

TOWN OF FREDERICA
FREDERICA, DELAWARE
FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

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, 2009 and 2008, 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
October 28, 2013

TOWN OF FREDERICA
STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS
JUNE 30, 2009 AND 2008

EXHIBIT A

<u>ASSETS</u>	<u>JUNE 30,</u>	
	<u>2009</u>	<u>2008</u>
<u>CURRENT ASSETS:</u>		
Cash	\$ <u>92,298</u>	\$ <u>128,869</u>
<u>PROPERTY AND EQUIPMENT:</u>		
Land	25,693	25,693
Water Improvements	764,829	760,934
Equipment	7,850	6,905
Vehicles	6,000	6,000
Accumulated Depreciation	<u>(215,380)</u>	<u>(196,742)</u>
<u>TOTAL PROPERTY AND EQUIPMENT</u>	<u>588,992</u>	<u>602,790</u>
<u>TOTAL ASSETS</u>	<u>\$ 681,290</u>	<u>\$ 731,659</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES:</u>		
Note Payable - Current Portion	\$ 11,135	\$ 10,648
<u>LONG TERM LIABILITIES:</u>		
Note Payable - USDA - Net of Current Portion	<u>505,723</u>	<u>516,858</u>
<u>TOTAL LIABILITIES</u>	<u>516,858</u>	<u>527,506</u>
<u>NET ASSETS - UNRESTRICTED</u>	<u>164,432</u>	<u>204,153</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 681,290</u>	<u>\$ 731,659</u>

SEE ACCOMPANYING NOTES AND INDEPENDENT ACCOUNTANT'S REVIEW REPORT

TOWN OF FREDERICA

EXHIBIT B

STATEMENTS OF REVENUE, EXPENSES AND OTHER CHANGES IN NET ASSETS - MODIFIED CASH BASIS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

	JUNE 30,	
	<u>2009</u>	<u>2008</u>
<u>Revenues:</u>		
Grants	\$ 4,754	\$ 16,105
Developer Fees	51,272	-
Property Taxes	72,072	67,532
Transfer Tax	9,386	31,041
Fees and Fines	8,263	31,969
Water Charges	112,790	95,854
Trash Charges	60,832	83,946
Impact Fees	750	-
Rents	18,155	16,844
Other Charges	21,666	47,968
Permits	9,508	11,408
Interest Income	31	-
	<hr/>	<hr/>
<u>Total Revenues</u>	<u>369,479</u>	<u>402,667</u>
<u>Expenses:</u>		
Advertising	110	1,155
Bank Service Charges	301	303
Automotive Expense	1,998	1,939
Depreciation	18,638	17,122
Dues and Subscriptions	621	200
Electric	31,812	29,084
Heating Oil	2,986	7,283
Insurance	14,453	18,028
Interest Expense	23,923	24,353
Payroll and Related Expenses	66,125	63,651
Police Department-Operating Expenses	57,850	35,270
Professional Fees	98,402	74,252
Repairs and Maintenance	21,370	16,307
Equipment Lease	1,921	788
Sewer Charges	1,256	1,298
Supplies	5,837	22,398
Taxes and Licenses	200	-
Telephone	5,218	3,965
Trash Removal	47,296	59,988
Miscellaneous Expense	8,883	13,345
	<hr/>	<hr/>
<u>Total Expenses</u>	<u>409,200</u>	<u>390,729</u>
<u>Revenues over (under) Expenses</u>	<u>(39,721)</u>	<u>11,938</u>
<u>Net Assets at Beginning of Period</u>	<u>204,153</u>	<u>192,215</u>
<u>Net Assets at End of Period</u>	<u>\$ 164,432</u>	<u>\$ 204,153</u>

SEE ACCOMPANYING NOTES AND INDEPENDENT ACCOUNTANT'S REVIEW REPORT

TOWN OF FREDERICA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

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, 2009

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	10 - 50 Years
Equipment	5 Years
Vehicle	7 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	\$ 20,795
Police Department	5,947
Special Water Fund	3,825
Municipal Street Aid	15,191
Development Escrow	28,356
Community Safety	11,800
CJC Grant	1,286
SALLE Account	2,573
SLEAF Account	1,890
EIDE Account	<u>2,873</u>
 <u>TOTAL CASH PER BANK STATEMENTS</u>	 <u>\$ 94,536</u>

TOWN OF FREDERICA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

EXHIBIT C
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NOTE 2 – CASH (CONTINUED):

The balance of cash is categorized as follows:

Amount insured by the FDIC	\$ <u>94,536</u>
Uninsured and Uncollateralized	\$ <u> -</u>

NOTE 3 – CAPITAL ASSETS:

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

	BALANCE JULY 1, 2008	<u>ASSETS</u>		BALANCE JUNE 30, 2009
		<u>ACQUISITIONS</u>	<u>RETIREMENTS</u>	
Land	\$ 25,693	\$ -	\$ -	\$ 25,693
Water Improvements	760,934	3,895	-	764,829
Equipment	6,905	945	-	7,850
Vehicles	<u>6,000</u>	<u>-</u>	<u>-</u>	<u>6,000</u>
<u>TOTAL</u>	<u>\$ 799,532</u>	<u>\$ 4,840</u>	<u>\$ -</u>	<u>\$ 804,372</u>
		<u>ACCUMULATED DEPRECIATION</u>		
	BALANCE JULY 1, 2008	<u>DEPRECIATION</u>	<u>RETIREMENTS</u>	BALANCE JUNE 30, 2009
Water Improvements	\$ 195,762	\$ 16,240	\$ -	\$ 212,002
Equipment	266	1,541	-	1,807
Vehicles	<u>714</u>	<u>857</u>	<u>-</u>	<u>1,571</u>
<u>TOTAL</u>	<u>\$ 196,742</u>	<u>\$ 18,638</u>	<u>\$ -</u>	<u>\$ 215,380</u>
<u>CAPITAL ASSETS</u>				<u>\$ 588,992</u>

NOTE 4 – DEBT:

Debt at June 30, 2009 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.	\$ <u>516,858</u>
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TOWN OF FREDERICA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

EXHIBIT C
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NOTE 4 – DEBT (CONTINUED):

Maturities of Debt subsequent to June 30, 2009 are as follows:

	<u>PRINCIPAL</u>	<u>INTEREST</u>
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	21,474
6/30/14	13,318	20,890
2015-2019	76,305	94,735
2020-2024	95,440	75,600
2025-2029	119,371	51,669
2030-2034	149,304	21,736
2035	<u>15,430</u>	<u>1,674</u>
 <u>TOTAL</u>	 <u>\$ 516,858</u>	 <u>\$ 355,446</u>

Below summarizes the changes in Debt:

	<u>BALANCE</u> <u>07/01/08</u>	<u>ADDITIONS</u>	<u>RETIREMENTS</u>	<u>BALANCE</u> <u>6/30/09</u>
Rural Development	\$ <u>527,506</u>	\$ <u>-</u>	\$ <u>10,648</u>	\$ <u>516,858</u>
 <u>TOTAL</u>	 <u>\$ 527,506</u>	 <u>\$ -</u>	 <u>\$ 10,648</u>	 <u>\$ 516,858</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.

NOTE 6 – SUBSEQUENT EVENTS:

Subsequent event inquiries and testing were performed through the report date, October 28, 2013.