

TOWN OF FREDERICA  
FREDERICA, DELAWARE  
FINANCIAL STATEMENTS  
DECEMBER 31, 2007

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Robert B. Lank, C.P.A.  
Terrence Johnson, C.P.A.  
Richard L. Tull, C.P.A.

Gary W. Tuttle, C.P.A.  
John E. Cullen, Jr., C.P.A.  
Robert B. Lank, Jr., C.P.A.

Seaford Office  
(302) 629-9543  
Fax (302) 629-3501

Milford Office  
(302) 422-3308  
Fax (302) 422-4782

Dover Office  
(302) 736-2618  
Fax (302) 736-5522

# LANK, JOHNSON & TULL

*Certified Public Accountants*

P.O. Box 418 • 521 N. Market St. Ext. • Seaford, Delaware 19973  
P.O. Box 253 • 268 Milford-Harrington Highway • Milford, Delaware 19963  
1475 S. Governors Avenue • Dover, Delaware 19904

## 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, 2007 and 2006, 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  
May 8, 2013

TOWN OF FREDERICA  
STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS  
JUNE 30, 2007 AND 2006

EXHIBIT A

ASSETS

	<u>2007</u>	<u>JUNE 30,</u> <u>2006</u>
<u>CURRENT ASSETS:</u>		
Cash	\$ <u>122,891</u>	\$ <u>76,319</u>
<u>PROPERTY AND EQUIPMENT:</u>		
Land	25,693	25,693
Water Improvements	760,934	730,149
Accumulated Depreciation	<u>(179,620)</u>	<u>(164,889)</u>
<u>TOTAL PROPERTY AND EQUIPMENT</u>	<u>607,007</u>	<u>590,953</u>
<u>TOTAL ASSETS</u>	<u>\$ 729,898</u>	<u>\$ 667,272</u>

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES:</u>		
Note Payable - Current Portion	\$ 10,181	\$ 9,735
<u>LONG TERM LIABILITIES:</u>		
Note Payable - USDA - Net of Current Portion	<u>527,502</u>	<u>537,685</u>
<u>TOTAL LIABILITIES</u>	537,683	547,420
<u>NET ASSETS - UNRESTRICTED</u>	<u>192,215</u>	<u>119,852</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 729,898</u>	<u>\$ 667,272</u>

SEE ACCOMPANYING NOTES AND ACCOUNTANT'S REPORT

TOWN OF FREDERICA EXHIBIT B  
STATEMENTS OF REVENUES, EXPENSES AND OTHER CHANGES IN NET ASSETS - MODIFIED CASH BASIS  
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	JUNE 30,	
	2007	2006
<u>Revenues:</u>		
Grants	\$ 82,221	\$ 34,954
Property Taxes	50,257	67,080
Transfer Tax	15,670	21,386
Fees and Fines	-	12,416
Water Charges	81,298	79,191
Trash Charges	36,176	-
Impact Fees	32,831	67,055
Rents	16,861	12,118
Other Charges	79,587	31,707
Annexation Fees	-	21,146
Permits	16,782	14,573
	<u>411,683</u>	<u>361,626</u>
 <u>Total Revenues</u>		
 <u>Expenses:</u>		
Advertising	424	1,417
Bank Service Charges	786	-
Automotive Expense	5,538	7,285
Depreciation	14,731	12,969
Dues and Subscriptions	900	315
Electric	21,108	16,559
Heating Oil	1,009	-
Insurance	13,943	17,517
Interest Expense	24,827	24,897
Payroll and Related Expenses	37,016	24,463
Police Department-Operating Expenses	23,682	16,077
Professional Fees	52,654	9,887
Repairs and Maintenance	81,979	22,733
Equipment Lease	874	-
Sewer Charges	672	524
Supplies	6,775	4,940
Taxes and Licenses	324	223
Telephone	4,833	4,410
Trash Removal	44,019	46,265
Miscellaneous Expense	3,226	-
	<u>339,320</u>	<u>210,481</u>
 <u>Total Expenses</u>		
 <u>Revenues over (under) Expenses</u>	<u>72,363</u>	<u>151,145</u>
 <u>Net Assets at Beginning of Period</u>	<u>119,852</u>	<u>(31,293)</u>
 <u>Net Assets at End of Period</u>	<u>\$ 192,215</u>	<u>\$ 119,852</u>

SEE ACCOMPANYING NOTES AND ACCOUNTANT'S REPORT

TOWN OF FREDERICA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007

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 statements 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, 2007

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

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	20 - 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	\$ 72,825
Police Department	6,728
Special Water Fund	4,882
Municipal Street Aid	18,013
Development Escrow	45,370
Community Safety	6,050
CJC Grant	1,700
SALLE Account	2,573
SLEAF Account	1,890
EIDE Account	<u>2,873</u>
<u>TOTAL CASH PER BANK STATEMENTS</u>	<u>\$ 162,904</u>

TOWN OF FREDERICA  
NOTES TO BASIC FINANCIAL STATEMENTS  
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NOTE 2 – CASH (CONTINUED):

The balance of cash is categorized as follows:

Amount insured by the FDIC	\$ <u>162,904</u>
Uninsured and Uncollateralized	\$ <u>0</u>

NOTE 3 – CAPITAL ASSETS:

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

	BALANCE JULY 1, 2006	<u>ASSETS</u>		BALANCE JUNE 30, 2007
		<u>ACQUISITIONS</u>	<u>RETIREMENTS</u>	
Land	\$ 25,693	\$ -	\$ -	\$ 25,693
Water Improvements	<u>730,149</u>	<u>30,785</u>	<u>-</u>	<u>760,934</u>
<u>TOTAL</u>	<u>\$ 755,842</u>	<u>\$ 30,785</u>	<u>\$ -</u>	<u>\$ 786,627</u>
		<u>ACCUMULATED DEPRECIATION</u>		
	BALANCE JULY 1, 2006	<u>DEPRECIATION</u>	<u>RETIREMENTS</u>	BALANCE JUNE 30, 2007
Water Improvements	\$ <u>164,889</u>	\$ <u>14,731</u>	\$ -	\$ <u>179,620</u>
<u>TOTAL</u>	<u>\$ 164,889</u>	<u>\$ 14,731</u>	<u>\$ -</u>	<u>\$ 179,620</u>
<u>CAPITAL ASSETS</u>				<u>\$ 607,007</u>

NOTE 4 – DEBT:

Debt at June 30, 2007 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.

\$ 537,683



TOWN OF FREDERICA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2007

NOTE 4 – DEBT (CONTINUED):

Maturities of Debt subsequent to June 30, 2007 are as follows:

	<u>PRINCIPAL</u>	<u>INTEREST</u>
6/30/08	\$ 10,181	\$ 24,027
6/30/09	10,648	23,560
6/30/10	11,135	23,073
6/30/11	11,644	22,564
6/30/12	12,177	22,031
2012-2016	69,773	101,267
2017-2021	87,270	83,770
2022-2026	109,152	61,888
2027-2031	136,521	34,519
2032-2036	79,182	6,338
<u>TOTAL</u>	<u>\$ 537,683</u>	<u>\$ 403,037</u>

Below summarizes the changes in Debt:

	<u>BALANCE</u> <u>07/01/06</u>	<u>ADDITIONS</u>	<u>RETIREMENTS</u>	<u>BALANCE</u> <u>6/30/07</u>
Rural Development	\$ 547,420	\$ -	\$ 9,737	\$ 537,683
<u>TOTAL</u>	<u>\$ 547,420</u>	<u>\$ -</u>	<u>\$ 9,737</u>	<u>\$ 537,683</u>

NOTE 5 – 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. These policies cover property, general liability, auto, workman's compensation and employee bonding.