

TOWN OF FREDERICA
FREDERICA, DELAWARE
FINANCIAL STATEMENTS
MODIFIED CASH BASIS
JUNE 30, 2006

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ACCOUNTANT'S REVIEW REPORT

To the Town Council
Town of Frederica, Delaware

We have reviewed the accompanying statements of assets, liabilities, and net assets-modified cash basis of the Town of Frederica as of June 30, 2006 and 2005, and the related statements of revenues, expenses and other changes in net assets-modified cash basis for the years then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of the Town of Frederica.

A review consists principally of inquiries of Organization personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with the modified cash basis of accounting.

Lank, Johnson & Tull

Seaford, Delaware
October 20, 2009

TOWN OF FREDERICA
STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS
JUNE 30, 2006 AND 2005

EXHIBIT A

<u>ASSETS</u>	<u>JUNE 30,</u> 2006	2005
<u>CURRENT ASSETS:</u>		
Cash	\$ 76,319	\$ 44,358
<u>PROPERTY AND EQUIPMENT</u>		
Land	25,693	-
Water Improvements	730,149	633,000
Accumulated Depreciation	<u>(164,889)</u>	<u>(151,920)</u>
<u>TOTAL PROPERTY AND EQUIPMENT</u>	<u>590,953</u>	<u>481,080</u>
<u>TOTAL ASSETS</u>	<u>\$ 667,272</u>	<u>\$ 525,438</u>
<u>LIABILITIES AND NET ASSETS:</u>		
<u>CURRENT LIABILITIES:</u>		
Note Payable - Current Portion	\$ 9,735	\$ 9,310
<u>LONG TERM LIABILITIES:</u>		
Note Payable - USDA - Net of Current Portion	<u>537,685</u>	<u>547,421</u>
<u>TOTAL LIABILITES</u>	547,420	556,731
<u>NET ASSETS - UNRESTRICTED</u>	<u>119,852</u>	<u>(31,293)</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 667,272</u>	<u>\$ 525,438</u>

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

TOWN OF FREDERICA EXHIBIT B
STATEMENTS OF REVENUES, EXPENSES AND OTHER CHANGES IN NET ASSETS - MODIFIED CASH BASIS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	JUNE 30,	
	2006	2005
Revenues:		
Grants	\$ 34,954	\$ 16,788
Property Taxes	67,080	66,534
Transfer Tax	21,386	14,790
Fees and Fines	12,416	65,309
Water Charges	79,191	69,741
Impact Fees	67,055	61,434
Rents	12,118	22,425
Other Charges	31,707	16,699
Annexation Fees	21,146	-
Permits	14,573	2,725
	<u>361,626</u>	<u>336,445</u>
Expenses:		
Advertising	1,417	585
Automotive Expense	7,285	9,591
Bank Service Charge	-	106
Depreciation	12,969	12,660
Dues and Subscriptions	315	707
Electric	16,559	17,692
Health Insurance	-	18,282
Insurance	17,517	19,114
Interest Expense	24,897	25,305
Payroll and Related Expenses	24,463	95,670
Police Department-Operating Expenses	16,077	22,141
Professional Fees	9,887	5,544
Repairs and Maintenance	22,733	75,058
Sewer Charges	524	360
Supplies	4,940	6,395
Taxes and Licenses	223	-
Telephone	4,410	9,713
Trash Removal	46,265	35,205
	<u>210,481</u>	<u>354,128</u>
<u>Revenues over (under) Expenses</u>	151,145	(17,683)
<u>Net Assets at Beginning of Period</u>	<u>(31,293)</u>	<u>(13,610)</u>
<u>Net Assets at End of Period</u>	<u>\$ 119,852</u>	<u>\$ (31,293)</u>

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

TOWN OF FREDERICA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2006

EXHIBIT C

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. General Statement

The Town of Frederica is located in southeast Kent County Delaware and has a population of approximately 648 people. Some of the major services provided by the Town include water services, police protection, planning and zoning, and improvements.

The accounting and reporting policies of the Town relating to the funds included in the accompanying basic financial statements conform to the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Consequently, revenues are recorded when received rather than when earned, and expenses are recorded when paid rather than when incurred. Certain water system fixed assets and the related debt have been recorded on the statement of assets, liabilities and net assets – modified cash basis.

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, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- The organization is legally separate (can sue and be sued in their own name)
- The Town holds the corporate powers of the organization
- The Town appoints a voting majority of the organization's board
- The Town is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the Town
- There is fiscal dependency by the organization on the Town

Based on the aforementioned criteria, the Town of Frederica has no component units.

C. Basis of Presentation

All of the Town's activities are classified as governmental activities. These financial statements report information on all of the activities of the Town.

Governmental funds are those funds through which most governmental functions typically are financed.

The Town has presented the following major governmental fund:

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.

D. Cash and Investments

The Town follows the practice of segregating cash as to fund purpose or type. The types of investments allowed are governed by Delaware Statute.

TOWN OF FREDERICA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2006

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E. Property Taxes

Property taxes are billed at the beginning of each fiscal year and are due and payable by September 30. Tax liens are placed on delinquent taxpayers at the Council's request.

F. Capital Assets

The Town of Frederica owns various small parcels of real estate, vehicles, and equipment, for which historical acquisition cost cannot be determined. These fixed assets are not recorded on the financial statements. The Town has capitalized and depreciated the water improvements funded by a Rural Development loan in 1993, plus asset acquisitions subsequent to June 30, 2004.

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>
Water Assets	50 Years

G. Net Assets

Net Assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their 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.

H. Use of Estimates

The process of preparing financial statements in conformity with the modified cash basis of accounting requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2 - CASH:

The balance of cash is categorized as follows:

General Fund Checking	\$ 30,750
Police Department	4,965
Special Water Fund	10,846
Municipal Street Aid	13,484
Development Escrow	2,550
Community Safety	6,050
CJC Grant	1,861
SALLE Account	2,573
SLEAF Account	1,890
EIDE Account	<u>2,873</u>
<u>TOTAL CASH PER BANK STATEMENTS</u>	<u>\$ 77,842</u>

The balance of cash is categorized as follows:

Amount insured by the FDIC.	\$ 77,842
Uninsured and Uncollateralized	<u>\$ -</u>

TOWN OF FREDERICA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2006

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NOTE 3 – CAPITAL ASSETS:

Following is a summary of Capital Asset changes for the current year:

	BALANCE JULY 1, 2005	<u>ASSETS</u>		BALANCE JUNE 30, 2006
		<u>ACQUISITIONS</u>	<u>RETIREMENTS</u>	
Land	\$ -	\$ 25,693	\$ -	\$ 25,693
Water Improvements	<u>633,000</u>	<u>97,149</u>	<u>-</u>	<u>730,149</u>
<u>TOTAL</u>	<u>\$ 633,000</u>	<u>\$ 122,842</u>	<u>\$ -</u>	<u>\$ 755,842</u>
		<u>ACCUMULATED DEPRECIATION</u>		
	BALANCE JULY 1, 2005	<u>DEPRECIATION</u>	<u>RETIREMENTS</u>	BALANCE JUNE 30, 2006
Water Improvements	\$ <u>151,920</u>	\$ <u>12,969</u>	\$ <u>-</u>	\$ <u>164,889</u>
<u>TOTAL</u>	<u>\$ 151,920</u>	<u>\$ 12,969</u>	<u>\$ -</u>	<u>\$ 164,889</u>
<u>CAPITAL ASSETS</u>				<u>\$ 590,953</u>

NOTE 4 – DEBT:

Debt at June 30, 2006 consists of the following:

Note payable dated January 11, 1993 for \$633,000 to Rural Development in quarterly installments of \$8,552 including interest of 4.50% through December 11, 2034.
 Water Improvement upgrade.

\$ 547,420

Maturities of Debt subsequent to June 30, 2006 are as follows:

	<u>PRINCIPAL</u>	<u>INTEREST</u>
2006	\$ 9,735	\$ 24,473
2007	10,181	24,027
2008	10,648	23,560
2009	11,135	23,073
2010	11,644	22,564
2011-2015	66,719	104,321
2016-2020	83,450	87,590
2021-2025	104,376	66,664
2026-2030	130,547	40,493
2031-2035	108,985	9,067
<u>TOTAL</u>	<u>\$547,420</u>	<u>\$425,832</u>

TOWN OF FREDERICA
NOTES TO BASIC FINANCIAL STATEMENTS
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Below summarizes the changes in Debt:

	<u>BALANCE</u> <u>07/01/05</u>	<u>ADDITIONS</u>	<u>RETIREMENTS</u>	<u>BALANCE</u> <u>6/30/06</u>
Rural Development	\$ <u>556,731</u>	\$ <u>-</u>	\$ <u>9,311</u>	\$ <u>547,420</u>
<u>TOTAL</u>	\$ <u>556,731</u>	\$ <u>-</u>	\$ <u>9,311</u>	\$ <u>547,420</u>