial statements and notes in order to obtain a thorough understanding of the Town's financial condition at June 30, 2015.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this report consists of four sections:

- Management's Discussion and Analysis [MD&A] Section [this section],
- Basic Financial Statements [including notes to the basic financial statements] Section,
- Required Supplementary Information [RSI] Section, and
- Supplementary Information Section.

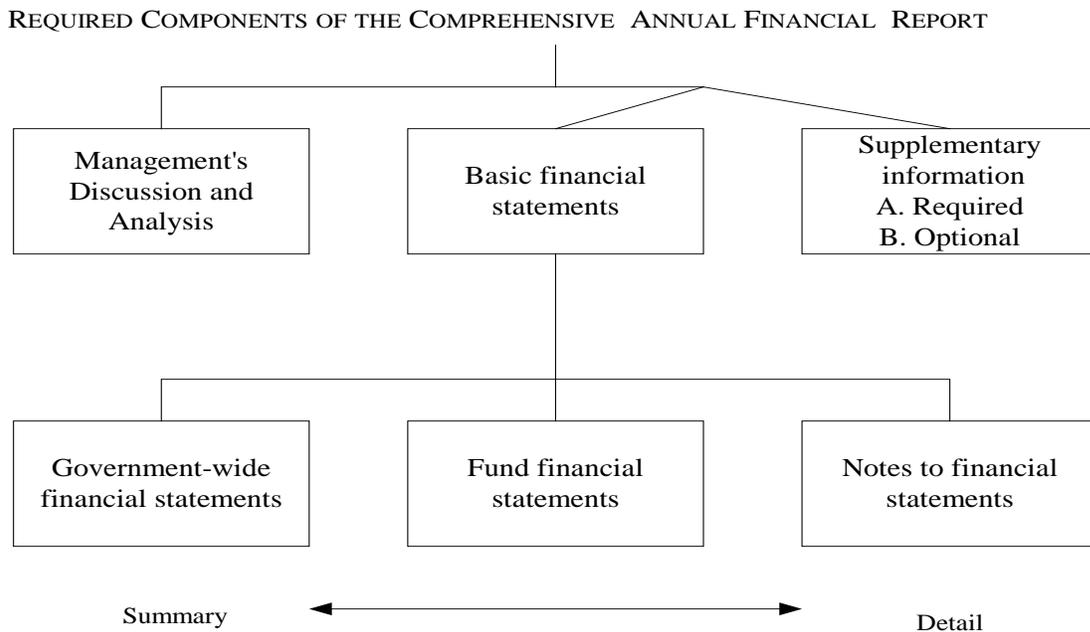
Management's discussion and analysis is a guide to reading the financial statements and provides related information to help the reader to better understand the Town government. The financial statements include notes that provide additional information essential to a full understanding of the financial data provided in the government-wide and the fund financial statements.

The basic financial statements present two different views of the Town:

- *Government-wide financial statements*, the first two statements, provide information about the Town's overall financial status.
- *Fund financial statements*, the remaining statements, focus on individual parts of Town government. They provide more detail on operations than the government-wide financial statements. The Town reports on the following fund type financial statements:
 - *General fund* reflects general government services such as general services, public safety, code enforcement, public works, and parks and recreation and how these activities are financed.
 - *Special revenue fund* reflects resources and payments of activities derived from earmarked sources.
 - *Fiduciary fund* reflects the activity of the Town's single-employer defined-benefit pension plan.

Table A-1 shows how the various parts of this annual report are arranged and related to one another.

Table A-1: Organization of the Town's Comprehensive Annual Financial Report



TOWN OF ELSMERE, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS-UNAUDITED
Year Ended June 30, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Table A-2 summarizes the major features of the Town's financial statements, including the area of activities they cover and the types of information they contain.

Table A-2: Major Features of the Government-Wide and Fund Financial Statements

	Government-Wide Statements	Fund Financial Statements		
		Governmental	Proprietary	Fiduciary
Scope	Entire entity [except fiduciary funds]	Day-to-day operating activities of the Town, such as public safety and courts	Activities which the Town may engage in that may be "business-like" in nature. The Town currently has no such activities.	Instances in which the Town administers resources on behalf of others.
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in net position • Statement of cash Flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources measurement focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both financial and capital, short-term and long-term; normally these funds do not contain capital assets, although they can
Type of inflows and outflows information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year; regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

The remainder of this overview explains the structure and contents of the government-wide and the fund financial statements.

TOWN OF ELSMERE, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS-UNAUDITED
Year Ended June 30, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Government-Wide Financial Statements

Government-wide financial statements report information about the Town as a whole using accounting methods similar to those used by private-sector companies.

- The statement of net position includes all of the Town's assets and liabilities [except fiduciary funds] with the difference between the two reported as net position. This statement serves a purpose similar to that of the balance sheet of a private-sector company.
- The statement of activities focuses on how the Town's net position changed during the year. Because it separates program revenue [revenue generated by function through charges for services, grants and contributions] from general revenue [revenue provided by property taxes and other sources not tied to a particular function], it shows to what extent each function has to rely on property taxes for funding.

All changes to net position are reported using the accrual method of accounting, which requires that revenues be reported when they are earned and expenses be reported when the goods and/or services are received, regardless of when cash is received or paid.

Net position is one way to measure the Town's financial position. Over time, increases or decreases in the Town's net position are one indicator of whether the Town's financial position is improving or deteriorating. However, other non-financial factors such as changes in the Town's real property tax base and general economic conditions must be considered to assess the overall position of the Town.

The primary government and the Town's component unit are included in the government-wide financial statements. Component units reflect the activities of legally separate government entities over which the Town can exercise influence and/or be obligated to provide financial support. The Town presently has one component unit included in this section: the "Town of Elsmere Real Estate Holding Company".

Generally, there are two categories of activities for a primary government:

- *Governmental activities* include the Town's basic services such as general and judicial administration, public safety, code enforcement, public works, health and welfare. Property taxes and state grants finance most of these activities.
- *Business-type activities* - Activities which may be established that will charge a fee to customers to help cover the costs of goods and services to be provided. The Town does not presently have such activities.

Net position of the governmental activities differs from the governmental fund balances because governmental fund level statements only report transactions using or providing current financial resources. Also, capital assets are reported as expenditures when financial resources [money] are expended to purchase or build said assets. Likewise, the financial resources that may have been borrowed are considered revenue when they are received. The principal and interest payments are both considered expenditures when paid. Depreciation is not calculated as it does not provide or reduce current financial resources. Finally, capital assets and long-term debt do not affect fund balances.

Government-wide statements are reported using an economic resources measurement focus and full accrual basis of accounting that involves the following steps to format the statement of net position:

- Capitalize current outlay for capital assets
- Report long-term debt as a liability
- Depreciate capital assets and allocate the depreciation to the proper program/activities when possible
- Calculate revenue and expenses using the economic resources measurement focus and the accrual basis of accounting
- Allocate net position balances as follows:
 - Net position invested in capital assets
 - Restricted net position is resources with constraints placed on the use by external sources [creditors, grantors, contributors, and laws or regulations of governments] or imposed by law through constitutional provisions or enabling legislation
 - Unrestricted net position is resources that do not meet any of the above restrictions.

TOWN OF ELSMERE, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS-UNAUDITED
Year Ended June 30, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Fund Financial Statements

Fund financial statements provide more detailed information on the Town's funds. Funds are accounting devices, i.e., a group of related accounts, used by the Town to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law. Other funds are established to control and manage resources designated for specific purposes. Fund financial statements are reported using current financial resources and modified accrual basis of accounting established by the Government Accounting Standards Board [GASB] for government units.

The Town can potentially have three kinds of funds:

- *Governmental funds* include most of the Town's basic services and focus on: (1) the inflows and outflows of cash and other financial assets that can readily be converted into cash, and (2) the balances left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, and a current financial resources measurement focus. Consequently, the governmental fund statements provide a detailed short-term view that helps determine the financial resources available in the near future to finance the Town's activities.

The relationship between governmental activities [reported in the statement of net position and the statement of activities] and governmental funds is described in a reconciliation that is included as part of the financial statements.

The Town adopts an annual budget for the general and special revenue funds, as required by Town ordinances and State law.

- *Proprietary funds* report business-type programs and activities that charge fees designed to recover the cost of providing services. They report using full accrual accounting. The Town does not presently have such activities.
- *Fiduciary funds* are funds for which the Town is the trustee or fiduciary. These include certain agency funds, or clearing accounts for assets held by the Town in its role as custodian until the funds are allocated to private parties, organizations or government agencies to which they belong, and assets held in trust for pension benefits. The Town is responsible to ensure the assets reported in these funds are used for their intended purposes. This fiduciary activity is reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. These funds are excluded from the Town's government-wide financial statements because the Town cannot use these assets to finance its operations.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Net Position

The Town's total assets and deferred outflows are \$3.5 million at June 30, 2015. Of this amount, \$2.1 million consist of capital assets, including infrastructure. Historically, infrastructure [roads, bridges, etc.] have not been reported or depreciated in governmental financial statements. Infrastructure assets have been capitalized and depreciated since fiscal 2003.

The Governmental Accounting Standards Board [GASB] requires that all capital assets, including infrastructure, be valued and reported within the governmental activities column of the government-wide financial statements. The Town believes it has included all of the required infrastructure assets in the financial statements.

The financial data reflected in the following tables for fiscal year 2014, with the exception of Table 3, have not been restated to reflect the impact of the implementation of the pension standards since the pension data was not available.

TOWN OF ELSMERE, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS-UNAUDITED
Year Ended June 30, 2015

GOVERNMENT-WIDE FINANCIAL STATEMENTS (continued)

Net Position (continued)

Table A-3 summarizes the Town's net position for the current year and compares it to the preceding year.

Table A-3: Condensed Comparative Statement of Net Position

	Governmental Activities	
	2015	2014
Current and other assets		
Current assets	\$ 1,281,893	\$ 1,104,749
Capital assets, net of depreciation	2,102,930	1,861,930
Deferred outflows of resources	88,010	...
Total assets and deferred outflows of resources	3,472,833	2,966,679
Liabilities		
Current liabilities	139,287	105,245
Noncurrent liabilities	1,291,747	1,317,948
Deferred inflows of resources	133,043	...
Total liabilities and deferred inflows of resources	1,564,077	1,423,193
Net position		
Invested in capital assets	2,089,902	1,836,245
Restricted	326,569	278,223
Unrestricted	(507,715)	(570,982)
Total net position	\$ 1,908,756	\$ 1,543,486

The Town has a negative unrestricted net position of \$507,715, reflected above in Table A-3, to meet future operating activities. The negative unrestricted net position is a result of the implementation of the new pension reporting standards. The Town is, however, pleased to report positive balances in total net position, both for the government as a whole, and as well as its separate governmental fund activities.

Change in Net Position

The Statement of Activities represents change in net position for the year ended June 30, 2015. It shows revenues by source and expenses by function for governmental activities and the government as a whole.

Table A-4 reflects the Town's revenue by funding source and the expenses by function.

Table A-4: Statement of Change in Net Position

	Governmental Activities	
	2015	2014
Revenues		
Property taxes	\$ 2,549,946	\$ 2,518,329
Franchise taxes	104,179	96,310
Investment earnings and rents	77,033	88,626
Other revenues	21,627	38,596
Total general revenues	2,752,785	2,741,861
Program revenues:		
Charges for services	528,301	539,009
Grants and contribution revenue	453,409	210,635
Total revenues	3,734,495	3,491,505
Expenses		
General government	700,552	803,225
Public safety-police	1,216,891	1,063,597
Code enforcement	169,493	157,497
Public works-streets	465,757	494,949
Public works-sanitation	551,634	543,876
Parks and recreation	86,544	122,342
Interest on long-term debt obligation	753	...
Depreciation-unallocated	177,601	185,963
Total expenses	3,369,225	3,371,449
Change in net position	\$ 365,270	\$ 120,056

TOWN OF ELSMERE, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS-UNAUDITED
Year Ended June 30, 2015

GOVERNMENT-WIDE FINANCIAL STATEMENTS (continued)

Change in Net Position (continued)

Net position of the Town's governmental activities increased by \$365,270; and, unrestricted net position reflects a negative balance of \$507,715 [as reflected in Table A-3], resulting from the implementation of the new pension reporting standards.

Net Program Costs

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. General revenues which include property taxes, grant revenue, investment earnings and rents, and other non-program revenues must support the net cost of the Town's activities.

Table A-5 reflects the cost of program services and the net cost of those services after taking into account the program revenues for governmental activities.

Table A-5: Program Services Cost (Benefit)

	Program Services			
	2015		2014	
	Total Cost	Net Cost	Total Cost	Net Cost
Governmental activities				
General government	\$ 700,552	\$ 700,552	\$ 803,225	\$ 796,927
Public safety-police	1,216,891	944,100	1,063,597	735,572
Code enforcement	169,493	(161,527)	157,497	(148,090)
Public works-streets	465,757	262,429	494,949	389,374
Public works-sanitation	551,634	551,634	543,876	543,876
Parks and recreation	86,544	(88,027)	122,342	118,183
Interest on long-term debt obligation	753	753	...	...
Depreciation-unallocated	177,601	177,601	185,963	185,963
Program services cost	\$ 3,369,225	\$ 2,387,515	\$ 3,371,449	\$ 2,621,805

Net program services cost column indicates the amount of support required from property taxes and other general revenues for a function of the government. In 2015, property taxes brought in \$2.6 million. The reliance on general revenues to support governmental activities is indicated by the net services cost columns which reflect the need for general support.

Property taxes are based on the assessed value of real property. Changes in the assessed valuation affect tax revenues. The changes in assessed valuation have been minimal due to the lack of a county-wide reassessment, and the lack of suitable building space within the corporate limits of the Town. The Town also receives a transfer tax of 1.50% levied on the sales price of real estate transactions occurring in the corporate limits of the Town. The transfer tax is, by law, designated to fund the operations of the Town's Public Safety Department.

Capital Assets

The Town's investment in capital assets at June 30, 2015, net of accumulated depreciation of \$2.2 million, is \$2.1 million. Capital assets consist primarily of land, buildings, equipment, and infrastructure assets. Detailed information about the Town's capital assets can be found in the notes to the financial statements.

Long-Term Debt

The Town's long-term debt obligation is typically only compensated absences; however, at June 30, 2015 the Town also had a financing arrangement for a new vehicle. Detailed information about the Town's long-term debt can be found in the notes to the financial statements.

TOWN OF ELSMERE, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS-UNAUDITED
Year Ended June 30, 2015

GOVERNMENTAL FUNDS

The Town uses fund accounting to ensure and to demonstrate compliance with the finance-related legal requirements. The focus of governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the Town's net resources available for spending at the end of the year. Governmental funds are presented before incorporating accounting changes required by GASB Statement No. 34. Therefore some amounts will be different in the fund statements than the government-wide statements; these differences are explained within the body of the financial statements.

The Town's governmental funds include the general fund, and several special revenue funds. The general fund is the operating fund of the Town. Special revenue funds are restricted to specific legislated use. The major funds are shown on the statement of revenues, expenditures and changes in fund balances in the fund financial statements.

Governmental Fund Balances

The ending balances for the governmental funds at June 30, 2015 are shown in the balance sheet of the accompanying financial statements. The Town's governmental funds reported a combined fund balance of \$1.1 million and \$1.0 million at June 30, 2015 and 2014, respectively. Of the total, \$0.6 million and \$0.5 million, respectively, in unassigned fund balance, is available to meet the Town's current and future needs. The remaining amount is either nonspendable, assigned, committed or restricted as to use, and not available for use in meeting the Town's current and future needs.

The general fund is the operating fund of the Town. At June 30, 2015, the total fund balance of the general fund is \$1.1 million which increased by \$144,013 from the fund balance of the preceding year.

Governmental Fund Revenues

Governmental fund revenues by source for the year ended June 30, 2015 are shown in the statement of revenues, expenditures and changes in fund balances of the financial statements. Governmental fund revenues totaled \$3.74 million and \$3.47 million for the years ended June 30, 2015 and 2014, respectively. The comparison data is presented in the accompanying financial statements.

Governmental Fund Expenditures

Governmental fund expenditures by function for the year ended June 30, 2015 are shown in the statement of revenues, expenditures and changes in fund balances of the accompanying financial statements. Governmental fund expenditures totaled \$3.6 million and \$3.4 million for the years ended June 30, 2015 and 2014, respectively. The comparison data is presented in the accompanying financial statements.

Budgetary Highlights

The Town Council revises the budget on an as-needed basis. There are two kinds of revisions:

- Allocations are made to specific line items from other line items or from contingency funds established in the budget.
- New appropriations are budgeted when received, and the anticipated related expenditure is budgeted at the same time.

Because the Town is reliant on the State of Delaware for grant funds, it is difficult to know what grants will be forthcoming to the Town. Many revenue variances are due to budgeting for grants not received. Other revenue variances are based on grants received, but not anticipated.

TOWN OF ELSMERE, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS-UNAUDITED
Year Ended June 30, 2015

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Economic Conditions

In prior years, the Town realized significant revenues from the transfer tax on real property transfers. The economic downturn has impacted the housing resale market and the revenues received from this source. The downturn also impacted the investment earnings of the Town's excess funds.

The Town has budgeted to meet these reduced revenues, and is adjusting its investments to meet these changing conditions. The Town follows a conservative approach to budgeting and cash management, and believes it has accumulated the resources necessary to weather potential future economic downturns.

Market Impact on Investment Income

The State restricts the Town's investments to government secured funds and certificates of deposit. The Town has been responsive to the changing financial environment, monitors rates, and currently invests most of its funds in accounts which are yielding a higher interest rate. Management monitors the changing rate environment to maximize the investment earnings of the Town's funds.

Government Funding

The Town relies on federal and state funding for certain capital projects. There is no significant federal and state funding for other programs.

The Town Council did not change the property tax rate [millage] for fiscal 2015; however, the base tax rate was increased to \$434.43 from \$430.

Changes in Operations

The Town implemented GASB Statements No. 67, 68, and 71 during the fiscal year 2015 reporting period. These Statements require significantly more reporting and disclosures regarding the Town's pension plans than in previous years.

In addition, the Town established the "Town of Elsmere Real Estate Holding Company", a 501(c)3 tax-exempt charitable organization, for the purpose of acquiring distressed properties for rehabilitation and resale to lower income families, and to combat community deterioration. The Holding Company's primary mission is to encourage home ownership within the corporate limits of the Town.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability. Questions concerning this financial information or requests for additional information should be directed to:

Town of Elsmere
Director of Finance
11 Poplar Street
Elsmere, DE 19805

Phone: 302-998-2215

Email: JSchulcz@townofelsmere.com

Respectfully submitted.

Joseph A. Schulcz, Jr., CGFM
Director of Finance
Town of Elsmere

Basic Financial Statements Section

TOWN OF ELSMERE, DELAWARE
STATEMENT OF NET POSITION
As of June 30, 2015

	2015	
	<u>Primary Government</u>	<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Real Estate Holding Co.</u>
ASSETS		
Current assets		
Cash and equivalents	\$ 950,687	\$ 67,162
Receivables, net of allowance:		
Property taxes	48,136	...
Other	40,930	...
Due from other governments	100,112	...
Prepayments and other assets	71,876	...
Due from component unit	<u>70,152</u>	<u>...</u>
Total current assets	\$ 1,281,893	\$ 67,162
Noncurrent assets		
Capital assets, net of depreciation:		
Nondepreciable	430,251	...
Depreciable	1,672,679	...
Organization costs	<u>...</u>	<u>530</u>
Total noncurrent assets	2,102,930	530
TOTAL ASSETS	3,384,823	67,692
DEFERRED OUTFLOWS OF RESOURCES		
Deferred contributions and changes in proportion related to pension activity	<u>88,010</u>	<u>...</u>
LIABILITIES		
Current liabilities		
Accounts payable and other	93,730	...
Current portion of debt obligation	13,028	...
Refundable advances	32,529	...
Due to primary government	<u>...</u>	<u>70,152</u>
Total current liabilities	139,287	70,152
Noncurrent liabilities		
Long-term portion:		
Compensated absences liability	95,595	...
Debt obligation, net of current	...	...
Net pension liability	<u>1,196,152</u>	<u>...</u>
Total noncurrent liabilities	1,291,747	...
TOTAL LIABILITIES	1,431,034	70,152
DEFERRED INFLOWS OF RESOURCES		
Deferred investment earnings related to pension activity	<u>133,043</u>	<u>...</u>
NET POSITION		
Net investment in capital assets	2,089,902	...
Restricted for:		
Specific programs	45,088	...
Contingency reserve	281,481	...
Unrestricted (deficit)	<u>(507,715)</u>	<u>(2,460)</u>
TOTAL NET POSITION	\$ 1,908,756	\$ (2,460)

Accompanying notes are an integral part of these financial statements

TOWN OF ELSMERE, DELAWARE
STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

Functions	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Position Governmental Activities	
		Charges for Services	Grants and Contributions Operating	Capital	Primary Government	Component Unit
GOVERNMENTAL ACTIVITIES						
General government:						
Administration	\$ 425,167	\$...	\$...	\$...	\$ (425,167)	\$...
Finance Office	245,816	...	...	...	(245,816)	...
Council	3,600	...	...	...	(3,600)	...
Legal Services	25,969	...	...	...	(25,969)	...
Public safety-police	1,216,891	197,281	35,202	40,308	(944,100)	...
Code Enforcement	169,493	331,020	...	...	161,527	...
Public works-streets	465,757	...	103,749	99,579	(262,429)	...
Public works-sanitation	551,634	...	...	...	(551,634)	...
Parks and recreation	86,544	...	8,345	166,226	88,027	...
Interest on long-term debt obligation	753	...	...	...	(753)	...
Depreciation-unallocated	177,601	...	...	...	(177,601)	...
TOTAL PRIMARY GOVERNMENT	3,369,225	528,301	147,296	306,113	(2,387,515)	...
DISCRETELY PRESENTED COMPONENT UNIT						
Real Estate Holding Company	2,460	...	...	...	...	(2,460)
TOTAL PRIMARY GOVERNMENT AND COMPONENT UNIT	\$ 3,371,685	\$ 528,301	\$ 147,296	\$ 306,113	(2,387,515)	(2,460)
GENERAL REVENUES AND TRANSFERS						
Property taxes levied for general purposes					2,549,946	...
Franchise taxes levied for general purposes					104,179	...
Investment earnings and rents					77,033	...
Gain from sale of capital assets					3,325	...
Miscellaneous revenues					18,302	...
Appropriations to component unit					...	...
Total general revenues and transfers					2,752,785	...
CHANGES IN NET POSITION					365,270	(2,460)
NET POSITION						
Beginning of year, as previously reported					2,760,686	...
Adjustment to opening net position [Note 12]					(1,217,200)	...
Beginning of year, as restated					1,543,486	...
End of year					\$ 1,908,756	\$ (2,460)

Accompanying notes are an integral part of these financial statements

TOWN OF ELSMERE, DELAWARE
BALANCE SHEET-GOVERNMENTAL FUNDS
As of June 30, 2015

	2015		
	Governmental Fund Types		
	General	Special Revenue	Total
ASSETS			
ASSETS			
Cash and equivalents	\$ 863,238	\$ 87,449	\$ 950,687
Receivables, net of allowance:			
Property taxes	48,136	...	48,136
Other	40,580	350	40,930
Due from other governments	...	100,112	100,112
Prepayments and other assets	71,876	...	71,876
Due from component unit	70,152	...	70,152
Interfund receivable (payable)	<u>104,611</u>	<u>(104,611)</u>	<u>...</u>
TOTAL ASSETS	<u>\$1,198,593</u>	<u>\$ 83,300</u>	<u>\$1,281,893</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable and other	\$ 88,047	\$ 5,683	\$ 93,730
Unearned revenues	27,661	...	27,661
Refundable advances	...	32,529	32,529
Total liabilities	<u>115,708</u>	<u>38,212</u>	<u>153,920</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue-property taxes	<u>25,521</u>	<u>...</u>	<u>25,521</u>
FUND BALANCES			
Nonspendable-prepayments and other assets	71,876	...	71,876
Restricted-specific programs	...	45,088	45,088
Committed-contingency reserve	281,481	...	281,481
Assigned-long-term planning	67,415	...	67,415
Assigned-encumbrances	7,904	...	7,904
Unassigned	628,688	...	628,688
Total fund balances	<u>1,057,364</u>	<u>45,088</u>	<u>1,102,452</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$1,198,593</u>	<u>\$ 83,300</u>	<u>\$1,281,893</u>

Accompanying notes are an integral part of these financial statements

TOWN OF ELSMERE, DELAWARE

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
As of June 30, 2015

	<u>Amounts</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Total fund balances-governmental funds	\$ 1,102,452
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds. The cost of capital assets is \$4,332,146 and the related accumulated depreciation is \$2,229,216 for the period presented.	2,102,930
Long-term obligations are not due and payable within the current period and are therefore not reported as liabilities in the governmental fund types.	
<u>Description</u>	<u>Amounts</u>
Long-term debt obligations:	
Current portion	\$ 13,028
Net of current portion	<u> ...</u>
	(13,028)
Property taxes receivable that will not be collected for the period presented and are not available soon enough to pay current expenditures, and are therefore deferred in the fund financial statements.	25,521
Other receivables that will not be collected for period presented and are not available soon enough to pay current expenditures, and are therefore reflected as unearned revenues in the fund financial statements.	27,661
Compensated absences not due and payable within period presented are not reported in the governmental funds.	(95,595)
Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the fund financial statements:	
Net pension liability	(1,196,152)
Deferred outflows and inflows or resources related to pension activity are applicable to future periods and, therefore, are not reported in the fund financial statements:	
Deferred outflows of resources related to pension activity of \$88,010 consists of \$0 of deferred outflows of resources pension expense and \$88,810 of deferred outflow of 2015 employer contributions related to the pension activity.	88,010
Deferred inflows of resources related to pension activity.	<u>(133,043)</u>
Total net position-governmental activities	<u>\$ 1,908,756</u>

Accompanying notes are an integral part of these financial statements

TOWN OF ELSMERE, DELAWARE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS
Year Ended June 30, 2015

	2015		
	Governmental Fund Types		
	General	Special Revenue	Total
REVENUES			
Taxes:			
Property taxes	\$2,330,352	\$...	\$2,330,352
Property transfer taxes	223,758	...	223,758
Cable franchise taxes	104,179	...	104,179
Licenses and permits	331,020	...	331,020
Intergovernmental revenues-Federal	24,329	10,828	35,157
Intergovernmental revenues-State and Local	...	409,907	409,907
Police fines and court fees	181,871	...	181,871
Charges for services-extra duty	15,410	...	15,410
Parks and recreation revenue	8,345	...	8,345
Interest and rents	77,007	26	77,033
Proceeds from sale of capital assets	3,325	...	3,325
Miscellaneous revenues	22,484	...	22,484
Total revenues	<u>3,322,080</u>	<u>420,761</u>	<u>3,742,841</u>
EXPENDITURES			
Current:			
General government:			
Administration	423,284	...	423,284
Finance Office	246,863	...	246,863
Council	3,600	...	3,600
Legal Services and related costs	25,969	...	25,969
Public safety-police	1,144,080	35,203	1,179,283
Public safety-extra duty	6,050	...	6,050
Code Enforcement	165,012	...	165,012
Public works-streets	333,562	99,832	433,394
Public works-sanitation	551,634	...	551,634
Parks and recreation	86,544	...	86,544
Capital outlay	173,897	282,083	455,980
Debt service	13,410	...	13,410
Total expenditures	<u>3,173,905</u>	<u>417,118</u>	<u>3,591,023</u>
EXCESS REVENUES OVER EXPENDITURES	<u>148,175</u>	<u>3,643</u>	<u>151,818</u>
OTHER FINANCING SOURCES (USES)			
Refund of prior years revenues	(3,530)	(652)	(4,182)
Operating transfers in (out)	(632)	632	...
Total other financing sources (uses)	<u>(4,162)</u>	<u>(20)</u>	<u>(4,182)</u>
NET CHANGE IN FUND BALANCES	<u>144,013</u>	<u>3,623</u>	<u>147,636</u>
FUND BALANCES			
Beginning of year	<u>913,351</u>	<u>41,465</u>	<u>954,816</u>
End of year	<u>\$1,057,364</u>	<u>\$ 45,088</u>	<u>\$1,102,452</u>

Accompanying notes are an integral part of these financial statements

TOWN OF ELSMERE, DELAWARE

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 Year Ended June 30, 2015

	<u>Amounts</u>	
Amounts reported for the governmental activities in the statement of activities are different because:		
Net change in fund balance-total governmental funds	\$ 147,636	
<p>The governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. The following is the amount by which capital outlay exceeded or was less than the depreciation expense for the period presented.</p>		
<u>Description</u>	<u>Amounts</u>	
Capital outlay	\$ 418,601	
Depreciation expense	<u>(177,601)</u>	241,000
<p>Some expenses reported in the statement of activities do not require current financial resources, and are therefore, not reported as expenditures in the governmental funds.</p>		
<u>Description</u>	<u>Amounts</u>	
Proceeds from sale of capital assets	\$ 3,325	
Gain from sale of capital assets	<u>(3,325)</u>	...
<p>Because some property taxes and other revenues will not be collected for several months after the Town's year end, they are considered as "unavailable" revenues in the governmental funds. Deferred revenues or inflows increased or decreased by this amount.</p>		
		(4,164)
<p>The governmental funds report loan proceeds as other financing sources, while repayment of loan principal is reported as an expenditure. Interest is recognized as an expenditure in the governmental funds when it is due. However, in the statement of activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of long-term obligations and related items is as follows:</p>		
<u>Description</u>	<u>Amounts</u>	
Financing proceeds received	\$...	
Principal payments made	<u>12,657</u>	12,657
<p>In the statement of activities, certain operating expenses such as compensated absences [vacation and personal days] are measured by amounts earned for the period. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This amount represents the difference between the amount used versus the amount earned for period presented.</p>		
		(7,875)
<p>Governmental funds report Town pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.</p>		
<u>Description</u>	<u>Amounts</u>	
Town pension contributions for fiscal year 2015	\$ 88,010	
Cost of benefits earned net of Contributions or pension expense	<u>(111,994)</u>	<u>(23,984)</u>
Change in net position-governmental activities	\$ 365,270	

Accompanying notes are an integral part of these financial statements

TOWN OF ELSMERE, DELAWARE

STATEMENT OF FIDUCIARY NET POSITION-PENSION TRUST FUND [TEPPP]

As of June 30, 2015

	Pension Trust Fund
ASSETS	
Investments at fair value:	
Delaware Retirement Investment Pool [DEL-RIP]	\$ 2,790,861
Cash and equivalents	1,975
Receivables-other	<u>2</u>
TOTAL ASSETS	<u>2,792,838</u>
LIABILITIES	
Accounts payable	<u>...</u>
Total liabilities	<u>...</u>
NET POSITION AVAILABLE FOR PENSION BENEFITS	
Held in trust for pension benefits [TEPPP]	<u>\$ 2,792,838</u>

The accompanying notes are an integral part of the basic financial statements

TOWN OF ELSMERE, DELAWARE

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION-PENSION TRUST FUND [TEPPP]
Year Ended June 30, 2015

	Pension Trust Fund
ADDITIONS	
Investment income:	
Interest and dividends earned	\$ 39,986
Net appreciation in fair value of investments	66,779
Total investment income	<u>106,765</u>
Less: Investment management and custodial fees	<u>(9,171)</u>
Net investment income	97,594
Employer contribution	<u>67,444</u>
Total additions	<u>165,038</u>
DEDUCTIONS	
Pension benefit payments	254,427
Professional fees	<u>7,955</u>
Total deductions	<u>262,382</u>
NET CHANGE IN NET POSITION	(97,344)
NET POSITION AVAILABLE FOR PENSION BENEFITS	
Beginning of year	<u>2,890,182</u>
End of year	<u>\$ 2,792,838</u>

The accompanying notes are an integral part of the basic financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Elsmere [the "Town"] have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units, hereafter referred to as GAAP [generally accepted accounting principles]. The Governmental Accounting Standards Board [GASB] is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Town's significant accounting policies are described below.

Reporting Entity

The Town of Elsmere is a municipal corporation governed by a seven member governing body consisting of the Mayor who is elected at large and six district council representatives. In evaluating the Town as a reporting entity, management has addressed all potential component units for which the Town may or may not be financially accountable and, as such, be includable within the Town's financial statements. According to the GASB, the Town is financially accountable if it appoints a voting majority of an organization's governing board and [1] it can impose its will on the organization or [2] there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the Town. Additionally the statement requires the Town to consider other organizations for which the nature and significance of their relationship are such that exclusion would cause the Town's [reporting entity] financial statements to be misleading or incomplete. The Town has one organization meeting the above criteria and has elected to include the following component unit:

- The Town of Elsmere Real Estate Holding Company, Inc. [the "Holding Company"] was incorporated on July 16, 2014 as a 501(c)(3) Delaware nonprofit corporation for the purpose of providing owner-occupied housing by rehabilitating residential properties and selling such properties, and to combat community deterioration. The Holding Company is a discretely presented component unit because of the significance of its financial relationship to the Town.

Discretely Presented Component Unit

The component unit column reflected within the government-wide financial statements includes the financial data of the Town's only component unit. The component unit is reported in a separate column to emphasize that it is legally separate from the Town's primary government operations.

Government-Wide and Fund Financial Statements

The Town's basic financial statements consist of the following:

- Government-wide financial statements,
- Fund financial statements, and
- Notes to financial statements.

The government-wide financial statements consist of two statements: the statement of net position and the statement of activities. As a general rule, the effects of any interfund balances have been removed from the government-wide financial statements.

Both government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues [governmental activities] from other functions that are intended to recover all or a significant portion of their costs through user fees and/or charges for services [business-type activities]. The governmental activities of the Town include general government, public safety [police], public works [streets and sanitation], culture and recreation, and other general administrative support services.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-Wide and Fund Financial Statements (continued)

The statement of activities demonstrates the degree to which direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity, and 2) grants and contributions that are restricted to meeting the operating or capital requirements of a particular function. Taxes and the other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are presented for the governmental funds and the fiduciary fund, even though the fiduciary fund is excluded from the government-wide financial statements.

Measurement Focus, Basis of Accounting, & Financial Statement Presentation

The **government-wide financial statements** are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the financial statements of the fiduciary fund. Revenues are recorded when earned, or, for property tax revenues, in the fiscal year for which they are levied. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The **governmental fund financial statements** are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the fiscal year or soon enough thereafter to pay liabilities of the fiscal year. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the fiscal year.

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims which are recognized when payment is due.

Charges for services, property taxes, grants and similar items, and interest associated with the period are considered to be susceptible to accrual and so have been recognized as revenues of the fiscal year. All other revenue items are considered to be measurable and available only when received.

The Town reports the following major governmental fund types:

- The **general fund** is the Town's primary operating fund. It accounts for all financial resources of the Town, except those required to be accounted in the special revenue fund.
- The **special revenue fund** accounts for resources and payments of activities derived from earmarked revenue sources. When such needs arise, separate self-balancing funds are established to account for each restricted special revenue source.

Additionally, the Town reports the following fund type:

- The **fiduciary fund** [*pension fund*] accounts for assets held in trust for pension benefits of the Town's single employer defined-benefit plan, commonly referred to as the Town of Elsmere Police Pension Plan [TEPPP].

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses or expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

Budgetary Accounting

Town Council in establishing the budgetary data, reflected in the Required Supplementary Information [RSI] section of the financial statements, follows these procedures:

- In accordance with the Town Charter, prior to May 15, the Town Manager submits to Town Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year. The Town Charter requires that the budget be submitted in summary form. In addition, more detailed line item budgets are included for administrative control. The Charter requires the budget approved by Council be balanced.
- Public hearings are conducted to obtain taxpayer comment.
- Prior to June 30, and after the public hearings, the budget is legally enacted through passage of an ordinance.
- The Director of Finance is required by the Town Code to present a monthly report to Town Council explaining any variances from the approved budget.
- Formal budgetary integration is employed as a management control device during the year for the general fund.
- The budget for the general fund is adopted on a basis consistent with the accounting principles generally accepted in the United States of America applicable to local governments.

The budget for the special revenue fund is approved on a program by program basis by funding agencies and not by the Town Council.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental funds. Encumbrances as of the year end are reported as reservations of fund balance since they do not constitute expenditures or liabilities but serve as authorization for expenditures in the subsequent period. At June 30, 2015, the Town has encumbrances outstanding of \$7,904.

Cash and Equivalents

Demand deposits and highly liquid unrestricted investments with an initial maturity of three months or less are considered to be cash equivalents.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Receivable-Property Taxes

At June 30, 2015, property taxes receivable is reflected net of an estimated uncollectible allowance of \$2,010. The allowance for uncollectible accounts is based upon historical data established according to experience and other factors which in the judgment of the Town's officials deserves recognition in estimating possible losses. Management believes it has adequately provided for future probable losses.

Receivables and Payables

Activity between funds that are representative of the lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivable (payable)" [current portion] or "advances from/to other funds" [noncurrent portion].

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in the applicable governmental funds to indicate that the advances are not available for appropriation and are not expendable available financial resources. At June 30, 2015, the Town has no such activity.

Prepayments and Other Assets

Payments made to vendors for goods and services that will benefit periods beyond the current period are recorded as prepayments and other assets using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the period in which the services are consumed. At the fund reporting level, an equal amount of fund balance is classified as nonspendable, as this amount is not available for general appropriation.

Capital Assets and Depreciation

Capital assets, which consist of property, furnishings, equipment, and infrastructure assets completed after June 30, 2003 [such as roads, sidewalks, traffic signals, street lights, and similar items], are reported in the applicable governmental activity column of the government-wide financial statements. The Town defines capital assets as assets having an initial, individual cost of \$2,500 or more and with an estimated useful life in excess of one year. Such capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of a capital asset or materially extends its life is not capitalized. The major outlays for capital assets and improvements are capitalized as projects are constructed. The interest incurred during the construction phase of capital assets for the governmental-type activities is not included as part of the capitalized value of the capital assets constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Category</u>	<u>Years</u>
Buildings and improvements	10 to 50
Improvements other than buildings	5 to 50
Machinery and equipment	5 to 10
Furniture and office equipment	3 to 10
Infrastructure assets	20 to 50

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intergovernmental Receivables

At June 30, 2015, the due from other governments represent revenues earned by the Town, and consist of the following:

Grantor	Amount
Delaware Department of Transportation	\$ 99,579
U.S. Department of Justice	533
Total intergovernmental receivables	<u>\$ 100,112</u>

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources [expense/expenditure] until that period. The Town has one item that qualifies for reporting in this category. This item is deferred contributions and changes in proportion related to pension activity. The amount is reported in the statement of net position as deferred and changes in proportion are amortized over five years.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources [revenue] until that time. The Town has one item that qualifies for reporting in this category; that item is the deferred investment earnings related to pension activity. This item is reported only in the statement of net position. These amounts are deferred and recognized as an inflow from resources in the period that the amounts become available.

Unearned Revenues

Unearned revenues represent funding received in advance which will be recognized in future periods when the revenue recognition criteria is met.

Refundable Advances

The Town records as refundable advances grant awards which are accounted for as exchange transactions. Refundable advances are not recognized as revenues until the services are performed or the goods are purchased.

Compensated Absences Liability

Employees can accumulate certain number of vacation and personal days. The Town accrues a liability for compensated absences that meets the following criteria:

- The obligation relating to an employee's rights to receive compensation for future absences is attributable to the services already rendered.
- The obligation relates to rights that vest or accumulate.
- Payment of the compensation is probable.
- The amount can be reasonably estimated.

In accordance with the above criteria, the Town has accrued a liability for vacation and personal pay which has been earned but not taken by Town's employees. For governmental funds, the liability for compensated absences is reflected only if the liability will be liquidated with expendable available financial resources.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-Term Obligations

In the government-wide financial statements, long-term debt obligations are reported as liabilities in the applicable governmental activities.

In the fund financial statements, when present, governmental fund types recognize bond discounts and related issuance costs in the current period.

Net Position and Fund Equity

In government-wide financial statements, net position is reported in three separate categories: net position invested in capital assets; restricted net position; and unrestricted net position. The net position invested in capital assets represents capital assets less accumulated depreciation less outstanding principal of the related debt, and does not include unspent proceeds of capital debt. Restricted net position represents net position restricted by outside parties [creditors, grantors, contributors, laws, and regulations of other governments] and may include certain unspent grant awards. All other net position is considered to be unrestricted.

In fund financial statements, fund balances are required to be reported according to the following classifications:

- **Nonspendable fund balance**-Includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. The classification includes prepayments and other assets, inventory, assets held for sale, and long-term receivables.
- **Restricted fund balance**-Constraints placed on the use of these amounts are either externally imposed by the creditors [debt covenants], grantors, contributors, or other governments; or are imposed by the law through constitutional provisions or enabling legislation.
- **Committed fund balance**-Amounts that can only be used for specific purposes because of a formal action [resolution or ordinance] by the Town's highest level of decision-making authority, Town Council.
- **Assigned fund balance**-Amounts constrained by the Town's intent to be used for specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by Town Council, or by an official to whom that authority has been given. This is the residual fund balance classification for governmental funds with positive balances.
- **Unassigned fund balance**-This is the residual classification of the general fund. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative fund balance in this classification, as the result of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

Income Tax Status

The **component unit** is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Service [IRS] Code. However, income from certain activities not directly related to the component unit's tax exempt purpose is subject to taxation as unrelated business income. In addition, the component unit qualifies for the charitable contribution deduction under IRS Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Tax Status (continued)

The Financial Accounting Standards Board on statements pertaining to the "Accounting for Uncertainty in Income Taxes" recognized in the financial statements prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken on a tax return. The federal returns of the component unit for the prior three years are subject to examination by the IRS, generally for three years after they are filed. The tax positions taken by management for these years are based on clear and unambiguous tax law; and management has a high level of confidence in the technical merits of the positions taken.

NOTE 2 - PROPERTY TAXES

Property taxes within the Town limits for fiscal year 2015 are 87.5 cents per \$100 of assessed valuation plus \$434.43 per unit and the commercial rate is \$1.20 per \$100 of assessed value as levied by Town Council. The Town bills and collects its own property taxes. Delinquent property taxes are lienied by the Town. The schedule of property taxes levied is as follows:

- July 1 - Levy Date
- July 1 - September 30 - Face Payment Period
- October 1 - 6% Interest Period, 1% for each subsequent month
- October 1 - Lien Date

NOTE 3 - DEPOSITS AND INVESTMENTS

Cash and Equivalents

The Town's policy is to invest deposits under its control principally in money market accounts with financial institutions. The Town's deposits are categorized to give an indication of the level of risk assumed:

- Category 1- Insured or collateralized with securities held by the Town or by its agent in the Town's name.
- Category 2- Collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name.
- Category 3- Uncollateralized and uninsured deposits.

Deposits categorized by level of risk at June 30 are as follows:

Category	2015	
	Books	Bank
1	\$ 500,000	\$ 500,000
2	449,187	642,804
3	1,500	...
Total deposits of the Town	\$ 950,687	\$1,142,804

At June 30, 2015, the Town's deposits are held by certain financial institutions, and the deposits are insured with the Federal Deposit Insurance Corporation [FDIC]. Deposits totaling \$1,142,804 held by the financial institutions are in excess of FDIC limits in the amount of \$642,804. As of June 30, 2015 the deposits are collateralized with U.S. Government securities held by the financial institution in the Town's name. The balances reflected as category 3 are subject to custodial risk. Custodial risk is the risk that in the event of a bank or other failure, the Town's deposits may not be returned to the Town.

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

Investments

The deposit and investment policy of the Town adheres with the guidelines and restrictions of the Town's Pension Committee.

Custodial credit risk of investments is the risk that, in the event of a failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party.

At June 30, 2015, the fiduciary fund [pension trust] investments are reflected at fair value and are categorized to give an indication as to the level of custodial risk:

Description	Credit Quality	At June 30	
		Fair Value	No Maturity
Fiduciary Fund [TEPPP]:			
Delaware Retirement Investment Pool [DEL-RIP]	Not Rated	\$ 2,790,861	\$ 2,790,861
Total investments		\$ 2,790,861	\$ 2,790,861

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill their obligations. The pension fund investment policy is to invest in moderate-risk securities at the discretion of the Town's Pension Committee.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The investments are diversified to minimize the risk of loss resulting from an over-concentration of assets in a specific maturity period, a single issuer, or an individual class of securities.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the Town's investment in a single issuer. The Town's investment policy for the primary government is to diversify the portfolio so that potential losses on individual securities will be minimized.

NOTE 4 - BENEFICIAL INTEREST IN A TRUST

The Town is the beneficiary of a Delaware Community Foundation Trust, which is held and administered by said Foundation. Under the terms of the Trust, the Town has the irrevocable right to receive net investment income earned on the Trust's assets in perpetuity, but shall never receive the assets held by the Trust. At June 30, 2015, the fair value of the Trust is \$121,367. The Town may elect to receive regular distributions of income from the Trust, and the Town can use these distributions in any way that is consistent with the Trust documents. The distributions from the Trust are reported as other revenues. The Town received or is eligible to receive distributions of \$231 for the year presented.

TOWN OF ELSMERE, DELAWARE
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - CAPITAL ASSETS

The schedule summarizes annual changes in the activity of capital assets:

Description	As of and Year Ended June 30, 2015			
	Beginning Balances	Additions	Deletions	Ending Balances
Governmental activities:				
Capital assets, not depreciated:				
Land	\$ 430,251	\$...	\$...	\$ 430,251
Construction in progress:				
Buildings and improvements	...	...	...	...
Streets and sidewalks	...	...	...	...
Trees, trails and landscape	...	...	...	...
Total capital assets, not being depreciated	430,251	...	...	430,251
Capital assets, being depreciated:				
Buildings and improvements	1,292,653	37,282	...	1,329,935
Furniture and office equipment	634,644	65,635	16,281	683,998
Vehicles and equipment	744,899	36,045	13,119	767,825
Streets and sidewalks	840,498	112,071	...	952,569
Trees, trails and landscape	...	167,568	...	167,568
Total being depreciated	3,512,694	418,601	29,400	3,901,895
Less accumulated depreciation:				
Buildings and improvements	696,851	36,305	...	733,156
Furniture and office equipment	526,257	32,652	16,281	542,628
Vehicles and equipment	580,583	61,722	13,119	629,186
Streets and sidewalks	277,324	45,055	...	322,379
Trees, trails and landscape	...	1,867	...	1,867
Total accumulated depr.	2,081,015	177,601	29,400	2,229,216
Total capital assets, being depreciated, net	1,431,679	241,000	...	1,672,679
Governmental activities capital assets, net	\$ 1,861,930	\$ 241,000	\$...	\$ 2,102,930

NOTE 6 - LONG-TERM DEBT OBLIGATIONS

The schedule summarizes the annual changes in general obligation debt:

Description	As of and Year Ended June 30, 2015				
	Beginning Balances	Additions	Deletions	Ending Long-term Portion	Ending Balances Due Within One Year
Compensated absences	\$ 87,720	\$ 7,875	\$...	\$ 95,595	\$...
General obligation note:					
TCF Equipment Finance	25,685	...	12,657	...	13,028
Total long-term debt	\$ 113,405	\$ 7,875	\$ 12,657	\$ 95,595	\$ 13,028

The compensated absences liability for governmental activities is generally liquidated with general fund resources.

TCF Equipment Finance, Inc.

On January 3, 2014, the Town entered into a lease-purchase agreement in the amount of \$39,095 with a maturity date of January 3, 2016. The agreement carries a fixed interest rate of 2.89% and required a downpayment of \$13,410 at signing and two annual payments of \$13,410 [principal and interest]. The proceeds were used to purchase a 2014 Ford F350 Pickup Truck. At June 30, 2015, the repayment schedule is as follows:

Year Ending June 30	Principal	Interest	Total
Total required payments for 2016	\$ 13,028	\$ 382	\$ 13,410

NOTE 7 - DEFINED CONTRIBUTION PENSION PLANS

The Town sponsors the following two defined contribution pension plans:

Elsmere Police Secondary Pension Plan [EPSPP]

On May 1, 2012, the Town established the Elsmere Police Secondary Pension Plan [EPSPP] to be administered by The Hartford or its successor MassMutual Financial Group for the Town's police officers. The Plan is a tax-qualified single employer retirement arrangement pursuant to ERISA Section 408(b)(2). This plan is intended to provide benefits to the Town's police officers who did not qualify for the Town's defined-benefit pension plans. The Town's contributions are based on 7.50% of covered payroll. The Town contributed a total of \$9,693 for the year ended June 30, 2015 on behalf of the Town's police officers participating in the retirement plan.

Town of Elsmere Employee Retirement Plan [TEERP]

On May 1, 2012, the Town established the Town of Elsmere Employee Retirement Plan [TEERP] to be administered by The Hartford or its successor MassMutual Financial Group for the Town's employees other than police officers. The Plan is a tax-qualified single employer retirement arrangement pursuant to ERISA Section 408(b)(2). This plan is intended to provide benefits for Town employees other than police officers. The Town's contributions are based on 7.50% of covered payroll. The Town made no contributions for the year ended June 30, 2015 since no Town employees were participating in the plan.

NOTE 8 - DEFINED BENEFIT PENSION PLANS

The following table summarizes the financial information regarding the Town's two defined-benefit pension plans:

Plan	Net Pension Liability	Deferred Resources	
		Outflows	Inflows
Town of Elsmere Police Pension Plan [TEPPP]	\$ 1,257,664	\$ 26,221	\$ 43,964
County & Municipal Police and Firefighters' Pension Plan proportionate share [CMPFPP]	(61,512)	61,789	89,079
Totals	\$ 1,196,152	\$ 88,010	\$ 133,043

Town of Elsmere Police Pension Plan [TEPPP]

The following are disclosures required in accordance with GASB Statement No. 67, "Financial Reporting for Pension Plans":

Plan Description

Plan Administration: The "Town of Elsmere Police Pension Plan" [TEPPP] established June 27, 1966 is a single-employer defined-benefit pension plan that provides pension benefits for all officers vested prior to June 30, 2011. All police officers non-vested in the plan at June 30, 2011 were moved to the State retirement plan [CMPFPP] and no officers hired after that date shall be eligible to participate in the TEPPP. The TEPPP is managed by the Town's Pension Committee.

NOTE 8 - DEFINED BENEFIT PENSION PLANS (continued)

Town of Elsmere Police Pension Plan [TEPPP] (continued)

Plan Description (continued)

Plan Membership: At June 30, 2015, the pension plan membership consisted of:

Participant Count	Number
Inactive plan members or beneficiaries currently receiving benefits	7
Inactive plan members entitled to but not yet received benefits	...
Active plan members	...
Total plan members or beneficiaries	7

Benefits Provided: TEPPP provides retirement and death benefits.

Normal Retirement:

- *Date:* The first day of the month coincident with or following completion of 20 years of service, but [1] in the case of a participant who has 10 or more years of service as of September 1, 2003, not later than the participant's 62nd birthday; or [2] in the case of any other participant, not earlier than the participant's 50th birthday nor later than the participant's 62nd birthday.

Normal Retirement: (continued)

- *Benefit:* 50% of final pay multiplied by a fraction, not greater than one, the numerator of which equals the year of service completed at the participant's normal retirement date and the denominator of which is 20.

Early Retirement:

- *Date:* The first day of the month coincident with or following completion of 18 years of service.
- *Benefit:* 50% of final pay at termination of employment multiplied by a fraction, no to exceed one, the numerator of which equals the year of service completed at termination of employment and the denominator of which is 20.

Vesting:

- All plan members are fully vested.

Pre-Retirement Death Benefits:

- *Eligibility:* Upon the death of an active participant who had 10 or more years of service as of September 1, 2003, beneficiary shall be entitled to benefits equal to those payable as if the date of death was the normal retirement date, but based on final pay as of the date of death.
- *Benefit:* Upon the death of any other active participant whose vested percentage applicable to the participant's accrued benefit derived from employer contributions is greater than 0%, the beneficiary shall be entitled to benefits equal to 50% of those payable as if the date of death was the normal retirement date, but based on final pay as of the date of death. Notwithstanding the prior sentence, the total amount of benefits payable from the Plan with respect to a member in the event of the death of such member, regardless of marital status or length of service at date of death, will not be less than the amount standing to the credit of the member in the participant's Mandatory Contribution Account as of the earlier of [a] the date of such member's death or [b] the date benefit payments originally commenced.

NOTE 8 - DEFINED BENEFIT PENSION PLANS (continued)

Town of Elsmere Police Pension Plan [TEPPP] (continued)

Plan Description (continued)

Contributions: The Plan was originally funded by a combination of employer and participant contributions. The Plan is currently funded with employer contributions only, since participants are inactive and receiving benefits.

Investments

Investment Policy: The following was the Town's adopted asset allocation policy at June 30, 2015:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic Equity	97.00%
International Equity	...
Fixed Income	...
Alternative investments-Real Estate	...
Cash and equivalents	<u>3.00%</u>
Totals	<u>100.00%</u>

Concentrations: The Plan did not hold investments in any one organization that represent 5% or more of the Pension Plan's fiduciary net position.

Rate of Return: For the year ended June 30, 2015, the annual money-weighted rate of return on Plan investments, net of plan investment expense is 7.17%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the Town

At June 30, 2015, the components of the net pension liability are as follows:

<u>Description</u>	<u>Amounts</u>
Total pension liability	\$4,069,959
Plan fiduciary net position	<u>2,812,295</u>
Town's net pension liability	<u>\$1,257,664</u>
Plan fiduciary net position as a percentage of total pension liability	<u>69.10%</u>

Actuarial assumptions: Total pension liability on the actuarial valuation of January 1, 2015 was determined using the following actuarial assumptions, applied to all periods included in the measurement:

<u>Description</u>	<u>Percentages</u>
Inflation	Not applicable
Projected salary increases	Not applicable
Investment rate of return	8.00%, net of expenses

Mortality rates were based on the 1983 Group Annuity Mortality Table [sex distinct rates].

NOTE 8 - DEFINED BENEFIT PENSION PLANS (continued)

Town of Elsmere Police Pension Plan [TEPPP] (continued)

Net Pension Liability of the Town (continued)

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

Asset Class	Long-Term Expected Real Rate of Return
Domestic Equity	4.60 %
International Equity	4.60 %
Fixed Income	4.60 %
Alternative investments-Real Estate	4.60 %
Cash and equivalents	1.00 %

Discount rate: The discount rate the Plan used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that contributions to the plan will be made at the current contribution rate and that contributions from the Town will be made at rates actuarially determined. Based on those assumptions, the fiduciary net position of the plan was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's net pension liability to changes in the discount rate: The following presents the Town's net pension liability calculated using the discount rate of 8.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

Plan	1% Decrease [7.00%]	Current Discount Rate [8.00%]	1% Increase [9.00%]
Police Officers of the Town of Elsmere Police Pension Plan [TEPPP]	\$ 1,780,022	\$ 1,257,664	\$ 829,030

Additional Disclosures Required Under GASB Statement No. 68

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pension

At June 30, the Town reported a net pension liability of \$1,257,664. The net pension liability was measured as of January 1, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's net pension liability was based on a projection of the Town's long-term contributions to the pension plan, actuarially determined.

NOTE 8 - DEFINED BENEFIT PENSION PLANS (continued)

Town of Elsmere Police Pension Plan [TEPPP] (continued)

Additional Disclosures Required Under GASB Statement No. 68 (continued)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pension (continued)

As a result of the Town's requirement to contribute to the TEPPP, the Town recognized pension expense of \$96,721 for the year ended June 30, 2015. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources from the following sources as a result of its requirement to contribute to TEPPP:

Description	Deferred Resources	
	Outflows	Inflows
Differences between expected and actual experience	\$...	\$...
Changes of assumptions	...	...
Net difference between projected and actual earnings on pension plan investments	...	43,964
Contributions subsequent to measurement date	<u>26,221</u>	<u>...</u>
Totals	\$ <u>26,221</u>	\$ <u>43,964</u>

\$26,221 reported as deferred outflows of resources related to the pension activity resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Any other amounts, when presented, reported as deferred outflows of resources and deferred inflows of resources related to the pension will be recognized in pension expense as follows:

Years Ending June 30	Amount
2016	\$ 8,793
2017	8,793
2018	8,793
2019	8,793
2020	<u>8,792</u>
Total	\$ <u>43,964</u>

County & Municipal Police and Firefighters' Pension Plan [CMPFPP]

The Town's second defined-benefit pension plan is part of the "County & Municipal Police and Firefighters' Pension Plan" [CMPFPP] which is a cost sharing multiple-employer defined-benefit pension plan established in the Delaware Code. The State of Delaware General Assembly is responsible for setting benefits and contributions and amending the plan provisions; administrative rules and regulations are adopted and maintained by the Board of Pension Trustees [the Board]. Plan management is the responsibility of the Board, which is comprised of five members appointed by the Governor and confirmed by the State Senate, plus two exofficio members. The daily operation is the responsibility of the Delaware Office of Pensions. Although most of the assets of the Plan are commingled with other plans for investment purposes, the Plan's assets may be used only for the payment of benefits to the members of the Plan in accordance with the terms of the Plan. The following is a brief description of the Plan in effect at June 30, 2015. For a more complete Plan description, refer to the Delaware Public Employee's Retirement System [DPERS] CAFR.

NOTE 8 - DEFINED BENEFIT PENSION PLANS (continued)

County & Municipal Police and Firefighters' Pension Plan [CMPFPP] (cont'd)

Separately issued financial statements for [DPERS] are available from the Delaware pension office at: McArdle Building, Suite 1; 860 Silver Lake Boulevard; Dover, Delaware 19904.

General Information About the Plan

Plan Description and Eligibility: The Plan covers police officers and firefighters employed by a County or a Municipality of the State of Delaware that have joined the Plan, such as the Town of Elsmere.

Service Benefits: Final average monthly compensation multiplied by 2.50% and multiplied by years of credited service up to 20 years. For the Plan, final average monthly compensation is the monthly average of the highest three years of compensation.

Vesting: Five years of credited service.

Retirement: Age 62 with 5 years of credited service; age plus credited service [but not less than 10 years] equals 75; or 20 years of credited service.

Disability Benefits:

- **Duty-Total Disability:** 75% of final average compensation plus 10% for each dependent not to exceed 25% for all dependents.
- **Duty-Partial Disability:** Calculated the same as Service Benefits, subject to minimum 50% of final average compensation.
- **NonDuty:** Same as Service Benefits, total disability subject to a minimum 50% of final average monthly compensation plus 5% for each dependent not to exceed 20% for all dependents, Partial disability to a minimum of 30% of final average monthly compensation.

Survivor Benefits: If employee is receiving a pension, the eligible survivor receives 50% of pension; if employee is active, eligible survivor receives 50% of the pension employee would have received at age 62. If the member is killed in the line of duty, eligible survivor receives 75% of the member's compensation.

Contributions:

- **Employer:** Determined by the Board of Pension Trustees. Employer contributions were 15.50% and 14.80% of earnings for fiscal years 2014 and 2013, respectively.
- **Member:** 7% of compensation.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the Town reported a pension liability (asset) of \$(61,512) for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the total projected contributions of the State and all participating Counties and municipalities within the State of Delaware, actuarially determined. At June 30, 2014, the Town's proportion was 0.5686 percent, which was a decrease of 0.1316 percent from its proportion measured as of June 30, 2013.

NOTE 8 - DEFINED BENEFIT PENSION PLANS (continued)

County & Municipal Police and Firefighters' Pension Plan [CMPFPP] (cont'd)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions (continued)

As a result of its requirement to contribute to DPERS, the Town recognized pension expense of \$15,273 for the year ended June 30, 2015. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources from the following sources as a result of its requirement to contribute to DPERS:

Description	Deferred Resources	
	Outflows	Inflows
Differences between expected and actual experience	\$...	\$...
Changes of assumptions	...	...
Net difference between projected and actual earnings on pension plan investments	...	89,079
Contributions subsequent to measurement date	61,789	...
Change in proportion and differences between Town contributions and proportionate share of contributions	...	...
Totals	\$ 61,789	\$ 89,079

\$61,789 reported as deferred outflows of resources related to the pension resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension will be recognized in pension expense as follows:

Years Ending June 30	Amount
2016	\$ 17,815
2017	17,816
2018	17,816
2019	17,816
2020	<u>17,816</u>
Total	\$ 89,079

Actuarial assumptions: The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Description	Percentages
Inflation	3.00%
Projected salary increases	4.00% to 11.50%, including inflation
Investment rate of return	7.20%, net of pension plan investment expense, including inflation of 3.00%
Cost-of-living adjustments	Ad hoc

Mortality rates were based on the Sex distinct RP-2000 combined Mortality Table projected to 2015 using scale AA for Males and Females, as appropriate, for mortality improvement.

NOTE 8 - DEFINED BENEFIT PENSION PLANS (continued)

County & Municipal Police and Firefighters' Pension Plan [CMPFPP] (cont'd)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions (continued)

Projected benefit payments do not include the effects of projected ad hoc cost-of-living adjustments [ad hoc COLAs] as they are not substantively automatic. The primary considerations relevant to making this determination include the historical pattern of granting the changes and the consistency in the amounts of the changes.

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

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	5.70%
International equity	5.70%
Fixed income	2.00%
Alternative investments	7.80%
Cash and equivalents	0.00%

Discount rate: The discount rate for the Plan used to measure the total pension liability was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at rates determined by the Board of Pension Trustees, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's proportionate share of the net pension liability to changes in the discount rate: The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.20%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

<u>Plan</u>	<u>1% Decrease [6.20%]</u>	<u>Current Discount Rate [7.20%]</u>	<u>1% Increase [8.20%]</u>
Police Officers of the Town of Elsmere's County & Municipal Police and Firefighters' Pension Plan [CMPFPP]	\$ 161,158	\$ (61,512)	\$ (243,873)

NOTE 9 - LINE OF CREDIT

During April of 2015, the Town issued a general obligation note for \$250,000 to a financial institution. The note [a line of credit] carries a variable interest rate [currently 3.25%] and is payable on demand. The note is for the purpose of providing working capital [as needed] and is secured by the full faith and credit of the Town and the assignment of tax revenues. As of and for the year ended June 30, 2015, the Town did not utilize the line of credit and has no balance outstanding. The Town renewed the note for fiscal year 2016.

NOTE 10 - LEASING ARRANGEMENTS

At June 30, the Town is involved in the following leasing arrangements:

Operating Leases as Lessee

The Town leases two digital copier systems under the following arrangement:

Description	Monthly Rentals	Expiration Date
Konica Minolta Color Digital Copier System	\$ 250.50	September, 2019
Konica Minolta Color Digital Copier System	250.50	September, 2019

At June 30, 2015, the minimum future rental payments under the non-cancelable leasing arrangement having remaining terms in excess of one year in the aggregate are:

Years Ending June 30	Amount
2016	\$ 6,012
2017	6,012
2018	6,012
2019	6,012
2020	<u>1,503</u>
Total minimum future rental payments required	<u>\$ 25,551</u>

Total rental cost under the operating leasing arrangement is \$5,590 for the year ended June 30, 2015.

The Town also leases certain parcels of land located within the Town's jurisdiction from Delaware Department of Transportation ["DELDOT"]. The lease entered into on April 7, 1975 on a gratis basis was for the use of a parking lot and for the storage of certain materials. The lease was for a ten year term, with the option to renew for successive ten year terms, provided the Town gives DELDOT notice in writing at least ninety days prior to the expiration of the current lease.

Operating Leases as Lessor

Lease No. 1

The Town leases space located at 11 Poplar Avenue, Elsmere, Delaware, to Oak Grove Senior Center, Inc. [an unrelated nonprofit organization]. The leasing arrangement commencing August 1, 2005, called for a three-year term expiring July 31, 2008; thereafter the lease converted to month-to-month. The lease also calls for the reimbursement of certain occupancy costs paid by the Town on behalf of the tenant. On June 25, 2015, the lease was renewed for a term of one year commencing July 1, 2015. Total rents received by the Town are \$20,938 for the year ended June 30, 2015.

NOTE 10 - LEASING ARRANGEMENTS (continued)

Operating Leases as Lessor (continued)

Lease No. 2

The Town leased space located at 11 Poplar Avenue, Elsmere, Delaware, to Elsmere Recreation, Inc. [an unrelated nonprofit organization]. The leasing arrangement commencing August 1, 2005 and called for a term of three years expiring on July 31, 2008; thereafter the lease converted to month-to-month. The lease also calls for the reimbursement of certain occupancy costs paid by the landlord on behalf of the tenant. Total rents received are \$1,387 for the year ended June 30, 2015. The lease was not renewed as of August 1, 2014.

Lease No. 3

The Town leases the 6,000 square foot library located at 11 Poplar Avenue, Elsmere, Delaware to New Castle County. The current leasing arrangement commencing July 1, 2008 called for a five year term expiring June 30, 2013. The lease was renewed for a term of three years commencing July 1, 2014 with annual rentals payable in monthly installments. In addition to the rental, the lessee must pay all costs associated with the operation of the library. Total rents received are \$52,538 for the year ended June 30, 2015. Remaining rentals on the leasing arrangement are \$55,738 for year ending June 30, 2016.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

In the normal course of business, there are outstanding various commitments and contingent liabilities in addition to the normal encumbrances for the purchase of goods and services. The Town does not anticipate losses as a result of these transactions.

Government Grant/Award Programs

The Town participates in a number of federally and state assisted programs. These programs are subject to program compliance audits by the grantors or their representatives. Accordingly, the Town's compliance with applicable program requirements will be established at some future date. The amount of expenditures not already disclosed, which may be disallowed by the granting agencies cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

NOTE 12 - RESTATEMENT OF BEGINNING NET POSITION

At June 30, 2014, the Town's net position decreased by \$1,217,200 resulting from the implementation of GASB Statement No. 68. The total restatement consisted of the following:

<u>Plan</u>	<u>Net Pension Liability</u>
Town of Elsmere Police Pension Plan [TEPPP]	\$ 1,204,907
County & Municipal Police and Firefighters' Pension Plan proportionate share [CMPFPP]	<u>12,293</u>
Total restatement	<u>\$ 1,217,200</u>

NOTE 13 - GASB STATEMENT IMPLEMENTATION

The Town has implemented GASB Statements No. 67, 68 and 71, *Financial Reporting for Pension Plans, Accounting for Financial Reporting for Pensions, and Pension Transition for Contributions Made Subsequent to the Measurement Date*. The Statements' primary objective is to improve accounting and financial reporting by state and local governments for pensions. The implementation of these Statements resulted in a reduction of net position by \$1,217,200 at June 30, 2014.

NOTE 14 - FUTURE GASB STATEMENT IMPLEMENTATION

The Town has not early-implemented GASB Statement No. 72, *Fair Value Measurement and Application*. The Statement's objective is to improve financial reporting by [1] clarifying the definition of fair value for financial reporting purposes, [2] establishing general principles for measuring fair value, [3] providing additional fair value application guidance, and [4] enhancing disclosures about fair value measurements. These improvements are based in part on the concepts and definitions established in Concepts Statement No. 6, *Measurement of Elements of Financial Statements*, and other relevant literature.

NOTE 15 - EVALUATION OF SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of the auditor's report, the date on which the financial statements were available to be issued. Management has determined that no additional disclosures or adjustments are necessary.

Required Supplementary Information [RSI] Section

TOWN OF ELSMERE, DELAWARE

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE—BUDGET AND ACTUAL—GENERAL FUND
Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property taxes	\$ 2,312,603	\$ 2,312,603	\$ 2,330,352	\$ 17,749
Property transfer taxes	110,000	209,000	223,758	14,758
Cable franchise taxes	96,300	96,300	104,179	7,879
Licenses and permits	292,200	292,200	331,020	38,820
Intergovernmental revenues	...	...	24,329	24,329
Police fines and court fees	200,000	213,220	181,871	(31,349)
Charges for services—extra duty	...	...	15,410	15,410
Interest and rents	91,569	91,569	77,007	(14,562)
Miscellaneous revenues	93,300	83,310	34,154	(49,156)
Total revenues	3,195,972	3,298,202	3,322,080	23,878
EXPENDITURES				
Current:				
General government:				
Administration	557,047	518,965	423,284	95,681
Finance Office	251,102	251,102	246,863	4,239
Council	3,600	3,600	3,600	...
Legal Services and related costs	28,500	28,500	25,969	2,531
Public safety—police	1,024,241	1,163,323	1,108,327	54,996
Public safety—extra duty	...	...	6,050	(6,050)
Code Enforcement	169,457	169,457	165,012	4,445
Public works—streets	342,582	342,582	333,562	9,020
Public works—sanitation	560,411	560,411	551,634	8,777
Parks and recreation	101,925	101,925	86,544	15,381
Long-term planning:				
Pension contribution	35,753	35,753	35,753	...
Capital outlay	98,559	141,794	90,715	51,079
Debt service	...	...	13,410	(13,410)
Capital outlay	10,497	11,717	83,182	(71,465)
Total expenditures	3,183,674	3,329,129	3,173,905	155,224
EXCESS (DEFICIT)				
REVENUE OVER EXPENDITURES	12,298	(30,927)	148,175	179,102
OTHER FINANCING SOURCES (USES)				
Refund of prior years revenues	...	...	(3,530)	(3,530)
Transfers (out) in	...	...	(632)	(632)
Total other financing sources (uses)	...	...	(4,162)	(4,162)
NET CHANGE IN FUND BALANCE	12,298	(30,927)	144,013	174,940
FUND BALANCES				
Beginning of year	...	30,927	913,351	882,424
End of year	\$ 12,298	\$...	\$ 1,057,364	\$ 1,057,364

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town annually adopts a budget for the general fund. The budgets are integrated into the accounting system, and the budgetary data, as presented in the financial statements for all funds with annual budgets, compare the expenditures with the amended budgets. All budgets are presented on the modified accrual basis of accounting. Accordingly, the accompanying budgetary comparison schedule for the general fund presents actual expenditures in accordance with U.S. generally accepted accounting principles on a basis consistent with the legally adopted budget as amended. The unexpended appropriations on the annual budgets lapse at the end of each fiscal year.

Material Violations

There were no material violations of the annual appropriated budget of the general fund for the year presented.

See Report of Independent Auditor

TOWN OF ELSMERE, DELAWARE

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
OF THE TOWN OF ELSMERE POLICE PENSION PLAN [TEPPP]
As of and Year Ended June 30, 2015

	<u>2015</u>
TOTAL PENSION LIABILITY	
Service cost	\$...
Interest	246,720
Changes in benefit terms	...
Differences between expected and actual experience	...
Benefit payments	<u>(253,164)</u>
Net change in total pension liability	(6,444)
Total pension liability:	
Beginning of period	<u>4,076,403</u>
Ending of period	<u>\$ 4,069,959</u>
PLAN FIDUCIARY NET POSITION	
Contributions-employer	\$ 94,685
Net investment income	193,963
Benefits paid to beneficiaries	(253,164)
Administrative expenses	...
Other expenses	...
Net change in fiduciary net position	<u>35,484</u>
Plan fiduciary net position:	
Beginning of period	<u>2,776,811</u>
Ending of period	<u>\$ 2,812,295</u>
TOWN PENSION LIABILITY	<u>\$ (1,257,664)</u>
PLAN FIDUCIARY NET POSITION	
AS A PERCENTAGE OF TOTAL PENSION LIABILITY	<u>69.10%</u>
COVERED-EMPLOYEE PAYROLL	<u>\$ N/A</u>
TOWN PENSION LIABILITY	
AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>N/A</u>

See Report of Independent Auditor

TOWN OF ELSMERE, DELAWARE
 SCHEDULE OF CONTRIBUTIONS
 OF THE TOWN OF ELSMERE POLICE PENSION PLAN [TEPPP]
 Year Ended June 30, 2015

	2015
Actuarially determined contribution	\$ 146,932
Contributions in relation to actuarially determined contribution	<u>94,685</u>
Contribution deficiency (excess)	<u>\$ (52,247)</u>
Covered-employee payroll	<u>\$ N/A</u>
Contributions as percentage of covered-employee payroll	<u>N/A</u>

NOTE TO SCHEDULE OF CONTRIBUTIONS

Valuation Date

Actuarially determined contribution rates are calculated as of January 1, 2015, six months prior to the end of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method:	Entry Age Normal Method
Amortization Method:	Over the minimum and maximum periods allowed by law
Asset Valuation Method:	Market value of plan assets on valuation date as reported by Trustee, plus any receivable contribution
Salary Increases:	Does not apply-Frozen Plan
Investment Rate of Return:	8.00%, net of expenses paid by Trust Fund
Retirement Age:	Age 50 or Normal Retirement Date, if later
Mortality:	The 1983 Group Annuity Mortality Table [sex distinct rates]
Death Benefit:	Calculated as noted in mortality category and assuming 100% of plan participants have spouses
Cost-of-Living Adjustments:	Assumed 2.85% increase per year. Participants not yet vested as of 09/01/03, the amount limited to 2.00%

See Report of Independent Auditor

TOWN OF ELSMERE, DELAWARE

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY

OF THE COUNTY & MUNICIPAL POLICE AND FIREFIGHTERS' PENSION PLAN [CMPFPP]

As of and Year Ended June 30, 2015

	<u>2015</u>
Town's proportion of net pension liability (asset)	<u>0.5686%</u>
Town's proportionate share of net pension liability (asset)	<u>\$ (61,512)</u>
Town's covered-employee payroll	<u>\$ 387,484</u>
Town's proportionate share of net pension liability (asset) as a percentage of its covered-employee payroll	<u>15.88%</u>
Plan's fiduciary net position as percentage of total pension liability	<u>104.47%</u>

See Report of Independent Auditor

TOWN OF ELSMERE, DELAWARE

SCHEDULE OF PENSION CONTRIBUTIONS

OF THE COUNTY & MUNICIPAL POLICE AND FIREFIGHTERS' PENSION PLAN [CMPFPP]

Year Ended June 30, 2015

	<u>2015</u>
Contractually required contribution	\$ 61,789
Contributions in relation to contractually required contribution	<u>61,789</u>
Annual contribution (deficiency) excess	<u>\$. . .</u>
Town covered-employee payroll	<u>\$ 422,056</u>
Contributions as percentage of covered-employee payroll	<u>14.64%</u>

See Report of Independent Auditor

Supplementary Information Section

TOWN OF ELSMERE, DELAWARE
 COMBINING BALANCE SHEET-SPECIAL REVENUE FUND
 As of June 30, 2015 With Comparative Totals for 2014

	Federal Funding	Municipal Street Aid	State Funding				Totals [Memorandum Only]	
			SALLE	EIDE	Suburban Street Aid	Other	2015	2014
ASSETS								
ASSETS								
Cash and equivalents	\$...	\$ 53,167	\$ 12,204	\$ 6,913	\$...	\$ 15,165	\$ 87,449	\$ 99,713
Accounts receivable	...	...	...	...	...	350	350	...
Due from other governments	533	...	...	...	99,579	...	100,112	...
Interfund receivable (payable)	(533)	(2,396)	(2,777)	(2,656)	(99,579)	3,330	(104,611)	(5,695)
TOTAL ASSETS	\$...	\$ 50,771	\$ 9,427	\$ 4,257	\$...	\$ 18,845	\$ 83,300	\$ 94,018
LIABILITIES AND FUND BALANCES								
LIABILITIES								
Accounts payable and other	\$...	\$ 5,683	\$...	\$...	\$...	\$...	\$ 5,683	\$...
Refundable advances	...	...	9,427	4,257	...	18,845	32,529	52,553
Total liabilities	...	5,683	9,427	4,257	...	18,845	38,212	52,553
FUND BALANCES								
Restricted-Specific programs	...	45,088	...	...	...	...	45,088	41,465
Assigned-Encumbrances	...	...	...	...	...	...	...	...
Unassigned	...	...	...	...	...	...	...	...
Total fund balances	...	45,088	45,088	41,465
TOTAL LIABILITIES AND FUND BALANCES	\$...	\$ 50,771	\$ 9,427	\$ 4,257	\$...	\$ 18,845	\$ 83,300	\$ 94,018

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TOWN OF ELSMERE, DELAWARE

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-SPECIAL REVENUE FUND
Year Ended June 30, 2015 With Comparative Totals for 2014

	Federal Funding	Municipal Street Aid	State Funding				Totals [Memorandum Only]	
			SALLE	EIDE	Suburban Street Aid	Other	2015	2014
REVENUES								
Intergovernmental revenues:								
Federal	\$ 10,828	\$...	\$...	\$...	\$...	\$...	\$ 10,828	\$ 3,150
State	...	103,749	5,173	4,268	99,579	197,138	409,907	144,663
Interest revenue	...	6	13	7	...	...	26	37
Miscellaneous revenue	...	...	...	...	...	...	...	...
Total revenues	10,828	103,755	5,186	4,275	99,579	197,138	420,761	147,850
EXPENDITURES								
Current:								
Public safety-police	8,433	...	5,173	4,268	...	17,329	35,203	14,571
Public works-streets	...	99,832	...	...	...	...	99,832	96,652
Parks and recreation	...	...	...	...	...	...	...	...
Capital outlay:								
Public safety-police	2,395	...	...	...	...	13,584	15,979	27,667
Public works-streets	...	300	...	...	99,579	...	99,879	4,182
Parks and recreation	...	...	...	...	...	166,225	166,225	...
Total expenditures	10,828	100,132	5,173	4,268	99,579	197,138	417,118	143,072
EXCESS REVENUES OVER (UNDER) EXPENDITURES	...	3,623	13	7	...	...	3,643	4,778
OTHER FINANCING SOURCES (USES)								
Refund of prior years revenues	...	...	...	...	...	(652)	(652)	...
Operating transfers in (out)	...	...	(13)	(7)	...	652	632	(22)
Total other financing sources (uses)	...	...	(13)	(7)	...	...	(20)	(22)
NET CHANGE IN FUND BALANCES	...	3,623	...	...	...	...	3,623	4,756
FUND BALANCES								
Beginning of year	...	41,465	...	...	...	...	41,465	36,709
End of year	\$...	\$ 45,088	\$...	\$...	\$...	\$...	\$ 45,088	\$ 41,465

See Report of Independent Auditor