



WHISMAN GIORDANO
CERTIFIED PUBLIC ACCOUNTANTS

Building Extraordinary Relationships

FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT AUDITOR

TOWN OF ELSMERE
Elsmere, Delaware

Years Ended June 30, 2018 and 2017

TOWN OF ELSMERE, DELAWARE

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WHISMAN GIORDANO
CERTIFIED PUBLIC ACCOUNTANTS

Building Extraordinary Relationships

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 years ended June 30, 2018 and 2017, 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, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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, 2018 and 2017, and the respective changes in financial position for the years 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 pages 42 through 43, respectively, along with schedules of net pension liability and schedules of pension contributions, reflected on pages 44 to 47, 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 48 through 49, 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 45 through 46, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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.

Whisman Giordano & Associates, LLC

Newark, Delaware
January 10, 2019

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

TOWN OF ELSMERE, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS-UNAUDITED
 Year Ended June 30, 2018

INTRODUCTION

This section of the 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, 2018. 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, 2018.

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.

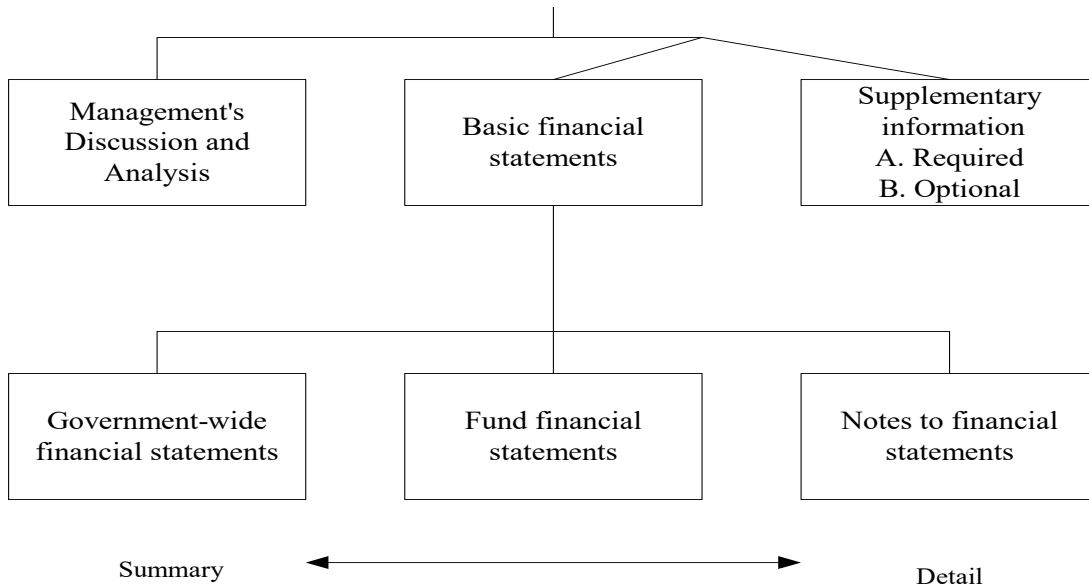
The basic financial statements present two different views of the Town:

- *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 Annual Financial Report

REQUIRED COMPONENTS OF THE ANNUAL FINANCIAL REPORT



TOWN OF ELSMERE, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS-UNAUDITED
Year Ended June 30, 2018

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, 2018

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" whose name was legally changed to "Elsmere Land Bank", effective February 22, 2017.

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 obligations as liabilities
- 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, net of related debt obligations
 - 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, 2018

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 fund as required by Town ordinances and State law. Budgets for special revenue funds are based on a grant-by-grant basis.

- ***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 \$5.17 million at June 30, 2018. Of this amount, \$3.50 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 year 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.

TOWN OF ELSMERE, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS-UNAUDITED
Year Ended June 30, 2018

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	
	2018	2017
Current and other assets		
Current assets	\$ 1,532,081	\$ 1,603,407
Capital assets, net of depreciation	3,498,752	2,871,185
Deferred outflows of resources	135,277	175,298
Total assets and deferred outflows of resources	<u>5,166,110</u>	<u>4,649,890</u>
Liabilities		
Current liabilities	233,451	158,015
Noncurrent liabilities	1,877,741	1,611,486
Deferred inflows of resources	374,324	235,418
Total liabilities and deferred inflows of resources	<u>2,485,516</u>	<u>2,004,919</u>
Net position		
Invested in capital assets	3,165,542	2,871,185
Restricted	314,816	452,182
Unrestricted (deficit)	<u>(799,764)</u>	<u>(678,396)</u>
Total net position	<u>\$ 2,680,594</u>	<u>\$ 2,644,971</u>

The Town has a negative unrestricted net position of \$799,764, 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, 2018. 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	
	2018	2017
Revenues		
Property taxes	\$ 2,799,571	\$ 2,609,598
Franchise taxes	115,023	107,576
Investment earnings and rents	79,548	80,297
Other revenues	64,025	140,430
Total general revenues	<u>3,058,167</u>	<u>2,937,901</u>
Program revenues:		
Charges for services	466,840	566,910
Grants and contribution revenue	318,637	237,052
Total revenues	<u>3,843,644</u>	<u>3,741,863</u>
Expenses		
General government	748,319	728,265
Public safety-police	1,486,616	1,357,943
Code enforcement	213,958	199,943
Public works-streets	404,930	384,915
Public works-sanitation	462,052	574,657
Parks and recreation	123,077	89,710
Interest on long-term debt obligation	8,461	-
Depreciation-unallocated	360,608	322,857
Total expenses	<u>3,808,021</u>	<u>3,658,290</u>
Change in net position	<u>\$ 35,623</u>	<u>\$ 83,573</u>

TOWN OF ELSMERE, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS-UNAUDITED
Year Ended June 30, 2018

GOVERNMENT-WIDE FINANCIAL STATEMENTS (continued)

Change in Net Position (continued)

Net position of the Town's governmental activities increased by \$35,623; and unrestricted net position reflects a negative balance of \$799,764 [as reflected in Table A-3], resulting from the pension reporting standards impact.

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			
	2018		2017	
	Total Cost	Net Cost	Total Cost	Net Cost
Governmental activities				
General government	\$ 748,319	\$ 748,319	\$ 728,265	\$ 728,265
Public safety-police	1,486,616	1,241,680	1,357,943	1,032,088
Code enforcement	213,958	(123,440)	199,943	(168,859)
Public works-streets	404,930	204,273	384,915	282,774
Public works-sanitation	462,052	462,052	574,657	574,657
Parks and recreation	123,077	120,591	89,710	82,546
Interest on long-term debt obligation	8,461	8,461	-	-
Depreciation-unallocated	360,608	360,608	322,857	322,857
Program services cost	\$ 3,808,021	\$ 3,022,544	\$ 3,658,290	\$ 2,854,328

Net program services cost column indicates the amount of support required from property taxes and other general revenues for a given function of the government. In 2018, property taxes brought in \$2.80 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, 2018, net of accumulated depreciation of \$2.97 million, is \$3.50 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, during fiscal 2018 the Town obtained a five-year loan to finance its new heating/air conditioning system. 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, 2018

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 special revenue funds. The general fund is the operating fund of the Town and 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, 2018 are shown in the balance sheet of the accompanying financial statements. The Town's governmental funds reported a combined fund balance of \$1.24 million and \$1.38 million at June 30, 2018 and 2017, respectively. Of the total, \$0.25 million and \$(0.18) 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, 2018, the total fund balance of the general fund is \$1.13 million which decreased by \$138,433 from the fund balance of the preceding year. The decrease is due to an investment in a new heating/air conditioning system for Town Hall.

Governmental Fund Revenues

Governmental fund revenues by source for the year ended June 30, 2018 are shown in the statement of revenues, expenditures and changes in fund balances of the financial statements. Governmental fund revenues totaled \$3.85 million and \$3.72 million for the years ended June 30, 2018 and 2017, respectively. The comparison data is presented in the accompanying fund financial statements.

Governmental Fund Expenditures

Governmental fund expenditures by function for the year ended June 30, 2018 are shown in the statement of revenues, expenditures and changes in fund balances of the accompanying financial statements. Governmental fund expenditures totaled \$4.32 million and \$3.61 million for the years ended June 30, 2018 and 2017, respectively. The comparison data is presented in the accompanying fund 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 revenue received, but not anticipated during the budgeting process.

TOWN OF ELSMERE, DELAWARE
MANAGEMENT'S DISCUSSION AND ANALYSIS-UNAUDITED
Year Ended June 30, 2018

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. However, tight home sale inventory resulted in a significant increase in transfer taxes for the Town for the year ended June 30, 2018. To the extent that the inventory of properties for sale remains low, home sale prices are expected to continue to increase, resulting in increased transfer tax revenue.

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 or state funding for such projects projected for the near term.

The Town Council did not change the property tax rate [millage] for fiscal 2018 and 2017.

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. Schulz, Jr., CGFM
Director of Finance
Town of Elsmere

Basic Financial Statements Section

TOWN OF ELSMERE, DELAWARE
STATEMENTS OF NET POSITION
As of June 30, 2018 and 2017

	2018		2017	
	Primary	Component	Primary	Component
	Government	Unit	Government	Unit
	Governmental	Elsmere	Governmental	Elsmere
	Activities	Land Bank	Activities	Land Bank
ASSETS				
Current assets				
Cash and equivalents	\$1,104,722	\$ 64,527	\$1,141,827	\$ 67,162
Receivables, net of allowances:				
Property taxes	60,657	-	61,439	-
Other	106,424	-	131,698	-
Due from other governments	100,868	-	2,099	-
Prepayments and other assets	69,380	-	180,081	-
Due from component unit	90,030	-	86,263	-
Total current assets	1,532,081	64,527	1,603,407	67,162
Noncurrent assets				
Capital assets, net of depreciation:				
Nondepreciable	590,972	-	430,251	-
Depreciable	2,907,780	-	2,440,934	-
Organization costs, net	-	1,014	-	1,950
Total noncurrent assets	3,498,752	1,014	2,871,185	1,950
TOTAL ASSETS	5,030,833	65,541	4,474,592	69,112
DEFERRED OUTFLOWS OF RESOURCES				
Deferred contributions and changes in proportion related to pension activity	135,277	-	175,298	-
LIABILITIES				
Current liabilities				
Accounts payable and other	161,985	-	128,221	-
Current portion of debt obligation	25,860	-	-	-
Refundable advances	45,606	-	29,794	-
Due to primary government	-	90,030	-	86,263
Total current liabilities	233,451	90,030	158,015	86,263
Noncurrent liabilities				
Long-term portion:				
Compensated absences liability	93,863	-	91,478	-
Debt obligation	307,350	-	-	-
Net pension liability	1,476,528	-	1,520,008	-
Total noncurrent liabilities	1,877,741	-	1,611,486	-
TOTAL LIABILITIES	2,111,192	90,030	1,769,501	86,263
DEFERRED INFLOWS OF RESOURCES				
Deferred investment earnings related to pension activity	374,324	-	235,418	-
NET POSITION				
Net investment in capital assets	3,165,542	-	2,871,185	-
Restricted for:				
Specific programs	109,831	-	105,487	-
Contingency reserve	204,985	-	346,695	-
Unrestricted (deficit)	(799,764)	(24,489)	(678,396)	(17,619)
TOTAL NET POSITION	\$2,680,594	\$ (24,489)	\$2,644,971	\$ (17,619)

Accompanying notes are an integral part of these financial statements

TOWN OF ELSMERE, DELAWARE
STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Grants and Contributions		Governmental Activities	
			Operating	Capital	Primary Government	Component Unit
GOVERNMENTAL ACTIVITIES						
General government:						
Administration	\$ 462,057	\$ -	\$ -	\$ -	\$ (462,057)	\$ -
Finance office	270,974	-	-	-	(270,974)	-
Council	3,323	-	-	-	(3,323)	-
Legal services	11,965	-	-	-	(11,965)	-
Public safety-police	1,486,616	129,442	98,838	16,656	(1,241,680)	-
Code enforcement	213,958	337,398	-	-	123,440	-
Public works-streets	404,930	-	100,657	100,000	(204,273)	-
Public works-sanitation	462,052	-	-	-	(462,052)	-
Parks and recreation	123,077	-	2,486	-	(120,591)	-
Interest on long-term debt obligation	8,461	-	-	-	(8,461)	-
Depreciation-unallocated	360,608	-	-	-	(360,608)	-
TOTAL PRIMARY GOVERNMENT	3,808,021	466,840	201,981	116,656	(3,022,544)	-
DISCRETELY PRESENTED COMPONENT UNIT						
Elsmere Land Bank [Real Estate Holding Company]	6,870	-	-	-	-	(6,870)
TOTAL PRIMARY GOVERNMENT AND COMPONENT UNIT	\$3,814,891	\$ 466,840	\$ 201,981	\$ 116,656	(3,022,544)	(6,870)
GENERAL REVENUES AND TRANSFERS						
Property taxes levied for general purposes					2,799,571	-
Franchise taxes levied for general purposes					115,023	-
Investment earnings and rents					79,548	-
Gain (loss) from sale of assets					14,500	-
Miscellaneous revenues					49,525	-
Total general revenues and transfers					3,058,167	-
CHANGES IN NET POSITION					35,623	(6,870)
NET POSITION						
Beginning of year					2,644,971	(17,619)
End of year					\$2,680,594	\$ (24,489)

Accompanying notes are an integral part of these financial statements

TOWN OF ELSMERE, DELAWARE
STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Grants and Contributions		Governmental Activities	
			Operating	Capital	Primary Government	Component Unit
GOVERNMENTAL ACTIVITIES						
General government:						
Administration	\$ 408,528	\$ -	\$ -	\$ -	\$ (408,528)	\$ -
Finance office	274,390	-	-	-	(274,390)	-
Council	4,176	-	-	-	(4,176)	-
Legal services	41,171	-	-	-	(41,171)	-
Public safety-police	1,357,943	198,108	97,762	29,985	(1,032,088)	-
Code enforcement	199,943	368,802	-	-	168,859	-
Public works-streets	384,915	-	102,141	-	(282,774)	-
Public works-sanitation	574,657	-	-	-	(574,657)	-
Parks and recreation	89,710	-	7,164	-	(82,546)	-
Interest on long-term debt obligation	-	-	-	-	-	-
Depreciation-unallocated	322,857	-	-	-	(322,857)	-
TOTAL PRIMARY GOVERNMENT	3,658,290	566,910	207,067	29,985	(2,854,328)	-
DISCRETELY PRESENTED COMPONENT UNIT						
Elsmere Land Bank [Real Estate Holding Company]	7,873	-	-	-	-	(7,873)
TOTAL PRIMARY GOVERNMENT AND COMPONENT UNIT	\$3,666,163	\$ 566,910	\$ 207,067	\$ 29,985	(2,854,328)	(7,873)
GENERAL REVENUES AND TRANSFERS						
Property taxes levied for general purposes					2,609,598	-
Franchise taxes levied for general purposes					107,576	-
Investment earnings and rents					80,297	-
Gain (loss) from sale of assets					8,150	-
Miscellaneous revenues					132,280	-
Total general revenues and transfers					2,937,901	-
CHANGES IN NET POSITION					83,573	(7,873)
NET POSITION						
Beginning of year					2,561,398	(9,746)
End of year					\$2,644,971	\$ (17,619)

Accompanying notes are an integral part of these financial statements

TOWN OF ELSMERE, DELAWARE
BALANCE SHEETS-GOVERNMENTAL FUNDS
As of June 30, 2018 and 2017

	2018			2017		
	Governmental Fund Types			Governmental Fund Types		
	General	Special Revenue	Total	General	Special Revenue	Total
ASSETS						
ASSETS						
Cash and equivalents	\$ 944,626	\$ 160,096	\$1,104,722	\$ 998,862	\$ 142,965	\$1,141,827
Receivables, net of allowances						
Property taxes	60,657	-	60,657	61,439	-	61,439
Other	106,424	-	106,424	131,698	-	131,698
Due from other governments	-	100,868	100,868	-	2,099	2,099
Prepayments and other assets	69,380	-	69,380	180,081	-	180,081
Due from component unit	90,030	-	90,030	86,263	-	86,263
Interfund receivable (payable)	105,153	(105,153)	-	5,041	(5,041)	-
TOTAL ASSETS	\$1,376,270	\$ 155,811	\$1,532,081	\$1,463,384	\$ 140,023	\$1,603,407
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable and other	\$ 161,611	\$ 374	\$ 161,985	\$ 123,479	\$ 4,742	\$ 128,221
Unearned revenues	39,408	-	39,408	30,516	-	30,516
Refundable advances	-	45,606	45,606	-	29,794	29,794
Total liabilities	201,019	45,980	246,999	153,995	34,536	188,531
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue-property taxes	41,658	-	41,658	37,363	-	37,363
FUND BALANCES						
Nonspendable-prepayments and other assets	159,410	-	159,410	266,344	-	266,344
Restricted-specific programs	-	109,831	109,831	-	105,487	105,487
Committed-contingency reserve	204,985	-	204,985	346,695	-	346,695
Assigned-long-term planning	285,865	-	285,865	109,530	-	109,530
Assigned-encumbrances	236,606	-	236,606	724,805	-	724,805
Unassigned	246,727	-	246,727	(175,348)	-	(175,348)
Total fund balances	1,133,593	109,831	1,243,424	1,272,026	105,487	1,377,513
TOTAL LIABILITIES AND FUND BALANCES	\$1,376,270	\$ 155,811	\$1,532,081	\$1,463,384	\$ 140,023	\$1,603,407

Accompanying notes are an integral part of these financial statements

TOWN OF ELSMERE, DELAWARE

RECONCILIATION OF THE BALANCE SHEETS OF GOVERNMENTAL FUNDS

TO THE STATEMENTS OF NET POSITION

As of June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Amounts reported for governmental activities in the statement of net position are different because:		
Total fund balances-governmental funds	\$1,243,424	\$1,377,513
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 \$6,466,176 and \$5,628,806 and the related accumulated depreciation is \$2,967,424 and \$2,757,621 for the periods presented.	3,498,752	2,871,185
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>2018</u>	<u>2017</u>
Long-Term Debt Obligations		
Current portion	\$ (25,860)	\$ -
Net of current portion	<u>(307,350)</u>	<u>-</u>
	(333,210)	-
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.	41,658	37,363
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.	39,408	30,516
Compensated absences not due and payable within period presented are not reported in the governmental funds.	(93,863)	(91,478)
Some liabilities, including net pension obligations, are not due and payable in the current prior and, therefore, are not reported in the fund financial statements:		
Net pension liability	(1,476,528)	(1,520,008)
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 \$135,277 and \$175,298 consists of \$48,529 and \$96,073 of deferred outflows of resources pension expense and \$86,748 and \$79,225 of deferred outflows of 2018 and 2017 employer contributions related to the pension activity.	135,277	175,298
Deferred inflows of resources related to pension	<u>(374,324)</u>	<u>(235,418)</u>
Total net position-governmental activities	<u>\$2,680,594</u>	<u>\$2,644,971</u>

Accompanying notes are an integral part of these financial statements

TOWN OF ELSMERE, DELAWARE

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS
Years Ended June 30, 2018 and 2017

	2018			2017		
	Governmental Fund Types			Governmental Fund Types		
	General	Special Revenue	Total	General	Special Revenue	Total
REVENUES						
Taxes:						
Property taxes	\$2,388,096	\$ -	\$2,388,096	\$2,408,874	\$ -	\$2,408,874
Property transfer taxes	407,180	-	407,180	200,131	-	200,131
Cable franchise taxes	115,023	-	115,023	107,576	-	107,576
Licenses and permits	337,398	-	337,398	368,802	-	368,802
Intergovernmental revenues-Federal	-	23,421	23,421	-	27,394	27,394
Intergovernmental revenues-State and Local	60,501	232,229	292,730	53,490	149,004	202,494
Police fines and court fees	116,009	-	116,009	170,992	-	170,992
Charges for services-extra duty	13,433	-	13,433	27,116	-	27,116
Parks and recreation revenue	2,486	-	2,486	7,164	-	7,164
Interest and rents	79,534	14	79,548	80,280	17	80,297
Proceeds from sale of assets	14,500	-	14,500	8,150	-	8,150
Miscellaneous revenues	58,949	-	58,949	107,777	-	107,777
Total revenues	3,593,109	255,664	3,848,773	3,540,352	176,415	3,716,767
EXPENDITURES						
Current:						
General government:						
Administration	466,619	-	466,619	407,639	-	407,639
Finance office	269,771	-	269,771	275,982	-	275,982
Council	3,323	-	3,323	4,176	-	4,176
Legal services and related costs	11,965	-	11,965	41,171	-	41,171
Public safety-police	1,295,866	38,337	1,334,203	1,247,365	44,272	1,291,637
Public safety-extra duty	12,363	-	12,363	12,325	-	12,325
Code enforcement	214,264	-	214,264	197,744	-	197,744
Public works-streets	319,871	96,318	416,189	309,538	69,746	379,284
Public works-sanitation	462,052	-	462,052	574,657	-	574,657
Parks and recreation	123,077	-	123,077	89,710	-	89,710
Capital outlay	858,813	116,656	975,469	309,841	29,985	339,826
Debt service	29,251	-	29,251	-	-	-
Total expenditures	4,067,235	251,311	4,318,546	3,470,148	144,003	3,614,151
EXCESS (DEFICIT) REVENUES OVER (UNDER) EXPENDITURES	(474,126)	4,353	(469,773)	70,204	32,412	102,616
OTHER FINANCING SOURCES (USES)						
Refund of prior years (revenues) expenditures	(18,316)	-	(18,316)	3,621	-	3,621
Proceeds from financing	354,000	-	354,000	-	-	-
Operating transfers in (out)	9	(9)	-	11	(11)	-
Total other financing sources (uses)	335,693	(9)	335,684	3,632	(11)	3,621
NET CHANGE IN FUND BALANCES	(138,433)	4,344	(134,089)	73,836	32,401	106,237
FUND BALANCES						
Beginning of year	1,272,026	105,487	1,377,513	1,198,190	73,086	1,271,276
End of year	\$1,133,593	\$ 109,831	\$1,243,424	\$1,272,026	\$ 105,487	\$1,377,513

Accompanying notes are an integral part of these financial statements

TOWN OF ELSMERE, DELAWARE

RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENTS OF ACTIVITIES

Years Ended June 30, 2018 and 2017

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance-total government funds \$ (134,089) \$ 106,237

The governmental funds report capital outlays as expenditures. However, in the government-wide financial statements, assets with an initial individual cost of \$2,500 or more are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. The following represents the amount by which capital outlays capitalized exceeds or is less than the depreciation expense for the periods presented.

Description	2018	2017		
Capital assets	\$ 988,175	\$ 335,848		
Depreciation expense	(360,608)	(322,857)	627,567	12,991

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.

Description	2018	2017		
Proceeds from sale of assets	\$ 14,500	\$ 8,150		
Loss (gain) from sale of assets	(14,500)	(8,150)	-	-

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 and/or inflows increased (decreased) by this amount.

13,187 21,475

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 or when it is due. The net effect of these differences in the treatment of long-term obligations and related items is as follows:

Description	2018	2017		
Financing proceeds received	\$ (354,000)	\$ -		
Principal payments made	20,790	-	(333,210)	-

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 the financial resources used. This amount represents the difference between the amount used versus the amount earned for the periods presented.

(2,385) 5,596

The 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.

Description	2018	2017		
Town pension contributions for the fiscal years 2018 and 2017	\$ 86,748	\$ 79,225		
Cost of benefits earned net of contributions [pension expense]	(222,195)	(141,951)	(135,447)	(62,726)

Change in net position-governmental activities \$ 35,623 \$ 83,573

Accompanying notes are an integral part of these financial statements

TOWN OF ELSMERE, DELAWARE

STATEMENTS OF FIDUCIARY NET POSITION-PENSION TRUST FUND [TEPPP]
As of June 30, 2018 and 2017

	Pension Trust Fund	
	2018	2017
ASSETS		
Investments at fair value	\$ 2,517,040	\$ 2,506,238
Cash and equivalents	663	39,733
Receivables-participants	8	8
TOTAL ASSETS	<u>2,517,711</u>	<u>2,545,979</u>
LIABILITIES		
Accounts payable and other	38,943	-
Due to primary government	-	-
Total liabilities	<u>38,943</u>	<u>-</u>
NET POSITION AVAILABLE FOR PENSION BENEFITS		
Held in trust for pension benefits [TEPPP]	<u>\$ 2,478,768</u>	<u>\$ 2,545,979</u>

Accompanying notes are an integral part of these financial statements

TOWN OF ELSMERE, DELAWARESTATEMENTS OF CHANGES IN FIDUCIARY NET POSITION-PENSION TRUST FUND [TEPPP]
Years Ended June 30, 2018 and 2017

	Pension Trust Fund	
	2018	2017
ADDITIONS		
Investment income:		
Interest and dividends earned	\$ 53,287	\$ 39,750
Net appreciation in fair value of investments	102,482	95,803
Total investment income	155,769	135,553
Less: Investment management and other fees	(17,562)	(10,210)
Net investment income	138,207	125,343
Employer contribution	96,254	81,728
Total additions	234,461	207,071
DEDUCTIONS		
Pension benefit payments	281,337	234,480
Professional fees	20,335	6,300
Total deductions	301,672	240,780
NET CHANGE IN NET POSITION	(67,211)	(33,709)
NET POSITION AVAILABLE FOR PENSION BENEFITS		
Beginning of year	2,545,979	2,579,688
End of year	<u>\$ 2,478,768</u>	<u>\$ 2,545,979</u>

Accompanying notes are an integral part of these financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Elsmere, Delaware [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 U.S. GAAP. The Governmental Accounting Standards Board [the "GASB"] is the accepted standard-setting body for establishing the 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 Elsmere Land Bank [the "Land Bank"] 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 Land Bank is a discretely presented component unit because of the significance of its financial relationship to the Town. The Land Bank was formerly known as the "Town of Elsmere Real Estate Holding Company" until Council approved the name change, effective February 22, 2017.

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], code enforcement, public works [streets and sanitation], parks 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. Property taxes and other revenues 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, and 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 the 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 respective period.

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. The fund accounts for all the 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. The special revenue fund consists of grant award funds.

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

Preparation of 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, the 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 special revenue funds is approved on a program-by-program basis by the funding agencies and not by 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 at the year-end are reported as assigned fund balance since encumbrances do not constitute expenditures or liabilities but serve as authorization for expenditures in the subsequent period. At June 30, 2018 and 2017, the Town has encumbrances outstanding of \$236,606 and \$724,805, respectively.

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, 2018 and 2017, the property taxes receivable is reflected net of an estimated uncollectible allowance of \$2,010 and \$2,010, respectively. 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 future possible losses. Management believes it has adequately provided for such 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 or interfund payable" [current portion] or "advances from/to other funds" [noncurrent portion].

Advances between funds, as reported in the fund financial statements, are offset by an assigned fund balance account in the applicable governmental funds to indicate that the advances are not available for appropriation and are not expendable available financial resources. The Town has no such activity for the years presented.

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 consist of property, furnishings, equipment, and infrastructure assets completed after June 30, 2003 [such as roads, sidewalks, traffic signals, street lights, and similar items], and 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 as of the date of the 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, due from other governments represents revenue earned but not received by the Town, and consists of the following:

Grantor	2018	2017
Delaware Department of Transportation	\$ 100,000	\$ -
Delaware Office of Highway Safety	200	-
U.S. Department of Justice	668	2,099
	<hr/>	<hr/>
Total intergovernmental receivables	\$ 100,868	\$ 2,099

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 between five and eleven 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 are met.

Refundable Advances

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

Compensated Absences Liability

Employees can accumulate a 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 right to receive compensation for future absences is attributable to services already rendered.
- The obligation relates to rights that vest or accumulate.
- The 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 the 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 the 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. With the exception of the general fund, 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 2018 are 87.5 cents per \$100 of assessed valuation plus \$436.60 per unit and the commercial rate is \$1.20 per \$100 of assessed value and for fiscal year 2017 are 87.5 cents per \$100 of assessed valuation plus \$436.60 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 liened 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 - CASH AND EQUIVALENTS

The Town's policy is to invest deposits under its control principally in money market accounts with financial institutions. The 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.

At June 30, the deposits categorized by level of custodial risk are as follows:

Category	2018		2017	
	Book	Bank	Book	Bank
1	\$ 469,920	\$ 469,920	\$ 500,000	\$ 500,000
2	633,302	704,650	640,327	840,381
3	1,500	-	1,500	-
Total deposits	<u>\$ 1,104,722</u>	<u>\$ 1,174,570</u>	<u>\$ 1,141,827</u>	<u>\$ 1,340,381</u>

At June 30, 2018 and 2017, the Town's deposits held primarily by one financial institution are insured with the Federal Deposit Insurance Corporation [FDIC]. Deposits totaling \$1,174,570 and \$1,340,381 held by the financial institution are in excess of the FDIC limits in the amounts of \$704,650 and \$840,381, respectively. The excess FDIC deposits are collateralized with U.S. Government securities held by the financial institution in the Town's name. Category 3 balances 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.

NOTE 4 - INVESTMENTS AT FAIR VALUE

The investment policy of the Town is monitored by the Town's Pension Committee. The Committee consists of seven Board-appointed members and seeks to achieve the following investment objectives:

- Realize a real return of 8.00% per year over long periods;
- Manage portfolio risk so as to limit downside price fluctuation of the total System portfolio; and
- Realize as high a rate of total return as possible consistent with the above.

While not governed by mandated target asset allocations, investment decisions are shaped by the Board's internal investment guidelines which provide for a minimum of 20% of the total assets of the System to be invested in fixed income investments, such as bonds and cash equivalents. The Investment Committee continuously reviews expected rates of return and risk levels for all marketable asset classes and seeks to construct portfolios consistent with the System's return objectives and risk management guidelines. The Investment Committee strives for appropriate investment diversification by allocating funds across a variety of asset classes and by selecting managers whose demonstrated performance and reflect different management styles and asset class expertise. The performance of all investment managers is closely monitored, not only in relation to specific absolute objectives, but also in relation to other fund managers following the same or similar investment objectives. All investment guidelines are monitored with the assistance of the Town Finance Director.

During fiscal 2018, the Pension Committee approved the change in the custodian of its pension fund investments from Wilmington Trust, N.A. to First State Trust Company.

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

Description	At June 30		
	Fair Value	Level 1	Level 2
Fiduciary Fund [TEPPP]:			
First State Trust Company:			
As of June 30, 2018	<u>\$ 2,517,040</u>	<u>\$ -</u>	<u>\$ 2,517,040</u>
Wilmington Trust, N.A.:			
As of June 30, 2017	<u>\$ 2,506,238</u>	<u>\$ 2,506,238</u>	<u>\$ -</u>

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels defined below:

Level 1-Inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of adjustment.

Level 2-Inputs consist of quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3-Inputs are unobservable and have the lowest priority.

TOWN OF ELSMERE, DELAWARE
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - CAPITAL ASSETS

The following tables summarize the annual changes in capital assets:

Description	As of and for the Year Ended June 30, 2018			
	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	-	160,721	-	160,721
Total capital assets, not being depreciated	430,251	160,721	-	590,972
Capital assets, being depreciated:				
Buildings and improvements	1,204,380	735,155	-	1,939,535
Furniture and office equipment	793,986	30,909	2,515	822,380
Vehicles and equipment	847,336	36,690	148,290	735,736
Streets and sidewalks	1,177,846	24,700	-	1,202,546
Trees, trails and landscape	1,175,007	-	-	1,175,007
Total being depreciated	5,198,555	827,454	150,805	5,875,204
Less accumulated depreciation:				
Buildings and improvements	749,996	65,566	-	815,562
Furniture and office equipment	638,067	52,223	2,515	687,775
Vehicles and equipment	710,735	57,731	148,290	620,176
Streets and sidewalks	450,003	72,840	-	522,843
Trees, trails and landscape	208,820	112,248	-	321,068
Total accumulated depreciation	2,757,621	360,608	150,805	2,967,424
Total capital assets, being depreciated, net	2,440,934	466,846	-	2,907,780
Governmental activities capital assets, net	\$ 2,871,185	\$ 627,567	\$ -	\$ 3,498,752

Description	As of and for the Year Ended June 30, 2017			
	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	-	-	-	-
Total capital assets, not being depreciated	430,251	-	-	430,251
Capital assets, being depreciated:				
Buildings and improvements	1,173,325	31,055	-	1,204,380
Furniture and office equipment	740,079	53,907	-	793,986
Vehicles and equipment	756,217	91,119	-	847,336
Streets and sidewalks	1,018,079	159,767	-	1,177,846
Trees, trails and landscape	1,175,007	-	-	1,175,007
Total being depreciated	4,862,707	335,848	-	5,198,555
Less accumulated depreciation:				
Buildings and improvements	723,066	26,930	-	749,996
Furniture and office equipment	582,191	55,876	-	638,067
Vehicles and equipment	655,272	55,463	-	710,735
Streets and sidewalks	377,662	72,341	-	450,003
Trees, trails and landscape	96,573	112,247	-	208,820
Total accumulated depreciation	2,434,764	322,857	-	2,757,621
Total capital assets, being depreciated, net	2,427,943	12,991	-	2,440,934
Governmental activities capital assets, net	\$ 2,858,194	\$ 12,991	\$ -	\$ 2,871,185

NOTE 6 - RISK MANAGEMENT

The Town purchases commercial insurance policies in response to risks of loss related to torts; theft, damage or destruction of assets; errors or omissions; injuries to employees; or acts of God. The premium payments for the insurance policies is recorded as expenditures and/or expenses of the Town, and insurance settlements have not exceeded insurance coverage.

NOTE 7 - LONG-TERM DEBT OBLIGATIONS

The following table summarizes the annual changes in general obligation debt:

Description	As of and Year Ended June 30, 2018				
	Beginning Balances	Additions	Deletions	Ending Balances	
				Long-term Portion	Due Within One Year
Compensated absences	\$ 91,478	\$ 2,385	\$ -	\$ 93,863	\$ -
PNC Bank	-	354,000	20,790	307,350	25,860
Total long-term debt	<u>\$ 91,478</u>	<u>\$ 356,385</u>	<u>\$ 20,790</u>	<u>\$ 401,213</u>	<u>\$ 25,860</u>

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

PNC Bank

In August 2017, the Town entered into a borrowing arrangement in the amount of \$354,000 carrying a maturity date of August 23, 2022. The agreement has a fixed interest rate of 2.88% per annum and requires monthly payments [principal and interest] of \$2,917 beginning September 10, 2017. Outstanding principal and accrued interest are due and payable in full upon maturity. The proceeds were used for the purchase and installation of a new heating and ventilation system at Town Hall. At June 30, 2018, the repayment schedule is as follows:

Years Ending June 30	Principal	Interest	Total
2019	\$ 25,860	\$ 9,145	\$ 35,005
2020	26,501	8,504	35,005
2021	27,275	7,730	35,005
2022	28,071	6,934	35,005
2023	<u>225,503</u>	<u>1,606</u>	<u>227,109</u>
Total required payments	<u>\$ 333,210</u>	<u>\$ 33,919</u>	<u>\$ 367,129</u>

Total interest cost incurred for the year ended June 30, 2018 was \$8,461.

NOTE 8 - DEFINED BENEFIT PENSION PLANS

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

At June 30, 2018			
Plan	Net Pension	Deferred Resources	
	Liability	Outflows	Inflows
Town of Elsmere Police Pension Plan [TEPPP]	\$ 1,426,578	\$ 30,237	\$ 352,793
County & Municipal Police and Firefighters' Pension Plan proportionate share [CMPFPP]	49,950	105,040	21,531
Totals	\$ 1,476,528	\$ 135,277	\$ 374,324

At June 30, 2017			
Plan	Net Pension	Deferred Resources	
	Liability	Outflows	Inflows
Town of Elsmere Police Pension Plan [TEPPP]	\$ 1,423,490	\$ 26,745	\$ 216,845
County & Municipal Police and Firefighters' Pension Plan proportionate share [CMPFPP]	96,518	148,553	18,573
Totals	\$ 1,520,008	\$ 175,298	\$ 235,418

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 non-vested police officers in the plan at June 30, 2011 were moved to the State retirement plan [CMPFPP] and officers hired after that date shall not be eligible to participate. The TEPPP is managed by the Town's Pension Committee.

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

Participant Count	2018	2017
Inactive plan members or beneficiaries:		
Currently receiving benefits	7	7
Entitled to but not yet receiving benefits	-	-
Active plan members	-	-
Total plan members or beneficiaries	7	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 participant's 50th birthday nor later than participant's 62nd birthday.
- *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.

NOTE 8 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

Plan Description (continued)

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] date of such member's death or [b] date benefit payments originally commenced.

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

Investments

Investment Policy: The following was TEP's adopted asset allocation policy as of January 1, 2018 and 2017:

Asset Class	Target Allocation	
	2018	2017
Domestic Equity	31.00%	43.00%
International Equity	14.00%	20.00%
Fixed Income	23.00%	31.00%
Alternative investments-real estate	25.00%	4.00%
Cash and equivalents	7.00%	2.00%
Totals	100.00%	100.00%

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 years ended June 30, 2018 and 2017, the annual money-weighted rate of return on Plan investments, net of plan investment expense is 10.46% and 6.43%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTE 8 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

Net Pension Liability of the Town

At June 30, the components of the net pension liability consist of the following:

Description	2018	2017
Total pension liability	\$ 4,015,996	\$ 3,982,696
Plan fiduciary net position	2,589,418	2,559,206
Town's net pension liability	<u>\$ 1,426,578</u>	<u>\$ 1,423,490</u>
Plan fiduciary net position as a percentage of total pension liability	<u>64.48%</u>	<u>64.26%</u>

Actuarial assumptions: Total pension liability on the actuarial valuation as of January 1, 2018 and 2017 was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Description	Percentages	
	2018	2017
Inflation	Not applicable	Not applicable
Projected salary increases	Not applicable	Not applicable
Investment rate of return	8.00%, net of expenses	8.00%, net of expenses
Cost-of-living adjustments	Increase benefits by 2.85%	Increase benefits by 2.85%

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

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	
	2018	2017
Domestic equity	5.50%	5.50%
International equity	6.50%	6.50%
Fixed income	3.50%	3.50%
Alternative investments-Real Estate	7.50%	5.00%
Cash and equivalents	1.00%	1.00%

Discount rate: The discount rate the Plan used to measure the total pension liability was 8.00% for both periods presented. 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.

NOTE 8 - DEFINED BENEFIT PENSION PLANS (continued)

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

Net Pension Liability of the Town (continued)

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]:			
Fiscal year 2018	<u>\$1,913,270</u>	<u>\$1,426,578</u>	<u>\$1,023,123</u>
Fiscal year 2017	<u>\$1,916,052</u>	<u>\$1,423,490</u>	<u>\$1,082,119</u>

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, 2018 and 2017, the Town reported a net pension liability of \$1,426,578 and \$1,423,490, respectively. The net pension liability was measured as of January 1, 2018 and 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The Town's net pension liability was based on a projection of the Town's long-term contributions to the pension plan, actuarially determined.

As a result of the Town's requirement to contribute to the TEPPP, the Town recognized pension expense of \$165,781 and \$61,043 for the years ended June 30, 2018 and 2017, respectively. At June 30, 2018 and 2017, 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			
	2018		2017	
	Outflows	Inflows	Outflows	Inflows
Differences between expected and actual experience	\$ -	\$ -	\$ -	\$ -
Changes of assumptions	-	18,871	-	(65,078)
Net difference between projected and actual earnings on pension plan investments	-	333,922	-	281,923
Contributions subsequent to the measurement date	<u>30,237</u>	<u>-</u>	<u>26,745</u>	<u>-</u>
Totals	<u>\$ 30,237</u>	<u>\$ 352,793</u>	<u>\$ 26,745</u>	<u>\$ 216,845</u>

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)

\$30,237 and \$26,745 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 years ending June 30, 2019 and 2018, respectively. 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	2018	2017
2018	\$ -	\$ 53,323
2019	91,177	53,323
2020	91,176	53,322
2021	82,384	44,530
2022	50,201	12,347
2023	37,855	-
Totals	<u>\$ 352,793</u>	<u>\$ 216,845</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 ex-officio 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, 2017 and 2016, respectively. For more complete Plan description, refer to the Delaware Public Employee's Retirement System [DPERS] CAFR.

Separately issued financial statements for DPERS are available from 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, plus 3.50% of final average monthly compensation multiplied by years of service in excess of 20 years. For the Plan, final average monthly compensation is the monthly average of the highest three years of consecutive 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.

NOTE 8 - DEFINED BENEFIT PENSION PLANS (continued)

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

General Information About the Plan (continued)

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.
- **Non-Duty:** 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, then 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 member is killed in the line of duty, eligible survivor receives 75% of member's compensation.

Contributions:

- Employer: Determined by Board of Pension Trustees. Employer contributions are 13.80% and 13.90% of earnings for fiscal years 2017 and 2016, respectively.
- Member: 7% of compensation.

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

At June 30, 2018 and 2017, the Town reported a pension liability of \$49,950 and \$96,518 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and 2016, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation at those dates. 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 the participating Counties and municipalities within the State of Delaware, actuarially determined. At June 30, 2017 and 2016, the Town's proportion was 0.4955 percent and 0.6072 percent, which was an increase (decrease) of (0.1117) percent and 0.0072 percent from its proportion measured as of June 30, 2016 and 2015, respectively.

As a result of its requirement to contribute to DPERS, the Town recognized pension expense of \$56,414 and \$80,908 for the years ended June 30, 2018 and 2017, respectively. At June 30, 2018 and 2017, 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			
	2018		2017	
	Outflows	Inflows	Outflows	Inflows
Differences between expected and actual experience	\$ 9,110	\$ 24,458	\$ 14,831	\$ 13,317
Changes of assumptions	37,954	14,026	-	22,837
Net difference between projected and actual earnings on pension plan investments	404	(24,353)	79,858	(23,563)
Contributions subsequent to measurement date	56,511	-	52,480	-
Change in proportion and differences between Town contributions and proportionate share of contributions	1,061	7,400	1,384	5,982
Totals	\$ 105,040	\$ 21,531	\$ 148,553	\$ 18,573

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)

\$56,511 and \$52,480 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 years ending June 30, 2019 and 2018, respectively. 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	2018	2017
2018	\$ -	\$ (16,181)
2019	(4,104)	(16,181)
2020	(23,854)	(35,931)
2021	(11,080)	(23,157)
2022	15,067	2,992
2023	196	2,992
2024 and thereafter	(3,223)	7,966
Totals	<u>\$ (26,998)</u>	<u>\$ (77,500)</u>

Actuarial assumptions: The total pension liability in the June 30, 2017 and 2016 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Description	Percentages	
	2017	2016
Inflation	2.50%	2.50%
Projected salary increases	2.50% plus merit, including inflation	2.50% plus merit, including inflation
Investment rate of return	7.00%, net of expenses	7.20%, net of expenses
Cost-of-living adjustments	0.00%	0.00%

Key assumption changes include a reduction in the discount rate from 7.2% to 7.0%. Mortality assumptions are based on the RP-2014 tables with gender adjustments for healthy annuitants and disabled retirees and an adjusted version on MP-2015 mortality improvement scale on a fully generational basis.

Projected benefit payments do not include the effects of projected ad hoc cost-of-living adjustments [ad hoc COLAs] as they are not 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.

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)

Best estimates of geometric real rates of return for each major asset class included in the System's current and expected asset allocation are summarized in the following table:

Asset Class	Long-Term Expected		Asset Allocations	
	Real Rate of Return			
	2017	2016	2017	2016
Domestic equity	5.70%	5.70%	33.50%	34.00%
International equity	5.70%	5.70%	13.70%	14.70%
Fixed income	2.00%	2.00%	26.60%	25.00%
Alternative investments	7.80%	7.80%	22.70%	20.90%
Cash and equivalents	0.00%	0.00%	3.50%	5.40%

Discount rate: The discount rate for the Plan used to measure the total pension liability was 7.00% and 7.20% for the years ended June 30, 2017 and 2016, respectively. 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 (Asset) 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 7.00% and 7.20% for the years ended June 30, 2018 and 2017, respectively, as well as what the Town's proportionate share of the net pension liability (asset) 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	Current Discount Rate	1% Increase
Police Officers of the Town of Elsmere's County & Municipal Police and Firefighters' Pension Plan [CMPFPP]:			
Fiscal year 2018 (discount rate 7.0%)	\$ 315,873	\$ 49,950	\$ (166,568)
Fiscal year 2017 (discount rate 7.2%)	\$ 383,972	\$ 96,518	\$ (137,748)

NOTE 9 - 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 7.5% of covered payroll. The Town contributed a total of \$11,422 and \$12,707 for the years ended June 30, 2018 and 2017, respectively, on behalf of the Town's police officers participating in the retirement plan.

Town of Elsmere Employee Retirement Plan [TEERP]

On September 1, 2011, the Town established a salary deferral-only plan known as the "Town of Elsmere Employee Retirement Plan" [TEERP] to be administered by the Elsmere Police Pension Committee for the Town's employees other than police officers. The Plan is a tax-qualified single employer retirement arrangement pursuant to ERISA Section 457(b). This plan is intended to provide benefits for Town employees other than police officers. The Town does not make or match contributions to the plan.

NOTE 10 - 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] carried a variable interest rate of 3.25% and payable on demand. The note was for the purpose of providing working capital and was secured by the full faith and credit of the Town. The Town did not utilize the line of credit during fiscal 2017. The Town did not renew the note upon its expiration on May 11, 2017.

NOTE 11 - 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, 2018, the minimum future rental payments under the non-cancelable leasing arrangement having remaining terms in excess of one year in aggregate are:

Years Ending June 30	Amount
2019	\$ 6,012
2020	1,503
Total minimum future rental payments required	<u>\$ 7,515</u>

Total rental cost under the operating leasing arrangement is \$6,012 and \$6,012 for the years ended June 30, 2018 and 2017, respectively.

NOTE 11 - LEASING ARRANGEMENTS (CONTINUED)

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 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 lease also calls for the reimbursement of certain occupancy costs paid by the Town on behalf of the tenant. The arrangement commencing August 1, 2005, called for a three-year term expiring July 31, 2008; thereafter the lease converted to month-to-month. On June 21, 2017, the lease was renewed for a term of one year commencing July 1, 2017. On May 18, 2018, the lease was renewed for a term of one year commencing July 1, 2018. Total rents received by the Town are \$22,213 and \$22,213 for the years ended June 30, 2018 and 2017, respectively.

Lease No. 2

The Town leases the 6,000 square foot library located at 11 Poplar Avenue, Elsmere, Delaware to New Castle County. In addition to the rental, the lessee must pay all costs associated with the operation of the library. The current leasing arrangement commencing July 1, 2008 called for a five-year term expiring June 30, 2013. The lease was renewed for a three-year term commencing July 1, 2014. On June 29, 2017, the lease was renewed for a term of one year commencing July 1, 2017. On June 26, 2018, the lease was renewed for a three-year term commencing July 1, 2018. Total rents received are \$55,738 and \$55,738 for the years ended June 30, 2018 and 2017, respectively.

NOTE 12 - BENEFICIAL INTEREST IN A TRUST

The Town is the beneficiary of a Trust which is held and administered by Delaware Community 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. At June 30, 2018 and 2017, the fair value of the Trust is \$123,303 and \$117,483, respectively. The Town may elect to receive regular distributions of income, and the Town can use these distributions in any way that is consistent with the Trust documents. Such distributions are reported as other revenues. The Town received or is eligible to receive distributions of \$5,872 and \$279 for the years presented.

NOTE 13 - 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 expenditures not already disclosed, which may be disallowed by grantors cannot be determined at this time although the Town expects such amounts, if any, to be immaterial.

NOTE 14 - GASB STATEMENT IMPLEMENTATION

The Town has implemented GASB Statement No. 85, *Omnibus 2017*. Implementation is required for periods beginning after June 15, 2017, with earlier application encouraged. The objective of the Statement is to address practice issues that have been identified during the implementation and application of certain GASB Statements. The Statement addresses topics, such as: issues related to blending of component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The implementation of the Statement has minimal impact.

The Town has implemented GASB Statement No. 86, *Certain Debt Extinguishment Issues*. Implementation is required for periods beginning after June 15, 2017, with earlier application encouraged. The objective of the Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources [resources other than the proceeds of refunding debt] are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of the Statement has no impact on the financial statements since the Town does not have this type of debt arrangement.

NOTE 15 - PENDING GASB STATEMENTS

The Town has not completed the various analyses required to estimate the future impact of the following new pronouncements on its financial statements. Generally, the Town does not early implement GASB statements and pronouncements.

In November of 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. Implementation is required for periods beginning after June 15, 2018, with earlier application encouraged. The objective of the Statement is to address accounting and financial reporting for certain asset retirement obligations [ARO]. An ARO is a legally enforceable liability associated with the retirement of a tangible asset.

In January of 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. Implementation is required for periods beginning after December 15, 2018, with earlier application encouraged. The objective of the Statement is to establish criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on [1] whether a government is controlling the assets of the fiduciary activity, and [2] the beneficiaries with whom a fiduciary relationship exists.

In June of 2017, The GASB issued Statement No. 87, *Leases*. Implementation is required for periods beginning after December 15, 2019, with earlier application encouraged. The objective of the Statement is to better meet the information needs of the financial statement users by improving accounting and financial reporting for leases by governments. The Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

In April of 2018, the GASB issued Statement No. 88, *Certain Disclosures related to Debt, Including Direct Borrowings and Direct Placements*. Implementation is required for periods beginning after June 15, 2018, with earlier application encouraged. The objective of the Statement is to improve the information that is disclosed in the notes to government financial statements related to debt, including borrowings and direct placements. The Statement also clarifies which liabilities governments should include when disclosing information related to debt.

NOTE 15 - PENDING GASB STATEMENTS (CONTINUED)

In August of 2018, the GASB issued Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61*. Implementation is required for periods beginning after December 15, 2018, with earlier application encouraged. The primary objective of this Statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improve the relevance of financial statement information for certain component units.

NOTE 16 - RECLASSIFICATIONS

Certain amounts in the financial statements for fiscal year 2017 have been reclassified for comparative purposes in order to conform with the fiscal year 2018 financial statement presentation.

NOTE 17 - 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 to the financial statements.

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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget	
	Original	Final		Positive (Negative)	
REVENUES					
Taxes:					
Property taxes	\$ 2,441,000	\$ 2,441,000	\$ 2,388,096	\$ (52,904)	
Property transfer taxes	194,552	194,552	407,180	212,628	1
Cable franchise taxes	118,000	118,000	115,023	(2,977)	
Licenses and permits	341,500	341,500	337,398	(4,102)	
Intergovernmental revenues	52,365	52,365	60,501	8,136	2
Police fines and court fees	184,000	184,000	116,009	(67,991)	3
Charges for services-extra duty	-	-	13,433	13,433	4
Interest and rents	81,850	81,850	79,534	(2,316)	
Miscellaneous revenues	68,750	68,750	75,935	7,185	
Total revenues	3,482,017	3,482,017	3,593,109	111,092	
EXPENDITURES					
Current:					
General government:					
Administration	441,312	441,312	466,619	(25,307)	
Finance office	279,797	279,797	269,771	10,026	
Council	3,600	3,600	3,323	277	
Legal services and related costs	27,000	27,000	11,965	15,035	
Public safety-police	1,269,660	1,269,660	1,260,113	9,547	
Public safety-extra duty	-	-	12,363	(12,363)	4
Code enforcement	215,742	215,742	214,264	1,478	
Public works-streets	349,247	349,247	319,871	29,376	
Public works-sanitation	472,332	472,332	462,052	10,280	
Parks and recreation	140,450	140,450	123,077	17,373	5
Long-term planning:					
Pension contribution	35,753	35,753	35,753	-	
Capital outlay	105,134	105,134	24,245	80,889	6
Debt service	102,500	102,500	29,251	73,249	7
Capital outlay	39,490	39,490	834,568	(795,078)	8
Total expenditures	3,482,017	3,482,017	4,067,235	(585,218)	
EXCESS (DEFICIT)					
REVENUE OVER EXPENDITURES	-	-	(474,126)	(474,126)	
OTHER FINANCING SOURCES (USES)					
Refund of prior years revenues	-	-	(18,316)	(18,316)	
Proceeds from new financing	-	-	354,000	354,000	
Transfers (out) in	-	-	9	9	
Total other financing sources (uses)	-	-	335,693	335,693	
NET CHANGE IN FUND BALANCE	-	-	(138,433)	(138,433)	
FUND BALANCES					
Beginning of year	-	-	1,272,026	1,272,026	
End of year	\$ -	\$ -	\$ 1,133,593	\$ 1,133,593	

See Report of Independent Auditor

TOWN OF ELSMERE, DELAWARE

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL-
GENERAL FUND (CONTINUED)**

Year Ended June 30, 2018

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. The Town's 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. Unexpended appropriations on annual budgets lapse at the end of each year.

Budget Variances in Excess of 10% of budget

1. Property transfer tax revenue variance is primarily due to the receipt of tax revenue from the sale of a large apartment complex.
2. Intergovernmental revenues variance is due to Town receiving a larger share of state pension pass-through funds than expected.
3. Police fines and court fees was budgeted consistent with recent historical collections; however, the Town experienced a decrease in collections for the fiscal year due to turnover in the police force and other unforeseen events.
4. Charges for extra duty service reimbursements, and the related costs, are variable year to year and dependent on demand for such services and the Town's Public Safety department's availability to provide them. The Town does not budget for these revenues.
5. Parks and recreation expenditures variance is primarily due to timing of the Town's annual Independence Day events. The event held on June 30, 2018 was included in fiscal year 2018 in addition to the event held on July 1, 2017.
6. Long-term planning capital outlay expenditure variance is primarily due to expenditures for a major infrastructure project which was in progress but near completion at June 30, 2018.
7. Debt service expenditures variance is due to difference in the budgeted amount and the financing agreement obtained.
8. Capital outlay expenditures variance is primarily due to the cost of the new heating/air conditioning system at Town Hall.

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]
Year Ended June 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
TOTAL PENSION LIABILITY				
Service cost	\$ -	\$ -	\$ -	\$ -
Interest	308,339	311,811	315,389	246,720
Changes in benefits terms	-	-	-	-
Differences between expected and actual experience	(18,129)	(99,057)	(104,821)	-
Benefit payments	<u>(256,910)</u>	<u>(255,399)</u>	<u>(255,186)</u>	<u>(253,164)</u>
Net change in total pension liability	33,300	(42,645)	(44,618)	(6,444)
Total pension liability:				
Beginning of period	<u>3,982,696</u>	<u>4,025,341</u>	<u>4,069,959</u>	<u>4,076,403</u>
Ending of period	<u>\$ 4,015,996</u>	<u>\$ 3,982,696</u>	<u>\$ 4,025,341</u>	<u>\$ 4,069,959</u>
PLAN FIDUCIARY NET POSITION				
Contributions-employer	\$ 30,274	\$ 108,259	\$ 94,804	\$ 94,685
Net investment income	256,848	107,179	(35,269)	193,963
Benefits paid to beneficiaries	(256,910)	(255,399)	(255,186)	(253,164)
Administrative expenses	-	(16,424)	(1,053)	-
Other expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fiduciary net position	30,212	(56,385)	(196,704)	35,484
Plan fiduciary net position:				
Beginning of period	<u>2,559,206</u>	<u>2,615,591</u>	<u>2,812,295</u>	<u>2,776,811</u>
Ending of period	<u>\$ 2,589,418</u>	<u>\$ 2,559,206</u>	<u>\$ 2,615,591</u>	<u>\$ 2,812,295</u>
TOWN PENSION LIABILITY	<u>\$ (1,426,578)</u>	<u>\$ (1,423,490)</u>	<u>\$ (1,409,750)</u>	<u>\$ (1,257,664)</u>
PLAN FIDUCIARY NET POSITION AS A				
PERCENTAGE OF TOTAL PENSION LIABILITY	<u>64.48%</u>	<u>64.26%</u>	<u>64.98%</u>	<u>69.10%</u>
COVERED-EMPLOYEE PAYROLL				
	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
TOWN PENSION LIABILITY AS A				
PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

See Report of Independent Auditor

TOWN OF ELSMERE, DELAWARE

SCHEDULE OF PENSION CONTRIBUTIONS

OF THE TOWN OF ELSMERE POLICE PENSION PLAN [TEPPP]

Years Ended June 30,

	2018	2017	2016	2015
Actuarially determined contribution	\$ 166,667	\$ 166,306	\$ 164,700	\$ 146,932
Contributions in relation to actuarially determined contribution	30,274	108,259	94,804	94,685
Contribution deficiency (excess)	<u>\$ 136,393</u>	<u>\$ 58,047</u>	<u>\$ 69,896</u>	<u>\$ 52,247</u>
Covered-employee payroll	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
Contributions as percentage of covered-employee payroll	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

NOTE TO SCHEDULE OF PENSION CONTRIBUTIONSValuation Date

Actuarially determined contribution rates are calculated as of January 1, 2018 and 2017, six months prior to the end of the 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% per year, net of expenses
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, 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 Years Ended June 30,

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportion of net pension liability (asset)	<u>0.4955%</u>	<u>0.6072%</u>	<u>0.6000%</u>	<u>0.5686%</u>
Town's proportionate share of net pension liability (asset)	<u>\$ 49,950</u>	<u>\$ 96,518</u>	<u>\$ (31,621)</u>	<u>\$ (61,512)</u>
Town's covered-employee payroll	<u>\$ 439,820</u>	<u>\$ 367,476</u>	<u>\$ 442,056</u>	<u>\$ 387,484</u>
Town's proportionate share of net pension liability (asset) as a percentage of its covered-employee payroll	<u>11.36%</u>	<u>26.27%</u>	<u>7.15%</u>	<u>15.87%</u>
Plan's fiduciary net position as a percentage of total pension liability	<u>97.00%</u>	<u>94.70%</u>	<u>101.97%</u>	<u>104.47%</u>

Note to Schedule:

The amounts presented above are determined at June 30 of the preceding year.

See Report of Independent Auditor

TOWN OF ELSMERE, DELAWARE

SCHEDULE OF PENSION CONTRIBUTIONS

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

Years Ended June 30,

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 56,511	\$ 52,480	\$ 61,268	\$ 61,789
Contributions in relation to contractually required contribution	<u>56,511</u>	<u>52,480</u>	<u>61,268</u>	<u>61,789</u>
Annual contribution (deficiency) excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town covered-employee payroll	<u>\$ 439,820</u>	<u>\$ 367,476</u>	<u>\$ 442,396</u>	<u>\$ 422,056</u>
Contributions as percentage of covered-employee payroll	<u>12.85%</u>	<u>14.28%</u>	<u>13.85%</u>	<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, 2018 With Comparative Totals for 2017

	Federal Funding	Municipal Street Aid	State Funding				Totals [Memorandum Only]	
			SALLE	EIDE	Suburban Street Aid	Other	2018	2017
ASSETS								
ASSETS								
Cash and equivalents	\$ -	\$ 110,205	\$ 5,865	\$ 4,685	\$ -	\$ 39,341	\$ 160,096	\$ 142,965
Accounts receivable	-	-	-	-	-	-	-	-
Due from other governments	868	-	-	-	100,000	-	100,868	2,099
Interfund receivable (payable)	(868)	-	(2,351)	(4,084)	(100,000)	2,150	(105,153)	(5,041)
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 110,205</u>	<u>\$ 3,514</u>	<u>\$ 601</u>	<u>\$ -</u>	<u>\$ 41,491</u>	<u>\$ 155,811</u>	<u>\$ 140,023</u>
LIABILITIES AND FUND BALANCES								
LIABILITIES								
Accounts payable and other	\$ -	\$ 374	\$ -	\$ -	\$ -	\$ -	\$ 374	\$ 4,742
Refundable advances	-	-	3,514	601	-	41,491	45,606	29,794
Total liabilities	<u>-</u>	<u>374</u>	<u>3,514</u>	<u>601</u>	<u>-</u>	<u>41,491</u>	<u>45,980</u>	<u>34,536</u>
FUND BALANCES								
Restricted-specific programs	\$ -	\$ 109,831	\$ -	\$ -	\$ -	\$ -	\$ 109,831	\$ 105,487
Unassigned	-	-	-	-	-	-	-	-
Total fund balances	<u>-</u>	<u>109,831</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>109,831</u>	<u>105,487</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ 110,205</u>	<u>\$ 3,514</u>	<u>\$ 601</u>	<u>\$ -</u>	<u>\$ 41,491</u>	<u>\$ 155,811</u>	<u>\$ 140,023</u>

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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, 2018 With Comparative Totals for 2017

	Federal Funding	Municipal Street Aid	State Funding				Totals [Memorandum Only]	
			SALLE	EIDE	Suburban Street Aid	Other	2018	2017
REVENUES								
Intergovernmental revenues								
Federal	\$ 23,421	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,421	\$ 27,394
State	-	100,657	782	7,233	100,000	23,557	232,229	149,004
Interest revenue	-	5	2	7	-	-	14	17
Total revenues	<u>23,421</u>	<u>100,662</u>	<u>784</u>	<u>7,240</u>	<u>100,000</u>	<u>23,557</u>	<u>255,664</u>	<u>176,415</u>
EXPENDITURES								
Current:								
Public safety-police	16,830	-	782	7,233	-	13,492	38,337	44,272
Public works-streets	-	96,318	-	-	-	-	96,318	69,746
Capital outlay:								
Public safety-police	6,591	-	-	-	-	10,065	16,656	29,985
Public works-streets	-	-	-	-	100,000	-	100,000	-
Total expenditures	<u>23,421</u>	<u>96,318</u>	<u>782</u>	<u>7,233</u>	<u>100,000</u>	<u>23,557</u>	<u>251,311</u>	<u>144,003</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>4,344</u>	<u>2</u>	<u>7</u>	<u>-</u>	<u>-</u>	<u>4,353</u>	<u>32,412</u>
OTHER FINANCING SOURCES (USES)								
Operating transfers in (out)	-	-	(2)	(7)	-	-	(9)	(11)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(2)</u>	<u>(7)</u>	<u>-</u>	<u>-</u>	<u>(9)</u>	<u>(11)</u>
NET CHANGE IN FUND BALANCES	<u>-</u>	<u>4,344</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,344</u>	<u>32,401</u>
FUND BALANCES								
Beginning of year	-	105,487	-	-	-	-	105,487	73,086
End of year	<u>\$ -</u>	<u>\$ 109,831</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 109,831</u>	<u>\$ 105,487</u>

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