

TOWN OF FREDERICA
FREDERICA, DELAWARE
FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

TOWN OF FREDERICA
TABLE OF CONTENTS
JUNE 30, 2010 AND 2009

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

BASIC FINANCIAL STATEMENTS

Statements of Assets, Liabilities and Net Assets – Modified Cash Basis	Exhibit A
Statements of Revenue, Expenses and Other Changes in Net Assets – Modified Cash Basis	Exhibit B
Notes to Basic Financial Statements	Exhibit C



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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, 2010 and 2009, 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.

Seaford, Delaware
December 4, 2013

TOWN OF FREDERICA
STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS
JUNE 30, 2010 AND 2009

EXHIBIT A

<u>ASSETS</u>	<u>JUNE 30,</u>	
	<u>2010</u>	<u>2009</u>
<u>CURRENT ASSETS:</u>		
Cash	\$ <u>76,608</u>	\$ <u>92,298</u>
<u>PROPERTY AND EQUIPMENT:</u>		
Land	25,693	25,693
Water Improvements	764,829	764,829
Equipment	11,351	7,850
Vehicles	6,000	6,000
Accumulated Depreciation	<u>(234,464)</u>	<u>(215,380)</u>
<u>TOTAL PROPERTY AND EQUIPMENT</u>	<u>573,409</u>	<u>588,992</u>
<u>TOTAL ASSETS</u>	<u>\$ 650,017</u>	<u>\$ 681,290</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>CURRENT LIABILITIES:</u>		
Note Payable - Current Portion	\$ 11,644	\$ 11,135
<u>LONG TERM LIABILITIES:</u>		
Note Payable - USDA - Net of Current Portion	<u>494,079</u>	<u>505,723</u>
<u>TOTAL LIABILITIES</u>	505,723	516,858
<u>NET ASSETS - UNRESTRICTED</u>	<u>144,294</u>	<u>164,432</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 650,017</u>	<u>\$ 681,290</u>

TOWN OF FREDERICA
STATEMENTS OF REVENUE, EXPENSES AND OTHER CHANGES IN NET ASSETS - MODIFIED CASH BASIS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

EXHIBIT B

	JUNE 30,	
	<u>2010</u>	<u>2009</u>
<u>Revenue:</u>		
Grants	\$ -	\$ 4,754
Developer Fees	5,000	51,272
Property Taxes	52,925	72,072
Transfer Tax	20,646	9,386
Fees and Fines	815	8,263
Water Charges	103,542	112,790
Trash Charges	77,678	60,832
Impact Fees	-	750
Rents	18,155	18,155
Other Charges	10,504	21,666
Permits	2,065	9,508
Business Licenses	200	-
Interest Income	6	31
	<u>291,536</u>	<u>369,479</u>
 <u>Total Revenues</u>		
 <u>Expenses:</u>		
Advertising	539	110
Bank Service Charges	451	301
Automotive Expense	1,842	1,998
Depreciation	19,084	18,638
Dues and Subscriptions	300	621
Electric	33,616	31,812
Heating Oil	6,032	2,986
Insurance	12,981	14,453
Interest Expense	23,073	23,923
Payroll and Related Expenses	58,213	66,125
Police Department-Operating Expenses	-	57,850
Professional Fees	37,333	98,402
Repairs and Maintenance	28,030	21,370
Office Equipment	1,061	-
Equipment Lease	791	1,921
Sewer Charges	876	1,256
Supplies	5,120	5,837
Taxes and Licenses	-	200
Telephone	6,107	5,218
Trash Removal	58,619	47,296
Snow Removal	8,596	-
Miscellaneous Expense	9,010	8,883
	<u>311,674</u>	<u>409,200</u>
 <u>Total Expenses</u>		
 <u>Revenue over (under) Expenses</u>		
	(20,138)	(39,721)
 <u>Net Assets at Beginning of Period</u>		
	<u>164,432</u>	<u>204,153</u>
 <u>Net Assets at End of Period</u>		
	<u>\$ 144,294</u>	<u>\$ 164,432</u>

SEE ACCOMPANYING NOTES AND INDEPENDENT ACCOUNTANT'S REVIEW REPORT

TOWN OF FREDERICA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

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, 2010

EXHIBIT C
PAGE 2

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

In accordance with Accounting Standards Codification (ASC), No. 360, "Accounting for the Impairment or Disposal of Long-Lived Assets", management reviews capital assets 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 years presented.

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.

TOWN OF FREDERICA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

EXHIBIT C
PAGE 3

NOTE 2 – CASH:

The balance of cash is categorized as follows:

General Fund Checking	\$	15,431
Police Department		6,762
Special Water Fund		15,866
Municipal Street Aid		2,326
Development Escrow		23,294
Community Safety		12,550
CJC Grant		1,046
SALLE Account		1,890
SLEAF Account		2,873
EIDE Account		2,573
		2,573
<u>TOTAL CASH PER BANK STATEMENTS</u>	\$	84,611

The balance of cash is categorized as follows:

Amount insured by the FDIC	\$	84,611
Uninsured and Uncollateralized		-
		-

NOTE 3 – CAPITAL ASSETS:

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

	<u>ASSETS</u>			BALANCE JUNE 30, 2010
	BALANCE JULY 1, 2009	<u>ACQUISITIONS</u>	<u>RETIREMENTS</u>	
Land	\$ 25,693	\$ -	\$ -	\$ 25,693
Water Improvements	764,829	-	-	764,829
Equipment	7,850	3,501	-	11,351
Vehicles	6,000	-	-	6,000
	804,372	3,501	-	807,873
<u>TOTAL</u>	\$ 804,372	\$ 3,501	\$ -	\$ 807,873
	<u>ACCUMULATED DEPRECIATION</u>			
	BALANCE JULY 1, 2009	<u>DEPRECIATION</u>	<u>RETIREMENTS</u>	BALANCE JUNE 30, 2010
Water Improvements	\$ 212,002	\$ 16,532	\$ -	\$ 228,534
Equipment	1,807	1,695	-	3,502
Vehicles	1,571	857	-	2,428
	215,380	19,084	-	234,464
<u>TOTAL</u>	\$ 215,380	\$ 19,084	\$ -	\$ 234,464
<u>CAPITAL ASSETS</u>				\$ 573,409

TOWN OF FREDERICA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

EXHIBIT C
PAGE 4

NOTE 4 – DEBT:

Debt at June 30, 2010 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.

\$ 505,723

Maturities of Debt subsequent to June 30, 2010 are as follows:

	<u>PRINCIPAL</u>	<u>INTEREST</u>
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
6/30/15	13,927	20,281
2016-2020	79,797	91,243
2021-2025	99,808	71,232
2026-2030	124,834	46,206
2031-2035	<u>137,484</u>	<u>33,556</u>
 <u>TOTAL</u>	 <u>\$ 505,723</u>	 <u>\$ 349,477</u>

Below summarizes the changes in Debt:

	BALANCE <u>07/01/09</u>	ADDITIONS	RETIREMENTS	BALANCE <u>6/30/10</u>
Rural Development	\$ <u>516,858</u>	\$ -	\$ <u>11,135</u>	\$ <u>505,723</u>
 <u>TOTAL</u>	 <u>\$ 516,858</u>	 <u>\$ -</u>	 <u>\$ 11,135</u>	 <u>\$ 505,723</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, December 4, 2013, the date the report was available for issuance.