

TOWN OF FREDERICA
FREDERICA, DELAWARE
FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

TOWN OF FREDERICA
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INDEPENDENT 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, 2008 and 2007, and the related statements of revenue, 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
August 21, 2013

TOWN OF FREDERICA
STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS
JUNE 30, 2008 AND 2007

EXHIBIT A

<u>ASSETS</u>	<u>JUNE 30,</u>	
	<u>2008</u>	<u>2007</u>
<u>CURRENT ASSETS:</u>		
Cash	\$ 128,869	\$ 122,891
<u>PROPERTY AND EQUIPMENT:</u>		
Land	25,693	25,693
Water Improvements	760,934	760,934
Equipment	6,905	-
Vehicles	6,000	-
Accumulated Depreciation	<u>(196,742)</u>	<u>(179,620)</u>
<u>TOTAL PROPERTY AND EQUIPMENT</u>	<u>602,790</u>	<u>607,007</u>
<u>TOTAL ASSETS</u>	<u>\$ 731,659</u>	<u>\$ 729,898</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
<u>CURRENT LIABILITIES:</u>		
Note Payable - Current Portion	\$ 10,648	\$ 10,181
<u>LONG TERM LIABILITIES:</u>		
Note Payable - USDA - Net of Current Portion	<u>516,858</u>	<u>527,502</u>
<u>TOTAL LIABILITIES</u>	527,506	537,683
<u>NET ASSETS - UNRESTRICTED</u>	<u>204,153</u>	<u>192,215</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 731,659</u>	<u>\$ 729,898</u>

SEE ACCOMPANYING NOTES AND INDEPENDENT ACCOUNTANT'S REVIEW REPORT

TOWN OF FREDERICA
STATEMENTS OF REVENUE, EXPENSES AND OTHER CHANGES IN NET ASSETS - MODIFIED CASH BASIS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

EXHIBIT B

	JUNE 30,	
	<u>2008</u>	<u>2007</u>
<u>Revenues:</u>		
Grants	\$ 16,105	\$ 82,221
Property Taxes	67,532	50,257
Transfer Tax	31,041	15,670
Fees and Fines	31,969	-
Water Charges	95,854	81,298
Trash Charges	83,946	36,176
Impact Fees	-	32,831
Rents	16,844	16,861
Other Charges	47,968	79,587
Permits	11,408	16,782
	<hr/>	<hr/>
<u>Total Revenues</u>	402,667	411,683
<u>Expenses:</u>		
Advertising	1,155	424
Bank Service Charges	303	786
Automotive Expense	1,939	5,538
Depreciation	17,122	14,731
Dues and Subscriptions	200	900
Electric	29,084	21,108
Heating Oil	7,283	1,009
Insurance	18,028	13,943
Interest Expense	24,353	24,827
Payroll and Related Expenses	63,651	37,016
Police Department-Operating Expenses	35,270	23,682
Professional Fees	74,252	52,654
Repairs and Maintenance	16,307	81,979
Equipment Lease	788	874
Sewer Charges	1,298	672
Supplies	22,398	6,775
Taxes and Licenses	-	324
Telephone	3,965	4,833
Trash Removal	59,988	44,019
Miscellaneous Expense	13,345	3,226
	<hr/>	<hr/>
<u>Total Expenses</u>	390,729	339,320
<u>Revenues over (under) Expenses</u>	11,938	72,363
<u>Net Assets at Beginning of Period</u>	<hr/>	<hr/>
	192,215	119,852
<u>Net Assets at End of Period</u>	<hr/>	<hr/>
	\$ 204,153	\$ 192,215

SEE ACCOMPANYING NOTES AND INDEPENDENT ACCOUNTANT'S REVIEW REPORT

TOWN OF FREDERICA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

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, trash collection, 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, 2008

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	5 - 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	\$ 14,565
Police Department	30,534
Special Water Fund	15,052
Municipal Street Aid	18,822
Development Escrow	35,055
Community Safety	10,300
CJC Grant	1,518
SALLE Account	2,573
SLEAF Account	1,890
EIDE Account	<u>2,873</u>
<u>TOTAL CASH PER BANK STATEMENTS</u>	<u>\$ 133,182</u>

TOWN OF FREDERICA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

EXHIBIT C
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NOTE 2 – CASH (CONTINUED):

The balance of cash is categorized as follows:

Amount insured by the FDIC	\$ <u>133,182</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, 2007	<u>ASSETS</u>		BALANCE JUNE 30, 2008
		<u>ACQUISITIONS</u>	<u>RETIREMENTS</u>	
Land	\$ 25,693	\$ -	\$ -	\$ 25,693
Water Improvements	760,934	-	-	760,934
Office Equipment	-	6,905	-	6,905
Vehicles	<u>-</u>	<u>6,000</u>	<u>-</u>	<u>6,000</u>
<u>TOTAL</u>	<u>\$ 786,627</u>	<u>\$ 12,905</u>	<u>\$ -</u>	<u>\$ 799,532</u>
		<u>ACCUMULATED DEPRECIATION</u>		
	BALANCE JULY 1, 2007	<u>DEPRECIATION</u>	<u>RETIREMENTS</u>	BALANCE JUNE 30, 2008
Water Improvements	\$ 179,620	\$ 16,142	\$ -	\$ 195,762
Office Equipment	-	266	-	266
Vehicles	<u>-</u>	<u>714</u>	<u>-</u>	<u>714</u>
<u>TOTAL</u>	<u>\$ 179,620</u>	<u>\$ 17,122</u>	<u>\$ -</u>	<u>\$ 196,742</u>
<u>CAPITAL ASSETS</u>				<u>\$ 602,790</u>

NOTE 4 – DEBT:

Debt at June 30, 2008 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.

\$ 527,506

TOWN OF FREDERICA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

EXHIBIT C
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NOTE 4 – DEBT (CONTINUED):

Maturities of Debt subsequent to June 30, 2008 are as follows:

	<u>PRINCIPAL</u>	<u>INTEREST</u>
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
6/30/13	12,734	21,473
2014-2018	72,966	98,070
2019-2023	91,264	79,773
2024-2028	114,148	56,889
2029-2033	142,768	28,266
2034-2035	48,022	1,869
<u>TOTAL</u>	<u>\$ 527,506</u>	<u>\$ 377,568</u>

Below summarizes the changes in Debt:

	<u>BALANCE</u> <u>07/01/07</u>	<u>ADDITIONS</u>	<u>RETIREMENTS</u>	<u>BALANCE</u> <u>6/30/08</u>
Rural Development	\$ 537,683	\$ -	\$ 10,177	\$ 527,506
<u>TOTAL</u>	<u>\$ 537,683</u>	<u>\$ -</u>	<u>\$ 10,177</u>	<u>\$ 527,506</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.