

TOWN OF BRIDGEVILLE, DELAWARE
FINANCIAL STATEMENTS WITH
SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2013

TOWN OF BRIDGEVILLE
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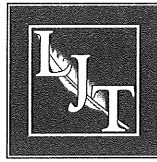
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INDEPENDENT AUDITOR'S REPORT

To the Commisioners
Town of Bridgeville, Delaware

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Bridgeville, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Members

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS • PRIVATE COMPANIES PRACTICE SECTION
DELAWARE SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Bridgeville, as of June 30, 2013 and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Bridgeville's basic financial statements. The schedule of Revenue and Expenditures/Expenses – Budget and Actual - All Funds (Schedules A and B), and the Schedule of Operating Revenues and Expenses - Enterprise Fund (Schedule C), are presented for proposes of additional analysis and are not a required part of the basic financial statements.

The schedules referred to in the previous paragraph are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, those schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2013, on our consideration of the Town of Bridgeville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Bridgeville's internal control over financial reporting and compliance.

Lank, Johnson & Tull

Seaford, Delaware
October 30, 2013

Town of Bridgeville
Management's Discussion and Analysis
June 30, 2013

This section of The Town of Bridgeville's annual financial report presents the discussion and analysis of the Town's financial performance during the fiscal year that ended on June 30, 2013. Please read it in conjunction with the Town's financial statements, which follow this section.

BASIC FINANCIAL STATEMENTS

In the past, the primary focus of local government financial statements had been summarized fund type information on a current financial resource basis. This approach has been modified and, additional statements are presented which focus on the Town as a whole (government-wide) as well as the major individual funds. The government-wide financial statements provide both long-term and short-term information about the Town's overall financial status. The fund financial statements, which have been provided in the past, focus on the individual parts of the Town government, reporting the operations of the Town in more detail than the government-wide statements. Both perspectives (government-wide and individual fund) allow the user to address relevant questions, broaden the basis for comparison (year to year or government to government) and enhance the Town's accountability.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements report information about the Town as a whole, using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, reported using the full accrual basis of accounting. The statement of activities accounts for all of the current year's revenues and expenses, regardless of when cash is received or paid.

The two government-wide statements report the Town's net position and how it has changed. Net position, the difference between the Town's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, is one way to measure the financial health of the Town. Over time, increases or decreases in the Town's net position is an indicator of whether its financial health is improving or deteriorating. To assess the overall health of the Town, one needs to consider other non-financial factors such as changes in the Town's property tax base and condition of the Town's infrastructure.

The government-wide financial statements of the Town are divided into two categories:

Governmental Activities-Most of the Town's basic services are included here, such as police and other public safety services, public works, and general administration. Property and transfer taxes, charges for services, and state grants finance most of these activities.

Business-type Activities-The Town's water and sewer operations are reported here. Fees are charged to customers to help cover the costs of providing these services.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Town's most significant funds and will be more familiar to traditional users of government financial statements. The focus is now on major funds rather than fund types.

The Town has two types of funds:

Governmental Fund-The General Fund is the Town's only governmental fund, which focuses on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. Because this information does not encompass the

Town of Bridgeville
Management's Discussion and Analysis
June 30, 2013

additional long-term focus of the government-wide statements, additional information is provided on the governmental fund statements, or schedules immediately following the governmental fund statements, that explains the relationship (or differences) between them.

Proprietary Funds-Services for which the Town charges customers a fee are generally reported in proprietary funds. These funds, like the government-wide statements, provide both long-term and short-term financial information. The Town's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but the fund financial statements provide more detail and additional information, such as cash flows. The Town utilizes enterprise funds to account for its water and sewer operations.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

The Town's combined net position remained relatively constant from 2012 to 2013. (See table below) General Fund net position increased by 17% due to management's ability to fund current year expenses with current revenues and still have surplus to fund capital escrow accounts. Business-type funds decreased by 1%.

Town of Bridgeville
Net Position
(in millions)

	Governmental		Business-Type		Total		Total Percentage
	2013	2012	2013	2012	2013	2012	Change
Current and Other Assets	0.57	0.39	0.69	0.65	1.26	1.04	21%
Capital Assets	0.89	0.86	19.44	19.87	20.33	20.73	(2%)
Total Assets	1.46	1.25	20.13	20.52	21.59	21.77	(1%)
Long Term Debt	0.10	0.13	5.43	5.64	5.53	5.77	(4%)
Other Liabilities & Deferrals	0.19	0.12	1.75	1.84	1.94	1.96	(1%)
Total Liabilities & Deferrals	0.29	0.25	7.18	7.48	7.47	7.73	(3%)
Net Position							
Capital Assets Net of Debt	0.79	0.74	12.35	12.47	13.14	13.21	(1%)
Restricted	0.31	0.25	0.52	0.42	0.83	0.67	24%
Unrestricted	0.07	0.01	0.08	0.15	0.15	0.16	(6%)
Total Net Position	1.17	1.00	12.95	13.04	14.12	14.04	1%

The Town's total revenues (excluding transfers) increased by 2.3% to \$2.67 million (See table below). Revenue from business-type activities decreased by 2.7% to \$1.44 million, which is mainly attributable to lower usage fees, a 38% decrease in impact fees, and other various decreases in operating revenues. Governmental revenues increased by 8.9% to \$1.23 million, which is primarily attributable to increases in federal and state grants, transfer taxes, fines, and licenses and permits.

The total cost of all programs and services increased by 1.17% to \$2.59 million. Costs of business-type activities increased by 6.47% to \$1.48 million, which was primarily due to water and wastewater facility plan updates and increases in engineering fees and other operating expenses. Costs of governmental-type activities decreased by 5.13% to \$1.11 million, primarily due to a significant reduction in capital outlay.

Town of Bridgeville
Management's Discussion and Analysis
June 30, 2013

Town of Bridgeville
Change in Net Position
(in millions)

	Governmental		Business-Type		Total		Total Percentage
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>Change</u>
Program Revenue							
Fees, Fines, Services	0.26	0.21	1.28	1.41	1.54	1.62	(4.94%)
Operating Grants	0.16	0.14	-	0.02	0.16	0.16	-
Capital Grants	0.06	0.05	0.16	0.05	0.22	0.10	120 %
General Revenue							
Taxes	0.75	0.73	-	-	0.75	0.73	2.74%
Total Revenue	1.23	1.13	1.44	1.48	2.67	2.61	2.3%
Program Expenses							
General	0.25	0.27	-	-	0.25	0.27	(7.41%)
Police	0.64	0.65	-	-	0.64	0.65	(1.54%)
Streets	0.22	0.25	-	-	0.22	0.25	(12%)
Water and Sewer	-	-	1.48	1.39	1.48	1.39	6.47%
Total Expenses	1.11	1.17	1.48	1.39	2.59	2.56	1.17%
Excess (Deficiency)	0.12	(0.04)	(0.04)	0.09	0.08	0.05	60%
Transfers	0.05	(0.09)	(0.05)	0.09	-	-	-
Change in Net Position	0.17	(0.13)	(0.09)	0.18	0.08	0.05	60%
Net Position Beginning	1.00	1.13	13.04	12.86	14.04	13.99	0.36%
Net Position Ending	1.17	1.00	12.95	13.04	14.12	14.04	0.57%

GENERAL FUND BUDGETARY HIGHLIGHTS

The original budget was amended once during the current fiscal year. General fund actual revenues of \$1.24 million exceeded budgeted revenues of \$1.08 million by \$0.16 million (14.81%). This favorable variance was primarily the result of greater than anticipated federal and state grants, transfer taxes, and licenses and permits.

General fund actual expenditures of \$1.19 million exceeded budgeted expenditures of \$1.12 million by \$0.07 million. This unfavorable variance was primarily the result of various line item expenditures being more than anticipated in the budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013 the Town had \$20.33 million invested in capital assets, including police equipment, buildings, land, vehicles and water and sewer system improvements. This amount represents a net decrease (additions, deductions, and depreciation) of \$0.40 million from the prior year.

Town of Bridgeville
Management's Discussion and Analysis
June 30, 2013

Town of Bridgeville
Capital Assets Net of Depreciation
(in millions)

	Governmental		Business-Type		Total	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land	0.27	0.27	3.96	3.96	4.23	4.23
Buildings	0.18	0.19	0.02	0.01	0.20	0.20
Equipment	0.08	0.08	1.40	1.45	1.48	1.53
Improvements	0.31	0.26	-	-	0.31	0.26
Vehicles	0.05	0.06	-	-	0.05	0.06
Water and Sewer	-	-	14.06	14.45	14.06	14.45
Total Capital Assets	0.89	0.86	19.44	19.87	20.33	20.73

Note 5 of the Notes to the Basic Financial Statements gives further details of the Town's capital asset activity.

Debt

At year-end, the Town had \$5.53 million in bonds and notes outstanding, versus \$5.77 million last year.

Town of Bridgeville
Debt
(in millions)

	Governmental		Business-Type		Total	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
O'Leary Mortgage	0.10	0.13	-	-	0.10	0.13
Rural Development-Water Bonds	-	-	0.88	0.90	0.88	0.90
Rural Development-Sewer Bonds	-	-	0.64	0.65	0.64	0.65
Rural Development-Sewer Bonds	-	-	0.32	0.34	0.32	0.34
Rural Development-Sewer Bonds	-	-	1.20	1.21	1.20	1.21
State of Delaware	-	-	1.92	2.05	1.92	2.05
State of Delaware	-	-	0.47	0.49	0.47	0.49
Total Debt	0.10	0.13	5.43	5.64	5.53	5.77

Note 6 of the Notes to the Basic Financial Statements gives further details of the Town's debt activity.

Town of Bridgeville
Management's Discussion and Analysis
June 30, 2012

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

FY13 began a planning period for the Town of Bridgeville. The Town Commissioners adopted a \$2.26 million dollar budget, reflecting a slight decrease from the prior year. The Town was able to secure multiple grants to fund important planning projects for the Town's infrastructure. With funding from both State and Federal sources, the Commissioners were able to update the water and wastewater facility plans, as well as conduct an infiltration and inflow analysis of the wastewater system. These projects will be completed the upcoming fiscal year and will prove vital as we make improvements to our systems to accommodate expected economic development and to comply with ever changing federal and state regulations.

With anticipated growth, both residentially and commercially, the Commissioners have been able to hold utility and tax rates steady for the upcoming year. The Commissioners plan to review their water and sewer impact fees, with hopes of reducing them.

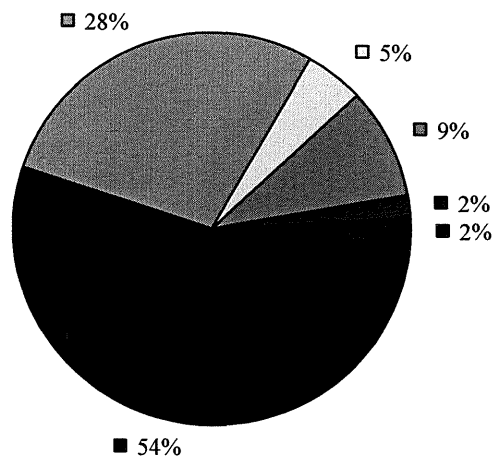
The Town expects a small increase in the overall budget for FY14 as we continue to complete essential upgrades, maintenance and repairs to provide the best service possible.

FINANCIAL CONTACT

The Town's financial statements are designed to present users (citizens, taxpayers, customers, and creditors) with a general overview of the Town's finances and to demonstrate the Town's accountability. If you have questions about the report or need additional financial information, please contact the Town's management at 101 Main Street, Bridgeville, Delaware 19933.

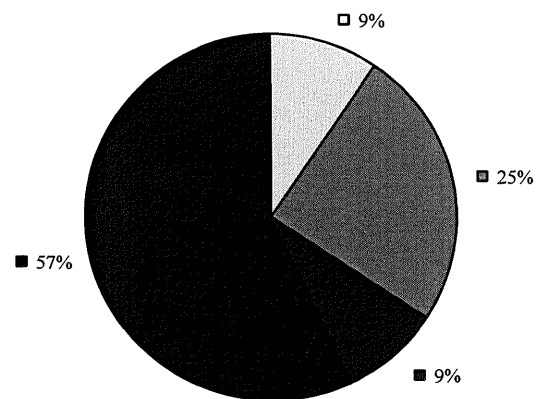
**TOWN OF BRIDGEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
TOTAL REVENUE AND EXPENSES
GOVERNMENT-WIDE
JUNE 30, 2013**

Total Revenue



- General Government
- Public Safety
- Streets
- Capital Grants and Contributions
- Water and Sewer
- Taxes

Total Expenses



- General Government
- Public Safety
- Streets
- Water and Sewer

TOWN OF BRIDGEVILLE
GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2013

EXHIBIT A

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash	\$ 412,864	\$ 520,699	\$ 933,563
Accounts Receivable	157,533	167,668	325,201
Capital Assets:			
Land	267,124	3,959,085	4,226,209
Equipment	299,069	1,644,323	1,943,392
Improvements	404,470	17,396,925	17,801,395
Vehicles	474,650	69,651	544,301
Buildings	240,941	27,798	268,739
Accumulated Depreciation	<u>(794,764)</u>	<u>(3,652,781)</u>	<u>(4,447,545)</u>
Total Assets	<u>\$ 1,461,887</u>	<u>\$ 20,133,368</u>	<u>\$ 21,595,255</u>
LIABILITIES			
Accounts Payable	\$ 135,510	\$ 51,390	\$ 186,900
Accrued Vacation Leave	31,912	9,901	41,813
Accrued Sick Leave	-	18,544	18,544
Accrued Wages	27,374	6,695	34,069
Non-Current Liabilities:			
Due within one year	28,000	225,078	253,078
Due in more than one year	<u>70,000</u>	<u>5,212,502</u>	<u>5,282,502</u>
Total Liabilities	<u>292,796</u>	<u>5,524,110</u>	<u>5,816,906</u>
DEFERRED INFLOWS	<u>-</u>	<u>1,662,000</u>	<u>1,662,000</u>
NET POSITION			
Invested in Capital Assets, Net of Related Debt	793,490	12,345,421	13,138,911
Restricted	306,643	520,699	827,342
Unrestricted	<u>68,958</u>	<u>81,138</u>	<u>150,096</u>
Total Net Position	<u>\$ 1,169,091</u>	<u>\$ 12,947,258</u>	<u>\$ 14,116,349</u>

TOWN OF BRIDGEVILLE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

EXHIBIT B

<u>Program Activities</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>		
		<u>Fees, Fines and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Governmental Activities</u>							
General Government	\$ 246,418	\$ 124,495	\$ 1,953	\$ -	\$ (119,970)	\$ -	\$ (119,970)
Public Safety	641,474	132,939	112,073	-	(396,462)	-	(396,462)
Streets	225,575	50	50,066	58,157	(117,302)	-	(117,302)
Debt Service	5,486	-	-	-	(5,486)	-	(5,486)
<u>Total Governmental Activities</u>	<u>1,118,953</u>	<u>257,484</u>	<u>164,092</u>	<u>58,157</u>	<u>(639,220)</u>	<u>-</u>	<u>(639,220)</u>
<u>Business-Type Activities</u>							
Water and Sewer	<u>1,476,242</u>	<u>1,283,407</u>	<u>155,281</u>	<u>-</u>	<u>-</u>	<u>(37,554)</u>	<u>(37,554)</u>
<u>Total Government</u>	<u>\$ 2,595,195</u>	<u>\$ 1,540,891</u>	<u>\$ 319,373</u>	<u>\$ 58,157</u>	<u>(639,220)</u>	<u>(37,554)</u>	<u>(676,774)</u>
General Revenues:							
Taxes							
Property Taxes, Penalties and Interest					529,759	-	529,759
Transfer Tax					224,348	-	224,348
Investment Income					1,307	2,042	3,349
Transfer In/(Out)					55,345	(55,345)	-
Total General Revenues					810,759	(53,303)	757,456
Change in Net Position					171,539	(90,857)	80,682
Net Position-Beginning					997,552	13,038,115	14,035,667
Net Position-Ending					<u>\$ 1,169,091</u>	<u>\$ 12,947,258</u>	<u>\$ 14,116,349</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

TOWN OF BRIDGEVILLE
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2013

EXHIBIT C

ASSETS	<u>General Fund</u>
Cash	\$ 412,864
Accounts Receivable	<u>157,533</u>
Total Assets	<u><u>\$ 570,397</u></u>
 LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts Payable	\$ 135,510
Accrued Wages	<u>27,374</u>
Total Liabilities	<u>162,884</u>
Fund Balance:	
Assigned	306,643
Unassigned	<u>100,870</u>
Total Fund Balance	<u>407,513</u>
Total Liabilities and Fund Balance	<u><u>\$ 570,397</u></u>
 Amounts Reported For Governmental Activities in the Statement of Net Position Are Different Because:	
Total Fund Balance	\$ 407,513
Capital assets and related accumulated depreciation used in governmental activities are not financial resources and therefore are not reported in the governmental fund's balance sheet.	891,490
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Mortgage Payable	(98,000)
Compensated Absences	<u>(31,912)</u>
Net Position of Governmental Activities	<u><u>\$ 1,169,091</u></u>

TOWN OF BRIDGEVILLE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

EXHIBIT D

	<u>General Fund</u>
Revenues:	
Property Taxes	\$ 529,759
Transfer Tax	224,348
Fees and Charges for Services	18,936
Intergovernmental	234,229
Licenses and Permits	88,099
Investment Income	1,307
Police Pension Fund	44,905
Fines	89,839
Miscellaneous	3,725
Total Revenues	<u>1,235,147</u>
Expenditures:	
Current:	
General Government	203,233
Public Safety	655,134
Streets	243,868
Debt Service	33,486
Capital Outlay	58,807
Total Expenditures	<u>1,194,528</u>
Excess of Revenues over Expenditures	40,619
Other Financing Sources:	
Operating Transfers In	<u>55,345</u>
Net Change in Fund Balance	95,964
Fund Balance at Beginning of Year	<u>311,549</u>
Fund Balance at End of Year	<u><u>\$ 407,513</u></u>

TOWN OF BRIDGEVILLE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

EXHIBIT E

Net Change in Fund Balance - Governmental Fund	\$ 95,964
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	108,235
Debt Service Principal	28,000
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. This is the change in the compensated absences for the year.	17,274
Depreciation expense on capital assets is reported in the government-wide statement of activities, but does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.	<u>(77,934)</u>
Change in Net Position of Governmental Activities	<u>\$ 171,539</u>

TOWN OF BRIDGEVILLE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

EXHIBIT F

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Favorable</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>(Unfavorable)</u>
				<u>Variance</u>
Revenues:				
Property Taxes	\$ 544,050	\$ 539,950	\$ 529,759	\$ (10,191)
Transfer Tax	175,000	175,000	224,348	49,348
Charges for Services	5,700	16,650	18,936	2,286
Intergovernmental	84,950	135,250	234,229	98,979
Licenses and Permits	57,000	57,000	88,099	31,099
Interest	500	500	1,307	807
Police Pension Fund	35,000	44,905	44,905	-
Fines	75,500	112,000	89,839	(22,161)
Appropriated Surplus	76,500	-	-	-
Miscellaneous	3,500	3,500	3,725	225
Total Revenues	<u>1,057,700</u>	<u>1,084,755</u>	<u>1,235,147</u>	<u>150,392</u>
Expenditures:				
Current:				
General Government	214,800	214,350	203,233	11,117
Public Safety	672,500	644,300	655,134	(10,834)
Streets	183,650	222,500	243,868	(21,368)
Debt Service	-	-	33,486	(33,486)
Capital Outlay	37,500	36,500	58,807	(22,307)
Total Expenditures	<u>1,108,450</u>	<u>1,117,650</u>	<u>1,194,528</u>	<u>(76,878)</u>
Excess (Deficiency) of Revenues over/(under) Expenditures	(50,750)	(32,895)	40,619	73,514
Other Financing Sources:				
Operating Transfers In	<u>55,345</u>	<u>55,345</u>	<u>55,345</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Sources over/(under) Expenditures	4,595	22,450	95,964	73,514
Fund Balance at Beginning of Year	<u>311,549</u>	<u>311,549</u>	<u>311,549</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 316,144</u>	<u>\$ 333,999</u>	<u>\$ 407,513</u>	<u>\$ 73,514</u>

TOWN OF BRIDGEVILLE
STATEMENT OF NET POSITION-ENTERPRISE FUND
JUNE 30, 2013

EXHIBIT G

ASSETS

Current Assets:

Cash	\$ 520,699
Accounts Receivable	167,668
Total Current Assets	<u>688,367</u>

Capital Assets:

Land	3,959,085
Improvements	17,396,925
Equipment	1,644,323
Building	27,798
Vehicles	69,651
Accumulated Depreciation	<u>(3,652,781)</u>
Total Capital Assets	<u>19,445,001</u>

Total Assets	<u><u>\$ 20,133,368</u></u>
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LIABILITIES

Current Liabilities:

Accounts Payable	\$ 51,390
Accrued Wages	6,695
Accrued Sick Leave	18,544
Accrued Vacation Leave	9,901
Current Portion of Long Term Debt	<u>225,078</u>
Total Current Liabilities	311,608

Non-Current Liabilities:

Long Term Debt-Net of Current Portion	<u>5,212,502</u>
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Total Liabilities	<u>5,524,110</u>
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Deferred Inflows

<u>1,662,000</u>

NET POSITION

Invested in Capital Assets, Net of Related Debt	12,345,421
Restricted	520,699
Unrestricted	<u>81,138</u>
Total Net Position	<u>12,947,258</u>
Total Liabilities and Net Position	<u><u>\$ 20,133,368</u></u>

TOWN OF BRIDGEVILLE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2013

EXHIBIT H

Operating Revenues:	
Charges for Services	\$ 1,272,181
Miscellaneous	11,226
Grant	155,281
Interest	2,042
Total Operating Revenues	<u>1,440,730</u>
Operating Expenses:	
Health Insurance	40,760
Advertising	233
Capital Outlay - Small Items	50,250
Chemicals	35,329
Depreciation	462,200
Dues	845
Engineering Fees	42,282
Equipment - Purchase/Rental	22,682
Testing Fees	17,650
Sludge Disposal	9,885
Insurance	31,257
Continuing Education	230
Interest Expense	216,206
Leases	29,915
Legal & Auditing	6,283
Maintenance - Buildings/Grounds/Tools	5,736
Maintenance - Collector System	3,603
Maintenance - Wells	250
Office Supplies	1,792
Postage	2,757
Payroll Taxes	19,739
Pension Costs	22,233
Permits	-
Repairs	52,192
Salary Expense	269,603
Supplies	7,370
Uniform Expense	1,402
Utilities - Electric	95,542
Utilities - Gas	7,264
Utilities - Telephone	9,775
Miss Utility Locates	586
Vehicle Expense	10,391
Wastewater Facility Plan Update	-
Total Operating Expenses	<u>1,476,242</u>
Operating Loss	<u>(35,512)</u>
Other Income:	
Operating Transfer Out	<u>(55,345)</u>
Net Loss	(90,857)
Net Position at Beginning of Year	<u>13,038,115</u>
Net Position at End of Year	<u><u>\$ 12,947,258</u></u>

TOWN OF BRIDGEVILLE
STATEMENT OF CASH FLOWS
ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2013

EXHIBIT I

	<u>Water and Sewer Fund</u>
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 1,413,165
Interest	2,042
Cash Payments for Interest	(216,206)
Cash Payments to Employees for Services	(354,548)
Cash Payments to Suppliers for Goods and Services	(439,532)
Net Cash from Operating Activities	<u>404,921</u>
Cash Flows from Non-Capital Financing Activities:	
Operating Transfer Out	<u>(55,345)</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of Capital Assets	(36,865)
Retirement of Debt	(205,591)
Net Cash from Capital and Related Financing Activities	<u>(242,456)</u>
Net Increase in Cash	107,120
Cash - Beginning of year	<u>413,579</u>
Cash - End of year	<u><u>\$ 520,699</u></u>
Reconciliation of Operating Loss to Net Cash from Operating Activities:	
Operating Loss	\$ (35,512)
Adjustments to Reconcile Operating Loss to Net Cash from Operating Activities:	
Depreciation	462,200
Change in Accounts Receivable	67,477
Change in Accounts Payable	5,969
Change in Deferred Inflow	(93,000)
Change in Accrued Payroll, Vacation and Taxes	<u>(2,213)</u>
Net Cash from Operating Activities	<u><u>\$ 404,921</u></u>

TOWN OF BRIDGEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

EXHIBIT J
PAGE 1

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. General Statement

The Town of Bridgeville is located in western Sussex County in the State of Delaware. The Town has a population of approximately 2,000 people. Some of the major services provided by the Town include water and sewer, planning and zoning, improvements, and public safety.

The accounting and reporting policies of the Town relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards Board (when applicable).

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 is set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 61.

Based on this criteria, the Town of Bridgeville has no component units.

C. Basis of Presentation

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type.

Government-wide Financial Statements:

The statement of net position and the statement of activities report information on all of the activities of the Town. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements:

The Town segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements would normally be presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

TOWN OF BRIDGEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

EXHIBIT J
PAGE 2

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

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources.

The Town has presented the following major funds:

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.

Water and Sewer Fund

The Water and Sewer Fund is used to account for the provision of water and sewer services to the residents of the Town. Activities of the fund include administration, operations and maintenance of the water and sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs for water and sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the fund.

D. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Town considers property taxes as available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred.

TOWN OF BRIDGEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

EXHIBIT J
PAGE 3

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

The revenues susceptible to accrual are licenses, charges for services, and intergovernmental revenues. All other Governmental Fund revenues are recognized when received.

E. Budgetary Control

The Department Heads submit an annual budget to the Commissioners in accordance with the Town Charter. In June the Commissioners adopt the annual fiscal year appropriated budget for Town operating funds. These include General, Police, Streets, and Water and Sewer. Once approved, the Commissioners may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. All budget revisions at this level are subject to final review by the Commissioners.

The Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents a comparison of budgetary data to actual results. The General Fund is presented using the same basis of accounting for both budgetary purposes and actual results.

F. Cash and Investments

The Town follows the practice of segregating cash as to fund purpose or type.

Statutes authorize the Town to invest in bonds or in other obligations of which the full faith and credit of the United States of America is pledged, obligations of federal governmental agencies issued pursuant to Acts of Congress, repurchase agreements that are secured by any bond or other obligation for the payment of which the full faith and credit of the United States are pledged, and any bank in the State of Delaware.

G. Accounts Receivable

Management of the Town considers all accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been provided. If amounts become uncollectible, they will be charged to operations in the period the receivable is deemed uncollectible.

H. Property Taxes

Property taxes are billed each July 1 for the fiscal year. Full payment is due by September 30. Amounts received after September 30 are subject to a monthly penalty of 2%.

I. Transactions Between Funds

Legally authorized transfers are treated as inter-fund transfers and are included in the results of operations of the Funds. Since the Enterprise fund maintains no checking account, all transactions are run through the general accounts.

TOWN OF BRIDGEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

EXHIBIT J
PAGE 4

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

J. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable column in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. The Town has elected not to retroactively report general infrastructure assets, as allowed by GASB 34. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

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>
Buildings	20-50 Years
Equipment	5-15 Years
Vehicles	5-10 Years
Water and Sewer Assets	10-50 Years

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

K. Net Position

Net Position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its 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.

L. Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. 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.

M. Accumulated Unpaid Vacation and Sick Leave

Employees are granted vacation and sick leave in varying amounts. Vacation leave is only accrued as earned on the basis of services already performed by the employee and that it is probable to be paid in a future period. Sick pay is only accrued for employees with twenty years or more of service, but only up to ninety days can be paid upon retirement or termination. For vacation days, an employee is allowed to carry a maximum of thirty five days (with twenty years service) from one year to the next. Full-time employees accumulate vacation leave based on the number of years of service.

TOWN OF BRIDGEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

EXHIBIT J
PAGE 5

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

N. Fund Balance Classification:

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Non-spendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The Town currently has no non-spendable fund balance.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The Town currently has no restricted fund balance.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Town Council. These amounts cannot be used for any other purpose unless the Town Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Town currently has no committed resources.
- Assigned: This classification includes amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Town Council or through the Town Council delegating this responsibility to the Town manager through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.
- Unassigned: This classification includes the residual fund balance for the General Fund and the amount established for Minimum Funding, if any. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The Town would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

O. Subsequent Events:

Subsequent event inquiries and testing were performed through the report date, October 30, 2013, which is the date the financial statements were available for issuance.

TOWN OF BRIDGEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

EXHIBIT J
PAGE 6

NOTE 2 - CASH:

The balance of cash is categorized as follows:

General Fund Checking	\$ 93,817
General Fund Savings	<u>304,230</u>
<u>TOTAL GENERAL FUND</u>	<u>398,047</u>
Water and Sewer Savings	<u>540,441</u>
<u>TOTAL WATER AND SEWER FUND</u>	<u>\$ 540,441</u>
<u>TOTAL CASH IN BANK (Per Bank Statements)</u>	<u>\$ 938,488</u>

Cash is maintained at PNC Bank and Fulton Bank and is either insured by the FDIC or collateralized by the financial institution's trust department, as follows:

Insured by the FDIC	\$ <u>344,642</u>
Collateralized by securities held by the pledging financial institution's trust department but not in the Town's name.	\$ <u>593,846</u>

NOTE 3 - RECEIVABLES:

Following is a list, by type of charge, of outstanding receivables as of June 30, 2013:

Water and Sewer Charges	\$ 100,048
Demolition/Code Enforcement	35,646
Town of Greenwood-Sewer Charges	67,620
Fines	9,212
Garbage Fees	473
Administrative Fees	1,166
Property Tax	8,232
Transfer Tax	42,952
Grant Funds	59,357
Police Overtime	<u>495</u>
<u>TOTAL</u>	<u>\$ 325,201</u>

NOTE 4 - CONDUIT DEBT:

On July 1, 2005 the Town issued bonds to provide financial assistance to the Heritage Shores Development for the cost of infrastructure improvements, which is deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from tax revenues from the Heritage Shores Development. The Town is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2013, the bond issue had a balance of \$19,922,000.

TOWN OF BRIDGEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

EXHIBIT J
PAGE 7

NOTE 5 – CAPITAL ASSETS:

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

	<u>ASSETS</u>			
	BALANCE JULY 1, 2012	ACQUISITIONS	RETIREMENTS	BALANCE JUNE 30, 2013
Land-Governmental	\$ 267,124	\$ -	\$ -	\$ 267,124
Land-Water and Sewer	3,959,085	-	-	3,959,085
Buildings	240,941	-	-	240,941
Equipment	270,494	28,575	-	299,069
Improvements	348,617	55,853	-	404,470
Vehicles	450,843	23,807	-	474,650
Water and Sewer Improvements	19,101,832	36,865	-	19,138,697
<u>TOTAL</u>	\$ 24,638,936	\$ 145,100	\$ -	\$ 24,784,036

	<u>ASSETS</u>			
	BALANCE JULY 1, 2012	DEPRECIATION	RETIREMENTS	BALANCE JUNE 30, 2013
Buildings	\$ 53,972	\$ 8,182	\$ -	\$ 62,154
Equipment	194,384	92,646	-	287,030
Improvements	77,740	15,434	-	93,174
Vehicles	390,734	31,571	-	422,305
Water and Sewer Improvements	3,190,581	392,301	-	3,582,882
<u>TOTAL</u>	\$ 3,907,411	\$ 540,134	\$ -	\$ 4,447,545

<u>CAPITAL ASSETS</u>	\$ 20,336,491
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Depreciation expense was charged as direct expense to programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 9,225
Police	31,149
Streets	37,560
Water and Sewer	462,200
Total Depreciation Expense	\$ 540,134

TOWN OF BRIDGEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

EXHIBIT J
PAGE 8

NOTE 6 - DEBT:

Debt at June 30, 2013 consists of the following:

A purchase money mortgage payable to Jeremiah D. O'Leary and Barbara-Cherrix O'Leary in the total amount of \$140,000 with an interest rate of 4.75%. Paid in equal quarterly payments of principal in the amount of \$7,000 with interest. Loan matures on December 31, 2016. The loan proceeds were used to purchase real estate.	\$ 98,000
Bonds payable to Rural Development in the amount of \$468,000. Paid in semi-annual installments of \$15,517 including interest of 6% through April 12, 2030. The bond proceeds were for sewer system upgrades.	327,084
Bonds payable to Rural Development in the amount of \$829,100. Paid in quarterly installments of \$11,202 including interest of 4.5% through June 25, 2036. The bond proceeds were for water system upgrades.	639,081
Bonds payable to Rural Development in the amount of \$1,138,100. Paid in quarterly installments of \$15,376 including interest of 4.5% through June 25, 2036. The bond proceeds were for water system upgrades.	877,351
Bonds payable to Rural Development in the amount of \$1,257,000. Paid in quarterly installments of \$16,983 including interest of 4.5% through December 23, 2048. The bond proceeds were for sewer system upgrades.	1,200,560
Unsecured note payable to the Delaware Department of Natural Resources and Environmental Control in the total amount of \$750,000. All proceeds to be used for wastewater treatment plant equipment replacement. Paid in semi-annual installments of \$21,188 including interest of 3.672%. Loan matures on November 11, 2027.	473,131
Unsecured note payable to the Delaware Department of Natural Resources and Environmental Control in the total amount of \$2,700,000. All proceeds were used in the upgrade of the wastewater treatment plant. The note is to be paid in semi-annual installments of \$93,190 with an interest rate of 2.7%. Loan matures on December 30, 2025.	<u>1,920,373</u>
<u>TOTAL DEBT</u>	5,535,580
Less: Current Portion	<u>(253,078)</u>
<u>TOTAL LONG-TERM DEBT</u>	\$ <u>5,282,502</u>

TOWN OF BRIDGEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

EXHIBIT J
PAGE 9

NOTE 6 – DEBT (CONTINUED):

Maturities of Debt subsequent to June 30, 2013, are as follows:

	<u>GOVERNMENTAL</u>		<u>ENTERPRISE</u>	
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2014	28,000	4,156	225,077	208,956
2015	28,000	2,826	233,357	200,677
2016	28,000	1,496	240,844	193,190
2017	14,000	239	249,171	184,862
2018	-	-	257,811	176,223
2019-2023	-	-	1,430,469	739,699
2024-2028	-	-	1,132,894	652,236
2029-2033	-	-	622,812	310,475
2034-2038	-	-	481,305	177,291
2039-2043	-	-	237,128	102,532
2044-2048	-	-	296,588	43,072
2049-2053	-	-	30,124	582
<u>TOTAL</u>	<u>\$ 98,000</u>	<u>\$ 8,717</u>	<u>\$ 5,437,580</u>	<u>\$ 2,989,795</u>

Below summarizes the changes in Debt:

	<u>BALANCE</u> <u>7/1/12</u>	<u>ADDITIONS</u>	<u>RETIREMENTS</u>	<u>BALANCE</u> <u>6/30/13</u>
O'Leary Mortgage	\$ 126,000	\$ -	\$ 28,000	\$ 98,000
Rural Development	337,998	-	10,914	327,084
Rural Development	654,688	-	15,607	639,081
Rural Development	898,767	-	21,416	877,351
Rural Development	1,214,083	-	13,523	1,200,560
State of Delaware	485,407	-	12,276	473,131
State of Delaware	2,052,228	-	131,855	1,920,373
<u>TOTAL</u>	<u>\$ 5,769,171</u>	<u>\$ -</u>	<u>\$ 233,591</u>	<u>\$ 5,535,580</u>

NOTE 7 – NET POSITION RESTRICTIONS:

The following amounts have been restricted for the purpose indicated:

	<u>GENERAL</u>	<u>ENTERPRISE</u>
Impact Fee Fund	\$ -	\$ 50,518
Heritage Shores Meters	-	34,569
Children's Sanctuary Park/Charity Golf	9,812	-
Capital Improvement Escrows	296,831	431,360
Sewer Sinking	-	4,252
<u>TOTAL</u>	<u>\$ 306,643</u>	<u>\$ 520,699</u>

TOWN OF BRIDGEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

EXHIBIT J
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NOTE 8 – PENSION PLAN:

The Town contributes to the Town of Bridgeville, Inc. Money Purchase Pension Plan, which is a defined contribution pension plan operated and administered by the Town. A defined contribution pension plan provides benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined, instead of specifying the amount of benefits the individual is to receive. Under a defined contribution plan, the benefit a participant will receive depends solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participant's benefits that may be allocated to such participant's account. All full-time employees of the Town, other than police officers, are eligible to participate in the plan after completion of one year of service and having attained the age of 21. Town employees are prohibited from making contributions to the plan. For participants hired prior to January 1, 2003 the Town contributes 18.50% of participant's current compensation. Participants hired after December 31, 2002 are eligible for contributions in the range of 8 to 10%, as determined annually by the Commissioners. Contributions to the plan vest over a seven-year period at 20% intervals starting the third year of participation.

Police officers are covered by the State of Delaware County and Municipal Police/Firefighter Pension Plan which is described under Internal Revenue Code Section 414(h)(2). The base pay of full time police officers is subject to employer pension contributions at an actuarially determined rate. The rate is established by the Board of Pension Trustees on the basis of the most recent actuarial valuation and is adjusted on July 1st of each year. A deduction is made from each employee's compensation equal to 7% of base pay. A police officer is vested after 10 years of service. The Town receives a grant from the State of Delaware to be used to fund the plan. This Plan is an agent multiple-employer pension plan that is administered in accordance with Title 11, Chapter 88 of the Delaware Code. The Town Commissioners assign the authority to establish and amend the benefit provisions of the plan to the Board of Trustees of the Delaware Public Employees' Retirement System (DPERS). The State of Delaware issues a publicly available financial report that includes financial statements and required supplementary information for the DPERS. The report may be obtained by writing to DPERS at McArdle Building, Suite #1, 860 Silver Lake Boulevard, Dover, DE 19904-2402, or via the internet at www.delawarepensions.com/financials.

For the year ended June 30, 2013, the Town made pension contributions of \$83,292 (24.53% of covered payroll).

For the year ended June 30, 2013, the contribution was figured on total covered payroll of \$339,590 and total payroll of \$689,305.

NOTE 9 - 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. The insurance policies from commercial agents cover general liability, public officials' legal liability for errors and omissions, police legal liability for wrongful acts, workman's compensation claims, bonding for employees and The Commissioners, and automobile liability and damage claims.

NOTE 10 – COMMITMENT:

The Town of Bridgeville and the Town of Greenwood, a nearby community, have previously entered into an agreement to allow the Town of Greenwood to pump its sewage to the Town of Bridgeville where a waste water treatment plant is located. The Town of Greenwood has paid \$167,000 in tapping and impact fees and has an allocation of 86,000 gallons per day of treatment capacity. Fixed and variable operational costs, as well as managerial cost of running the plant, are charged to Greenwood based on their share of the treatment plant's total treated flow. Also charged to Greenwood (in proportion to capacity) are costs of servicing debt and funding a sinking fund for repairs and maintenance. Currently, Greenwood's share of plant capacity is 18%.

TOWN OF BRIDGEVILLE
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

EXHIBIT J
PAGE 11

NOTE 11 – DEVELOPMENT IMPROVEMENTS AND SERVICES AGREEMENT:

The Town entered into an agreement with a developer relating to costs incurred to develop 2,000 residential homes. All direct and indirect costs of building the development and connecting to existing Town facilities are the responsibility of the developer. At various stages of completion, the developer will dedicate infrastructure to the Town.

Under an amendment to this agreement, the developer agreed to prepay sewer impact fees on 914 residential units, for a total prepayment of \$2,742,000. These funds were used to help purchase the land on which spray irrigation of treated waste water is taking place. The prepaid fees are shown as Deferred Inflows on the financial statements. Current year activity was as follows:

Prepaid Fees - Beginning	\$ 1,755,000
Fees Used	<u>(93,000)</u>
Prepaid Fees - Ending	<u>\$ 1,662,000</u>

TOWN OF BRIDGEVILLE
SUPPLEMENTAL INFORMATION
JUNE 30, 2013

TOWN OF BRIDGEVILLE
SUPPLEMENTAL INFORMATION
REVENUES-BUDGET AND ACTUAL-ALL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

SCHEDULE A

	2013				
	Budgeted Amounts		Actual Amounts	Favorable (Unfavorable) Variance	Prior Year 6/30/12
	Original	Final			
GOVERNMENTAL ACTIVITIES					
Building Permits	\$ 35,000	\$ 35,000	\$ 63,474	\$ 28,474	\$ 49,121
Newsletter Ads	3,500	3,500	3,725	225	3,575
Property Tax	508,550	503,850	495,215	(8,635)	496,569
Quarterly/Supplemental Taxes	6,000	7,000	8,448	1,448	7,132
Property Tax Penalties	1,200	1,500	2,611	1,111	2,290
Transfer Tax	175,000	175,000	224,348	49,348	204,630
Payments in Lieu of Taxes	23,900	23,500	23,485	(15)	23,232
Sussex County Council - Grant	20,000	25,000	25,000	-	25,000
Delinquent Taxes	4,400	4,100	-	(4,100)	-
Interest	500	500	1,307	807	1,379
Grass Cutting	500	250	480	230	659
Miscellaneous Fees	4,700	16,400	16,031	(369)	5,215
Fines	75,500	112,000	89,839	(22,161)	59,188
Federal and State Grants	64,950	110,250	209,229	98,979	162,851
Police Pension Fund	35,000	44,905	44,905	-	35,004
Appropriated Surplus	76,500	-	-	-	-
Garbage Fees	-	-	-	-	33,666
Miscellaneous	500	-	2,425	2,425	2,733
Contractor Licenses	5,000	5,000	7,700	2,700	3,800
Rental Licenses	17,000	17,000	16,925	(75)	17,400
TOTAL GOVERNMENTAL ACTIVITIES	1,057,700	1,084,755	1,235,147	150,392	1,133,444
BUSINESS-TYPE ACTIVITIES					
Fire Lines	11,300	11,300	12,300	1,000	11,300
Water/Sewer Inspection Fees	1,250	1,250	1,900	650	1,750
Sewer Rents	530,000	530,000	506,348	(23,652)	539,706
Fats, Oils, Grease Fees	1,600	1,500	1,500	-	1,600
Roof Connector Rent	600	600	585	(15)	525
Sewer Rent - Industrial	90,000	95,000	90,325	(4,675)	95,718
Sewer Fee Penalties	4,000	3,000	2,762	(238)	5,160
Town of Greenwood	222,050	222,050	224,850	2,800	200,102
Water Rent	245,000	260,000	230,847	(29,153)	258,073
Water Meter Rent	56,700	58,000	58,831	831	56,651
Water Meter Pit Fees	19,750	19,850	30,595	10,745	30,646
Water Fee Penalties	4,000	3,000	2,808	(192)	5,008
Federal and State Grants	-	-	101,607	101,607	50,225
Tapping Fees	3,000	2,500	3,800	1,300	3,500
Impact Fees	-	-	100,830	100,830	162,250
Connection Fees	2,500	2,500	3,900	1,400	3,500
Interest	500	500	2,042	1,542	1,453
Energy Grant	-	-	53,674	53,674	-
Effluent Line	-	-	-	-	17,836
Miscellaneous Fees	10,000	10,000	11,226	1,226	33,772
Appropriated Funds	79,400	16,145	-	(16,145)	-
TOTAL BUSINESS-TYPE ACTIVITIES	1,281,650	1,237,195	1,440,730	203,535	1,478,775
TOTAL REVENUE	\$ 2,339,350	\$ 2,321,950	\$ 2,675,877	\$ 353,927	\$ 2,612,219

TOWN OF BRIDGEVILLE
SUPPLEMENTAL INFORMATION
EXPENDITURES/EXPENSES-BUDGET AND ACTUAL-ALL FUNDS
JUNE 30, 2013

SCHEDULE B
PAGE 1

	2013				
	Budgeted Amounts				
	Original	Final	Actual Amounts	Favorable (Unfavorable) Variance	Prior Year 6/30/12
GOVERNMENTAL FUNDS					
GENERAL GOVERNMENT					
Advertising Expense	\$ 2,500	\$ 2,500	\$ 2,345	\$ 155	\$ 1,111
Travel	300	300	246	54	263
Continuing Education	1,000	500	-	500	192
Grass Cutting Expense	500	500	778	(278)	350
Cleanup Day	3,000	-	-	-	2,924
SCAT Meetings	1,700	1,600	1,532	68	3,222
Code Update	4,000	4,000	2,555	1,445	3,302
Health Insurance	15,650	15,700	10,532	5,168	15,112
Capital Outlay	33,500	33,500	35,000	(1,500)	175,630
Debt Service 103 S. Main Street	-	-	33,486	(33,486)	17,242
Donations	1,000	3,000	3,000	-	-
Dues	1,300	1,450	2,440	(990)	3,391
Service Charges	1,200	1,200	582	618	685
Engineering Fees	4,000	2,000	60	1,940	2,664
Equipment - Purchase/Rental	3,200	500	500	-	-
Garbage Pick Up Fees	-	-	-	-	32,960
Insurance	9,700	9,850	10,112	(262)	9,790
Leases	5,050	5,050	3,508	1,542	4,593
Legal and Auditing	12,000	14,000	15,826	(1,826)	24,658
Maintenance - Buildings/Grounds/Tools	900	2,000	2,204	(204)	1,032
Newsletter Expense	3,500	3,500	3,381	119	3,591
Office Supplies	3,600	3,600	3,645	(45)	5,097
Postage	2,700	2,700	2,817	(117)	2,641
Payroll Taxes	7,850	7,900	8,114	(214)	6,201
Pension Costs	7,800	7,550	9,172	(1,622)	5,108
Ditch Tax - Annual	1,600	1,700	1,696	4	1,569
Repairs	1,350	1,000	143	857	2,183
Salary Expense	102,400	103,250	99,629	3,621	112,680
Special Recognitions	1,100	1,100	823	277	1,339
Supplies	900	2,000	1,540	460	858
Uniform Expense	500	500	447	53	475
Employment Expense	2,000	1,500	782	718	650
Utilities - Electric	4,100	4,800	4,931	(131)	4,345
Utilities - Gas	1,200	1,200	1,085	115	954
Utilities - Telephone	4,500	4,800	5,035	(235)	4,982
Vehicle Fuel	1,700	2,100	1,894	206	1,745
Vehicle Expense	1,000	1,000	1,879	(879)	1,420
TOTAL GENERAL GOVERNMENT	248,300	247,850	271,719	(23,869)	454,959
POLICE					
Advertising	100	300	310	(10)	-
Health Insurance	62,700	47,400	46,553	847	64,009
Travel	100	100	-	100	76
Capital Outlay	25,000	23,850	23,807	43	61,346
Continuing Education	500	500	170	330	210
Donations	400	400	350	50	385
Dues	300	300	300	-	520
Insurance	35,600	37,750	37,814	(64)	32,376
SALLE Expense	5,000	6,100	3,438	2,662	7,670
Leases, Maintenance Agreements	1,000	1,000	940	60	925
Legal and Auditing	4,000	4,000	3,348	652	4,370
Maintenance - Buildings/Grounds/Tools	1,500	3,000	2,720	280	1,064
Office Supplies	1,500	2,000	1,393	607	1,182
Postage	1,700	1,700	1,000	700	1,105
Payroll Taxes	29,100	25,950	27,734	(1,784)	26,859
Pension Costs	51,050	38,350	42,018	(3,668)	48,556
Repairs	1,000	2,000	2,137	(137)	627
Salary Expense	346,400	296,150	286,258	9,892	332,883
Salaries - Overtime, Part-time	34,300	47,550	59,780	(12,230)	35,187
EIDE Drug Overtime	5,000	7,500	2,659	4,841	3,405
Supplies	3,500	22,700	58,662	(35,962)	6,405
Uniform Expense	3,200	4,500	10,195	(5,695)	1,846
Employment Expense	1,100	7,000	8,398	(1,398)	1,045
Utilities - Electric	3,700	4,200	3,662	538	3,132
Utilities - Gas	1,750	2,000	1,600	400	1,461
Utilities - Telephone	13,000	12,000	10,934	1,066	12,404
Vehicle Fuel	30,000	34,000	29,980	4,020	29,042
Vehicle Expense	10,000	12,000	12,781	(781)	10,598
TOTAL POLICE	672,500	644,300	678,941	(34,641)	688,688

TOWN OF BRIDGEVILLE
SUPPLEMENTAL INFORMATION
EXPENDITURES/EXPENSES-BUDGET AND ACTUAL-ALL FUNDS
JUNE 30, 2013

SCHEDULE B
PAGE 2

2013					
	Budgeted Amounts		Actual Amounts	Favorable (Unfavorable) Variance	Prior Year 6/30/12
	Original	Final			
<u>STREETS</u>					
Advertising	100	100	137	(37)	-
Health Insurance	7,900	7,900	7,530	370	8,068
Christmas Lighting/Repairs	1,200	1,200	489	711	1,006
Capital Outlay	4,000	3,000	-	3,000	36,575
Community Transportation	-	-	58,226	(58,226)	26,400
Engineering Expenses	1,000	1,000	220	780	1,374
Insurance	7,600	7,900	7,337	563	5,305
Legal and Auditing	3,500	3,500	3,100	400	3,000
Maintenance - Buildings/Grounds/Tools	3,500	4,500	4,102	398	4,776
Office Supplies	500	500	400	100	444
Payroll Taxes	5,200	5,250	4,919	331	4,711
Permits	50	50	20	30	20
Pension Costs	9,900	9,900	9,869	31	8,178
Repairs	16,400	17,000	17,303	(303)	22,415
Salary Expense	63,700	64,100	64,982	(882)	60,680
Salary - Overtime	4,000	4,000	1,181	2,819	920
Snow Removal	5,000	5,000	3,732	1,268	3,266
Supplies	2,500	3,500	3,325	175	4,301
Tree Removal	2,000	28,200	-	28,200	2,895
Uniform Expense	800	800	791	9	500
Utilities - Electric	40,000	47,000	44,713	2,287	40,252
Utilities - Gas	800	800	557	243	500
Utilities - Telephone	1,500	1,800	1,943	(143)	1,444
Vehicle Fuel	3,000	3,500	3,027	473	2,180
Vehicle Expense	3,500	5,000	5,965	(965)	5,093
<u>TOTAL STREETS</u>	187,650	225,500	243,868	(18,368)	244,303
<u>TOTAL GOVERNMENTAL ACTIVITIES</u>	1,108,450	1,117,650	1,194,528	(76,878)	1,387,950
<u>BUSINESS-TYPE ACTIVITIES</u>					
<u>WASTEWATER</u>					
Advertising	100	100	233	(133)	85
Continuing Education	250	250	90	160	60
Health Insurance	23,800	23,800	24,052	(252)	26,675
Capital Outlay	40,500	27,500	30,250	(2,750)	-
Chemicals	40,000	35,000	22,564	12,436	20,306
Debt Service - Interest	361,200	360,300	191,726	168,574	178,853
Depreciation	-	-	231,100	(231,100)	222,744
Dues	150	200	100	100	113
Engineering Fees	4,000	3,000	40,632	(37,632)	4,457
Equipment - Purchase/Rental	2,900	4,300	2,848	1,452	3,101
Testing Fees	18,700	18,700	17,250	1,450	16,699
Sludge Disposal	14,600	14,600	9,885	4,715	9,636
Insurance	19,300	19,850	21,001	(1,151)	13,025
Leases/Maintenance Agreements	14,500	14,500	14,144	356	15,206
Legal and Auditing	4,500	4,500	3,183	1,317	4,304
Maintenance - Buildings/Grounds/Tools	13,000	13,000	2,348	10,652	10,323
Maintenance - Collector System	1,500	4,500	3,603	897	1,798
Office Supplies	1,250	1,000	1,011	(11)	782
Postage	2,000	2,000	1,507	493	1,531
Payroll Taxes	12,450	12,500	12,299	201	13,150
Pension Costs	18,600	18,600	18,566	34	17,806
Repairs	31,900	25,000	46,767	(21,767)	33,653
Salary Expense	154,400	155,150	163,638	(8,488)	169,424
Salary - Overtime	8,000	8,000	6,852	1,148	7,437
Supplies	1,400	1,400	2,350	(950)	1,323
Uniform Expense	1,000	1,000	902	98	979
Utilities - Electric	80,000	80,000	75,412	4,588	78,738
Utilities - Gas	19,000	10,000	6,707	3,293	15,161
Utilities - Telephone	3,700	4,100	3,888	212	3,663
Miss Utility Locates	250	300	293	7	316
Vehicle Fuel	4,500	3,800	3,357	443	3,795
Vehicle Expense	2,600	2,500	4,041	(1,541)	840
<u>TOTAL WASTEWATER</u>	900,050	869,450	962,599	(93,149)	875,983

TOWN OF BRIDGEVILLE
SUPPLEMENTAL INFORMATION
EXPENDITURES/EXPENSES-BUDGET AND ACTUAL-ALL FUNDS
JUNE 30, 2013

SCHEDULE B
PAGE 3

2013					
	Budgeted Amounts		Actual Amounts	Favorable (Unfavorable) Variance	Prior Year 6/30/12
	Original	Final			
WATER					
Advertising	100	100	-	100	511
Continuing Education	900	300	140	160	80
Health Insurance	15,700	15,700	16,708	(1,008)	13,688
Capital Outlay	4,000	3,000	20,000	(17,000)	-
Chemicals	20,000	18,000	12,765	5,235	14,477
Debt Service - Interest	61,500	61,500	24,480	37,020	42,818
Depreciation	-	-	231,100	(231,100)	222,744
Dues	600	600	745	(145)	357
Engineering Fees	1,000	1,000	1,650	(650)	2,624
Equipment - Purchase/Rental	16,500	19,000	19,834	(834)	14,732
Testing Fees	600	600	400	200	1,400
Insurance	9,100	9,350	10,256	(906)	7,822
Leases	28,200	15,900	15,771	129	1,430
Legal and Auditing	3,500	3,500	3,100	400	3,049
Maintenance - Buildings/Grounds/Tools	3,500	3,500	3,388	112	2,304
Newsletter Expense	300	300	250	50	503
Office Supplies	1,000	1,000	781	219	1,057
Postage	1,500	1,500	1,250	250	1,500
Payroll Taxes	7,150	7,200	7,440	(240)	7,039
Pension Costs	3,700	3,700	3,667	33	9,299
Repairs	22,000	6,000	5,425	575	27,753
Salary Expense	85,200	86,000	92,072	(6,072)	93,344
Salary - Overtime	8,000	8,000	7,041	959	6,194
Supplies	6,000	6,000	5,020	980	9,568
Uniform Expense	500	500	500	-	495
Utilities - Gas	800	800	557	243	501
Utilities - Electric	20,000	20,000	20,130	(130)	18,460
Utilities - Telephone	4,000	5,500	5,887	(387)	5,428
Miss Utility Locates	500	500	293	207	315
Vehicle Fuel	2,500	2,300	2,116	184	2,060
Vehicle Expense	2,500	2,000	877	1,123	1,923
TOTAL WATER	<u>330,850</u>	<u>303,350</u>	<u>513,643</u>	<u>(210,293)</u>	<u>513,475</u>
TOTAL BUSINESS-TYPE ACTIVITIES	<u>1,230,900</u>	<u>1,172,800</u>	<u>1,476,242</u>	<u>(303,442)</u>	<u>1,389,458</u>
TOTAL EXPENDITURES/EXPENSES	<u>\$ 2,339,350</u>	<u>\$ 2,290,450</u>	<u>\$ 2,670,770</u>	<u>\$ (380,320)</u>	<u>\$ 2,777,408</u>

TOWN OF BRIDGEVILLE
SUPPLEMENTAL INFORMATION
SCHEDULE OF OPERATING REVENUES AND EXPENSES
ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2013

SCHEDULE C

	<u>Wastewater Department</u>	<u>Water Department</u>	<u>Total</u>
Operating Revenue			
Charges for Services	\$ 933,000	\$ 339,181	\$ 1,272,181
Miscellaneous	4,941	6,285	11,226
Grant	48,566	106,715	155,281
Interest	1,281	761	2,042
	<u>987,788</u>	<u>452,942</u>	<u>1,440,730</u>
Total Operating Revenue			
Operating Expenses			
Health Insurance	24,052	16,708	40,760
Advertising	233	-	233
Capital Outlay	30,250	20,000	50,250
Chemicals	22,564	12,765	35,329
Depreciation	231,100	231,100	462,200
Dues	100	745	845
Engineering Fees	40,632	1,650	42,282
Equipment - Purchase/Rental	2,848	19,834	22,682
Testing Fees	17,250	400	17,650
Sludge Disposal	9,885	-	9,885
Insurance	21,001	10,256	31,257
Continuing Education	90	140	230
Interest Expense	191,726	24,480	216,206
Leases	14,144	15,771	29,915
Legal and Auditing	3,183	3,100	6,283
Maintenance - Buildings/Grounds/Tools	2,348	3,388	5,736
Maintenance - Collector System	3,603	-	3,603
Newsletter Expense	-	250	250
Office Supplies	1,011	781	1,792
Postage	1,507	1,250	2,757
Payroll Taxes	12,299	7,440	19,739
Pension Costs	18,566	3,667	22,233
Repairs	46,767	5,425	52,192
Salary Expense	163,638	92,072	255,710
Salary - Overtime	6,852	7,041	13,893
Supplies	2,350	5,020	7,370
Uniform Expense	902	500	1,402
Utilities - Electric	75,412	20,130	95,542
Utilities - Gas	6,707	557	7,264
Utilities - Telephone	3,888	5,887	9,775
Miss Utility Locates	293	293	586
Vehicle Expense	7,398	2,993	10,391
Total Operating Expense	<u>962,599</u>	<u>513,643</u>	<u>1,476,242</u>
Net Operating Income (Loss)	<u>\$ 25,189</u>	<u>\$ (60,701)</u>	<u>\$ (35,512)</u>



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Terrence Johnson, C.P.A.
Richard L. Tull, C.P.A.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To The Commissioners
Town of Bridgeville, Delaware

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities and each major fund of the Town of Bridgeville, as of and for the fiscal year ended June 30, 2013, and related notes to the financial statements, which collectively comprise the Town of Bridgeville's basic financial statements, and have issued our report thereon dated October 30, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Bridgeville's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Bridgeville's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Bridgeville's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Bridgeville's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Lank, Johnson & Tull". The signature is written in a cursive, flowing style.

Seaford, Delaware
October 30, 2013