

TOWN OF BLADES, DELAWARE  
FINANCIAL STATEMENTS WITH  
SUPPLEMENTAL INFORMATION  
DECEMBER 31, 2019

TOWN OF BLADES  
TABLE OF CONTENTS  
DECEMBER 31, 2019

		<u>PAGE</u>
<u>TITLE PAGE</u>		1
<u>TABLE OF CONTENTS</u>		2 - 3
<u>INDEPENDENT AUDITOR'S REPORT</u>		4 - 6
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS</u>		7 - 12
 <u>BASIC FINANCIAL STATEMENTS</u>		
Government - Wide Statement of Net Position	Exhibit A	13
Government - Wide Statement of Activities	Exhibit B	14
 <u>FUND FINANCIAL STATEMENTS</u>		
Balance Sheet - Governmental Fund	Exhibit C	15
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund	Exhibit D	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Fund to the Statement of Activities	Exhibit E	17
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	Exhibit F	18
Statement of Net Position - Enterprise Fund	Exhibit G	19
Statement of Revenues, Expenses, and Changes in Fund Net Position - Enterprise Fund	Exhibit H	20
Statement of Cash Flows - Enterprise Fund	Exhibit I	21
<u>NOTES TO BASIC FINANCIAL STATEMENTS</u>	Exhibit J	22 - 39
<u>SUPPLEMENTAL INFORMATION TITLE PAGE</u>		40
 <u>REQUIRED SUPPLEMENTAL INFORMATION</u>		
Schedule of the Town's Proportionate Share of the Net Pension Liability	Schedule A	41
Schedule of the Town's Pension Contributions	Schedule B	42

TOWN OF BLADES  
TABLE OF CONTENTS  
DECEMBER 31, 2019

<u>SUPPLEMENTAL INFORMATION</u>		<u>PAGE</u>
Revenues - Budget and Actual - All Funds	Schedule C	43
Expenditures/Expenses - Budget and Actual - All Funds	Schedule D	44 - 45
Schedule of Operating Revenues and Expenses - Enterprise Fund	Schedule E	46
<u>INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS</u>		47 - 48

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## INDEPENDENT AUDITOR'S REPORT

To the Town Council  
 Town of Blades  
 Blades, Delaware

### **Opinions**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Blades, Delaware as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Blades, Delaware, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Blades, Delaware, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Blades, Delaware ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 of Blades, Delaware's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Blades, Delaware's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Required Supplemental Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of the Town's Proportionate Share of the Net Pension Liability, and the Schedule of the Town's Contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplemental Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Blades, Delaware's basic financial statements. The Schedule of Revenues - Budget and Actual - All Funds, Schedule of Expenditures/Expenses - Budget and Actual - All Funds, and Schedule of Operating Revenues and Expenses - Enterprise Fund are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 Schedule of Revenues - Budget and Actual - All Funds, Schedule of Expenditures/Expenses - Budget and Actual - All Funds, and Schedule of Operating Revenues and Expenses - Enterprise Fund are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2022, on our consideration of the Town of Blades' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Blades' internal control over financial reporting and compliance.



Seaford, Delaware  
July 25, 2022

TOWN OF BLADES  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019

This section of The Town of Blades' annual financial report presents the discussion and analysis of the Town's financial performance during the fiscal year that ended on December 31, 2019. Please read it in conjunction with the Town's financial statements, which follow this section.

BASIC FINANCIAL STATEMENTS

The financial statements are presented to focus on the Town as a whole (government-wide) as well as the major individual funds. The government-wide financial statements provide both long-term and short-term information about the Town's overall financial status. The fund financial statements, which have been provided in the past, focus on the individual parts of the Town government, reporting the operations of the Town in more detail than the government-wide statements. Both perspectives (government-wide and individual fund) allow the user to address relevant questions, broaden the basis for comparison (year to year or government to government) and enhance the Town's accountability.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The 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 government's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, reported using the full accrual basis of accounting. The statement of activities accounts for all of the current year's revenues and expenses, regardless of when cash is received or paid.

The two government-wide statements report the Town's net position and how it has changed. Net position, the difference between the Town's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, is one way to measure the financial health of the Town. Over time, increases or decreases in the Town's net position is an indicator of whether its financial health is improving or deteriorating. To assess the overall health of the Town, one needs to consider other non-financial factors such as changes in the Town's property tax base and condition of the Town's infrastructure.

The government-wide financial statements of the Town are divided into two categories:

**Governmental Activities** - Most of the Town's basic services are included here, such as police and other public safety services, public works, and general administration. Property and transfer taxes, charges for services, and state grants finance most of these activities.

**Business-type Activities** - The Town's water operations are reported here. Fees are charged to customers to help cover the costs of providing these services.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Town's most significant funds and will be more familiar to traditional users of government financial statements. The focus is now on major funds rather than fund types.

The Town has two types of funds:

**Governmental Fund** - The General Fund is the Town's only governmental fund, which focuses on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a short term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided on the governmental fund statements, or schedules immediately following the governmental fund statements, that explain the relationship (or differences) between them.

TOWN OF BLADES  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019

FUND FINANCIAL STATEMENTS (CONTINUED)

Proprietary Funds - Services for which the Town charges customers a fee are generally reported in proprietary funds. These funds, like the government-wide statements, provide both long-term and short-term financial information. The Town's enterprise fund (one type of proprietary fund) is the same as its business-type activities, but the fund financial statements provide more detail and additional information, such as cash flows. The Town utilizes an enterprise fund to account for its water operations.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

The Town's combined net position increased by 69% from 2018 to 2019 (See table below). General Fund net position increased by 59%, while the business-type net position increased by 76%. The business type fund increased due to capital asset projects funded by grants. Some of the grant funds reimbursed the general fund for prior year disbursements for business type projects.

Town of Blades  
Net Position  
(in millions)

	Governmental		Business-Type		Total		Total Percentage Change
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	
Current and Other Assets	0.22	0.08	0.51	0.05	0.73	0.13	461%
Capital Assets	0.44	0.48	1.61	0.89	2.05	1.37	50%
Deferred Outflows	0.06	0.09	-	-	0.06	0.09	(29%)
Total Assets and Deferrals	0.72	0.65	2.12	0.94	2.84	1.59	79%
Current Liabilities	0.06	0.19	0.89	-	0.95	0.19	397%
Long-Term Debt	0.07	0.09	0.42	0.48	0.49	0.57	(12%)
Total Liabilities and Deferrals	0.13	0.28	1.31	0.48	1.44	0.76	90%
Net Position							
Capital Assets Net of Debt	0.42	0.44	1.18	0.41	1.60	0.85	89%
Restricted	-	-	-	-	-	-	-
Unrestricted	0.17	(0.07)	(0.37)	0.05	(0.20)	(0.02)	(903%)
Total Net Position	0.59	0.37	0.81	0.46	1.40	0.83	69%

The Town's total revenues (excluding transfers) increased by 85% to \$1.46 million (See table below). Revenue from business-type activities increased by 221% to \$0.90 million. Governmental revenues increased by 10% to \$0.56 million. Both increases are attributable to additional grant awards.

The total cost of all programs and services decreased by 9% to \$0.89 million. The costs of business-type activities decreased by 4% to \$0.26 million. The cost of governmental-type activities decreased by 11% to \$0.63 million. The decreases are the result of various line item expenses being lower in the current year.



TOWN OF BLADES  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019

Town of Blades  
Change in Net Position  
(in millions)

	Governmental		Business-Type		Total		Total Percentage Change
	2019	2018	2019	2018	2019	2018	
Program Revenue							
Fees, Fines, Services	0.14	0.15	0.27	0.28	0.41	0.43	(4%)
Operating Grants	0.12	0.08	-	-	0.12	0.08	48%
Capital Grants	-	0.04	0.63	-	0.63	0.04	1475%
General Revenue							
Taxes	0.30	0.24	-	-	0.30	0.24	24%
Miscellaneous	-	-	-	-	-	-	-
Total Revenue	0.56	0.51	0.90	0.28	1.46	0.79	85%
Program Expenses							
General	0.16	0.29	-	-	0.16	0.29	(44%)
Police	0.31	0.31	-	-	0.31	0.31	-
Cemetery and Parks	0.01	0.01	-	-	0.01	0.01	-
Streets	0.09	0.06	-	-	0.09	0.06	52%
Code Enforcement	0.06	0.04	-	-	0.06	0.04	50%
Water	-	-	0.26	0.27	0.26	0.27	(4%)
Total Expenses	0.63	0.71	0.26	0.27	0.89	0.98	(9%)
Excess (Deficiency)	(0.07)	(0.20)	0.64	0.01	0.57	(0.19)	400%
Transfers In/(Out)	0.29	0.06	(0.29)	(0.06)	-	-	-
Change in Net Position	0.22	(0.14)	0.35	(0.05)	0.57	(0.19)	400%
Net Position - Beginning	0.37	0.51	0.46	0.51	0.83	1.02	19%
Net Position - Ending	0.59	0.37	0.81	0.46	1.40	0.83	69%

GENERAL FUND BUDGETARY HIGHLIGHTS

The original budget was not amended during the current fiscal year. General fund actual revenues of \$0.56 million exceeded budgeted revenues of \$0.42 million by \$0.14 million (33%). This favorable variance was primarily the result of unbudgeted taxes, grants, licenses and permits.

General fund actual expenditures of \$0.58 million were more than the budgeted expenditures of \$0.50 million by \$0.08 million (16%). This variance was primarily due to various line-item expenses being over budget.

ENTERPRISE FUND BUDGETARY HIGHLIGHTS

The original budget was not amended during the current fiscal year. Enterprise fund actual revenues of \$0.27 million were less than budgeted revenues of \$0.31 million by \$0.04 million (13%). This variance was mainly due to less water usage and other operating revenues.

Enterprise fund actual expenditures of \$0.26 million were over budgeted expenditures of \$0.18 million by \$0.08 million (44%). This variance was due to unbudgeted depreciation and various other line item expenses being over budget.

TOWN OF BLADES  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At December 31, 2019, the Town had \$2.05 million invested in capital assets, including police equipment, buildings, land, vehicles and water system improvements. This amount represents a net increase (additions, deductions, and depreciation) of \$0.68 million from the prior year.

Town of Blades  
Capital Assets Net of Depreciation  
(in millions)

	Governmental		Business-Type		Total	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Land	0.03	0.03	-	-	0.03	0.03
Buildings	0.06	0.07	-	-	0.06	0.07
Equipment	0.01	0.02	-	-	0.01	0.02
Improvements	0.30	0.30	-	-	0.30	0.30
Vehicles	0.04	0.06	-	-	0.04	0.06
Water	-	-	1.61	0.89	1.61	0.89
Total Capital Assets	0.44	0.48	1.61	0.89	2.05	1.37

Note 4 of the Notes to the Basic Financial Statements gives further details of the Town's capital asset activity.

Debt

At year-end, the Town had \$0.49 million in pension liability, notes and capital leases outstanding, versus \$0.57 million last year.

Town of Blades  
Debt  
(in millions)

	Governmental		Business-Type		Total	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
DSWRF	-	-	0.18	0.19	0.18	0.19
DNREC	-	-	0.03	0.04	0.03	0.04
State of Delaware	-	-	0.18	0.21	0.18	0.21
USDA	-	-	0.02	0.03	0.02	0.03
Real Lease, Inc.	0.02	0.04	-	-	0.02	0.04
Real Lease, Inc.	-	-	0.01	0.01	0.01	0.01
Net Pension Liability	0.05	0.05	-	-	0.05	0.05
Total Debt	0.07	0.09	0.42	0.48	0.49	0.57

Note 5 of the Notes to the Basic Financial Statements gives further details of the Town's debt activity.

TOWN OF BLADES  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

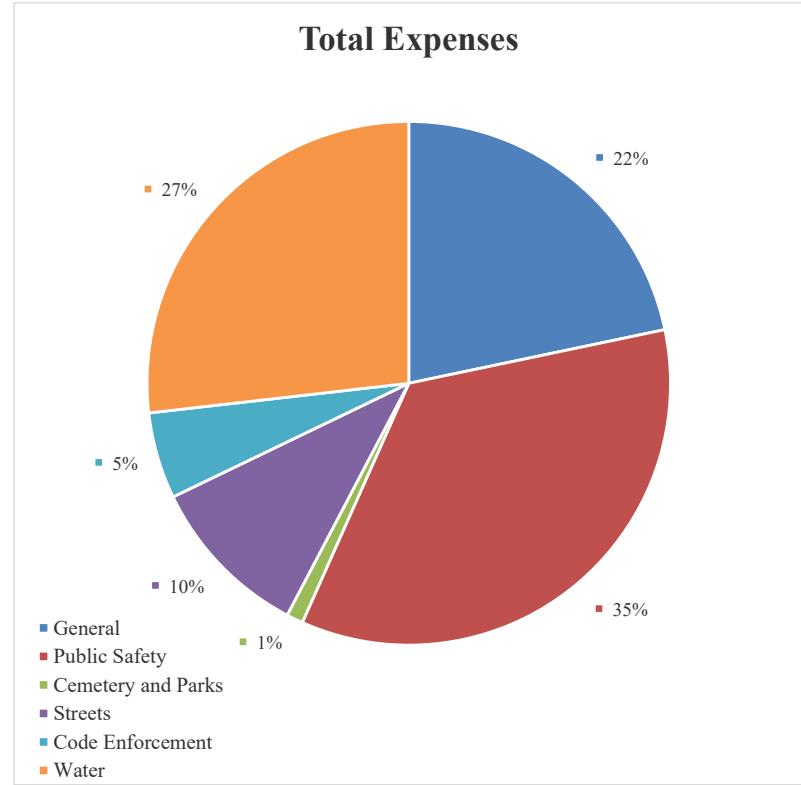
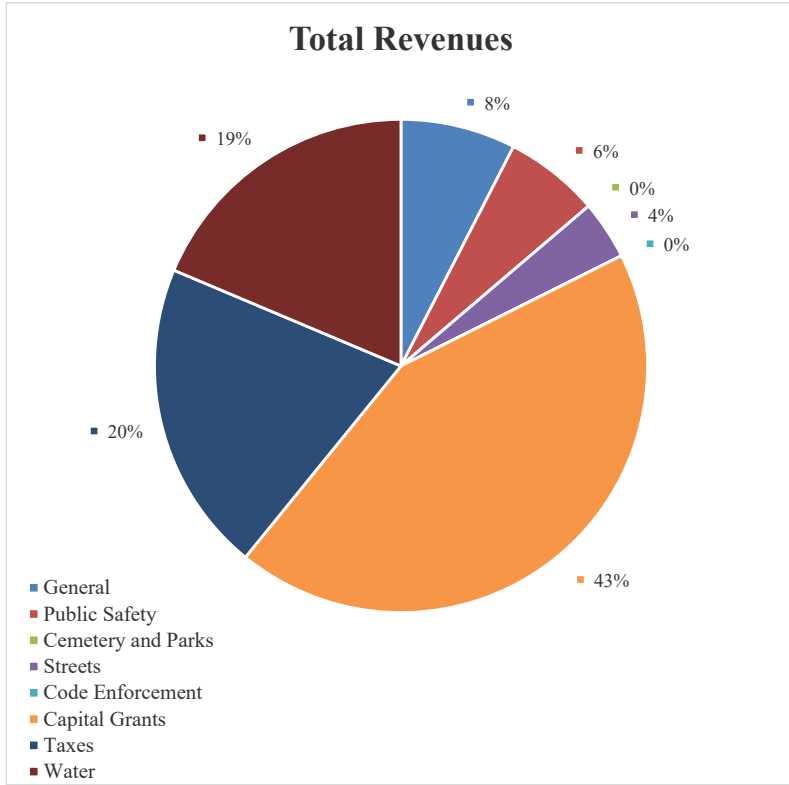
The 2020 budget was passed by the Town Council and includes increased revenues and increased expenditures, specifically in the enterprise fund. There are no plans to change the rates charged for the Town's services.

The Town has been awarded grant funds and loans from USDA and the State of Delaware to make improvements to the Town's water system. There are four projects underway including the Concord Road waterline extension, water treatment plant upgrades, the Route 13 water main crossing project and an update to the Town's water model facility plan. To date, the Town has received \$790,000 in connection with these projects. In total, they are budgeted to cost the Town \$2.2 million over the coming years.

FINANCIAL CONTACT

The Town's financial statements are designed to present users (citizens, taxpayers, customers, and creditors) with a general overview of the Town's finances and to demonstrate the Town's accountability. If you have questions about the report or need additional financial information, please contact the Town's management at 20 W. Fourth Street, Blades, Delaware 19973.

TOWN OF BLADES  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
TOTAL REVENUES AND EXPENSES  
GOVERNMENT - WIDE  
DECEMBER 31, 2019



TOWN OF BLADES  
GOVERNMENT-WIDE STATEMENT OF NET POSITION  
DECEMBER 31, 2019

EXHIBIT A

<u>ASSETS</u>	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
Cash	\$ 197,300	\$ 463,066	\$ 660,366
Accounts Receivable	8,152	51,513	59,665
Prepaid Expenses	9,429	-	9,429
Capital Assets:			
Land	29,344	-	29,344
Buildings	187,806	-	187,806
Equipment	181,277	3,471,580	3,652,857
Improvements	1,874,520	-	1,874,520
Vehicles	131,349	-	131,349
Accumulated Depreciation	<u>(1,960,098)</u>	<u>(1,857,364)</u>	<u>(3,817,462)</u>
Total Assets	659,079	2,128,795	2,787,874
Deferred Outflow of Resources	<u>63,814</u>	<u>-</u>	<u>63,814</u>
Total Assets and Deferred Outflows	<u>722,893</u>	<u>2,128,795</u>	<u>2,851,688</u>
 <u>LIABILITIES</u> 			
Accounts Payable	54,024	727,831	781,855
Deferred Revenue	3,635	158,273	161,908
Non-Current Liabilities:			
Net Pension Liability	50,092	-	50,092
Due within one year	13,642	42,609	56,251
Due in more than one year	<u>12,911</u>	<u>384,743</u>	<u>397,654</u>
Total Liabilities	<u>134,304</u>	<u>1,313,456</u>	<u>1,447,760</u>
 <u>NET POSITION</u> 			
Invested in Capital Assets, Net of Related Debt	417,645	1,186,864	1,604,509
Unrestricted	<u>170,944</u>	<u>(371,525)</u>	<u>(200,581)</u>
Total Net Position	<u>\$ 588,589</u>	<u>\$ 815,339</u>	<u>\$ 1,403,928</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

TOWN OF BLADES  
 GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED DECEMBER 31, 2019

Program Activities	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<u>Governmental Activities:</u>							
General Government	\$ 185,482	\$ 110,260	\$ -	\$ -	\$ (75,222)	\$ -	\$ (75,222)
Public Safety	312,885	28,325	62,562	-	(221,998)	-	(221,998)
Cemetery and Parks	9,165	-	-	-	(9,165)	-	(9,165)
Streets	90,941	-	56,211	-	(34,730)	-	(34,730)
Code Enforcement	47,769	-	-	-	(47,769)	-	(47,769)
<u>Total Governmental Activities</u>	646,242	138,585	118,773	-	(388,884)	-	(388,884)
<u>Business-Type Activities:</u>							
Water	239,950	272,432	-	631,727	-	664,209	664,209
<u>Total Government</u>	\$ 886,192	\$ 411,017	\$ 118,773	\$ 631,727	(388,884)	664,209	275,325

General Revenues:			
Taxes			
Property Taxes, Penalties, and Interest	246,616	-	246,616
Transfer Tax	52,060	-	52,060
Investment Income	384	-	384
Transfer In/(Out)	309,578	(309,578)	-
Total General Revenues	608,638	(309,578)	299,060
Change in Net Position	219,754	354,631	574,385
Net Position - Beginning - Restated	368,835	460,708	829,543
Net Position - Ending	\$ 588,589	\$ 815,339	\$ 1,403,928

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

TOWN OF BLADES  
BALANCE SHEET  
GOVERNMENTAL FUND  
DECEMBER 31, 2019

EXHIBIT C

<u>ASSETS</u>	<u>General Fund</u>
Cash	\$ 197,300
Accounts Receivable	8,152
Prepaid Expenses	<u>9,429</u>
Total Assets	<u>\$ 214,881</u>
<u>LIABILITIES AND FUND BALANCE</u>	
Liabilities:	
Accounts Payable	\$ 54,024
Deferred Revenue	<u>3,635</u>
Total Liabilities	<u>57,659</u>
Fund Balance:	
Restricted	-
Assigned	3,130
Unassigned	<u>154,092</u>
Total Fund Balance	<u>157,222</u>
Total Liabilities and Fund Balance	<u>\$ 214,881</u>
Amounts Reported For Governmental Activities in the Statement of Net Position Are Different Because:	
Total Fund Balance	\$ 157,222
Capital assets and related accumulated depreciation used in governmental activities are not financial resources and therefore are not reported in the governmental fund's balance sheet.	444,198
The deferred outflow of resources is not a use of current financial resources and therefore is not reported in the governmental fund's balance sheet.	63,814
The net pension liability is not a use of current financial resources and therefore is not reported in the governmental fund's balance sheet.	(50,092)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(26,553)</u>
Net Position of Governmental Activities	<u>\$ 588,589</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

TOWN OF BLADES EXHIBIT D  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>General Fund</u>
Revenues:	
Property Taxes	\$ 246,616
Transfer Tax	52,060
Charges for Services	46,394
Grants	103,170
Licenses and Permits	41,803
Investment Income	384
Police Pension Fund	15,603
Fines	28,325
Miscellaneous	<u>22,063</u>
Total Revenues	<u>556,418</u>
Expenditures:	
Current:	
General Government	170,477
Public Safety	282,078
Cemetery and Park	7,380
Streets	63,992
Code Enforcement	47,769
Capital Outlay	<u>27,548</u>
Total Expenditures	<u>599,244</u>
Excess of Revenues over (under) Expenditures	(42,826)
Other Financing Sources:	
Operating Transfers	<u>309,578</u>
Net Change in Fund Balance	266,752
Fund Balance - Beginning	<u>(109,530)</u>
Fund Balance - Ending	<u><u>\$ 157,222</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS



TOWN OF BLADES  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2019

EXHIBIT E

Net Change in Fund Balance - Total Governmental Fund	\$ 266,752
Amounts reported for governmental activities in the statement of activities are different because:	
Pension plan adjustment related to GASB 68 affects the amount of pension expense reflected in the statement of activities.	(25,024)
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	27,548
Governmental funds report repayment of capital leases and debt principal as expenditures. On the Statement of Activities these payments reduce the balance of the liability.	12,980
Depreciation expense on capital assets is reported in the government-wide statement of activities, but does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.	<u>(62,502)</u>
Change in Net Position of Governmental Activities	<u>\$ 219,754</u>

TOWN OF BLADES  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2019

EXHIBIT F

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Favorable (Unfavorable) Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property Taxes	\$ 222,000	\$ 222,000	\$ 246,616	\$ 24,616
Transfer Tax	30,000	30,000	52,060	22,060
Charges for Services	59,600	59,600	46,394	(13,206)
Grants	33,000	33,000	103,170	70,170
Licenses and Permits	24,000	24,000	41,803	17,803
Investment Income	-	-	384	384
Police Pension Fund	-	-	15,603	15,603
Fines	25,000	25,000	28,325	3,325
Miscellaneous	22,100	22,100	22,063	(37)
Total Revenues	<u>415,700</u>	<u>415,700</u>	<u>556,418</u>	<u>140,718</u>
Expenditures:				
Current:				
General Government	190,170	190,170	170,477	19,693
Public Safety	216,560	216,560	282,078	(65,518)
Cemetery and Park	9,300	9,300	7,380	1,920
Streets	39,910	39,910	63,992	(24,082)
Code Enforcement	44,980	44,980	47,769	(2,789)
Capital Outlay	-	-	27,548	(27,548)
Total Expenditures	<u>500,920</u>	<u>500,920</u>	<u>599,244</u>	<u>(98,324)</u>
Excess (Deficiency) of Revenues over/(under) Expenditures	(85,220)	(85,220)	(42,826)	42,394
Other Financing Sources (Uses):				
Operating Transfers	<u>309,578</u>	<u>309,578</u>	<u>309,578</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Sources over/(under) Expenditures	224,358	224,358	266,752	42,394
Fund Balance - Beginning	<u>(109,530)</u>	<u>(109,530)</u>	<u>(109,530)</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 114,828</u>	<u>\$ 114,828</u>	<u>\$ 157,222</u>	<u>\$ 42,394</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

TOWN OF BLADES  
STATEMENT OF NET POSITION - ENTERPRISE FUND  
DECEMBER 31, 2019

EXHIBIT G

ASSETS

Current Assets:		
Cash	\$	463,066
Accounts Receivable		<u>51,513</u>
Total Current Assets		<u>514,579</u>
Capital Assets:		
Equipment		3,471,580
Accumulated Depreciation		<u>(1,857,364)</u>
Total Capital Assets		<u>1,614,216</u>
Total Assets	\$	<u><u>2,128,795</u></u>

LIABILITIES

Current Liabilities:		
Accounts Payable	\$	727,831
Deferred Revenue		158,273
Current Portion of Long-Term Debt		<u>42,609</u>
Non-Current Liabilities:		
Long-Term Debt - Net of Current Portion		<u>384,743</u>
Total Liabilities		<u>1,313,456</u>

NET POSITION

Invested in Capital Assets, Net of Related Debt		1,186,864
Unrestricted		<u>(371,525)</u>
Total Net Position		<u>815,339</u>
Total Liabilities and Net Position	\$	<u><u>2,128,795</u></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

TOWN OF BLADES  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
ENTERPRISE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2019

EXHIBIT H

Operating Revenues:	
Water Billings	\$ 236,285
Water Permits and Penalties	35,063
Front Footage Assessment	<u>1,084</u>
Total Operating Revenues	<u>272,432</u>
Operating Expenses:	
Chemicals and Supplies	8,103
Depreciation	63,352
Equipment	29,607
Insurance	22,403
Interest	8,811
Miscellaneous	832
Other	230
Payroll Taxes	6,025
Pension	3,187
Postage and Office Supplies	680
Professional Fees	2,701
Repairs and Maintenance	6,247
Salaries and Wages	71,623
Telephone	1,845
Testing	250
Utilities	10,649
Vehicle Fuel and Maintenance	<u>3,405</u>
Total Operating Expenses	<u>239,950</u>
Operating Income (Loss)	32,482
Other Revenue (Expenses):	
Water Grants	631,727
Operating Transfers	<u>(309,578)</u>
Total Other Revenue (Expenses)	<u>322,149</u>
Net Income (Loss)	354,631
Net Position - Beginning - Restated	<u>460,708</u>
Net Position - Ending	<u>\$ 815,339</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

TOWN OF BLADES  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2019

EXHIBIT I

	<u>Water Fund</u>
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 272,128
Cash Received from Grantors	158,273
Cash Payments for Interest	(8,811)
Cash Payments to Employees for Services	(71,623)
Cash Payments to Suppliers for Goods and Services	<u>631,667</u>
Net Cash Flows from Operating Activities	<u>981,634</u>
Cash Flows from Non-Capital Financing Activities:	
Operating Transfers	<u>(309,578)</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of Capital Assets	(792,372)
Water Grants	631,727
Retirement of Debt	<u>(48,945)</u>
Net Cash Flows from Capital and Related Financing Activities	<u>(209,590)</u>
Net Increase in Cash	462,466
Cash - Beginning	<u>600</u>
Cash - Ending	<u>\$ 463,066</u>
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Operating Income (Loss)	\$ 32,482
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	63,352
Change in Accounts Receivable	(304)
Change in Accounts Payable	727,831
Change in Deferred Revenue	<u>158,273</u>
Net Cash Flows from Operating Activities	<u>\$ 981,634</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

TOWN OF BLADES  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. General Statement

The Town of Blades, Delaware (the "Town") is a municipality incorporated in 1915 under the laws of the State of Delaware with a population of approximately 1,375 people. It is located in the western part of Sussex County, Delaware.

The accounting and reporting policies of the Town relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards Board (when applicable).

The more significant accounting policies of the Town are described below.

B. Financial Reporting Entity

The Town's basic financial statements include the accounts of all Town operations. The criteria for including organizations as component units within the Town's reporting entity is set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 61.

Based on this criteria, the Town has no component units.

C. Basis of Presentation

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type.

Government-Wide Financial Statements:

The statement of net position and the statement of activities report information on all of the activities of the Town. Governmental activities are normally supported by taxes and intergovernmental revenues.

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

Fund Financial Statements:

The Town segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements would normally be presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

TOWN OF BLADES  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

C. Basis of Presentation (Continued)

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources.

The Town has presented the following major funds:

*General Fund*

The General Fund is the primary operating fund of the Town. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are paid from the General Fund.

*Water Fund*

The Water Fund is used to account for the provision of water services to the residents of the Town. Activities of the fund include administration, operations and maintenance of the water system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs for water debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the fund.

D. Measurement Focus/Basis of Accounting

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

The government-wide statements and fund financial statements for proprietary funds are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Town considers revenue as available if it is collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred.

TOWN OF BLADES  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

D. Measurement Focus/Basis of Accounting (Continued)

The revenues susceptible to accrual are charges for services and intergovernmental revenues. All other Governmental Fund revenues are recognized when received.

E. Budgetary Control

The Town Administrator submits an annual budget to the Town Council in accordance with the Town Charter. The Town Council then reviews and adopts the budget. Once approved, the Town Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

Each fund's appropriated budget is prepared on a detailed line-item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. All budget revisions at this level are subject to final review by the Council.

The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund presents a comparison of budgetary data to actual results. The General Fund is presented using the same basis of accounting for both budgetary purposes and actual results.

F. Cash and Investments

The Town follows the practice of segregating cash as to fund purpose or type.

Statutes authorize the Town to invest in bonds or in other obligations of which the full faith and credit of the United States of America is pledged, obligations of federal governmental agencies issued pursuant to Acts of Congress, repurchase agreements that are secured by any bond or other obligation for the payment of which the full faith and credit of the United States are pledged, and any bank in the State of Delaware.

The Town considers all cash or investments with an initial maturity of three months or less to be cash.

G. Accounts Receivable

Management of the Town considers all accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been provided. If amounts become uncollectible, they will be charged to operations in the period the receivable is deemed uncollectible.

H. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

I. Property Taxes

The Town's real property is levied each November on the assessed values certified as of that date for all taxable real property located in the Town. Payments are due by January 31. All unpaid taxes become delinquent February 1. The Town bills and collects its own property taxes.



TOWN OF BLADES  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

J. Transactions Between Funds

Legally authorized transfers are treated as inter-fund transfers and are included in the results of operations of the funds. Since the Enterprise Fund maintains no checking account, all transactions are run through the general accounts.

K. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable column in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. The Town has elected not to retroactively report general infrastructure assets, as allowed by GASB 34. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Depreciation has been calculated on each class of depreciable property using the straight-line method.

Estimated useful lives are as follows:

<u>Classification</u>	<u>Life</u>
Buildings	10 - 40 Years
Equipment	5 - 15 Years
Vehicles	5 - 10 Years
Water Assets	10 - 40 Years

In accordance with Accounting Standards Codification (ASC), No. 360, "Accounting for the Impairment or Disposal of Long-Lived Assets," management reviews property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recovered. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. No impairment losses have been recognized during the year presented.

L. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds.

Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

M. Use of Estimates

The preparation of financial statements in conformity with 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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

TOWN OF BLADES  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

N. Accumulated Unpaid Vacation and Sick Leave

The Town does not maintain an accrual for unused vacation or sick pay. While sick leave may be carried over from year to year, any unused balance is not paid to employees upon termination. Vacation leave does not carry over from year to year and any unused vacation is paid upon termination of employment only to those employees who have been actively employed for at least six months prior to termination. The Town deems the liability for unused vacation not to be material to the Town's financial statements.

O. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

Bond issuance costs are deferred and amortized over the term of the bonds using the interest method.

P. Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Non-spendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The Town currently has no non-spendable fund balance.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Town Council. These amounts cannot be used for any other purpose unless the Town Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Town currently has no committed resources.
- Assigned: This classification includes amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Town Council or through the Town Council delegating this responsibility to the Town manager through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

TOWN OF BLADES  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

P. Fund Balance Classification (Continued)

- Unassigned: This classification includes the residual fund balance for the General Fund and the amount established for Minimum Funding, if any. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The Town would typically use restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

Q. Deferred Revenue

The Town receives restricted contributions in the form of private, state, and federal grant awards. These funds by their nature are restricted in their use and until applied to applicable costs are recorded as deferred revenue. Amounts applied to qualifying expenses are recorded as revenue in the fiscal period they are expended.

R. Subsequent Events

Events and transactions subsequent to year-end have been evaluated for potential recognition in the financial statements or disclosure in the notes to the financial statements. All events and transactions have been evaluated through July 25, 2022, the date the report was available for issuance.

As a result of the spread of COVID-19 (Coronavirus) and its variants, economic uncertainties have arisen which are likely to negatively impact the Town's revenue. Other financial impact could occur, though such potential impact is unknown at this time.

NOTE 2 - CASH:

The balance of cash is categorized as follows:

General Fund Checking Accounts	\$ 194,776
Water Improvement Savings	<u>463,066</u>
<u>TOTAL CASH IN BANK (Per Bank Statements)</u>	<u>\$ 657,842</u>

Cash is maintained at M&T Bank and Citizens Bank and is insured by the FDIC or collateralized, as follows:

Amount insured by the FDIC	\$ 441,141
Uncollateralized	216,701
Collateralized	<u>-</u>
<u>TOTAL CASH</u>	<u>\$ 657,842</u>

TOWN OF BLADES  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 3 - RECEIVABLES:

The following is a list, by the type of charge, of outstanding receivables:

Water Charges	\$ 51,513
Property Taxes	260
Other Charges	<u>7,892</u>
<u>TOTAL</u>	<u>\$ 59,665</u>

NOTE 4 - CAPITAL ASSETS:

The following is a summary of Governmental Capital Asset changes for the current year:

	<u>ASSETS</u>			
	Balance Beginning of Year	Additions During Year	Disposals During Year	Balance End of Year
Land	\$ 29,344	\$ -	\$ -	\$ 29,344
Buildings	187,806	-	-	187,806
Equipment	181,277	-	-	181,277
Improvements	1,846,972	27,548	-	1,874,520
Vehicles	<u>159,478</u>	<u>-</u>	<u>(28,129)</u>	<u>131,349</u>
<u>TOTALS</u>	<u>\$ 2,404,877</u>	<u>\$ 27,548</u>	<u>\$ (28,129)</u>	<u>\$ 2,404,296</u>

ACCUMULATED DEPRECIATION

	Balance Beginning of Year	Depreciation for the Year	Disposals During Year	Balance End of Year
Buildings	\$ 118,585	\$ 4,931	\$ -	\$ 123,516
Equipment	158,681	9,489	-	168,170
Improvements	1,547,797	26,951	-	1,574,748
Vehicles	<u>100,662</u>	<u>21,131</u>	<u>(28,129)</u>	<u>93,664</u>
<u>TOTALS</u>	<u>\$ 1,925,725</u>	<u>\$ 62,502</u>	<u>\$ (28,129)</u>	<u>\$ 1,960,098</u>

NET GOVERNMENTAL CAPITAL ASSETS \$ 444,198

TOWN OF BLADES  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 4 - CAPITAL ASSETS (CONTINUED):

The following is a summary of Business-Type Capital Asset changes for the current year:

<u>ASSETS</u>				
	Balance Beginning of Year	Additions During Year	Disposals During Year	Balance End of Year
Water Improvements	\$ <u>2,679,208</u>	\$ <u>792,372</u>	\$ <u>-</u>	\$ <u>3,471,580</u>
<u>ACCUMULATED DEPRECIATION</u>				
	Balance Beginning of Year	Depreciation for the Year	Disposals During Year	Balance End of Year
Water Improvements	\$ <u>1,794,012</u>	\$ <u>63,352</u>	\$ <u>-</u>	\$ <u>1,857,364</u>
<u>NET BUSINESS-TYPE CAPITAL ASSETS</u>				\$ <u>1,614,216</u>
<u>TOTAL CAPITAL ASSETS</u>				\$ <u>2,058,414</u>

Depreciation expense was charged as direct expense to programs of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 6,837
Police	26,931
Cemetery and Parks	1,785
Streets	26,949
Code Enforcement	-
<u>Business-Type Activities:</u>	
Water	<u>63,352</u>
Total Depreciation Expense	\$ <u>125,854</u>

NOTE 5 - CAPITAL LEASES:

The following is a summary of the changes in the Governmental Capital Lease Obligations:

	Balance Beginning of Year	Additions During Year	Retirements During Year	Balance End of Year
Real Lease, Inc. two 2016 Chevrolet Caprices, interest at 4.99% payable in annual installments of \$14,998, including interest, through 2021.	\$ <u>39,533</u>	\$ <u>-</u>	\$ <u>(12,980)</u>	\$ <u>26,553</u>

TOWN OF BLADES  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 5 - CAPITAL LEASES (CONTINUED):

Future minimum lease payments under this capital lease are as follows:

Fiscal year ending December 31,

2020	\$ 14,998
2021	<u>14,998</u>
Total payments remaining	29,996
Less amounts representing interest	<u>(3,443)</u>

<u>PRESENT VALUE OF NET MINIMUM LEASE PAYMENTS</u>	<u>\$ 26,553</u>
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Interest expense on the above capital lease was \$2,018 for the year ended December 31, 2019. The cost of items acquired under capital lease arrangements, as included in governmental capital assets, totaled \$68,131 and the related accumulated depreciation was \$44,830 at December 31, 2019.

The following is a summary of the changes in the Business-Type Capital Lease Obligations:

	<u>Balance Beginning of Year</u>	<u>Additions During Year</u>	<u>Retirements During Year</u>	<u>Balance End of Year</u>
Real Lease, Inc. 2016 Ford F250 lease, interest at 4.33% payable in annual installments of \$7,503, including interest, through 2020.	\$ <u>13,678</u>	\$ <u>-</u>	\$ <u>(6,899)</u>	\$ <u>6,779</u>

Future minimum lease payments under this capital lease are as follows:

Fiscal year ending December 31, 2020

Total payments remaining	7,078
Less amounts representing interest	<u>(299)</u>

<u>PRESENT VALUE AT NET MINIMUM LEASE PAYMENTS</u>	<u>\$ 6,779</u>
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Interest expense on the above capital lease was \$604 for the year ended December 31, 2019. The cost of items acquired under capital lease arrangements, as included in business-type capital assets, totaled \$34,451 and the related accumulated depreciation was \$27,561 at December 31, 2019.

TOWN OF BLADES  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 6 - DEBT:

Governmental Debt consists of the following:

Real Lease, Inc. two 2016 Chevrolet Caprices, interest at 4.99% payable in annual installments of \$14,998, including interest through 2021.	\$ <u>26,553</u>
<u>TOTAL GOVERNMENTAL DEBT</u>	26,553
Less: Current Portion	<u>(13,642)</u>
 <u>TOTAL LONG-TERM GOVERNMENTAL DEBT</u>	 \$ <u>12,911</u>

Business-Type Debt consists of the following:

General Obligation Bond payable to USDA Rural Development for water system upgrades in the original amount of \$180,000 on March 3, 1982. Paid in semiannual installments of \$5,339 including interest of 5.0%. Maturity on December 1, 2021.	\$ 19,064
General Obligation Bond payable to the State of Delaware for water system upgrades in the original amount of \$401,300 on March 29, 2001. Paid in semiannual installments of \$8,678 including interest of 1.50%. Maturity on December 31, 2031.	189,956
General Obligation Bond payable to DNREC for water system upgrades in the original amount of \$84,343 on June 15, 2005. Paid in semiannual installments of \$2,670 including interest of 2.41%. Maturity on June 15, 2026.	31,948
General Obligation Bond payable to DSWRF for water system upgrades in the original amount of \$375,000 on April 13, 2012. Paid in semiannual installments of \$4,298 including interest of 1.00%. Maturity on April 1, 2043.	179,605
Real Lease, Inc. 2016 Ford F250 lease, interest at 4.33% payable in annual installments of \$7,503, including interest, through 2020.	<u>6,779</u>
<u>TOTAL BUSINESS-TYPE DEBT</u>	427,352
Less: Current Portion	<u>(42,609)</u>
 <u>TOTAL LONG-TERM BUSINESS-TYPE DEBT</u>	 \$ <u>384,743</u>
 <u>TOTAL LONG-TERM DEBT</u>	 \$ <u>397,654</u>

TOWN OF BLADES  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 6 - DEBT (CONTINUED):

Maturities of debt subsequent to year end are as follows:

	Governmental Activities		Business-Type Activities	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 13,642	\$ 1,356	\$ 42,609	\$ 6,438
2021	12,911	659	35,390	5,240
2022	-	-	26,779	4,512
2023	-	-	27,192	4,099
2024	-	-	27,611	3,680
2025 - 2029	-	-	118,138	12,544
2030 - 2034	-	-	79,762	5,199
2035 - 2039	-	-	40,381	2,593
2040 - 2044	-	-	29,490	593
<b>TOTALS</b>	<b>\$ 26,553</b>	<b>\$ 2,015</b>	<b>\$ 427,352</b>	<b>\$ 44,898</b>

Below summarizes the changes in debt:

	Balance Beginning of Year	Additions	Retirements	Balance End of Year
<u>Business-Type:</u>				
USDA	\$ 28,436	\$ -	\$ (9,372)	\$ 19,064
State of Delaware	211,394	-	(21,438)	189,956
DNREC	36,437	-	(4,489)	31,948
DSWRF	186,352	-	(6,747)	179,605
Real Lease, Inc.	13,678	-	(6,899)	6,779
<u>Governmental:</u>				
Real Lease, Inc.	39,533	-	(12,980)	26,553
Net Pension Liability	43,779	6,313	-	50,092
<b>TOTALS</b>	<b>\$ 559,609</b>	<b>\$ 6,313</b>	<b>\$ (61,925)</b>	<b>\$ 503,997</b>

NOTE 7 - RISK AND INSURANCE COVERAGE:

The Town has exposure to various kinds of risk. As a vehicle to reduce this exposure the Town has purchased insurance policies from commercial insurance agents. The insurance policies from commercial agents cover general liability, public officials' legal liability for errors and omissions, police legal liability for wrongful acts, workman's compensation claims, bonding for employees and the Town Council, and property and automobile liability and damage claims.

NOTE 8 - COMMITMENTS AND CONTINGENCIES:

In the normal course of operations, the Town receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement, which may arise as the result of these audits is not believed to be material.



TOWN OF BLADES  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 9 - PENSION PLAN:

A. Plan Descriptions and Contribution Information

The County and Municipal Police and Firefighters' Pension Plan (Police and Firefighter Plan) and the County and Municipal Other Employees' Pension Plan (Other Employee Plan) are cost sharing multiple employer defined benefit plans established in the Delaware Code (collectively the Plans). The Plans are administered by the Delaware Public Employees' Retirement System (DPERS).

The General Assembly is responsible for setting benefits and contributions and amending plan provisions; administrative rules and regulations are adopted and maintained by the Board of Pension Trustees (the Board).

The management of both Plans is the responsibility of the Board. The Board 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 State of Delaware Office of Pensions. Although most of the assets of the Plans 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 Plans in accordance with the terms of the Plans.

Employee pension contributions of 3% of total gross pay begin after employee earnings exceed \$6,000 in a calendar year.

There were 9 active, covered employees as of December 31, 2019.

During the year ended December 31, 2019, the Town contributed \$17,806 to the Plans.

Separately issued financial statements from DPERS are available from the pension office at McArdle Building, Suite 1, 860 Silver Lake Boulevard, Dover, DE 19904-2402, or via the internet at <https://open.omb.delaware.gov/Financials.shtml>.

The following is a brief description of the Plans in effect as of December 31, 2019. For a more complete description, please refer to the DPERS Comprehensive Annual Financial Report.

Plan Description and Eligibility

Police and Firefighter Plan - The plan covers police officers and firefighters employed by a county or municipality of the State that joined the Plan.

Other Employee Plan - The Plan covers employees of counties or municipalities that have joined the Plan.

Service Benefits

Police and Firefighter Plan - 2.5% of final average monthly compensation multiplied by years of credited service up to 20 years, plus 3.5% of final average monthly compensation multiplied by years of service in excess of 20 years. For this Plan, final average monthly compensation is the monthly average of the highest three consecutive years of compensation (excluding overtime and special pay)

Other Employee Plan - 1/60th of final average monthly compensation multiplied by years of credited service, subject to maximum limitations. For this Plan, final average monthly compensation is the monthly average of the highest five years of compensation.

Vesting - Five years of credited service.

TOWN OF BLADES  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 9 - PENSION PLAN (CONTINUED):

Retirement

Police and Firefighter Plan - Age 62 with 5 years of service: age plus credited service (but not less than 10 years) equals 75: or 20 years of credited service

Other Employee Plan - Age 62 with 5 years of service: age 60 with 15 years of credited service; or after 30 years of credited service

Disability Benefits

Police and Firefighter Plan -

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% of each dependent not to exceed 20% for all dependents. Partial disability to a minimum of 30% of final average monthly compensation

Other Employee Plan - Same as Service Benefits. Employee must have 5 years of credited service.

Survivor Benefits

Police and Firefighter Plan - If employee is receiving a pension, then eligible survivor receives 50% of pension. If employee is active, eligible survivor receives 75% of pension the employee would have received at age 62. If the member is killed in the line of duty, the eligible survivor receives 75% of the member's compensation.

Other Employee Plan - If employee is receiving a pension, then eligible survivor receives 50% of pension. If employee is active, eligible survivor receives 50% of pension the employee would have received at age 62.

B. Allocation Methodology

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, requires participating employers in the Plans to recognize their proportionate share of the collective net pension liability, collective deferred inflows of resources, collective deferred outflows of resources and collective pension expense. The allocation percentages used are based on the ratio of each employer's contribution over the total employer contributions during the measurement period July 1, 2017 through June 30, 2018, adjusted to remove contributions to separately finance specific liabilities of an individual employer. Employer contributions to the plan are recognized when due pursuant to legal requirements. The Board of Pension Trustees determines employer contributions. Employer contributions were 11.42% and 7.1% of earnings for the fiscal year 2018 for the Police and Firefighter Plan and the Other Employee Plan, respectively.

TOWN OF BLADES  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 9 - PENSION PLAN (CONTINUED):

C. Collective Net Pension Liability and Actuarial Information

The components of the collective net pension liability of the Town were as follows:

<u>Police and Firefighter Plan</u>	
Employers' Total Pension Liability	\$ 608,399
Plan Net Position	<u>(572,523)</u>
Police and Firefighter Plan Net Pension Liability	<u>35,876</u>
<u>Other Employees' Plan</u>	
Employers' Total Pension Liability	239,951
Plan Net Position	<u>(254,167)</u>
Other Employee Plan Net Pension Liability	<u>14,216</u>
Total Net Pension Liability	\$ <u><u>50,092</u></u>

The Town's proportionate percentages of the collective net pension liability for The Police and Firefighter Plan and The Other Employees' Plan are 0.1558% and 0.4517%, respectively.

Actuarial Assumptions - The collective total pension liability for the June 30, 2018, measurement date was determined by an actuarial valuation as of June 30, 2017, with update procedures used to roll forward the total pension liability to June 30, 2018. The actuarial valuation used the following actuarial assumptions:

Investment rate of return/discount rate	7.0%
Projected salary increases	2.5% + Merit
Cost of living adjustments	-
Inflation (included in above percentages)	2.5%

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

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.

TOWN OF BLADES  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 9 - PENSION PLAN (CONTINUED):

C. Collective Net Pension Liability and Actuarial Information (Continued)

The long term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting 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 class included in the Plan's current and expected asset allocation are summarized in the following table:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>	<u>Asset Allocation</u>
Domestic Equity	5.7%	30.7%
International Equity	5.7%	13.9%
Fixed Income	2.0%	23.3%
Alternative Investments	7.8%	24.4%
Cash and Equivalents	-	7.7%

Discount Rate - The discount rate used to measure the total pension liability was 7.0%. 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 plans' 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 Collective Net Pension Liability to Changes in the Discount Rate - The following presents the collective net pension liability, calculated using the discount rate of 7.0% as well as what the collective net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

<u>Plan</u>	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
Police and Firefighter	\$ 131,533	\$ 35,881	\$ (41,543)
Other Employees	<u>53,721</u>	<u>14,215</u>	<u>(17,693)</u>
Net Pension Liability (Asset)	\$ <u>185,254</u>	\$ <u>50,096</u>	\$ <u>(59,236)</u>

D. Deferred Outflows of Resources, Deferred Inflows of Resources and Net Pension Liability

The following presents a summary of changes in the deferred outflows of resources, deferred inflows of resources and net pension liability.

TOWN OF BLADES  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 9 - PENSION PLAN (CONTINUED):

D. Deferred Outflows of Resources, Deferred Inflows of Resources and Net Pension Liability (Continued)

The Town reported the following related to pensions:

Deferred outflows of resources, December 31, 2018	\$ 75,503
Year-end December 31, 2019, contributions	(40,448)
Difference between expected and actual experience	26,026
Net difference between projected and actual earnings on investments	-
Changes of assumptions	(2,703)
Changes of proportion	821
Year-end December 31, 2019, contributions	<u>17,806</u>
Deferred outflows of resources, December 31, 2019	<u>77,005</u>
Deferred inflows of resources, December 31, 2018	7,456
Difference between expected and actual experience	(5,067)
Net difference between projected and actual earnings on investments	(20,157)
Changes of assumptions	721
Changes of proportion	<u>3,856</u>
Deferred inflows of resources, December 31, 2019	<u>(13,191)</u>
Net deferred outflows (inflows) of resources, December 31, 2019	\$ <u>63,814</u>
Net pension liability, December 31, 2018	\$ 43,779
Change in net pension liability factored for contributions	<u>6,313</u>
Net pension liability, December 31, 2019	\$ <u>50,092</u>

TOWN OF BLADES  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 9 - PENSION PLAN (CONTINUED):

D. Deferred Outflows of Resources, Deferred Inflows of Resources and Net Pension Liability (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<u>Deferred</u> <u>Outflows</u>	Difference			Difference		<u>Subsequent</u> <u>Pension</u> <u>Contribution</u>	<u>Total</u>
	<u>Actual and</u> <u>Expected</u> <u>Experience</u>	<u>Change in</u> <u>Assumptions</u>	<u>Change in</u> <u>Proportion</u>	<u>Actual Earnings</u> <u>on Pension Plan</u> <u>Investments</u>	<u>Investments</u>		
2020 \$	4,650 \$	2,705 \$	199 \$	- \$	17,806 \$	25,360	
2021	4,650	2,705	199	-	-	7,554	
2022	4,650	2,705	199	-	-	7,554	
2023	4,650	2,705	199	-	-	7,554	
2024	4,650	2,705	199	-	-	7,554	
2025	4,650	2,706	202	-	-	7,558	
2026	3,702	2,196	160	-	-	6,058	
2027	3,068	1,477	102	-	-	4,647	
2028	3,064	-	102	-	-	3,166	
2029	-	-	-	-	-	-	
	<u>\$ 37,734</u>	<u>\$ 19,904</u>	<u>\$ 1,561</u>	<u>\$ -</u>	<u>\$ 17,806</u>	<u>\$ 77,005</u>	

<u>Deferred</u> <u>Inflows</u>	Difference			Difference		<u>Subsequent</u> <u>Pension</u> <u>Contribution</u>	<u>Total</u>
	<u>Actual and</u> <u>Expected</u> <u>Experience</u>	<u>Change in</u> <u>Assumptions</u>	<u>Change in</u> <u>Proportion</u>	<u>Actual Earnings</u> <u>on Pension Plan</u> <u>Investments</u>	<u>Investments</u>		
2020 \$	(2,452) \$	- \$	2,106 \$	4,867 \$	- \$	4,521	
2021	(2,452)	-	2,104	853	-	505	
2022	(2,452)	-	1,796	(9,675)	-	(10,331)	
2023	(2,450)	-	1,527	(4,869)	-	(5,792)	
2024	(2,057)	-	1,527	-	-	(530)	
2025	(2,057)	-	1,533	-	-	(524)	
2026	(2,053)	-	885	-	-	(1,168)	
2027	(645)	-	385	-	-	(260)	
2028	-	-	388	-	-	388	
2029	-	-	-	-	-	-	
	<u>\$ (16,618)</u>	<u>\$ -</u>	<u>\$ 12,251</u>	<u>\$ (8,824)</u>	<u>\$ -</u>	<u>\$ (13,191)</u>	

<u>NET DEFERRED OUTFLOWS (INFLOWS) OF RESOURCES</u>						<u>\$ 63,814</u>
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TOWN OF BLADES  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 9 - PENSION PLAN (CONTINUED):

D. Deferred Outflows of Resources, Deferred Inflows of Resources and Net Pension Liability (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources by each Plan will be recognized in pension expense as follows:

<u>Years Ending December 31,</u>	<u>Police and Firefighter Plan</u>	<u>Other Employees' Plan</u>	<u>Total</u>
2020	\$ 18,342	\$ 11,539	\$ 29,881
2021	5,405	2,654	8,059
2022	(2,096)	(681)	(2,777)
2023	1,332	430	1,762
2024	4,791	2,233	7,024
2025	4,797	2,237	7,034
2026	4,154	736	4,890
2027	4,387	-	4,387
2028	3,554	-	3,554
2029	-	-	-
	<u>\$ 44,666</u>	<u>\$ 19,148</u>	<u>\$ 63,814</u>

E. Pension Expense

The components of pension expense are as follows:

	<u>Police and Firefighter Plan</u>	<u>Other Employees' Plan</u>	<u>Total</u>
Service Cost	\$ 26,502	\$ 14,626	\$ 41,128
Interest on Total Pension Liability	40,214	16,835	57,049
Member Contributions	(9,454)	(4,662)	(14,116)
Administrative Expense	225	357	582
Changes in Benefit Terms	-	-	-
Projected Earnings on Plan Investments	(35,938)	(14,879)	(50,817)
Recognition of Deferred Outflows and Inflows of Resources:			
Differences Between Projected and Actual Earnings on Plan Investments	(3,016)	(1,152)	(4,168)
Differences Between Expected and Actual Experiences with Regards to Factors or Other Inputs in the Measurement of Total Pension Liability	(2,421)	(221)	(2,642)
Changes in Assumption with Regards to Factors or Other Inputs in the Measurement of Total Pension Liability	749	1,233	1,982
<u>Total Pension Expense</u>	<u>\$ 16,861</u>	<u>\$ 12,137</u>	<u>\$ 28,998</u>

NOTE 10 - PRIOR PERIOD ADJUSTMENT:

During 2019, the Town of Blades received funding from USDA and the State of Delaware for a waterline extension project on Concord Road. The first draws associated with these agreements reimbursed expenses recorded in prior periods and originally expensed as engineering fees. A prior period adjustment was posted in the amount of \$121,242 to capitalize these expenditures. As a result, both beginning enterprise fund fixed assets and net position increased by this amount.

TOWN OF BLADES  
SUPPLEMENTAL INFORMATION  
DECEMBER 31, 2019



TOWN OF BLADES  
REQUIRED SUPPLEMENTAL INFORMATION  
SCHEDULE OF THE TOWN'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY (ASSET)  
DELAWARE PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
(UNAUDITED)

<b>Police Plan:</b>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's Proportion of the Net Pension Liability	0.1558%	0.1417%	0.5352%	0.5091%	0.5966%
Town's Proportionate Share of the Net Pension Liability (Asset)	\$ 35,876	\$ 14,284	\$ 33,161	\$ 217	\$ (2,196)
Town's Covered-Employee Payroll	\$ 136,590	\$ 174,826	\$ 179,050	\$ 150,926	\$ 161,299
Town's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	26.27%	8.17%	18.52%	0.14%	-1.36%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	94.00%	97.00%	86.00%	100.00%	101.00%
 <b>Municipal Plan:</b>	 <u>2019</u>	 <u>2018</u>	 <u>2017</u>	 <u>2016</u>	 <u>2015</u>
Town's Proportion of the Net Pension Liability	0.4517%	0.4551%	0.1235%	0.1248%	0.1488%
Town's Proportionate Share of the Net Pension Liability (Asset)	\$ 14,216	\$ 29,495	\$ 19,628	\$ (6,579)	\$ (16,093)
Town's Covered-Employee Payroll	\$ 75,663	\$ 86,363	\$ 89,964	\$ 88,625	\$ 98,563
Town's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	18.79%	34.15%	21.82%	-7.42%	-16.33%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	94.00%	88.00%	95.00%	102.00%	104.00%

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is completed, pension plans should present information for those years for which information is available.

TOWN OF BLADES  
REQUIRED SUPPLEMENTAL INFORMATION  
SCHEDULE OF THE TOWN'S CONTRIBUTIONS  
DELAWARE PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
(UNAUDITED)

<b>Police Plan:</b>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 27,835	\$ 24,352	\$ 11,119	\$ 9,780	\$ 10,678
Contributions in Relation to the Contractually Required Contribution	<u>(10,072)</u>	<u>(24,352)</u>	<u>(11,119)</u>	<u>(9,780)</u>	<u>(10,678)</u>
Contribution Deficiency (Excess)	<u>\$ 17,763</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's Covered-Employee Payroll	<u>\$ 136,590</u>	<u>\$ 174,826</u>	<u>\$ 179,050</u>	<u>\$ 150,926</u>	<u>\$ 161,299</u>
Contributions as a Percentage of Covered-Employee Payroll	20.38%	13.93%	6.21%	6.48%	6.62%
 <b>Municipal Plan:</b>	 <u>2019</u>	 <u>2018</u>	 <u>2017</u>	 <u>2016</u>	 <u>2015</u>
Contractually Required Contribution	\$ 16,672	\$ 16,096	\$ 12,460	\$ 12,567	\$ 15,297
Contributions in Relation to the Contractually Required Contribution	<u>(7,734)</u>	<u>(16,096)</u>	<u>(12,460)</u>	<u>(12,567)</u>	<u>(15,297)</u>
Contribution Deficiency (Excess)	<u>\$ 8,938</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's Covered-Employee Payroll	<u>\$ 75,663</u>	<u>\$ 86,363</u>	<u>\$ 89,964</u>	<u>\$ 88,625</u>	<u>\$ 98,563</u>
Contributions as a Percentage of Covered-Employee Payroll	22.03%	18.64%	13.85%	14.18%	15.52%

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is completed, pension plans should present information for those years for which information is available.

TOWN OF BLADES  
 SUPPLEMENTAL INFORMATION  
 REVENUES - BUDGET AND ACTUAL - ALL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2019

SCHEDULE C

	2019				
	Budgeted Amounts		Actual Amounts	Favorable (Unfavorable) Variance	Prior Year 12/31/18
	Original	Final			
<u>GOVERNMENTAL ACTIVITIES:</u>					
Capitation Taxes	\$ 3,500	\$ 3,500	\$ -	\$ (3,500)	\$ 2,896
Cemetery Fees and Lots	4,700	4,700	3,500	(1,200)	3,300
Community Hall Rental	7,200	7,200	4,370	(2,830)	4,550
Franchise Fees	34,500	34,500	36,499	1,999	32,391
Grants	33,000	33,000	103,170	70,170	124,499
Investment Income	-	-	384	384	14
Licenses and Permits	24,000	24,000	41,803	17,803	22,925
Miscellaneous	22,100	22,100	22,063	(37)	23,260
Police Pension	-	-	15,603	15,603	-
Public Safety	25,000	25,000	28,325	3,325	50,976
Real Estate Taxes	222,000	222,000	246,616	24,616	220,531
Tax Penalties	9,700	9,700	2,025	(7,675)	5,408
Transfer Taxes	30,000	30,000	52,060	22,060	23,036
<u>TOTAL GOVERNMENTAL ACTIVITIES</u>	<u>415,700</u>	<u>415,700</u>	<u>556,418</u>	<u>140,718</u>	<u>513,786</u>
<u>BUSINESS-TYPE ACTIVITIES:</u>					
Water Billings	252,200	252,200	236,285	(15,915)	251,343
Water Permits and Penalties	28,600	28,600	35,063	6,463	6,638
Water Grants	-	-	631,727	631,727	-
Front Footage Assessment	30,000	30,000	1,084	(28,916)	19,092
<u>TOTAL BUSINESS-TYPE ACTIVITIES</u>	<u>310,800</u>	<u>310,800</u>	<u>904,159</u>	<u>593,359</u>	<u>277,073</u>
<u>TOTAL REVENUE</u>	<u>\$ 726,500</u>	<u>\$ 726,500</u>	<u>\$ 1,460,577</u>	<u>\$ 734,077</u>	<u>\$ 790,859</u>

TOWN OF BLADES  
SUPPLEMENTAL INFORMATION  
EXPENDITURES/EXPENSES - BUDGET AND ACTUAL - ALL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2019

	2019				
	Budgeted Amounts		Actual Amounts	Favorable (Unfavorable) Variance	Restated Prior Year 12/31/18
	Original	Final			
<b>GOVERNMENTAL FUNDS</b>					
<b>GENERAL GOVERNMENT:</b>					
Advertising	\$ -	\$ -	\$ 1,611	\$ (1,611)	\$ 801
Donations	100	100	-	100	-
Dues and Subscriptions	430	430	3,942	(3,512)	660
Insurance	32,100	32,100	26,559	5,541	25,432
Miscellaneous	-	-	3,734	(3,734)	22,783
Office Expense	1,000	1,000	133	867	525
Other Supplies	4,420	4,420	2,650	1,770	8,940
Payroll Taxes	8,100	8,100	8,937	(837)	7,845
Pension	6,500	6,500	10,287	(3,787)	5,923
Printing and Duplicating	200	200	952	(752)	320
Professional Fees	30,000	30,000	24,746	5,254	34,027
Repairs and Maintenance	3,000	3,000	705	2,295	6,461
Salaries	90,300	90,300	75,663	14,637	101,663
Telephone	620	620	668	(48)	949
Town Functions	-	-	-	-	562
Trash Removal	2,500	2,500	2,901	(401)	3,145
Travel - Special Meetings	900	900	363	537	1,352
Utilities	10,000	10,000	6,626	3,374	9,026
<b>TOTAL GENERAL GOVERNMENT</b>	<b>190,170</b>	<b>190,170</b>	<b>170,477</b>	<b>19,693</b>	<b>230,414</b>
<b>POLICE:</b>					
Capital Outlay	-	-	-	-	6,773
Dues and Subscriptions	310	310	545	(235)	628
Equipment	100	100	13,738	(13,638)	22,282
Gas and Oil	8,000	8,000	11,609	(3,609)	8,990
Insurance	48,500	48,500	57,208	(8,708)	43,324
Miscellaneous	800	800	4,945	(4,145)	8,994
Other Supplies	2,500	2,500	4,124	(1,624)	1,642
Payroll Taxes	11,400	11,400	12,083	(683)	14,029
Pension	-	-	19,390	(19,390)	23,772
Repairs and Maintenance	1,500	1,500	11,173	(9,673)	8,543
Salaries	137,000	137,000	142,028	(5,028)	174,826
Telephone	4,000	4,000	3,080	920	3,068
Training	200	200	-	200	295
Travel - Special Meetings	750	750	-	750	-
Uniforms	1,500	1,500	2,155	(655)	946
<b>TOTAL POLICE</b>	<b>216,560</b>	<b>216,560</b>	<b>282,078</b>	<b>(65,518)</b>	<b>318,112</b>
<b>CEMETERY AND PARK:</b>					
Advertising	100	100	-	100	-
Cemetery and Park Care	4,200	4,200	3,900	300	4,800
Equipment	-	-	90	(90)	210
Miscellaneous	200	200	135	65	20
Repairs and Maintenance	2,300	2,300	1,120	1,180	2,105
Supplies	1,000	1,000	327	673	561
Trash Removal	700	700	930	(230)	655
Utilities	800	800	878	(78)	690
<b>TOTAL CEMETERY AND PARK</b>	<b>9,300</b>	<b>9,300</b>	<b>7,380</b>	<b>1,920</b>	<b>9,041</b>
<b>STREETS:</b>					
Capital Outlay	-	-	27,548	(27,548)	-
Electricity	26,000	26,000	25,315	685	21,729
Equipment	6,500	6,500	-	6,500	6,499
Repairs and Maintenance	6,610	6,610	38,411	(31,801)	8,153
Supplies	800	800	266	534	809
<b>TOTAL STREETS</b>	<b>39,910</b>	<b>39,910</b>	<b>91,540</b>	<b>(51,630)</b>	<b>37,190</b>
<b>CODE ENFORCEMENT:</b>					
Miscellaneous	2,080	2,080	2,314	(234)	2,242
Payroll Taxes and Insurance	13,400	13,400	14,361	(961)	11,161
Repairs and Maintenance	500	500	1,288	(788)	673
Salaries	29,000	29,000	29,806	(806)	30,129
<b>TOTAL CODE ENFORCEMENT</b>	<b>44,980</b>	<b>44,980</b>	<b>47,769</b>	<b>(2,789)</b>	<b>44,205</b>
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 500,920</b>	<b>\$ 500,920</b>	<b>\$ 599,244</b>	<b>\$ (98,324)</b>	<b>\$ 638,962</b>

TOWN OF BLADES  
SUPPLEMENTAL INFORMATION  
EXPENDITURES/EXPENSES - BUDGET AND ACTUAL - ALL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2019

	2019				
	Budgeted Amounts		Actual Amounts	Favorable (Unfavorable) Variance	Restated Prior Year 12/31/18
	Original	Final			
<u>BUSINESS-TYPE ACTIVITIES</u>					
<u>WATER:</u>					
Chemicals and Supplies	\$ 11,800	\$ 11,800	\$ 8,103	\$ 3,697	\$ 9,863
Depreciation	-	-	63,352	(63,352)	69,596
Equipment	5,000	5,000	29,607	(24,607)	20,096
Insurance	22,700	22,700	22,403	297	24,544
Interest	-	-	8,811	(8,811)	6,937
Miscellaneous	-	-	832	(832)	-
Other	1,600	1,600	230	1,370	1,087
Payroll Taxes	6,200	6,200	6,025	175	5,947
Pension	5,000	5,000	3,187	1,813	5,262
Postage and Office Supplies	2,000	2,000	680	1,320	1,400
Professional Fees	-	-	2,701	(2,701)	-
Repairs and Maintenance	30,000	30,000	6,247	23,753	22,046
Salaries and Wages	70,000	70,000	71,623	(1,623)	74,767
Telephone	1,700	1,700	1,845	(145)	1,795
Testing	600	600	250	350	700
Utilities	16,000	16,000	10,649	5,351	13,903
Vehicle Fuel and Maintenance	5,600	5,600	3,405	2,195	5,083
<u>TOTAL WATER</u>	<u>178,200</u>	<u>178,200</u>	<u>239,950</u>	<u>(61,750)</u>	<u>263,026</u>
<u>TOTAL BUSINESS-TYPE ACTIVITIES</u>	<u>178,200</u>	<u>178,200</u>	<u>239,950</u>	<u>(61,750)</u>	<u>263,026</u>
<u>TOTAL EXPENDITURES/EXPENSES</u>	<u>\$ 679,120</u>	<u>\$ 679,120</u>	<u>\$ 839,194</u>	<u>\$ (160,074)</u>	<u>\$ 901,988</u>

TOWN OF BLADES  
SUPPLEMENTAL INFORMATION  
SCHEDULE OF OPERATING REVENUES AND EXPENSES  
ENTERPRISE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2019

SCHEDULE E

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>Favorable (Unfavorable) Variance</u>
<u>OPERATING REVENUES:</u>				
Water Billings	\$ 252,200	\$ 252,200	\$ 236,285	\$ (15,915)
Water Permits and Penalties	28,600	28,600	35,063	6,463
Miscellaneous	30,000	30,000	1,084	(28,916)
	<u>310,800</u>	<u>310,800</u>	<u>272,432</u>	<u>(38,368)</u>
<u>TOTAL OPERATING REVENUES</u>				
<u>OPERATING EXPENSES:</u>				
Chemicals and Supplies	11,800	11,800	8,103	3,697
Depreciation	-	-	63,352	(63,352)
Equipment	5,000	5,000	29,607	(24,607)
Insurance	22,700	22,700	22,403	297
Interest	-	-	8,811	(8,811)
Miscellaneous	-	-	832	(832)
Other	1,600	1,600	230	1,370
Payroll Taxes	6,200	6,200	6,025	175
Pension	5,000	5,000	3,187	1,813
Postage and Office Supplies	2,000	2,000	680	1,320
Professional Fees	-	-	2,701	(2,701)
Repairs and Maintenance	30,000	30,000	6,247	23,753
Salaries and Wages	70,000	70,000	71,623	(1,623)
Telephone	1,700	1,700	1,845	(145)
Testing	600	600	250	350
Utilities	16,000	16,000	10,649	5,351
Vehicle Fuel and Maintenance	5,600	5,600	3,405	2,195
	<u>178,200</u>	<u>178,200</u>	<u>239,950</u>	<u>(61,750)</u>
<u>TOTAL OPERATING EXPENSES</u>				
<u>NET OPERATING INCOME (LOSS)</u>	<u>\$ 132,600</u>	<u>\$ 132,600</u>	<u>\$ 32,482</u>	<u>\$ (100,118)</u>

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

To the Town Council  
 Town of Blades

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund of the Town of Blades, as of and for the year ended December 31, 2019, and related notes to the financial statements, which collectively comprise the Town of Blades basic financial statements, and have issued our report thereon dated July 25, 2022.

### Internal Control over Financial Reporting

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

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

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

### Report on Compliance and Other Matters

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

**Purpose of this Report**

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

Handwritten signature in black ink that reads "Lank, Johnson & Tull". The signature is written in a cursive, flowing style.

Seaford, Delaware  
July 25, 2022